

# The social economy, social inclusion and the public interest Synthesis

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## Introduction

In the first part of this research (carried out mainly by HIVA and CERISIS) we look at the question of the effectiveness of different forms of work in the 'social insertion economy' (entreprises de formation par le travail, entreprises d'insertion, leerwerkcentra (learn & work centres), invoegbedrijven (insertion enterprises), sociale werkplaatsen (social workshops)). In addition to the *level* of employment, the evaluation criteria include *quality aspects* (the content of the work, working relationships, terms of employment and working conditions), effects on the overall living situation, employee welfare and satisfaction. As far as possible, a comparison is made in each case with people who have not passed through the social insertion economy and people employed in the regular labour market. The theoretical framework for the study includes elements from modern welfare economics (Sen, Dworkin) as well as from psychology, thus combining 'subjective' and 'objective' measurement methods.

In addition a social cost-benefit analysis is carried out in order to evaluate the efficiency of various forms of work from a social perspective.

The second part of the research (carried out by the CES (ULg) examines the concept of 'collective impact' as well as the measurement methods used to quantify this impact. Apart from the economic approach, this part also contains an analysis of the legal constraints determining the possibilities for subsidization of social integration enterprises.

## **PART A. THE SOCIAL ECONOMY AND SUSTAINABLE INTEGRATION OF AT-RISK GROUPS IN THE LABOUR MARKET**

### **1. The field of analysis: work-integration social enterprises (WISEs)**

In the Walloon Region, there are two labels of work integration social enterprise: *"entreprises de formation par le travail"*, or EFTs, and *"entreprises d'insertion"*, or EIs. In February 2004, the Walloon Region adopted a new decree concerning on EFTs, unifying a set of decrees which had been adopted since the end of the 1980s. Beneficiaries are trainees in EFTs and remain for a maximum of 18 months. EFTs *"aim to ensure the training of the trainees through the use of a specific pedagogy. The latter is based on the realisation of a productive work, combined with a theoretical training adapted to individual needs, and on the psycho-social guidance of the trainee. The training aims at the acquisition or reinforcement of competencies sufficient for enabling jobseekers who encounter serious integration problems on the labour market to subsequently obtain a work contract or gain access to a qualifying training"*. The legal recognition of EIs is much more recent; it dates back to 1998 (with a revision in 2003) in Wallonia, and followed a few pioneering initiatives and a limited number of pilot experiences. The mission of EIs is clearly identified as the creation of jobs for "particularly hard-to-place jobseekers" (*demandeurs d'emploi particulièrement difficiles à placer*, or DEPP). The conditions and modalities of their recognition at the regional level allow them to obtain public funding during an initial period. This funding is intended to make up for the lesser productivity of the latter; it is tapering off over a four-year period. After this period, the workers can stay in the enterprise or leave it.

In the Flemish Region, a distinction is made between at least three types of provision. *'Leerwerkbedrijven'* (learn & work companies) correspond to the EFT depicted above but have as yet no legal framework. Employees are generally low-skilled and long-term unemployed; they receive a combination of work experience and training for a maximum period of one year, after which they are expected to make their own way in the regular labour market. Social workshops (*'sociale werkplaatsen'*) offer contracts of indefinite duration which are permanently subsidised (with only a slight reduction of wage subsidies after 3 years. Access to the social workshops is limited to persons with at least 5 years' inactivity, low skills and mostly some kind of social stigma (family breakdown, residential care...). Finally, *'invoegbedrijven'* (EIs) offer permanent jobs to low-skilled, long-term unemployed job seekers, whereas their wage subsidies are phased out over a period of four years.<sup>1</sup>

These "work-integration social enterprises" (WISEs) thus have as their main goal the integration, through a productive activity, of people who are disadvantaged on the labour market. The question at the heart of our research project was that of the analysis of the profiles and careers of the beneficiaries of these enterprises – including, as far as possible, the medium- and long-term effects of employment in social enterprises on the work careers and well-being of the target group.

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<sup>1</sup> Other types of provision (*'arbeidszorg'*, local employment agencies etc.) were excluded from the study for reasons of resource constraints

## 2. Walloon Region – targeting and welfare effects (CERISIS)<sup>2</sup>

### 2.1 Research questions

EFTs mainly target persons who are at the greatest disadvantage regarding integration in the labour market. As mentioned earlier, their goal is not to provide permanent jobs but training through a limited stay in the organisation. The profile of their beneficiaries encourages these social enterprises to define a broad objective of social and work integration. This is why, for the study of the field of EFTs, we have chosen as central concept that of the "quality of life" of the trainees, so trying to operationalise the multidimensionality of the social and work integration modalities. To this end, we defined, on the basis of the scientific literature, the notion of the "quality of life" (Lefèvre, 2001); we then constructed a global index of quality of life on the basis of the answers provided by 339 trainees upon entering an EFT. We analysed the relations between the objective and the subjective dimensions of this index for this target group, as well as their various "quality of life profiles" upon entering the EFT. Finally, we studied the evolution of these profiles over time and the links between the various quality of life profiles, on the one hand, and drop-out behaviour within EFTs and patterns of integration in the labour market after leaving the EFT, on the other hand.

As regards the EIs, we analysed – as for trainees in EFTs - the profiles of the workers upon entering the work-integration enterprise. A typology of workers' profiles proved relevant; but similarly, it also appeared relevant to establish a typology of EIs on the basis of their funding and their type of production. We then analysed the links between the profiles of the workers and the profiles of enterprises. Finally, we analysed the trajectory of the workers as well as the net effect of EIs thanks to the constitution, on the basis of administrative data provided by the public administration (FOREM), of a control group.

### 2.2 Data and methodology

*For EFTs:*

The data used in this study were collected in the framework of a longitudinal survey (i.e. the persons surveyed were interviewed when entering the EFT, when leaving it, and on average 13 months after the end of the traineeship) carried out by our research centre; trainees from the twenty EFTs of the province of Hainaut were interviewed. These data were collected before this research contract. At time 1, the sample comprised 339 interviewees. By the time of the second interview, 138 interviewees had been lost through attrition. According to the interviewers, most of these 138 persons were trainees who had dropped out of the training. Although probably not all of these cases can be considered as drop-outs, the quality of life of these 138 persons as measured upon their entering traineeship can nonetheless help to predict the probability of drop out from the training. Finally, by the third interview, 113 ex-trainees could be interviewed.

On the basis of the unprocessed data collected at time 1 and using the multiple correspondence analysis, we reduced the questions to three variables for each aspect of life: an indicator of objective

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<sup>2</sup> See Lefèvre 2002; D'Addio 2002 ; Platteau & Nyssens, 2004; Nyssens, Lemaître & Platteau, 2004; Lemaître, Nyssens & Platteau, 2005; Nyssens & Platteau, 2005

functioning, an indicator of specific satisfaction and an indicator of subjective importance (see below in the main result section). In order to work out the various quality of life profiles of the trainees in EFTs, we used the classification analysis and in particular the method of 'dynamic clouds' (nuées dynamiques), which precisely allows to group individuals with similar characteristics in classes as homogeneous as possible. Finally, in order to assess drop-out and work-integration behaviour after the traineeship, we carried out an estimation allowing to determine the elements influencing the situation of "employment and non-employment", correcting the possible attrition bias induced by individuals dropping out of the programme, since it can logically be supposed that common characteristics influence both events. To this end, we estimated a probit two-equation system (bi-variate Probit model with partial observability).

*For EIs:*

The research sample was constituted by ten enterprises which had obtained the work-integration enterprise (*Entreprise d'Insertion*) label granted by Walloon authorities and by five other social enterprises which had not applied for this label but were nonetheless work-integration social enterprises in that they pursued a goal of **job creation** for a disadvantaged target group. A total sample of 103 workers was constituted, which represents an average of seven workers per EI. These workers had generally joined the enterprise between 2000 and 2002; data were collected on average two years after their joining the EI. The approach chosen was thus a flow approach, respecting, as far as possible, for each EI surveyed, the proportion between the workers still working in the EI and those who had left it by the time of the survey. We interviewed the human resources managers about the profile and the trajectory of each worker selected. In 85 cases out of 103, we could also interview the workers themselves, in order to grasp their own perception of their trajectory in the EI. In order to measure the net effect of the stay in the EI, we used data from FOREM listing all jobseekers at the end of each trimester. In this way, the trajectory of any individual who entered an EI in the course of a trimester could be compared to the trajectory of all the similar individuals who were registered as jobseekers by the end of the trimester considered.

