

WHITE PAPER

# **SOCIAL ECONOMY... TAKING BACK THE INITIATIVE**

Proposals to make the social economy into a pillar of the European Union



# **SOCIAL ECONOMY EUROPE**

## THE BENCHMARKING PLATFORM OF THE EUROPEAN SOCIAL ECONOMY

Social Economy Europe was created in November 2000 as the European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations, CEP-CMAF, with the purpose of establishing a permanent dialogue with the EU Institutions. In January 2008, CEP-CMAF changed its name and became « Social Economy Europe ».

Social Economy Europe operates in areas of common interest to its members in line with the principle of subsidiarity to ensure the added value of the actions undertaken by the organisation.

All social economy's actors, more particularly the so-called "families", i.e. co-operatives, mutual societies, associations and foundations, as well as paritarian institutions and social enterprises, share common values and characteristics conferring on them a strong European identity and differentiating them from capital companies:

1. People-based entities which develop an activity with to the principal aim of satisfying the needs of people instead of rewarding shareholders as well as ensuring the primacy of the individual and the social objective over capital;
2. Voluntary and open membership;
3. Democratic governance;
4. The combination of the interests of members/users and/or the general interest strengthened by a sound territorial attachment;
5. The defence and application of the principle of solidarity and responsibility;
6. Autonomous management and independence from public authorities;
7. Most of the surplus is used to carry out sustainable development objectives, services of interest to members or of general interest.

The social economy operates in all sectors of the economy: social services, healthcare, insurance, banking, agriculture, renewable energies, recycling, housing sector, education, tourism, culture, sport, etc.

The missions of Social Economy Europe are:

- To promote the economic and social interests of social economy enterprises and organisations in Europe;
- To promote the role and values of social economy enterprises and organisations in Europe;
- To enhance the institutional, political, social and legal recognition of social economy enterprises and organisations (co-operatives, mutuals, foundations, associations, paritarian institutions and new forms like social enterprises).

## **BETTER RECOGNITION OF THE SOCIAL ECONOMY AND ITS ADDED VALUE FOR EUROPE**

According to the European Parliament, the social economy is one of the pillars of the European social model<sup>1</sup> which « plays an essential role in the European economy, by combining profitability with solidarity, creating high-quality jobs, strengthening social, economic and regional cohesion, generating social capital, promoting active citizenship, solidarity and a type of economy with democratic values which puts people first, in addition to supporting sustainable development and social, environmental and technological innovation »<sup>2</sup>.

According to the European Commission<sup>3</sup>, social economy enterprises represent 2 million enterprises (i.e. 10% of all European businesses). They employ over 14.5 million Europeans, i.e. the equivalent of some 6.5% of the EU working population<sup>4</sup>.

The social economy must be mainstreamed in the implementation of EU policies. Its management model is based on a participatory democracy, a fair distribution of surpluses and reinvestment in the members' and societal interest.

The social economy is more than an adjustment variable of the capitalist economy: it behaves altogether “differently”, i.e.:

- Producing differently;
- Doing business differently;
- Managing differently;
- Consuming differently.

In order to support this approach and the singular position of the social economy, social economy enterprises believe that a pluralist economy is essential for the markets to function and that a different economic model, based on a more transparent, sustainable and finally more responsible entrepreneurial model, should be created.

By directing economic efficiency towards a social purpose, the social economy creates a real interdependence between its economic and social dimensions without any subordination between the two. The broad range of social economy activities shows that a sustainable economic model can go hand in hand with a social aim.

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1 European Parliament resolution on a European social model for the future: [www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2006-0340+0+DOC+XML+V0//EN](http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2006-0340+0+DOC+XML+V0//EN)

2 European Parliament resolution of 19 February 2009 on Social Economy: [www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0062+0+DOC+XML+V0//EN](http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0062+0+DOC+XML+V0//EN)

3 [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index_en.htm)

4 <http://www.eesc.europa.eu/resources/docs/qe-30-12-790-fr-c.pdf>

Being based on a different mode of operation than capital businesses, since social economy enterprises prioritise the individual and the social aim over capital, the social economy has a growing importance in the market economy with which it interacts and coexists.

It offers an economic paradigm which is in accordance with the founding values of the European social model, strengthening societal considerations and the social dimension instead of a rationale of individual profit maximisation.

