



## Development of Integration-firms / social firms) in Germany

„Milestones“ and experiences

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In the following we speak about social firms.

- These are small and medium enterprises at the open labour market. In these enterprises people with and without disability are working together.
- All have normal salaries and a regular working contract.
- The people with a disability are fully integrated and independent from social security benefits.

- In the following I want to show you some slides about the development in Germany and Europe.
- FAF, our company, is specialised in consulting all entrepreneurs in Germany, who want to integrate people with a disability. FAF has 5 offices and a staff of 15 persons.

**Social enterprise:**

activity which is done for social purposes

**Social Firm:**

activity to create employment  
for people with a disability  
and for people, who are disadvantages at the labour-  
market  
in the open labour market

**First sector:**  
private business for profit making

**Second sector:**  
the public authorities and activities run by the state, the regions, the cities and other official bodies

**Third sector:**  
activities run by private organisations to fulfill the needs of the people

**Germany: principle of subsidiarity** (when a private organisation or a voluntary organisation offers a service, the state must not offer it)



## **Summary**

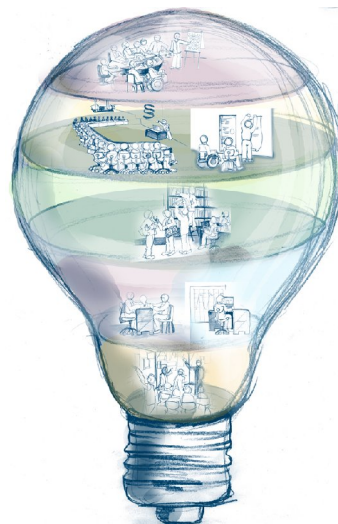
**FAF** - Fachberatung für Arbeits- und Firmenprojekte gGmbH  
Berlin Chemnitz Darmstadt Koeln Nuernberg

**FAF consulting for social entrepreneurs**

**FAF is consulting policy, administration, entrepreneurs and private business**

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## **Products and services of FAF**

- 1. Consult for social firms, ministeries, private business**
- 2. Increasing quality**
  - a. Monitoring**
  - b. Benchmarking**
  - c. Networks**
- 3. Evaluation**
- 4. Qualification**
  - a. Seminars**
  - b. Workshops**

1. The Freudenberg Foundation (industrial foundation), city of Weinheim near Frankfurt, financed the FAF. ·

During the period 1987 to 1990 the first 50 social firms have been founded.

**FAF was founded at 31st of January 1985.**

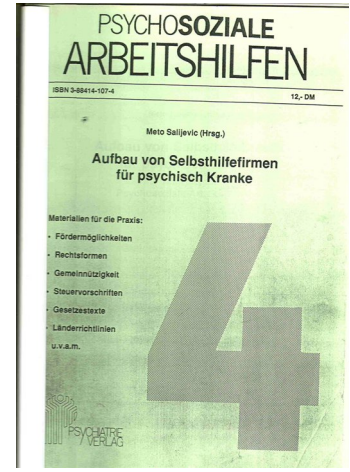
**FAF was founded by top managers from big national organisations (In the field of rehabilitation and activities for people with mental health problems)**

- **Deutschen Gesellschaft für soziale Psychiatrie**  
(German society for social psychiatry)
- **Aktion Psychisch Kranke**  
(Association for people with mental health problems)
- **Dachverband psychosozialer Hilfsvereinigungen**  
(umbrella-organisation of of psychosocial organisations in Germany)
- **Deutsche Bewährungshilfe (heute DBV e. V.)**  
(Parent Organisation to re-integrate ex-prisoners)

**FAF received about 200.000€ in the five years period between 1987 and 1992 from the Freudenberg Foundation.**

### Info Material

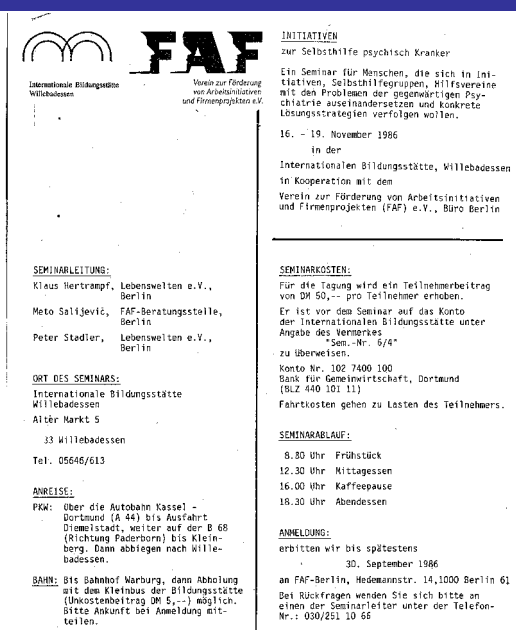
„how to find a social firm“



### Seminars

You see at the right:

