



## SOCIAL ECONOMY EUROPE

### Answer to the European Commission's consultation on the future « EU 2020 » strategy

SOCIAL ECONOMY EUROPE is the EU level organisation representing social economy enterprises: cooperatives, associations, mutual societies and foundations as well as new forms of enterprises that share the values defined in SOCIAL ECONOMY EUROPE's Charter of principles<sup>1</sup>.

SOCIAL ECONOMY EUROPE aims to promote the social and economic input of the social economy enterprises and organisations, to promote the role and values of social economy actors in Europe and to reinforce the political and legal recognition of the social economy and of cooperatives, mutual societies, associations and foundations at EU level. The social economy represents 10 % of all European businesses, with 2 million undertakings or 6 % of total employment.

SOCIAL ECONOMY EUROPE welcomes the Commission's invitation to provide comments and suggestions on the ideas outlines in its working document: "*Consultation on the Future "EU 2020" Strategy*" (COM (2009) 647 final) and presents its contribution to the public debate for consideration.

#### GENERAL REMARKS

##### Social economy<sup>2</sup> and social market economy

Social economy enterprises and organisations are economic and social actors characterised by their way of doing business differently, in a way which continuously associates general interest, economic performance and democratic operations, as well as the primacy of individual and social objectives over capital and management autonomy. The social economy includes cooperatives, mutual societies, associations and foundations, as well as new forms of enterprises that share the social economy principles. The social economy has recently been at the heart of the EU political agenda, as expressed by the adoption by the European Parliament of the own initiative report on social economy on 19 February 2009<sup>3</sup>.

SOCIAL ECONOMY EUROPE wishes to make clear that **the concept of social economy is different from the one of social market economy** and a clear distinction must be made when referring to those two concepts. The *social economy* refers to enterprises characterised by a strong personal involvement of the members in the management of the company and the absence of seeking profits in order to remunerate shareholders capital<sup>4</sup> whereas the *social market economy* refers to a particular

<sup>1</sup> The charter is available for download on SOCIAL ECONOMY EUROPE's website

Web pdf: [http://www.socialeconomy.eu.org/IMG/pdf/2007\\_08\\_20\\_EN\\_charte-2.pdf](http://www.socialeconomy.eu.org/IMG/pdf/2007_08_20_EN_charte-2.pdf)

<sup>2</sup> "*The Social Economy in the European Union*" (CIRIEC; R. Chaves Ávila & J. L. Monzón Campos, European Economic and Social Committee; 2006) - N°. CESE/COMM/05/2005

Web pdf: [http://www.socialeconomy.eu.org/IMG/doc/A\\_DI\\_CES97-2007\\_DI\\_en-rev.doc](http://www.socialeconomy.eu.org/IMG/doc/A_DI_CES97-2007_DI_en-rev.doc)

<sup>3</sup> European Parliament own initiative report on social economy on 19 February 2009 (P6\_TA(2009)0062)

Web pdf: <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0062&language=EN&ring=A6-2009-0015>

Conclusions de la conférence européenne de l'économie sociale Strasbourg, 21- 22 novembre 2008 : « *Les entreprises de l'économie sociale : une dynamique dans le marche et dans les territoires d'Europe* » organisée par le CEGES, ICOSI et SOCIAL ECONOMY EUROPE

Web pdf: <http://www.ceges.org/images/stories/2008conclusions.pdf>

<sup>4</sup> European Commission, Enterprise and Industry, SMEs, [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)



economic model or system. We suggest then not to use the term social market economy in order to avoid confusions with social economy.

## Procedure

SOCIAL ECONOMY EUROPE would like to underline its concern regarding the process of this consultation. The delay for consultation (from 24 November to 15 January) is far from sufficient, especially for such an important topic. This might impact the quality and the quantity of contributions sent. This is extremely disappointing when defining a 10 year strategy that will impact all citizens of the European Union. Furthermore, the date for release of the Commission's Communication for February leaves very little time for taking in all the comments that may be received from all stakeholders. Finally, it is likely that neither the European Parliament nor the new Commissioners will have enough time to provide significant input.

## CONTRIBUTION TO THE DEBATE

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### Recovering from the crisis

SOCIAL ECONOMY EUROPE acknowledges that: *"The worst economic and financial crisis in decades has hit Europe hard with a sharp economic contraction"*.