## **A CALL FOR A POWERFUL COMMITMENT TO THE SOCIAL ECONOMY...**

**1. In this white paper, social economy enterprises and organisations propose a whole set of possible actions at European level to support the development of social economy enterprises.**

**2. Social Economy Europe and its members urge the EU institutions and the Member States to pay particular attention to social economy enterprises which should translate into a voluntarist, constructive and ambitious policy measuring up to the social economy's significance at European level.**

**3. The economic development of Europe cannot be separated from its social development. Social economy enterprises have often been forerunners in numerous areas such as health, social and environmental sectors, socio-professional integration, the insurance sector... to a commitment to the social economy therefore means support for innovation and a European revival.**

**In a changing world, the social economy fosters a project for a society built on solidarity and democracy, for which citizens' actions are at the heart of its activities.**

I.  
**THE SOCIAL  
ECONOMY AT  
THE HEART  
OF EUROPEAN  
CHALLENGES**

# THE SOCIAL ECONOMY AND THE EUROPEAN UNION

## THE EUROPEAN POLITICAL REALITY OF THE SOCIAL ECONOMY

The European Institutions have long recognised the contribution of the social economy to the European Union's economic and social development. Since 2000, the Commission, the European Parliament, the European Economic and Social Committee and the Committee of the Regions have adopted more than 200 texts highlighting the social economy's contribution to employment, to the entrepreneurial spirit, to social inclusion, to financial services, to rural and local development or social cohesion, inter alia.

Against this background, the European Union, more specifically the Commission, launched in October 2011 the Social Business Initiative (SBI) aimed at building up an ecosystem to bolster social enterprises involved in economic and social innovation. Both social entrepreneurship and social innovation increased in visibility.

Likewise, the European Parliament has carried out several actions in favour of the social economy through the adoption of (non binding) resolutions on so-called social economy « statutory » organisations: two Toia<sup>5</sup> reports, on social economy and on the contribution of co-operatives to overcoming the crisis (February 2013) respectively, and the reports on the statutes for a European Mutual Society (March 2013) and for a European Foundation (July 2013).

Important but limited progress was achieved under the previous term of the European Parliament with new insight being given to the notion « social entrepreneurship »<sup>6</sup>. However, the social economy is a broader and richer reality grouping enterprises and organisations in the form of co-operatives, mutuals, associations, foundations and, more recently, social enterprises. These actors are ready -but need to be recognised by the institutions - to support the three-fold objective defined in the Europe 2020 Strategy of “smart, sustainable and inclusive growth” as requested by the European Economic and Social Committee<sup>7</sup>.

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5 European Parliament, EP Resolution of 19 February 2009 on the social economy (2008/2250(INI), Recital K, 19 February 2009 and EP Resolution of 2 July 2013 on the contribution of cooperatives to overcoming the crisis (2012/2321(INI)).

6 See definition of the social economy in the European Commission document « Economie sociale et entrepreneurial social, Guide de l'Europe sociale / volume 4 ».

7 Opinion of the European Economic and Social Committee on the Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth”, 2014.

The new term is characterised by several positive signs to continue the social economy's development at European level:

- The renewal of the European Parliament Social Economy Intergroup, in December 2014, with the support of 80 MEPs from six political groups: the European Parliament re-established the Social Economy Intergroup for five years;
- The mobilisation of the European Economic and Social Committee (EESC) which the former Internal Market Commissioner, Michel Barnier, asked to lead the process and to submit recommendations to the new Commission;
- The action of the successive presidencies:
  - The Italian Presidency paid special attention to the social economy by convening a conference in Rome in November 2014 in which the EESC was involved,
  - In the second half of 2015, the Luxembourg Presidency plans to include the social dimension as a core political concern and to place the social and solidarity-based economy high on the EU agenda.

However, the new Commission has remained silent up to now on the strategy it will implement to promote the social economy and social enterprises. No sign of any possible initiative was perceivable in its work programme for 2015. For Social Economy Europe, the strategy should be based on a European action plan for the social economy which would enable the social economy to participate in and contribute to those EU policies with important objectives like the creation of jobs, the promotion of entrepreneurship, social cohesion, the territorial development, integration and more widely economic development. This strategy also requires the definition of a clear roadmap in order to provide all the social economy families with European statutes and ensure that all forms of enterprise are able to operate in the internal market on an equal footing and according to their specificities.

