

# Study on the situation and the legal framework of social entrepreneurship in Lapland, Finland





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Anu Harju-Myllyaho • Marlene Kohllechner-Autto • Sari Nisula

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# Symbols and abbreviations

CSR	Corporate Social Responsibility
ERDF	European Regional Development Fund
FinSERN	Finnish Social Enterprise Research Network
ICA	International Cooperative Alliance
SE	Social Entrepreneurship
SEs	Social Enterprises
SOCENT SPAs	Social enterprises in sparsely populated areas (project)
SPAs	Sparsely Populated Areas
STEEP	Social, Technological, Economic, Environmental and Political
TSO	Third Sector Organisation
WISE	Work-integration social enterprise



# Foreword

The purpose of social enterprises is to increase social well-being. Social enterprises' operations are based on common values and not primarily on producing profits for their owners.

When translating the term social enterprise into Finnish, one encounters two different possible translations: yhteiskunnallinen yritys and sosiaalinen yritys. Sosiaalinen yritys, might be translated into English as work-integration social enterprise. The aim of work-integration social enterprises is e.g. the employment of those hard to employ, in other words work rehabilitation or re-integration of those in danger of exclusion from society. Work-integration social enterprises, nevertheless, make up only a small part of social enterprises in Finland.

The principles and practices of social entrepreneurship (in its wider definition) are well suited to developmental thinking that seeks to pool the capacity of the region's know-how and conditions, and channel its results back into resources for the development of the region and the maintenance of its services.

Social enterprises might be the key to success for sparsely populated areas, in which the challenge is to provide and protect the availability of services for inhabitants as well as to ensure enterprises' favourable operating conditions.

The SOCENT SPAs project offers the possibility to become familiar with social entrepreneurship's different forms and best practices in Europe's sparsely populated areas. The exchange of experiences and lessons learned in the frame of the project may be applied to the project partners' own regions, transformed into local solutions for regional development and the increased self-sufficient provision of local services and products. Social entrepreneurship models and practices can provide practical tools for maintaining and strengthening the vitality and service level of sparsely populated areas.

Eila Linna,  
Head of RDI,  
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# Esipuhe

Yhteiskunnallisen yrityksen (social enterprise) tarkoitus on yhteiskunnallisen hyvän tuottaminen. Yhteiskunnallinen yrityksen toiminta on arvopohjaista eikä se ensisijaisesti tavoittele voittoa omistajilleen.

Kansainvälisesti tarkasteltuna käsitteistö on hieman haasteellinen, koska termillä ”Social Enterprise” saa suomen kielessä kaksi merkitystä: yhteiskunnallinen yritys ja sosiaalinen yritys. Sosiaalisilla yrityksillä on yhteiskunnallisista yrityksistä poiketen reunaehtoja esim. työllistämisen suhteen. Sosiaalisten yritysten tavoitteena voi olla esimerkiksi vajaakuntoisten työllistäminen eli kuntouttava työtoiminta, syrjäytyneiden integrointi yhteiskuntaan tai ympäristölliset tavoitteet. Sosiaaliset yritykset muodostavat kuitenkin hyvin pienen osan yhteiskunnallisista yrityksistä.

Yhteiskunnallisen yrittäjyyden periaatteet ja toimintamallit soveltuvat hyvin kehittämisajatteluun, jossa alueen osaamiseen ja olosuhteisiin pohjautuva kapasiteetti pyritään kokoamaan yhteen ja kanavoimaan sen tulokset takaisin voimavaraksi alueen kehittämiseen ja sen toimintojen ylläpitämiseen. Toimintatapa voi olla menestyksen avain harvaan asutuille alueille, joilla haasteena on palveluiden saatavuuden turvaaminen ja asukkaiden sekä yritysten toimintaedellytysten varmistaminen.

SOCENT SPAs-hanke tarjoaa mahdollisuuden tutustua eurooppalaisiin yhteiskunnallisen/sosiaalisen yrittäjyyden muotoihin ja hyviin käytänteisiin. Hankkeen aikana vaihdetut kokemukset ja hankitut opit voidaan soveltuvin osin siirtää alueellisiin ja paikallisiin ratkaisuihin kun rakennetaan aluelähtöistä kehittämismallia palveluiden ja tuotteiden omavaraisuuden ja paikallisen tuotannon lisäämiseksi. Yhteiskunnallisen yrittäjyyden mallit ja toimintatavat voivat tarjota käytännön työkaluja harvaan asuttujen alueiden elinvoimaisuuden ja palvelutason säilyttämiseen ja vahvistamiseen.

Eila Linna,  
TKI-päällikkö,  
Matkailualan tutkimus- ja koulutusinstituutti, Lapin amk



# 1 Introduction

In this chapter, an overview of the study report's background, purpose and scope of the study is given. It will furthermore outline the study's approach as well as methodology and possible limitations. Subsequently, this chapter will give insight into the territorial context and Lapland's economic key figures. It will then discuss the findings of the desk research and the interviews conducted. Lastly, it summarizes the chapter's findings in a conclusion and gives recommendations for further actions.

## 1.1 BACKGROUND AND PURPOSE AND SCOPE OF THE STUDY

The project Social Entrepreneurship in Sparsely Populated Areas – SOCENT SPA is a five-year project financed by Interreg Europe. It aims at increasing the participating regions' competitiveness through the promotion of social entrepreneurship in sparsely populated areas. The project's partner consortium consists of public and private entities from Finland, Germany, Slovakia and Spain. The action will foster interregional cooperation in view of improving the effectiveness of their respective regional policies in actively supporting the visibility, incubation and acceleration of social enterprises in sparsely populated areas as a driver for regional competitiveness and inclusive growth. (SOCENT SPAs 2017.)

A common denominator of sparsely populated areas is an ageing population and out-migration of youth, making demographic trends an important challenge. To counter these developments, social innovation is employed to create innovative approaches for resolving societal challenges by mobilizing civil society to boost inclusive socioeconomic development and stimulate competitiveness and employment. Social enterprises have been proven to possess the capacity to directly benefit local development and correct major socioeconomic imbalances and serve as crucial tool for preserving population levels in sparsely populated areas. (SOCENT SPAs 2017.)

