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# Social economy - laying the groundwork for innovative solutions to today's challenges

SYNTHESIS REPORT

France, 10-11 December 2012

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# Social economy -

laying the groundwork for innovative solutions to  
today's challenges

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## SYNTHESIS REPORT

**European Commission**

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## Executive Summary

This Peer Review on the social economy was held in Paris (France) on 10-11 December 2012 and hosted by the French Directorate General for Social Cohesion. The host country together with ten peer countries participated: Bulgaria, Cyprus, the Czech Republic, Germany, Greece, Hungary, Malta, the Netherlands, Romania and Slovenia. The stakeholder representatives were Eurodiaconia and FEANTSA. Representatives from the European Commission were from DG Employment, Social Affairs and Inclusion.

This synthesis report is based on a Peer Review activity on the French social economy, with the aim of fostering mutual learning amongst participants. The social economy consists of four pillars: Co-operatives, Mutuals, Associations, and Foundations (CMAF). The French social economy is an exemplary case for comparative purposes, since it is well established, with a well-developed policy context and institutional framework.

However it is important to recognise that even in countries where the pillars of the social economy (CMAF) are well established, there may be quite different levels of recognition, and different relative sizes – depending on historical contextual factors. In terms of size, on average about 6.5% of the working population of Europe is in the social economy (14.5 million employees). But there are countries, including new Member States, where the pillars of the social economy are starting from an emerging civil society, and a substantial degree of state restructuring, and thus where different pathways for the development of the social economy are apparent.

In recent years in many European countries considerable effort has been made to modernise existing non-profit and co-operative legislation, alongside the development of new legislation for social economy organisations, social enterprise and social co-operatives. This reflects a growing policy interest in the social economy for a number of reasons: its resilience during the recent financial and economic crisis, continuing development of its long-standing role in welfare service provision particularly with growing demand from citizens and state budgetary crises, its growing role in supporting disadvantaged and disabled people back into the labour market, and through its membership and multi-stakeholder structures its contribution to active citizenship, civil society, and social capital.

And as the policy recognition of the social economy develops in the context of a plural economy, a more equitable approach to developing an effective policy framework has followed. This includes improving access to finance, increasing awareness and visibility of the distinctive characteristics and contributions of social enterprises, capacity building to improve their performance particularly in procurement markets, where their need for better access is also being addressed.

The host country, France, has a highly developed social and solidarity economy, representing nearly 10% of French GDP and over 13.3% of the country's private employment. There are many features of its performance and policy framework that serve as a useful comparative model in this Peer Review; and the three current major challenges faced by the French social and solidarity economy and the proposed policy measures in the legislative pipeline are also highly relevant. The three measures currently proposed are:



- improving recognition of the social economy through education and research;
- improving the structuring of the social economy at national level and its orientation to social innovation;
- and supporting the development of start-ups and funding for social enterprise.

In addition two forms of social co-operative developed over the last 10 or so years have proved innovative – Société Coopérative d'Intérêt Collectif – SCIC, and Business and Employment Cooperatives (*Coopérative d'Activités et d'Emplois*, CAE) - a visit to one such co-operative, Coopaname, proved a very edifying experience.

Peer countries differed substantially both in the extent which they recognise the social economy, and in the extent of development of the different pillars of the social economy (CMAF). Thus Eastern Europe is facing specific challenges and Northern Europe has different welfare regimes and labour market systems compared to southern Europe both of which help shape the framework for the social economy.

The different papers contributed and presentations led to wide-ranging discussions. These focused on four main themes: preconditions and pathways, promotion, support and funding, and policy process and systems of co-governance.

The area of **preconditions and pathways** has already been mentioned, but there are particularly difficult challenges in parts of Eastern Europe where parts of the social economy suffered from being too strongly linked to the state, and where the terminology of the 'social' has been problematic. In addition the recent financial/economic crisis has posed extreme challenges on the social economy, which nonetheless can still offer an important source of support for the most disadvantaged.

**Promotion** of the social economy and social enterprise can benefit from standard EU criteria, and in this respect the recent Social Business Initiative<sup>1</sup> is useful. Several countries recognise the importance of research and are making progress in this direction; and the issue of appropriate metrics for measuring the effectiveness of social enterprise was discussed, as a way of improving their effectiveness, visibility and image. Improving legislative frameworks was also apparent in a number of countries, but the need to fully support new legislation and the supply of social entrepreneurs was also recognised.

Developing appropriate **support and funding** can benefit from the perspective of building an ecosystem of the key elements needed by different forms of social enterprise in order to thrive. This includes business incubators, training, various financial packages and promotion of the social economy and social enterprise through education and social marketing. Finance and subsidies was an area of considerable interest, and it was recognised that the European Social Fund has played an important role in supporting the initial development of social enterprise in many countries, as well as supporting the transfer of best practices (through international networks). Ways of supporting the training needs of managers and

<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0682:FIN:EN:PDF>





social entrepreneurs was also recognised as an area where EU programmes such as Leonardo have played a valuable role.

In comparison with the host country, it was clear that the **policy process** and **systems of co-governance** for social economy and social enterprise in many countries had much further to go. It was recognised that there were considerable disadvantages due to a lack of multilevel policy coordination – horizontally between relevant ministries (to overcome departmental silos), and vertically between international, national, regional and local levels.

