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Maximising the potential of social economy and social enterprises

Contribution to the plenary session on the importance of social economy, July 18

Key messages

- I.** *The European institutions and member states should continue the work launched with the Social Business Initiative (SBI) to support the recognition and development of social economy and social enterprises*
- II.** *Unlock the employment potential of social economy, in particular in the social and health services sector*
- III.** *Pursue an adequate "ecosystem" for the development of social economy and social enterprises, both at EU and national level*

Introduction: making a clear distinction between social economy and corporate social responsibility

Social Platform appreciates the emphasis given to social economy by the Italian Presidency. We also welcome the recognition by the European institutions of the social economy as a key actor in implementing Europe 2020 and in contributing to achieving the EU objective of a "social market economy", with the Single Market Act and the Social Business Initiative (SBI)¹.

Social economy represents 10% of European businesses and employs over 14 million employees. 70% of these are working in non-profit associations, 26% in cooperatives and 3% in mutuals.²

We consider it important to provide some clarifications on the concepts of social economy, social enterprise, social business and corporate social responsibility.

In the SBI, the Commission uses the terms "social enterprise" and "social business" as interchangeable. The same approach is taken in this paper, as at present the concepts, definitions and designations of both are unstable and even contradictory.

The SBI gives a broad definition of social enterprise to respect the different national practices: "a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or stakeholders".

However, we consider that an operator should fulfil all the three broad criteria identified by the Commission to be qualified as a social enterprise:

- a social or societal objective of the common good is the reason for the commercial activity;
- profits (surpluses)³ are mainly reinvested to achieve this objective; and
- the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.

Social economy actors are economic and social players active in all sectors of society. They are set up to respond to people's needs. They are characterised principally by their aims and

¹ You can read Social Platform's [response](#) to the Social Business Initiative.

² Social Economy Europe, *Memorandum 2014 European elections*, p. 5.

³ Social Platform would prefer to use "surpluses" instead of "profits".

their methods: a different way of doing business which continuously associates the general interest, economic performance and democratic operation.⁴

The main families of social economy (cooperatives, associations, foundations and mutual societies) are organisations set up by citizens and reflecting the three criteria mentioned above.

The last criterion should be interpreted broadly, as it takes different forms in different organisations. In cooperatives this goes as far as the control of stakeholders.⁵ Other organisations such as diaconal organisations and welfare organisations promote cooperation with their local community and develop the participation of services users, but are usually not run like cooperatives or mutual societies.⁶

The Commission will thus have to ensure that the broad definition of "social enterprise" contained in the SBI will not lead to ordinary businesses pursuing a social aim only being considered equivalent to those achieving other social economy criteria. The objective is to reinforce the sector and not to open it up to enterprises that do not respect its historical specificities.⁷

We can observe that with the launch of the SBI in 2011, a lot of European as well as national policy measures, funds and regulatory frameworks to promote social enterprises, clearly put the focus on the social - societal mission of the enterprise and its ability to bring adequate answers to changing societal needs (e.g. through innovation). However, the reinvestment of surpluses and the democratic or participatory governance aspect of the enterprise are gradually disappearing from the debate. If the second and third criteria of the definition are not guaranteed, then the social - societal mission of the enterprise risks being jeopardised.

No artificial distinctions should be made between established service providers and newer social enterprises, often with an excessive emphasis on individual social entrepreneurs.⁸

This brings us to the last point: social economy and social enterprises are a school of thought which integrates the constraints of the economy, the internal market and social considerations. This human-centred approach, which puts people and the environment before profits, should serve as a model for mainstream businesses and should be brought into the centre of EU governance principles.⁹ However, an ordinary business that carries out a corporate social responsibility policy should be clearly distinguished from a social enterprise and should not benefit from the measures designed for supporting the latter.

