

An Update on Affirmative Businesses or Social Firms for People With Mental Illness

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Social firms, or “affirmative businesses” as they are known in North America, are businesses created to employ people with disabilities and to provide a needed product or service. This Open Forum offers an overview of the development and status of social firms. The model was developed in Italy in the 1970s for people with psychiatric disabilities and has gained prominence in Europe. Principles include that over a third of employees are people with a disability or labor market disadvantage, every worker is paid a fair-market wage, and the business operates without subsidy. Independent of European influence, affirmative businesses also have developed in Canada, the United States, Japan, and elsewhere. The success of individual social firms is enhanced by locating the right market niche, selecting labor-intensive products, having a public orientation for the business, and having links with treatment services. The growth of the social firm movement is aided by legislation that supports the businesses, policies that favor employment of people with disabilities, and support entities that facilitate technology

transfer. Social firms can empower individual employees, foster a sense of community in the workplace, and enhance worker commitment through the organization’s social mission. (*Psychiatric Services* 57:1488–1492, 2006)

In the United States the usual spectrum of employment opportunities for people with mental illness includes traditional vocational rehabilitation in which agencies screen, train, and place applicants. Other options include sheltered workshops and supported and transitional employment. However, another approach, the social firm or affirmative business, has gained prominence in Europe and may be found elsewhere around the world. These are businesses created with a dual mission—to employ people with disabilities and to provide a needed product or service. The model was developed for people with psychiatric disabilities in northern Italy in the 1970s. The Italian successes influenced the development of affirmative businesses elsewhere in Europe and Australasia. Independent of European influence, affirmative businesses have also developed in Canada, the United States, Japan, and elsewhere.

This article is the first worldwide overview of the social firm movement, the information having been gathered by direct observation, interviews with managers of social firms, and literature review. We have been researching and establishing social firms for 15 to 20 years and have studied social enterprises in Europe, East Asia, Australasia, and North America. This

Open Forum introduces the social firm model to those not familiar with the concept and explores its potential for diffusion in the United States.

European social firms adhere to certain principles. Over one-third of employees are people with a disability or a labor market disadvantage. Each worker earns a fair-market wage, regardless of productive capacity, and workers with disabilities are provided needed accommodations. All employees share the same rights, opportunities, and obligations. The business is a viable concern in the competitive market, although it may receive vocational training income (1). Companies that receive a subsidy may be considered “emerging” social firms (1). Affirmative businesses, both nonprofit and for profit, are part of the “social enterprise” movement—a general term for businesses with a social purpose (2–6).

Italian cooperatives

A worker cooperative for previously hospitalized patients was developed in 1973 during the deinstitutionalization of San Giovanni Hospital in Trieste in northeastern Italy. The business employed workers to clean public buildings and by 1985 was employing 130 workers (7,8). By 1994 the annual revenue of the Trieste cooperatives had grown to \$5 million, and the consortium included a hotel, café, restaurant, transportation business, and building renovation company (9). By 2004 the annual income of these cooperatives had increased to \$14 million, and several additional social cooperatives had been established by

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nongovernmental agencies. Hotel Tritone, one of the original businesses, has proven particularly successful, and a hotel franchising venture is planned. All office- and street-cleaning contracts for the municipality of Trieste are currently awarded to social firms. Other enterprises include shopping for the homebound, landscaping, and bookbinding. The businesses employ a workforce comprising about half with disabilities and social disadvantages and half without (9). About 300 people with disabilities or disadvantages, half with mental illness, are employed in the Trieste cooperatives and earn a full market wage, and another 180 people diagnosed as having mental illness hold training positions reimbursed by governmental stipend.

The model has spread widely in Italy. In Pordenone, near Trieste, social enterprises include a large cleaning business, park furniture manufacturing, and nursing home aides and home help for people with disabilities. In Palmanova, the cooperatives include restaurants, hotels, and a horticultural nursery (9). In Rome there are approximately 30 cooperatives, including a print shop and a laundry, which employ 450 people, more than half with disabilities. Turin has an extensive network of social firms, including gardening and catering. There are fewer cooperatives in the south of Italy (www.cefec.org).

In Pordenone and Trieste, approximately 90 percent of the work contracts are with public agencies, such as hospitals and fire stations. Initially, the Trieste cooperatives used a substantial public subsidy. In 1994 grants and donated space and staff totaled 20 percent of the budget, but by 2004 the subsidy had dropped to zero. The Pordenone cooperatives have always operated with negligible subsidy (9,10).