The folder of one of the first Seminars





## Marketing Idea for the Seminars in the beginning!

**Low price - to motivate people to come to the seminar**

**Price: 25 Euro in 1987 (hotel cost and meals and material included)**

**Today: Seminars to the top level themes of managing social firms**

### SEMINARKOSTEN:

Für die Tagung wird ein Teilnehmerbeitrag von DM 50,-- pro Teilnehmer erhoben.

Er ist vor dem Seminar auf das Konto der Internationalen Bildungsstätte unter Angabe des Vermerkes "Sem.-Nr. 6/4" zu überweisen.

Konto Nr. 102 7400 100  
Bank für Gemeinwirtschaft, Dortmund  
(BLZ 440 101 11)

Fahrtkosten gehen zu Lasten des Teilnehmers.



## Part 2 - Lobby and Consult

**Parallel development of 2 Organisations:**

**1996 was the start point of a new lobby organisation on the German federal level (association **BAG Integrationsfirmen**, federal organisation for social firms in Germany)**

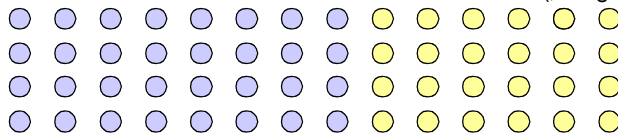
**BAG became shareholder of FAF.**

- **FAF took over the role of consultant,**
- **BAG took over the role of political lobby organisation.**

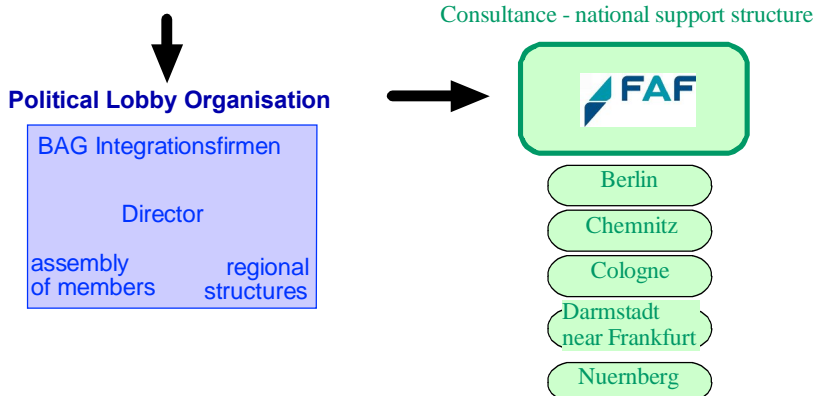


## Today's structure

700 market oriented Social-Firms („Integrationsunternehmen“)



blue: members  
yellow: associated members)



## Nachrichten der BAG Integrationsfirmen e.V.



### Political work of BAG

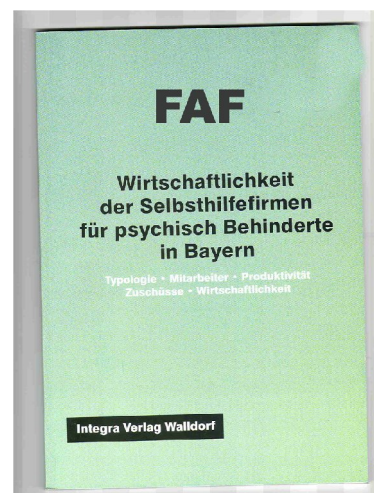
- the newspaper is sent to government, politicians, welfare experts, members, private companies, those who are interested to found a social firm
- members of parliament are asking BAG to their opinion (for example when they are discussing new laws or change of existing laws). BAG is invited officially to he expert hearings in the parliament if the vocational rehabilitation and integration of persons with a disability is touched.



## Part 3 Studies to show the economic situation of social firms

- In 1990, when the first 50 market oriented social firms were existing, the policy was convinced, that these will close within 5 years because of their bad economic situation.
- ((Analyzing small private businesses, chambers of commerce find out, that 50% of them close in the first three years.))
- The ministry in Bavaria (south of Germany, Munich) financed a study to convince the politicians, that investment in social firms is a very good investment.