Though the new European Commission chart does mention the social economy « **Clusters, Social Economy and Entrepreneurship** », its stakeholders are still waiting for some practical content.

The work of the European Commission Expert Group on Social Entrepreneurship (GECES) which has just renewed its « private experts » component should support this process.

# THE SOCIAL ECONOMY AT THE CROSSROADS OF CONCEPTS

The social economy is a tangible phenomenon with a wealth of initiatives embodying ethical criteria with multiple dimensions (economic, social, political and societal, environmental, territorial) all along the production, distribution, trade and consumption chain.

Social Economy Europe points out that social economy organisations are clearly defined and cannot be confused with an imprecise concept which would imply that any business with some kind of social aim could belong to the social economy. The undifferentiated use of different concepts (social entrepreneurship, social enterprises, corporate social responsibility, social business, and social impact) hampers the consistent and ambitious development of the social economy at European level.

## **SOCIAL ENTREPRENEURSHIP/SOCIAL ENTERPRISE**

For the European Commission, the expression « social entrepreneurship » « covers a broad range of activities and initiatives, including social initiatives occurring in profit-seeking businesses, institutionalised entities explicitly pursuing a social goal, relations and practices that yield social benefits, entrepreneurial trends in non-profit organisations, and ventures developed within the public sector. Such initiatives can be undertaken by individuals, non-profit organisations, public agencies or non-profit organisations in partnership with for-profit enterprises in an attempt to balance corporate profit with a commitment to social responsibility. They are neither necessarily finalised to production, nor expected to remain stable through time. In general, social entrepreneurship is interpreted as an activity undertaken by specific individuals or groups, without referring to the organisational features and constraints (governance models, non-distribution of profits, etc.) backing the pursuit of social goals. »<sup>8</sup>.

Social entrepreneurship was first mentioned as one of the 12 measures in the Single Market Act<sup>9</sup> which is a body of measures aimed at revitalising the European economy and creating jobs. The texts<sup>10</sup> which have followed prioritised initiatives in the social sector with the aim of helping vulnerable populations or fighting poverty which has limited its capacity to act. The texts should evolve to be more open to all social economy structures and collective projects, in order to develop the full potential for social innovation.

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8 COM (2011) 206 final : COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, Single Market Act. Twelve levers to boost growth and strengthen confidence « Working together to create new growth ».

9 European Commission, Social Economy and social entrepreneurship – Social Europe Guide | Volume 4, 29/04/2013.

10 COM(2011) 682 final. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation.

COM(2011) 609 final : REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on a European Union Programme for Social Change and Innovation.



Beyond encouraging a new type of entrepreneurship, support for existing social economy initiatives with strong development potential would create numerous and sustainable jobs. Within a broader vision of a real economic transition, supporting only social entrepreneurship would clearly be inadequate and it should not be seen as the new instrument for social cohesion and development.

## **CORPORATE SOCIAL RESPONSIBILITY**

Social economy organisations are not the only ones fulfilling social or environmental missions. Indeed, in all economic sectors, including the public sector and the social economy, enterprises can claim that they implement Corporate Social Responsibility (CSR), defined in the European Commission 2001 Green Paper<sup>11</sup> as the voluntary integration of social and environmental concerns. Social economy actors welcome the dissemination of CSR practices beyond the boundaries of the social economy and public sector.

However, CSR is no more than a non-binding tool independent from the business mission and misused by some large corporations for marketing purposes.

CSR practices can indeed contribute to reducing the environmental and social impacts of production activities, but for social economy enterprises, social and environmental considerations are part and parcel of their mission and operation ensuring thereby the distinctiveness of their CSR policies.

## **SOCIAL BUSINESS**

« Social Business » and « Social Economy », as conceived by social economy actors, are very different realities. Social business promotes social needs as part of a market, and is included in the classic capitalist economic system.

Social business does not integrate the basic features of the social economy which are: limited profit making, democratic governance, the absence of shareholders ... In other words, social business presents itself as a new form of business or micro-enterprise, that pursues its activities in the « social sector » borrowing capitalist enterprises' functioning, management and organisation practices, sometimes supported and sustained by them.