Nevertheless, there is only limited bespoke support for social entrepreneurs available. Social entrepreneurs encounter obstacles slowing down satisfying solutions for social challenges. A supporting legal framework can, however, be set up through the influence of governments and policymakers, using their regulatory and legal powers across sectors and geographical areas. Hence, to influence regional policies in view to

enhance social entrepreneurship visibility and competitiveness while taking into account the specific conditions of sparsely populated areas, SOCENT SPA will foster interregional exchange of knowledge, successful experiences and good practices among the implementing project organisations and entities. In order to guarantee a comprehensive policy learning process, an integrated approach based on the identification, analysis and transfer of good practices will be used. The process will be implemented through the organisation of thematic workshops, site visits and meetings with each participating country's partners and relevant stakeholders. Policymakers' awareness of the current state of innovation in their region will be raised by the project i) on the social entrepreneurship framework, enabling them to gain valuable insight into how to create more favourable conditions for social enterprises; ii) on social innovations' organisational outputs and societal outcomes, enabling them to gain insights into social innovation impacts to best target support; iii) on entrepreneurial activities that produce social innovations, enabling them to better understand how social innovation emerges and how well it develops in societies. (SOCENT SPAs 2017).

The policy learning process will enable partners to get an insight into what works best in different environments and will help them design and implement suitable action plans, aiming to integrate the lessons learned into their policy instrument, i.e. aiming at engaging policymakers to take action and integrating support schemes for social enterprises in sparsely populated areas in to their regional policies (SOCENT SPAs 2017).

## **Purpose**

The study, which is compiled in the framework of the project, aims at providing a reference point for the status of social entrepreneurship in Lapland, which will help in preparing a coherent strategy i.e. action plan, for the improvement of the regional policy instrument 'Arctic Specialisation Programme (RIS3)' to better support social entrepreneurship in sparsely populated areas. The Smart Specialisation concept was introduced by the European Commission in order to support the different regions of the EU and to improve innovation and competitiveness. Lapland's Arctic Specialisation Programme is divided into proposals for three main categories: refining of Arctic natural resources, utilisation of Arctic natural conditions and crosscutting development enabling Arctic growth. By employing a regional assessment and monitoring model, the proposals for action for the Arctic Specialisation Programme are integrated into broader regional development work. (Regional Council of Lapland 2013.)

This study focuses on baseline data collection and gives background information and justification to enable the consortium partners to understand the situation in the region at hand. In addition, it will serve as base for the elaboration of an action plan by the Finnish project partner, aiming at improving the regional policy instrument for better support for social entrepreneurs.



## 1.2 STUDY APPROACH, METHODOLOGY AND LIMITATIONS

The data for this report was collected in the form of desk research as well as by conducting interviews with stakeholders of social entrepreneurship in Lapland. The interviewees were chosen based on their involvement in regional development, cooperatives or based on the possession of the Finnish Social Enterprise Mark. The interviewees were:

- Hanna-Leena Talvensaari, executive director of the Leader group Pohjoisimman Lapin Leader ry<sup>1</sup>
- Eija Räihä, managing director and Kati Itkonen, service manager of Lapin Kuntoutus Oy<sup>2</sup>
- Anneli Kuhmonen, board member of Ivalojoiki cooperative

The interviews were subsequently analysed using the STEEP<sup>3</sup> method and their findings are elaborated in chapter IV of this report.

An expert group consisting of Anu Harju-Myllyaho, Marlene Kohllechner-Autto and Sari Nisula compiled the report.

Due to the limited amount of resources available for the compilation of this report, it cannot claim to provide an exhaustive and all-encompassing picture of social enterprises in Lapland. What is more, recent years have seen reduced activity in the registry for work-integration social enterprises (WISE) and other social enterprise-related working groups and associations e.g. SYY and FinSERN, limiting access to viable and current data on the subject.

1 Ry responds to the English translation of registered association

2 Oy responds to the English translation of registered limited company

3 According to Hiltunen (2013), the purpose of STEEP analysis is to scan the environment and classify different factors that affect it. The classes are Social, Technological, Economical, Environmental and Political. These are quite wide classes. In principle however, political aspect includes for instance changes in legislation etc. (Hiltunen 2013, p. 54.) In the study, the STEEP analysis was used as a framework for content analysis. This was a way of acquiring structured information from a versatile data.



## 2 Territorial context

This part of report will give background information on the territory covered (Table 1). In addition to giving an overview over the economic and demographic situation in the whole of Lapland, two municipalities and one village are chosen for closer analysis, as host examples of social enterprises.

Lapland is the largest province in Finland, with a relatively small population considering the area. Lapland covers 30 % of Finland's area, but only 3 % of the country's population lives in Lapland. (Regional Council of Lapland 2017.) Population density in Lapland is about 2 people/km<sup>2</sup>, while in the whole of Finland the density is 17,64 people/km<sup>2</sup>. Population density varies greatly in different parts of Finland. In the region of Uusimaa, in which the capital Helsinki is located, density is the highest in Finland with 170 people/km<sup>2</sup>, while lowest population density can be found in Lapland. (Statistics Finland 2017.)