In order to build up the profiles, we resorted – just like we had done for the part of the study about EFTs – to multiple correspondence analysis and the classification analysis. In order to assess the net effect, we used the exact matching method, i.e. we selected, in the control group, the individuals sharing the characteristics of each individual observed on the basis of six variables of the socioeconomic profile.

## 2.3 Main results

### *Quality of life, profiles and trajectory of trainees in EFTs*

For this study in the field of EFTs, we have thus chosen as a central concept that of "quality of life" of the trainees to attempt to operationalise the multidimensionality of the modalities of social and occupational integration. The multidimensionality of integration can first refer to the various fields of life. Seven fields of life appeared as the preferred areas of investment, self-realisation, source of satisfaction and dissatisfaction of EFT trainees: employment; school and training; family; friends; neighbours and neighbourhood; leisure; and associative life.

Secondly, the multidimensionality can underline both the objective and subjective aspects of the quality of life. For each of these seven fields of life, three indicators were built up on the basis of the answers provided by the trainees: an indicator of objective functioning, an indicator of specific satisfaction and an indicator of subjective importance.

The *objective indicators* of the quality of life summarises, within each field of life, the effective behaviours of people (for the employment field: employment history of the person, for the friends field: number and frequency of contacts with friends, for the family field: intensity of implication in the family...). We have therefore 7 objective indicators, one for each field. The main strengths of objective indicators is precisely their objectivity, i.e. their independence from the judgement of the beneficiaries, but also their potential for generating social consensus. As a matter of fact, they reflect- through the selection made – the normative ideals of the society surrounding the beneficiaries (to have a job, an income...).

The second class of indicators apprehends the *specific satisfaction* of the trainee in each field of life. As a matter of fact, the main criticism addressed to objective indicators is the fact that they do not take into account the point of view of the beneficiaries themselves. Satisfaction indicators thus attempt to apprehend the well-being such as perceived by the individuals themselves; by so doing, they reintroduce personal experience in the measure of the quality of life. However, reducing the quality of life to subjective well-being also implies some limits. As a matter of fact, the judgement of satisfaction is relative and likely to be adapted. Some people can consider themselves happy of what they have and thus express a judgement of relatively high well-being because, although confronted with apparently bad living conditions, they learned to restrict their aspirations and desires. The judgement of well-being is also influenced by processes of social comparison and by the personal characteristics of individuals. The relevance of the subjective well-being as the only measure of the quality of life is thus questioned because of its apparent disconnection, given its complex interactions, from the objective living conditions of individuals. Consequently, the judgements of well-being are not sufficient to establish criteria of social justice.

The third class of indicators measures the *subjective importance* given by the trainee to each field of life. Indicators of subjective importance make it possible to apprehend the degree of valorisation of the various fields of life by the trainees.

Finally, to these 21 indicators (7 fields X 3), we also added an indicator of satisfaction about life as a whole. The global index of quality of life thus includes 22 variables for each individual interviewed, at each of the three times of the survey.

What are the key results of the analysis ?

First, the results of the correlative analyses carried out in the seven fields of life confirm that the indicators cannot be reduced to a single one: by measuring only the objective aspects of the quality of life, little is known of the satisfaction drawn from it; and by evaluating satisfaction, one cannot directly estimate what the person owns or the conditions in which he/she is living. This result underlines the relevance of an approach combining objective and subjective indicators to apprehend the quality of life.

The second question we addressed is that of the relations between the judgements of specific satisfaction in the seven fields of the questionnaire on the quality of life. The analyses suggest that, for this population of low qualified youth, characterised by their dropping out of school and their integration problems on the labour market, satisfaction towards life covers two distinct, independent realities: one concerns satisfaction towards employment, school and training; the other, satisfaction regarding social relations in the other fields of life.

As far as the early drop-out of *training* is concerned, it appears that women are much less likely to drop out of the training process in EFTs. It also appears that the importance given to the investment in training (subjective importance) as well as the satisfaction towards employment significantly and positively influence the pursuit of the training process.

When analysing the *profiles of trainees* upon entering the EFT, it quickly appears that it is not possible to define a common profile in terms of quality of life. The "typical trainee" entering EFT does not exist in the population. This is why different groups were distinguished, on the basis of the various quality of life profiles, in order to analyse the evolution of this quality of life over time.

If we analyse the significant evolutions, over time, of each profile of quality of life, it first appears that, obviously, changes occur in the family field. The objective investment (i.e. mainly measured in time) in the family is significantly reduced. The subjective importance given to this sphere is also altered. All classes, except for one, men and women together, are situated on an intermediate level at time 3 of the survey. Those who gave a relatively high importance to this field thus altered their evaluation in the sense of a lesser importance, and conversely.

As far as the objective indicators of *social integration* are concerned (friends, neighbours, associative life, leisure), a general trend to "adjustment" also appears. The persons who were socially relatively well-integrated reduced their investment in these social relations. The trainees who were socially most isolated when entering the EFT considerably increased their network of friends as well their commitment in associative life.

From the point of view of *satisfaction indicators*, the analysis leads to two considerations. First, the indicator of satisfaction towards life considered globally appears to be relatively stable. Then, it appeared that life circumstances nonetheless influenced satisfaction, in particular measures of specific satisfaction towards the different fields of life. For example, trainees who reduced their investment in the social field showed a *temporary* decrease in specific satisfaction in this field: at time 3 of the survey, indicators of satisfaction had returned to their initial level. These results thus underline the importance of taking into account the adaptive processes of individuals in making up their judgement on their satisfaction.

*As far as the goal of work integration is concerned*, 42% of trainees were employed at time 3 of the survey, i.e. on average 13 months after the workers had left the EFT. Women and those under 25 are strongly disadvantaged from this point of view. EFTs have of course no influence on these demographic factors, nor on the creation of jobs. It appears that the degree of motivation (measured by the indicator of subjective importance) demonstrated by individuals in most fields strongly influences the probability of reintegration into employment, whereas the objective indicators of the index of quality of life have, for their part, no significant effects on this probability. The individuals who gave high subjective importance to work integration when entering EFTs were those whose determination was reinforced over time. The persons who gave very low subjective importance to social integration had increased this indicator when leaving the EFT. Finally, it has to be underlined that the trainees who spend the shortest period in the EFT are those with the highest employment rate. This can imply that individuals who spend less time in the EFT really "use" it as a springboard towards employment, while the trainees who stay longer in the EFT are probably those who are the most disadvantaged on the labour market.

## *Profiles and trajectories of workers in EI, typology of EI*

In order to characterise the workers at the time of their hiring by *entreprises d'insertion*, or EIs, we also distinguished between objective variables, of a socio-demographic type, and subjective variables, aiming to apprehend the perception of the human resources manager regarding the "employability" profile of the worker. Unlike what was the case for the study of the quality of life in EFTs, what is studied here is thus not the subjective perception of the worker but that of a third person.

There is no such thing as a single profile of workers in EI. Four main profiles could be distinguished: long-term unemployed with a long work experience; recipients of the integration income with a qualification and work experience; young trainees or students with a low employability; and trained foreigners with no work experience. Each of these categories is characterised by a very specific type of objective and subjective profile.

We have also reconstituted, for the 15 WISEs selected in the Walloon Region, the various resources mobilised in 2001. Through the systematic collection of data on resources, we made visible all the resources of organisations. The sale of goods and services and the income from property constitute the market resources (on average 60%) of organisations. Direct and indirect subsidies constitute their redistributive resources (on average 28%). Donations and fees, as well as non-monetary aid and voluntary work, constitute their reciprocity-based resources (on average 12%). However, the way in which the different types of resources are mixed differs from one enterprise to the other. A typology of organisations can be established on the basis of their specific resource mix. Four groups of organisations appear in the sample: "quasi-market organisations", which address the most disadvantaged target group of our sample; a "market organisation", whose target group is relatively less disadvantaged than that of organisations in the first group; "hybrid organisations"; and "dominantly non-market organisations".

