



Economia Aziendale Online

Economia Aziendale Online
Business and Management Sciences
International Quarterly Review

*Voluntary Organizations as Social Enterprises?
Empirical Evidence from Tuscany*

Luca Bagnoli, Giacomo Manetti

Pavia, March 2011

N. 1/2011

www.ea2000.it

www.economiaaziendale.it



PaviaUniversityPress

Electronic ISSN 2038-5498

Reg. Trib. Pavia n. 685/2007 R.S.P.

Voluntary Organizations as Social Enterprises? Empirical Evidence from Tuscany.

Luca Bagnoli, Giacomo Manetti

Abstract

The aim of this article is to illustrate the business model adopted by Italian Voluntary organizations (VOs), in order to point out a clear contradiction between the institutional structure and the activities actually performed, and consequently the social enterprise nature of the organizations.

With this purpose in mind, a collective analysis of the 2004 - 2008 activity statements of VOs in Tuscany (a region in central Italy) was carried out, in which the type and origin of their revenues as well as the nature of their expenses were identified.

The results show that Tuscan VOs have features of social enterprises due to a high incidence of earned-income revenues within the total income. In comparison, typical revenues of not-for-profit organizations, such as those derived from fund-raising activities or the management of assets conferred by the founders, take on a lesser importance.

The interpretation of these data might change radically if the financial value of the donation of services (volunteer work) were assessed in the statement of activities. However, this assessment of value, although recommended by the national accounting procedure, is hardly ever done in Italian VOs.

Keywords: Voluntary organizations, social enterprises, commercial revenues, activity statements, Tuscany.

1 – Introduction¹

The importance assumed by the third sector in the international scene seems to be in constant growth. It has been noted that the civil society sector in a sample of 35 countries worldwide, including religious congregations, had aggregate expenditures of US \$ 1.3 trillion as of the late 1990s (Salamon *et al.*, 2003: 13). This represents 5.1 percent of the combined gross domestic product (GDP) of these countries. To put these figures into context, if the third sector in these countries were a separate national economy, its expenditures would make it the seventh largest economy in the world, ahead of Italy and Spain and just behind France and the U.K.

Not-for-profit organizations in these countries employ, on average, 4.4 percent of the economically active population, or an average of almost one out every 20 economically active people.

According to the United Nations, these organizations operate in particularly important and strategic sectors, such as: culture and recreation, education and research, health, social services, environment, development and housing, law, advocacy and politics, philanthropic intermediaries and voluntarism promotion, international activities, religion, business and professional associations, and unions (UN, 2003: 31).

In Italy, a 2004 survey of the Italian Institute of Statistics (ISTAT, 2006) shows that there are almost 11 million citizens (22.2 % of residents over 14 years old) involved in volunteer work at least once a year. In this country the growth in the number of not-for-profit organizations has been particularly intense since the beginning of the 1990s, thanks to the approval of a series of special laws. The increase in the number of volunteers, on the other hand, has been slower. The crisis of the traditional welfare state and the growing outsourcing of health and social services by the local

¹ Although this paper is the result of a joint effort, sections 1, 2, 5 and 7 were written by Luca Bagnoli and sections 3, 4 and 6 by Giacomo Manetti. A previous version of this paper has been presented by the authors at the 33th annual congress of the European Accounting Association (Istanbul, 5/20/2010).

public authorities have opened enormous space for action in the third sector.

Despite the definite relevance shown by the numbers, it is difficult to identify and classify which subjects rightfully belong to the third sector. On one hand, the non-distribution constraint (Gui, 1990; Valentinov, 2008) is adopted as a basic criterion; on the other hand, sometimes cooperative enterprises - which allow the distribution (although limited) of dividends and returns to members - are included.

The aim of this paper is to analyze the social enterprise features of VOs based on an empirical analysis of the organizations with main headquarters in Tuscany. Indeed, with 2,391 associations, this region represents the third largest for voluntary organizations in Italy (Region of Tuscany, 2008), and has the second largest number of organizations per resident (6 organizations for every 10,000 residents).

The methodological approach chosen is predominantly quantitative and inductive, with a deductive component linked to the definition of social enterprise supplied by international doctrine.

Statements of activities, that is, accounting information about revenues, expenses, gains, and losses relevant to changing an organization's net assets (Fasb, 1993), from the Tuscan VOs relative to the years 2004 – 2008 have been gathered and then reclassified into a homogeneous model.

