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RESEARCH PROCEEDING

Social Enterprises and COVID-19: Navigating between Difficulty and Resilience

ABSTRACT

The spread of COVID-19 and the consequent restrictive measures that became necessary in the first months of 2020 hit Italy hard. With this research, summarised here and published in the IV Iris Network report on social enterprises in Italy, the authors investigate COVID-19's impact on social enterprises, the behaviours of these enterprises and the strategies they used to cope with the consequences of the health crisis. A qualitative survey was conducted in the second half of 2020 to probe the research questions. The results are based on two data sources: (a) the Resilience Stories database, a collection of 118 experiences of third sector organisations, and (b) 53 in-depth interviews with social enterprises and managers of third sector organisations, as well as interviews with national and regional policymakers. Both investigations suggested that during the first wave of the pandemic, social enterprises and other third sector organisations acted resiliently, engaging in creative rethinking of their activities and services and becoming even stronger reference points for the community.

KEY-WORDS

COVID-19, RESILIENCE, SOCIAL ENTERPRISE, ITALY

1. Introduction

According to the most recent data available (Carini and Lori, 2020—using 2018 ISTAT data), there are 16,557 *ex lege* social enterprises in Italy, and this number increases to 22,516 if we consider *de facto* ones, i.e., non-profit enterprises with at least one employee and of which at least 50% of their revenue comes from the sale of goods and/or services in the market. Most social enterprises are social cooperatives which, as envisaged in Legislative Decree 112/2017, automatically acquire the social enterprise status. However, the social enterprise universe is also made up of organisations that operate under other legal forms, such as associations and foundations. These organisations are mainly engaged in the delivery of social, educational and health services (the typical intervention areas of A-type social cooperatives), but they are also active in the work integration sector and many others.

The social enterprise sector is growing, and these enterprises play a strategic role in the process of economic and social development. Their importance has been reaffirmed during the COVID-19 pandemic, as summarised in this study and published in the IV Iris Network document entitled "Report on social enterprises in Italy. Identity, roles and resilience"[1] (Borzaga and Musella, 2020). The spread of COVID-19 and the consequent restrictive measures that became necessary in the first months of 2020 hit Italy hard, causing the widespread shutdown of production activities for many companies across the country and radically changing people's lives and consumption habits. This context, which was characterised by fear, despair and an increase in poverty and inequalities, has brought out a sense of solidarity across the country. There has been a multiplication of initiatives carried out by civil society organisations, starting with the most consolidated non-profit organisations, which have suddenly taken action to offer help to the population out of a sense of solidarity. Some parts of the media have noticed this new and spontaneous wave of solidarity. However, their attention has focused almost exclusively on the world of volunteering and has ignored the wider galaxy of the third sector, which is much more complex and structured. In particular, there has been a distinct lack of attention to social cooperatives and social enterprises.

It is fundamental to consider how these organisations reacted to the first wave of COVID-19 and to investigate their behaviours and the strategies they used to cope with the consequences of the health crisis, which soon became an economic and social crisis. Addressing these questions is relevant now more than ever. We should try to anticipate the consequences of the pandemic on our future welfare system and on these organisations, as well as on the thousands of jobs that depend on them.

A qualitative survey was conducted in the second half of 2020 to answer these and similar questions (Tallarini, 2020a; 2020b; 2020c). In this paper, we present the most significant results of the research, which is based on two data sources: (a) the Resilience Stories database, a collection of 118 experiences of third sector organisations built on the basis of information found online, and (b)

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[1] The full report (in Italian) can be downloaded here: https://irisnetwork.it/wp-content/uploads/2021/04/IV-Rapporto-IS.pdf

53 in-depth interviews with social enterprises and managers of third sector organisations, as well as interviews with national and regional policymakers.