The different types of resource mix can be accounted for by the different types of production of goods and services of the organisations. As a matter of fact, we can distinguish in our sample different types of organisations. Those pursuing a goal of social integration of the workers are said to be *single social purpose organisations*, whereas those combining a social integration goal with a social goal of production are designated as *multiple social purpose organisations*. As a matter of fact, whereas most EIs consider their goal of production of goods and services as important (since it is part of their identity of social enterprises carrying out integration through a productive activity), some of them also pursue a production goal deemed important for society because it is generating collective benefits and equity (for example, the production of social services). The simultaneous pursuit of these two objectives – the integration goal and the production goal – is for example valorised by dominantly non-market organisations. The production, which has an equity-generating effect, is then partly financed by redistributive resources and voluntary-based resources. The advantage of the integration of persons excluded from the labour market through the production of a service for other disadvantaged people is that it creates a chain of horizontal solidarities, of mutual help between people sharing similar difficulties. But it can also happen that the integration goal and the production goal are conflicting with each other. For example, some selection of the workers in integration can sometimes be made in order to ensure the quality of the service provided. Indeed, these enterprises employ workers among the less disadvantaged of the sample.

Regarding the trajectories of the workers, 67 workers out of the 103 of our sample were still in the EI two years on average after their entry. One can suppose that they managed to adapt to a professional

environment, though a sheltered one. The study of the trajectory of the workers having left the EI is more instructive. It reveals that only 30% of these workers had found a job by the time of the survey. *However, these results only reflect gross rates of placement; the assessment of the net effect was still under way at the time of the redaction of this preliminary summary.*

Putting the workers back to work is not the only goal of these enterprises. They also pursue goals of improvement of the human and social capital of their workers. Our data indicate that human capital and, to a lesser extent, social capital increased significantly. A very strong positive correlation appears between the achievement of the three main goals identified: putting the workers back to work, improving human capital and improving social capital. Finally, the benefits and difficulties of the stay in the EI appear to vary from one worker to another, which shows, once more, that there is no such thing as a one and only "typical EI worker" and that enterprises adapt their strategy to their target group.

## 2.4 Recommendations in terms of public policies

### *For EFTs*

The present study underlines the *multidimensionality* of the action and effects of EFTs in different fields of the life of the trainees, beyond their work reintegration, *stricto sensu*. In the framework of structural unemployment of these target groups, EFTs themselves cannot create jobs (their aim is to offer traineeship for a limited period) but they can act on a set of dimensions which allow the person to acquire more control over his/her social and work integration.

The first finding is that there is a strong correlation between the level of the indicators of subjective importance in the different fields of life and the probability of the worker achieving work integration after leaving the EFT. This demonstrates the importance of the motivations of individuals for the integration process. An important question in matters of public policies is thus: how can the various devices act on these psychosocial dimensions?

The second finding refers to the heterogeneity of the trainees in EFTs. As a matter of fact, if the quality of life profiles of the trainees are diverse upon entering the EFT, their trajectories are also far from being uniform. Some groups are closer to work integration when leaving the EFT, such as those men who already give high importance to employment and training upon joining the EFT, and who spend a relatively shorter time in the enterprise. Others are far more remote from employment, such as those women who very rarely drop out of the training and for whom, obviously, the EFT rather offers an opportunity for social rather than work integration as such. These results thus challenge the classification, adopted by regional authorities, of operators according to the "stage" of the integration path at which they are allowed to intervene, with EFTs having to concentrate on the stages of socialisation and pre-qualification, while public employment services concentrate on the stages of qualification and placement. The integration path was replaced in March 2004 by the "Integrated Scheme for Social and Occupational Integration" (*Dispositif Intégré d'Insertion Socioprofessionnelle*, or DIIS). Although this system reintroduces some flexibility, for example by limiting the number of different stages to two - namely the pre-qualification and qualification stages -, EFTs nevertheless fear to be confined to strictly pre-qualification missions.

## For EIs

As the terms of the decree on *entreprises d'insertion* indicate, the hiring and occupational integration of disadvantaged workers are at the very heart of EIs' mission. Both public authorities and EIs agree on this point. However, differences arise regarding the way in which this integration is understood. The kind of integration highlighted in the decree is a "springboard integration", in which the workers are deemed able to acquire, within four years, the work experience necessary to allow them to subsequently find a job in the mainstream labour market – or to stay in the EI, but without subsidies – thus allowing the enterprise to hire new disadvantaged workers. This presupposes that these enterprises hire workers with a more or less similar profile and who are relatively close to the labour market. However, the experience of EIs shows that this profile does not always correspond to the target groups actually hired and that, for a certain number of workers, who are especially disadvantaged, this conception of a springboard integration proves inadequate. As a matter of fact, according to our results, the target group of Walloon EIs - be they labelled or not - is highly heterogeneous and can be divided into five groups. These persons experience very different situations on the labour market. The analysis of the trajectories of the workers also reveals that, although 66% of workers were still active in EIs by the time of the survey – which is not surprising since the survey was carried out two years on average after their hiring by the EI and the subsidies are granted for a four-year period as far as labelled EIs are concerned –, 70% of the workers who had left the enterprise had returned to a situation of inactivity.

Consequently, these data show that if a limited sheltered work experience allows the reintegration of some groups of workers in the mainstream labour market, for other groups, this is not sufficient. As a matter of fact, these workers do not only suffer from a "desemployability" problem, but also from various problems (low qualification, precarious situations and social status, mental handicaps etc.) which affect their level of productivity in a lasting way. The temporary character of subsidies carries a risk to induce a phenomenon of "creaming off" of the workers. Integration subsidies should thus be differentiated according to the target groups, allowing some workers to keep a "sheltered" job. Foreign experiences, like those of Italian work-integration social co-operatives, show the efficiency of an approach allowing some heterogeneity to develop in the target groups, together with differentiated subsidisation modes within the enterprises themselves. But until now, this is not the way chosen in Belgium. Only those work-integration social enterprises without any specific label can combine various types of target groups by making use of the various active employment policies available to them par ailleurs.

Finally, if EIs mix various types of resources, this resource mix appears to vary from one enterprise to another. Probably the most visible effect of the institutionalisation of EIs is that, by forcing these enterprises to position themselves in the "market economy", it fails to recognise and take into account this combination of various market, redistributive and voluntary-based resources. The different types of resource mix can be understood according to the type of *social purpose* of enterprises: enterprises with a single social purpose – integration – and those with multiple social purpose – integration and the production of goods and services generating collective benefits. For example, a group of EIs develop services for a disadvantaged population group and mobilise a specific type of resources with a relatively high share of voluntary resources. These social enterprises then pursue a double objective: the integration of a disadvantaged target group and the development of a service of a collective nature, which does not fit easily in the Walloon legal framework for EIs, which was developed taking into account only the goal of occupational integration of the beneficiaries.

One of the major characteristics of all these experiences - both EFTs and EIs - is to combine in a undissociable way a market added value and a non-market added value (in terms of integration of a

disadvantaged target group and, for some enterprises, of the production of goods and services with a social purpose). If these were apprehended in a more integrated way, many challenges of integration - among others financial ones - would be termed in a more open way.

### 3. Walloon Region – impact of EI on government budget (CES)<sup>3</sup>

#### 3.1 Research questions, data and methodology

Our aim was to carry out an empirical assessment of the impact, on the government budget, of the employment of particularly hard-to-place jobseekers in work-integration enterprises (entreprises d'insertion, or EI) in Wallonia, in accordance with the Decree of July 16, 1998. The budgetary impact was defined as the difference, for public authorities, between the expenditure and the revenues linked to two distinct situations: in the first situation, the person is a hard-to-place jobseeker; in the second one, the person is hired by an EI. This comparison takes into account all the variations of the tax-assimilated revenue (personal and employer's social security contributions), the revenue derived from taxes (tax on physical persons, indirect tax, company tax), the VAT income and the social expenditure (unemployment benefits, guaranteed minimum income...).

The collection of data was based both on administrative data, available from public administrations or federations (number of beneficiaries, total amount of subsidies, rate of taxation, scales of social benefits..) and on extrapolated data, worked out on the basis of a survey carried out within 10 EIs (personal interviews).

Only the *direct* budgetary impact was taken into account; we did not take into account the *induced* effects on the economy and government budgets of additional consumption and investment expenditure linked to the activity of the EI, as well as the *derived* effects, namely public expenditure avoided due to the improvement of the living conditions of the target group and of society at large (health, education, living place, security...).