To fully exploit the potential of social economy in achieving the objectives of the Europe 2020 Strategy, we believe the EU institutions and member states should act on the following specific proposals:

I. Continue the work launched with the Social Business Initiative to support the recognition and development of social economy and social enterprises

The Social Business Initiative has triggered a positive dynamic to increase the recognition and visibility of social economy and social enterprises, both at EU and national level.¹⁰

In the next period, the focus of the Social Business Initiative should be on the implementation at national level and on ensuring a better understanding of the sector.

⁴ Definition by [Social Economy Europe](#).

⁵ Multi-stakeholders cooperatives create synergies between different actors – public authorities, service users, service providers – and in this way guarantee that various interests and resources within a local community are represented and that an adequate answer is provided (read more in *CECOP's position to the EC staff working document on exploiting the employment potential of the personal and household services*, p. 2).

⁶ Eurodiaconia, policy position "Social enterprises for social inclusion", p. 1.

⁷ ENSIE, position on the Social Business Initiative, p. 2.

⁸ Eurodiaconia, policy position *Social enterprises for social inclusion*, p. 1.

⁹ Social Economy Europe, *Memorandum 2014 European elections*, p. 5.

¹⁰ In this section we will focus in particular on the initiatives undertaken by the Commission to facilitate access to private funding.

Many social economy actors provide services of general interest.¹¹ The emphasis put on private financing risks blurring the responsibility of public authorities to commission, fund, monitor and evaluate services of general interest, also when provided by social economy actors. During the crisis many member states implemented austerity measures which drastically targeted expenditure in social and health services, social protection and education. This has had a negative impact on the capacity of the social economy to provide these services, at a time when the demand for these increased.

It also seems that there is an increasing preference for social enterprises that are financially self-sufficient because they sell goods, works and commercial services on the market. However, it should be borne in mind that social enterprises that provide services of general interest and therefore receive public funding also run a business risk.

Private investors expect enterprises to show their social and economic return on investment. There is increased expectation from funding authorities as well, especially concerning social innovation projects.

We recommend the following:

- a. **The different competent DGs within the Commission** (Employment, Markt, Enterprise) **should continue working together and include also other interested DGs** (Research and Innovation, Regio, Education) to further promote the Initiative. We also call on the European Parliament to renew the Social Economy Intergroup.
- b. **Representatives of social economy should be associated with institutions in an open dialogue** on why and where "new" financing instruments are necessary and on how to favour long-term rather than short-term financing and hybrid financing (public and private). "New" financing instruments should complement existing ways of financing rather than replacing them.
- c. **In measuring the social impact, it should be possible to choose among the existing methodologies and tools the ones which suit best the specific service or innovation.** Starting from the report of the Social Impact Measurement Sub-group¹², operational tools are developed, specifically addressed to social entrepreneurs and local authorities.
- d. **Public authorities and investors should avoid supporting financially only those services or social innovations whose results can be easily measured.** This could lead to neglecting meaningful initiatives that address very complex needs and whose impact can be assessed only in a medium or long term.¹³
- e. **Private investors should not be allowed to get a return on the investment that is higher than what is available on the financial markets.**

II. Unlock the employment potential of social economy, in particular in the social and health services sector

Social economy enterprises employ 6,5% of the EU working population and they have shown their capacity to create and maintain the employment in the different sectors in which they operate during the crisis.

As many of our members are non-profit social and health service providers, we will focus in this section on the potential of job creation of social economy actors in the social and health sectors.¹⁴

¹¹ social and health services, social security, access to and reintegration into the labour market of people in need, care and social inclusion of vulnerable groups, education and training, local services (maintenance, cleaning, repair and renovation jobs for housing and green spaces, social transport), culture, sport and leisure activities, social tourism, energy, consumers, environmental services including waste collection and disposal, cooperative and social housing.

¹² Sub-group of the Commission's Expert Group on Social Entrepreneurship.

¹³ Social Platform's [position on social innovation](#) of December 2013.