The identification of the different types of revenues and the correlated expenses due to the productive factors used allows to delineate the business model followed, and therefore to assess the classification criteria of this third sector player.

While last statistical survey carried out by the Italian Institute of Statistics on Italian VOs (ISTAT, 2006) has focused on the average income per organization and on a classification of revenues based on some descriptive categories (e.g. contributions, revenues from contracts with private or public partners, non reciprocal transfers, donations, property revenues), aim of the present research is to investigate the incidence of revenues from commercial contracts on the total amount of organization revenues. The present survey therefore represents an evolution of the ISTAT research aimed to demonstrate the nature of social enterprise of the majority of Tuscan VOs.

2 – Literature review

Numerous types of not-for-profit organizations exist, and the definition of the third sector itself is often subject to different interpretations (Capaldo, 1996; Maticena, 1999).

To solve the problem of the theoretical framework, various attempts at classification have been made. According to Hansmann (1980), financing and regulation methods should be examined. Following this approach, the associations are categorized de-

pending on whether their financing is secured by donations or by the market, as well as based on the type of regulation—by donors or others—to which they are subject. Salamon and Anheier (1997) have elaborated the well-known structural-operational definition, introducing five basic requirements for not-for-profit organizations:

1. organized, i.e., they possess some institutional reality;
2. private, i.e., institutionally separate from government;
3. nonprofit-distributing, i.e., not returning any profits generated to their owners or directors;
4. self-governing, i.e., equipped to control their own activities;
5. voluntary, at least in part, i.e., they involve some meaningful degree of voluntary participation, either in the actual conduct of the agency's activities or in the management of its affairs.

According to Kendal and Knapp (1996), to these requirements had been added elements of altruism and community care.

According to others, not-for-profit organizations should follow these missions: advocacy, redistribution, and production of goods and services (Borzaga *et al.*, 2000).

Moreover, a distinction between public and mutual benefit is also quite frequently made; in other words, between associations that create benefits for everyone and associations offering goods and services only to their own members (Gui, 1997).

The United Nations (UN) introduces a broad definition of not-for-profit organizations in their Handbook on nonprofit Institutions in the System of National Accounts. They are substantially in accordance with Salamon and Anheier's definition: "organizations that are not-for-profit and, by law or custom, do not distribute any surplus they may generate to those who own or control them, and that are institutionally separate from government, self-governing and non-compulsory" (UN, 2003: 26).

Recently, there has been increasing interest in a different kind of not-for-profit organization dealing with non-conventional entrepreneurial dynamics, the so-called social enterprise (Fiorentini, 2010; Nicholls, 2006; Travaglini, 2006).

The expression "social enterprise" is generally understood as "an organization driven by a social mission, which trades in goods or services for a social purpose" (Borzaga *et al.*, 2001, p. 7; Kerlin, 2006).

The profit (or surplus) from business is often used to support related or unrelated social aims, or the business itself accomplishes the social aim through its operations, say, through the employment of people from a disadvantaged community, including individuals and existing businesses that have difficulty in securing investments from banks and mainstream lenders.

Today, the definition of the term “social enterprise” varies in different regions. In the United Kingdom, the focus is on the use of surplus as the defining feature. In North America, there is less emphasis on generating a surplus and more on the double bottom line (financial and social) nature of the enterprise (Young, 2004). European usage tends to add the criterion of social rather than individual ownership (Lewis, 2004).

Social enterprises are generally held to comprise the more businesslike end of the spectrum of organizations that make up the third sector or social economy. A commonly cited rule of thumb is that at least half their income is derived from trading rather than from subsidies or donations.

Despite, and sometimes in contradiction to, such academic work, the term social enterprise is also being picked up and used in different ways in various European countries (Evers *et al.*, 2004).

In fact, in accordance with the EMES Network they are “organizations with an explicit aim to benefit the community, initiated by a group of citizens, in which the material interest of capital investors is subject to limits. Social enterprises also place a high value on their autonomy and on the relation of economic risk-taking to ongoing socio economic activity” (Nyssens, 2006: 5).

3 – Law framework

Besides the scholarly definitions, an important role is played by the legislators (Salamon *et al.*, 1997). In many European countries meticulous legislation regulates the third sector (ECNL, 2009).

For example, in accordance with the Charities Act (2006), in England and Wales a charitable organization is a particular type of voluntary organization that:

- is set up for charitable, social, philanthropic, or other purposes;
- uses, and is required to use, any profit or surplus only for the organization’s purposes;
- is not part of any governing department, local authority or other statutory body.