**SOCIAL ECONOMY EUROPE wishes to draw the attention of the European Commission to the fact that social economy enterprises have shown greater resilience to the crisis.** As the ILO stated in its recent publication "Resilience of the Cooperative Business Model in Times of Crisis"<sup>5</sup> : *"Financial cooperatives remain financially sound; consumer cooperatives are reporting increased turnover; worker cooperatives are seeing growth as people choose the cooperative form of enterprise to respond to new economic realities."* In the industrial and service sectors, most cooperatives in the EU have remained alive and their employment levels have remained basically untouched, as is reflected in a CICOPA – CECOP Europe survey<sup>6</sup>.

Mutual societies represent more than € 180 billion in premiums and 20 % of the European market (insurance) and service more than 230 million European citizens (healthcare and social services). According to a report by Moody's into financial mutuals in the United States, since the crisis of the past year *"mutuals, compared to their stock-owned peers, have displayed business and financial characteristics that have enabled them to better protect and maintain their robust creditworthiness."* The report adds that: *"Because mutuals are not under pressure to return excess capital to shareholders, have less access to new capital, and usually have more conservative financial management in terms of leverage, they typically husband what capital they have more carefully than their stock peers do."*<sup>7</sup>

**It is therefore of the utmost importance for the European Union to take into account these different forms of enterprises that have shown positive track records in time of crisis, to support them in the long term and to ensure they are given visibility and used as examples of good practices.** This needs to be part of any *"exit from the crisis"* strategy and be at the heart of the transformation of the EU into a *"smarter, greener, more competitive economy"*.

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<sup>5</sup> *"Resilience of the cooperative business model in times of crisis"* (Johnston Birchall, Lou Hammond Ketilson; International Labour Office, Sustainable Enterprise Programme. - Geneva: ILO, 2009, p3)

ISBN: 9789221224099;9789221224105

Web pdf: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_108416.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_108416.pdf)

<sup>6</sup> Results of the survey can be found on CECOP website.

Web pdf: [http://www.cecop.coop/public\\_docs/RaportCriseEN.pdf](http://www.cecop.coop/public_docs/RaportCriseEN.pdf)

<sup>7</sup> *"The Revenge of the Mutuals"*, (Moody's Insurance Special Comment – New York - August 2009, p1&5

Web pdf: <http://www.northwesternmutualnews.com/file.php/248/Revenge+of+the+Mutuals.pdf>



SOCIAL ECONOMY EUROPE wishes to underline the fact that no indicators show that the economic crisis is over. It is therefore still time to save jobs and take decisions in favour of transfer of business, including the transfer to workers under cooperative form. As the Small business Act for Europe<sup>8</sup> acknowledges: *"(...) successful transfer of business preserves more jobs on average than those created by new start-ups. Transfer of business should therefore be given the same support as setting up a new business."*

### **People and responsibility first**

SOCIAL ECONOMY EUROPE supports the European Commission's statement that: *"Delivering this sustainable growth requires agreement to an agenda that puts people and responsibility first"* as social economy enterprises have always been following such an agenda. Indeed, in social economy enterprises, the individual and social objectives are given primacy over capital. The surpluses are primarily intended for sustainable development projects, for members' services and for the general interest.

Like all enterprises, social economy enterprises strive to create value and maximise results. However, social economy enterprises' values and results are based on different parameters and criteria than profit orientated companies limited by shares. For example, increasing the quality of the services provided to the members or to the community is considered as creating value and optimising results for social economy enterprises<sup>9</sup>.

Whilst Member States attach very different degrees of importance to the future of their respective mutual sectors, it can be said that across the board, mutual societies work in the interests of their members and beneficiaries, on the basis of individual responsibility and collective solidarity amongst their members. Especially in the field of social protection, an increasing number of governments delegate tasks and responsibilities to the private sector. Mutual societies - as private companies which do not seek profit and are collectively organised, – can offer a useful tool in executing public tasks within a private framework, without losing on accessibility, solidarity and social responsibility.