The French policy towards the social economy clearly supports the aims of the EU2020 Growth Strategy, with its emphasis on developing a smart, sustainable and inclusive economy. The Peer Review allowed for the exchange of good practice in this area. This can be seen in the emphasis on social innovation, an area in which the effectiveness of the social economy is recognised. Similarly for inclusive development, the social economy plays a major role in assisting the most disadvantaged in society in many countries. Sustainability is still a challenge in some countries, but the Peer Review process facilitated a fine-grained analysis of appropriate measures for improving finance, research to increase understanding and visibility, capacity building to improve performance, legislation, and facilitating access to public procurement. In this way the distinctive contribution that social enterprise and the social economy can make to the future of Europe 2020 will help ensure it is placed on solid foundations.



## A. Policy context on European level

This Peer Review on the social economy was held in Paris (France) on 10-11 December 2012 and hosted by the French Directorate General for Social Cohesion. The host country together with ten peer countries participated: Bulgaria, Cyprus, the Czech Republic, Germany, Greece, Hungary, Malta, the Netherlands, Romania and Slovenia. The stakeholder representatives were Eurodiaconia and FEANTSA. Representatives from the European Commission were from DG Employment, Social Affairs and Inclusion.

This synthesis report is based on a Peer Review activity on the French social economy. Its main aim is to encourage mutual learning amongst official representatives and experts from different participating countries, and from EU delegates and other relevant stakeholders at European and national levels. In addition a secondary aim is to disseminate more widely the key outcomes and policy messages arising from this Peer Review activity.

The social economy is typically understood as a family of different types of organisations: Co-operatives, Mutuals, Associations, and Foundations (CMAF). Social enterprises have been described in an Official EC Communication relating to the recent EC Social Business Initiative as:

“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 shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities.”<sup>2</sup>

The EC Communication goes on to state: “The Commission uses the term ‘social enterprise’ to cover the following types of business:

- those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- those where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.

Thus the following are typical:

- businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0682:FIN:EN:PDF>



- businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services.

Data on the social economy provides an impressive picture with 2 million social economy enterprises (i.e. 10% of all European businesses).<sup>3</sup> Social economy enterprises are active in many sectors of the economy: agriculture, housing, building, retail and service sectors, finance (banking and insurance), and health and social welfare. Recent data from CIRIEC (2012) shows that the social economy has actually **increased** its share of employment within Europe in the period 2002-03 and 2009-10, rising from 6% to 6.5% of total European paid employment and from 11 million to 14.5 million jobs<sup>4</sup>.

In the EU-27, there were over 207,000 co-operatives in 2009, employing 4.7 million people, with 108 million members. Health and social welfare mutuals supported over 120 million people. Whilst associations employed 8.6 million people, their membership comprised 50% of European Union citizens (CIRIEC, 2012).<sup>5</sup>

A comparison of the relative size of the social economy in different countries of Europe shows quite a wide variation in terms of employment, with Sweden, Belgium, Italy, France and the Netherlands having between 9% and 11.5% of the working population in the social economy and Eastern European countries generally having lower levels (on average less than 3%), compared to Western European countries (7.4%). Thus an average of about 6.5% of the working population of Europe is in the social economy (14.5 million employees); and the data (see above) also shows that the social economy represents about 10% of enterprises excluding public sector (CIRIEC, 2012).

A recent analysis of the recognition of the social economy by public bodies in different countries showed Portugal and Spain as leaders, but Austria, Czech Republic, Germany, Netherlands, Hungary, Latvia, Romania, Slovakia, Slovenia and UK were countries where the public bodies did not give high recognition to the sector (CIRIEC, 2012). The other countries (including France) had an intermediate level of recognition. This is not necessarily because the different countries do not recognise the contribution of the different pillars of the social economy (CMAF), but because they do not see them as a linked “family” or they conceptualise them in different terms – for example in the UK, social enterprise or the third sector are better recognised officially as terms covering the sector.

<sup>3</sup> <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>

<sup>4</sup> Note that this covers the period when new member countries joined the EU, but apart from Estonia (6.3% employment in social economy) all other new member countries had social economy employment below 5%, thus the growth has been impressive; however the growth in numbers of jobs has benefited from the addition of new member countries whose job numbers in the social economy amount to: 1,321,760 (Ciriec, 2012); thus the increase in paid employment, covering a period when there was an economic crisis, is still very impressive.

<sup>5</sup> <http://www.eesc.europa.eu/resources/docs/qe-31-12-784-en-c.pdf>



**Table 1: Paid employment in the social economy compared to total paid employment EU (2009 – 2010) in thousands<sup>6</sup>**

Country	Employment in the Social Economy	Total Employment	%
Austria	233.53	4,096.30	5.70%
Belgium	462.54	4,488.70	10.30%
Denmark	195.49	2,706.10	7.22%
Finland	187.20	2,447.50	7.65%
France	2,318.54	25,692.30	9.02%
Germany	2,458.58	38,737.80	6.35%
Greece	117.12	4,388.60	2.67%
Ireland	98.74	1,847.80	5.34%
Italy	2,228.01	22,872.30	9.74%
Luxembourg	16.11	220.80	7.30%
Portugal	251.10	4,978.20	5.04%
Netherlands	856.05	8,370.20	10.23%
Spain	1,243.15	18,456.50	6.74%
Sweden	507.21	4,545.80	11.16%
United Kingdom	1,633.00	28,941.50	5.64%
<b>New Member States</b>			
Bulgaria	121.3	3,052.80	3.97%
Cyprus	5.07	385.1	1.32%
Czech Republic	160.09	4,885.20	3.28%
Estonia	37.85	570.9	6.63%
Hungary	178.21	3,781.20	4.71%
Latvia	0.44	940.9	0.05%
Lithuania	8.97	1,343.70	0.67%
Malta	1.68	164.2	1.02%
Poland	592.8	15,960.50	3.71%
Romania	163.35	9,239.40	1.77%
Slovakia	44.91	2,317.50	1.94%
Slovenia	7.09	966	0.73%
<b>Acceding and Candidate Countries</b>			
Croatia	9.08	1,541.20	0.59%
Iceland	0.22	165.80	0.13%
Total EU-15	12,806.37	172,790.40	7.41%
Total EU-27	14,128.13	<b>216,397.80</b>	6.53%