In the United States, a charitable organization is an entity organized and operating for purposes that are beneficial to the public interest.

In Italy, the basic regulatory code (the 1942 Civil Code) distinguishes between ideal purpose entities and enterprises (Propersi *et al.*, 2008).

In the former we can place associations, foundations, and committees, while among the latter we find individual traders, cooperatives, partnerships, and corporations.

Tax regulations distinguish substantially between non-commercial entities (those predominantly dealing with redistribution activities) and enterprises (for the

most part commercial entities, with a few significant exceptions).

Finally, profuse special legislation establishes particular forms, such as social promotion associations (Law no. 383/2000), social cooperatives (Law no. 391/1991), voluntary organizations (Law no. 266/1991), and the more recent social enterprise (Law no. 155/2006).

In brief, Italian regulations on the third sector are characterized (with some limited exceptions for cooperatives) by requirements such as: the non-distribution constraint, the goals of solidarity and social benefit, the marginality of any commercial activity, the presence of volunteer work.

It is also necessary to emphasize that in Italy the expression “voluntary organization” identifies a specific legal entity different from all others.

These organizations are explicitly defined by articles 2-3 of Law no. 266/91 as “every freely constituted organism” that takes advantage of volunteer activity, which “must be understood as that given in a personal, spontaneous and free manner, through the organization the volunteer belongs to, without even indirect gain and exclusively with the goal of solidarity.”

In accordance with Italian law, the denomination “voluntary organization” can be used only by entities (mainly associations) that adhere to the following essential requirements (Italia *et al.*, 1998):

- working exclusively for social solidarity within the intervention sectors defined by regional laws;
- prohibition of personal gain (with particular anti-evasion norms such as the ban on lump sum reimbursements to volunteers);
- prevalence of voluntary work over paid work;
- incompatibility between the classification of volunteer and the practice of any paid service to the organization;
- marginality of productive and commercial activities;
- democratic nature of the structure;
- elective and cost-free nature of associative positions;
- mandatory formation of a financial report (*goods, contributions, endowments received*);
- mandatory regional registration in order to have access to contracts with public agencies and tax breaks.

Based on what has been illustrated up to now, Italian VOs should not present features of social enterprise, since legislation for this particular entity does not include entrepreneurial/commercial activity, that is, realising goods or services sold for money.

In fact, in these organizations the income from membership fees, fund-raising, and active management of assets should represent the primary sources of financing.

It should also be considered that a consistent part of Italian VOs, in particular those in central-northern Italy, are consistently considered the natural recipients

of the public administration's outsourcing of social and health services.

Moreover, some of them even supply goods and services upon payment to private subjects.

This growing tendency, together with the bond of non-distribution of profits, is at the origin of the assertion of the social enterprise model in Tuscan voluntarism.

Under Italian law (Legislative Decree, 24 March 2006, no. 155) a social enterprise is a private entity that provides social utility goods and services, acting for the common interest and not for profit.

The first general aspect to be highlighted is that a social enterprise is neither a new legal form, nor a new type of organization, but a legal category in which all eligible organizations may be included, regardless of their internal organizational structure.

Therefore, the eligible organizations could in theory be cooperatives (i.e. employee-, producer-, or customer-owned firms), investor-owned firms (i.e. business corporations), or traditional not-for-profit organizations (i.e. associations and foundations).

This is the so-called principle of "neutrality of the legal forms" adopted by the Italian law.² Hence, social enterprise is like a legal "brand" that all eligible organizations can obtain and use in the marketplace.

The requirements, which will be examined below, are:

1. being a private organization;
2. performing an entrepreneurial activity of production of social utility goods and services (The Law prescribes that this must be the main activity, that is, it has to account for at least 70% of the total income of the organization);
3. acting for the common interest and not for profit.

In order to be defined as a social enterprise, an organization needs to simultaneously possess all these attributes.

The definition of social enterprise mentioned above does not correspond entirely with the international definition of social enterprise by the EMES network quoted in section 2.

More importantly, there is no compatibility between the definition of VOs under Italian law and that of "social enterprise" given by international doctrine and by the Law no. 155/2006.

In this paper we support the thesis of social enterprise as an organization characterized by continuous activity in the production and/or sale of goods and services (rather than predominantly advisory or grant-giving functions) and by limited distribution of profit.