SOCIAL ECONOMY EUROPE wishes to underline the importance of developing new sets of indicators, in line with the European Commission's statement: *"These challenges point to the need for more inclusive markers than just GDP growth; for indicators that concisely incorporate social and environmental achievements (such as improved social cohesion, accessibility and affordability of basic goods and services, education, public health and air quality) and losses (e.g., increasing poverty, more crime, depleting natural resources)."*

SOCIAL ECONOMY EUROPE would like to highlight the lack of long term vision of the EU growth strategy in the consultation document. The virtuous combination of economic, social and environmental policy dimensions needs to be fully developed in order to ensure a long term sustainable growth towards which social economy enterprises are engaging.

<sup>8</sup> COM(2008) 394 final, p.5.

<sup>9</sup> Opinion of the European Economic and Social Committee on the 'Diverse forms of enterprise' (Own-initiative opinion) (2009/C 318/05)

Web pdf: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2009:318:0022:0028:EN:PDF>



## Empowering people in inclusive societies

SOCIAL ECONOMY EUROPE worries about the meaning of the term "*flexicurity*". It considers that in times of crisis both the improvement of working conditions, job security and of quality in employment have to be put in the forefront of a recovery strategy. **More flexibility should not mean more precariousness**<sup>10</sup>.

Furthermore, enhancing the flexibility of the labour market in term of work organisation and labour relations should go hand in hand with reaffirming the importance of the role played by the **social dialogue at EU level**. For SOCIAL ECONOMY EUROPE, the organisations which are the most representative of the social economy enterprises should be involved in the social dialogue<sup>11</sup>. It is crucial to ensure that all representative stakeholders are involved in the debate on flexicurity.

SOCIAL ECONOMY EUROPE agrees with the European Commission's analysis that, despite improvement of skills, "*supply and demand need to be matched better*". SOCIAL ECONOMY EUROPE wishes to underline that the accent is put on *workers' mobility*, while little attention is brought to the **local dimension of the job market**. Local development is a subject whose relevance is clearly recognised at EU level and developed through the cohesion policies. The European Parliament resolution of 19 February 2009 on Social Economy<sup>12</sup> reaffirmed "*the ability of the social economy to generate stability in a context of eminently cyclical economies, by redistributing and reinvesting profits locally, where appropriate, promoting an entrepreneurial culture, linking economic activities to the local needs, sustaining activities at risk (e.g. crafts) and generating social capital*". The OECD has also shown the central role of social economy enterprises in local development<sup>13</sup>. **A holistic strategy that links the economic and social dimensions of local development, through partnership, a bottom-up approach and community development is all the more needed in time of crisis. An effort to build up a cohesive society and investment in social economy initiatives at local level should be made.**

For SOCIAL ECONOMY EUROPE, investment in human capital should remain a priority. Examples of good practices exist in social economy enterprises in the area of vocational training and life-long learning<sup>14</sup>. In its recommendation on the active inclusion of people excluded from the labour market<sup>15</sup>, the European Commission recognised the need to "*provide support for the social economy and sheltered employment as a vital source of entry jobs for disadvantaged people*". Some social economy enterprises do play a key role in creating inclusive jobs, such as work integration enterprises or social economy enterprises that provide new quality services of general interest. **Social inclusion policies,**

<sup>10</sup> See also the Response of the CEP-CMAF to the European Commission's Green Paper « Modernising labour law to meet the challenges of the 21st century»

Web pdf: [http://www.socialeconomy.eu.org/IMG/pdf/2007\\_03\\_29\\_EN\\_P\\_Consultation\\_Droit\\_du\\_travail.pdf](http://www.socialeconomy.eu.org/IMG/pdf/2007_03_29_EN_P_Consultation_Droit_du_travail.pdf)

<sup>11</sup> Some EU level social economy representative organisations already participate in the social dialogue at sectoral level such as AMICE (Association Mutual Insurers and Insurance Cooperatives in Europe) in insurance, some members of Cooperatives Europe and the EACB (European Association of Co-operative Banks).

<sup>12</sup> European Parliament own initiative report on social economy on 19 February 2009 (P6\_TA(2009)0062):

Web pdf: <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0062&language=EN&ring=A6-2009-0015>

<sup>13</sup> "*The Social Economy: Building Inclusive Economies*" (Ed. A. Noya & E. Clarence; OECD, LEED Programme; Paris, 2007)  
ISBN Number: 9264039872

Web page : [http://www.oecd.org/document/62/0,3343,en\\_2649\\_34459\\_40127998\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/62/0,3343,en_2649_34459_40127998_1_1_1_1,00.html)

<sup>14</sup> PROGRESS EU programme: Peer Review in Social Protection and Social Inclusion and Assessment in Social Inclusion (2008), "The social economy from the perspective of active inclusion"

Web page: <http://www.peer-review-social-inclusion.eu/peer-reviews/2008/the-social-economy-from-the-perspective-of-active-inclusion>

<sup>15</sup> Commission recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market (2008/867/EC); p.13.