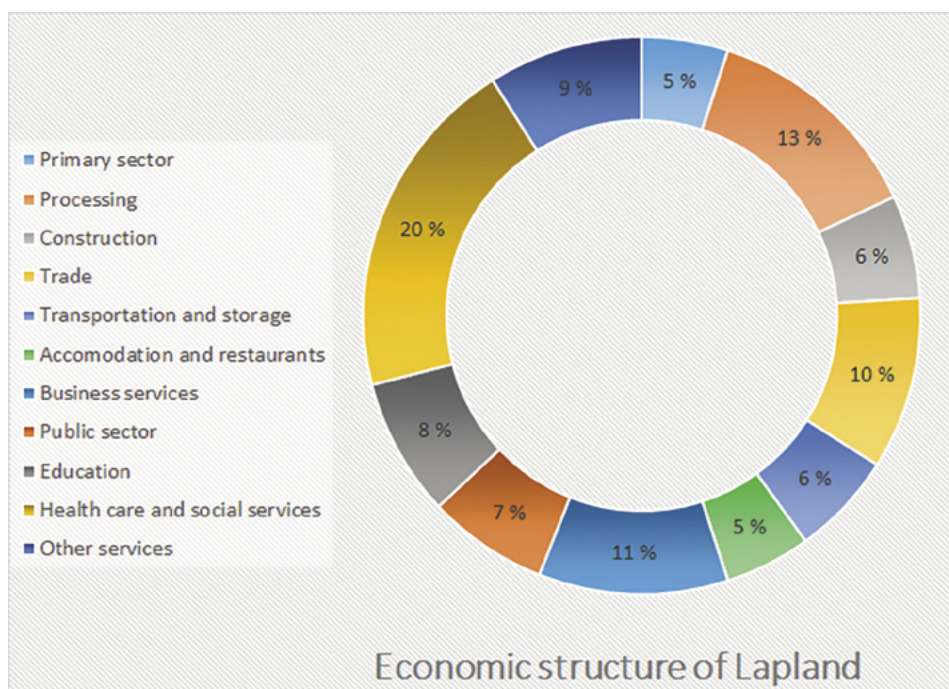
**Table 1.** Fiscal overview of Lappish municipalities (Regional Council of Lapland 2017)

Municipality	Population	Tax revenues	State contributions	Fiscal year	Net investment
Enontekiö	1 861	6 023	8 833	-123	-833
Inari	6 804	25 281	22 731	1 247	-3 855
Kemi	21 758	87 302	43 191	-5 290	-4 022
Kemijärvi	7 766	28 542	25 729	-2 729	-3 761
Keminmaa	8 388	34 655	12 791	-300	-38
Kittilä	6 416	27 547	21 182	1 895	-4 242
Kolari	3 848	14 217	12 901	1917	-2133
Muonio	2 358	8 404	8 532	127	-678
Pelkosenniemi	958	4 448	4 056	-34	-195
Pello	3 623	11 313	14 426	-876	373
Posio	3 477	10 557	15 319	-165	-332

Ranua	4 020	10 186	21 598	114	-4 533
Rovaniemi	61 838	241 383	91 108	27 841	56 017
Salla	3 727	12 206	19 581	608	-3 334
Savukoski	1 061	4 260	4 599	682	116
Simo	3 238	11 937	8 782	-279	-554
Sodankylä	8 782	36 540	25 365	363	-2 424
Tervola	3 195	11 401	11 310	729	-1 193
Tornio	22 199	79 404	37 712	-3 686	-6 219
Utsjoki	1 250	4 252	6 707	17	-1 420
Ylitornio	4 291	12 427	18 959	419	-5 824

## Employment

The employment rate in Lapland is 65 %. The biggest employer is the private sector (49%), municipalities follow with 30 % and entrepreneurs are third with 12 % portion. (Regional Council of Lapland 2017.)



**Figure 1.** Economic structure of Lapland (Regional Council of Lapland 2017)

Lapland's biggest sector of employment is the health care and social service sector, as one of the main employers is the Lapland Central Hospital, located in Rovaniemi. This is followed by the processing sector, business services as well as trade (Figure 1). Exports from Lapland make up 3.8 billion euros, which is 7 % of Finland's total exports. (Regional Council of Lapland 2017.)



**Picture 1.** Map of Lapland (Wikimedia Commons 2017)

The example areas in this study report give an overview of the environment, where the local companies operate in Lapland. All three differ from one another in both size and business environment. Rovaniemi is the administrative centre of Lapland, where tourism plays an important role, whereas in Sodankylä much of the livelihood is based on mining. Sodankylä and Inari are active in tourism as well, but they are known for reindeer herding. Here follows a short description of the three areas (Picture 1).

## 2.1 ROVANIEMI

Rovaniemi is the administrative centre of Lapland and referred often as the 'capital of Lapland'. Rovaniemi holds approximately 61 000 residents. Some 80% of the residents is employed by service sector, 13% in process and construction and 3% in primary production (Rovaniemi 2017a.). Rovaniemi is the 16th most populated town in Finland population density being the municipality are 7,94 per square kilometre. In the centre, area population density is higher; it is almost 86 residents per square kilometre. The distance to Helsinki is 815 kilometres. (Rovaniemi 2017b.)

Rovaniemi is located in South-West Lapland and the area of Rovaniemi is a little over 8000 square kilometres. Rovaniemi is known for its's tourism industry, which is vastly expanding. Each year 60 % of tourists come to the town from other countries. (Rovaniemi 2017a.)

## 2.2 SODANKYLÄ

According to the municipality of Sodankylä's website (Municipality of Sodankylä 2017), Sodankylä is a municipality in central Lapland with 8782 inhabitants. Its unemployment rate was 14,2 % in the end of the year 2015. The municipality stretches over an area of 12 417 km<sup>2</sup>, with a population density of 0,8 people/km<sup>2</sup>. Nearly 61,8 % of the people in Sodankylä are of working age, followed by 24,7 % of people over 65. (Municipality of Sodankylä 2017.)

## 2.3 INARI

According to the website of the municipality of Inari (Municipality of Inari 2017), Inari is a municipality in the very north of Lapland, with a population of 6796 and a population density of 0,45 people/km<sup>2</sup>. Inari's unemployment rate was 17% in the end of the year 2015. The low population density reflects the size of Inari: Inari is the largest municipality of Finland, with an area over 17 334 km<sup>2</sup>. Nearly 65 % of the population in Inari are of working age, followed by over 65-year olds, with 22,65 %. (Municipality of Inari 2017.)

The village of Tolonen has grown around one house over the time of few decades. A couple with nine children had to move away from their home in the village of Laiti due to the Porttipahka reservoir, and settled in a house in Tolonen in 1959. As the children grew up, they built their own houses in the same area over time. Due to this, all the residents in the village are now related to one another. (Saariselkä nyt 2017.)

# 3 Findings

In this chapter, the findings of the desk research as well as the interviews are analysed. The desk research focused on legal frameworks for social entrepreneurship, its current state as well as relevant statistical data on social enterprises in Finland and Lapland. The interviews were conducted with representatives from Lapin Kuntoutus Oy, an organisation from Rovaniemi holding the Finnish Social Enterprise Mark, the Ivalo-joki village cooperative as well as the Leader group Pohjoisimman Lapin Leader ry (Northern-most Lappish Leader) group.