## This was the result of the study in bavaria.



## FAF Main results:

1. Social firms are a new form of real work integration inside the big field of institutions rehabilitation and qualification and sheltered workshops.
2. Most of them were active since 10 years and created 5.000 workplaces.
3. Social firms can cover 60% - 80% of all their costs. They need some subsidies to compensate the deficits of the persons with a disability.
4. Social firms are paing taxes and social assurance to the state-organisations. The amout of this is much bigger than the subsidies, the social firms receive.
5. 80% of the social firms have a non-profit status. Their owners are 95 % social organisations (sheltered workshops, organisations in the field of rehabilitation and integration).

## FAF Results of 3 studies

	BAY 1992	NRW 1994	BUND 2000
No of social firms			247
staff (no of persons)	340	613	6.299
people with a disability pwd	262	449	3.250
total turnover $\bar{U}$	4.410.256	9.984.615	133.846.154
turnover per fulltime worker	23.641	21.235	26.973
win	151.246	496.055	
quota: win / turnover	3%	5%	
equipment per person		11.888	


**Economic situation of a social firm lunch-restaurant**

<b>income on the market</b>	<b>994.938</b>		
goods(e.g. rice, tomatoes ...)	-343.687		
quota	35%		
<b>gross profit</b>	<b>651.251</b>	<b>100%</b>	
<b>personal cost</b>	<b>-421.731</b>	<b>65%</b>	<b>100%</b>
<b>other costs</b>	<b>-248.956</b>	<b>38%</b>	
interests	-4.301	1%	
depreciation	-31.688	5%	
<b>total costs</b>	<b>-706.676</b>		
<b>win / loss without subsidies</b>	<b>-55.425</b>		
subsidies	128.255		30%
investment subsidies from foundation	23.215	4%	6%
NN	-1.905		
<b>win with subsidies</b>	<b>94.140</b>		
Cash Flow	125.828		



Beside the economic situation of every social firm it was analyzed, which fiscal effects (focus the whole society with all social-security-systems) are existing.



## Wins and losses in a fiscal view (including income and costs for the social security system)

Fiscal view - costs per year	Sum per year
Private company - integration without subsidies	10,073
Integration into a social firm	+964
Fiscal cost - unemployment subsidy	-6,434
Fiscal cost - sheltered workshop	-13,557



To pay unemployment benefit costs per annum **-6,434 Euro** (yellow)

The integration into a sheltered workshop costs per annum the amount of **-13,557 Euro** (violett)

The integration into a market oriented social firm is gaining a profit for the society and the social security systems of **+964 Euros** per annum.

## The CEFEC Definition

**A Social Firm is a business created for the employment of people who have a disability or are otherwise disadvantaged in the labour market.**

**It is a business which uses its market-orientated production of goods and services to pursue its social mission.**

**A significant number of its employees will be people with a disability or other disadvantage in the labour market.**

**Every worker is paid a market-rate wage or salary, appropriate to the work.**

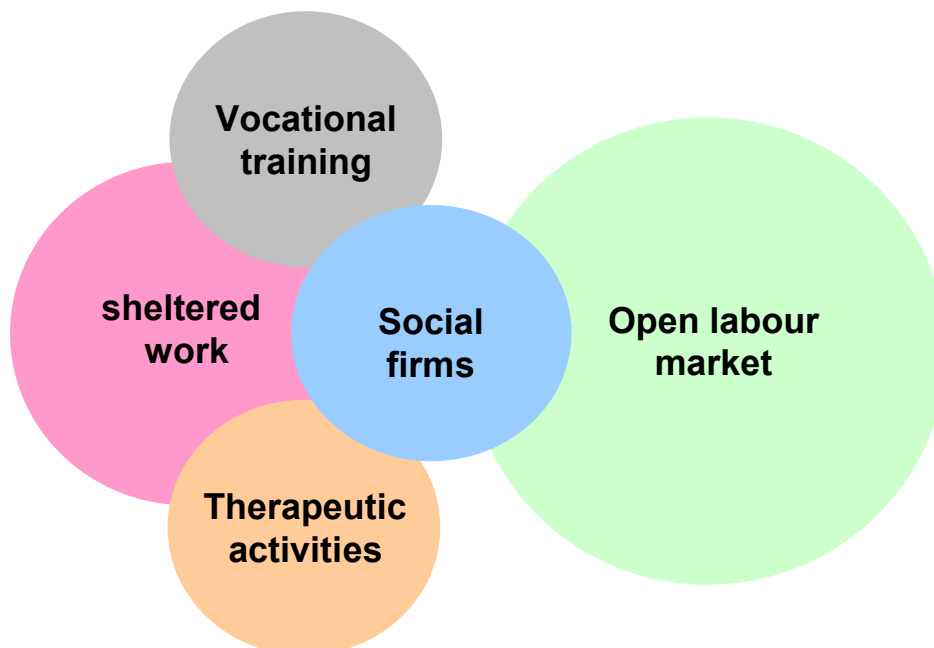
**Work opportunities should be equal between disadvantaged and non-disadvantaged employees.**