<sup>6</sup> CIRIEC, 2012 (working population aged between 16 and 65 years old, Eurostat, 2010)



There is also considerable diversity in the comparative level of development of the different pillars of the social economy (CMAF) in different sectors. Thus for example Finland, Sweden and Switzerland have some large co-operatives which dominate certain markets; in Finland they have 40% of the grocery market, and 20-30% of the financial services market (Birchall, 2009). And in terms of the recent growth of the social economy in welfare service markets: in Italy there has been a huge growth of a new form of co-operative (the social co-operative), whilst in Belgium the growth has been in the association sector (using flexible non-profit – ASBL – legislation). Thus institutional and historical contextual factors influence both the current distribution of types of social economy organisations, and their patterns of growth.

## Factors influencing the institutional context for the social economy

As noted above institutional, historical contextual factors influence the scope for, and potential of the social economy. Key factors here are the overall policy approach – including its relevance to the old and new social economy, legislative and fiscal frameworks, current policy themes supporting the social economy, and specific policies for social inclusion.

There are a number of different approaches to the organisations that comprise the social economy. Firstly they may be seen as an interlinked family of different types of organisations (CMAF) – and this has been a prominent approach in the countries where the social economy is highly recognised. Alongside this are approaches that are more closely linked to the main pillars: such as co-operatives/mutuals or nonprofits – thus the non-profit approach (informed by the work of the Johns Hopkins studies) focuses exclusively on the role and development of nonprofits. In addition there are approaches that recognise the differences between the older social economy (in sectors such as agriculture and retail), and the new social economy which is more concerned with addressing current issues of social exclusion, welfare services, and so on. This has led to the concept of solidarity economy (in countries like France, countries of Latin America, and the Canadian province of Quebec). Organisations of the solidarity economy build strong relations within the community to address social needs, often drawing on diverse resources including market income, state funds, and social capital. This leads to the recognition that the old and new social economy (or the social and solidarity economy) can play different roles in relation to addressing current economic and social crises in society. Finally the social enterprise and social entrepreneurship approaches have had growing support in some countries (particularly the UK), and have attracted considerable interest in Brussels – as can be seen in the Social Business Initiative. Social enterprise may be seen as organisations trading in the market, with a social purpose and other social dimensions, and with distinctive governance features (e.g. participative and involving multi-stakeholders).<sup>7</sup>

<sup>7</sup> EMES Definition of Social Enterprise: There are three indicators that reflect the economic and entrepreneurial dimensions of social enterprises: a continuous activity producing goods and/or selling services, a significant level of economic risk and a minimum amount of paid work. Two indicators encapsulate the social dimensions of such enterprises: an explicit aim to benefit the community, an initiative launched by a group of citizens or civil society organisations. Four indicators reflect the specificity of the governance of such enterprises: a high degree of autonomy, a decision-making power not based on capital ownership, a participatory nature, which involves various parties affected by the activity and a limited profit distribution. See the work of the EMES network for further details ([www.emes.net](http://www.emes.net)).

These different approaches inform the legislative, fiscal, and policy frameworks for the social economy. Thus in Spain for example, legislation for social economy legal structures and infrastructure is well established. In other countries which may also have well established frameworks, the focus is on adapting legislation for the different types of organisation in the social economy. Thus in France for example, co-operative legislation has been adapted to meet the new needs of disadvantaged communities. Whilst in other countries, for example in Eastern Europe considerable effort is going into modernising existing non-profit legislation to operate more effectively within communities and in the market. And the social enterprise approach has led to new legislation in many countries in Europe – see table below:

**Table 2: Social Enterprise and Social Co-operative Legislation<sup>8</sup>**

Italy	Social co-operative (1991 A+B)	10,000
Portugal	Social solidarity co-operative (1996/8 B)	500+
Spain	Social initiative co-operative (1999 A+B)	
Spain	Work integration enterprise (2007)	
Greece	Limited liability social co-operative (1999 B mental health)	16
	Social Co-operative Enterprises (2011 All)	97
France	Collective interest co-operative society (2002 A)	190
Poland	Social co-operative (2006 B)	
Belgium	Social finality enterprise (1996 All)	400+
Finland	Social enterprise (2004 B)	154
UK	Community Interest Company (2005 All)	6000
Italy	Social enterprise (2005/2006 All)	
Slovenia	(2011 All)	
South Korea	(2007 All)	500+

Note: A = providing social services; B = work integration

It is important to reflect on the reasons for considerable differences in numbers of social enterprise/co-operatives formed under the new legislation. While supply factors are clearly important (i.e. numbers of social entrepreneurs), it seems clear that some legislation is more restrictive than others. For example the early Greek legislation on social co-operatives only applies to people recovering from mental health problems. The comparative advantage of new legal structures also needs to be placed in its proper context, i.e. it needs to be set against existing legal structures. For example, in Belgium the associative form (ASBL) is highly flexible and is consequently frequently used.

Similarly there is need for regular scrutiny of fiscal measures to ensure that social economy structures are neither disadvantaged nor given undue advantage. This applies both to co-operatives (for example in the way in which dividends are treated), and to nonprofits (for example with regard to tax breaks for donations), where any fiscal benefits must be clearly for public benefit.

