



# TASKFORCOME: TRANSNATIONAL ACTION TO ADVANCE SKILLS AND COMPETENCES FOR COMMUNITY ENGAGEMENT AND SOCIAL MIGRANT ENTREPRENEURSHIP INITIATIVES IN THE CENTRAL EUROPE

## SOCIAL ENTREPRENEURSHIP AND COMMUNITY-BASED SOCIAL ENTERPRISES IN GERMANY

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### GERMANY

**AUTHOR(S):** Juliane Döschner  
Plattform e.V. Erfurt

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## 1. EXECUTIVE SUMMARY

The number of SE in Germany ranges from the lower four-digit area to many more, depending on the definition. Most of them are small enterprises with a small number of employees and a local scope of action. Compared to Berlin and some other West German states, Thuringia lacks behind in terms of the number of SE. But social entrepreneurship is a dynamic field in Germany which might be a chance for the SE landscape in Thuringia. Enterprises that match the definition of SE can have various legal forms. There are four main forms: registered associations, foundations, (non-profit) companies (in German: (gemeinnützige) Gesellschaft mit beschränkter Haftung), and cooperatives. With all of them, hybrid financing is possible, as SE in Germany often have a hybrid income structure from private and public funds. Public funds contribute substantially to their income compared to other financial sources. There are slightly different results depending on the data source, but you can say that the biggest sectors of SE activity in Germany are education and science, labour market integration, social inclusion, social services and health.

In many German cities, intercultural centres and associations, initiatives who do translations for migrants etc. are established for a long time. In 2015, new organisations were arising because of the growing demand of support for migrants. At the same time, migrants contribute to the national economy with entrepreneurial activities. Again, with a lesser extend in Thuringia where less than 10 percent of the people living there have a migration background. The topic of migrant SE seems to be a blind spot in Germany. The report introduces three Thuringian SE: Education Center Saalfeld as CbSE with courageous ideas for ME, Plattform as CbSE supporting

SE, and Spirit of Football as a migrant SE based in Erfurt, operating worldwide.

## 2. LEGAL FRAMEWORK AND DEFINITIONS

“The burgeoning literature on social economy indicates a growing trend of integrating social justice values into ‘real’ economy, for instance by introducing measures that decrease social exclusion. Although the term ‘social economy’ itself had greatly evolved and there are heterogeneous approaches to this concept, the mainstream of research places the social economy between public and private (market-oriented) sectors (Moulaert and Ailenei, 2005). It combines market activities to achieve social development goals, somehow compensating public bodies in the areas where the public sector is not able to cope with complexity of challenges and stakeholder needs (Hausner and Laurisz, 2008).

In the social economy, a key actor is the social enterprise. Although there are also heterogeneous understandings of this concept, the dominant approach presents key elements of the social entrepreneurship, namely: a) the aim of the entrepreneurial activity is to create a social value (either exclusively, or this is one of the dominant aims of the entrepreneurial action) b) it entails capacity to recognize and use opportunities to create this social value c) it applies innovation and innovative solutions to create and distribute social value d) consequently, it is willing to accept some risk to deliver the social value e) it does not accept the limitations stemming from scarce resources to deliver the social value (Peredo and McLean, 2006)” (Wiktor-Mach, 2019).

In a similar fashion, the European Commission (2011: 2-3) defines SE as “enterprises a) for which the social or charitable goal is the purpose of their business, which often manifests itself in a high degree of social innovation, b) whose profits are largely reinvested to achieve this social goal and c) whose organizational structure or ownership reflects this goal because they are based on principles of employee participation or are oriented towards social justice”.

“Another concept crucial in our analysis is the community-based social enterprise (CbSE). These are specific types of the social enterprises which have the following characteristics: a) they are deeply embedded/rooted in a specific geographical location, answering to specific needs of this place, b) they have usually diversified sources of income which finance the social activities. Thus, although they conduct commercial activity, they are typical not-for-private-profit businesses, c) they are linked to and controlled by local communities - community representatives often have some power to influence the management of such enterprises, or at least they try to be accountable to local community, d) they try to make a positive impact on entire local community, linking various stakeholders in joint actions (Bailey, Kleinhans and Lindbergh, 2018)” (Wiktor-Mach, 2019).

