

Social economy - laying the groundwork for innovative solutions to today's challenges (Paris, 10-11 December 2012)

The Social Economy from the perspective of a network of not-for profit social and health care providers¹

Laura Jones
Eurodiaconia

1. What are the recent trends in the countries of your members in relation to social economy?

Eurodiaconia is a federation of organisations, institutions and churches providing social and health services and education on a basis of Christian values in over 20 European countries. In the social economy, Eurodiaconia's members are for the majority operating in the sub-sector of associations and some in the sub-sector of foundations. Eurodiaconia supports the broad definition of social enterprises laid down by the European Commission in the Social Business Initiative. This would mean that most members' services, operating on a market, are defined as a social enterprise.

The crisis

Eurodiaconia has monitored the impact of the economic and financial crisis on its members and on their ability to provide services to people in need through three surveys, writing three reports in 2009, 2010 and 2011. From this monitoring and regular contact with members, Eurodiaconia reports that not-for-profit social services providers have generally been severely impacted by the crisis, with an increasing demand for services, meaning they have to do more with less or even having to cut services. In most countries they have not been given the political recognition or financial support that they deserve and need. Some have been forced to scale down or cut what contracting authorities deem to be "expensive" services, such as those for persons with disabilities.

Increasing competition

Particularly in the field of long-term care, there are increasing numbers of commercial providers competing with not-for-profit providers to win contracts to supply care services. In general the trend is to fund services through competitive tendering rather than via grants. Combined with the impact of austerity measures there is increasing downward pressure on costs of services from contracting authorities, which often has a negative impact on the quality of those services.

Staffing

A number of Eurodiaconia members report staff shortages; difficulty in hiring staff, particularly in the care sector. This is in part linked to the issue above of pressure on social service costs given that the majority of those costs relate to the staff, which means it is a challenge to ensure quality employment.

¹ Prepared for the Peer Review in Social Protection and Social Inclusion programme coordinated by ÖSB Consulting, the Institute for Employment Studies (IES) and Applica, and funded by the European Commission.



Snapshots of other related issues from Eurodiaconia members

Austria: In Austria they use the term third sector – civil society /Non-profit organisations (NPOs) or Organisations of General Interest. There isn't much social business in the narrow sense in Austria. There is a need to promote the social economy's role; people don't see it as valuable. The Austrian Welfare association is looking to see if the dual role of advocate and provider is problematic. Welfare organisations are working on showing the added value of NPOs.

Germany: Some Länder see an opportunity to restrict debt counselling to non-profit providers due to the need to protect the general interest. There is increasing acceptance of the term social economy. There was scepticism in the German welfare associations towards this term some five or more years ago due to its economic context. Nowadays there is more talk of a social market and that in fact services are offered on this kind of market. Consequently its services are seen as part of the social economy.

Czech Republic: The term social economy is still not often used or known and has no position in Czech legislation. Three years ago the European project "network TESSEA" helped the situation through bringing together social enterprises, experts and politicians interested in this question. There is still a long way to go in terms of supporting the sector.

Denmark: The term social economy is not commonly used. There is no law or policy to support it but in certain sectors it is strong, such as the housing and agricultural sector.

Netherlands: There has been a trend to move away from sheltered workshops towards integrating persons with disabilities into the regular labour market but without ensuring sufficient support for the company or the person, including financially, to support situations where the costs for employing a person with a disability is higher.

2. What are the possible relevance and the learning value of the French good practice?

The following elements of the French strategy would seem to be potential areas of learning for other countries from the perspectives of associations:

- 2.1 a. Incorporating modules on the social economy into school curricula and qualifications is an important step in raising awareness and understanding of the sector, which would help in "normalising" the sector among the general public and encouraging people to work in the sector.
- 2.1 b. The social economy observatory's role in evaluating the social economy in terms of jobs and activities is key to promote the sector in terms of showing its value to the public and decision makers and therefore encouraging investment, both private and public.
- 2.2.b. In terms of social innovation, it is important to have a definition, but difficult to evaluate the current French proposal without the wording of the text. Eurodiaconia supports defining social innovation as the process by which new responses to social needs are developed in order to deliver better social outcomes and address new social challenges. They are considered to be innovative by their novelty, ability to improve the efficiency of pre-existing solutions and environmental, economic and



organisational sustainability. It is also important not to over-focus financing or supportive initiatives on innovative approaches as services existing for years can also be effective and should not lose their funding because they are not seen to be "innovative". Creating "Ecosystems", bringing together all actors in the field of social innovation, should benefit the sector in terms of building cooperation and synergies among actors.