<sup>8</sup> Roelants, Cecop 2006; Nos in 2010



## Current policy themes supporting the social economy

Apart from developing appropriate fiscal and legislative measures, there are a number of policy themes which are currently being emphasised to support the development of the social economy. These include: improving access to financial resources, research to increase understanding and visibility, capacity building to improve performance, and facilitating access to public procurement.

**Improving access to financial resources** – social investment has become a major area of interest for governments and social economy leaders. A wide variety of initiatives are being developed at national and community levels – including a social investment bank in the UK, which uses unclaimed assets from bank accounts to capitalise the bank; and community financial initiatives which draw on the US community bank experience. In addition new financial instruments are being developed, such as patient capital, which are more suited to the capital structures of social economy organisations.

**Research to increase understanding and visibility** – partly in response to the needs of policymakers, there have been a number of research initiatives to build up a picture of the scope and characteristics of the social economy. Satellite accounts, initially developed for nonprofits, are now a possibility for the whole social economy due to work by CIRIEC sponsored by the EU. For those countries which develop this capability within their national statistical offices, this provides regular information on the state of the sector. Similarly in some countries and regions observatories are being established – for example CIDECE in Spain<sup>9</sup>, in the UK the Third Sector Research Centre; and at the regional level: the Basque Observatory of Social Economy. It is also increasingly recognised that education in secondary and tertiary levels needs to recognise diversity and plurality of organisations – this can be seen in an increasing visibility of social economy curriculum particularly in undergraduate and master's degrees – see for example the social entrepreneurship education handbook supported by Ashoka-U.<sup>10</sup>

**Capacity building to improve performance** – with growing recognition of the potential contribution of the social economy to address social and economic issues currently faced within many European countries, there comes a recognition that many social economy organisations are small and medium sized, and can benefit from capacity building initiatives, and strategies to scale and diffuse their distinctive added value. A new element is an asset transfer strategy, where public bodies transfer assets (such as buildings).

**Facilitating access to public procurement** – for many years social economy organisations have been successfully fulfilling contracts for public services – perhaps the most outstanding example is the social co-operatives in Italy; however there have been frequent difficulties in negotiating equal access to such contracts, partly because of the small and medium size of social economy organisations, and partly due to unfamiliarity of contracting agents with the social economy. Many countries are now attempting to address this issue, and the Social Business Initiative serves to increase the pressure on public bodies to remedy the situation.

<sup>9</sup> <http://www.uv.es/cidece/observatories.shtml>

<sup>10</sup> <http://ashokau.org/resources/social-entrepreneurship-education-resource-handbook/>



## Policy for social inclusion: role of social economy

The social economy has developed considerable experience and expertise in addressing issues of social inclusion. This rests on a number of distinctive attributes of social economy organisations: their embeddedness in community networks (through their participative and membership orientation), their multi-stakeholder governance structures (in many cases), their ability to draw on and generate social capital, their capacity to draw on diverse resources (market, state, and social capital) to achieve sustainability, and their capacity for social innovation. Recent research has also demonstrated the resilience of social enterprise during the recent financial economic crisis. And in financial services social economy organisations have proved more risk averse and trustworthy than conventional financial businesses.

The social economy is recognised as an important actor in Europe, and is linked to DG Enterprise and Industry, where its entrepreneurial nature is recognised<sup>11</sup>. Three bodies are important in the European policy process: the European Economic and Social Committee (EESC) – a European Union consultative body with representatives from the social economy; it has expressed its formal views (Opinions) on two issues recently: “Diversity of forms of enterprises” and “Social entrepreneurship”. And the Committee of Regions has also on several occasions pointed to the need for community actions to take full account of the social economy’s potential for economic growth, employment and citizen participation. A third important body is the European Parliament Social Economy Intergroup, which comprises European MPs and key figures from organisations representing the social economy in Europe.

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In terms of its central representative body, since 2000 it has been represented by CEP-CMAF (Conférence Européenne of Co-operatives, Mutual societies, Associations and Foundations); this body changed its name in 2008 to Social Economy Europe<sup>12</sup>.

**Trends in the European social economy:** Elements of Europe’s social economy, such as mutual health insurance, suffered due to the takeover of their functions by the state following the creation of the welfare state in the 20th century. In addition, the long period of growth after the Second World War eclipsed their distinctive values partly due to some tendencies to become more like conventional businesses. It wasn’t until the latter part of the 20<sup>th</sup> century, that a rejuvenated social economy responding to the crisis in the welfare state, and new economic crises emerged. Alongside a wave of demutualisations, came the rediscovery of the values of the social economy and a new dynamism resulting in new waves of development in welfare services, work integration, fair-trade, ethical goods and services, and ecological services for example.

**Trends in Eastern European countries:** with the fall of communism, some of the pillars of the social economy (CMAF) fared better than others – the emergence of a new dynamism in civil society led to the development of associations and foundations, contrasting with a drastic decline in the fortunes of many co-operatives (which were too closely tied to the state), although restructuring and re-strategising has led to a slow but substantial renewal in many countries.

<sup>11</sup> <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>

<sup>12</sup> <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>





**Overcoming the crisis:** The recent global financial and economic crisis has provided ample evidence both of the resilience of the social economy, but also its greater trustworthiness in the financial sector, and a new appreciation by the public and policy-makers of its value for social innovation, sustainable and resilient economic development, and socially cohesive development. France is possibly the leading figure in the social economy in terms of its political and intellectual shaping of the concept and the sector, thus this Peer Review has provided an excellent opportunity to examine best practice as displayed by France.