Diffusion of the model

In the past decade there has been increased interest in social firms in Europe, partly because of the transfer of technology fostered by support organizations in Italy and elsewhere. A 1999 survey identified 2,000 European social firms that were employing 47,000 workers, 40 to 50 percent of

whom had disabilities (1), but by 2005 there were over 8,000 such enterprises in Europe with about 80,000 workers, 30,000 of whom had psychiatric or other disabilities (11).

Germany

The largest number of social firms outside Italy is in Germany. The first were founded in 1978. In 2005 there were over 500 such companies, with a combined workforce of 16,500 employees, 50 percent of whom had disabilities. German social firms are generally not worker cooperatives. Instead, partnerships between workers and management are favored. These nonprofit companies commonly produce foods or technical products or provide services, such as moving and house painting. Typically, 30 percent of a company's income is derived from government wage supplements for workers with disabilities (11,12).

Britain

Before 1997 there were just six social firms in Britain. Since then, with the assistance of the support group Social Firms UK, the number has grown to 49, plus 70 "emerging" social firms. Technical assistance from Italian and German support organizations has promoted this growth. As of 2005 British social firms were employing over 1,500 people, two-thirds with disabilities, mostly mental disabilities. Catering and horticulture, the largest business sectors, accounted for 13 percent of operations. Social Firms UK has franchised several businesses, including a soap factory, an aquarium maintenance business, and a health-food operation (www.socialfirms.co.uk) (personal communication, Grove R, 2006).

Ireland

Irish Social Firms, in Dublin, illustrates the importance of business viability. In the 1990s this consortium operated a restaurant, a lunch counter, a wool shop, and a furniture store, but these businesses have closed in recent years because of the subsidy required.

Western Europe

In Sweden, where the movement gathered momentum in the mid-

1990s, there are now 90 social firms employing 1,400 workers, a third of whom have mental disabilities (11). In the Netherlands 20 to 30 social firms have been developed by psychiatric organizations with state and health insurance funding. A support organization, the Netherlands branch of the Confederation of European Social Firms, Employment Initiatives, and Social Cooperatives (CEFEC), offers loans, consultation, and business planning (1). Greece has seven social cooperatives, each employing from ten to 30 people with mental illness. Items produced by Greece's cooperatives include pastries and honey, and services include catering and grounds maintenance. Greek Law 2716, introduced in 1999, allowed the formation of social cooperatives in which 35 percent of the membership would be people with mental illness (11). In Andalucia, Spain, eight social firms were employing 340 workers in 1999, about half of whom had disabilities. The firms received technical support from *Iniciativas de Empleo Andaluzas* (1).

Australasia

In New Zealand the business *Workwise* operates several social firms, including *Hamlin Road Farms*, near Auckland, which employs 20 workers. The farm produces free-range eggs and organic watercress. Other successful enterprises are a soap factory and a handmade toy company. *Social Firms Australia*, in Melbourne, operates a cleaning business and plans to open a bonsai nursery, a recycling enterprise, and an online fulfillment mail center. Some new businesses will be ventures franchised by *Social Firms UK*.

Independent development

In East Asia and North America, social firms have developed independently, rather than by diffusion from Europe.

Japan

Bethel House in Urakawa manages several operations, including the selling of dried kelp. This social firm began as a sheltered workshop subcontract, becoming independent when the local kelp business closed. Annual

sales exceed \$850,000. In nearby Obihiro, social firms include a vegetable farm, coffee shops, a bakery, and a gift shop in a train station. Swan Bakery opened its first store in Ginza, Tokyo, in 1998 and now has five locations. The bakery was started by an entrepreneur who wanted to help people with disabilities learn good business practices. This initiative led to the creation of Fukushi Venture Partners, an organization that offers support for social firms. A mental health program near Tokyo, Yadokari no Sato, operates such social enterprises as a publishing company, a coffee shop, and a recycling business. Social firms in Okayama deliver milk to 250 households, operate a mobile meal distribution service, and run a café. A national organization, SELP (Council of Social Employment), helps agencies develop client-employing businesses.

Korea

Korean social firms have been created by modifying Western-style sheltered workshops. A social firm in Seoul subcontracts with electronic companies to manufacture flat-panel televisions. Unlike sheltered workshops, however, the workforce includes workers with and without disabilities, and all employees are paid hourly wages instead of a rate per piece.

