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#### **ECO-WISES: WORK INTEGRATION SOCIO-ECONOMIC ECO- ENTERPRISES – THEIR POTENTIALS AND REQUIREMENTS IN REACHING SOCIAL, ECOLOGICAL AND ECONOMICAL GOALS RESULTS FROM A CURRENT RESEARCH-PROJECT ON ECO- WISES IN AUSTRIA**

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## INTRODUCTION

As for the role of Third Sector Organisations (TSOs) in the labour market, specific types of social enterprises emerged in the field of work integration. These so-called work integration social enterprises (WISEs) were identified by researchers of the PERSE and ELEXIES project<sup>1</sup> as aiming *"to help poorly qualified unemployed people who are at risk of permanent exclusion from the labour market. These enterprises integrate them back into work and society in general through productive activity"* (EMES 2004, p.1). The authors of this project analysed the performance and conditions of WISEs and expressed recommendations for policy makers. They also emphasised the need for further studies in this field in order to deliver a clear understanding of the relevance of these organisations in our society: *"In-depth studies have to be developed to better understand the role of social enterprises compared to public organisations and business in delivering social services"* (ibid, p.9).

A special subgroup of WISEs has an environmental focus and is referred to as work integrating socio-economic eco-enterprises - shortened ECO-WISEs. The first ECO-WISEs appeared in Europe during the 1980s. Their development can be seen as a reaction on the demands of the labour market policy of that period and the nascent environmental movement. The goal of ECO-WISEs is to improve the inclusion of people with special needs into society, e.g. long-term unemployed, by providing jobs in the field of environmental sustainability. In addition, these organisations launch and develop new markets by offering new products and services (e.g. the trash design manufacturing<sup>2</sup>).

Over the last few years these organisations have been discovered as a strategic reserve to strengthen the environmental, social and economic pillar of society. They are seen as best practices that accomplish a general objective of the European Commission (EC), specifically in the sense of combining social, economic and ecological trajectories in line with the concept of sustainable development. But it's a fact, that these ECO-WISEs have only marginally been investigated, so their potentials and requirements to balance the social, economic and ecological goals have remained unnoticed.

At this point a research project, analysing the situation in Austria has its source.

### 1. EMPIRICAL AND THEORETICAL BASE

An analysis of the relevant contribution of ECO-WISEs to society must simultaneously include the economic, ecological and social dimension of their activities. Therefore expert-interviews with a pool of researchers, politicians and practitioners in these fields were made in the first step, in order to specify the main characteristics of these organisations in the socio-economic context of Austria.

During the last months we interviewed 7 business managers from ECO-WISEs, 4 researchers coming from the field of social science, political science and environmental science as well as 2 experts from umbrella organisations and 2 representatives of public funding authorities. Summing it up we conducted 15 interviews (six with women and nine with men), covering following aspects:

- Development of ECO-WISEs in Austria
- Goals of ECO-WISEs

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<sup>1</sup> The EMES project titled PERSE (Socio-economic Performance of Social Enterprises in the Field of Work-Integration) was funded by the 5<sup>th</sup> Framework Programme and took place between 2001 and 2004. The Elexis project took place between 2002 and 2003.

<sup>2</sup> [www.trashdesign.at](http://www.trashdesign.at)

- Their fields of activity
- Their organisational format and their specific regulations
- Their role in the context of sustainable development
- Future perspectives for ECO-WISEs

This first research phase is completed, which allows us to trace the landscape of ECO-WISEs in Austria. This manuscript summarises the core results of this research phase. Thereby the focus is set on:

- ECO-WISEs – Definition and Goals
- ECO-WISEs – Dynamics in their evolution
- ECO-WISEs – Prospects for their future

Consequently we formulated lead questions, which will be analysed in an additional, detailed research process, that is divided in three stages: investigating (i) the structure, (ii) the process and (iii) the potentials. Results are to be expected by summer 2009. The questions will be separately analysed with a specific methodological repertoire as briefly described in the following:

- Structure: *What are the main characteristics of these organisations in Austria?* (= quantitative description of the financing situation, employment situation, economic situation as well as their ecological valuation on the basis of a questionnaire; the database includes about 200 organisations)
- Process: *How can these organisations face the needs resulting out of the downsizing of the welfare state, the crises at the labour market and the emerging environmental problems?* (= qualitative case studies in ecological and economical concerns as well as in social and political concerns; the case studies will be done in about 10-15 ECO-WISEs)
- Potentials: *What are the chances and difficulties facing ECO-WISEs in relation to the objectives of the labour market-, economic- and environmental-policy actions of the EU?* (= on the basis of the research results on the Austrian situation, effects of ECO-WISEs should be discussed with experts on an European level)