### *Legal forms of SE in Germany*

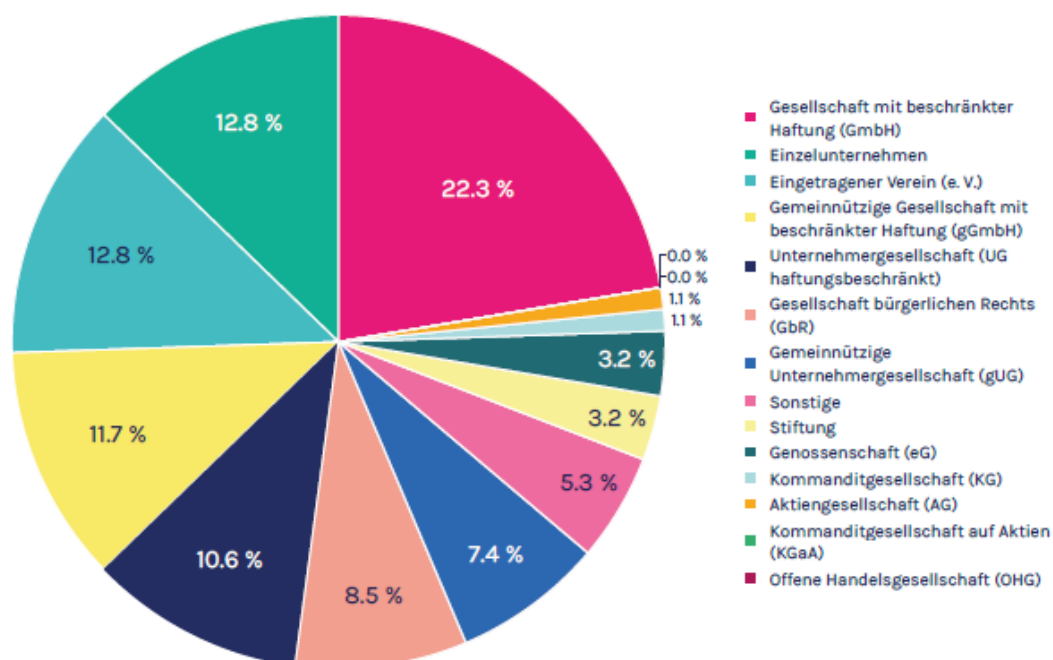
In Germany, enterprises that match the definition of SE can have various legal forms. The Wissenschaftszentrum Berlin, a high ranking research center of the social sciences, conducted a study titled “Organisationen heute - zwischen eigenen Ansprüchen und ökonomischen Herausforderungen” (translation: Organisations today - between own claims

and economic challenges). The results show that there are four main legal forms for SE (Scheuerle et al., 2013: 22):

1. Registered associations
2. Foundations
3. (Non-profit) companies (in German: (gemeinnützige) Gesellschaft mit beschränkter Haftung)
4. Cooperatives

The Social Entrepreneurship Network Germany (SEND) ran a survey of 210 persons working in SE and published the results in the German Social Entrepreneurship Monitor 2018 (not representative, but still insightful). They also find that SE are very heterogeneous in relation to their legal forms, but also to their business and impact models and their financing. The graphic below shows the variety of legal forms SE in Germany can have.

Fig. 1. Legal forms of SE in Germany



Source: SEND (2018: 24).

All of those legal forms are suitable for establishing a SE. It is possible to generate revenue with products or services, but also to receive funding from the state or other organisations as well as private donations. But every legal form has different regulations - and thus, their strengths and weaknesses when it comes to founding a SE. It is very often the case that there is no single and correct solution - as founder of a SE, you need to consider the different options carefully in respect to your goal. Choosing the legal form is one major aspect in consulting founders of SE.

### *Financing of SE in Germany*

SE often have a hybrid income structure from private and public funds. As the size of the organization increases, the share of funds from the public sector tends to increase. Public funds contribute substantially to the income of both third-sector organizations in general and SE in particular. By international comparison, the share of self-financed private funds is higher in other countries. Also foundations play a less important role compared to the USA. Financing via investment (like loans or equity participation) is, by international comparison, not so common (Scheuerle et al., 2013: 40).