4 – Italian VOs: activities and role in the provision of public social services

In the 1970s the Italian government changed its approach to the provision of social welfare services, shifting from a situation where most of these services were supplied by the state to a "mixed economy of care" involving a wide range of nongovernmental service providers.³

Consequently, not-for-profit organizations and most of all voluntary organizations became a major supplier of welfare services, especially in the areas of health and social services. Many reasons have been advanced for governments having wanted to contract out social welfare services. Voluntary organizations allegedly command public trust, have extensive professional expertise in specialist areas, are innovative, and are much closer to service users than government bodies (Bottery, 2005). Chau and Huysentruyt (2006) have cited a number of international studies suggesting that competitive tendering for public services contracts by nonprofits is expected to lead to "innovation, flexibility, superior productivity, and cost reductions" (p. 1909). Examining the age of Italian voluntary organizations, most of them were constituted recently (ISTAT, 2006); over 21,000 (about 60% of the total) were established after 1999.

Parallel to this growing relevance, over the years we have witnessed an evolution of the organizations themselves. An example of this evolution is the profile of the services supplied: not only traditional care, but also prevention and social promotion, i.e. not only curing the "symptoms" but also eliminating the causes that produce marginalization and degeneration of individuals. In Tuscany, the role of VOs in dealing with health and social services contracted out by the local government is prominent in the third sector for both historical and cultural reasons; the first organized forms of volunteering in Italy can even be traced as far back as the 13th century, with the *Confraternite di Misericordia* based in Tuscany⁴.

Other kinds of actors in the third sector, such as cooperatives, foundations, and charities, have had a less important role in the development of Tuscan health and social care economy.

² Art. 1, para. 1, Law 24 March 2006, n° 155, states: "All private organizations, also including those of the Fifth Book of the Civil Code, which carry out a stable and main economic and organised activity with the aim of production or exchange of goods and services of social utility for the common interest, and which meet the requirements of articles 2, 3 and 4, can be considered as social enterprises."

³ Presidential Decree No. 616/1977 to the Law No. 833/1978 "*Institution of National Health System*" which acknowledge the role of volunteering in art. 45.

⁴ The "Confraternita di Misericordia di Firenze" has been founded in 1240.

In fact, Tuscany represents the third largest region in Italy in terms of voluntary organizations with 2,609 associations (Region of Tuscany, 2008), and has the second highest incidence of organizations per resident (almost 7 organizations for every 10,000 residents).

5 – The research method

The purpose of this study was to investigate the incidence of revenues from commercial contracts in relation to the total revenue of the organization, in order to demonstrate the social enterprise nature of Tuscan VOs. With this aim in mind, VOs' activity statements included in the Tuscan database for the years 2004-2008 had been gathered, reclassified and aggregated through a homogeneous model⁵. The law framework no. 266/91 and the regional law no. 28/93 on VOs, in fact, stipulate that all the organizations must submit their financial reports to the local authority (Province) by the 30th of June each year. Nevertheless, the law does not go into detail about the accounting methods and on the reporting structure of the financial reports. Therefore, the financial reports are not comparable; to conduct an analysis of the financial data it was necessary to reclassify them in accordance with a homogeneous framework⁶.

It is possible to distinguish three kinds of transactions and related revenues for a not-for-profit or-

ganization (Polanyi, 1957; Zelizer, 1998). Adapting this framework to Italian VOs, there are:

- a) commercial revenues (goods and services exchanged for money and, as a final result, income from commercial contracts);
- b) non-reciprocal transfers, such as donations and voluntary work;
- c) property revenues.

The revenues were then classified based on the public or private nature of the payer.

This allows the identification of the business model followed and, therefore, the appropriateness of the classification criteria used to define VOs.

Revenues from commercial contracts constitute the amount received for goods and/or services supplied. There are revenues from contracts with public agencies and from private parties.

A traditional example of revenues from public agencies is what is received for managing health emergency services, which in Tuscany are a public function contracted out to VOs; examples of revenues from selling goods or services to private parties are private health services provided upon payment.

Commercial revenues were then allocated in the following intervention sectors defined by the Tuscan law no. 28/93 on VOs: health, social, social/health, environmental protection, culture, advocacy, civil protection, learning and research, and others.

Revenues from fundraising consist of non-reciprocal transfers received by the organization without the obligation to return a service of approximately the same value (Fasb, 1993). These revenues can take the form of donations of money or goods or in the release from past debts. Traditional examples of this type of revenue are: offerings, donations, bequests, contributions from second-level organizations, revenues deriving from festivities and celebrations, and generic contributions. Not having a reciprocal or correspondent character, the membership fees have also been inserted in the fund-raising category.