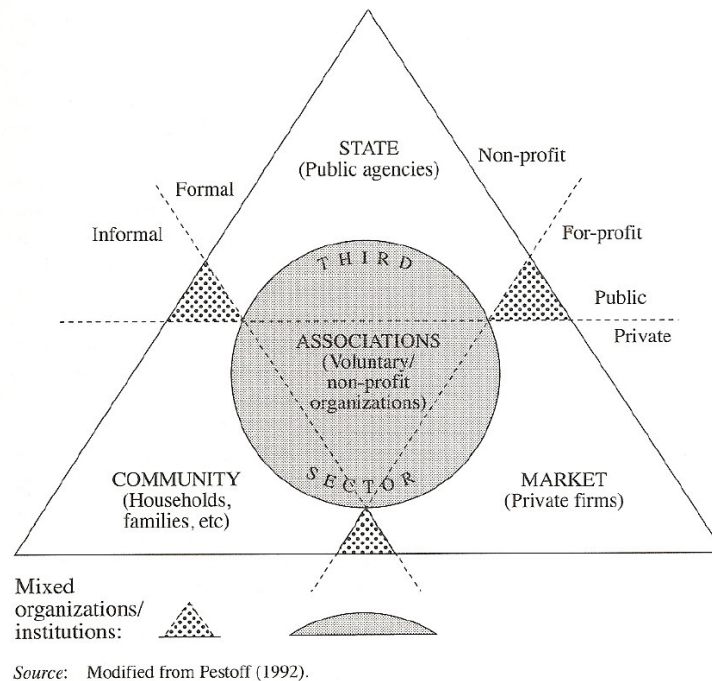
Especially for the last aspect an international arena is required. The international conference of ISTR and EMES is an ideal platform to start this process. The presented results of the first research phase on the Austrian situation intend to initiate a multinational discussion. The findings deliver a good basis for discussions and raise the question: *What prospects of the future do we as experts have to strengthen the role of ECO-WISEs in times of globalisation?* Further they can also be an impulse for advanced international research activities, e.g. to consolidate the contrasts and similarities in several countries.

But before the discussion starts, we would like to give an introduction on how ECO-WISEs are empirically conceived in Austria.

## 2. DEFINING ECO-WISES

### 2.1. Third Sector – an economic field between market, state and community

As already mentioned in the introduction ECO-WISEs are typical Third Sector Organisations (TSOs) acting in the field of work-integration and ecology. According to the "European" definition outlined by several researchers like Birkhölzer (2004), Evers and Laville (2004) TSOs are positioned in the middle of the triangle between the private market sector, the public state sector and the private informal community sector as it can be seen in the figure below (see Ever/ Laville eds. 2004, p.17).



The Third Sector covers a wide range of services (social services, culture and sport initiatives etc.). Herein organisations of different structure with different aims can be found (see e.g. Anastasiadis 2006). There are grass-root orientated associations which were founded upon idealistic motivations and which in general, operate not for profit or generate no profit. They can be described as typical NPOs. On the other hand there are more market orientated ones, which are characterised by functional and leading principles of the market economy. Latter ones operate for profit, but they re-invest their earnings back into the organisation, to simply create new projects. ECO-WISEs are for example assumed to be part of this second category. Birkhölzer labelled the profit making ones as "*Third System*" or "*Social Economy*" (2004, p.12). So the Third Sector in the European understanding includes NPOs as well as organisations of the Social Economy. What they have in common is that they all act in a specific economic way in order to reach social goals.

According to Birkhölzer (2004, S. 10f), the **main criteria of TSOs** are summed to read the following:

- **Autonomy from public sector:** They are governed by them in the framework of an independent project or institution. Public authorities do not manage them directly or indirectly.
- **Institutional basis:** They are organised in associations, Ltds etc. This minimum of organised background distinguishes them from informal community activities.
- **They act in a cooperative style, in order to realise social goals:** They serve the community or a specific group of people. Their working culture can be described as participatory. Stakeholders as well as shareholders are involved in the decision-making.
- **Voluntary membership:** If they have a membership structure, the membership has to be voluntary.
- **Non-profit-maximising and not-for-private-profit-distributing:** They are not distributing profit to members or shareholders. They are re-investing their earnings back into the project or the institution.

## 2.2. ECO-WISEs – a special field in the Third Sector

WISEs – Work integration social enterprises – are a special field in the Third Sector. Researchers from EMES network established as a result of their projects PERSE and ELEXIES a catalogue of affiliation-criteria, which we choose as basis for our research on ECO-WISEs. The EMES catalogue is more specific than the general one of TSOs. It distinguishes between criteria that are more economic and indicators that are predominantly social (see EMES 2003, pp. 3-4).

*Factors of the economic and entrepreneurial nature of the initiatives*

### 1) A continuous activity producing goods and/or selling services

Social enterprises, unlike the traditional non-profit organisations, are normally not engaged in advisory activities as a major goal or in the redistribution of financial flows (as, for example, grant-giving foundations). Instead they are directly involved in the production of goods and the provision of services to people on a continuous basis. The provision of services represents, therefore, the reason, or one of the main reasons, for the existence of social enterprises.