¹⁴ During the 2008-2011 period, the 'health and social work' sector created about 1 866 000 new jobs. Moreover, the demand for new positions in this sector is expected to increase with a projected 8 million of total job openings between 2010 and 2020 (twice the employment growth overall). Source: [EC Communication: Towards a job-rich recovery](#) of April 18, 2012 page 6 AND [JER 2013](#).

We recommend the following¹⁵:

- a. **Develop a comprehensive job creation strategy** aiming for strategic investment in the social, health and care sector involving member states.
- b. **Facilitate the anticipation, due to demographic and societal changes, of future needs in terms of employment and training of the workforce.** Monitor and forecast possible labour force and skills shortages through cooperation between member states and relevant civil society stakeholders. This will ensure that there is sufficient comparable data for EU wide health and social workforce planning. The shortage of social and health workforce should be addressed as part of a wider strategy, which includes policies for recruitment, retention and training.
- c. **Provide adequate information on employment opportunities and provide necessary tailor-made training and lifelong learning opportunities** to create and promote jobs in the social and health sector.
- d. In the context of efforts to tackle youth unemployment, **present the care sector as a viable option for young people**, both women and men, for example through training programmes that emphasise the multiplicity of skills required in the sector in the future.
- e. **Promote the introduction in member states of regulatory frameworks to ensure quality employment in the social, health and care sectors**, including decent wages and the closing of the gender and migrant pay as well as pension gaps, decent working hours and conditions, access to social security, training and lifelong learning opportunities, professional and career development, non-atypical contracts, and adequate benefits.

III. Pursue an adequate “ecosystem” for the development of social economy and social enterprises, both at EU and national level

“Ecosystem” in this context refers to all legal, regulatory, financial and operational tools necessary to support the development of social economy and social enterprises.

We suggest the EU and member states launch a European Action Plan for the development of social economy across Europe, in line with the actions initiated by the Commission and the EESC in the framework of the SBI. All member states should recognise the importance of the sector and should create the appropriate national legal and regulatory frameworks for social economy and social enterprises, including work integration social enterprises (WISE), in the countries where these do not exist.

We recommend the following:

Making best use of the new public procurement directive

- a. **Member states should transpose the following provisions** even if it is not mandatory to implement the:
 - *Art. 20 on reserved markets for economic operators whose aim is the social and professional integration of persons with disabilities and disadvantaged persons;*
 - *Art. 77 on reserved markets for non-profit organisations that deliver social, health and other services provided directly to the person.*

The duration of these reserved contracts is limited to 3 years, which is something that puts in jeopardy the continuity of service provision. At the end of the contract, the contracting authorities should use open public procurement procedures or alternative forms of selecting the provider, different from procurement, to allow the same provider to continue offering the service for the benefit of users;

- *Art. 76 on awarding contracts for social and health services.*

¹⁵ Our full list of recommendations can be viewed in our [position paper](#) on employment, special focus: employment in the social, health and care sectors, pp. 12-14.

Awarding these services should be based on the best-quality ratio¹⁶ and not simply on the lowest cost, to take into account quality and sustainability criteria in addition to the price.

- b. **Contracting authorities should promote the use of social considerations in award criteria and contract performance clauses.**
- c. **The Commission should provide assistance to member states** in the transposition phase, as well as to contracting authorities in the implementation phase. For this purpose, the development of guidelines and collection of good practices or of practices to be avoided could be very useful, together with tailored training programmes.

Exploiting the full potential of the European Structural and Investment Funds

- d. **A monitoring mechanism in the context of the European Social Fund should be set up** to ensure that the 20% earmarking for social inclusion and fight against poverty is respected.
- e. **Structural funds should be used to invest in the social economy** as an important source of innovative responses to social challenges, as a tool to integrate people in a vulnerable situation into society, and as a source of competence development and employment creation.¹⁷
- f. **The implementation of the partnership principle** within the EU structural and investment funds should ensure the representation of social economy actors.