Finally, property revenues derive from the active management of financial (stocks and bonds) and real estate (land and buildings) assets. These include interests, royalties, dividends, and rents, as well as capital gains (and losses).

The expenses have been classified on a natural basis, following the income statement framework mandatory for Italian enterprises. Though functional expense reporting would have made organizations more accountable, almost no VOs adopted this accounting method. The study was conducted using the annual reports (statements of activities) available in the Tuscan regional database. Thanks to the collaboration of 9 Provinces out of a total of 10 in the Region of Tuscany (with the exception of the Province of Pisa), a percentage of statements variable between 77 and 82 points for each year has been collected with reference to the period 2004-2008.

⁵ For the first two years (2004 and 2005) the research team has analyzed all the annual reports gathered by local authorities in Tuscany with the exception of the Province of Pisa. For the others three years (2006, 2007 and 2008) data have been obtained using a statistical projection based on the annual reports gathered by the two biggest Tuscan local authorities ranked by numbers of VOs (Provinces of Firenze and Lucca).

⁶ The model of reclassification adopted by the research team is similar to the classification model proposed by the Italian Institute of Statistics (ISTAT) in the 2006 VOs survey. Nevertheless, the focus of our reclassification was not the description of activities carried out by VOs like in the ISTAT survey, but to investigate the incidence of revenues from commercial contracts on the total amount of organization revenues. This data is crucial to verify the nature of social enterprise of the majority of Tuscan VOs. Other Italian models, such as the accounting standards for non profit organizations issued by the Institute of Italian Professional Accountants (Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili) or by the Agency for the third sector (Agenzia per le Onlus) are not useful for the survey, since they don't divide revenues into commercial and non commercial ones.

Given the parameters of the sample, the missing statements are connected with the fact that some VOs did not send these reports to the local authorities within the established terms of the law in order to update their registration. Nevertheless, these associations make up a barely relevant part: their dimensions are often rather small and it is quite difficult for them to carry out even the slightest bureaucratic task.

Therefore, the sample considered in the survey represents approximately the overall economic-financial dimension of the nine Tuscan provinces involved.

6 – Results

The data analysis shows that commercial revenues are quite relevant and represent about 60% of the total. On the opposite, “typical” revenues of entities such as VOs (non-reciprocal and property) altogether represent only 35-40% of the total (Table 1). It is also interesting to analyze the public or private origin of revenues (Table 2).

Table 1 - *Revenues by categories (in Euro)*

Revenue Categories	2004		2005		2006		2007		2008	
	Revenues (in euro)	Percentage of the total	Revenues (in euro)	Percentage of the total	Revenues (in euro)	Percentage of the total	Revenues (in euro)	Percentage of the total	Revenues (in euro)	Percentage of the total
Commercial	169,714,992	64.0%	181,598,679	62.9%	175,651,616	60.2%	177,544,774	59.9%	181,242,930	60.0%
Non-reciprocal	73,582,070	27.8%	82,312,073	28.5%	85,715,922	29.4%	84,001,604	28.4%	87,767,224	29.1%
Property	21,834,860	8.2%	24,843,069	8.6%	30,308,544	10.4%	34,748,233	11.7%	33,010,821	10.9%
Total	265,131,923	100%	288,753,821	100%	291,678,089	100%	296,296,618	100%	302,022,983	100%

Table 2 - *Revenues by origin (Year 2008)*

Revenues by origin and category	Commercial	Non-reciprocal	Property	Total
From private sector	39%	77%	84%	54%
From public sector	61%	23%	16%	46%
Total	100%	100%	100%	100%

Commercial revenues come primarily from the public sector (61%), a direct consequence of the growing outsourcing of the social and health services by local public administrations to Tuscan third-sector associations. Nevertheless, private sector revenues represent anything but a meagre part of commercial revenues (39%), constituting the most tangible sign of a now well-established entrepreneurial activity. The

public or private origin of fund-raising or property revenues seems the most obvious, since in this case the private source is predominant both in the first (77%) and the second (84%) category. Further inquiry into commercial revenues consists in their subdivision into operational sectors, as laid out by the Region of Tuscany (Table 3). The data collected confirm the entrepreneurial nature of Tuscan VOs.