The area was analysed in the interviews is Eastern Lapland and Rovaniemi. One of the biggest challenges for Lapland, in terms of both economic growth and the provision of basic services, are the long distances between villages and town. For example, the northern-most municipality in Lapland, Utsjoki is located 479 km from Lapland's southern-most municipality Simo, and 383 km from Rovaniemi, Lapland's administrative centre and central hospital.

## 3.1 LEGAL FRAMEWORK OF SOCIAL ENTREPRENEURSHIP IN FINLAND

Social entrepreneurship is a relatively new issue in Finland (European commission 2014). This part of the report describes the way social enterprises are defined in the context of Finnish society and what drivers are behind the development of social enterprise ecosystem in Finland. First, it has to be pointed out, though, that there are two distinguished definitions for social enterprises in Finland:

- The definition of social enterprise by Association for Finnish Work (Suomalaisen Työn Liitto 2017a).
- The legislative definition described in law (Finlex 2017) and used by e.g. Ministry of Economic Affairs and Employment.

The complex ecosystem of social enterprises in Finland is described by addressing the two different definitions of social enterprises mentioned above, and widening the

perspective to cover also cooperative activities. Cooperatives are a form of social entrepreneurship and they have a strong foot hold in in Finnish society.

### 3.2 HISTORICAL BACKGROUND OF SOCIAL ENTREPRENEURSHIP IN FINLAND

Several historical paths have led to the social and business environment, and thus labour market, and business models in the context of Finland. In this report, two of these issues are attended to the strong basis in cooperative activities and the impact of Finnish model of welfare state, which has a high influence on the labour market in Finland.

Finland is one of the Nordic countries and as such, it has a strong value base in the universalistic welfare model, which is a structure that supports the individuals of society and provides extensive welfare services (European commission 2014). The rapid development of the welfare society has had an impact on social enterprises in Finland. In addition, Finland has a strong historical background in cooperative activities. Cooperatives were known in Finland already in 1850's and they were influenced by trends from other parts of Europe. These cooperatives were commonly owned shops and nutrition foundations. In addition, agricultural producers were supported by cooperative alliances (Seppelin 2000, 22-24.). These factors influence the Finnish environment of companies and labour markets as well as the image that cooperatives and social enterprises have in Finland.

Even today, work cooperatives are built on social values. According to the International Cooperative Alliance, ICA (2017) a cooperative is an independent association, whose members have mutually agreed on joining for gaining economic, social, and cultural advantage through democratically, led enterprise. According to ICA (2017), the values of cooperatives include for instance ethics, honesty, openness, social responsibility, equality and solidarity. Common general values include, amongst others, ethical behaviour, democracy and caring for others (ICA 2017). These principles and values guide the activities in cooperatives, but the cooperatives democratically agree on their own rules. Even though cooperatives are not social enterprises as such, the activities and principles in work cooperatives are closely linked to social enterprises and social justice in general.

According to Pättiniemi (2006, 22) the modern social enterprises in Finland have emerged in the late 1970's during an era, which was labelled in many European countries as an era of declining rates of economic growth as well as growing unemployment. Some of the difficulties faced by several European countries concerning the insufficiency of public budgets was tackled by practicing and de-centralizing some welfare services, which, consequently led to a possibility of third-sector (TSO) or social economy organizations to become welfare service producers. Social enterprises were also attached to the field of integration by work, which helps people with diffi-



culties in entering the labour market. (Pättiniemi 2006, 22.) In general terms, Pättiniemi (2006, 23) argues that social enterprises are established to

*“fill the gaps in the social security network, to substitute the dismantling of welfare systems or/and to dismantle the new type of exclusion caused by the development of the production system.” (Pättiniemi 2006, 23).*

### 3.3 DEFINING SOCIAL ENTERPRISE

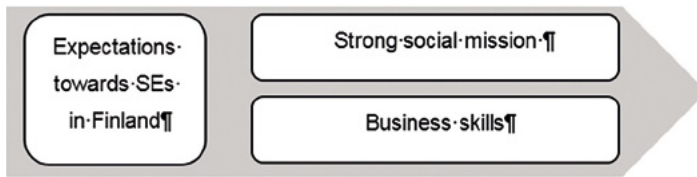
Pättiniemi (2006, 23) declares that in Finland the purpose of social enterprises is quite different from many other countries and this is because the welfare system in Finland is fairly developed and, thus, for instance the meaning of families, is not central. According to Pättiniemi (2006, 23) the European discussions on SEs have been going on since 1990s. First, they circled around examples from Southern Europe. Mental rehabilitation customers and their doctors in Italy established first endeavours that could be labelled as modern social enterprises. A very important document that built foundation to the discussion was called “The First Report on Italian Social Cooperatives [1992]”. The Italian example has influenced the discussions concerning social enterprises in Europe and, thus, in Finland. The Italian concept consists of two types of social enterprises:

- social enterprises that provide welfare services for the underprivileged,
- social enterprises that aim to integrate people through work, who are under threat of being excluded (Pättiniemi 2006, 24).

The European definitions on social enterprises was guided by the ESSEN-CGM research project funded by the European Commission. In their report, the definitions were similar to the Italian empathizing

- Companies, which have a goal of work integration for the disadvantaged and employing a mix of non-disadvantaged and disadvantaged workers;
- Companies, which in principal produce and supply social and more generally collective services. (Pättiniemi 2006, 24.)

The Finnish legal definitions concerning social enterprises are in line with the European ones. Recent discussions in Finland include an idea that social enterprises are expected to combine business skills from the private sector with a very strong social mission. They are also expected to innovate and support delivering (welfare) services and work integration (Picture 2).



**Picture 2.** SE expectations in Finland (adjusted from European Commission 2014, 1)

According to the European commission report on social enterprises, there is a clear definition of the concept of social enterprise in Finland. However, there is also difficulties concerning the practical understanding of the concept and contradictory opinions, whether the concept is needed or meaningful in the first place. This confusion applies to public organizations and the wider community alike. The situation is partly due to a specific Act on Social Enterprises, which limits the definition to include only work integration social enterprises (WISE). (European commission 2014, i.) It has been pointed out by Lehtinen (2005) also that the role of social enterprises is unclear. For instance, according to Lehtinen (2005) social enterprises suffer from profitability issues and have to be managed somewhere in between social justice and market profits (Lehtinen 2005, 8).