### 2) A high degree of autonomy

Social enterprises are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Although they may depend on public subsidies, public authorities or other organisations (federations, private firms, etc.) they do not manage them, directly or indirectly. They also have the right of participation and/or to terminate the project.

### 3) A significant level of economic risk

Those who establish a social enterprise assume totally or partly the risk of the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.

### 4) A minimum amount of paid work

As in the case of most traditional non-profit associations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

### *Factors of the social dimension of the initiatives*

#### 1) An initiative launched by a group of citizens

Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a certain need or aim. They must maintain this dimension in one form or another.

#### 2) A decision-making power not based on capital ownership

This generally means the principle of "one member, one vote" or at least a voting power not distributed according to capital shares on the governing body which has the ultimate decision-making rights. The owners of the capital are obviously important, but the decision-making rights are shared with the other stakeholders.

#### 3) A participatory nature, which involves the persons affected by the activity

Representation and participation of customers, stakeholder orientation and a democratic management style are important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.

#### 4) Limited profit distribution

Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations like co-operatives in some countries, which may distribute profits only to a limited extent, thus avoiding a profit-maximising behaviour.

#### 5) An explicit aim to benefit the community

One of the principal objectives of social enterprises is to serve the community and/or a specific group of people, at the same time, promoting a sense of responsibility at local level.

### *Ecological criteria*

In addition to that catalogue concerning the social aspects and the economic aspects, we can express the following criteria concerning the ecological aspect on the basis of our results of the expert-interviews:

#### 1) They are producing goods and/or selling services in an ecological field of activities

Their portfolio is dedicated to activities, that enhances people (individual customers, public authorities and private companies) to act ecologically sustainable. That could be e.g.

- Recycle, dismantle, restore and repair things which are broken or were already declared as waste: textile, electric and electronic devices, metal, furniture, bicycles etc.
- Waste disposal independent from the public waste management system
- Pick up service for broken goods or items that were already declared as waste
- Nature protection and landscape conservation
- Gardening
- Catering services with organic food
- Organic farming
- etc.

#### 2) They are producing goods and/or selling services in an ecological sustainable way

While the first criteria focuses on what is produced or sold the second criteria focuses on as to how things are produced or and as to how services are rendered, e.g.:

- using ecological valuable material

- efficiency in using several material and energy
- reducing the environment pollution
- etc.

Experts with the view from the outside in, like researchers and representatives of umbrella organisations intend to focus on the second criteria. Managers from the organisations however mainly tend to focus on the first criteria as aforementioned.

As there are no specific characteristics for the "ECO", **ECO-WISEs can finally be defined as enterprises,**

- that are non-profit-maximising with an explicit aim to benefit the community
- that help to re-integrate long-term unemployed into work and society through productive activity
- that have dedicated their portfolio to an ecological field of activity and/or are selling services and/or producing goods in an ecologically sustainable way.

All in all they encourage others to act sustainable, in the sense of the concept of sustainable development.

### **2.3. Sustainable development**

Linking all three dimensions together – the economic, social and ecological one – ECO-WISEs can be seen as prototypical for that what is internationally discussed via the keyword of sustainability. Sustainable development is defined, according to the Brundtland-Commission as *"Development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs"* (World Commission 1987, p.43). This definition implies an intergenerational equalisation, which can not be reduced on the ecological factor, as often perceived. To realise sustainable development, it is imperative to focus upon all three dimensions equally:

- The social one, which goes hand in hand with equal participation in society
- The economic one, which means in general to balance economic dissimilarities between people and regions
- The ecological one, which can be described as to avoid exploitation of our nature (see Littig/ Griebler 2004, p.15)

When it is said, that these dimensions should be faced upon equally, we naturally come into a process, where we have to solve conflicts of different objectives. ECO-WISEs are facing such conflicts every day and can therefore be perceived as experienced in handling this trade-off. To see how they come along with this challenge, we will refer to our empirical material on the evolution of ECO-WISEs in Austria.

## **3. ECO-WISES – DYNAMICS IN THEIR EVOLUTION PROCESS**

From the statements of experts, those we interviewed three phases of the ECO-WISEs-Development were identified. This can be seen as an evidence for a very dynamic evolution, which goes hand in hand with the dynamics in the other sectors - private market sector and the public state sector.

### **3.1. The development of ECO-WISEs in the Mid 1980s**

About 25 years ago the first ECO-WISEs emerged in Austria. That was the period when the so-called "active labour market policy" had its starting point. The three main pillars of this strategy are (i) qualification, (ii) consulting service and (iii) integration through employment. Especially the last one led to the creation of the so-called "second labour market". Herein



long-term unemployed have the opportunity of a temporary employment coupled with on the job training and special support from social workers. After a certain period of time, usually one year, participants should be integrated in the regular so-called "first labour market". An expert describes this period as *"a self acting and self-organised era where a lot of experiments were carried out"* (ÖKO 55-58).

