

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

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Part A: comments on the discussion paper

a) Background and context: "social economy" or "social entrepreneurship"?:

The first page of the discussion paper is entitled "Social Economy in Europe", while it ends with the definition of social enterprise and not social economy. In its Communication paper, the European Commission also asserts the equivalence between "social business and social enterprise".

This debate is far from being settled and it is possible that, over time, several categories are distinguished within the generic term "social enterprise". We even suggest the creation of an agreement which would validate the affiliation at European level to the concept of "European social enterprise", subject to compliance with specific principles and criteria. Indeed, some experts (e.g. French experts, followed so far by the Commission) reject the term "social business", as defined for example by the "Social Stock Exchange" in London: "A social business is a profit business venture created to Promote positive social (environmental) changes through profitable business."

In contrast, we find the French regulation proposal on *Economie Sociale et Solidaire* (Social and Solidarity Economy) which defines the enterprise of the ESS as follows²: "companies constituted as cooperatives, mutuals, associations or other legal persons of private law ... which comply with the following principles ..." and the proposal includes the following list: democratic governance, absence of profit making (or profit making limited), the allocation of any surplus to the maintenance and development of activities or indivisible reserves and a strategy seeking to reconcile economic performance, social progress, environmental protection and local development.

It is between these two poles that European countries could be located, even those with no social enterprises yet. However, given their culture and their history, most member states come closer to the definition proposed by EMES and mentioned in the discussion paper.

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² The regulation proposal on *Economie Sociale et Solidaire* (ESS) is still in preparation and thus, the given definition is not final.



b) A change in continuity:

FEANTSA does not share analyses showing a break between an old and a new model. There is however a trend, a "aggiornamento" related to the questioning of the Welfare State and to the crisis of the capitalist economy and punctuated by the spreading of the American concept of "social business" (Harvard 1983) developed in the United States and the United Kingdom, where it fits into the liberal policy of "Big Society".

The crisis of the free-market economy has exposed the economic and social performance, or even environmental, of social economy and drew the attention of politicians (including the European Commission). At the same time, it weakened traditional public funding. The social economy has faced along the market oriented offensive of the European Commission which made competition the beginning and the end of its policy, until the intensive conflict against SSGI ended. (Services Directive, Almunia Package, new Public Procurement Directive).

How to summarise the evolution/ adaptation? Various ideological frameworks remain: ESS, Third Sector, Social Economy, NGO sector, voluntary sector, etc. ... Legal structures endorsed or facilitated "euro-compatible practices which facilitate and clarify funding (Social Cooperatives in Italy in 1991, *societades laborales and empresas de inserción* in Spain, SCIC in France, companies with a social purpose in Belgium).

Nevertheless there is everywhere an increase in the requirement of economic performance, including in countries which have not submitted their social economy to the market (Denmark, France) and which have not adopted the payment by results. Yet, this "management" requirement or even "managerial", constitutes a danger: the primacy given to the production of surplus may lead these companies to select their audience and therefore to exclude part of the population. As well as the general interest takes precedence over the competition, the social cause must take precedence over financial management. This is why social economy should not be more virtuous than capitalist economy; the economy should accept that governments take over, in the form of grants, when the constraints linked to the specific audience of social enterprises do not ensure its financial stability. "Social entrepreneurs" should not forget that capitalist companies are also subsidized and at a level that social economy is far from reaching. Without public grants, there would be no more automotive industry in the United States. In France the government intends to allocate some extra €20 billion to large companies which already have approximately €30 billion of tax benefits.

c) Challenges

- A new partnership is taking shape between the voluntary sector and public authorities, more formal and in which economic performance has been enhanced all over, whenever it prevails (in countries more ideologically oriented towards market logic) or it represents a reinforced requirement in those which have a tradition of social economy.



- Some actors of social economy (younger, less militant) see themselves as “social entrepreneurs” rather than social actors-entrepreneurs. This is one of the issues in the renewal which obviously concerns professionals, but also volunteers.