- 2.3.a. Local support mechanisms "for assisting and advising structures developing socially useful activities" should benefit all social economy actors in the social sector and could provide valuable advice for actors seeking to develop their work in terms of improving and showing their impact.
- 2.3.b. Ring-fencing investments in the social economy through a public investment bank should help solve the problem of access to finance for social economy organisations that seek to be self supporting. Finance should also be ensured for organisations to develop that are not able to operate on the open market. In terms of evaluating the return on the investment, the social as well as economic return should be measured.
- 2.3.c. The jobs for the future scheme is seen by Eurodiaconia's French member as a useful tool to assist associations in their work and help the persons in the scheme to integrate back into the labour market. Care should be taken that the associations are able to keep the employees where needed even after the period of government subsidy is over.

3. What are the main challenges for the future development of the social economy and social enterprises?

Challenges for the social economy identified by diaconal organisations ranged from the low value given to the social care sector and social services to the fact that profits made by not-for-profit organisations are treated in the same way fiscally as for-profit organisations. That our societies define success on levels of economic output sets up barriers for valuing activities that bring a low or no direct economic benefit. Funding cuts in the social sector were seen in part as a result of the low value attributed to social care, but austerity measures in general are seen to be a major challenge. Part of this challenge is justifying or advocating for investment in the sector. There is increased expectation from funding authorities to show how a service brings a return, and a challenge here is to develop expertise in measuring social impact and the social and economic investment. In addition, as previously noted, competition between not-for-profit organisations with for-profit organisations is expected to increase so explaining the added value of not-for-profit organisations is a current challenge.

Jobs in the care sector are often not valued by society which means that the sector does not attract the workers needed. Studies show that despite above average educational levels of workers in the social and health care sector, working conditions are demanding, wage levels are below average and have declined relative to other sectors and turnover is high because of this. The challenge of finding staff is expected to worsen, partly because of the pressure on wages from decreasing statutory funding and partly because the care workforce is ageing. Quality working conditions have to be ensured.

Eurodiaconia supports the Commission's definition of social businesses in the Social Business Initiative that they are "businesses for which the social or societal objective of the common good is the reason for the commercial activity" and where



“profits are mainly reinvested to achieve this social objective”. Under the Commission’s definition, based on existing EU law on the meaning of the word “enterprise”, all diaconal organisations operating in a market with a social aim would be seen as social enterprises/businesses. A challenge is to ensure that initiatives addressing the social economy focus do not only focus on social enterprises that are self-supporting but also address the challenges that are faced by organisations that need subsidies or compete for public money; that do not operate or could not, on the free market.

How to improve the legal framework and the access to finance of social economy organisations?

Public procurement

EU public procurement rules currently allow funding authorities to award tenders for social services, as with all services, on the basis of the “lowest price”. Yet, for social services, quality is essential in order for the service to achieve its goal of meeting a need. Eurodiaconia with partners have been advocating for the removal of the possibility to award contracts based solely on the lowest price criterion.

Member States should legislate to allow markets to be reserved to non-profit organisations, allowing contracting authorities to decide to do so. This possibility should be mentioned in the revised public procurement directive, as well as clarification of the other possible forms of financing social services that are compatible with EU legislation.

Financial impact of the crisis

EU and IMF loan agreements with EU Member States should include social safeguards protecting social services and social protection systems. Research should be carried out to build understanding of and adapt if necessary tools that measure the economic and social return on social investment that can help social economy organisations show their social and economic value at the service and policy levels.

EU funding programmes

Ensure that the proposal of the European Commission for the next period of the European Social Fund (2014-2020) for Member States to allocate 20% of the funds to measures tackling poverty and social exclusion and for 25% of the Cohesion Funds to be allocated to the ESF. The European Commission's proposal for NGOs to have full partnership status in the ESF should be maintained (partnership principle). Social service providers should be involved in all stages of the EU social innovation agenda. Any policy or funding programmes designed to support social innovation should address developing effective social services that better meet social needs and improve people’s quality of life.

4. How can the social economy contribute to the objectives of the Europe 2020 strategy in general and the social inclusion strategy in particular?

The social and health sector can make a valuable contribution to the Europe 2020 strategy in all the three pillars of smart, sustainable and inclusive growth. Social



and health services particularly are essential in reaching the employment, poverty and education targets. Social services enable people to integrate or reintegrate into society, to access and retain employment and offer a route out of poverty and exclusion. Social services are an essential part of any social inclusion strategy, both as preventive services, to address the causes of and prevent poverty and exclusion, as well as tackling the symptoms.

EU research has shown that the social sector is growing, with demand for services increasing and expected to continue to do so. As society faces economic crises and given demographic trends more of the population will need the care and support that social services provide this increasing demand means that jobs created in the sector will be long-term. Therefore, just as social and health care services have contributed strongly to job creation, even while other sectors were shrinking, they will continue to provide jobs. If new services are supported and developed there is the potential to provide new jobs and sustainable employment. Sufficient financing however is essential to ensure quality jobs and working conditions.

With their long-term experience and commitment, social service providers can play a key role in making each stage of the social innovation process a success. They can maximise the social impact of innovation policy and can help to ensure that resources allocated to social innovation are best used to make progress that means that smart growth is also inclusive.