In the first place, we supposed that the creation of jobs in EIs for hard-to-place jobseekers was a *net effect*, i.e. there is no deadweight, substitution and displacement effect and that, consequently, hiring a worker amounts to creating a job which would not have existed, had no subsidies been made available. This hypothesis obviously implies a vision which is more positive than what is actually the case. However, we know that the deadweight effect in recognized EIs is equal to 30%. So in the second place, we used the hypothesis that 30% of the workers in these EIs would have found jobs even if they had not been employed in an EI. Nevertheless, following this hypothesis, we are not sure that these workers would have found another "non-subsidized job". So the figure of 30% is probably too pessimistic. The reality is thus comprised between these two hypotheses.

#### 3.2 Main findings

The figures that we have worked out on the basis of these hypotheses clearly show that public authorities globally benefit from the hiring of hard-to-place jobseekers in work-integration enterprises in 2001. As a matter of fact, depending on the situation of the target group prior to their hiring in a work-

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<sup>3</sup> See Grégoire 2004

integration enterprise, the monthly profits for public authorities if we consider that there is no deadweight effect are comprised between 422.34 € and 803.92 € per person hired. In other words, on a yearly basis, profits are comprised between 5,068.08 € and 9,647.04 €.

Table 1: Direct budgetary impact for public authorities, per month and per worker hired - according to the situation of the hard-to-place jobseeker before his/her hiring by the EI (2001)

	Long-term jobseeker	Guaranteed minimum income	EFT*	AWIPH*	ETA*
Distribution	46%	31.5%	12.50%	5%	5%
Budgetary impact	+803.92€	+733.08€	+422.34€	+742.05€	+590.06€

(\*) EFT = *Entreprises de Formation par le Travail*, AWIPH = recipients of benefits from the Walloon Agency for the Integration of Handicapped Persons (*Agence Wallonne pour l'Intégration des Personnes Handicapées*); ETA = sheltered workshop (*Entreprises de Travail Adapté*).

On the basis of the distribution above, we obtain an average net monthly profit of 720.12€, all categories of workers included. However, these positive results for public finances should not mask the fact that main beneficiary of the hiring of hard-to-place jobseekers within EIs is the federal state, whereas the Walloon Region rather incurs losses, as it appears from the following table:

Table 2: Direct budgetary impact for the federal state and the Walloon Region, per month and per worker hired and according to the situation of the hard-to-place jobseekers previous to their hiring by the EIs (2001)

	Long-term jobseeker	Guaranteed minimum income	EFT	AWIPH	ETA
Distribution	46%	31.5%	12.50%	5%	5%
Budgetary impact for the federal state	+1,254.01€	+1,183.17€	+ 704.43€	+1,192.14€	+144.15€
Budgetary impact for the Walloon Region	-450.09€	-450.09€	- 282.09€	-450.09€	+445.91€

It appears that profits for the federal state are comprised between 144.15€ and 1,254.01€ (i.e. an average profit of 1,104.41€ per month and per hard-to-place jobseeker). The Walloon Region, conversely, must contribute monthly between 282.09€ and 450.09€ for each hard-to-place jobseeker hired in an EI, except if the hard-to-place jobseeker previously worked in a sheltered workshop (ETA), in which case the profit for the Walloon Region amounted in 2001 to 445.91€. This can be accounted for mainly by the fact that subsidies are higher in ETAs than in EIs.

If we use the hypothesis that the deadweight effect is equal to 30% and that these workers would have found a "non-subsidized" job which presents exactly the same characteristics in terms of wage, hours of works... than their subsidized job, the public authorities face an extra cost equal to the amount of the subsidies granted to the subsidized EI (788.71€). Indeed, while their fiscal receipts are the same, they "waste" the amount of the subsidies if these are not a sine qua non condition to the hiring. Consequently, the profits are equal to 720.12€ only for 70% of the workers. In conclusion, the average net monthly profit is reduced to 267.47€.

Table 3: Direct budgetary impact for the federal state and the Walloon Region, per month and per worker if the deadweight effect is equal to 30%.

Workers employed in the EI	Hard-to-place workers working without subsidies	Total
0,70 * 720,12 = 504,08€	0,30 * -788,71 = -236,61€	504,08 – 236,61 = 267,47€

Thus, as we said earlier, the real figure is probably comprised between the two results presented above : 267.47€ and 720.12€. Finally, the following table shows that the deadweight effect is mainly harmful, compared with a situation where it would be equal to zero, for the federal budget.

Table 4: Direct budgetary impact for the federal state and the Walloon Region, per month and per worker hired and according to the situation of the hard-to-place jobseekers prior to their recruitment in EIs (2001) if the deadweight effect is equal to 30%.

	Long-term jobseeker	Guaranteed minimum income	EFT	AWIPH	ETA	Average impact
Budgetary impact for the federal state	+776,22	+726,63	+391,52	+732,91	-0,68	+671,50
Budgetary impact for the Walloon Region	-450,09	-450,09	-332,49	-450,09	+177,11	-404,03
Total impact	+326,13	+276,54	+59,03	+282,82	+176,43	+267,47

## 4. Flemish Region (HIVA)<sup>4</sup>

### 4.1 Research questions

The key research questions of the research on Flemish work integration social enterprises converge to a large extent with those tackled in the previous section for the Walloon Region: what are the target groups of different types of WISE ? What is the effect of social employment on the further job careers of beneficiaries ? And what is the impact on their well-being ? However, it will become clear that the approach adopted by HIVA also differs to some extent from the research at CERISIS.

To begin with, we wanted to know how the *target groups of the three types of social enterprises* studied in Flanders (learn & work centres, social workshops and integration enterprises) differed from each other. Given the differences in public costs (with social workshops costing a manifold per person compared with learn & work projects) one may expect that the former target a more disadvantaged group.

As regards *employment effects*, traditional evaluation criteria (aimed at measuring e.g. the net employment gain six months after the end of a programme) obviously do not apply to social enterprises which receive long-term subsidies. We therefore extended the evaluation framework in two ways. First, we concentrated on medium- and long-term effects (up to 7 years after entering a scheme). Secondly, we assumed that social enterprises are not just meant to create employment or to make workers more employable: they invest in the *resources and capabilities of individuals*, with the aim of improving their

<sup>4</sup> See Rubbrecht et al. (2005)

overall level of welfare. Compared with the approach of CERISIS, our concept of welfare is restricted to an economic one based on 'objective' indicators.

Finally, we also carried out a *social cost-benefit analysis* with the aim of establishing whether society as a whole gains from investments in WISE.

## 4.2 Data

Data for this research had been collected in previous projects. We dispose of a longitudinal data base of 440 individuals, composed of four subgroups, namely, workers from each of the three types of WISE and a comparison group of individuals who were low-skilled, long-term unemployed or social assistance recipients at the baseline. By baseline, we mean the period where the treatment group entered a WISE. The baseline period was 1994 for learn & work centres, 1995 for social workshops and 1996-98 for integration enterprises.<sup>5</sup> All individuals have been subject to retrospective interviews in the Autumn of 1997 and the Spring of 2001. The questionnaires collected 'objective' information about employment careers as well as different welfare dimensions up to three years before the baseline period.

For the cost-benefit analysis, we collected detailed information about registered and hidden costs and benefits of 28 enterprises. This information was combined with parameters drawn from the literature about benefit levels, tax rates etc.

## 4.3 Selectivity and targeting

The selectivity of recruitment in WISE was analysed mainly by means of binary and multinomial logit regressions with independent variables relating to gender, age, citizenship, level of education, disability, 'stigma' (separation from family or residential care experience), dependency on social services and duration of unemployment. The results indicate

- that WISE do not unambiguously focus on the most deprived groups: individuals with prior work experience and a stronger labour market attachment appear to have more easy access. However, WISE do target groups with moderate to serious welfare deficiencies (e.g. various types of stigma or disability);
- that the target groups differ between the three types of provision: learn & work centres tend to hire more young people, women and very long-term unemployed job seekers, whereas social workshops target on the least educated groups. Integration enterprises concentrate more on young, male and not-too-long-term unemployed workers.