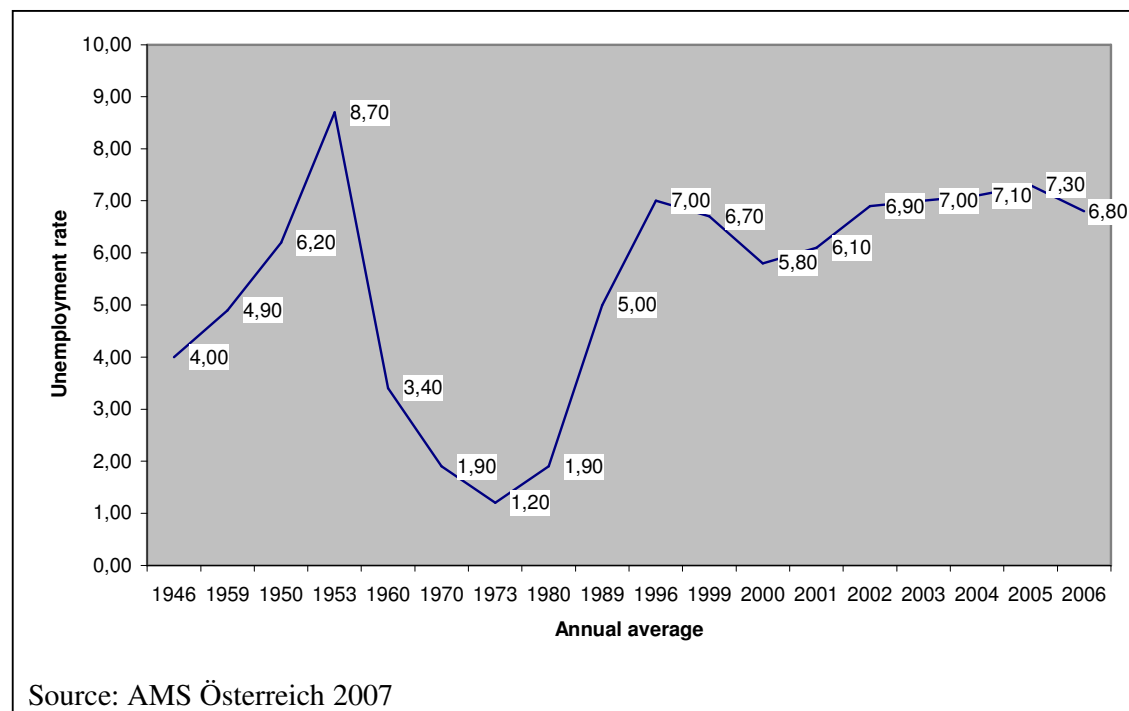
#### *New problems on the labour market*

Such experiments became necessary considering the new problems on the labour market, namely the growth of unemployment, which is a direct result of the global economic market change. Many companies reduced their workforce in order to improve their efficiency and/or started to move operations to countries where the production process is less expensive (see e.g. Sennett 2005, p.75).

The following figure illustrates the development of the Austrian unemployment quota since 1946<sup>3</sup>. Thus it appears that the quota was very low in the beginning of the 1980s. It marked the beginning of a steady and constant rise of unemployment, peaking in the mid 1990s.

The Austrian welfare system, which can be defined as a typical Keynesian one, was unable to manage and to tackle all the new problems with classical transfer payment such as early retirement, unemployment pay etc. Measures to enhance the re-integration process of unemployed were required. Here a congenial partnership between policy makers and private initiatives had its source.

#### *Employment situation in Austria since 1946*



<sup>3</sup> measured with the national method

### *Innovation process in the labour market policy*

Alfred Dallinger the former Minister for Social Affairs initiated an innovation process called "Aktion 8000". The objective of this programme was to create 8000 new jobs in the wide field of the Third Sector. Via start-up financing new organisation in various fields were found, e.g. mobile social services, alternative child-care initiatives, recycling projects, soft tourism projects, regional development projects, cultural activities etc. (see Zauner 2004, p.1). They all had the mission,

- to create jobs by acting in regional fields and reacting on specific regional needs
- to offer on the job training opportunities for long-term unemployed in the sense of the so-called "second labour market" and to re-integrate participants into the regular "first labour market"
- to continuously increase the income from marketing services and/or selling goods in order to achieve independence to a certain extend from the public start-up financing.

This "Aktion 8000" offered an opportunity for many regional initiatives to become an important partner in the process of social change. They could announce their ideas directly in the Ministry of Social Affairs. The Ministry put into place several work groups, headed by experts, throughout various branches, e.g. the work group for environment and employment, which was the main contact point for all ECO-WISEs emerging in this period. In addition regional centres for labour market consultancy were installed. Their main task was to identify potential project ideas and to help the involved groups to realise them.

Summing it up, we can say, that we had a classical Top-Down structure of policy making with a strong grass-root orientated focus. The result was a respectful and innovative climate where many ECO-WISEs had their starting point.