Both investigations suggest that after an understandable initial moment of confusion because of the whirlwind of unclear (and sometimes contradictory) new laws and regulations in the first few weeks of the emergency, the resilience of social enterprises and third sector organisations, in general, has been noteworthy. At the forefront of the emergency, these organisations have been able to transform themselves, sometimes radically, in order to continue their activities, retain their role as key actors in society and serve as points of reference for their users and the communities in which they operate. Social enterprises have engaged in real creative rethinking of their activities and services that is consistent with their social mission, all while ensuring that their economic viability is maintained.

More specifically, social enterprises and other third sector organisations have implemented three resilience strategies. The first, which is also the most widespread amongst the analysed Resilience Stories, consisted of the reorganisation of their activities. This allowed the organisations to continue providing goods and services in compliance with new safety regulations. This reorganisation, often involving the conversion of in-person services to their digital equivalents, has enabled many organisations to guarantee the continued provision of services. This feat is not of minor importance, especially for some types of service users, such as the chronically ill, the disabled and the elderly. Many social enterprises have made their services available online, facilitating the continuation, for example, of cognitive stimulation activities for the elderly, homework help services for children and teenagers, motor rehabilitation activities for the physically disabled and many more.

The second strategy consisted of the activation of new services or products, facilitated by the realignment of production lines and organisational activities. From the very beginning of the first wave of the pandemic, for instance, many social enterprises operating in the textile sector have started producing washable masks; several third sector organisations across Italy have also activated telephone or online psychological support services for their users or for anyone who feels the need to talk to psychologists and psychotherapists.

Finally, the third strategy coincided with the expansion of services, personnel, economic resources and the time devoted to users to help them cope with increased fragility and other new needs brought about by the pandemic. This is the case, for example, with many residential facilities for the elderly and disabled and anti-violence centres for women. They had to reorganise both their activities and their environments in order to operate safely and in the context of an increasingly intensifying workload.

Thanks to the adoption of these strategies, social enterprises and other third sector organisations have made a clear contribution to the alleviation of new and old forms of poverty, for example, by providing ready-made food and meals, medicines, personal protective equipment (PPE), such as face masks, and other essential goods. Particular attention has been given to the physical and psychological well-being of citizens, as some were experiencing significant discomfort because of the lack of socialisation and being forced to stay at home. It should also be emphasised that many

social enterprises and other third sector entities, despite the gravity of the situation, have been able to operate simultaneously on several fronts, offering multiple services in response to the emergency, i.e., activating services of a different nature to meet the needs of their communities.

From the analysis of the Resilience Stories and the interviews, the sector's ability to respond to a wide range of old and new social needs has become evidently clear. Organisations have adopted proactive, innovative and highly flexible behaviours that have allowed them to, notwithstanding some difficulties, transform a negative event (the pandemic) into an opportunity for learning and reorganisation.

2. Determinants of resilience

The unexpectedly quick pace of reaction and adjustment by the sector has been repeatedly emphasised by many interviewees, who were asked to indicate which factors, in their opinion and independently from the business sector of their enterprise, facilitated their resilience. An attempt was made to understand the conditions under which social enterprises and third sector organisations were able to act resiliently.

The first element identified is the financial standing of the organisation. According to many respondents, having a more solid capital structure has allowed greater stability for organisations, enabling the necessary reorganisation of activities in compliance with the new health regulations for the containment of the virus. There was widespread consensus amongst the respondents that social enterprises with greater capitalisation were better prepared to withstand the shock from the crisis. Greater capitalisation has not only made it possible for organisations to continue providing services, but it has also allowed them to continue paying employees' wages, thus bringing concrete benefits not only to users but also to workers themselves.