Against this background, Social Economy Europe regrets the ambiguous expression of social business in the EU context as it could potentially mix up social and market, without taking into account the social economy's specificities and its alternative management models: democratic governance, participation, collective entrepreneurship...

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<sup>11</sup> COM 2001 366 final - GREEN PAPER - Promoting a European framework for Corporate Social Responsibility.

## **SOCIAL IMPACT MEASUREMENT**

The European Union wishes to measure the impact of « social enterprises » in order to provide evidence of their capacity to contribute to EU economic and social recovery. To this end it is developing a method to assess the socioeconomic benefits of such enterprises and their impact on the community. The measurement might have numerous repercussions on investment and access to funding. As a consequence, the challenge is huge!

If it is deemed positive that the EU interest in « social enterprises » as drivers of the economic recovery is growing and that tools are being shaped to objectively assess their activities, the social economy should not be perceived as altogether « quantifiable » and overly standardised as it could jeopardise its diversity, originality and sustainability.

The social economy must safeguard its specificities. The objective should be to develop a more qualitative measurement method which would respond to relevant criteria which correspond to the missions of social economy enterprises. With this aim in mind, social economy enterprises are supportive of a process which assesses social utility.

It is therefore essential to identify the goals of the social impact measurement prior to getting involved in it. Awareness of the aim of the process would facilitate its management and avoid the risk of quantophobia (obsession with measurement) afflicting those who instead of measuring to better understand limit their understanding to what is measurable.

**II.**

**THE SOCIAL  
ECONOMY IN  
FACTS**

# THE SOCIAL ECONOMY NEEDS EUROPE AND EUROPE NEEDS THE SOCIAL ECONOMY

The social economy's growth potential in an economic and social crisis has been frequently underlined. Indeed, « the social economy has given evidence of its resilience in an unfavourable economic situation »<sup>12</sup>. The social economy is not only a resilient model during crises. It keeps developing and growing while other economic sectors can scarcely get by<sup>13</sup>.



**10.3% of employment in France, i.e. 2.33 million employees**  
**11.8% of employment in Belgium, i.e. 367,664 employees**  
**2,215,175 employees in Spain**  
**7% of employment in Luxembourg, the percentage has doubled since 2000.**



**8.3% = employment growth rate between 2009 and 2013 in Belgium**  
**The Spanish social economy created 190,000 jobs between 2008 and 2014 and 29,000 enterprises**  
**In Italy, the number of employees has increased by 39.4% over the past ten years and the social economy sector employs currently 2.2 million people.**



**In France, over 67% of the employees are women**  
**In Belgium, 66% of the jobs are held by women**  
**In Spain, 50% of the jobs are held by women.**



**Focusing on France, the social economy is established in all sectors: it is the number one employer of the social sector (62% of jobs), sports and recreational activities (55% of jobs) and the second employer in the financial, banking and insurance activities (30% of jobs), 27% of jobs in arts and entertainment, 19% of jobs in education.**



**The EU market of mutual and co-operative insurance represents:**  
**A market share of 29.8%**  
**A revenue from premiums of €373.5 billion**  
**Total assets amounting to €2.4 trillion**  
**More than 450,000 employees**  
**Some 390 million insured persons/members.**

12 European Observatory on Social Economy, Renewal of the European Parliament Social Economy Intergroup, February 2015, in <http://www.ess-europe.eu/fr/news/renouvellement-de-lintergroupe-economie-sociale-du-parlement-europeen>.

13 AVISE (ZAPALSKI, E.), Greece - L'économie sociale et solidaire boostée par la crise économique, September 2014, in <http://www.avise.org/actualites/leconomie-sociale-et-solidaire-boostee-par-la-crise-economique>.

## THE SOCIAL ECONOMY, A STRUCTURAL WAY OUT OF THE CRISIS<sup>14</sup>

The social economy contribution to exiting the crisis stems from the distinctiveness of social economy organisations, their specific rules and their social commitments.

Firstly, the primacy of persons and labour over capital in the income distribution leads to positive practices such as: a limited return on capital enabling more significant investment and the development of the structure; a better sharing of the surpluses between employees/members/stakeholders/users; increased pay and better working conditions; the allocation of surpluses to other social projects beyond the regulatory requirements; a higher compatibility between working hours and personal life; and a more robust job stability (lower staff turnover, keeping older people at work and integrating more women).