## 3. SOCIAL ECONOMY IN GERMANY: SECTORS OF ACTIVITY

Social enterprises often act at the interface between different sectors and develop innovative cross-over approaches/solutions to social problems. In addition, you can find enterprises that are mainly profit oriented in typical social sectors (like care) on the one hand, but highly social ones in sectors that are mainly dominated by big corporations (like energy) on the other



hand. With those facts in mind, Scheuerle et al. (2013: 14) provide an overview of typical sectors of social entrepreneurship in Germany:

- Education and science (for example free kindergartens and schools, life long learning courses, promotion of science)
- Social services (for example care, assisted living, social work, community work, child and youth services)
- Labour market integration (for example for people with disabilities or mental health problems, integrative companies that offer jobs)
- Inclusion and social mobility (for example empowerment of disadvantaged groups, accessibility projects, promoting educational access)
- Living (for example multi-generational living, Kinderdörfer)
- Economic regional development (for example strengthening regional economic cycles, start-up support and networking initiatives in rural areas)
- Environmental protection and alternative energy (for example energy cooperatives, upcycling, environmental education)
- Sports, culture and recreation (for example promotion of sports and physical exercise, courses for spiritual experiences)
- Health (for example medical care and its development, new treatments, translation service of medical findings)
- Promotion of democracy (promoting civic engagement, civil dialogue, youth participation, lobbying for human rights)



- Financing and consulting for social organisations (for example microcredits, crowdfunding platforms, placement of volunteers)
- Developmental work (for example knowledge and technology transfer)
- Sustainable economy (for example fair trade companies, certification schemes)

There are slightly different results depending on the data source (because they use different classifications), but you can say that the biggest sectors of SE activity in Germany are education and science, labour market integration, social inclusion, social services and health (Scheuerle et al., 2013: 21ff.).

The German Social Entrepreneurship Monitor 2018 asked which of the UN Sustainable Development Goals are important for the SE. The results show some overlap with high quality education, sustainable consumption and production, health and well-being as well as humanly work and growth as the most important goals (SEND, 2018: 39).

#### 4. SE AND CBSE AND IMMIGRANTS IN GERMANY AND THURINGIA

Chapter 4 consists of two parts: SE and CbSE in Germany and Thuringia with a focus on SE working with migrants, and ME in Germany and Thuringia.

##### *SE and CbSE in Germany and Thuringia*

Following the variety of legal forms, it is not easy to estimate an exact number of SE in Germany. Depending on the definition, it ranges from the lower four-digit area to many more if you define it in a wider sense and include the third sector (Scheuerle et al., 2013: 20). Because of the different legal forms and definitions, international comparisons are

difficult. With some exceptions (mostly in the area of social services with the big welfare associations), most of the German SE are small enterprises/micro-enterprises with a small number of employees, and sometimes with a high number of volunteers (Scheuerle et al., 2013: 31). Most of the SE in Germany are local.

From 117 questioned SE, only 1,7 percent operate in Thuringia (SEND, 2018: 19 - remember, not representative). Frontrunner here is clearly Berlin with 22,2 percent. So, compared to Berlin and some other West German states, Thuringia lacks behind. But SE is a dynamic field in Germany: the average age of all questioned SE is 3,3 years (SEND, 2018: 20). There are established SE with a long tradition, but also many start-ups. That may be interpreted as a positive sign: people are motivated to react to global challenges and shape our society through entrepreneurial thinking and acting. Those dynamic developments might be a chance for the SE landscape in Thuringia.

Another good news in this respect is that approximately nine out of ten SE in the survey (87,9 percent) want to scale. In contrast to conventional enterprises, scaling in this area is not only about growth and profit maximization, but about spreading ideas. On the contrary, too fast growth is recognised as a disadvantage in many SE (SEND, 2018: 33). Thus, not every social start up needs to reinvent the wheel - maybe it could just bring it into a new context. One example for this is the Plattform-project Kulturhanse. Their experiences from running a community-based social start-up hub in Erfurt are scaled into rural areas in Thuringia, Saxony and Saxony-Anhalt. Plattform supports the actors in the rural areas to establish their local interpretation of the social start-up hub.