The financial and entrepreneurial standing of the organisation is not the only element mentioned in the interviews as crucial in determining the sector's responses. The commitment and determination of social enterprises and third sector organisations, including their workers and volunteers, were also identified as distinctive features of these entities. We refer here to the intrinsic motivations of these actors, whose actions have been motivated by an "ideal drive" that underlined their commitment to continue giving assistance to users despite the great difficulties, fears and undeniable risks they faced. The social enterprise world has been defined by one of the interviewees as a world made up of "*people who believe in it, who are connected with the needs* [of users and citizens] *and who cannot pretend not to see them*". In the opinions of the interviewees, this intrinsic motivation has pushed operators to face the health emergency at the forefront, even going beyond what was required based on regulations and contractual agreements. Being strongly user oriented has played an extremely important role in the resilient outlook of these organisations, which decided to continue their activities despite the option to suspend services. In the interviewees' narratives, the commitment

of operators and volunteers was also derived from a strong sense of belonging to the institution in which they work. In this regard, many interviewees underlined that it has been especially in those social cooperatives with a broad membership that workers have shown a more collaborative attitude, whereas in organisations with a more restricted membership, trade union-type claims prevailed, and a sense of belonging took a back seat.

Closely related to those mentioned above, two other factors have helped make the difference—on the one hand, the strong roots that social enterprises and other third sector organisations have in their field of operation and, on the other hand, the close ties they have built within their communities by virtue of this connection. To quote one interviewee, social enterprises "*know the community, are fully integrated into it and feel involved in their destinies*". It is precisely the feeling that communities' destinies are also the destinies of these organisations' workers and the reality of being "*in the midst of people's problems*" that have proven crucial in the activation of resilience strategies. Thanks to these local roots and the close ties of trust and esteem with the communities, social enterprises found themselves in a privileged position that allowed them to better identify users' needs before other institutional actors could and to obtain in-depth information for the design of targeted, effective interventions. During the first wave of the health emergency, social enterprises were able to capitalise on previously established contacts and relationships with citizens and other institutional actors in their area, becoming even stronger reference points for the community. This is proven by the numerous cases in which citizens, faced with extreme situations of poverty, have turned to social enterprises and third sector organisations even if these entities did not deal with typical emergency-related issues, such as the distribution of PPE or food, before the pandemic.

These are the main capabilities and characteristics of third sector organisations and social enterprises that serve to distinguish their actions from those of public agencies and local authorities, which have been perceived by the population as distant and unable to make quick and impactful decisions. Given their very nature, social enterprises and third sector organisations are credited with being more flexible and more capable of developing creative solutions than the government sector, which is considered fearful of taking responsibility and of experimenting with new interventions to address citizens' changing needs. Therefore, being flexible and making effective and rapid decisions are further key elements that have allowed social enterprises to promptly respond to the health emergency and, at the same time, have distinguished their work from that of public entities.

The relationship with local authorities has also been frequently identified as one of the factors that significantly influence the resilient behaviours of social enterprises. In this regard, an ambivalent picture emerges from the interviews. Public administrators are sometimes portrayed as actors capable of supporting, both in economic and organisational terms, the work of social enterprises and other third sector entities; other times, they are described as absent, negligent and even as obstacles to the work of these organisations. In fact, several social enterprises and third sector organisations have activated (pre-existing) collaborations with public agencies. Some of these partnerships have proven to be very fruitful; local authorities have taken charge of the direction and

coordination between local authorities and other community actors, the gathering of resources and the establishment of a valuable dialogue with social enterprises. Nevertheless, the majority of the interviewees complained about the impossibility of sustaining an effective dialogue with the public sector and stressed the latter's inability to provide concrete answers to citizens. In this context, social enterprises found themselves alone in the design and implementation of interventions aimed at dealing with the consequences of the pandemic. The general perception amongst the interviewees is that local authorities have taken advantage of social enterprises and the work of other third sector organisations. They have failed to provide them with adequate information on the procedures to be adopted, and their ultimate aim was to avoid taking any responsibility.

Lastly, another element mentioned several times during the interviews as one of the factors that explain the quick reaction capacity of social enterprises is the presence of young people within these organisations. They are credited for having significantly contributed to the design and implementation of creative solutions during the first wave of the pandemic. This is by virtue of their greater propensity and ability to use technological tools, which have become crucial for maintaining relationships with users without renouncing the necessary physical distance.