Table 3 – *Commercial revenues by operational sectors*

Operational Sectors	2004	2005	2006	2007	2008
	Percentage of the total revenues	Percentage of the total revenues	Percentage of the total revenues	Percentage of the total revenues	Percentage of the total revenues
Health	36%	35%	37%	34%	36%
Social Services	20%	22%	22%	20%	21%
Social-Health	15%	15%	14%	13%	11%
Environmental protection	1%	1%	1%	2%	2%
Culture	0%	1%	0%	1%	1%
Advocacy	1%	0%	1%	1%	0%
Civil protection	1%	1%	1%	1%	1%
Learning and research	1%	1%	1%	1%	1%
Other	25%	24%	23%	28%	26%
total	100%	100%	100%	100%	100%

The sectors generating the highest revenues for Tuscan voluntary service are health, social, and social/health (over 70% in both years). These operational areas are characterized by a high incidence of services being contracted out by the public administration (healthcare transportation, emergency care, day-care centres for the elderly, etc.) and by a consistent presence of associations supplying goods and services to citizens on a free-market (funeral services,

specialized health services, etc.). Adding to these factors the use of distinctive symbols (trademarks and labels) and the management of resources, all the elements typical of a commercial entrepreneur would be present. The subsequent expenses analysis has been carried out according to the nature of the productive factor acquired, so as to confirm the social enterprise nature of the VOs (table 4 and 5).

Table 4 - *Expenses by nature*

<i>Expense Categories</i>	2004	2005	2006	2007	2008
	<i>Euro</i>	<i>Euro</i>	<i>Euro</i>	<i>Euro</i>	<i>Euro</i>
Materials	16,784,276	17,118,142	16,604,598	16,272,506	18,262,340
Services	48,964,033	47,945,794	46,986,878	47,456,747	51,298,413
Leasing fees	5,112,558	4,460,208	4,237,198	4,886,899	5,002,710
Human resources	77,094,652	65,690,425	65,681,983	65,279,781	64,626,983
Depreciation and appropriation of funds	14,745,615	13,999,246	17,510,498	19,316,313	20,133,761
Contributions	10,041,651	13,566,857	15,142,106	18,623,677	17,506,256
Financial costs	2,414,993	2,520,263	2,980,762	4,214,988	3,182,561
Extraordinary expenses	2,630,160	3,824,798	3,557,062	4,339,616	4,241,039
Taxation	3,460,153	4,116,385	4,524,907	5,227,780	5,363,485
Others	71,563,564	72,343,112	67,279,094	65,933,512	67,252,183
Expenses in capital account	11,611,873	12,409,998	19,739,605	32,410,150	28,520,932
<i>Total</i>	264,423,530	257,995,230	264,244,691	283,961,968	285,390,662

Table 5 - *Expenses by nature (Percentage of total)*

<i>Expense Categories</i>	2004	2005	2006	2007	2008
	<i>Percentage of the total expenses</i>	<i>Percentage of the total expenses</i>	<i>Percentage of the total expenses</i>	<i>Percentage of the total expenses</i>	<i>Percentage of the total expenses</i>
Materials	6%	7%	6%	6%	6%
Services	19%	19%	18%	17%	18%
Leasing fees	2%	2%	2%	2%	2%
Human resources	29%	25%	25%	23%	23%
Depreciation and appropriation of funds	6%	5%	7%	7%	7%
Contributions	4%	5%	6%	7%	6%
Financial costs	1%	1%	1%	1%	1%
Extraordinary expenses	1%	1%	1%	2%	1%
Taxation	1%	2%	2%	2%	2%
Others	27%	28%	25%	23%	24%
Expenses in capital account	4%	5%	7%	11%	10%
<i>Total expenses</i>	100%	100%	100%	100%	100%

The most significant expenses concern human resources, accounting for 23% in 2008, decreasing by 16 points from 29% in 2004; these are followed by services, that remained quite steady in the five-year period (18-19%).

The human resources include expenses for employees, permanent and temporary collaborators, (usually young) people doing social community work.

The services category is very heterogeneous and includes costs for productive factors such as professional consultants, utilities, rents, service-contracts, maintenance and repairs, postal and bank expenses, insurance, etc.

The category “others” includes what are not otherwise easily classifiable, such as volunteer refunds.

According to the data presented, Tuscan VOs seem to be proactive subjects, capable of collecting public and private funds mostly with an earned-income nature, and increasing them by the leverage effect of volunteer work. So they generate also social value in terms of their wide impact and their ability to increase social capital.

The high incidence of personnel expenses seems to confirm the entrepreneurial nature of many Tuscan VOs, although this needs further empirical evidence.