Secondly, their social commitments are a result of their mode of governance which allows a certain consensus through participatory democracy. This consensus allows social economy enterprises to rely internally on their employees' support for their objectives and their implementation.

This distinctive *modus operandi* has shown that:

- Alongside public measures, the social economy provides a short-term “buffer” in a crisis (resilience, primacy of the individual which allows the social economy to ignore a strictly for-profit approach...);
- If these characteristics are properly utilized, it could be said that the social economy is an essential element for a structural way out of the crisis (anticipation and response to unsatisfied needs, to structural evolutions...) and for a new model of economic growth.

The authors of the study « The social economy in the European Union »<sup>15</sup> highlighted that some countries severely hit by the crisis like Spain, Greece or Portugal enacted laws on the social economy. However, though they were adopted in a time of crisis, these legislations were most often rooted in situations prevailing prior to the crisis and actually responded to a demand from society and provided recognition of the sector.

These structures cover what neither the market economy nor the public economy include while proposing viable and comprehensive responses nurtured by their values of innovation. They must be given their place in our society which craves a development model more concerned with the individual and more respectful of the environment.

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14 Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), The social economy in the European Union. Information report drawn up for the European Economic and Social Committee – EESC - by the CIRIEC, 2012, in <http://www.eesc.europa.eu/resources/docs/qe-30-12-790-fr-c.pdf>.

15 European Union – European Economic and Social Committee (EESC), The Social Economy in the European Union - Report written by José Luis Monzón and Rafael Chaves, 2012, in <http://www.eesc.europa.eu/resources/docs/qe-30-12-790-fr-c.pdf>.

## **THE SOCIAL ECONOMY, A PARTICIPATORY CULTURE AND A TERRITORIAL ATTACHMENT**

Alongside private and public companies, social economy enterprises bolster a participatory culture, reconciling social, economic and financial dimensions.

Whether active in production or service provision, social economy enterprises show strong versatility, provide social innovation and respond to citizens' new requirements.

With their internal democratic structure based on a participatory management model, social economy enterprises have a capacity to generate wealth which is not confined to financial capital but embraces also and mainly social capital.

Democratic governance is one of the foundations of the social economy. In line with the « one person - one vote » principle, active participation in the decision-making is not dependent on capital ownership. Democratic management can be direct or representative depending on the type of social economy organisation. It encourages the involvement of everyone and guarantees both the independence and autonomy of its enterprises.

The will to promote economic democracy compels the social economy to develop robust strategies of « empowerment » (training, educating, informing, in transparency, and focusing on capacity and skill-building...). As a means to practise true democracy, to efficiently manage an enterprise and an objective to make the individual master of his/her destiny, empowerment is a powerful instrument to boost social progress.

The combination of member users' interests and the general interest is strengthened by a sound territorial attachment ensuring the sustainability of enterprises, sweeping away the risk of relocation and incorporating long-term investment in human capital.

## **THE SOCIAL ECONOMY CREATES QUALITY EMPLOYMENT**

Social economy enterprises offer good-quality local jobs thereby contributing to social integration and local development.

They create employment:

- Directly in social economy organisations which have been growing rapidly in recent years;
- By implementing recruitment and skill-building programmes;
- Indirectly through social economy initiatives driven by the collective entrepreneurship of those concerned as is the case of co-operatives;
- By disseminating social economy initiatives in all economic sectors and through its capacity to incorporate societal innovations promising new future-oriented jobs.

## **THE SOCIAL ECONOMY IS CROSS-CUTTING**

As a major player in social policies, the social economy is interlinked with economic policies. Social economy enterprises' activities do not respond only to market or growth-oriented criteria. Growth and double-digit profitability are not their ultimate goals as their aim is to contribute to the general good, social cohesion, the well-being of our societies and members.

As such, social economy policies should be mainstreamed in all internal market policies. These policies should not only be instruments favouring the free movement of goods, services and capitals but also a way of to improve European citizens' living conditions.