Yet another confusing aspect of social enterprises in Finland is the fact that there are two definitions: sosiaalinen yrittäjyys, which translates to social entrepreneurship and yhteiskunnallinen yrittäjyys, which also translates to social entrepreneurship.

## Legislation on social enterprises in Finland

The Finnish Ministry of Economic Affairs and Employment is very specific when defining social enterprises.<sup>4</sup>

### 4 Sosiaalinen yritys

Sosiaalisten yritysten tarkoituksena on luoda työpaikkoja erityisesti osatyökykyisille ja pitkäaikaistyöttömille.

Sosiaalinen yritys ei yrityksenä poikkea muista yrityksistä. Se tuottaa tavaroita ja palveluja markkinoille ja tavoittelee voittoa kuten muutkin yritykset. Sosiaalinen yritys voi toimia millä toimialalla tahansa. Se maksaa kaikille työntekijöilleen työehtosopimuksen mukaisen palkan ja se on aina merkitty kaupparekisteriin.

Erona muihin yrityksiin on, että sosiaalisen yrityksen työllistämistä työntekijöistä vähintään 30 prosenttia on vajaakuntoisia tai yhteensä vajaakuntoisia ja pitkäaikaistyöttömiä. Lisäksi yrityksen tulee olla merkitty työ- ja elinkeinoministeriön ylläpitämään sosiaalisten yritysten rekisteriin. Vain tähän rekisteriin merkitty yritys saa liiketoiminnassaan ja markkinoinnissaan käyttää sosiaalisen yrityksen nimeä ja tunnusta (TEM 2017).

*”The purpose of social enterprises is to create jobs especially for people with lowered ability to attain employment and for long term unemployed.*

*A social enterprise does not differ from other companies. It produces goods and services to markets and aims at making profit just like mainstream companies. A social enterprise can act in any field. It pays salaries to all staff according to collective bargaining and is always registered in the commercial register.” (TEM 2017).*

This definition is based on the act on social enterprises, which was introduced in 2003 and it entered into force in 2004. In principle, the act defines what a social enterprise is and how a company can obtain the right to be labelled as a social enterprise.

The definition by the law is quite narrow and is focused on the work integration viewpoint of social enterprises (WISE). There are also several clauses about registration in a specific register for social enterprises (Finlex 2017). (This register seems to be inactive now).

In addition to the criteria above, the company must

1. not conduct business that opposes the law or good business practice and
2. not have unpaid taxes, social security payments or other payments to the government or unpaid pension- occupational accident or unemployment. (Finlex 2017.)

As a conclusive remark, the law does not restrict the form of the company, which means that every form is applicable to the social enterprise label – the Butterfly label. It seems that the register has had little less than 200 members at the end of the last decade, but now the number is considerably smaller.

There is, however, a law on cooperatives, which applies in the case of the social enterprise being a cooperative.

### **Association for Finnish Work – Wider perspective on social entrepreneurship**

The Association for Finnish Work is a more than one-hundred-year old assembly, which promotes Finnish work. In their website, the association declares the following:

*“We are here to ensure that there will be more work in Finland in the future, and that everybody in Finland can enjoy High Value Work. We accomplish this mission in three ways:*

*We carry out studies and actively talk about subjects that have a major impact on the success of work in Finland.*

*We govern and develop the marks indicating Finnish work.*

*With our member organisations, we run projects related to the changes in work and the value of Finnish origin, and implement joint marketing campaigns in Finland and abroad.” (Suomalaisen työn liitto 2017b).*

The most visible part of the association’s activities is awarding Finnish companies The Key Flag Symbol, The Design from Finland Mark and/or The Finnish Social Enterprise Mark. The association has over 2800 member and majority of them are awarded with these symbols. (Suomalaisen Työn Liitto 2017b.)

Thus, it is worth mentioning that in addition to the criticism towards social entrepreneurship, some critique has been laid over social entrepreneurship legislation in Finland as well (see. e.g. YLE 2014; Patana 2013, 9-10; JYU 2017). Patana (2013) writes that the law concerning social enterprises is narrow and it is based on the amount of workers supported with pay subsidies in the company. The problems concerning the law have not gone unnoticed, yet it is unclear why they are not addressed (Patana 2013, 28.). One of the reasons is fear of market distortion (Patana 2013, 29; European commission 2014, 20).

### 3.4 REGISTER FOR SOCIAL ENTERPRISES AND THE BUTTERFLY LABEL

The law requires that in order to be able enter the register of social enterprises, the company has to fulfil the following criteria:

1. The company is listed in the Trade Register;
2. Is a company that produces goods and services;
3. Minimum 30% of its employees are either disabled and/or long-term unemployed;
4. The company pays its employees a sufficient salary. (Finlex 2017).

#### **Finnish Social Enterprise Mark**

The Finnish Social Enterprise Mark (Yhteiskunnallinen yritys) was launched by the Association for Finnish Work in 2011. The description states that the companies, which are given the Finnish Social Enterprise Mark, are set up to solve social and environmental problems and the companies dedicate most of their profits to this purpose. They also cherish transparency and openness in their activities. The companies apply for The Finnish Social Enterprise Mark and an independent committee awards it. (Suomalaisen Työn Liitto 2017c.)

The detailed terms and conditions for the award are described in the website of the association. It states, for instance, the qualification criteria: the organisation’s main office has to be in Finland, the company must have a business ID and the company

must present its turnover for at least one financial period. Primary criteria for the Mark is that the chief purpose of the social enterprise is to contribute to social good and acting responsibly. The company must also have restricted distribution of profits, since most of the profits must contribute to the social good, either by developing its own operations or donations. The company must act transparently. (Suomalaisen Työn Liitto 2017c.)

Secondary criteria for the Finnish Social Enterprise Mark includes following aspects: The employees take part in the enterprise's decision-making processes and are entitled to employee ownership; the company measures its performance concerning social effectiveness and the generated social impact and the company employs persons with a weak position in the labour market. (Suomalaisen Työn Liitto 2017c.)