### *New funding method*

The organisational format was at that time usually a not-for-profit association. Later, in the Mid 1990s - also non-profit-maximising limited liability companies (Ltd.) were founded. In cooperation with the Labour-Market-Administration (AMV), who funded the activities of this integration through work initiatives, a specific regulatory guideline was created, which is called "funding-directive for Work Integration Social-economic Enterprises" (SÖB-Richtlinie). The directive dictates that the organisations have to make profit out of their services to a minimum of 20% of their total annual income. The other 80% can result out of funding

- from the Labour-Market-Administration (AMV)
- from the provincial government
- from the local authorities.

The directive also notes that the funding contract will be only valid one year. In this contract the number of people who should be transferred from this second to the first labour market is accounted. Next to this number the success is measured after the yearly funding-period (see Expert 15, p. 48). The directive states, that if the company make more than 20% profit, the sum will be subtracted from the funding as provided by the Labour-Market-Administration (see AMS 2008). The directive also says, that WISEs are not allowed to act in fields where the market economy is operating (see Expert 15, p. 68). It has to be said, that latter two criteria are a huge handicap for the enterprises to act economically and autonomous as another expert outlined (see Expert 6, p. 105-110).

### *Environmental policy*

When we talk about ECO-WISEs we also have to mention another important movement, namely the ecological movement, which also had its beginning in this era 25 years ago. In Austria it was the time of alternative citizens groups, who dedicated themselves to saving the environment. NGOs emerged and they initiated protests against nuclear power and for the preservation of wildlife and the maintenance of nature protection areas. This was also the time when the "Green Party" was founded in Austria. Also the topic of waste management came up and especially within this subject ECO-WISEs created their niche. For-profit enterprises had not yet discovered this field as being profitable and the designated work group for environment and employment as put in place by the Ministry of Social Affairs, supported ECO-WISEs in creating new jobs in the field of recycling and waste management. By working in this field, ECO-WISEs avoided direct business competition with the private market sector, as it was strictly forbidden through the funding directive. Needless to say, this opportunity became the traditional ECO-WISEs action field as the experts say (see e.g. Expert 8, p. 51).

Another argument for the growth of ECO-WISEs is, that recycling and waste-management creates a perfect employment opportunity for all those long-term unemployed who are often considered as low qualified employees with or without "traditional craft skills" that are no longer valued in accordance to the new modern standards of certain mainstream industries. Those certain skills and "know-how," as provided by the new work force, proved to be invaluable, especially when repairing goods and extending the life of products.

#### **Example "BAN"**

This organisation is exactly 25 years old. It was found in 1983 by young social workers. The main motivation was a social one, namely to re-integrate jobless and homeless people to society, by offering them on the job training opportunities and social support. Recycling and waste management was from the beginning their central field of activity. The work-culture in the enterprise was in the very beginning a bottom-to-top decision-making one. This has changed especially during the last 10 years to a more professionalised business management. In the meantime almost 60% of their total annual income is earned by selling products and services. Only 40% of its income provided via funding. How this goes together with the funding directive just mentioned, this secret we will disclose later.

**Summarising** the effects of ECO-WISEs in connection with the concept of sustainable development, which, by the way, was at that time an idea and an idea only, without being formulised on paper, we can state, that ECO-WISEs can not only be seen as prototypical but also as pioneers. They face all three dimensions in their every day work:

- Social dimension: Integrating people into the labour market and enhancing their lives via equal participation and integration as much as possible.
- Economic dimension: Strengthening the regional surplus by making a contribution to balance economic dissimilarities and by offering specific services and goods that are needed in regions.
- Ecological dimension: Extending the life of certain assets and herein enhancing environmental awareness. So they help to avoid the exploitation of our nature.

### 3.2. Growths of ECO-WISEs in the Mid 1990s

The second phase we identified started in the Mid 1990s. An expert we interviewed characterised this period as *"years, when this sector has grown comparatively strong"* (Expert 2, p.36). Two important changes in the policy structure lead to a growth of ECO-WISEs.

#### *The entry of Austria into the EU*

The first change was the entry of Austria into the European Union in 1995. This provided new funding opportunities for WISEs and especially for ECO-WISEs. The European Social Fund (ESF) became a relevant funding-partner. Moreover the European Employment Strategy allowed more long-termed funding conditions for these organisations. WISEs were seen as an important instrument to meet the four pillars of the European Strategy, namely:

- Improve placement options for long-term unemployed
- Develop entrepreneurial spirit
- Foster the assimilation between the workforce and the new working conditions which came up in these years
- Foster the equality of opportunities

In the view of the Austrian Labour Market Service (AMS), the longer the unemployment period lasts, the lesser the chances of getting a new job. The long-term unemployed often have a low level of qualification, or no professional skills at all, which makes it more difficult for placing them into a job. But the period of unemployment also has a negative effect on their ability to find a job. The reasons hereto are manifold: (i) demands for qualifications are changing over time, thus rendering obsolete vocational training as received in the past; (ii) unemployed people are also deprived of on-the-job training, which is of high importance for lesser skilled workers; (iii) a long absence from the labour market also has negative impacts on the motivation to look for a new job; (iv) also important social competencies – such as teamwork, time management, punctuality – get lost; (v) and employers are aware of these negative effects of long-term unemployment and are therefore more reluctant to hire them. The tense situation on the labour market pushes the long-term unemployed into a vicious circle; temporary employment in a social integration enterprise gives the long-term unemployed a chance to break this vicious circle (see EMES 2003b, p.5).