**All employees should have the same employment rights and obligations.**

**Definition of a Social Firm from CEFEC, CEFEC is a (little) European umbrella organisation for social firms and co-operatives.**



## Context of social firms



**The philosophy of the new law:**

**Integrationsunternehmen (= market oriented social firms) are small businesses running on the open labour market. Main characteristic: They have the aim to integrate 25% to 50% of people with a disability.**

**Their position is the open labour market - their owner run them in own entrepreneurial responsibility on their own risk.**

**Public subsidies are not payed to decrease the entrepreneurial risk, but they are payed to compensate the disadvantages for the company, because 25-50% people are disabled!**

 **The german law 3**

**The text of the law is:**

**Social firms are to occupy those people with a disability on the open labor market, who have no chance to find a job.**

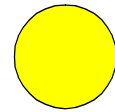
 **The german law 4**

**people with mental health problems, learning disabilities or multiple disabilities**

**People, who worked before in a **sheltered workshop****

**People with learning disabilities **after** finishing their **school****

**Minimum 25%, maximum 50% persons with a disability**

**NEW TARGET GROUP (beside the peoples with a disability)**

- long time unemployed (more than 2 years)
- older than 55 years
- migrants
- drug addicted

YOUNG PERSONS (UNDER 25 YEARS) ARE DEFINITELY NOT INCLUDED IN THE NEW TARGET GROUPS OF THIS LAW. THEY HAVE OTHER MEASURES



- The unemployment agency pays **20% to 40 % of the salary** of a person with a disability for max 6 - 18 months
- **Compensation of disadvantages** are payed long term (10% - 25 %, sometimes in special cases 30% of the salary of the people with a disability)



 **Public subsidies in Germany 1**

- Subsidies for **investment** are payed til 25000 € per new working place for a person with a disability , 50% of this amount is a loan, which must be paid back in 5 years-rates
- **Consult:** in the process of founding up to 4,500 €, later 250 € per year



**Statistics and Factors of success**

### Social Firms in Germany

Industrial Services	206
Restaurant Catering Hotels	113
Handicraft	109
Supermarket, trading	109
facility management	108
office and computer service	92
gardening	89
personal service	64

# Spielräume



PLANUNG UND AUSFÜHRUNG

nen Projektliste  
Impressum



**FAF** Supermarkets, trading



**FAF** furniture



**FAF** Industrial service



**FAF** Industrial service



**FAF** Industrial service



**FAF** Hotel



 **Best praxis 1**

- 1. Continuous increase the worth and the complexity of industrial service**
- 2. Outsourcing (Repair of bicycles) in the big automobile factory VW**

 **Best praxis 2**

- 3. Buying ownership of an existing enterprise**
- 4. Franchise, Replication, Licensing (model CAP Supermarkets)**

5. Partnership with private businesses
6. Multiple companies at one place (Berlin, see photos)
7. A big hospital gives the cleaning- and facility-management-jobs to a social firm



**FAF** Canteen in agency for work



**FAF** Canteen in agency for work





**FAF** Canteen in agency for work



**FAF** Gropius Bau near the old Berlin Wall



**FAF** Gropius Bau - Museum



**FAF** Restaurant in the Gropius Bau



**FAF** Left building: Schauspielhaus (Theatre)



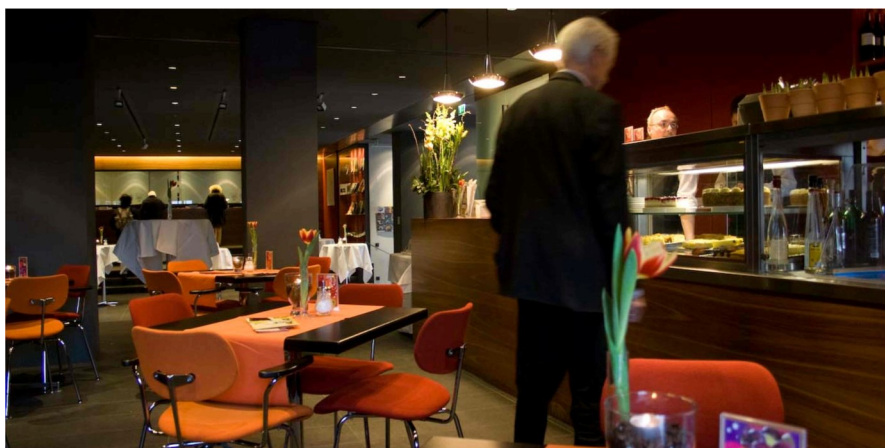
**FAF** Entrance to the Theatre and to the Restaurant



