

## Annex C. Case study – Registration tool for social enterprises: Unleashing the potential of social enterprises through regulation in Denmark

### What

The registration tool for social enterprises – *Registreret Socialøkonomisk Virksomhed (RSV)* – was introduced in Denmark under the National Strategy for Social Enterprise (2014 Act on Registered Social Enterprises (Act 711/2014)) and is run by the Danish Business Authority. All legal forms with limited liability<sup>1</sup> are eligible to be accredited by this voluntary legal status if they comply with a specific set of criteria. These criteria require that: the purpose of the enterprises is social and concerns social, employment, health, environmental or cultural aims; a significant share of revenues is generated through sales of goods and services; both the management and operations are independent from the public sector; governance is inclusive and allows stakeholder involvement; and the profit generated is reinvested to support the social mission (a maximum of 35% of after-tax profits can be distributed to owners and investors).

The Registered Social Enterprises tool provides a platform for social enterprises to register upon submission of a set of documents to prove that the social enterprises meet the register's admission criteria. The tool requires registered social enterprises (referred to as the “socio-economic enterprises” in the registry) to keep the documents up to date, as a compliance measure. Additionally, the registered social enterprises must report specific information in their annual report or appendixes (e.g. remunerations received by the company's management, founders and owners; description of the implementation of the social purpose criterion, the inclusive and responsible management criterion and the independence of the public sector criterion). Additionally, the enterprises can de-register at any point and are legally obliged to do so if the enterprise no longer meets the registration criteria. As of 5 July 2021, 798 social enterprises had registered through the RSV tool.

### Why

The Registered Social Enterprises (RSV) Tool is part of a comprehensive national policy framework adopted in 2014 to support social enterprise development. Both the 2014 Act on Registered Social Enterprises and the registration tool it established create a common identity for social enterprises in the country. They enhance the visibility and development of the social enterprises that meet the criteria and enable data collection on the social enterprise ecosystem in Denmark. By registering, social enterprises signal their social characteristics to the public and private sectors and to the individuals. Registration facilitates their positioning as natural partners for collaboration with the public sector and potentially helps them to get a greater access to potential customers, investors and partners and increases public trust in the social enterprise ecosystem.

## Key activities

At the local level, several municipalities (such as Copenhagen, Silkeborg, Ikast-Brande and Jammerbugt) do advertise the register and have created local support systems for social enterprises, serving as an evidence of the significance of the RSV Tool in developing the social enterprise ecosystem through a bottom-up approach. Recently, the project “*Rummelig Genstart*” was launched by *Projekter Imidt* and *Kooperationen*, a cooperative employer's organisation, with the support of the Danish Programme for the European Social Fund, to mitigate the negative effects from the COVID-19 crisis as well as to promote inclusion in the labour market. The objective is to create commercial partnerships between social and conventional enterprises. Social enterprises allowed to apply to this project should either be a registered social enterprise, a social enterprise in the process of registration, or an organisation that has a non-profit purpose and work with a social and economic bottom line. In this way, the project works to incentivise social enterprises to formally register.

## Impact

In 2018, the Danish Business Authority, in consultation with stakeholders, evaluated the Act on Registered Social Enterprises and the registration tool – as scheduled in the preparatory work of the Act. The evaluation was conducted to assess whether the registration system had contributed to the formation of a common identity. At that time, 283 entities had registered as socio-economic enterprises, 173 of which were established after the act came into force in 2015. This early development stage is reflected in the data on employment as well, with 50% of registered socio-economic enterprises having no paid employment, 17% employing one person and only 33% employing two persons or more. Over two thirds of registered socio-economic enterprises (71%) are active in two industries namely, culture, leisure and other services (117) and public administration, education and health (84). The most frequently used legal forms included associations (43%) and limited liability companies (30%). Supplementing this data with qualitative analysis, the agency conducted interviews with both registered socio-economic enterprises and those that had deregistered.

The study concluded that the scheme could be improved to reach the objective to raise awareness around social enterprises as originally intended by the act. One of the main challenges was the lack of awareness of the register among eligible organisations, partly explaining the limited number of entities that had so far been included in the register. While the registry has not reached its full potential, in particular given the change in political context, it is nonetheless a crucial step towards creating a coherent approach to institutional and legal frameworks to support the social enterprise ecosystem, as it was advocated by the Committee on Social Economy, an informal working group with high-level stakeholders that emerged in an effort to sustain the policy initiatives already in place. The barriers to success of this regulation could be addressed by implementing the policy recommendations set out by this Committee, namely to provide guidance, fiscal and financial incentives, training opportunities and support for public procurement upon registration in order to strengthen the uptake of the legal status.

Despite these challenges, the number of registrations has been growing, from 283 in 2018 (across Denmark, however, most voluntary organisations are located in Copenhagen and Aarhus) to 620 in 2020 and 798 in July 2021, notably thanks to an increased interest at the local level.

## References/further information

- <https://www.retsinformation.dk/eli/ta/2014/711>
- <https://socialeentreprenorer.dk/registreringsordningen-for-socialoekonomiske-virksomheder/>
- <https://erhvervsstyrelsen.dk/vejledning-registrering-som-registreret-socialoekonomisk-virksomhed>

- [https://erhvervsstyrelsen.dk/sites/default/files/2019-03/evaluering\\_af\\_lov\\_om\\_registrerede\\_socialoekonomiske\\_virksomheder.pdf](https://erhvervsstyrelsen.dk/sites/default/files/2019-03/evaluering_af_lov_om_registrerede_socialoekonomiske_virksomheder.pdf)
- Sørensen, Katja Isa, and Anker Brink Lund. "Komparative analyser af dansk socialøkonomi."
- Hulgård, Lars, and Lisa Maurer Chodorkoff. Social Enterprises and their Ecosystems in Europe: Country report, Denmark. European Commission, 2019.

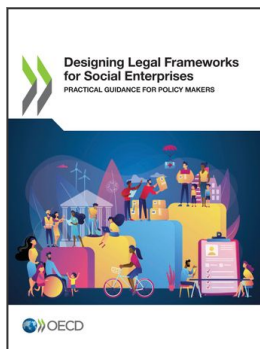
## Note

<sup>1</sup> Legal forms include: Public limited company (Aktieselskab – A/S), Private limited company (Anpartsselskab – ApS), Limited partnership company (Partnerselskab – P/S), Entrepreneurial limited company (Iværksætterselskab – IVS), Limited liability cooperative society (Andelsselskab med begrænset ansvar – A.m.b.A), General partnership (Interessentskab – I/S), Limited partnership (kommanditselskab – K/S), Commercial foundation (Erhvervsdrivende fond – ERF), and Limited liability association (Forening med begrænset ansvar – F.m.b.A). For more information see:

<https://socialeentreprenorer.dk/registreringsordningen-for-socialoekonomiske-virksomheder/>.

Translations in English are based on:

[https://www.ecb.europa.eu/stats/money/aggregates/anacredit/shared/pdf/List\\_of\\_legal\\_forms.xlsx](https://www.ecb.europa.eu/stats/money/aggregates/anacredit/shared/pdf/List_of_legal_forms.xlsx).



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