Web pdf: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:307:0011:0014:EN:PDF>



**and in particular active inclusion, should also be more clearly mentioned as a key element of the 2020 strategy and the recognition of the key role played by social economy enterprises in this field is needed.**

SOCIAL ECONOMY EUROPE emphasizes that health services and social services of general interest play a fundamental role in the life of all EU citizens and regrets that these topics are not thoroughly looked at in the communication. Furthermore, it is extremely important that European citizens are guaranteed their right to services of general interest. Independently from the various entrepreneurial ownership systems and contractual agreements in the delivery of services of general interest, four paramount criteria in the delivery of the latter should be promoted and ensured, for the sake of the EU citizens: accessibility, durability, affordability and quality, as strive to promote the social economy enterprises that are involved in the delivery of services of general interest.

### Single market

SOCIAL ECONOMY EUROPE welcomes the Commission's statement that *"the EU is still not tapping all the benefits of its single market, conceived more than twenty years ago: obstacles to cross-border activity remain, which in turn reduce consumer choice, price competition and potential productivity."*

Social economy enterprises and organisations represent 10% of all European businesses, which means 2 million businesses employing more than 11 million workers - in other words around 7% of all jobs. However, **some social economy enterprises still face a number of internal market barriers** which prevent them from operating at European level on an equal footing with other European legal forms. In order to remove all obstacles to cross-border activity, the Commission should begin work on approving separate European statutes for associations and mutual societies so as to give mutual societies equal possibilities to add a European dimension to their organisation and activities. The work started on a European Foundation statutes will hopefully lead to its adoption. Furthermore, the simplification of the European Cooperative Society regulation is much needed as its complexity is slowing down its development.

Whereas the European Commission underlines that: *"The state aid rules have been overhauled in recent years"*, it is of crucial importance that the Commission respect the identity of cooperatives in accounting matters and treat the members' share capital as the cooperatives' shareholders' equity rather than debt as long as the member does not become a creditor by leaving the cooperative.

### CONCLUSION

**Social economy enterprises should be given a much higher status** than they enjoyed under the previous Commission, not the least through taking into consideration the "Toia" report adopted by the European Parliament on 19 February 2009. The European Economic and Social Committee, in its opinion on the Post Lisbon Strategy 2010<sup>16</sup> stated that: *"The European Economic and Social Committee asks the European Council, the Commission and Member States to consider proposals aimed at implementing the political recommendations made by the European Parliament, to make sure that Social Economy enterprises can compete on a level playing field with other enterprises"*. This cannot be left unheard.

**The pluralism and diversity of the different forms of enterprise are valuable aspects of the European Union's heritage.** Protecting and preserving this diversity are of the utmost importance to guarantee competitive markets, but also the economic efficiency as well as the ability to compete

<sup>16</sup> Opinion of the European Economic and Social Committee on "The post-2010 Lisbon Strategy" (exploratory opinion), 4 November 2009, LSO-ECO/267.



of the economic agents together with maintaining the EU's social cohesion. In 2006, the European Parliament voted a report entitled "Towards further consolidation in the financial services industry"<sup>17</sup> reiterating its belief "that the diversity of financial institutions, which better reflects the variety of financing needs of corporate entities, SMEs and consumers, should be preserved and that, therefore, EC legislation should not favour any single type of business model or corporate structure or any single type of product over another" (...) and therefore, "that the diversity of financial products must be ensured in order to meet the different and shifting needs of consumers."

### **MEMBERS OF SOCIAL ECONOMY EUROPE**



<sup>17</sup> Report on "Towards further consolidation in the financial services industry" (2006/2081(INI) – European Parliament - Committee on Economic and Monetary Affairs - Rapporteur: Joseph Muscat, FINAL A6-0170/2006  
Web pdf: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A6-2006-0170+0+DOC+PDF+V0//EN&language=EN>