

Social Economy (France, 10-11 December 2012)

Discussion paper¹

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1. Introduction: Background and context

The overall goal of this Peer Review activity is firstly 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; and secondly to disseminate more widely the key outcomes and policy messages arising from this Peer Review exercise.

Social economy in Europe

Mutual self-help and charitable assistance probably date from the dawn of civilisation, but the development of distinctive organisations which are characteristically Mutuals, Co-operatives, and Associations/Charities, became clearly visible during the great periods of European industrialisation and urbanisation in the 17th, 18th, and 19th centuries. The first mention of social economy was in 1830 (Ciriec, 2012). And many diverse initiatives blossomed during the 19th century, driven by social movements and exigencies arising from the severe disruptions of industrialisation/urbanisation, and the worst excesses of capitalist development. But by the end of the 19th century, the different pillars of the social economy (Co-operatives, Mutuals, Associations, and Foundations) have begun (at least in some countries) to understand their shared values of democratic associationism, mutualism and co-operativism, and begin to build joint institutions and strategies.

As indicated above the social economy is typically understood as a family of different types of organisation: Co-operatives, Mutuals, Associations, and Foundations.² And social enterprise 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

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² It has also been defined according to the shared characteristics of these pillars of the social economy as:

The set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote, but take place through democratic and participative decision-making processes. The Social Economy also includes private, formally-organised organisations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them. (Ciriec, 2012)



an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities.”³

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:

- 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
- 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 (provided on EU website:

<http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>) provides an impressive picture with 2 million social economy enterprises (i.e. 10% of all European businesses). 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. And 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.⁴

In the EU-27, there were over 207,000 Co-operatives in 2009, employing to 4.7 million people and with 108 million members. Health and social welfare Mutuals supported over 120 million people. Whilst Associations employed 8.6 million people, with membership comprising 50% of the citizens of the European Union (CIRIEC; Jeantet, 2006).

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

Two bodies are important in the European policy process: the European Economic and Social Committee (EESC) – this is a European Union consultative body with representatives from the social economy; it has expressed its formal views

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0682:FIN:EN:PDF>

⁴ 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.



(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. The other important body is the European Parliament Social Economy Intergroup, which comprises European MPs and key figures from organisations representing the social economy in Europe.

In terms of its central representative body: it has been represented since 2000 by CEP-CMAF (Conférence Européenne of Co-operatives, Mutual Societies, Associations and Foundations); and it changed its name in 2008 to Social Economy Europe:

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

Recent Trends in the European Social Economy: after a long period of development in the 19th century, and subsequent growth and consolidation, by the mid 20th century when the welfare state was being created in Europe, some elements of the social economy suffered because the state took over their functions – e.g. mutual insurance for health in some countries; and the long post-war period of growth eclipsed their distinctive values partly due to some isomorphic business tendencies. And it wasn't until the latter part of the 20th century, that we see a rejuvenated social economy responding to the crisis in the welfare state, and new economic crises. And alongside a wave of demutualisations, we see a rediscovery of the values of the social economy and a new dynamism resulting in new waves of development for example in welfare services, work integration, fair-trade, ethical goods and services, and ecological services.

Trends in Eastern European countries: as communism falls, we see contrasting fortunes of the CMAF pillars – the emergence of a new dynamism in civil society leading 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 have led to a slow but substantial renewal in many countries.

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 provides an excellent opportunity to examine best practice from this leading figure.

This paper begins by examining the policy context for the social economy at the EU level, it then examines the current trends and characteristics of the social economy in an European and international perspective; it goes on to examine some policy issues relevant to the social economy development, and summarises the key features of the French policy on the social economy, placing them within the perspective of Europe 2020. Finally it summarises the main points and raises issues for debate.

2. Part A: Setting the scene – overview of the related policy developments at European level

This section begins by giving an overview of the EU policy context for the social economy, then examines the contribution of the social economy in a



European/international comparative perspective; and then links this to some policy trends in the sector.