In many German cities, intercultural centres and associations, initiatives who do translations for migrants etc. are established for a long time. In 2015, when many new people arrived in Germany, a lot of those organisations and initiatives teamed up and formed welcome-networks, with new organisations arising because of the growing demand of support for migrants in respect to (among others) language, dealing with authorities, school and education, but of course also integration into the labour market. There are SE in this field that have several locations all over Germany, for example the Training Academy of Economics // Fortbildungsakademie der Wirtschaft. You can find one of its locations in Jena, operating in Thuringia. They offer basic language courses as well as language and cultural courses with focus on employment. Such SE act as partners of the government and are financed mainly through governmental or EU programs (like ESF). But there are also CbSE that work in the field of labour market integration or even ME. The above mentioned intercultural centers often offer advice on such topics, as the Center for Integration and Migration Erfurt does. Another good example is the Education Center Saalfeld which is further explained in chapter 6.

### *ME in Germany and Thuringia*

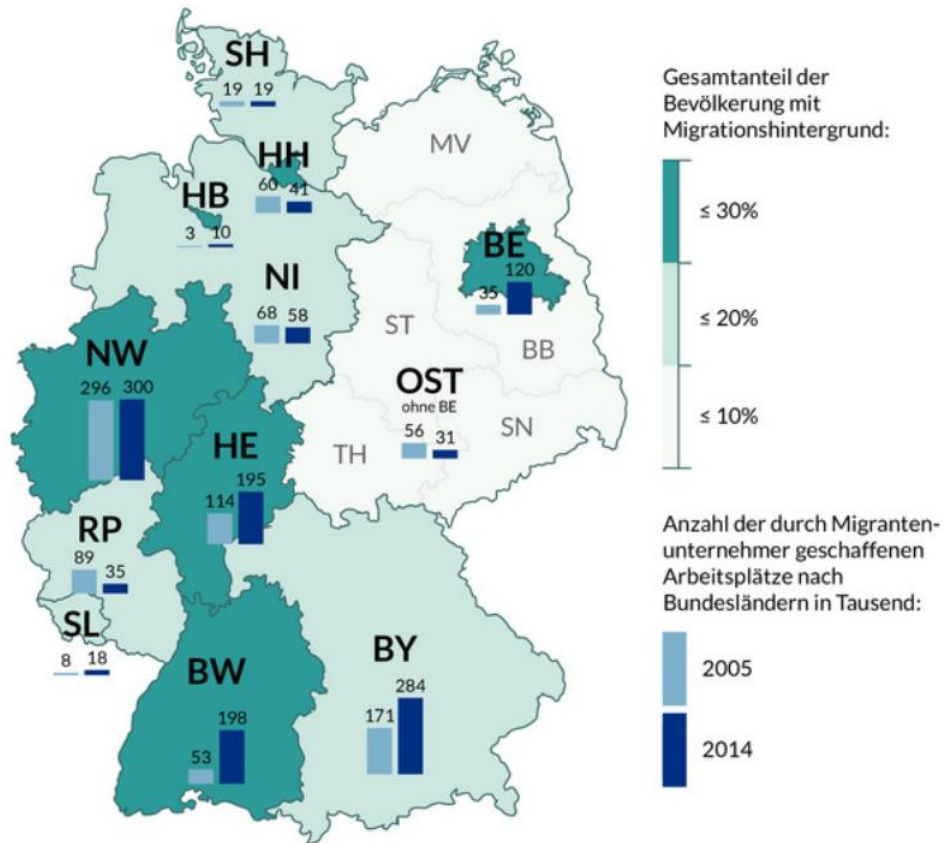
A study conducted on behalf of the Bertelsmann Stiftung (2016) delivers insights in the topic of ME in Germany. The authors use the German Mikrozensus as database, a representative survey. It clearly shows that migrants contribute to the national economy with entrepreneurial activities. Between 2005 and 2014, the number of jobs created by ME increased about 36 percent from 947.000 to 1.3 million. In the same period, the number of self-employed ME increased about 25 percent from 567.000 to 709.000. So, because of the entrepreneurial activity of migrants (self-

employed as well as ME who create jobs) there were about 2 million people employed in 2014. In terms of income, entrepreneurship pays off for people with a migration background: they earn more than employed migrants, but at the same time less than entrepreneurs without a migration background.