## B. Host country policy/good practice under review

Some 2.3 million people are employed by France's highly developed social and solidarity economy. Altogether, the sector represents nearly 10% of French GDP and over 13.3% of the country's private employment. Strongly rooted in social action, services, financial activities and education, it is one of the most dynamic parts of the French economy. For example, in 2008-09, the social economy grew by 2.9% and created more than 60,000 paid jobs. Over the same period, the rest of the private sector shrank by 1.6% and the public sector by 4.2%.

The French government appointed a Minister for the Social Economy in May 2012, underscoring their aim of using the social economy to promote social cohesion while boosting employment and growth. The policy draws on the expertise of several government departments.

While the French social and solidarity economy is one of the most developed and institutionalised in Europe, it currently faces three major challenges:

- Ensuring better knowledge and recognition of the sector's specific characteristics by public authorities and other economic actors;
- Recruiting a new generation of employees, as 600,000 people are due to retire from the sector by 2020;
- Adapting the legislative and financial framework so that the sector can continue to develop at a time of economic constraint.

Legislation now in the pipeline will help to tackle these issues, by:

- Improving recognition of the social economy, notably through the integration of social economy modules into teaching programmes, promotion of the National Social Economy Observatory (collecting data on employment impacts etc.), and a national survey of associations' economic activities;
- Structuring the social economy in public policy terms, by strengthening the role of the Higher Council for the Social Economy (a consultation forum for the social economy actors and the government) and providing a definition of social innovation in order to guide the intervention policy for social economy funding;
- Supporting the development of the social economy through assistance for start-up projects to reach sustainability, as well as financing through a public investment bank with ring-fenced funds for the social economy. As part of the Future Investments Programme, a budget of 100m EUR has been allocated to fund social enterprises.

Two forms of social co-operative created in France over the past ten years have proved particularly innovative. The Collective Interest Cooperative Societies (Société Coopérative d'Intérêt Collectif - SCIC) have a multiple stakeholder structure, with representation of ben-



eficiaries and employees. Local authorities can provide capital and take part in the SCICs' decisions. Business and Employment Cooperatives (Coopérative d'Activités et d'Emplois, CAE – established in 1995) enable private individuals to test a product or service while retaining employee-style social security through a special “employee entrepreneur” status; at the same time as members of a co-operative they get some overhead (administrative/ accounting) services, and a less isolated, more solidaristic working environment in association with other entrepreneurs.

The French social economy is exemplary in many ways. It has well-established institutions and policy frameworks. It is well recognised at the national level with good systems of co-governance on policy matters, but in addition it has in some regions and municipalities, systems of co-governance delivering excellent strategies and policies, with the active collaboration between local/regional government and the social economy (see for example Mendell, M., B. Enjolras and A. Noya, 2010). It is also a leading figure in developing good policy and practice in Europe. Both its well-established features as well as the recent policy initiatives in France provided an excellent basis for discussion and debate, and have led to a fruitful Peer Review meeting. The presence of several officials from the French Social Economy and participation of other key experts on French social economy greatly enhanced the learning potential of this Peer Review.



## C. Policies and experiences in peer countries and stakeholder contributions

Overall it is important to differentiate between the stage of development of the social economy in the different countries, as well as the historical institutional development which provides a framework for the social economy. Eastern European countries have special challenges and issues, Northern Europe has different welfare regimes and labour market systems to Southern Europe, and these help shape the framework for the social economy. Consequently countries differ substantially both in the extent which they recognise the social economy, and in the extent of development of the different pillars of the social economy (CMAF).

**Bulgaria:** the social economy and social entrepreneurship are relatively new concepts in Bulgaria, but in April 2012 a national social economy concept was adopted with a framework document to support the development of the social economy. Co-operatives, associations and foundations are well established. There are almost 2000 co-operatives, and they employ 50% of people with disabilities. There are around 9000 associations and foundations, and these are becoming more entrepreneurial and developing social enterprise models in employment and welfare service provision. The main challenges currently faced are: improving support and training for social enterprise, promoting social entrepreneurship, improving the context for the creation of jobs and work integration.

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**Cyprus:** although the social economy is not well recognised, there are good numbers of co-operatives operating in finance, agriculture, manufacturing and services, and 185 nonprofits/NGOs providing welfare services. The main challenges currently are: developing a framework for the social economy, and improving the financial and technical support for NGOs.

**Czech Republic:** the social economy and social entrepreneurship has some recognition in government policy documents. There are not many social enterprises but of those that do exist, most are concerned with work integration for those with disabilities and disadvantages; and nonprofits are gradually orienting their activities towards market income generation. The main challenges currently faced are: moving beyond work integration to other sectors for the development of social enterprise, lack of understanding about the potential of social entrepreneurship, improving support for social enterprise, and developing more appropriate administrative systems and policy instruments.

**Germany:** although the co-operative and non-profit sectors are very well established, the concept of the social economy is not well recognised; but there has been official support for social innovation and social entrepreneurship since 2010. This is broadly oriented towards addressing social challenges faced in German society. The main challenges with regard to these recent initiatives are to develop an appropriate framework within which social innovation and social partnership can operate effectively.

**Greece:** until recently the social economy was not well recognised in Greek policy; but in 2011 a law on social economy and social entrepreneurship was passed, and the new legal form co-operative social enterprise established. Prior to this, in 1999, a law on limited liability social co-operatives was established specifically to address the labour market inclusion



of people with mental illnesses; but with relatively little take-up. The new law opens up the possibility for social enterprise to engage in a very wide field of activities - including work integration, welfare services, as well as general interest goods and services; and so far 97 social co-operative enterprises have been registered. In 2012 there was substantial policy discussion about social economy support mechanisms, including for entrepreneurship, development, and finance. Several measures are expected to be implemented in 2013. The key challenges faced are: in a time of severe economic crisis developing appropriate support mechanisms with EU structural funds, and then moving towards sustainability.