In other words, the presence of volunteers alone does not seem sufficient to guarantee the survival of many organizations. However, in order to correctly interpret the data resulting from the aggregation of the activity statements, it would be necessary to know the amount of hours of voluntary service performed within each of these organizations. This would allow to evaluate voluntary time contributions and accurately verify compliance with the required prevalence of volunteer work over paid work.

It nevertheless is beyond doubt that the market competitiveness of these organizations is reinforced by their ability to gather volunteers, thus allowing the provision of services in the health and social sectors with competitive costs and high quality. This is shown by the increasing use of this form of outsourcing from public agencies on one hand, and by the unanimous acknowledgement of the high level of effectiveness of Tuscan welfare on the other.

7 – Conclusions and further research

The analysis seems to confirm that Tuscan VOs often have features typical of social enterprises, in particular concerning the high incidence of commercial revenues as defined above.

One first conclusion concerns the partial inconsistency between the regulations in Law 266/91 and the results of the research.

For the Italian legislator, there is a problem about the institutional coherence of many VOs recognized

as such through regional registration. In this sense, there seem to be two possible courses that can be taken:

- modify the law in order to legitimize the presence of those organizations with obvious social enterprise features, both due to the activity carried out but also due to how methods and people that characterize it are organized, thus creating a context that is more favourable to their development (Salamon *et al.*, 2000);
- guarantee with *ad hoc* legal acts the break-off from the VO of the business branches dedicated to the management of its entrepreneurial features.

Moreover, in favour of the first option we should remember that the entrepreneurial nature of Tuscan VOs is well known in the European community. Indeed, a recent ruling of the European Court of Justice (119/06 in 29 November 2007), in criticizing the Italian (and, in particular, Tuscan) decision to entrust healthcare transport services to VOs (which goes against European competition rules) recognizes the entrepreneurial nature of these organizations. Therefore, a significant and worthy place for inquiry may be the possibility of participating in public calls, traditionally reserved for businesses⁷. This decision would clarify the social enterprise nature of Italian VOs, even though it may create a legal conflict with law 266/91.

Finally, a last consideration concerns the importance of further inquiry into topics regarding the enhancement of voluntary work (Brown, 1999).

The quantification and financial evaluation of time contributions (Sajardo *et al.*, 2010), a very precious resource, would make it possible to attribute pre-eminence to non-reciprocal revenues, thus reducing the nature of entrepreneurship, which is inevitable in a traditional reading of the annual statements of Italian VOs.

The lack of mandatory *ad hoc* activity statements prevents the complete quantification of information on annual voluntary service within Italian VOs. Moreover, even if the information was made public, there would still be the problem of analytically quantifying the non-reciprocal income by assessing the financial value of working hours, taking the specific professional skills of each person into consideration. In fact, it is evident that activities performed for free and spontaneously by people with specific professional skills (doctors, nurses, lawyers, etc.) cannot be assessed on the basis of the minimum pay foreseen by collective contracts for less specific skilled labour (Mook *et al.*, 2007; Anderson *et al.*, 2003; Brown, 1999).

⁷ European Court of Justice, 305/08 in 23 December 2009.