As a result a lot of new organisations were found in the years till 1997. Their projects were mostly co-financed between the Austrian Labour Market Service (AMS) and the ESF.

#### *Restructuring of the employment-market-authority-system*

The second change was the restructuring of the labour-market-authority-system. The regional offices of the centralised Labour-Market-Administration (AMV) became more autonomous. It was not longer the Ministry who formulated the goals, developed the strategies and the instruments thereof. Going forward the regional and local agencies have gained more decision-making power in as to how they meet the goals, which were still a directive from the Ministry and now also from the European Union. Also the Labour-Market-Administration (AMV) was renamed, now the entire system is called: Labour- Market-Service (AMS). This restructuring and renaming also met the strategic goals of the European Union to improve the regions. Initiatives from the EU like the TEPs (Territorial Employment Pacts) underline this development. The expectation was that the experts in the regional Labour-Market-Services know more about the needs within each region served and therefore would be able to react better and timelier by creating and formulating measurable benchmarks with private initiatives. So the former "Top-Down" approach gave way to a bottom-to-top one.

### *Discovering new economic fields*

WISEs and especially ECO-WISEs were seen as successful partners in the re-integration process of long-term job seekers. The demand on such initiatives grew the more the number of unemployed increased. Therefore in this years more public money was spend on improving placement options. And therefore new economic fields were discovered by ECO-WISEs. Recycling and waste management were still important fields, but with time, new opportunities came along, such like organic farming, restaurants using more organic products, cleaning services, gardening services, rental services for reusable plastic cups which are mainly used for big events etc.

### *Environmental policy*

In the meantime the environmental awareness in society has also grown. The declaration of the Congress in Rio 1992 including the Agenda 21 programme e.g., shows us the upcoming role of topics on ecological sustainability. Also the above mentioned Brundlandt definition of sustainable development was put on paper at that time. Consequently, the private market sector has discovered environmental fields as future business options. Not only technological branches like environmental engineering but also the recycling and waste management became more and more attractive to them. This could be seen as a reason as to why ECO-WISEs needed new niches and excelled in discovering new businesses, like the example ÖKO-Service shows clearly.

#### **Example ÖKO Service**

This initiative was found in 1994. It's a non-profit-maximising corporation in the form of a limited company (Ltd.), with both of the owners working in the same field – 50% belong to the aforementioned BAN and 50% to ARGE Müllvermeidung (Working Committee of avoiding waste). Their main goal is to offer unemployed a job and a qualification opportunity in the environmental service sector. They deliver services in the field of gardening, collection of old-cooking fat as well as a rental service for reusable plastic cups and dishes. Their main customer is the AMS – Labour-Market-Service. Other customers are private companies and people as well as regional authorities. ÖKO Service was awarded with the Agenda 21 price of the city of Graz in 1996 for a trend-setting integration of social goals in sustainable development processes. During the last 10 years they experienced a vast economically expansion. Today 60% of their total annual income is earned by selling their services. At the moment they employ about 40 people, whereof approximately 20 are working in the so-called "second labour market". As this example shows, a trend towards economically autonomy is most visible.

**By the end of the growth period**, it was around 1997, first cutbacks in funding was noticeable. The reason for that was, according to an expert we interviewed, that the labour market policy reserved money for the creation of new measures and instruments, in order to keep the innovation process going (see Expert 1, p.91-123).

### **3.3. Downsizing and rekindling of ECO-WISEs in the Mid 2000s**

With the end of the 1990s tough times were ahead for ECO-WISEs. An expert whom we interviewed described ECO-WISEs as *"a dying breed. We are on the so-called red-list. That's obvious"* (Expert 6, p.46-49). Experts say, that during the last 10 years the funding from the Labour-Market-Services (AMS) have decreased continuously while the pressure to re-integrate more and more into the regular "first labour market" has grown.

### *Qualifaction – the core of the active labour market policy*

As one reason for downsizing the funding for ECO-WISEs experts see the change in labour market policy from the former integration through employment strategy to a major qualification strategy. Qualification is another relevant pillar of the "active labour market policy". The Austrian government has declared unisono with the European Action Plan to include more jobseekers into qualification programmes. According to the annual business report 2006 of the Austrian Labour-Market-Service, who is the main funding source of ECO-WISEs, in 2005 already 200.000 people were in courses and training programmes which lasted in average 65 days, and in 2006 already 230.000 did so. Those activities cost more than € 560 Mill, which is about 67% of the whole budget for active labour market policy posted for that year (see AMS Österreich 2006, p. 26-30).