## 4.4 Net employment effects

Two elements constitute innovative aspects of this part of the research: (a) the focus on medium- and long-term effects (up to 7 years for learn & work centres) and (b) the use of a double correction for selection bias.

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<sup>5</sup> The reason for the differences in baseline period is that social workshops underwent a legal reform in 1995, while integration enterprises started to develop from 1996 onwards.

Consider an 'outcome' equation  $Y_t = \mathbf{b}' X_t + d\mathbf{a}_t + u_t$  where the dependent variable  $Y_t$  represents the percentage of time worked (by individual  $i$ ) in year  $t$ .  $X_t$  stands for a vector of observed individual characteristics;  $d$  is a dummy indicating whether the individual has been engaged in a WISE.

For an OLS regression to yield unbiased estimators, it is necessary that the error terms  $u$  are identically and independently distributed, which is improbable (a) when the access to treatment ( $d$ ) is correlated with unobserved individual characteristics and/or (b) when these unobserved individual characteristics correlate over time. If we suppose that those unobserved characteristics are fixed over time, then the problem can be eliminated by taking a first-order difference model:

$$Y_t - Y_{t'} = d\mathbf{a}_t + \mathbf{b}'(X_t - X_{t'}) + (\mathbf{e}_t - \mathbf{e}_{t'})$$

where  $t'$  represents a reference period before the baseline and the new error term  $(\mathbf{e}_t - \mathbf{e}_{t'})$  is i.i.d.

Nevertheless, this well-known 'difference-in-differences' model still hinges upon the strong (and probably unrealistic) assumption that the effect of treatment ( $a$ ) is identical for all individuals (actual and potential participants). It seems more plausible to assume that the true parameter  $a$  is greater among actual participants, i.e. participants with a greater expected benefit from participation are more likely to be selected. Moreover, also within the group of actual participants, the net effect  $a$  can reasonably be assumed to vary between individuals.

We therefore combined the dif-in-dif model with a selection equation, thus eliminating the latter type of selectivity. Intuitively, the difference between the two sources of bias can be explained as follows:

- (a) type I selectivity: some unobserved characteristics affecting the individual's *probability of employment* are correlated with the participation decision. For example, individuals with a wider network of social contacts tend to have better employment chances and are probably better informed about social employment opportunities. This type of selectivity bias is eliminated by a 'pure' dif-in-dif specification.
- (b) type II selectivity: some observed or unobserved characteristics affecting the expected return from participation are correlated with the participation decision. For example, a person with a specific interest in gardening is more likely to be selected for a work experience in an environmental care project and to improve his employment prospects accordingly. This second type of selection bias is eliminated by simultaneous estimation of a selection and outcome equation.

Although the 'pure' dif-in-dif model does not eliminate all selectivity effects, it remains useful to compare the results of both models because this allows us to isolate the second type of selection bias. Moreover, the pure dif-in-dif model also keeps its predictive power as long as selection mechanisms remain unaltered.

We first estimated the 'pure' dif-in-dif model, with a tobit specification in order to account for right censoring; in a second step, we estimated the simultaneous model. As the simultaneous model is hard to combine with a tobit specification, right censored observations have been deleted from the dataset in this model. As this unavoidably reduces the significance of the model for the last observed years, we had to confine the estimations to a smaller number of years.

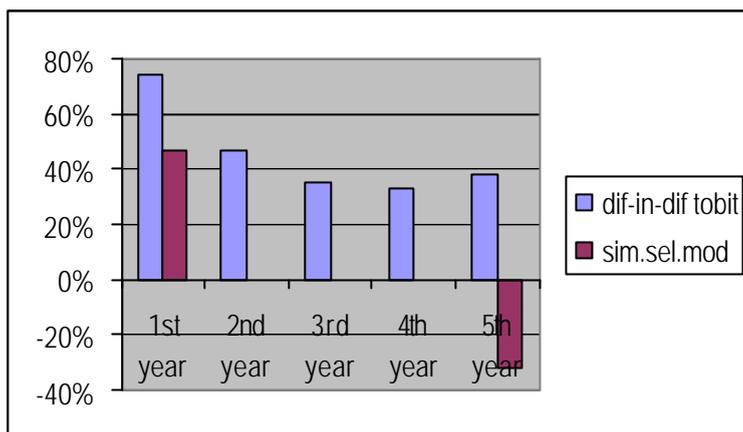


Figure 1. Learn & work centres. Comparison of net employment effects estimated through a pure dif-in-dif and a simultaneous selection-treatment model

Figure 1 compares the net employment effects of learn & work centres (LWC), estimated with the two models. The results show that the LWC produce a substantial and lasting employment effect, even up to 5 years after the baseline. However, the simultaneous selection-treatment model indicates that this employment gain applies only to actual participants and would disappear if all individuals in the sample were assigned a learn & work experience (the net effect would become insignificant after the first year and indeed significantly negative in the 5<sup>th</sup> year following the baseline).

An analogous comparison is made for social workshops in figure 2. Here the difference between the two estimation methods is small (missing bars do not indicate insignificant effects but point to insufficient observations for the corresponding years in the simultaneous model).

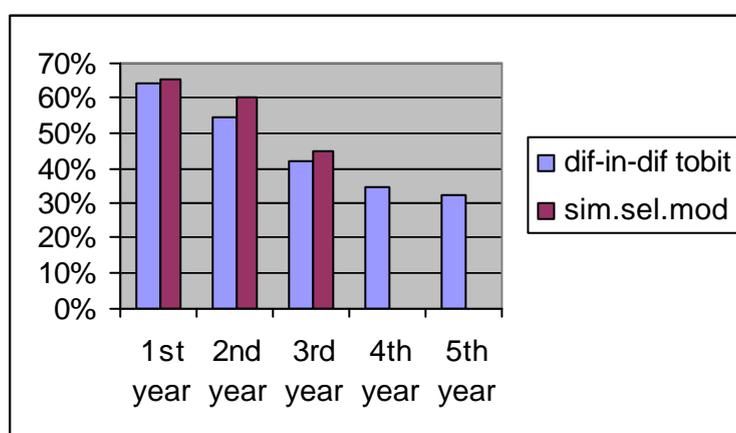


Figure 2. Social workshops. Comparison of net employment effects estimated through a pure dif-in-dif and a simultaneous selection-treatment model

Lastly, figure 3 displays the results for integration enterprises. Lack of observations prevented us from estimating meaningful models beyond the 1<sup>st</sup> year. Comparison of the results suggests that non-participants would actually benefit more from recruitment in an integration enterprise than actual participants. This is not very surprising if we bear in mind that integration enterprises currently tend to cream off the candidates who may have fair chances in the regular labour market.

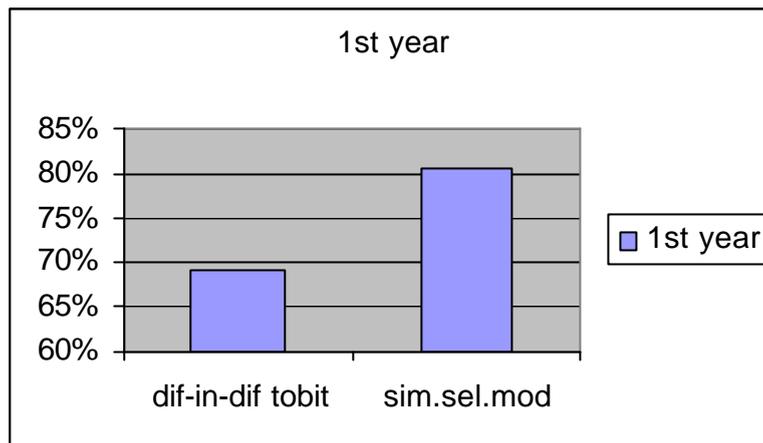


Figure 3. Integration enterprises. Comparison of net employment effects estimated through a pure dif-in-dif and a simultaneous selection-treatment model

#### 4.5 Welfare effects

The aim of WISE is not only to make individuals more employable, but also, to (re-)integrate them into society. This means that we need to design a theoretical framework as well as operational criteria to measure these effects. A. Sen defines welfare in terms of ‘capabilities’, i.e. sets of all combinations of ‘functionings’ that can be achieved by the individual. Apart from material comfort, functionings can include items such as social and cultural participation, the quality of family relations and a healthy life. Whereas such *functionings* can to some extent be measured, *capabilities* cannot, because they include all potential combinations of functionings, not only the observed functionings. Therefore, we combined concepts from Sen’s theory with the concept of ‘resources’ proposed by Dworkin. We assume that, *ceteris paribus*, an individual’s capabilities increase when his/her resources increase. The concept of resources should be interpreted broadly, including – apart from financial or even material resources – human, social and cultural capital. Each type of resources is supposed to be determined by different variables: for instance, human capital includes the level of formal education, work experience and training as well as physical and psychological health.