Canada

Most of the vocational programming for people with mental illness in Toronto, Ontario, has been converted to the social enterprise model. In Canada, social firms generally are referred to as “affirmative businesses,” but when fully controlled and operated by consumers, they are termed “alternative businesses” (13). One such program is a consumer-run, citywide courier business, A-Way Express, launched in 1987. All employees and managers are people with mental illness (14). The Ontario Council of Alternative Businesses represents 11 other consumer-run firms in Ontario employing 600 people with psychiatric disabilities. Three are in Toronto, the Raging Spoon Café, Inspirations/Ideas studio, and New Look Cleaning. Fresh Start, another cleaning service, is an affirmative business

that has been operating in Toronto since the 1980s. The affirmative-business movement has not grown with as much vigor in other Canadian provinces, and there are no completely consumer-operated alternative businesses outside Ontario (personal communication, Trainor J, 2005).

United States

Some U.S. agencies experimented with small consumer-employing businesses in the 1970s and 1980s. Portals, in Los Angeles, operated a cookie business for several years, and Fountain House, in New York City, a thrift shop. In most instances these early ventures closed because they could not support themselves. Other ventures have proven successful. Monadnock Family Services in Keene, New Hampshire, established a cooperative that began by renovating houses and has since switched to building garden furniture (15) (personal communication, Silvestri F, 2005). Central City Concern of Portland, Oregon, operates several affirmative enterprises, including house painting, janitorial services, property maintenance, and a used-furniture business. Minnesota Diversified Industries (MDI), founded in 1968, employs over 1,000 people in packaging, distribution, and manufacturing of plastic products. Aspen Diversified Industries (ADI), in Colorado Springs, offers janitorial, warehousing, and assembly services.

Some of MDI's and ADI's most lucrative contracts come through NISH (formerly National Industries for the Severely Handicapped), a national entity designated by the federal government to facilitate governmental agencies' purchase of products and services from nonprofit businesses that employ people with disabilities. NISH is a product of the Javits-Wagner-O'Day Act, passed in 1971 to increase employment for people with disabilities. Under the act, agencies work with over 600 nonprofit organizations across the nation to employ 36,000 Americans with disabilities (www.jwod.gov).

Although there are support organizations for affirmative businesses in the United States, like the Social Enterprise Alliance and Workability

Americas, the movement has not achieved the vitality seen in parts of Europe and Canada. Some larger U.S. affirmative businesses are modified sheltered workshops (13). In part, the slow growth of the U.S. movement may be due to the existence of a successful competing model—supported employment. Consequently, it is common to find consumer-employing businesses offered as part of a spectrum of vocational services that includes supported employment. In Los Angeles, the Village Integrated Service Agency offers clients a menu of vocational opportunities, including five affirmative businesses—clerical services, maintenance, a delicatessen, a consumer banking service, and a convenience store (16).

A group in Madison, Wisconsin, established Enterprise People, a consumer business incubator with a consumer-controlled board that includes businesspeople and mental health professionals. The board helps consumer-entrepreneurs formulate business plans and locate start-up capital. Among the enterprises spawned are a publisher of consumer-oriented pamphlets, a gardening operation, a pet-sitting venture, and a guide-dog training business. Other business incubators associated with mental health care have been established in New York City and Los Angeles (as well as in Ontario).

Conclusions

In parts of northern Italy social enterprises have become an important element of the local economy. Elsewhere, including other regions of Italy, the number employed through social firms is small. Can this model become a dominant paradigm? What factors enhance its success?

Supportive legislation

Government policies and statutes favoring people with disabilities appear to be critical. In Italy, legislation offers tax, funding, and contracting advantages to worker cooperatives (11). In Korea, laws require businesses to employ people with disabilities or pay a dividend, much of which goes to rehabilitation services, including social firms. In Germany, the government provides wage supplements for em-

ployees with disabilities and equipment purchase grants for social firms (11). In the United States, the Javits-Wagner-O'Day Act encourages government agencies to use affirmative-business products. European observers argue that because social firms operate in the competitive marketplace, it is important to establish a legal framework that compensates for the limited working capacity of social firm employees. Such frameworks have been established in Italy, Germany, Finland, and Greece (11). The British government introduced a law in 2005 that defined "community interest companies" that can access philanthropic investment (11). However, laws that provide advantages to social firms have led to court challenges within the European Union. The legal issues have yet to be resolved and will become more important as the social enterprise sector grows.