SPECIAL FOCUS: How social economy can contribute to achieving the Europe 2020 targets

Contribution to the employment target

Social economy actors represent an important and growing employment potential but also contribute to local development in an economic sense. Recent studies argue that cooperatives appear to be more resilient in times of crisis compared to conventional enterprises, specifically when it comes to employment rates.¹⁸

Social economy actors offer more and better jobs, especially for women, young people, persons with disabilities and older workers. They help people of all ages anticipate and manage change through investment in skills and training.

Social cooperatives and WISE also have a long tradition of labour integration for persons with disabilities and people in a vulnerable situation. Some of these actors create for instance a working environment where disadvantaged and non-disadvantaged workers work together efficiently. They also take part in the control and management of their enterprise.¹⁹

Another example can be found with social housing organisations. Social housing also has a big potential in terms of job creation. It is estimated that to refurbish 800.000 dwellings to the highest standards each year, 200.000 jobs will be created on a yearly basis.

Contribution to the social inclusion and poverty target:

Social enterprises providing social services enable people to participate in society, to access and retain employment and offer a route out of poverty and social exclusion, reinforcing the socio-economic independence of service users.

¹⁶ New formulation of the "most economically advantageous tender" criterion.

¹⁷ SOLIDAR, Briefing 64 "Promoting the social economy as a driver for inclusive growth and social progress", p. 12.

¹⁸ Despite the ongoing financial and economic crisis, employment has even grown by 4.5% in 2010 in social cooperatives affiliated to CECOP Italian member Federsolidarietà – Confcooperative compared to the previous year. CECOP's Spanish member COCETA also reports 13.336 new jobs in the service sector in 2011. (from CECOP [study](#), *The resilience of the cooperative model. How worker cooperatives, social cooperatives and other worker-owned enterprises respond to the crisis and its consequences*, June 2012, p.11).

¹⁹ CECOP's position to the EC staff working document on exploiting the employment potential of the personal and household services, p. 2.

Social services are an essential part of any social inclusion strategy, including services that address the causes of and prevent poverty and exclusion, as well as services that tackle the symptoms. Service providers also act as innovators of service concepts, continuously aiming to better meet needs, and develop service models for sustainable societal development.²⁰

Contribution to the education targets:

Social economy actors promote access to and encourage participation of their users and workers in lifelong learning. The realisation of an inclusive and cohesive society goes beyond a *workfare* approach. We believe that lifelong learning opportunities, including non-formal and informal learning, should be part of employment policy strategies and be integrated as crucial component of active inclusion policies. We therefore call on the EU institutions and member states to recognise and validate non-formal and informal learning.²¹

Contribution to the environmental targets:

Among social economy actors, **social housing** has an important role to play in achieving the Europe 2020 objectives on climate change and energy sustainability. The sector represents 12% of the European building stock.

Home energy use accounts for 25% of total energy consumption in the EU according to the European Environment Agency. Given the “affordability” gap in the housing market and the need for energy consumption reduction of which 30% is due to the residential sector, we need to refurbish affordable housing units at a massive scale.

The sector is already leading in energy refurbishment in many countries. However, if it is to meet the energy reduction target, the financial support of the sector should be improved.

Beyond the direct effect on energy performance of the dwellings provided by social housing organisations and the consequent effect on climate, energy efficiency measures raise the living standard of inhabitants and provide positive externalities in areas including health and productivity.

Also **WISEs** contribute to building a more competitive low-carbon economy making efficient and sustainable use of resources. WISEs are pioneers in the green sector of reusing, repairing and recycling²². They help the people they employ to become well-informed consumers and aware of environmental and societal challenges through the empowerment they get.²³

²⁰ Eurodiaconia policy position, *Social enterprises for social inclusion*, p. 2.

²¹ SOLIDAR, Briefing 64, *Promoting the social economy as a driver for inclusive growth and social progress*, p. 10.

²² For example electrical and electronic waste, furniture, textile, paper, wood, plastics, paints, metals, books, toys.

²³ From our member CECODHAS Housing Europe.