2.1 The issue of social economy on the European agenda

The overarching EU policy framework for the next 8 years is Europe 2020, the EU's growth strategy for the coming decade – 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.

For more than 50 years, the European Social Fund (ESF) has been an important source of support for the social economy, particularly through the EQUAL initiative (from 2000-2008). It is an EU Structural Fund which aims to reduce differences in prosperity and living standards across the European Union, by improving jobs, skills and companies' capabilities, and thereby promote economic and social cohesion.

PROGRESS is the EU's employment and social solidarity programme, with the overall aim of financially supporting the implementation of the objectives of the European Union in employment, social affairs and equal opportunities. PROGRESS supports policy and legislation development and implementation in five interlinked policy sections: Employment, Social protection and social inclusion, Working conditions, Anti-discrimination, Gender equality. And the themes within this policy section are developed and guided by the Social Protection Committee (for details of their current work programme and reports see:

<http://ec.europa.eu/social/main.jsp?catId=758&langId=en>).

In 1992, the EU established the Single Market to facilitate the free movement of goods, services, capital and people, but in recognition of continuing limitations in the functioning of integrated markets in these areas, due to missing legislation, administrative obstacles etc, the European Commission adopted proposals in April 2011 for The Single Market Act with the aim of approving it by the end of 2012. This Act proposes twelve instruments to boost growth and strengthen confidence: including from improving access to finance, taxation and the regulatory environment, consumer rights, European networks, etc. But several instruments are particularly relevant to the social economy: improving finance for social entrepreneurship, [boosting social cohesion through regulations on posted workers, and clarifying fundamental social rights of workers], and improving the public procurement framework in various ways to simplify procedures, improving access to SMEs, and emphasising the need to be responsive to demand for environmentally friendly, socially responsible and innovative goods and services. And in October 2012 the Commission proposed a second set of more specific actions (Single Market Act II) to further develop the Single Market – the detailed legislative proposals for these will be set out in 2013.

The social economy also (along with small and medium-sized enterprises – SMEs) is supported by the Competitiveness and Innovation Framework Programme (CIP with a budget of EUR 3621 for 2007 to 2013); it supports innovation activities (including eco-innovation), provides better access to finance and business support; as well as supporting the adoption of information and communication technologies (ICT) and the promotion of renewable energies and energy efficiency.



More recently, in October 2011, and linking with the Single Market Act, the EU Social Business Initiative was launched. This has strong support from several Directorates: DG Enterprise, DG Market and DG Employment are involved in order to set out an action plan at EU level to stimulate the establishment, development and growth of social enterprises. The Social Business Initiative aims to encourage responsible business (CSR), facilitate social entrepreneurship, and cut red tape for SMEs. The main features of its action plan for social entrepreneurship to support the development of social enterprise are:

Improving access to funding

- Facilitating access to private funding;
- Mobilisation of EU funds.

Increasing the visibility of social entrepreneurship

- Developing tools to gain a better understanding of the sector and increase the visibility of social entrepreneurship;
- Reinforcing the managerial capacities, professionalism and networking of social businesses.

Improving the legal environment

- Developing appropriate European legal forms which could be used in European social entrepreneurship;
- Public procurement;
- State aid.

This represents an important recognition of the role of the social economy in Europe. The emphasis on improving finance, research to increase understanding and visibility, capacity building to improve performance, legislation, and facilitating access to public procurement are key areas for developing social enterprise; and will enhance the potential of social enterprise to deliver economic and social outcomes relevant to the future of Europe.

In broad terms these recent policy developments represent a shift towards recognising the value of diversity in a plural economy, and in particular recognise the distinctive contribution that social enterprise and the social economy can make to the future of Europe.

2.2 The approaches taken by the European countries in the sector of social economy

A comparison of the relative size of the social economy in different countries of Europe (Ref. Ciriec, 2012) shows quite a wide variation in terms of employment, with Belgium, France, Italy, the Netherlands and Sweden having between 9% and 11.5% of the working population and Eastern European countries generally having lower levels (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 (i.e. excluding public sector employment).