Employment in a WISE can then be seen as an *investment in the individual’s resources*: it is meant to increase his level of training, his work experience, but also his material comfort, his social networks etc. These resources in turn are supposed to extend the individual’s capabilities – and to raise his levels of functioning in various dimensions of life. Figure 4 summarises the theoretical assumptions underpinning our empirical research.

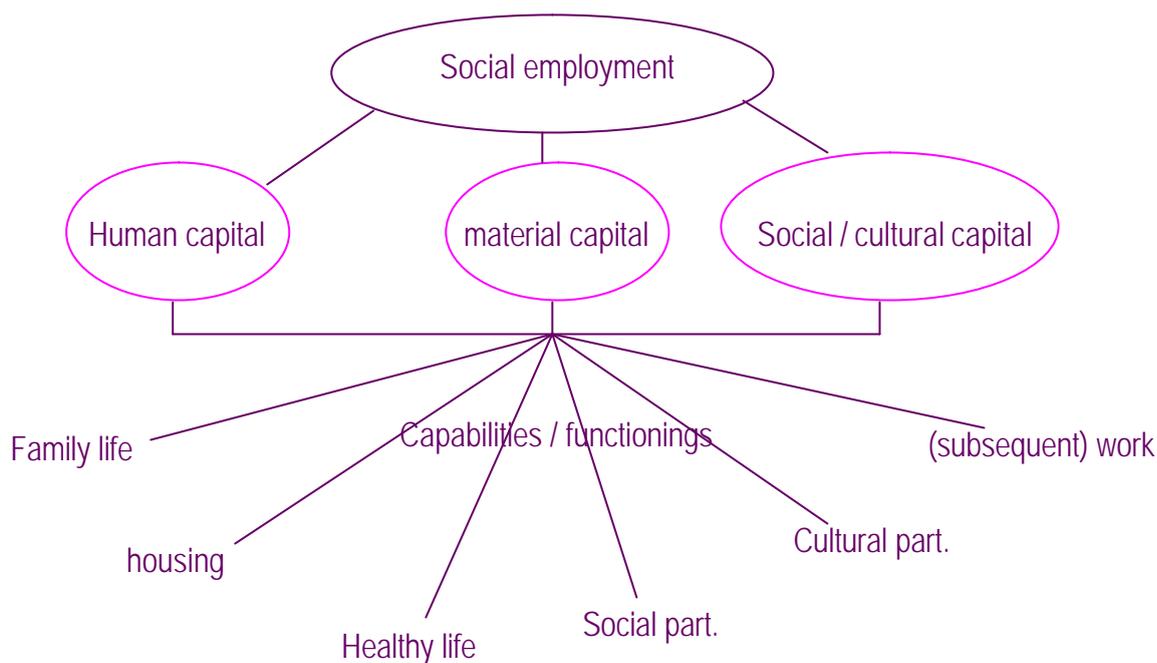


Figure 4. The effect of social employment on the individual's welfare / social inclusion

In empirical terms, resources as well as functionings are measured by means of factor analysis carried out on a wide set of variables measured at several points in time: (a) before the baseline; (b) at the first interview (Autumn 1997) and (c) at the second interview (Spring 2001). The impact of social employment on each of the resources was estimated by means of a dif-in-dif model. The effects in 2001 are called 'long-term effects' and are displayed in table 5 by way of example.<sup>6</sup> Obviously, some resources such as the person's level of (initial) schooling and social background cannot be affected by social employment. However, other resources can be increased or reduced, *relatively speaking*, in comparison with the reference group.

The results indicate that, overall, *learn & work centres* have a substantial positive impact on the welfare of their target group. Not only do they raise the work experience of participants, but also their long-term earnings potential. Interestingly, LWCs also contribute to family happiness: the factor 'family stigma' refers (in the negative sense) to separation from a partner, placement of children in care, and (in the positive sense) to the formation of new households. Among young people in particular, a new job appears to trigger a new (and lasting) love.

Favourable long-term effects can also be observed in *integration enterprises*, particularly on the workers' experience and family happiness.

<sup>6</sup> Note that individuals who have already left the WISE, and even dropouts who have spent at least one month in a WISE, are considered as 'participants' in the corresponding type of social employment provision.

Table 5. Long-term effects of social employment on resources, by type of WISE

	Learn & work centre	Social Workshops	Insertion enterpr.
<b>Human capital</b>			
Schooling	-	-	-
physical vulnerability	-0,076	0,039	-0,064
psychol. vulnerability	-0,166	0,224	0,138
work experience	17,661***	19,156***	10,008***
vocat. training	-0,279	-1,566***	-0,173
<b>Social &amp; cultural capital</b>			
membership of associations	0,034	0,004	-0,027
social background	-	-	-
family stigma	-0,146***	-0,075	-0,110*
institutional stigma	0,042	0,067*	0,028
<b>Material capital</b>			
financial comfort	0,226**	0,150	0,146
housing security	-0,083	-0,179**	-0,071

As regards *social workshops*, the picture is more mixed: whereas these enterprises succeed in generating sustainable integration into work (and thus work experience), workers in these enterprises appear to receive *less* training than the reference group. They have no long-term financial advantage in entering a social workshop; and their housing security even diminishes (or increases less) in comparison with individuals who have not engaged in social employment.<sup>7</sup>

In this synthesis, we will not elaborate on the other part of the model, which relates to the effect of resources on functionings. Let us just mention that most effects have the expected positive signs, except the effect of social and cultural capital on 'healthy life' and the effect of human capital on the quality of housing. This analysis also concludes that, overall, the quality of jobs in insertion enterprises is higher than those available in the regular labour market for the same target groups. In social workshops, no significant differences are found except regarding the security of contracts (social workshops typically offer permanent contracts). Learn & work centres show a mixed picture with less work pressure and better work circumstances, but also less autonomy and a less pleasant work climate.

#### 4.6 Social cost benefit analysis

Social employment is generally considered an expensive type of labour market policy, particularly in social workshops where wages are permanently subsidized. The 'acid test' for policy decisions about WISE therefore consists in comparing the overall costs and benefits for society as a whole.

Note that the methodology in this section differs in several respects from the approach adopted from the EI in the Walloon Region: the main differences are (a) the intertemporal perspective, and (b) the fact that we could build on the results of section 4.4 where the actual net employment gain was estimated, year by year, for several years after the baseline. Where the time horizon of our estimates was extended beyond the observation period, average employment figures for the last three observed years were extrapolated. Not all costs and benefits could actually be measured; nevertheless, we were able to estimate the main costs, including 'hidden' costs (contributions in kind), as well as indirect benefits

<sup>7</sup> Note that recent tax reductions for low wage earners may already have altered this picture. Also, the federation of social workshops has launched a plan to raise the amount of training provided to workers.

attributable to increased employment chances after the baseline. Increased employment opportunities involve indeed a lesser dependency on benefits and enhanced tax receipts or, from a production point of view, the more productive allocation of labour that would otherwise remain largely under-utilised.

In most simulations, we applied a time horizon of 5 to 10 years after the baseline and supposed that the gains from social employment disappear after that time. For each type of WISE, we simulated various scenarii so as to estimate the expected impact of recent measures or facts.