## **SOCIAL ECONOMY AND SOCIETAL DEVELOPMENT**

Built on democratic foundations and through voluntary membership, the social economy has never targeted vulnerable groups only but strives to satisfy all societal needs.

The societal dimension and potentialities of the social economy movement encourage its enterprises to be in the front line to respond to the problems of our modern societies:

- On the one hand, social economy enterprises are innovative structures in a broad range of fields linked with local societal needs, most frequently prior to the demand of local, regional or national public authorities.
- On the other hand, social economy enterprises have a significant capacity to respond to social issues. For instance, they provide numerous services to people and families, particularly community services for dependent persons (not necessarily elderly people) or persons with disabilities.
- Finally, they respond to social needs following the State's disengagement or a social emergency situation affecting mostly vulnerable persons.

A large number of these activities are carried out as part of plural partnerships in which not only the public authorities may be involved but also other social economy enterprises. With respect to services for people, they very often fall into the category of what is called at EU level « services of general interest ».

With regard to employment, social economy enterprises incentivise entrepreneurship opportunities for highly qualified and less qualified persons who have however a sound professional experience. Social economy enterprises are attractive for young graduates from business schools, as well as for any entrepreneur keen to promote a more responsible economy and to invest in the individual.

## **THE SOCIAL ECONOMY, A MODEL OF SOLIDARITY**

Following the « stakeholder » (participatory dimension) model, the recipients of services are not merely « consumers », they are also « users » and « citizens ». Our organisations are continuously looking for a balance between the dynamic processes needed to create wealth and societal cohesion with mechanisms of solidarity, redistribution and mutualisation.

The membership of a social economy enterprise is a distinctive feature. Membership is open and voluntary in co-operatives, mutual societies and associations (foundations and a few other forms of social economy organisations do not have members). Member owners or members are all directly linked to the enterprise's organisation.

Resources and/or activities are pooled by the social economy to try and respond to individual expectations through a collective action, and thereby satisfy everyone's needs.

## **SOCIAL ECONOMY AND SOCIAL INNOVATION**

Through multidimensional strategies, the social economy is a space for social innovation, decisive for social and economic development, in particular at local level.

As they listen to the motivations and requests of local actors, social economy organisations act as a catalyst for social creativity developing innovative services in a vast array of areas. By way of illustration we can mention:

- Employee buyouts to form co-operatives in order to save their jobs and their know-how, showing how resilient these company forms are in Europe;
- Environmental projects: alternative energy projects, waste recycling, « labour » intensive activities employing both unskilled labour, for whom it is an integration driver, and highly qualified workers;
- Initiatives in the health sector: considering the difficulties of governments in financing health care services, social economy organisations, like mutual societies, offer a broad range of answers extending their skills to community services with strong interpersonal relationships such as home care services for the elderly;
- They also inform their members about good prevention and care practices in key and innovative areas like family assistance, obesity or chronic diseases;
- They develop solidarity-based mutualised financial services with real participation of all members in the decision-making.

All these actions aim at fostering health care, prevention and education beyond the financial goal to build up health systems which better suit current and future needs.



## **SOCIAL ECONOMY AND DEVELOPMENT POLICY**

Focusing on the person as the economic agent, the social economy fulfils all the requisites to be a front-line player in developing countries. It is similar to the traditional systems of organisation of local communities and may therefore be easily perceived by them as a possible solution to their development problems. It therefore contributes to the development of societies and people's empowerment.

### **A SOCIAL ECONOMY IS NOT A SUBSIDISED ECONOMY**

Contrary to popular misconceptions, the social economy is not the economy of subsidised organisations (public grants, grant contracts).

Consequently, the European Union cannot be satisfied with simply subsidising the social economy as remedy for the damage caused by the "conventional/mainstream" economy. The European Union and the social economy must be part of a process to build together a Europe of social well-being, of innovation supporting social cohesion, of shared initiatives... for Europeans.

### **THEREBY...**

#### **BEING A DRIVING FORCE IN THE ACHIEVEMENT OF THE EUROPEAN UNION'S OBJECTIVES**

By meeting unsatisfied needs through social innovation, social economy enterprises contribute to the European Union's development. Thus a large number of enterprises invest in the capacity-building of their employees.

Their operation over the long term and their environmental impact help to shape a sustainable development. Social economy enterprises frequently develop policies to reduce their emissions, their waste and their consumption of natural resources.