3. Recognition of the role of social enterprises by the media and the government

From the analysis of the interviews, it clearly emerges that within the sector, there is strong awareness of the role played by social enterprises and their importance in the most critical moments of the COVID-19 emergency. As "*connection collectors*", these organisations have been able to communicate effectively not only with citizens and users but also with the administrative and political system. They have carried out an important advocacy function, i.e., spearheading awareness-raising initiatives aimed at keeping attention high on certain minority groups, such as homeless people and migrants, which otherwise risked being forgotten and left behind.

At the same time, a feeling of discouragement and sometimes even anger for not having their role recognised, valued and supported by the media and the government clearly emerges from the interviewees' responses. The common perception is that third sector workers have been forgotten in the media narrative, which has portrayed healthcare workers as the only heroes and has not adequately acknowledged the contributions and sacrifices of workers and volunteers of social enterprises and other third sector entities; they are considered "*forgotten heroes*" in this health, economic and social emergency.

The government's recognition of the role played by these organisations merits a separate discussion. The interviewees' opinions are ambivalent, with some respondents perceiving positive growth in the government's attention towards the sector and others perceiving that the government as an actor has mistreated the sector and relegated it to the ancillary role of a mere executor of public directives. According to the latter viewpoint, the government, despite having publicly recognised the value of the third sector, has tended to disregard it once the most critical moments

of the emergency are over. Although finding less critical opinions within the sample is possible, the dominant perception is that the recognition of the role of the sector is insufficient, inadequate or simply belated. Even amongst those interviewees who expressed a less critical opinion about the government's actions, they stressed the great effort that each small political victory for the sector entailed. These victories are perceived as the result of a long and exhausting political dispute, mainly involving representative organisations; these are credited with having supported valid government proposals and having adequately addressed the difficulties they faced as organisations. This task is far from being easy, given the great deal of heterogeneity that is characteristic of Italy's third sector.

Many respondents felt supported by representative associations of the sector, especially at the operational level. Representative associations were able to offer concrete assistance in finding the needed PPE and in helping organisations interpret the various confusing regulations that followed one after the other, especially during the first few weeks of the emergency. However, alongside the merits recognised by the Third Sector National Forum (*Forum Nazionale del Terzo Settore*) and the Cooperative Associations (*Centrali Cooperative*), the interviewees pointed out some critical issues, mainly the excessive fragmentation of the organisations' goals and targets. The interviewees underlined the need for renewed leadership within the representative organisations. They emphasised the need for these groups to increase their political weight and take charge of the needs of the sector as a whole, placing it at the centre of the new recovery plans.

4. The work of the government during the health emergency: navigating between critical issues and missed political measures

As already mentioned, according to most of the interviewees, the government has ignored, especially during the first few weeks of the emergency, the needs of the sector. It has designed measures that were difficult to access and with excessively long implementation times. However, the most severe limitation to the response from the government is perhaps not duly considering the internal differences within the sector and, consequently, providing insufficient support, especially for non-business-oriented organisations. In fact, social enterprises received the same treatment as for-profit enterprises in emergency decrees, whereas the third non-entrepreneurial sector was largely forgotten.

Severe criticism was raised regarding the possibility—authorised by a specific section of one of the laws approved during the pandemic—that local authorities will pay social enterprises and third sector organisations for the services interrupted because of the health emergency. This would result in the possible reorganisation and remodelling of such entities in compliance with the new security measures. According to the interviewees, the law has been inconsistently applied by public local authorities, which often took advantage of the situation to "*avoid spending money*"; they abandoned not only third sector organisations, which are left alone to face problems related to the denied liquidity, but also users themselves. Many of these users would have experienced serious situations of abandonment and loneliness without the support of third sector organisations.

