

PARLIAMENTARY INTERGROUP DISCUSSES SOCIAL FRANCHISING

The European Social Franchise Network, a spin-off from the EQUAL's work, was launched at the meeting of the European Parliament's interest group on the social economy on 10th October 2007. Plans are now going ahead to establish a new interest group specifically on this topic, and to hold a conference at the European Parliament in February 2008.

The diversity of the social economy means that it is affected by and interested in many different activities and discussions at European level. The 'interest group' specifically on the social economy exists to provide some coherence across the work of different thematic committees. The group met on 10th October 2007 under the chairmanship of French Socialist MEP **Anne Ferreira**, and considered three very diverse topics.

SOCIAL FRANCHISING – THE EXPRESS ROUTE TO SOCIAL ENTERPRISE DEVELOPMENT



Stephen Hughes MEP

Stephen Hughes,¹ one of the MEPs for North-East England and PSE co-ordinator for labour and social affairs, introduced the subject of social franchising, and handed over to his constituents. **Keith Richardson** of NESEP, the North-East Social Enterprise Partnership,² opened by expressing the regret that social enterprises often get stuck in local niche markets. Indeed they have often been at the forefront of developing new markets such as fairly traded and organic food – yet they are now reduced to the role of bit players. "Smallness is good for responsiveness to customers' needs – but bad for exploiting growing markets," he said. This observation led NESEP to look at the

idea of franchising, which, despite its savour of multinational capitalism, has some aspects that suit social values. NESEP's members were also inspired by the experienced of the Italian co-operative consortia. "The key feature of a social franchise, as distinct from other sorts of social enterprise development, is that the originator has a financial stake in the success of the spin-offs," Mr Richardson continued. "This means that new business after new business can develop in an economically sustainable way. It is a market-oriented approach, but the individual businesses have control over the franchise." With EQUAL's support, the INSPIRE partnership³ has pursued the idea, focusing on the care, environment and culture and tourism sectors.

INSPIRE became a member of SIPS,⁴ a transnational partnership involving organisations in Finland, Germany, Italy, Lithuania, Poland and the UK, and this partnership has now published a handbook to social franchising, which was distributed at the meeting. The parliamentary meeting

¹ <http://www.stephenhughesmep.org>

² <http://www.nesep.co.uk>

³ http://ec.europa.eu/employment_social/equal/practical-examples/entrep-07-inspire_en.cfm

⁴ <http://www.sips.lt>

was the occasion to launch the European Social Franchising Network (ESFN),⁵ through which Europe's social franchisors can support each other in the medium-term. ESFN has ten founding members from eight different countries.

Jobs and enterprises – faster

Social franchising has the potential to power the rapid development of enterprises and jobs, as a number of testimonies showed. In north-east England, Care & Share Associates (CASA)⁶ has doubled the number of jobs in the employee-owned homecare sector within two years. CASA is replicating the model proven since 1994 by Sunderland Home Care Associates (SHCA),⁷ in which domestic care workers, mostly women, can vote themselves a tax-efficient annual distribution of shares in the company of which they are members. This acts as a significant incentive and results in lower staff turnover – and hence higher quality care. In this highly regulated sector, another specific advantage of the federal structure is that it makes obtaining regulatory approval that little bit less onerous.

From Sweden comes the example of the Vägen ut! (Way out!) Consortium⁸ in Göteborg, which, as Elisabeth Mattson explained, has grown rapidly from 5 to 30 jobs. Its speciality is reintegrating ex-drug addicts into society by forming social firms, and it is so successful in financial terms that last year it made a net repayment to society of €175,000. Vägen ut! is franchising two different business ideas, both developed during EQUAL. The first is halfway houses for ex-drug addicts. Following the establishment of the first two houses in Göteborg – Villa Karin for women and Villa Vägen ut! Solberg for men – the concept is now being replicated in Örebro, Sundsvall and Stockholm. Several further Swedish local authorities are very interested. The second business idea being franchised is the social hotel, based on the model piloted in Trieste and developed under EQUAL by the Le Mat partnership.⁹

Mike Berriman from NESEP introduced the 'Option C'¹⁰ car club franchise that is providing short-term locally-based car hire on a mutual model in Durham, with plans to expand to Darlington, Newcastle and Northumberland. The concept has benefits for health and energy consumption as well as urban liveability and traffic congestion. Car-sharing is more strongly established in many European countries than in the UK, but it is on the verge of acceptance there, and Option C is the UK's only co-operative approach. Another NESEP initiative with great environmental benefits is Community Renewable Energy (CoRE),¹¹ which has recently won €540,000 worth of support from One North East, the local regional development agency.