Prioritizing the individual and social cohesion, they create sustainable jobs for all target groups, including those worst affected by unemployment (women, young people, less-educated people, seniors...).

In other words, the social economy contributes to two out of five major targets of the Europe 2020 Strategy: a job for 75% of people aged between 20 and 64 and « reducing the number of people living or threatened with living in poverty and being socially excluded by at least 20 million people »<sup>16</sup>.

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16 GUÉRARD, S., L'Union européenne, un tremplin glissant pour l'économie sociale, L'Humanité, Les Rendez-Vous de l'Économie Sociale et Solidaire, 4 novembre 2014, in <http://www.humanite.fr/lunion-europeenne-un-tremplin-glissant-pour-leconomie-sociale-556500>.

Social economy enterprises expect regulatory capacity and consideration of their economic and social development processes from European policies.

The legal recognition at the EU level of the different forms of social economy organisation, their modes of operation and their governance principles is absolutely imperative and useful considering the increasing number of laws and regulations impacting them.

In the absence of such a clear framework, social economy enterprises are disadvantaged and competition with other company forms is distorted at European level.

Social economy enterprises find themselves in competition with other company forms in the internal market without having the necessary tools to ensure that this competition is fair and equal.

The European Union must implement a fair and balanced ecosystem which takes into account the specificities of the social economy so that the single market benefits from the potential of these enterprises and their contribution to the socio-economic development of Europe.

**III.**

**TAKING BACK  
THE INITIATIVE**

# A NECESSARY MULTIDIMENSIONAL ACTION PLAN TO BOOST THE SOCIAL ECONOMY

Social Economy Europe welcomes the incorporation of its idea to launch a European Plan or Initiative for the whole Social Economy in the conclusions of the European Conference “ « Unlocking the potential of the Social Economy for EU Growth: the Rome Strategy » held in the Italian capital at the end of 2014 under the EU Council Italian Presidency.

Such a plan of action implies the implementation of a whole set of initiatives aimed at studying and raising awareness of the social economy’s potential in the Member States and at European level. It will ensure consistency between the initiatives of the European institutions, the Member States, regional and local authorities, to take advantage of the social economy’s contribution to European development objectives, especially the EU 2020 Strategy.

Social Economy Europe reminds the Member States how important it is to capitalise on the social economy’s capacities in their programmes and to include it in their partnership agreements with the European Commission and in the engineering of national authorities’ plans on how to use the European Social Fund’s resources.

Social Economy Europe recalls that the Member States should consult the social economy representative organisations in their choice of funding priorities, and in the design and implementation of the most efficient investment strategies of the structural funds.

Social Economy Europe recalls that the European construction process is necessary for social economy development at several levels:

- Existing national or regional frameworks enable the establishment of a benchmark which may have a “ripple effect” on the EU bodies;
- Once established, the EU framework can have a structuring effect on less advanced or inexistent national frameworks;
- The bottom-up and top-down interchange between the European, national and regional levels can also be useful for a wide array of local initiatives as it can truly inspire the exchanges of experiences and dissemination of good practices.

Social Economy Europe asks that the legislative framework on Services of General Economic Interest (SGEI) be optimised. This implies the formalisation of a European legal framework for Social Services of General Interest (SSGI) and a specific policy recognising the role of the social economy enterprises as service providers. These various actions should however safeguard the essential function and a broad power of appreciation of the Member States to organise, plan and have these Services of General Interest carried out.

Against the background of the horizontal social clause provided for in article 9 of the Treaty on the functioning of the European Union (TFEU), Social Economy Europe highlights the importance of screening all the rules and procedures to verify their contribution to the achievement of objectives prescribed in the provisions of TFEU article 9 (as well as TFEU article 14 and Protocol 26 on SGI).

Social Economy Europe calls for the exclusion from all trade agreements (TTIP, CETA and TISA) of any international settlement mechanism (more especially the “Investor-State Dispute Settlement” – ISDS – presented as the TTIP main pillar) and of all Services of General Interest.