The criteria described above actually show similarities with some of the principles attached to the activities of cooperatives. The Finnish Social Enterprise Mark can be positioned in between cooperatives and social enterprises defined in the legislation.

### **Arvo – New coalition for social enterprises in Finland**

The Arvo coalition is a union for social enterprises in Finland. It has been established for supporting the success of Finnish social enterprises. The coalition promotes the companies by making social enterprises known and offering visibility. The aim is to create structures that support socially and ecologically sustainable development of the society. According to the coalition's website, the members of Arvo are privately owned companies and other associations, whose business activities are based on their values. Maximizing profit is not their primary target. However, profitable business is a way of achieving social goals. (Arvo 2017.)

The Arvo coalition (2017) states that the rules of the coalition are based on corporate social responsibility (CSR), and they include specific points concerning social, ecological and economic responsibility for the society. The coalition fights grey economy and instructs the members not to take part in taxation schemes in tax havens. The coalition also drives the member companies' and associations' open and honest governing and demands having respect for personnel and supporting their wellbeing. The members should lean on their values and respecting these basic values should be counted as an essential part of the business. (Arvo 2017.)

The criteria of the member companies are quite similar with the criteria of the Association for Finnish Work Mark. The coalition does not have its own mark or label.

## **3.5 SOCIAL ENTREPRENEURSHIP IN CHANGE**

During the preparation of this report, it has not remained unnoticed that the social entrepreneurship scene has been evolving due to several drivers of change; public investments, research and development projects, governmental and European Union

Policies. This means that in recent years some new openings have been seen in the field of social entrepreneurship, but also some projects that have not continued.

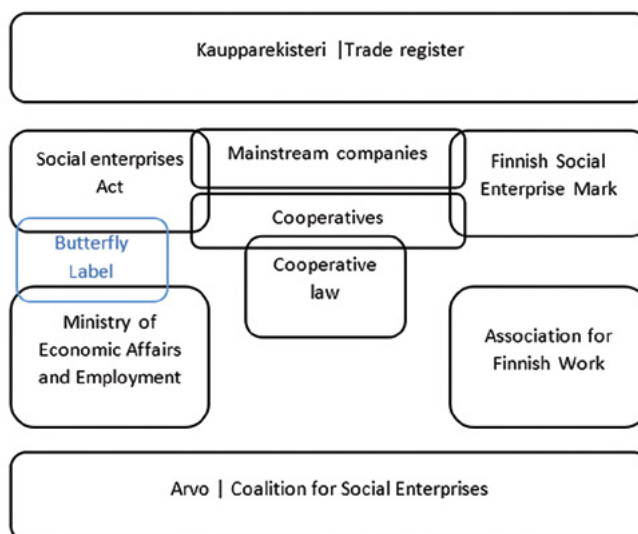
For instance, Finnish Social Enterprise Research Network, FinSERN, is a research network focusing entirely on social entrepreneurship in Finland. The network, however, does not have a functioning internet address anymore (finsern.fi). The Facebook page of the network is functioning though, and it shows some activities in the year 2017. FinSERN has produced an extensive collection of doctoral and master level thesis on the subject of social enterprises in Finland.

In addition, the ministry administrated register for social enterprises seems to have been closed, since it is not accessible through any internet links anymore.

SITRA – the Finnish Innovation Fund has done cooperation with many Finnish institutions concerning social entrepreneurship and promoted creating a model for social enterprises and funding. These operations have taken place during 2009-2012. According to SITRA's website, the purpose of a social enterprise is to produce social well-being. Typically, a social enterprise, according to SITRA (2017) is founded to solve a social problem or to create a new model for solving social challenges. The operations of a social company are profitable, but making profit for the owners is not the main function of the company (SITRA 2017). Thus, the definition follows the broader definition of a social enterprise. However, the website does not say what the current functions of SITRA concerning social entrepreneurship are.

### 3.6 FIELD OF SOCIAL ENTREPRENEURSHIP IN FINLAND

According to Pättinen (2005), social entrepreneurship has come to Finland – and to the rest of the industrial world – to stay. However, the environment and the field, where they operate changes all the time (Pättinen 2005, 47; Patana 2013, 74). At the time of writing this report, on one hand, it seems that the world of social enterprises is changing, while becoming more user friendly and the driving force is the working communities, business owners and not the governmental bodies. On the other hand, it is also a current reality that social enterprises are finding their slot in the working life and business environment in Finland (Figure 2).



**Figure 2.** Field of Social Enterprises in Finland

### 3.7 STATISTICAL VIEWPOINT OF SOCIAL ENTERPRISES IN FINLAND

The difficulty of gaining statistical information on social enterprises in Finland and/or Lapland is based on the fact that every form of enterprise can be labelled as a social enterprise according to the Act on social enterprises. The state of the register is quite unstable, since there are not many companies in the registry at the moment.

In March 2017, the ministry register held information on about 39 companies of which none were based in Lapland. Most of the companies were based in South Finland, closer to the capital area. The companies operate in various fields and industries, making it challenging to evaluate the impact of the companies on national level, since there might be only one or two companies representing an entire industry (TEM 2016.). The register seems to be quite lively, since there are reports that state different figures and there has been 189 companies in the register in 2013 (European commission 2014, 18). Indeed, the amount of companies in the register has decreased significantly in the last few years. The ministry's website states that the companies are removed from the register on request or if the status concerning the social enterprise definition changes (more than 30% of employees must be disabled or long term unemployed). (TEM 2017.).

The Association for Finnish Work has a register of 121 companies that hold the Finnish Social Enterprise Mark. Two of the companies are based in Lapland (March 2017), Lapin Kuntoutus Oy and Meriva sr (Suomalaisen työn liitto 2017d). It has to be

noted, though, that most cooperatives in Finland operate in a way that they could be labelled as social enterprises, but for some reason, they are not listed in the register.

Pellervo (2017) is a Finnish association for cooperatives, which holds a register for more than 3000 companies. These include for instance

- 371 marketing cooperatives
- 885 work-, service- or expert cooperatives
- 88 cooperatives in health and social services
- 75 tourism cooperatives
- 50 development cooperatives (such as village development). (Pellervo 2017.)