A recent analysis of the recognition of the social economy by public bodies in different countries showed that 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 – thus for example in the UK, social enterprise or the third sector are much more recognised officially as terms covering the sector.

Table 6.2. Paid employment in the Social Economy compared to total paid employment. EU (2009-2010) in thousands

| Country | Employment in SE | 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 | 187.2 | 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 | 220.8 | 7.30% |
| Portugal | 251.1 | 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% |
| New Member States | | | |
| 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% |
| Acceding and Candidate Countries | | | |
| Croatia | 9.08 | 1,541.20 | 0.59% |
| Iceland | 0.22 | 165.8 | 0.13% |
| TOTAL EU-15 | 12,806.37 | 172,790.40 | 7.41% |
| TOTAL EU-27 | 14,128.13 | 216,397.80 | 6.53% |

* Working population aged between 16 and 65 years, 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: e.g. 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 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 policy 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 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 a 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 a 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)⁵ – see the work of the EMES European Research Network for further details (www.emes.net).

⁵ 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;
- 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;



These different approaches inform the legislative, fiscal, and policy frameworks for social economy. Thus in Spain for example legislation for social economy legal structures and infrastructure is well established. Other countries focus on adapting/modernising legislation for the different types of organisation in the social economy – thus in France 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. While the social enterprise approach has led to new legislation in many countries in Europe – see table below:

Social Enterprise and Social Co-operative Legislation (Ref: Roelants, Cecop 2006; Nos in 2010)

| | |
|---|---------------------|
| 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) | 15 |
| France – Collective Interest Co-operative Society (2002 A) | 190 |
| Poland – Social Co-operative (2006 B) | |
| Belgium – Social Finality Enterprise (1996 All) | 400 (in 2007) |
| Finland – Social Enterprise (2004 B) | 154 |
| UK – Community Interest Company (2005 All) | 5,000 |
| Italy – Social Enterprise (2005/2006 All) | |
| Slovenia | (proposed 2011 All) |
| South Korea (2007 All) | 500+ |

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 (numbers of social entrepreneurs), it seems clear that some legislation is more restrictive and less flexible than others. Thus for example the Greek Social Co-operative only applies to people recovering from mental health problems. And the comparative advantage of new legal structures needs to be set against existing legal structures – thus in Belgium the associative form (asbl) is highly flexible and thus frequently used.

Similarly has been 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 for nonprofits – for example with regard to tax breaks for donations – to ensure that this is for the general interest/public benefit.

- A decision-making power not based on capital ownership;
- A participatory nature, which involves various parties affected by the activity;
- A limited profit distribution.



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 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 finance – 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 nationally within Spain (<http://www.uv.es/cidece/observatories.shtml>), in the UK the third sector research centre, as well as 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 masters degrees – see for example the social entrepreneurship education handbook supported by Ashoka-U (<http://ashokau.org/resources/social-entrepreneurship-education-resource-handbook/>).

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 transferred 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.

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, social capital) to achieve sustainability; and their capacity for social innovation. Recent research has also demonstrated 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.

2.3 Thematic links to earlier policy debate and research

The key lessons learned from two previous Peer Reviews were as follows:

Peer Review 'Initiatives by the social partners for improving the labour market access of disadvantaged groups' (April 2008, Vienna): the contexts for initiatives are very diverse and very important for influencing outcomes – thus different relationships between statutory and non-statutory organisations very much depend on local contexts and cultures; similarly different contexts and cultures shape perspectives and strategies – their opportunities and constraints. Where possible it is important to develop longer-term strategic approaches within established structures. In terms of successful initiatives, it is clear that the similarities and differences between good practices in different countries – thus innovations need to be contextualised to different country situations. Quota systems and incentive systems have a role in social inclusion strategies. Achieving a balance between external support and individual/organisational agency is important. Intermediary spaces and structures can be important when developing inclusion strategies, thereby allowing temporary intermediate solutions. There can be a tension between economic exigencies and social integration – achieving an appropriate balance can be assisted through social dialogue.