Table 6. Cost-benefit balance of learn & work centres per subsidised hour, by stakeholder

Time horizon	5 years	10 years
Worker	9,19	15,11
Social enterprise	-0,13	-0,13
Government	15,57	30,86
Third parties	0,00	-0,00
Overall	<b>24,63</b>	<b>45,83</b>

The balance turns out very positive for learn & work centres: over time, each subsidized hour yields a net long-term return to society of 25 to 45 euros. Remarkably, the government benefits more from this subsidy than the target group of job seekers.<sup>8</sup>

Table 7. Cost-benefit balance of social workshops per paid hour, by stakeholder

	5 years	10 years	5 years – new subsidy system	5 years – higher turnover
Worker	0,84	0,86	0,84	0,84
Social enterprise	-0,85	-0,81	-1,39	0,53
Government	-6,76	-6,08	-6,22	-6,76
Third parties	-0,03	-0,03	-0,03	-0,03
Overall	<b>-6,80</b>	<b>-6,06</b>	<b>-6,80</b>	<b>-5,41</b>

The picture is less rosy for *social workshops*, which can be explained by the fact that the jobs in these enterprises are permanently subsidized. It would probably be unfair to conclude from this balance that social workshops are a bad investment: one should not forget that they target the most disadvantaged groups (ex-offenders, the homeless, ex-psychiatric patients etc.).

A modification of the subsidy rules in 2001 (see column 3) has reduced the rate of subsidy from the third year of employment onwards, the rationale being that workers' productivity should have increased by then. Although this may well hold true, the change means a shift of losses from the government to the social workshops, with virtually no impact on the overall balance.

On the other hand, recent aggregate accounts of the social workshops published by the employment administration show that the enterprises are currently performing better in terms of profitability. They appear to produce a modest profit, which may justify the diminished subsidy rate mentioned above.

Our last table (table 8 below) relates to *integration enterprises*. As subsidies fade out after a few years (initially 3, currently 4) and the enterprises are supposed to operate in a competitive environment,

<sup>8</sup> Obviously, this favourable balance depends on the adequacy of the targeting itself. As we saw earlier, if all low-skilled and long-term unemployed job seekers were offered a learn & work programme, the employment gain would turn out negative and this would result in a net loss to society.

the social benefits generated by this type of job creation increase with the time horizon. The introduction of a new subsidy system in 2000 has strongly reduced this social benefit per hour, mainly because the same amount of subsidies is now spread over 4 years instead of 3. On the other hand, according to recent data collected by the employment administration, the economic performance of integration enterprises seems to have improved, resulting in a new rise of the net social gain.

Table 8. Cost-benefit balance of *integration enterprises* per subsidised hour, by stakeholder

	5 years	10 years	5 years – new subsidy system
Worker	1,74	2,16	1,29
Social enterprise	4,52	4,53	2,74
Government	-4,34	-2,19	-4,13
Third parties	2,63	4,72	1,85
Overall	<b>4,55</b>	<b>9,22</b>	<b>1,75</b>

#### 4.7 Conclusion and policy implications

Our research has yielded an innovative conceptual framework as well as a wide-ranging set of evaluation criteria for work integration social enterprises (WISE). Whereas traditional evaluation studies are often confined to the measurement of 'net employment effects' 6 months after the implementation of a labour market programme, our study has (a) focused on the long term, (b) improved the identification of net effects, (c) extended the framework to include other than mere employment effects and (d) produced a comprehensive social cost-benefit analysis. Obviously, such an evaluation is extremely demanding in terms of data collection. Moreover, we expect that more in-depth research into the welfare effects (on 'resources' and 'functionings') could yield more enriching insights.

Overall, the findings show that social enterprises do contribute to sustainable employment creation for disadvantaged groups in Flanders. This is relatively surprising for *learn & work centres*, which have often been suspected of producing no more than temporary employment gains. Apart from employment, these initiatives also contribute significantly to various dimensions of social inclusion and even macro-economic welfare.

The picture for *social workshops* is more mixed: on the one hand, these enterprises achieve very high and lasting net employment gains for the most underprivileged job seekers. On the other hand, it appears that they are relatively expensive and produce less social inclusion than could be expected. By investing more in labour market training for their workers, the social workshops may (a) strengthen the human capital of their target group, (b) raise productivity and thus be able to pay higher wages. This would imply (c) a stronger anti-poverty effect and (d) a better social cost-benefit balance.

## **PART B: THE COLLECTIVE IMPACTS OF WORK INTEGRATION (CES)<sup>9</sup>**

### **1. Research questions**

The analysis of the collective impacts of work integration was carried out on an essentially *theoretical* basis. We carried out a critical review of the economic literature concerned – directly or indirectly – with this concept, i.e. regarding, among other things:

- the assessment of projects (techniques of analysis of achievements, results and impacts);
- the economic optimisation (cost-benefit analysis, cost-efficiency analysis);
- the valuation of public goods;
- the valuation of environmental goods;
- valuation techniques based on the willingness to pay (WTP), and in particular the contingent valuation method (CVM);
- the micro-economic theory regarding market failures, and more specifically externalities;
- the theories of altruist behaviour.

#### *The question of collective impacts*

The first beneficiaries of work-integration social enterprises (WISEs) are the disadvantaged who constitute their target group. But due to their contribution to the occupational reintegration of this type of target group, these enterprises are also considered as producing significant positive effects for society at large. "Social benefits", "social added value", "externalities"... are some of the terms that are increasingly used to refer to the advantages that society at large receives from work integration actions: effects on the government budget (see part A of the research project), improvement of the functioning of the labour market, tightening of social cohesion... We propose to use, in the present document, the generic term of *collective impacts* to designate the indirect effects of work integration which benefit society at large.

Highlighting the collective impacts of work integration is crucial, at least for two reasons. First, the nature of these impacts justifies public policies supporting work-integration social enterprises. As a matter of fact, these enterprises can, to a large extent, be interpreted as corresponding to the production of a public or collective good such as understood by economic analysis<sup>10</sup>. Because of its non-market character (a collective good cannot be sold through the market), this production should receive public financing and not rely only on the enterprise's own resources. Secondly, in case of public support to various types of work integration, the identification of collective impacts normally allows a more accurate comparison of the "return" on the funds invested and a more optimal allocation of public resources.

But in order to implement public funding, it is important that both field actors (and managers of work-integration enterprises in particular) and political actors have a clear perception of the collective impacts generated by work integration. Unfortunately, although the notion of collective impact is mentioned with increasing frequency in economic publications, it remains rather vague and generates many contradictory debates, as it appears from the diversity of the terms used and the lack of clear definitions

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<sup>9</sup> See Marée 2004; Navez et al. 2004

<sup>10</sup> A collective (or "public") good gives rise to a consumption characterised by non-rivalry (the consumption by an agent does not impede the consumption by another agent) and non-excludability (no agent is excluded from consumption).

for these. Consequently, the present report aimed to make up for these shortcomings and clarify the concept.

## 2. Findings

### *Definition and typology of collective impacts*

Our analysis of the collective impacts of work integration allows us to distinguish between two categories of effects: on the one hand, *collective goods* (hereinafter referred to as "CG"), represented by the collective externalities generated by the production of the work-integration social enterprises and, on the other hand, *macroeconomic impacts* (hereinafter referred to as "MI"), which are the induced or derived effects of the production of WISEs on major macroeconomic indicators. The following table synthesises these two categories of collective impacts:

Table 9: The two categories of WISEs' collective impacts

	Category	Definition
Collective impact (CI)	1. Collective good (CG)	Collective part of the production (= corresponding to collective externalities)
	2. Macroeconomic impact (MI)	Effects exerted by the production of WISEs on the GDP, employment, government budget...

The conceptual difference between these two categories of impacts must be underlined: the impact of a collective good (CG) is the *production of a service*, a direct contribution by the enterprise to the added value of the economy. As far as the GDP is concerned, this contribution is however virtual, because both the conventions of the national accounts and the problems linked to the monetary evaluation of these impacts (of a non-market nature) generally result in a undervaluation of – or even in not taking into account at all – this contribution in statistics. The collective impact, seen as a macroeconomic impact (MI), represents for its part *the real incidence, be it induced or derived, of the production of the enterprise* on major macroeconomic indicators.