Overall, it seems that the registers do not give a comprehensive picture about the number of social enterprises in Finland and without prior knowledge on the issue they might be rather confusing. Estimating the amount and profile of social enterprises in Finland based on these registers is quite challenging. However, what is clearly visible in the statistics is that Lapland is considerably underrepresented in them. This might be due to long distances and lack of information, because the organizations are based in Southern Finland.

### 3.8 EXAMPLES OF SOCIAL ENTERPRISES IN LAPLAND

Some examples of official social enterprises as well as enterprises possessing characteristics of social enterprises are the following:

  Holders of Finnish Social Enterprise Mark

- Lapin Kuntoutus Oy: Lapin Kuntoutus provides varied medical, professional and gerontological rehabilitation and services, in-patient facilities for the elderly and housing services. (Lapin Kuntoutus Oy. 2017.)
- Meriva foundation: Meriva provides training and rehabilitation through work integration. The foundation's target groups are the long-term unemployed, youth under threat of exclusion (from society), the frail and persons with disabilities, mental issues as well as those difficult to employ. The foundation's goal is to help people through training, rehabilitation and the provision of work experience to get back into the open employment market or vocational training. (Meriva sr. 2017.)

Cooperatives, foundations, initiatives

- Saura foundation: The foundation is part of the Kemijärvi municipality group and provides services for work rehabilitation. Its goal is to organize and develop guidance, evaluation, coaching, rehabilitation as well as education services and work experience, which increase the participation on the open



employment market of people of working age, promote an inclusive work life and strengthen skills as well as employability. (Saura-säätiö 2017.)

- Cooperative Sompion Tähti: The cooperative provides care taking as well as other services, which make daily life easier for the elderly living on their own. The cooperative runs errands, bakes, cooks, goes for walks and cleans together with the elderly. Help is also offered in making trips to the centre of Sodankylä or its outlying villages. (Cooperative Sompion Tähti 2017.)
- Ivalojoiki village cooperative: The cooperative has been existing since 1998. Its original lines of industry were construction, tourism and meat processing. (Kuhmonen 2017.)
- Sallas 4-H association ry: As part of its employability rehabilitation, Salla's 4-H association produces made-to-order timber products, such as recycling canopies and mailbox racks as well as dog kennels. The association provides repair services for rent, e.g. for the assembly of dog kennels, transportation of trash to the recycling centre as well as arborist services. (Salla's 4-H association 2017.)

### 3.9 SITUATION OF SOCIAL ENTREPRENEURSHIP IN LAPLAND

This section of the report outlines the outcomes of the interviews conducted. The interviews were analysed with the STEEP method and subsequently, the outcomes are presented in this section according to social and cultural, economic, environmental and political viewpoints.

#### **Economic**

From an economic point of view, one of the main findings of the interviews was that social enterprises' impact on the economy in Lapland is hard to gauge. This is partly because there are only two organisations in Lapland, which hold the Finnish Social Enterprise Mark. However, there are other enterprises, such as cooperatives and foundations, which are not listed as social enterprises, but fulfil many of its characteristics. Although the Finnish Social Enterprise mark is held by two organisations, both located in the southern part of Lapland, at least one of the organisation feels that they do not benefit from it.

- “To be quite honest, I don't see [the Finnish Social Enterprise mark] having great meaning for our region. Maybe in Southern Finland the situation is different. We were mentioned in the news because of it. But it's so new for us that we definitely don't know it well yet.” (Lapin Kuntoutus Oy 2017.)

In order to boost the establishment, impact and visibility of social enterprises in Lapland, more entrepreneurial examples would be needed. However, when looking to the field of business consulting, assistance for the establishment of e.g. cooperatives is hard to find, as most consultants are only familiar with its theoretical concept rather than first-hand knowledge from the field. In addition, they do not necessarily see the establishment of cooperatives as a serious option when establishing a new business. It is, therefore, up to the individual entrepreneur to establish a social enterprise, rather than rely upon the support of official decision makers or business consultants.

Another important aspect of social enterprises, as seen by the interviewees, was the sharing of earnings. It was made clear that no profits should be paid to owners, but earnings of e.g. a village cooperative are shared amongst the villagers. Thusly, the cooperative's earnings are used for developing the community and common good.

It was observed by Anneli Kuhmonen (2017) that the cooperative helps villagers to take care of smaller jobs themselves through the cooperative, which saves money and benefits the village community. What is more, the shared use of existing resources and equipment benefits the villagers even outside the cooperative, such as the use of boats and snowmobiles for tourism purposes. However, the interviewee also pointed out that people at the village are entrepreneurial minded. Even without the village cooperative, people might have established trading names of their own. Nevertheless, the cooperative was seen as a safe way to try one's hand at entrepreneurship without having to worry about possibly losing unemployment benefits.

## Political

Political viewpoints were tied to major changes that are currently happening in the Finnish society. The province as well as social and health care reforms were seen to bring new opportunities for social entrepreneurship in the region. This opportunity is in so far problematic, as on the one hand the decision makers do not necessarily understand the meaning of SOCENTs and therefore do not fund them. Hanna-Leena Talvensaari from Pohjoisimman Lapin Leader ry. mentioned this as one of the main challenges for SOCENTs in the future. Social enterprises also do not get any special support from the state in fear of 'jealousy' from other enterprises.

*"I have at least always thought of it like that, that [municipalities] don't dare to support any enterprises, so the others wouldn't get jealous." (Pohjoisimman Lapin Leader ry 2017.)*

On the other hand, the long distances in Lapland are relevant for funding in the form of payment appropriations from municipalities, which means that people from peripheral areas can use the services of social enterprises working in the field of social and healthcare. Lapin Kuntoutus Oy has networks with municipalities, educational

institutions and even the military. Co-operation exists also with employment officials in rehabilitating people back to working life.

Co-operation exists also with employment officials in rehabilitating people back to working life.

## **Social and cultural**

Social and cultural viewpoints were mentioned often by the interviewees. Social factors concerned mostly the impact that the companies have on inclusion and especially inclusive working life, although none of the interviewees represented a WISE per se. Indeed, Lapland does not have many social enterprises, but there is a great amount of cooperatives, foundations and 4-H initiatives. Inclusion was approached from two distinct angles; inclusion and opportunities for the people working in the company or a cooperative and in the case of Lapin Kuntoutus Oy, also enhancing inclusion of people that would otherwise be excluded from working life.