In comparison to that, the budget for integration through employment was € 200 Mill, which is about 25% of the budget. In contrast to the diagnoses of the experts we interviewed, it has to be said, that the whole funding budget for the active labour market policy has increased continuously during the last years, and so also the one for WISEs. In 2005 it was e.g. € 170 Mill.

In 2006 45.000 people were working as funded individuals in WISEs. This is 13.000 more than in 2005. As the budget grew, and more people were funded, the duration of the funding period decreased: In 2005, participants were able to enjoy their on the job training in an average for 180 days, in 2006 the average was 136 days. As you can see, it related to more intense work for WISEs, in order to train them, to support them and to re-integrate them in the regular "first labour market". The amount of funding they received seemed not to cover the increased demand on resources they needed and neither compensated them for increased working-processes. More so, the constantly increasing expenses for providing the structure had to be considered in that context as well.

The changing goals of the labour market policy and the still rising number of unemployed in Austria coincide with one another and it is imperative to view it as such. The targeted goal of the "qualification-offensive" is, besides qualification, and this is without a doubt an important aspect, a social and a political one. The social objective is to keep jobseekers active in the system. During a course they have e.g. a regulated daily routine. The political one is, as experts would say, to "clean the statistic". Individuals who are in courses do not count as jobless. Further in qualification programmes more people can be supported than e.g. in WISEs. And – considering such - that's a key aspect – courses are cheaper than long-term work-integration processes (see Expert 13, p.47).

### *Still Top-down*

Another reason as to why ECO-WISEs are viewed as a "dying breed", can be found in the roots of policy making. The restructuring of the labour-market-authority-system in the aforementioned period intended to give the regional services more decision-making power. In reality this "bottom-to-top" like approach seems to be more "Top-Down" than the former centralised way in times of Minister Dallinger's regime, as experts stated: *"The regional Labour-Market-Service centres are highly interested in regional initiatives, in order to solve regional problems, and are focused to gain know-how and also resources. But at present, as it seems, the regional service centres are not really and truly integrated in the decision-making process. The decision comes more or less, once again, directly from above. The goals are defined by the national government, by the Ministry, which are strongly politically influenced"* (Expert 3, p. 75-75). *"The whole story is a political decision. In times of the Social-Minister Dallinger ECO-WISEs were born – in its broadest sense, and now in times of*

*Minister Bartenstein- the Minister for Labour and Economy Affairs, they are buried"* (Expert 6, p.46-49).

According to the experts, during the governance of Minister Dallinger a lot of social innovations were possible. Resources were made available, fostering motivation and innovative ideas. Today the labour market policy defines its goals in accordance with the European Action Plan and adjusts its budget accordingly. The task of the regional service centres is to achieve those objectives, which are measured with strict indicators. In sum, there is not much room for creative innovations (see Zauner 2004, p.2). So all in all it seems a more neo-liberal way with less participation opportunities.

#### *New strategy – more business and professionalism*

The tense situation in labour-market-policy pushes ECO-WISEs more and more into a vicious circle. The organisations are facing following trade-offs:

- Acting economically in an autonomous way, while having strict funding directives. It's not allowed to re-invest autonomously its surplus back into the enterprise by creating new side-projects upon reaching the 20% threshold. Every investment has to be approved by the funding organisation – the Labour-Market-Service.
- Training on the job of unemployed and re-integrating them into the regular "first labour market" has become difficult, especially when ECO-WISEs are deliberately excluded from the economic-world. They are forced to find niches for not getting into a business competition with the private market sector. In order to re-integrate them they need good networks and contacts to the private market sector. They need re-integration opportunities. The directive does not foster cooperation, it fosters a distinction.
- ECO-WISEs are addicted to public funding in order to achieve the social objective, namely to train and re-integrate unemployed participants. Therefore they are delivering a service for society and that has to be funded by public authorities. They are doing that on behalf of society. But when the allocation of funding gets more and more restrictive, ECO-WISEs need new strategies, in order to reach their goals, in concrete (i) improving the social and economic situation of their target group (ii) achieving good commercial performance and (iii) hereby acting in an economic sustainable way.

Facing these circumstances more and more ECO-WISEs try to become more independent from the influence of the Labour-Market-Service. New deals with the local government along with a new additional funding directive give them a chance to break this vicious circle.

The new funding directive, the so-called "funding directive of a non-profit-maximising employment project or company" (GBP Richtlinie) allows them to raise their earnings out of selling products and services. So they can make own resources available to a larger extend. These projects are either attached to big charity organisations or are created in partnership with the local government. Therefore usually non-profit-maximising limited liability companies (Ltd.) are founded with the local municipalities holding a stake in most cases.