### **PROMOTE AWARENESS AND RECOGNITION OF THE SOCIAL ECONOMY’S POTENTIAL AT EUROPEAN LEVEL**

- Provide guidelines and support for a training programme for the development of the social economy in a number of Member States.
- Raise awareness and understanding of the social economy’s potential within the Member States and spotlight the primary role of the regional, local and territorial authorities in the development of the social economy (including social entrepreneurship).
- Develop the inclusion of the social economy in the shaping of public policies and their monitoring with the participation of social economy organisations.

## POLITICAL ACTIONS

- Continue the discussion on the concept of social enterprise as part of a larger and more comprehensive plan aimed at supporting and promoting the social economy, its principles, its governance and its values.
- Create an open coordination method between the Member States in order:
  - to make national policies on social economy converge and to share objectives of job creation, social integration and entrepreneurship promotion;
  - to encourage exchanges of good practices and stimulate a gradual improvement of Member States' consideration of the social economy's particular nature, in areas such as taxation, lending, administrative restrictions and support measures to social economy enterprises.
- Support the activities of the European Parliament Social Economy Intergroup.
- Include social economy enterprises in the Small Business Act while respecting their operational specificities.
- Recognise at European level the various social economy models through legislative and/or regulatory tools, and pursue the work towards a legal, legislative or regulatory recognition of the governance specificities of mutual or co-operative insurers within the implementation scheme of Solvency II.
- Take stock of the financial ecosystems most adapted to social economy enterprises in all phases of their lifecycle and share existing tools.
- Facilitate the exchanges of good practices as well as enterprise development models and training programmes.
- Organise a study and a hearing on the role of social economy enterprises in countries overcoming a crisis and on the type of support required.
- Initiate a study on the added value of social economy enterprises as compared to other business models.
- Consider the « Investment Package » announced by the President of the European Commission, Jean-Claude Juncker, not only with a view to material investment but also with a view to social investment including in social economy actors, applying the same principles as those in force in for the structural funds.

## SPECIFIC ISSUES

- Invite the Member States to ensure that the transposition of the “Public Procurement” Directive is suitable for social economy enterprises: the new rules on public procurement (social and environmental clauses) represent an opportunity to position the social economy as a provider of goods and services, and are therefore important for the social economy structures involved in public procurement.
- Call upon the European Commission to prepare guidelines on the implementation of the new public procurement rules and provisions which underline the new possibilities to develop the social economy enshrined in the Directive.
- Ask the Member States to state clearly how the operational programmes of the structural funds, more especially the European Social Fund (ESF), are implemented in support of the social economy; indeed, the ESF mentions promotion of the social economy as a priority to facilitate access to employment, the promotion of social inclusion and the struggle against poverty and all forms of discrimination.
- Monitor the principle of partnership in the Member States and ensure its safeguard so that social economy representative organisations are consulted.
- Revise and complete the mapping of the social economy in close co-operation with all the representative organisations of the sector.

## SOCIAL INNOVATION

- Ensure that social economy and social innovation policies are coupled (by recalling the interconnection between both concepts and establishing tighter links between them).
- Continue using, enriching and developing better the « Social Innovation Platform ».

## FINANCIAL MODELS

- Collect and share information on financial mechanisms more suited to social economy enterprises.
- Work in greater depth on the social impact measurement going beyond the quantitative indicators (based on economic performance ratios, « SROI »<sup>17</sup> and ensuring the connection with social utility:
  - Safeguard the social economy model and remain vigilant vis-à-vis the social impact measurement which cannot be confined to quantitative indicators,
  - Incorporate social indicators in the mid-term review of the Europe 2020 Strategy and the reports on the National Reform Programmes (NRP).
- Create a special fund for social economy enterprises with a view to supporting social innovation.
- Create a crowdfunding platform for social economy enterprises.
- Reinforce micro-financing opportunities for social economy enterprises
- Support the development of financing by social venture capital funds which provide funding with EU support.
- Develop long-term investment opportunities for social economy enterprises alleviating the regulatory restrictions on this type of investment.

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<sup>17</sup> Developed in the late nineties by a Californian Philanthropic Venture Capital Funds, the Social Return on Investment is a (non-exclusive and constantly evolving) concept for organisations with a social purpose wishing to understand, measure and enhance their social impact in addition to the financial results. Indeed, organisations being aware and accounting for their social, economic and environmental impacts are giving themselves the means to be more sustainable than others.



# NOTES







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