All the collective impacts could be classified according to the concerned "product" of the work-integration enterprise: impacts linked to the work integration itself (driving effects on the economy, expenditure avoided, impact on the government budget, increase of social capital...), impacts due to the activity of the enterprise (environmental protection, local development...) and impacts generated by the production and organisational methods within the enterprise (economic and social innovations, effect of productivity...). These types of impacts are listed below:

Table 10: Main types of collective impacts of WISEs

Impact on:	Category
Level of economic activity	MI
Structural expenditure	MI
Government budget	MI
Labour market	CG
Societal development	CG
Sustainable development (including environmental protection)	CG
Local development	MI, CG
Innovation	CG
Productivity	MI

### *Collective impacts and the law*

The collective goods generated as externalities (CG) by some productive activities and by work integration in particular constitute a major stake for public authorities, which have to fund, through subsidies, the corresponding costs. In this regard, a first important question arises: given the constraints linked to Belgian law, but also and foremost to European law, in matters of competition, what are the *funding possibilities* available to public authorities to encourage and support activities generating externalities deemed as positive for society? The analysis that we have carried out of the concept of collective impact from the legal point of view (the notion is usually referred to in laws as "general interest" or "collective benefit") did not seek to provide an exhaustive answer to this question, but rather to *determine the ways and means through which the legal discourse takes into account, at least in an indirect way, the idea of collective benefit* and the consequences it draws hereupon. We showed that, in European law, the collective benefit is apprehended through several of its aspects, mainly:

- exceptions to the freedom of movement;
- exceptions to the rules regulating competition;
- and above all, active policies provided for in the EC Treaty in matters of occupational training, health, protection of the consumers.

It is through these occurrences of the notion of collective benefit that it should be possible to highlight the funding possibilities for the productive activities generating positive externalities for society or, in other words, the ways available to public authorities to allow the *internalisation* of this type of impacts (see *infra*).

### *The valuation of collective goods*

The second question raised by a public policy supporting activities generating positive externalities regards the *level of funding* which should be considered as optimal. The answer is naturally linked to the *value* given to these goods by society. In this regard, we showed that, to each of the two categories of collective impacts, correspond in fact specific methods of measure and evaluation. On the one hand, the macroeconomic impacts (MI) belong to the field of what is termed the *incidence analysis* of a productive activity, consisting in working out the macroeconomic influences exercised by a given activity on the rest of the economy, thanks to classical tools such as multipliers of expenditure, employment... On the other hand, externalities or collective goods (CG) represent in themselves a *non-market production* which can be assimilated to the production of a "public good". In this sense, the quantitative assessment of this

type of impacts can draw inspiration from the traditional methods of measurement of public production, and in particular of the so-called economic techniques born from the optimisation approach: we have thus distinguished between, on the one hand, the measurement of the production of collective goods thanks to *indicators*, as recommended by the cost-efficiency analysis (CEA), and, on the other hand, the *monetary valuation* of these goods, inspired by the methods implemented in the framework of the cost-benefit analysis (CBA). The following two tables offer an overview of these economic measures, to which we have added the purely *accounting* monetary measure of collective goods:

Table 11: Techniques of valuation of collective goods

	Accounting measure: resources mobilised	Economic measure: optimisation	
Reference	(1) National accounting	(2) CEA*	CBA*: monetary valorisation
Recommended technique	- cost-based approach - funding-based approach	Indicators + Qualitative analysis	(3) Indirect monetary value EP*, HC*, HLV*, AE*, RC*, OC* and TS* techniques
			(4) Economic value - EV (WTP*) - revealed preferences - expressed preferences (CVM*)

(\*) CEA= cost-efficiency analysis; CBA = cost-benefit analysis; EP = effect on production; HC = human capital; HLV = human life value; AE = avoided expenditure; RC = replacement cost; OC = opportunity cost; TS = time saving; WTP = willingness to pay; CVM = contingent valuation method

Table 12: The four types of monetary value of collective goods

Approach		Type of monetary value
(1)	Resources mobilised	Accounting value
(3)	Optimisation (CBA)	Indirect monetary value
(4)	Optimisation (CBA)	- Economic value according to revealed preferences - Economic value according to expressed preferences

### *The economic value (EV)*

The economic value of a non-market good corresponds to the *willingness to pay* (WTP) of individuals such as it can be estimated on the basis of their preferences for this good, be they *revealed* (revealed preferences) through the price of substitutes or complementary goods, or *expressed* (stated or expressed preferences) in the framework of surveys simulating a fictive market (contingent valuation method, or CVM).

Among the various techniques of monetary valuation, we have stressed the approach based on the economic value, because it tends to be currently gaining ground. As a matter of fact, in the heels of attempts of evaluation of environmental goods which have been conducted for about 20 years, these methods, and more specifically the CVM, tend to develop more and more and to become the preferred way to value non-market goods and in particular collective goods. For the supporters of this method, it presents many advantages:

- it is considered as conceptually rigorous, the estimated value (WTP) being integrally explained by the consumer theory (variation of utility);
- it is said to be "objective" in that it is based on the preferences of individuals;
- it ensures the symmetry between the value of market goods (based on market prices) and that of non-market goods (based on the "price" which would be accepted if a market existed);

- it seems to be applicable to all types of goods, including intangible goods;
- finally, it is relatively easy to implement.

We have however shown that the valuation based on the willingness to pay presents serious limits, which can be classified in two categories: (a) the *methodological* limits, which are inherent to the various ways of apprehending the willingness to pay and to calculate the economic value; (b) the *conceptual* limits, which are more fundamental and are linked to the hypotheses underlying the economic value model. The methodological limits, which are often of a very technical nature, have been analysed in detail in the economic literature. Conversely, the conceptual limits rarely give rise to an exhaustive analysis, are often not known and moreover generate many controversies. We have listed these limits, referring to the various components of the definition of the economic value:

Table 13: The conceptual limits of the economic value (EV)

<b>Definition:</b> The economic value (EV) of a collective good is the sum of the subjective values attributed to this good by all the individuals concerned, each subjective value corresponding, under the hypothesis of the maximisation of utility or "well-being", to the monetary measure of the variation in individual utility induced by the good and estimated on the basis of the willingness to pay (WTP), individual goals being supposed given.		
	<b>Components of the definition of the EV</b>	<b>Objections</b>
1	Maximisation of the utility function	Limited rationality of the consumer
2	Monetary measure of the variations in utility	Limited rationality of the consumer
3	Assimilation of utility to well-being	Existence of non-use values (NV) which are not reducible to variations in well-being
4	The economic value as the sum of individual subjective values	"Limited awareness" of the consumer: existence of so-called social values (SV) distinct from the individual subjective values
5	Individual goals supposed given (amorality of the model)	The EV proposes a particular perception of value in the paradigm of individualism

**NB:** Nonuse values (NV) = values linked to the mere existence of a good and not depending on the direct consumption of the latter.

### 3. Conclusion and recommendations

*For an analysis of the financial instruments for supporting work-integration activities generating collective impacts*

The analysis that we have carried out of the notion of "collective benefit" in the law opens the way to subsequent developments concerning the type of financial instruments that it would be possible to consider to support work-integration activities because of the positive impacts they generate at the level of society. As a matter of fact, although there are exceptions to the relatively strict constraints imposed by European law in matters of movement of goods, of competition..., these exceptions leave relatively little freedom to national public authorities to "reward" the said activities. Consequently, a thorough analysis should be carried out, not only of the currently existing funding mechanisms, but also and foremost of those which might be implemented in the respect of legislation: state aid, fiscal and assimilated exemptions, assignment of public markets... A distinction should be made between two types of impacts: a) the collective impacts linked to the work-integration activity itself; b) the collective impacts linked to the activity through which the work integration is carried out (for example, collection and recycling of waste).

### *For the development of indicators for the non-monetary measure of collective impacts*

Our analysis of the techniques used to measure collective goods (and the collective impacts of work integration in particular) leads us to two important conclusions. First of all, the conceptual problems raised by the willingness to pay (WTP) are far from being clearly identified. This is probably why the contingent valuation method (CVM) raises many debates and does not make unanimity among economists. Consequently, a *thorough analysis of the hypotheses underlying the CVM* should appear as a logical continuation of our own research work in this area.

Secondly, our conviction is that, even though the economic value could constitute a reliable tool for the valuation of collective goods (which remains to be proved), it can only apply to specific cases, and it is anyway not sufficient in itself to serve as the basis for public decisions in this area. The approaches based on non-monetary indicators of the non-market production and on the multi-criteria analyses thus constitute a way which has not been sufficiently explored yet. Despite their own limits (analysed in the framework of our research), valuations based on multiple indicators present many advantages over a unique monetary measure. It would thus be particularly important to encourage new studies in this area, given what is at stake: a better "visibility" of the collective impacts generated by economic activities, and more specifically by work integration.

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