**FAF Team**



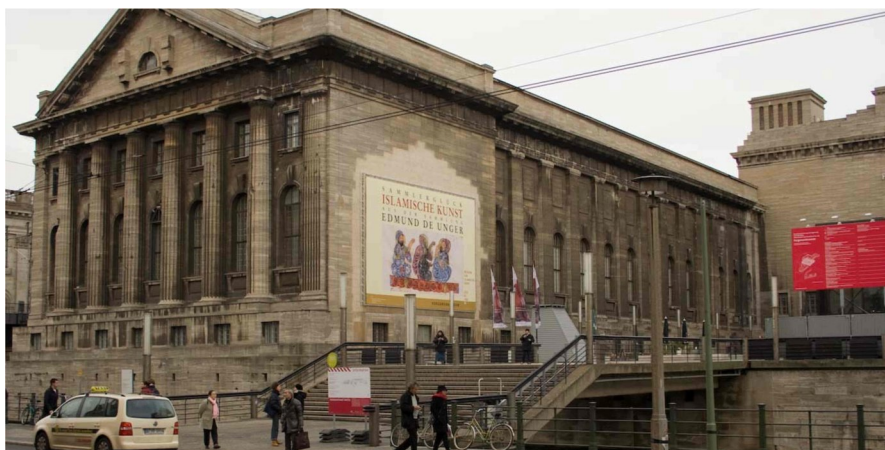
**FAF Cafe in the Theatre and Schauspielhaus**



**FAF** Cafe in the Theatre - summertime



**FAF** Pergamon Museum



**FAF** Cafe Bistro in The Pergamon Museum



**FAF** Social franchising



**A Social Franchise structure run by GDW  
(GDW = Co-operative of Sheltered Workshops)**





### Existing CAP-markets (spring 2006)

Bad Dürkheim

Baindt - Ravensburg

Bietigheim-Bissingen

Bietigheim-Buch

Calw - Heumaden

Dobbertin

Gmund am Tegernsee

Güstrow

Hamburg - Bramfeld

Herrenberg

Karlsruhe

Kusterdingen

Malmsheim

Duisburg

Nagold

Neuhausen a. d. Fildern

Nufringen

Obertürkheim

Rendsburg

Sandhausen

Stetten (Leinfelden-Echterd.)

Stuttgart - Hofeld

Stuttgart - Münster

Thaleischweiler

Untertürkheim

Weil im Schönbuch

Mainz Weissenau

Weinstadt Beutelsbach



## Feasibility and assumptions

- **Supermarkets in the centres of cities get closed**  
non-mobile citizens have problems to reach supermarkets,  
town centres get empty
- **Big supermarkets are opened at the outskirts of the towns“**  
(> 1500 m<sup>2</sup>, car parks for min 150 cars)
- **Growing interest of local authorities to CAP Model**  
the supply of food to a town  
to have a well functioning local infrastructure

## Characteritica of CAP supermarkets

average **turnover** 750,000 to 2,000,000 Euros

Staff: 5 to 20 workers with **regular working contracts**

most supermarkets have **400 to 1,000 square meters**

and are situated in the **inner spaces** of small cities



## Main - Obstacles

### **Need of high profile consult**

(tenancy agreement, Planning of investment; Consult of optimizing range, planning of the assortment, best location, break even)

**Practical support** (men/womenpower) during the first two weeks

### **Market analysis**

to find the best position / location / site,

**Concrete support** during the phase of recruiting the staff  
qualification of the staff



## Success-factors (2) What we need: The three C's

**Access to Capital** for the founders of social firms

**Transfer of know how and specific Consult**

**Compensation of disadvantages**

 **Success-factors (2) What we need: Synergetic clusters**

**One stand - alone supermarket has **no chance** on the market**

**A **Network** is needed! - **Franchising**, **Licensing**, **Replication** ...**

**The common acting of a group of supermarkets, the creation of a franchise structure gives them access to all relevant factors:  
common purchasing, branding, marketing, support etc.**

 **Success-factors (3)**

**Let's go and talk with the Commission for money to develop  
“**synergetic clusters**” in the field of social firms:**

**Social firm go together into new markets and use professional  
networking and professional know how!**



**Thank you very much**