

# Addicted to growth

***Villa Vägen ut! ('Way out!')* is spreading the concept of halfway houses for recovering drug addicts across Sweden. The two existing houses in Göteborg, each housing eight people, are acting as models for others shortly to open in Örebro and Sundsvall. Five others are in the pipeline, and with 15 houses, the system will be self-sufficient.**

## History

There are some 60,000 drug addicts in Sweden, and the idea of starting halfway houses for recovering addicts sprang from their own personal experience. Some of them, who had also been to prison, had formed a self-help group called KRIS – Kriminellas Revansch i Samhället (Criminals Return into Society), which has a presence in 25 towns. It was observed that the formation of a KRIS branch was followed by a drop in the crime rate.

In Göteborg, Sweden's second city, an EQUAL partnership came together involving agencies working with ex-offenders, the local co-operative and association development agencies, the employment service, the prison and probation service, the regional social insurance agency, the social work resource centre the city council and four self-help organisations, among them KRIS, which ran the project.

In 2003 some of the people from these self-help organisations opened the first halfway house, *Villa Vägen ut! Solberg*, which caters for men, and followed with one for women, *Villa Vägen ut! Karin*. Both are members of the consortium *Vägen ut! kooperativen*, which comprises eight workers' co-operatives engaged in activities including weaving, silversmithing, screen printing, café management and catering. Vägen ut! wanted to spread this successful halfway house concept and decided to use the method of social franchising.

## The social franchising concept

Social franchising means using and developing the franchising method to achieve social goals. It is about spreading experience from successful social enterprises so that more people become employed. It also means that these companies apply democracy in such a way that the potential of all employees is developed. Social franchising also builds a community by stimulating contacts among employees in different companies and efforts toward common goals.

### A community

In social franchising, there is a founder, just like in any franchise. The starting point for the franchisor is to spread its ideas, share its experiences, and build a community. The social goals are fundamental, and often include contributing to the creation of more jobs. In this form of franchising, exchange and learning through contacts with those who started earlier are important for the entrepreneurs.

### The form varies

The founder builds up a franchise system and becomes a franchisor. The forms vary among different systems. They can be co-operatives when this is appropriate, but the franchisor always enters into an agreement with the franchisee that regulates rights and obligations. Through involvement, knowledge, and fees, the franchisee contributes to the development of the business concept.

## **Knowledge transfer**

By defining the keys to success and documenting them in manuals, and by developing training courses based on them, a group of entrepreneurs can gain access to knowledge and experience.

In social franchising, an important aspect is training as a source of support for entrepreneurs. Training, forms of management and routines are designed so that they empower the employees. As a part of every company's founding, everyone is involved in the design of the organisation.

## **More social enterprises can be started**

Starting a social enterprise is usually difficult. The entrepreneurs have often been without a foothold in the labour market, with all that goes along with that. Knowledge and networks for operating a company may not be the best in all cases. Starting and operating a company under these premises is very difficult.

Through social franchising, to put it simply, more social enterprises will be able to start. It provides a support structure for social enterprises.

## **Improved competitiveness**

By co-operating in a franchise organisation, competitiveness is improved. Joint development and quality efforts offer better prospects. Even the social enterprise must survive the ever-faster change in its environment!

## **Results**

The two Göteborg houses provide places for some 16 ex-addicts. The third and fourth houses, which will be of the same size, are under active development in Örebro and Sundsvall respectively, and five other towns – Stockholm, Jönköping, Norrköping, Karlstad and Gotland – are interested in following suit.

## **Success factors**

- a proven model – several years' track record is needed
- strong core of committed people
- active user group of ex-addicts (KRIS) providing lobbying support
- empowerment of co-operative members
- creation of a consortium to provide a stable and mutually supportive base
- support of local professionals
- existence of local co-op support agencies – the 25 local offices of *Cooperation*, the new name of the *lokal kooperativa utvecklingscentren* (LKUs), which can promote the idea to each local authority.
- availability of small support budgets from EQUAL and other ESF programmes to launch new businesses
- credibility lent by the academic cost-benefit study

## **Methods & tools**

- **Business idea – how is it socially profitable?**

Vägen ut! is one of the first two subjects of an innovative method of calculating the cost/benefit analysis called *socio-economic reporting*. This method was invented by economists Ingvar Nilsson and Anders Wadeskog of the Institute for Socio-Ecological Economics (SEE AB) in Göteborg. It analyses the complex series of public service

interventions – ‘welfare consumption chains’ – that are associated with a particular activity, and assesses the costs of these. In the case of Vägen ut!, the economists analysed five groups of processes that follow from a case of drug addiction, concerning:

- income (sickness benefit, unemployment benefit, work, fraud, theft, prostitution etc.)
- criminal justice (detention, indictment, conviction and punishment)
- care and treatment (physical and mental aspects)
- children (school support, fostering etc.)
- housing (hostel, care home etc.)

All in all, they take in some 130 different costs to the public purse.

The cost of addiction is thus considerable, amounting on average to €219,000 per year for a male heroin addict, and €70,000 for a male alcoholic, with women costing somewhat less. The costs fall principally on the municipality, the Prison and Probation Service and insurance companies.

These costings allow the social profitability of initiatives that reduce drug dependency to be calculated. In 2005 Vägen ut! made a trading profit of €38,500, but produced a social profit over ten times greater than this – €4.03m – owing to the savings in public expenditure it generated. This is equivalent to about €106,000 per person.