Such economic requirement should also force public authorities to be more rigorous in the co-construction of public policy, particularly in the management of grants whether local, national or European (ESF, ERDF). Indeed, the government should no longer be able to rely on the liquid assets of associations in order to compensate for their lack of fiscal discipline. Can we talk about entrepreneurial management when public funds, European or national, are unpredictable both regarding their amount and date of payment?

If social economy is more and more recognised as a vector of inclusive growth and social innovation, not much is being debated about how to sustain its financial viability. We again distinguish the concept of social enterprise and social economy. It is about developing the whole sector, giving the opportunity to keep helping the most excluded, creating routes from voluntary work into paid employment, giving access for all to services and activities, etc. If governments and the European Commission agree that social economy is providing answers to many forms of exclusion, they also have to allocate the necessary funds to fully develop its huge potential.

- Last challenge: will the arrival, even though geographically limited, of private investors traders (banks or even pension funds) be compatible in the longer term with social economy? Aren't such incoming traders going to direct “non profitable” publics towards charity funds? For now, the idea of hybrid funds dominates (EESC, GECES) and it is likely that the influence of social realities will ensure most of the European model. However the role of “last safety net” that associations of social economy played may now be ensured by charitable sector.

Part B: Host country report's comments

a) Political change and continuity

Even if social dialogue was tensed, or even full of conflicts, during the previous government mandate and despite the speech on anti “assistantship” of the previous French President, relationships with the NGO sector of the French social economy were always maintained. “Supported employment” contracts were reduced or increased, as an adjustment variable of unemployment, but were not really challenged in practice. Finally, the entire eco-system of social economy, as described in the host country report, was maintained. This shows its importance. To withstand changes in the political majority, the social economy should be structured at national, regional or even local level and thus represent a force vis-à-vis political power whatsoever. The social economy should also provide project founders with services, as geographically close as possible.

One difference FEANTSA makes between capitalist enterprises that invest in a social cause and literally “social enterprises”, is the regional roots of the latter.



b) A new impetus

Brought up since the presidential campaign and now implemented by a Minister, the Social and Solidarity Economy has now better recognition in France. It is even much stronger: the regulation proposal on ESS, the creation of an investment bank with a specific signposting on ESS and taken into account by the INSEE (National Institute of Statistics), new missions given to High Council for ESS (*Conseil Supérieur de l'Économie Social et Solidaire*), the investment programme for the future, the introduction of ESS in the initial training.

Such recognition reflects the commitment, laudable, to extend the scope of the French social economy. Indeed, today's social economy enterprises are TPE (very small) or SME (small and medium enterprises). However, in the fight against de-industrialization and abandonment of large parts of the economy by stateless capitalists, the French government wants to develop cooperatives and empower these instruments of the social economy to replace the traditional industrial businesses. FEANTSA can only approve such ambition, which corresponds to the general interest, provided, however, that the Minister does not overlook the social purpose of the "social" economy or the role that associations and mutuals can play.

c) New requirements

Holding the Peer review at Bercy, the Ministry of Economy and Finance, is symbolic and shows the role the government wants the social economy to play. It should help significantly reduce un-skilled youth unemployment (100,000 "jobs of the future" in 2013, 150,000 in 2014) and help stop the premature departure of employees over 55 years while hiring young people thanks to "contracts of generation". While the situation of fiscal restraint led to early retirement of the older (with financial support from the state) without being replaced by young people. It is a gamble, but we feel that the French voluntary sector is willing to take it.

In conclusion, the current situation remains difficult, but it mobilises associations, because their values are preserved and even reasserted. Furthermore, the SSE sees its social role amplified and valued. Indeed, beyond social repair and integration of people excluded from the capitalist economy, the ESS is asked to participate in the re-industrialization of the country and the fight against mass unemployment, especially youth and seniors; considered in recent years as good, but marginal or outdated, the ESS finds a future.