Peer Review 'The social economy from the perspective of active inclusion' (June 2008, Brussels): this sets out the extensive experience in Belgium's social economy organisations which uses different forms of work integration and proximity services to integrate those people far from the labour market. The social economy organisations played important roles in addressing this important issue, not only by tackling poverty but also by giving everybody access to the resources, rights and services needed for participation in society. However there were lessons both about scaling up such initiatives, and diffusing good practice more widely. Social innovations with regard to proximity services and service voucher system were recognised as important contributions. However factors influencing success also need emphasising – such as professionalism, and being outcome oriented. And an appropriate institutional framework is vital: both in terms of enabling public authority, appropriate legislation, systems supporting dialogue and mutual learning amongst stakeholders.

These lessons appear relevant to the problematic of social inclusion.

3. Part B: Assessment of the French policy on social economy

3.1 Brief summary of the main features of the French policy on social economy

This section gives an overview of the main features of the French policy on the social economy's contribution to social inclusion.

The first important point to note is that the social economy in France is highly developed and well supported. It represents about 10% of GDP, 10% of employment, and over 13% of private employment. It is well supported with a minister for the social economy, and several government departments contributing to the policy framework, so that higher level strategies are being developed in line with EU policy. And the key challenges they face are: knowledge and recognition,



generational renewal of staff in the social economy, and securing an appropriate legislative and financial framework for future social economy development, particularly through funding initiatives. The key elements of this social economy strategy (due to be discussed and approved by the government in September 2012) are: improving recognition, structuring the sector, and developing social enterprise (particularly through new funding mechanisms); and in addition developing innovative business models for the social economy.

Improving recognition: the two main areas to achieve this are based on previous work since 2010; the first is educational – including social economy curriculum in schools and colleges, emphasising social entrepreneurship principles; and the second is through the development of a national social economy Observatory (again building on regional and national observatory activities); this will focus on jobs and economic activities and involve scientific surveys.

Structuring the social economy sector: this relies firstly on establishing a system of co-governance for the development of policy between social economy actors and government; and secondly by focusing on social innovation as a route to “generate smart, sustainable and inclusive growth”; this involves clarifying the policy framework and ecosystem to support social innovation.

Policy to develop the social economy: this involves support for new social enterprise through seed funding and other advisory support – through the entrepreneurial process from identifying needs to developing projects and then sustainable social enterprise; secondly developing an investment programme for the social economy (with a proposed budget of EUR 100 million to operate a loan programme), with the aim of creating and consolidating jobs within social enterprises (60,000 jobs at 2,000 social enterprises); and thirdly addressing the issue of generational renewal, by offering employment and training to low qualified young people, and to facilitate inter-generational relations and skills transfer between young people and seniors.

Developing innovative business models for the social economy: the focus here is on two legal structures created during the last 10-20 years – The SCIC – *Société coopérative d'intérêt collective*, a multi-stakeholder structure for social economy activities (established in 2002); and a structure to support the employee entrepreneur: the Business and Employment Co-operative (CAE – *coopératives d'activités et d'emploi* founded in 1995, and usually registered as a SCIC or *Société coopérative et participative* (prior to 2010 known as a SCOP or Workers Co-operative) – with the aim of facilitating the development of the employee entrepreneur. 80 of these latter forms have been established, employing an average of 100 employees.

3.2 Assessment of the French policy on social economy

The key elements of the French social economy strategy are: improving recognition, structuring the sector, and developing social enterprise (particularly through new funding mechanisms); and developing innovative business models for the social economy. Taking each of these elements in turn:

Improving recognition: education and observatories are two important paths towards improving recognition of the social economy; both these elements are well worth considering for adoption in other countries; in addition it is useful to recognise other parts towards increased recognition – promoting research networks amongst university researchers and linking these with communities of practitioners; developing media-based strategies to establish and disseminate exemplary models of social enterprise and good practices.