**Hungary:** the concept of the social economy is used relatively little in Hungary, but it is now emerging within employment policy discourse. But the non-profit sector has seen a substantial growth in the last 10 years; and while there are co-operatives and mutuals, many of these have transformed to be similar to conventional business. There are a small number of social co-operatives mainly in rural areas but these are rather weak. Important challenges currently faced are: improving the competitiveness of the sector, orienting public works more towards the social economy, and improving public procurement access.

**Netherlands:** the concept of the social economy is not well developed, but associations and co-operatives are very well established. Social enterprise is becoming better recognised, but many are small, subsidised, and not well established. The main challenges currently are particularly associated with new social enterprise: improving awareness and visibility of the sector, support, training and finance.

**Malta:** the main pillars of the social economy are functioning, with quite an active voluntary/associational sector which has a large number of volunteers. There are about 750 organisations (using traditional social economy legal structures) that could be classified as social enterprise in a range of sectors. There has been significant policy interest recently in the social economy, and an ESF funded project on work integration. There are plans for a government consultation on new legislation for different forms of social enterprise. Current challenges faced include: lack of visibility of social enterprise, need to improve market orientation, gaps in financial provision. In general terms Malta faces the challenge of an ageing population, and has policy measures to retain older and female workers in the workforce.

**Romania:** the concept of the social economy is just beginning to get established, and is recognised in the law on social assistance (2011). The NGO sector has seen a substantial increase in recent years. While co-operatives, after declines during a period of transition in the 90s, have stabilised. The economic crisis has led to a greater emphasis on market-based income. The main challenges currently are: adopting legislation for the social economy, ensuring greater awareness and recognition of the social economy, supporting the regeneration of co-operatives, facilitating the development of the social economy in rural areas, and improving the employment capacity of social economy organisations together with their economic orientation.

**Slovenia:** the NGO sector has seen some growth recently; in 2011 it employed 4665 workers (6% more than in 2010). Nonprofit organisations represented about 2% of national GDP in 2008. There is a growing interest in social entrepreneurship, and a new law adopted in 2011 provides institutional support from a council on social entrepreneurship. A number of initiatives are under way, supported by the Ministry of Labour, Family and Social Affairs,



which address social exclusion in the most deprived regions of Slovenia. Micro-finance is also developing with the support of Progress. The main challenges faced by the social economy and social enterprise are associated with finance and sustainability, competing in the market, improving education and training, improving public policy and access to public procurement, and raising public awareness. In addition broadening and raising the level of support for social enterprise within government is important.

**Eurodiaconia:** a representative of associations and foundations, Eurodiaconia reported the severe impact the crisis had had on nonprofits, with budget cuts and increased demands to do more with less. In addition there is increased competition from commercial providers. This creates difficult conditions for employment. The main challenges identified are: insisting that service quality rather than lowest price is considered as a criterion in public procurement; that a proportion of markets should be reserved for nonprofits; and that nonprofits should continue to have full partnership status in the ESF (partnership principle).

**FEANTSA:** the crisis has increased pressure on the economic and social performance of the social economy; particularly in the context of weakened public funding. Increasing emphasis by the European Commission on market competition in social services of general interest (SSGI) has exacerbated the situation. Current challenges include the following: developing new partnerships between associations and public authorities (including where the market logic prevails); including professionals and volunteers in social entrepreneurial initiatives; and continuing to support the co-construction of public policy (including for grants). Policy needs to meet the challenge of achieving a balance between growth, social innovation and financial viability. It is also important to continue to help the most disadvantaged, support the role of voluntary work, recognise the role of the charitable sector as a safety net and ensure that necessary funds are available to address the many forms of social exclusion.



## D. Main issues discussed during the meeting

The main issues discussed arose from presentations about the innovative responses to current challenges developed by the French government and the French social economy, as well as contributions from all country participants, international stakeholders, and experts. The key issues addressed for current and future development of social enterprises were:

- Preconditions and pathways including appropriate legislative structures.
- Promotion: how can better recognition of social enterprises be achieved (for example, through education and public relations, as well as national and European observatories to develop a knowledge base for the social economy)?
- Support and funding: what are the most effective measures for the creation and sustainable development of social enterprises? How can effective policies and strategies, and instruments for social investments in the social economy be developed (from start-up to growth/scaling, and consolidation)?
- Policy process and systems of co-governance for linking social economy actors with government.

To see the French policy in action, the participants also visited Coopaname, a Business and Employment Cooperative (CAE) in Paris. Discussions there centred on new enterprise models and their contribution to employment policy as well as the related challenges experienced in daily business.

## E. Conclusions and lessons learned

This was a very fruitful meeting with many lessons learned. The main points are summarised below.

### Preconditions and pathways

Preconditions for a thriving social economy include developing a spirit of entrepreneurship and increasing public awareness of the strengths and added value of the social economy, as well as overcoming legal and fiscal barriers and ensuring that social enterprises have good access to SME support structures. It is important that the sector is owned and controlled by civil society actors who develop the social economy through a bottom-up approach. This can usefully be linked to complementary top-down enabling measures by the state, but state control of the sector should be avoided.