Critical factors are also identified concerning the limited supply of indispensable PPE, as well as the way in which funds intended to cover the expenses incurred by these organisations to adapt their services according to the new health provisions. Interviewees compared the "*PPE emergency*" to a real "*war*", especially during the first months of the pandemic. They described the government's approach to this issue in the third sector as "*scandalous*", given the large share of third sector entities and social enterprises that either work in the social and health sector or are involved as suppliers of essential services; provision was hijacked in favour of the public healthcare system. As a result of the government's decisions, many organisations found themselves forced to provide PPE for their workers and volunteers independently, buying PPE on the free market, sometimes at unreasonable prices, or producing them on their own without any guarantee of their actual effectiveness.

The interviewees also complained of insufficient attention to the organisations' short-term financial needs by both the government and regions. The latter have not foreseen adequate measures to (at least) compensate for the lack of self-financing flows, which significantly declined because of the drop in private and institutional donations and their diversion to the public healthcare system. More and better measures are needed to support the capitalisation of social enterprises, as well as more adequate tools for guaranteeing workers' protection.

Finally, in the list of ineffective measures mentioned by the interviewees, there are some that do not strictly concern the health emergency but have long been expected before the pandemic outbreak. The respondents called for the complete reform of the third sector, especially regarding the actual implementation of the Single National Register of the Third Sector (RUNTS) and the approval of *ad hoc* fiscal legislation for third sector organisations, as envisaged in the reform. Clear and adequate fiscal benefits for the entities registered in the RUNTS seemed to be perceived as a priority by most of the interviewees.

Overall, what emerged from the survey is that the crisis has helped strengthen awareness amongst the managers interviewed not only regarding the importance of social enterprises in ensuring individual and community welfare. The crisis has also emphasised how crucial it is to have a united, long-term political vision that can lead to the effective recognition of the specificities, strengths, potentials and results already achieved by the sector.

5. Role of philanthropy in the health emergency

In the emergency response, a fundamental role has been played by philanthropy. According to the interviewees, even philanthropic organisations struggled to understand how to react to the immediate consequences of the crisis. Despite this initial confusion, most of the interviewees still agreed in affirming that philanthropic bodies have played a crucial role during the health emergency, thanks to their ability to have access to and make fruitful a mix of economic, intellectual and relational resources. Nevertheless, some criticisms of their work emerged. Fundraising and other philanthropic interventions have often been judged as poorly designed, and according to

many, the increase in their number has created a strong dispersion of resources, undermining their effectiveness. Furthermore, in the case of the provision of PPE, donations have been diverted to the National Healthcare System. As a result, social enterprises and other third sector entities suddenly found themselves deprived of a fundamental source of resources that they could rely on before the pandemic. Another critical issue is the ways in which philanthropic aid is disbursed based, in most cases, on short-term logics that provide for the financing of individual projects and do not guarantee ongoing support to organisations. The majority of the interviewees asked the philanthropic sector to move in favour of the creation of solid and lasting alliances between philanthropy and social enterprises, which are, in turn, called upon to develop stable and feasible integration strategies. The dominant perception is that this partnership culture lacks a systemic element and continues to be applied unevenly in Italy. With the creation and strengthening of network ties, social enterprises and other third sector organisations would have the possibility of playing an even more incisive role for their users and the community in which they operate; at the same time, they would see a strengthening of their political weight.

6. Towards recovery: social enterprises in the post-COVID-19 scenario

The analysis also showed how social enterprises and other third sector entities, regardless of their legal form, historical background and sector of intervention, began to rely more and more on two specific tools: the use of technology and the creation of networks and partnerships. These are bound to assume an important role even when we return to normality.