*“Yes. And we talked about the cooperation, so also the employment office is our important co-operator and insurance companies as well. So, we cooperate a lot with them. We do have specific work rehabilitation as well. It is called Kiila and it combines Aslak and TYK-services. There we work very closely with the employers. Then we have these work try-outs, meaning the people in danger of exclusion, who come to try working and there we work closely together with the employers, when the people go to them for work try-out. But if a person gets a brain stroke, brain trauma or some other brain-related injury, then for sure we think about how the person will manage in the working life.” (Lapin Kuntoutus Oy 2017.)*

When looking at the distribution of men and women in social enterprises or cooperatives, it was emphasized that they provide opportunities for men and women alike. However, as Hanna-Leena Talvensaari pointed out, certain foundations lean more heavily towards supporting men.

*“[...] the cooperative, which is attached to the Saura foundation does work more with middle-aged and older men, as this [...] is kind of a problematic target group, especially, at least in Eastern Lapland.” (Pohjoisimman Lapin Leader ry 2017.)*

In Tolonen’s cooperative, during the most active period, there was an equal proportion of men and women working. Working in a cooperative gives an opportunity to try new things in Tolonen also in the future if new ideas arise, since there is a strong sense of community, cooperation and volunteer work. Indeed, the cooperative was perceived to be a safe place for testing if starting an own business is a considerable option. Family ties guide the cooperative work in Tolonen, since almost everyone is

related to one another. This has an impact also on the general atmosphere in the village, as the tight family ties prevent envy between different actors.

In addition, Lapin Kuntoutus Oy as an employer is a serious actor in the health care field in Lapland and the company is especially proud that they have better balance between men and women in the work force than healthcare companies in general, although most are women. With 83 employees, the impact of the company in the area is quite strong. Lapin Kuntoutus' staff also emphasized the role of the company in rehabilitating people who have suffered from a stroke for example, as they are in many cases able to return to working life. One aspect of inclusion and social impact is the work that the company is doing with veterans and senior citizens. According to their point of view, rehabilitation is essential because it enhances the possibilities for senior citizens to remain at home and live a full life instead of being institutionalized. It was also mentioned that would the centre for rehabilitation be farther South, people would not go there, since they wish to stay in their home region close to family.

“If we lived in somewhere around the capital region and we would have a smaller area to cover, then people would move more. And of course, if they do go to institutionalized care, the people want to be in the area close to home. [...] But, even though they would get good service approved by State Treasury, which are very good for the customers, they still want to stay at home area.” (Lapin Kuntoutus Oy 2017.)

## Technological

Technological viewpoints were not frequently mentioned by the interviewees. There were, however, some mentions concerning technical aspect. Lapin Kuntoutus Oy mentioned that they have good quality services and equipment for rehabilitation since the National State Treasury supervises them. Thus, the industry also has an impact on the technological or technical solutions used in the companies. They also have a “service television” financed by National Treasury, which enables the customers to take part in the activities distantly.

*“We are next to a hospital, we have great and professional staff and good equipment, so I trust that the future will be good. If the accounts manager or the executive manager have still jobs I am not sure of, but the [caring] staff will be alright in the future too.” (Lapin Kuntoutus Oy 2017.)*

The village of Tolonen in Inari is an example of an area, where cooperative work and joint efforts enhance infrastructure, for instance concerning information technology.

## **Environmental**

Environmental impact was seen through the long distances in Lapland. SOCENTs many times take care of odd jobs in faraway villages, thus saving money for municipalities. SOCENTs impact in the local area is two-folded. People would not participate in SOCENTs if the services were in south of Finland. Furthermore, the compact and local nature of the SOCENTs allows quick decision making that serves the local community better than decisions made somewhere else in Finland by some larger umbrella organization.



# 4 Conclusions and Recommendations

In conclusion, it is to say that the current status of social enterprises in Lapland is hard to gauge. Only two registered social enterprises exist in Lapland (who hold the social enterprise mark), but our interviews show that at least one of them so far does not benefit from this mark. When looking at cooperatives and associations, however, which are not officially registered as social enterprises, it can be observed that a much larger number of organisations possessing the characteristics of social enterprises exist.

The lack of interest in social enterprises is partly due to the universalistic welfare system, which is prevalent in all Nordic countries. The state takes care of its people and the importance of families and close-knit communities in taking care of the unemployed or difficult-to-employ is diminished. On the other hand, the state of Finland made a clear decision not to support social enterprises specifically, as it fears this would distort the market.

However, with the upcoming reform of the social and health care system as well as province reform, the importance of enterprises with characteristics of social enterprises might be on the rise.

Based on the finding from the interviews and desk research, it is recommended to

- provide more support and information on social entrepreneurship to start-ups and on-going businesses in Lapland,
- increase the visibility and usefulness of the Finnish Social Enterprise Mark,
- investigate the models of other countries regarding social enterprises, their implementation and support systems.





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# Appendices

Appendix 1. Finnish Social Enterprise Research Network: <https://www.facebook.com/finsern/>

Appendix 2. The Ministry of Economic Affairs and Employment's register of work integration social enterprises, <http://tem.fi/rekisteriin-merkityt-yritykset>

Appendix 3. The register of holders of the Finnish Social Enterprise Mark, <http://suomalainentyo.fi/en/about-us/member-companies/#merkki/yhteiskunnallinen-yritys>

**This study report**, which was produced in the frame of the Interreg Europe financed “Social Enterprises in Sparsely Populated Areas – SOCENT SPAs” project, focuses on the situation of social entrepreneurship in Finland and especially Lapland, providing background information on legislation issues and real-life examples of social enterprises.

The content of the study report was compiled through desk research and the conduction and subsequent analysis of interviews on the subject. The interviewees were chosen based on their involvement in regional development, cooperatives or as holders of the Finnish Social Enterprise Mark.

The data collected in this report serve as background information and justifications to enable the project’s partners to understand the situation in the region and support the elaboration of a relevant action plan aiming at improving the regional policy instrument for better support to social entrepreneurs.



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