The social economy has different starting points across Europe. There are some countries where it is already strong, others where it is newly emerging and others still where there is growing civil society activity and a strong non-profit sector but so far no real orientation towards social entrepreneurship. Similarly co-operatives are seen as an important part of the social economy in many countries, and have values consistent with it. However, in parts of Eastern Europe, they have inherited a less positive reputation. International partnerships can help to restructure and re-strategise such co-operatives into more socially effective, member-based organisations.

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In each country, the social economy has specific historic roots, which influence the current experience and institutional framework. The European-level approach to this sector should be one of preserving national specificities while spreading good practice. There should be no attempt to transpose what is not transposable.

It is important to avoid a narrow perspective of the potential of social enterprise and social economy which just focuses on disadvantage. This approach risks marginalising and ghettoising the sector. Thus perhaps drawing inspiration from the performance of the social economy during the recent financial economic crisis, we can argue with confidence that it should be seen as not just relevant for work integration and the provision of welfare services, but also more broadly for other services of general interest and just as importantly as a way of living, providing an important choice to all citizens.

### Promotion (recognition and legislation)

Definitions of the social economy vary between and even within countries. This raises potential issues for European-level promotion of the sector. It was suggested that standard EU criteria specifying common characteristics should be used<sup>13</sup>. With regard to social enterprise, the European Commission in its Social Business Initiative specifies the term and

<sup>13</sup> <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>





the associated types of business. This could be a good basis for European communication and promotion.

Research, for example through observatories, is an important means of gathering data to inform policy. Regional inputs and scientific advisory committees can help to ensure research quality. The data should also be qualitative, for instance demonstrating the added value of the social economy. Appropriate metrics should be developed, and these should be well adapted to smaller organisations. More regular reporting of social indicators in the sector is needed. The Commission's "Beyond GDP" initiative<sup>14</sup> should continue.

The starting point for demonstrating effectiveness is that social enterprises perform well, and are accountable both to stakeholders and to society. If this were fully understood, the image of social enterprises would clearly improve. In addition policy relevance needs to be clear. The social economy should be more strongly linked to the European strategies for employment and social innovation.

Effective promotion of the sector also requires modern techniques: social marketing could be used to communicate the sector's distinctiveness, through the development of narratives, competitions and prizes for the best social enterprise, case studies of exemplary performance, celebrity involvement, skillful use of mass and social media, networks of researchers, "ambassadors", and social trademarks.

Legislation has made an important contribution to the development of social enterprise in many parts of Europe. It lends visibility to innovative social enterprise and provides a basis for the institutionalisation of policies, as well as creating a social enterprise "brand" that can increase public awareness. The legislation must also help the sector to keep pace with new developments and changing economic circumstances. On its own, legislation may give only a temporary boost; follow-up is needed.

A supply of social entrepreneurs must be ensured, and registration should be straightforward with accountants and lawyers well informed about the possibilities offered by social enterprise legislation; and with appropriate support measures put in place.

## Support and Funding

In Europe, the idea of building an ecosystem that incorporates all the elements a social enterprise needs in order to thrive has been gaining ground. These may include business incubators, training, various financial packages and promotion of the social economy through education and social marketing. However, it has also been emphasised that the social economy needs to be recognised as a fully-fledged third sector, on an equal footing with the private and public sectors.

Funding is a difficult issue for social entrepreneurs in some EU countries. The economic crisis has accentuated this problem. In particular, banks have been taking a negative attitude to new lending. One way forward may be to create a social investment bank with funds drawn from unclaimed bank accounts that have lain dormant for many years. This

<sup>14</sup> <http://www.beyond-gdp.eu/>



approach has already been adopted in the UK, where those funds were matched by substantial contributions from the big banks. There are currently a large number of innovative developments in social investment which can be further developed. Crowd funding (pooled individual investment in start-ups, etc., usually via the Internet) may be a promising source of finance for the social economy. And the web based social investment initiative Myc4<sup>15</sup>, developed in Denmark to fund small businesses in Africa, could be a more widely applicable model to the support poor and excluded persons in Europe.

Subsidies are typically required in the start-up phase of a social enterprise. In some cases, they may be needed throughout the enterprise's lifetime (to support those with permanent disadvantage/disability), but they will often be only a temporary measure.

Many social economy initiatives receive an important initial stimulus from the European Social Fund. This can give rise to fears about competition issues; also to facilitate the transition to sustainability there may be a need to develop a more flexible range of support policies and financial packages, as well as appropriate orientations towards sustainable enterprise.

The EU approach of recognising skills and competences, rather than formal qualifications only, could be of assistance to the social economy as it seeks to recruit new workers. School and university involvement in co-operatives through their curricula could also be of assistance here; as well as supporting young people to develop co-operatives in their own schools and universities.

It is important to recognise that an important source of support is mutual and solidaristic between different actors in the social economy. Thus participative management and shared learning among managers about good practice are essential in social enterprises. Isolation and atomisation of social enterprises can be prevented through networking by social entrepreneurs amongst themselves but also with outside stakeholders, employees, customers, local authorities, associations and trade unions. Maintaining the values of the social economy is a constant challenge, even in the countries where it is most developed, due to the nature of the professional and managerial labour market.

## Policy process and systems of co-governance

The social economy in Europe over the last few years has demonstrated significant trends both for its members and for EU policymakers. It has demonstrated growth during a time of economic crisis, and resilience in terms of more sustainable employment; at the same time it has enhanced social capital, and continued to address issues of social exclusion and disadvantage in our society.

Within policy-making and intellectual circles there appears to be a growing recognition of diversity in types of socio-economic enterprises, and the importance of maintaining variety in an economy; thus the distinctive attributes of social enterprise are becoming better recognised and valued.