In the majority of cases, the resilience strategies implemented by social enterprises and other third sector organisations have benefited from the use of technology. Technology has played a fundamental role in supporting the social mission of these organisations, which, as a result, have been able to reorganise their services and activities. However, technology should not be seen as a novelty for third sector organisations. As confirmed by many interviewees, digitalisation processes were already underway in many organisations well before the spread of COVID-19, but the pandemic accelerated their progress. Thanks to the use of information and communications technology, many social enterprises have not only been able to strengthen their ties with users but have also obtained new users, thus expanding the pool of service beneficiaries. Technology has likewise contributed to improving the dialogue with service beneficiaries, between staff members and between different institutions, significantly reducing both the economic costs and the time needed to implement new services. However, the possible risks that the introduction of technological innovations brings with it should not be forgotten or underestimated. Many interviewees stressed how the lack of digital skills, as well as the lack or inadequacy of technological devices available, has been one of the main problems amongst users, employees and volunteers. Several organisations have implemented *ad hoc* services, both internally and for users and/or citizens, which offer training and digital tools to address this problem. Lastly, although most of the respondents agreed that technology deserves a

place in the sector and stated their willingness to invest dedicated resources in the improvement of the organisations' technological endowment, the number of interviewees who showed a sceptical attitude was significant. Especially when technology is used to establish relationships with users, this modality of intervention is considered potentially dangerous because it does not allow for the creation of trusting and lasting relationships with beneficiaries. In other words, the COVID-19 crisis has pushed for technological changes while increasing awareness of the importance of face-to-face contact with beneficiaries. Therefore, the challenge is to keep the person at the centre of the relationship, whether the relationship is established in the real or virtual world.

Finally, the pandemic served as a stimulus for the creation of new networks and the strengthening of those already in place, both between third sector entities, with public agencies and with for-profit enterprises. During the health emergency, the coordinated efforts of the actors involved in these networks played a pivotal role in ensuring that no one was left alone. Networking, considered by many to be a fundamental element of the action of social enterprises and perceived as a necessity, became even more crucial during the health emergency. Collaborations, partnerships and networks played a clear strategic role during the first pandemic wave, and there seems to be an increasing awareness of their importance in the future.

The research also focused on collaborations between public authorities and third sector organisations. Specifically, some of the interview questions focused on the tools of co-programming and co-planning the provision of social and general interest services between public agencies and sector bodies envisaged in Article 55 of the Third Sector Code (Legislative Decree 117/2017). Regarding these tools, the interviewees, especially those engaged in representative organisations, expressed their general appreciation and supported the modification of the Procurement Code envisaged in Decree Law n.76 of July 16, 2022, which defines them as instruments with the same dignity as other contractual instruments. However, alongside positive comments, there were more critical ones. Many interviewees believe that to date, there is no suitable culture of collaboration in public administration, with people being accustomed to thinking of third sector organisations, to cite one interviewee, as "*suppliers* [of services] *rather than as partners*". A real change in mentality amongst public officials is needed, and they must be convinced of the legal validity and effectiveness of these tools. To make fruitful collaborations, some respondents also underlined the importance for third sector organisations to make greater investments in training and acquiring renewed skills in order to foresee and interpret arising social needs.

If technology and networks seem to be the two elements bound to have an even more crucial role in the future, much more of what awaits us remains uncertain. The pervasive effects of this crisis have exacerbated pre-existing socio-economic and territorial inequalities, sliding the middle class into poverty. Faced with these perspectives, social enterprises in the post-pandemic period will gain further importance: "*In the coming months, we will need the third sector more than ever*", claimed an interviewee. The pandemic represented a window of opportunity, a moment of experimentation and a rare opportunity to bring out the value of these organisations. What social enterprises and other third sector organisations will have to face is a unique challenge to which they will be able

to make a concrete contribution, as they are capable of intercepting situations of even latent and less visible fragilities, thanks to their relationships and closeness established with citizens. Third sector organisations must be able to consolidate the wave of solidarity experienced in the hardest months of the pandemic. They must capitalise on the new set of skills they have acquired. They must once again rethink their services and the modalities for providing them, which, in some cases, have been adapted to the new health situation in a hasty way as "emergency patches" and without consideration of how much the crisis has been prolonged. They must also have access to the decision-making table in the design of recovery strategies, and they must do so with a long-term political vision in mind. They must be aware (and the study has shown how much they already are) of the importance of the sector and be recognised for what they are—a social infrastructure of excellence in the country.

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