COMPETING FOR THE COMMON GOOD

The other main item on the interest group's agenda was 'social services of general interest' (SSGIs) – an issue of great importance for the social economy, which fears that as public authorities increasingly put the delivery of their services out to competitive tender, the aspect of quality will be forgotten at the expense of price. There could thus be a 'race to the bottom', which would be bad for service users. After a debate, health services and some social services were excluded from the provisions of the Services Directive, and this means that their status in the European market is unclear.

Christine Tomboy from the Commission's Employment DG attended the meeting to explain the current state of play on SSGIs. The Commission's 2006 Communication dedicated to SSGIs¹² described the modernisation process which Member States have embarked on in this area since the 1990s. This modernisation is characterised by two main trends: decentralisation – social

⁵ <http://www.socialfranchising.coop>

⁶ <http://www.casald.com>

⁷ <http://www.sunderlandhomecare.co.uk>

⁸ <http://www.vagenut.coop>

⁹ <http://www.lemat.coop>

¹⁰ <http://www.optionc.co.uk>

¹¹ <http://www.core.coop>

¹² COM(2006) 177 final of 26th April 2006 – see

http://ec.europa.eu/employment_social/social_protection/docs/com_2006_177_en.pdf

services are increasingly provided by local rather than national authorities – and the externalisation of public tasks, to both profit-making and non-profit providers. As a result, the interaction between the organisation, provision and financing of SSGIs and EU rules on competition and the internal market is growing

“The public procurement rules, for example, provide a lot of flexibility in the area of social services, but they are new and local authorities don’t know how to exploit them,” said Ms Tomboy. “For instance it is possible to select a service provider on grounds of quality. However local authorities tend to have very few resources to develop the procedures needed to get the most from their contractors.”

Public authorities and service providers operate in an environment they are not familiar with. In addition, the applicable rules apply to a whole range of products and services which can be very different from social services. The way they apply to social services is not always obvious to stakeholders. As a result, there is lot of legal uncertainty in this area and the way these EU rules apply to social services needs to be further clarified. Following the White Paper of 2004 on services of general interest, the SSGI Communication of 2006 attempts to clarify the situation.



Anne Ferreira MEP, Chair of the European Parliament’s Social Economy Interest Group

In this Communication, issued in April 2006, the Commission highlighted the specificities of social services of general interest and identified some of their organisational characteristics. It stressed that SSGIs often present in practice one or more of the following organisational characteristics: they operate on the basis of the solidarity principle, they are comprehensive and personalised, they might be non-profit, they might include the participation of voluntary workers, they are often strongly rooted in local cultural traditions and they are characterised by an asymmetric relationship between providers and beneficiaries that cannot be assimilated with a normal supplier/consumer relationship and requires the participation of a financing third party.

Moreover, the Commission undertook in the Communication to conduct a broad consultation with the Member States, service providers and users to take better account of the specific nature of these services across the EU, to assess stakeholders' experience with the application of Community rules and, on this basis, to "identify the best approach to take" in order to enhance the clarity of the Community legal framework in which they operate. This consultation process has confirmed a very widely shared uncertainty concerning the application of Community internal market and competition rules among Member States and service providers.

This is the state of the art for the time being, and was discussed at a forum in Lisbon in September. Actions aiming to clarify the application of competition and public procurement rules will be announced in November 2007. The Commission will also propose initiatives to promote the debate on the quality of social services at EU level.

FEBEA – ETHICAL FINANCE

The meeting also heard a presentation from Isabelle Lohisse, the general secretary of FEBEA, the European Federation of Ethical and Alternative Banks and Financiers.¹³ FEBEA was set up in

¹³ <http://www.febea.org>

2001 and has 24 member organisations in 13 countries. It has created three financial instruments: the SEFEA financing company, a guarantee fund worth €11 million and a unit trust currently valued at €37 million.

A European Parliament conference on *Social Franchising – Meeting the Lisbon Agenda* is provisionally set for 14th February 2008.

The European Parliament's Social Economy Interest Group will next meet on 21st November 2007. The week of 13-16 May 2008 has been set for the next Social Economy Days, with the main conference to take place on Thursday 15th May.

The European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF) can be contacted at <www.cepcmaf.org>