### • **Organisational context**

The initiative was driven and supported by four self-help NGOs, among them a national user group, KRIS.

Its success depended on mobilising government and municipal resources, including expert knowledge and also finance. The formation of a broad partnership was a strategic advantage in that it brought access to a broad span of expertise, as well as creating ambassadors for the concept among many professional fields.

It also benefits from support at national level by NUTEK, the national small business agency, and by the EQUAL National Thematic Group on social enterprise.

### • **Information / research**

Vägen ut!’s experience shows the efficiency of the franchising idea: developing the second house goes much more quickly than the first one, as a whole host of problems have already been solved, issues such as the house rules, administrative systems and regulatory approvals such as fire regulations, and of course the most important – how to build a strong entrepreneurial group.

This know-how has been distilled into a set of key documents:

- the handbook
- the quality handbook
- the preliminary franchise agreement
- the final franchise agreement

As far as building relationships goes, the most important are those with the Prisons & Probation Office and the municipality. These are built by, for example, hosting visits from elected members and staff from the Örebro and Sundsvall councils and employment offices.

Development advice in each locality is provided by the local office of Coompanion, which allocates half a day of development work to each project every week. Each worker completes a one-week placement in Göteborg, and the managers and other members of Villa Vägen ut! Karin and Solberg also go out to help them.

- **Legal aspects**

The owner of the concept – the franchisor – is the Vägen ut! consortium, which has eight Göteborg co-operatives in membership. The consortium also holds the legal rights in Scandinavia to a second social franchising business, the *Le Mat* hotels, and is the first member outside Italy of the *Le Mat Association*.

Working from scratch to set the halfway house franchise system up, the consortium and Coompanion in Göteborg took advice from a franchising consultant on commercial terms. This enabled it to ensure that it complied with franchising law.

Each new prospective franchisee follows these steps:

1. signing of preliminary franchising agreement
2. delivery of handbook
3. preparatory work
4. signing of final franchising agreement
5. opening of halfway house

- **Finance**

The business model is that all income to the houses comes from renting places to the prison and probation office and municipality, which pay a flat monthly fee per bed + a €1,000 entrance fee. There is no commercial income.

In turn, each house pays a flat fee to the franchisor, which gradually rises from year to year. In the first year it is €500 per month per house, and after 5 years it has risen to €1,500 per month per house. The fee is not linked to the size of the house nor to the occupancy rate: the flat fee system was chosen deliberately, with the idea of removing any incentive for 'cheating'.

One difficult aspect has been to raise working capital. Once premises have been found, each house needs some €20,000 to pay the running costs until the first month's rent payments come in.

Meanwhile, the start-up phase is supported by EQUAL and the European Social Fund in general.

- **Training & organisational development**

(a) The key document is the **franchise handbook**. This comes in loose-leaf format and comprises some 170 pages, including standard forms for interview and so on. It has three parts:

(1) *The social enterprise*

The *Villa Vägen ut!* concept, social enterprises and the co-operative model, social franchising

(2) *Everyday practice*

What is *Villa Vägen ut!?*, how to create a halfway house, the daily work, organisation of the company, staff and member relations (the double status of co-operative member-employees, probationary period etc.), purchasing, agreements with customers etc., training, quality, environmental issues.

(3) *Start-up*

The business plan, finance, legal form (*ekonomisk förening* – 'economic association', i.e. co-operative), insurance, building, regulatory permissions, initial training, entrepreneurial education (for Coompanion advisers to use)

(b) There is a separate **quality handbook**. Quality is the subject of a specific formal agreement, which for instance provides for impromptu inspections.

## Prospects

The group has achieved a positive profile nationally and will soon have four operational houses. It aims to break even within eight years with the opening of the 15<sup>th</sup> house, at which time the revenue will support two central staff.

## Contacts

### Vägen ut! kooperativen

Pernilla Svebo Lindgren  
Skeppsbron 5-6  
SE-411 21 Göteborg, Sweden  
Tel: +46 736 88 99 71 (mobile)  
+46 31 711 61 50  
E-mail: [pernilla@vagenut.coop](mailto:pernilla@vagenut.coop)  
[www.vagenut.coop](http://www.vagenut.coop)

### Coompanion

Sven Bartilsson  
Lindholmspiren 5  
SE-417 56 Göteborg, Sweden  
Tel: +46 705 74 54 44 (mobile)  
+46 31 744 01 62  
E-mail: [sven.bartilsson@coompanion.coop](mailto:sven.bartilsson@coompanion.coop)  
[www.coompanion.coop](http://www.coompanion.coop)

KRIS – Kriminellas Revansch i Samhället – [www.kris.a.se](http://www.kris.a.se)

## References

- *From the Public Perspective. An introduction to Socioeconomic Reports*, 16 pp
- *From the Public Perspective. A summary of reports on Socioeconomic Reports for Vägen ut! kooperativen and Basta Arbetskooperativ*, 48 pp.

Both by Ingvar Nilsson and Anders Wadeskog/SEEAB, NUTEK, Stockholm, 2006.  
See [www.seeab.se](http://www.seeab.se), [www.nutek.se](http://www.nutek.se). Download: <http://www.vagenut.coop/sidor/english.html>. Also from [eva.johansson@nutek.se](mailto:eva.johansson@nutek.se) or +46 8 681 9661