When it comes to sectors of activity, the streetfood-cliché does not hold true. In 2014, only 28 percent of ME work in trade and gastronomy. 26 percent work in public or private services, 20 percent in manufacturing, 16 percent in real estate and housing, 4 percent in traffic, information and communication and 2 percent in financial and insurance services.

As with many economic developments in Germany, there are differences between the federal states in terms of the number of jobs created through ME. Reasons for this are different economic dynamics, the extent of immigration and, above all, the level of education of people with a migration background. A high level of education contributes positively to the number of jobs and the income of the self-employed. In Thuringia, less than 10 percent of the people living there have a migration background. The number of jobs created through ME decreased from 56.000 in 2005 to 31.000 in 2014 (Garcia Schmidt, 2016).

Figure 2. Percentage of population with migration background and number of jobs created by MEs, by federal state



Source: Bertelsmann Stiftung (2016).

The topic of people with a migration background in SE and CbSE seems to be a blind spot in Germany. There are only very few publications, and none of them used quantitative data (e.g. Höhne, 2012). A small hint can be found in the German Social Entrepreneurship Monitor: only 0.3 percent of the interviewed social entrepreneurs do not have German citizenship (SEND, 2018: 53), which might indicate underrepresentation of migrants in SE.

## 5. PUBLIC POLICIES SUPPORTING SE AND CBSE IN GERMANY AND THURINGIA

Even though SE finds a place in the coalition agreement of the German Federal Government, many respondents of the German Social Entrepreneurship Monitor are not satisfied: on average, they evaluate the policy for supporting SE between sufficient and insufficient - far from very good. This confirms the results of international surveys, in which Germany takes a back seat compared to other economically strong countries. Many other EU member states have developed policies, target-oriented financing instruments and their own legal forms for the sector (SEND, 2018: 61).

The three biggest hurdles for SE are a weak political lobby, too little targeted follow-up financing after the starting phase, and incomprehensible public funding. So, the most pressing problems are of political (representation and support) and financial nature (SEND, 2018: 66). Another important point is that a suitable legal form is missing.

Following the results of the survey, the Social Entrepreneurship Network Germany developed policy recommendations (SEND, 2018: 12):

- Coordinating body for SE in government and public institutions, for transparency and as a guide
- Reliable financing programs for SE and social innovation (as in the field of technological innovation)
- Start-up hubs for SE along with a program line to build up such regional centers (in order to establish a proper SE-ecosystem)

Especially the last point is interesting for the TASKFORCOME program.

In terms of ME, the authors of the Bertelsmann study (2016) argue that the expansion of tailor-made offers for people with a migration background could promote their entrepreneurial potential. In most federal states, authorities and chambers cannot meet the demand for specific counseling services for migrant entrepreneurs. Likewise, the study criticizes a lack of integration between counseling services of chambers, municipalities and the private sector (Garcia Schmidt, 2016).

## 6. CASE STUDIES OF SELECTED SES AND CBSES

### *The Education Center Saalfeld as CbSE with courageous ideas for ME*

The Bildungszentrum Saalfeld // Education Center Saalfeld (BZ) is a well-established leading educational service provider in the region. They are convinced that every human being can make a valuable contribution to the common good. They focus on social integration (through integration in the labour market), regardless of people's background, and work with young people as well as with adults. Legally, the BZ is a conventional company. But its mission and aims clearly make it a SE. They run different locations in Saalfeld and offer services in and around Saalfeld. So, the BZ can be characterized as CbSE. They have many projects, some of them focusing on people with a migration background, one of them even focusing on ME. And this one is especially interesting for TASKFORCOME: the Werkhaus Saalfeld // Workshop Saalfeld.

Maybe the most unconventional thing about this project is that the workshop-building does not exist yet. But first things first. Alte Kaserne is a residential area of Saalfeld with approximately 900 inhabitants, half of



them younger than 30 years old. It is the youngest and most diverse part of the city (migration background), but also the district which is most affected by poverty. The BZ's aim is to significantly increase the participation chances of the residents. At present, the so-called "Freisitz", built of recycled material by the residents, is located at the future location of the Werkhaus. It offers space and protection and is a symbol of hope. The Werkhaus will be built gradually from 2019 in modular design. New work and open spaces are to be created in the future, partly in self-construction with the residents. The experimental urban development of the fallow land should open up new perspectives for employment, volunteering and founding to old and new neighbours (aka people with a migration background), but also to creative people from the region. Entrepreneurial ideas range from gastronomy in the district over classic crafts to the production of Tandoor ovens.