References

- Anderson P.M. and Zimmerer M.E. (2003), Dollar value of volunteer time: A review of five estimation methods, *Journal of Volunteer Administration*, Vol. 21, No. 2 [39-44].
- Borzaga C. and Defourny J. (eds) (2001), *The Emergence of Social Enterprise*, Routledge, London.
- Borzaga C. and Santuari A. (2000), Le imprese sociali nel contesto europeo, *Working Paper n° 13*. IS-SAN, Trento.
- Bottery S. (2005), Working with government: An alternative way, *Third Sector Online*, January 26th (<http://www.thirdsector.co.uk>).
- Brown E. (1999), Assessing the value of volunteer activity, *Nonprofit and Voluntary Sector Quarterly*, Vol. 28, No. [13-17].
- Capaldo P. (1996), Le aziende non profit fra Stato e mercato, in AA.VV., *Le aziende non profit fra Stato e mercato*, Clueb, Bologna, [13-93].
- Chau N. and Huysentruyt M. (2006), Nonprofits and public good provision: A contest based on compromises, *European Economic Review*, Vol. 50, No. 8, [1909-1935].
- Enjolras B. (2002), Does the commercialization of voluntary organizations “crowd out” voluntary work?, *Annals of Public and Cooperative Economics*, Vol. 73, No. 3, [375-398].
- European Center for Not-for-Profit Law (2009), *Study on Recent Public and Self-Regulatory Initiatives Improving Transparency and Accountability of non profit Organizations in the European Union*.
- Evers. A. and Laville, J.L. (eds) (2004) *The Third Sector in Europe* (Cheltenham and Northampton. M.A: Edward Elgar).
- Financial Accounting Standard Board (1993), *Statement of financial accounting standards n. 117: Financial statements of not-for-profit organizations*.
- Financial Accounting Standard Board (1993), *Statement of financial accounting standards n. 116: Accounting for contributions received and contributions made*.
- Fiorentini G., L'impresa sociale nella crisi attuale e in prospettiva, *Economia & Management*, No. 2 [9-22].
- Gui B. (1990), The non-distribution constraint in economic organizations, *Ricerche economiche*, No. 19, [115-130].
- Gui B. (eds.) (1997), *Il ruolo del Terzo Settore: aspetti economici ed etici. Il Terzo Settore tra economicità e valori*, Gregoriana Libreria Editrice, Padova.
- Hansmann H. B. (1980), The role of nonprofit Enterprise, *The Yale Law Journal*, Vol. 89, No. 5, [835-901].
- Istituto Italiano di Statistica (Italian Institute of Statistics) (2006), *Voluntary organizations in Italy. Year 2003*.
- Italia V. and Zucchetti A. (1998), *Le organizzazioni di volontariato*, Giuffrè, Milano.
- Kendall J. and Knapp M. (1996), *The Voluntary Sector in the UK*, Manchester University Press, Manchester.
- Kerlin J.A. (2006), Social enterprise in the United States and Europe: Understanding and learning from the differences, *Voluntas: International Journal of Voluntary and Nonprofit organizations*, Vol. 17, No. 3, [247-263].
- Lewis J. (2004), The Third Sector, the State, and the European Union, in A. Evers A. and J.L. Laville (eds), *The Third Sector in Europe*, Edward Elgar, Cheltenham and Northampton, MA [169-187].
- Matacena A. (1999), *Scenari e strumenti per il terzo settore*, Egea, Milano.
- Mook L., Handy F. and Quarter J. (2007), Reporting volunteer labour at the organizational level: A study of Canadian nonprofits, *Voluntas: International Journal of Voluntary and Nonprofit organizations*, Vol. 18, No. 2 [55-71].
- Nicholls A. (eds) (2006), *Social entrepreneurship: New models of sustainable social change*, Oxford University Press, Oxford, UK.
- Nyssens M. (2006), *Social Enterprise. At the crossroads of market, public policies and civil society*, Routledge, London and New York.
- Polanyi, K. (1957) *The Great Transformation* (Beacon Press. Beacon Hill).
- Propersi A. and Rossi G. (2008), *Gli enti non profit*, Il Sole 24 Ore, Milano.
- Regione Toscana, *Sistema informativo del III settore-lista volontariato al 31.12.2007*, www.regione.toscana.it
- Sajardo A. and Serra I. (2010), The economic value of volunteer work: Methodological analysis and application to Spain, *Nonprofit and Voluntary Sector Quarterly*, Preview online, 26 July.
- Salamon L.M. and Anheier H.K. (1997), *Defining the non profit sector. A cross national analysis*, Manchester University press, Manchester.
- Salamon L.M. and Toepler S. (1997), *The International Guide to Nonprofit Law*, John Wiley & Sons Inc, New York.
- Salamon L.M. and Toepler S. (2000), The influence of the legal environment on the development of the nonprofit sector, *Working Paper Series no. 17. Center for Civil Society Studies. Johns Hopkins University Institute for Policy Studies*.
- Salamon L.M., Sokolowski W. and List R. (2003), *Global Civil Society. An Overview*. Johns Hopkins Center for Civil Society Studies, Baltimore.
- The United Nations-Department of Economic and Social Affairs (2003), *Handbook on non profit Institutions in the System of National Accounts*, United Nations, New York.
- Travaglini C. (2006), Impresa sociale: caratteristiche aziendali e informazione contabile, *Non Profit*, Vol. 12, No. 4 [687-707].

Valentinov V. (2008), The economics of the non-distribution constraint: a critical reappraisal, *Annals of Public and Cooperative Economics*, Vol. 79, No. 1, [115–130].

Young D. (2004), Social enterprises in the United States: Alternate identities and forms, *International Conference on Social Enterprise*. Trento.

Zelizer V.A. (1998), How do we know whether a monetary transaction is a gift, an entitlement or compensation?, in A. Ben-Ner and L. Putterman. (eds), *Economics. Values and Organizations*, Cambridge University Press, Cambridge, [115–130].