### **Example ARGE R.U.S.Z.**

TrashDesignManufactory (TDM) is a department of the Dismantling and Recycling Centre which is a project of the Repair- and Service Centre (R.U.S.Z.). R.U.S.Z. is a non-profit-maximising limited liability companies (Ltd.) hold by the ARGE Müllvermeidung an association acting in the field of avoiding waste. The centre stage of the work of TDM is the re-integration, qualification and placing of long-term unemployed and disabled. TDM produces unique design from the leftovers of our society. Due to new ideas the business re-integrates participants, who have been without work for a long time, to the job market successfully and the products created and manufactured by them are offered Europe-wide. They craft elegant and high-quality jewellery, furniture and accessories. The products are largely made of recycled parts of used electric and electronic devices. Each piece is handmade and therefore unique. By acquiring one of the products a social and environmental idea at the same time is supported.

The main difference to the funding directive for WISEs (SÖB-Richtlinie) is, that the Labour-Market-Service only funds labour costs, and these ones only partly (see AMS Österreich 2005). Material costs have to be made available out of own resources, namely the income from business or other funding e.g. the European Social Fund, the provincial government, the local government, special funds for disabled people and from private sponsors. The generated profit can therefore be invested into the project or the company. More and more ECO-WISEs restructured their associations into such projects or companies in the last years.

The new organisational format allows ECO-WISEs to act economically and more autonomously. Further, the local government became a relevant partner in this scene, which is important for developing regional structures. Also regional innovation processes are thus possible again, not at least because the money remains in the region.

On the other hand ECO-WISEs have to face a higher economical risk. Therefore a more private business like orientation became necessary. The working-culture has changed as well from a grass-root-doing business to a structured environment with hierarchies, defined roles, with its focus to improve the efficiency, by using business administration tools. Many ECO-WISEs also intend to change or adjust their image, as their services are perceived as a low quality, mainly due to the fact that they are working with less skilled workers. As an expert noted: *"Yes, we have social goals, but when we face customer demands we are a serious competitive service provider. We do not say that we come a little later or we work with less quality because we have this social goal, and please pay us regardless thereof, no – we would never appear like that"* (Expert 5, p.18-19).

Another aspect of this professionalism is, as some experts stated (e.g. Expert 5, p.39), the fact that it is necessary for ECO-WISEs to get out of the niches. Niches are important for developing their services and portfolio, but once developed and ready for a broader range of customers, ECO-WISEs should face the challenge, regardless of private market competition. However, competition could go hand in hand with a corporation and innovation. The question today seems to be, how much entrepreneurship can ECO-WISEs take. This topic is a sensitive issue, which is discussed contemporary in the scene. An expert suggests, that *"ECO-WISEs want to achieve revenue and aim to appear professional as good as possible, while reaching the objectives of labour market policy"* (Expert 5, p.18-19).



**After having now looked back** to the development of ECO-WISEs in Austria we can make the following note: Their evolution goes hand in hand with processes in the labour market policy and the economic development, especially the one in regions. Further we can state by now, that they meet in general the criteria of WISEs expressed by the EMES-Researchers outlined before, although we think, that there are some slight differences in detail, resulting from the specific national situation, especially concerning the funding directives.

Revisiting our lead question, as to what their potentials and requirements are to balance the social, economic and ecological goals in a sense of sustainable development, we would like to take another look, especially as to what the future holds for them.

#### **4. FUTURE PERIOD – PERSPECTIVES**

Concerning the demands of sustainable development, ECO-WISEs can play a decisive role, especially on the regional level. According to our findings, they have a long history in successfully facing social, ecological and economic goals, which they can bring in to e.g. regional Agenda 21 processes.

Regarding the social policy matter of the so-called "basic income" method, ECO-WISEs are currently discovered as important partners. In Austria the basic income should be realised in the beginning of 2009. That means that everyone has the right to receive approx. € 700 per month, provided that the individuals declare themselves as willing to work. This form of benefit payment releases the affected people from often demoralising situations at social services departments. On the other hand, the Labour-Market-Services (AMS), wherefrom they should receive that income, require them to evident their willingness to work. If not provided the individual will face restrictions and amendments on it's basic income. To check this willingness to work WISEs in general and ECO-WISEs in specific become important again for the Labour-Market-Services (AMS). Representatives of WISEs are already included in discussion processes with the Labour-Market-Services (AMS).

Considering the economic status quo, ECO-WISEs are doing well in changing their image at the moment. It will also be important to profit from the positive influences of networking processes. As we have noticed ECO-WISEs in Austria are linked with each other to a high degree. That could be seen as a reason for the successful turnover from downsizing to upsizing during the last years. There are network activities on regional and national level. And there are also network activities on European level, which is of utmost importance, in order to strengthen their economic position between the market and the state. They act in a sustainable economic way to reach social goals. The one does not exclude the other, as our finding show.

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## Examples

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