### *Plattform as CbSE supporting SE*

Plattform e.V. was founded in 2008 as a non-profit association based in Erfurt, Germany. Its legal form and scope of action makes it a CbSE. With the aim of promoting lifelong learning, the association sees itself as a think tank for current social problems. The team now includes 12 permanent and freelance employees and a large number of volunteers who develop and implement projects in the fields of entrepreneurship and employability, empowerment and urban development, cultural collaboration and networking, media culture and computer game pedagogy. Above all, the association is involved in model projects and always endeavours to pass on the gained experience and knowledge to third parties with the help of publications, presentations, contributions to conferences, non-formal qualification programs as well as courses at universities.



Plattform as a CbSE itself realizes programs supporting SE, e.g. Werft34. The program is aimed at the development of socio-cultural initiatives in Erfurt by significantly improving their entrepreneurial skills as well as their income and work situation. This required a holistic program which was realised in Saline34, a CSHUB. During the four years of the project, Plattform learned a lot about the mechanisms of start-up support and the development of favorable framework conditions. They identified factors of success, such as a cost-effective place of work, the tailor-made promotion of entrepreneurial skills for the specific target group (as socio-cultural initiatives often work with a different logic than profit-oriented founders), a community with complementary services and, last but not least, public recognition. Attending the Werft34-program led to an improvement of the economic situation of the participants. One SE which was supported in Werft34 and is explained further below is Spirit of Football. From Werft34, the above mentioned Kulturhanse emerged - an experiment to scale the idea into rural areas. One of the supported projects in Kulturhanse is the Werkhaus Saalfeld.

### *Spirit of Football as a migrant SE based in Erfurt, operating world wide*

Spirit of Football e.V. was founded in 2005 as a non-profit association based in Erfurt, Germany. Andrew, the initiator, stems from New Zealand. During his Master studies in Erfurt, he developed the idea for Spirit of Football. The association operates highly international in the field of (non-formal) education. Its legal form and scope of action makes it a SE, founded by a ME. They are committed to tolerance, FairPlay and against exclusion of any kind. The organizations main project is "The Ball". This special ball starts every four years in London and travels with its team through several countries to reach its goal, the host country of the respective World Cup.

"The Ball" stands as a symbol for values such as respect, teamwork and openness to the world, which are conveyed to as many people as possible during workshops.

The association has gained multicultural experience through international "Ball" trips and educational projects, reaching more than 60,000 people in over 50 countries around the world. These experiences flow into extracurricular educational offers, which they are implementing since 2010. Spirit of Football realises projects in Thuringia, Germany and all over the world which link football with social ideas and an intercultural dimension. Thus, they carry the philosophy of FairPlay and "Global Learning" into classrooms. Spirit of Football also engages in integration work: since the beginning of 2015, they have been contributing to a positive welcome culture for refugees in Erfurt with their "Spirit of Welcome" initiative.

### *IQ Network Thuringia as SE supporting self-employment of people with a migration background*

The IQ Network Thuringia is part of the federal funding program "Integration through Qualification (IQ)". Throughout Germany, a total of 16 state networks have been working since 2005 to improve the employment opportunities of people with a migration background. The coordination of IQ in Thuringia lies with the Bildungswerk der Thüringer Wirtschaft e.V. in Jena. It offers both services for people with a migration background and ME. The networks key service is consultation for the recognition of foreign professional qualifications, the adaptation of foreign professional qualifications as well as labour market integration. Following the demand for labour in this sectors, there are special programs for people with foreign qualifications in education or health.



One program for ME is called “Alternative Ways to Employment: individual coaching on self-employment”. This program is aimed at people with a migration background who are planning to become self-employed, or graduates of the Thuringian universities with a migration background. It consists of individual coaching (on the right of residence, the development of business models as well as financing concepts and investor search, and for creating business plans), seminars (about basic knowledge about the successful start of a start-up project), and accompaniment to authorities and chambers. The idea is that self-employment is an alternative path to gainful employment which offers the opportunity to implement own ideas.

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