Structuring the sector: developing systems of co-governance whereby social economy actors and representatives can discuss and shape policy with government bodies is an essential prerequisite for effective policy; and focusing on social innovation as a key dimension of future funding strategy in the sector not only links with the current European zeitgeist, but is also essential for the future development of the social economy. As noted above other elements may also be considered to structure public policy for the social economy, such as: capacity building to improve performance, and facilitating access to public procurement (finance is addressed in the next item).

Developing social enterprise (through new funding mechanisms): the French funding tool is a welcome contribution to a highly important dimension of support for the social economy; social investment is one of the most important current themes for the support of social enterprise; and the measures proposed appear to focus on lifecycle financial support from start-up, through growth/scaling, and consolidation; the main instrument seems to be loans; thus there could be some exploration of different kinds of instruments, such as quasi-equity and patient capital, as well as grants for early stage start-up and feasibility studies.

Developing innovative business models for the social economy: the two new social economy structures provide interesting models for serious consideration; the CAE model is particularly interesting in building a bridge between individual and collective entrepreneurship; legislative structures are important to establish the legitimacy of social enterprise, and to ensure that they are well adapted to current contexts; as noted above this requires a balance between requirements to deliver public benefits and entrepreneurial flexibility. In a comparative perspective (without other new legal structures), there may be questions about this balance, taking into account the relatively low adoption of these legal structures by social entrepreneurs.

3.3 Assessment of the French policy on social economy in relation to the priorities of the Europe 2020 Strategy

Europe 2020 is the EU's growth strategy for the coming decade, emphasising the need for the EU to become *a smart, sustainable and inclusive economy* in order to achieve high levels of employment, productivity and social cohesion. Examining the main characteristics of this approach in turn:

In terms of smart development, the French policy clearly emphasises 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. And social economy structures may well be uniquely well-suited to open systems of innovation, due to their multi-stakeholder linkages and user-based participatory structures.

In terms of sustainable development, the social economy during the period of financial/economic crisis has demonstrated high levels of resilience; social enterprise are typically embedded in community networks and internalise social costs, and produce positive externalities; the French policy addresses a specific issue of a risk to sustainability due to the demographics of retirement in social enterprise.

In terms of inclusive socio-economic development, social enterprise have an outstanding record for the social inclusion of the most disadvantaged in society; the French policy addresses the issue of social inclusion with respect to young people and seniors. In addition its numerous measures to strengthen the social economy will undoubtedly deliver positive outcomes for social enterprise already engaged in social inclusion activities.



4. Conclusions

The social economy in Europe over the last few years has demonstrated important characteristics 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 move towards promoting its rural economy, where the distinctive attributes of social enterprise are more recognised and valued.

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. These include the broad Europe 2020 strategy, and in particular the social business initiative, as well as a growing emphasis on the value of social innovation.

The social economy in France is well-established, and a leading figure in developing good policy and practice for the sector. The recent policy initiatives in France provide an excellent basis for discussion and debate, and promise a fruitful Peer Review meeting.

5. Questions/issues for debate

The key themes for discussion and debate, arising from European policy initiatives, international experience, and innovative responses to current challenges developed by the French government and the French social economy are as follows:

How to choose appropriate legislative structures: balancing social requirements with flexibility?

- Innovating social entrepreneurship models (individual versus collective dimensions)?

How to develop a knowledge base for the social economy relevant to social inclusion? Observatories versus other measures?

- How to developing strategies for improving recognition of social economy and its role in social inclusion?
- Developing educational strategies for the social economy relevant to social inclusion?
- Developing systems of co-governance for policy-making relevant social inclusion?

Developing a framework for social innovation that helps drive the social economy towards more effective social inclusion strategies?

- Developing effective policies and strategies, and instruments for social investments in the social economy? (From start-up to growth/scaling, and consolidation)
- Strengthening the operational sustainability of social enterprise (staff and inclusion issues).



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