<sup>15</sup> <http://www.myc4.com/>



Institutional measures need to build on this broader perspective and foster the development of the social economy through appropriate policy measures, and multilevel policy coordination – horizontally between relevant ministries (to overcome departmental silos), and vertically between international, national, regional and local levels; as well as the need for government staff training to ensure proper implementation of policy relevant to the social economy.



## F. Relation/Contribution of the Peer Review to Europe 2020

The EU policy towards the social economy and social enterprise has developed a number of significant policy measures which promise to deliver useful outcomes for the sector. The overarching EU policy framework for the next 8 years is Europe 2020, the EU's growth strategy– it emphasises that the EU needs to become a smart, sustainable and inclusive economy in order to achieve high levels of employment, productivity and social cohesion. The recent financial and economic crisis has also emphasised the importance of developing good economic governance. Within the framework of Europe 2020, the EU has set five ambitious objectives – on employment, innovation, education, social inclusion and climate/energy, which it aims to reach by 2020. But there are a number of more specific EU policies which are relevant to the development of the social economy, and to which the social economy can contribute.

The Europe 2020 flagship initiatives “Innovation Union” and “Platform Against Poverty and Social Exclusion” make social innovation a priority. Across Europe, the social economy is a force for social innovation, sustainable development and social inclusion and it delivers better social outcomes – major aims of the Europe 2020 strategy. It is seen as a pioneer in responding to market failures and extending or creating new markets. It makes a central contribution to social inclusion, and through empowerment helps to regenerate civil society. As such, it is highly relevant to the EU's Europe 2020 strategy.

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The EU has provided strong support for the social economy for many years, through the European Social Fund, as well as other measures like the Youth Opportunities Initiative, and Progress and the Competitiveness and Innovation Framework. This is due to expand as part of Europe 2020. A key future European measure highly relevant to the social economy/social enterprise is the Social Business Initiative, launched in October 2011, and linked with the Single Market Act. The Initiative has strong support from several Directorates; DG Enterprise, DG Internal Market and DG Employment are involved in setting out an action plan at EU level to stimulate the establishment, development and growth of social enterprises. The Social Business Initiative aims to encourage socially responsible business (CSR), facilitate social entrepreneurship, and cut red tape for SMEs. Its action plan for social entrepreneurship is to support the development of social enterprise by: improving access to funding and state aid, increasing the visibility of social entrepreneurship, reinforcing their managerial capacities, improving the legal environment, and improving public procurement.

Looking specifically at the relation of this Peer Review on social economy to Europe 2020 in the coming decade, it is useful to consider the themes of becoming *a smart, sustainable and inclusive economy* for achieving high levels of employment, productivity and social cohesion in relation to the lessons learnt from the French practice.

In terms of smart development, the French policy helped inform the Peer Review participants about the importance of innovation and developing a framework to achieve that; there may be best practices supporting innovation, such as business clusters, and innovation systems, which could inform that policy. Social economy structures may well be



uniquely suited to open systems of innovation, due to their multi-stakeholder linkages and user-based participatory structures.

In terms of sustainable development, while many countries are at a less advanced phase of development, compared to France, they can draw inspiration from the recent performance of the social economy during the period of financial/economic crisis where it has demonstrated high levels of resilience. Social enterprises are typically embedded in community networks, internalise social costs, and produce positive externalities.

In terms of inclusive socio-economic development, Peer Review participants recognised that social enterprises have an outstanding record for the social inclusion of the most disadvantaged in society. And that they can draw on future EU measures to strengthen the social economy which will undoubtedly deliver positive outcomes for social enterprise already engaged in social inclusion activities.

The discussions in the Peer Review as documented in Part E clearly demonstrate that the discussion was fully in line with Europe 2020 measures; and it is clear that the French policy for social economy is particularly in tune with current EU policies including the Social Business Initiative. Thus much of the discussion allowed a more fine-grained analysis of appropriate measures related to the different stages of development and the difference specificities of the participant countries.

The emphasis on improving finance, research to increase understanding and visibility, capacity building to improve performance, better legislative frameworks, and facilitating access to public procurement were recognised as key areas for developing social enterprise and enhancing their potential to deliver economic and social outcomes to support the future of Europe in line with the EU2020 Growth Strategy.

Finally in broad terms the Peer Review discussions lent support to these recent EU policy developments and the recognition of the value of diversity in a plural economy, and in particular recognition of the distinctive contribution that social enterprise and the social economy can make to the future of Europe.



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## Social economy - laying the groundwork for innovative solutions to today's challenges

Host country: **France**

Peer countries: **Bulgaria - Cyprus - Czech Republic - Germany - Greece - Hungary - Malta - Netherlands - Romania - Slovenia**

Stakeholders: **Eurodiaconia, FEANTSA**

Social enterprises are prized for their ability to offer innovative solutions to emerging social needs which are not easily tackled by the public sector or private business. Through filling this gap, social enterprises create new opportunities for growth and jobs. Indeed, they contribute to at least three key objectives of the Europe 2020 Strategy - employment and growth, innovation and the fight against poverty.

In France, three main ways are being developed to support the growth of the social economy. The first is to increase knowledge about the social economy and its visibility through, for example, collecting statistics for monitoring purposes and establishing common principles for what constitutes the "social economy". Secondly, financial support (totalling EUR 1.9 million) is being made available for young social entrepreneurs. Thirdly, work is underway on creating an environment which nurtures the growth and success of social enterprises, through supportive legislation, access to funding (e.g. the "Investment for the future" programme) and local level support on the ground.

The Peer Review will provide a forum for the exchange of good practice in the areas outlined above; in particular, to discuss the ideas and possible means for funding and the use of the cooperative model in France.