Market niche

Social firms also may achieve success by finding the right market niche. Many enterprises gain a market edge by competing for contracts with public agencies, such as hospitals, which often have a special interest in the social inclusion of people with disabilities or a strategic need to be seen to serve the public interest. Social firms also may have practical market advantages. The cleaning business in Pordenone, Italy, successfully developed contracts with public facilities in part because the unionized workforce it replaced was relatively inefficient. The market niche may come from workers' special qualities. People with disabilities, for example, may have unusual reserves of empathy and patience when employed as home health aides.

The public orientation of social firms can help them earn contracts through a willingness to tackle community problems. Managers of the Trieste cooperatives, for instance, met with local officials to discuss ways to clean up a run-down section of the city and discovered that a significant problem was the number of abandoned motor-scooters littering the streets. They devised a plan for a scooter-salvaging workshop to be staffed with young disadvantaged

people, many of whom have a prior history of disassembling scooters on the street to steal parts.

Other business strategies

Social firms often select labor-intensive business options to maximize employment while minimizing capital investment (11). Common choices include cleaning services; handmade products, like wooden toys; organic-food production that is not driven by investments in machinery and fertilizer; car washes; and bicycle repair. At times, however, a social firm consortium may choose to develop a business that is profitable but employs relatively few people with disabilities in order to use these earnings to offset other losses. A profitable venture of this type is the consumer-employing pharmacy in Boulder, Colorado (9). Managers of social firms emphasize the need to maintain diversified products and revenue sources in order to adapt to changing market circumstances and provide a range of work opportunities. Creating high-quality products in a pleasant work environment is often an emphasis (9,17).

Other reasons for success

A factor that has helped advance the social firm model for people with mental illness in Europe is the lack, until recently, of adequate rehabilitation alternatives. As the supported employment model is promoted outside the United States, social firms will face a challenge. They may still be attractive, despite the competition, because they offer opportunities for empowerment that are compatible with recovery principles. A reason for the success of alternative businesses in Toronto is the long-standing strength of the consumer movement in that city (13). Social firms also provide a greater opportunity for developing a sense of community in the workplace. One manager of a social firm in Trieste described this community feeling as "una piccola famiglia allargata"—a small extended family. In a worker cooperative, this communality can become altruistic, as when Trieste social firm employees choose to renounce their annual bonus to help the firm's financial bottom line. The

supportive atmosphere may explain why the rate of transition from social enterprises into competitive employment is low in most countries (11).

Social firms offer another advantage over supported employment. Studies show that belief in an organization's social mission enhances worker participation and promotes organizational success (18). Social firms can build a sense of purpose among the workforce, resembling commitment to a social movement. This phenomenon is greater when social firms adopt an organizational form, like a cooperative, that enhances solidarity and mutual support.

Support entities have aided the dissemination of social firms. Organizations like CECOP (www.cecop.coop) in Europe and CEGES (www.ceges.org) in France facilitate technology transfer and provide business consulting, manager training, and other assistance. Ordinarily, new businesses can get start-up assistance from local small-business development agencies, but this is more difficult for social enterprises. Training managers to work in social firms is complicated because few people with entrepreneurial skills have the knowledge and ability to work with people with psychiatric disabilities, whereas those trained in psychiatric social work often lack the necessary business skills. A support entity can also help develop promotional materials, directories, and technical guides (17). Support networks are valuable in linking social firms, other businesses, and legislators and can lobby for advantageous legislation. FAF in Germany works closely with the Department of Labor and Social Affairs in developing and monitoring social firms, and CEFEC organizes international training seminars.

Social firms offer permanent or transitional employment for people with disabilities in an empowering, communal setting. If they prove viable in U.S. rehabilitation systems, they will expand the spectrum of integrated work opportunities for people with mental illness.

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Correction

The article entitled “PRISM-E: Comparison of Integrated Care and Enhanced Specialty Referral in Managing At-Risk Alcohol Use,” by Oslin et al. in the July 2006 issue (pages 954–958), did not include in the list of authors Ed Olsen, M.D., JoAnn E. Kirchner, M.D., and Sue Levkoff, Sc.D. Also, the article erroneously listed some of the authors’ degrees. The correct degrees for the following authors are Susan Grantham, M.A., M.P.H., Eugenie Coakley, M.A., M.P.H., and Keith Miles, M.P.A.