

Social Economy (France, 10-11 December 2012)

Preparing the ground for innovative responses to current challenges¹

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1. Introduction

The current climate, constrained by the impact of the economic and social crisis, is leading governments to overhaul their policies. In this context, the social economy, which has shown its ability to withstand economic upsets and respond to new social challenges in recent years, is being considered with renewed interest at both European and national level. If the social economy has too often been seen primarily for its restorative dimension, the contribution of its organisations to employment and growth makes it an actor of economic development in its own right.

In the Europe 2020 strategy, the European Commission (EC) identifies the social economy as a lever for "smart, sustainable and inclusive growth". It has also shown an interest in including the social economy and social entrepreneurship as one of the twelve pillars of the Single Market Act adopted in April 2011.

The French authorities have also expressed the importance the sector represents by creating a ministry dedicated to the social economy attached to the Ministry of the Economy.

2. General presentation of the social economy in France

In France, the social economy, in the form of associations, cooperatives, mutual societies and foundations, includes almost 215,000 employers and 2.3 million employees. Altogether the sector represents nearly 10% of French GDP, with strong positions in the areas of social action, service activities, financial activities and education.

Representing 9.9% of all salaried employment in France and over 13.3% of private employment, the sector contributed 18% of the rise in people in employment between 2006 and 2008. In the period 2008-09, its dynamism and job creation remained higher than in the rest of the economy: +2.9% for the social economy, the net creation of over 60,000 paid jobs, compared with a fall of -1.6% in the private sector not functioning under social economy principles, and -4.2% in the public sector².

These figures highlight the importance of the social economy in the French socio-economic landscape, but are not sufficient to explain the development challenges facing the sector.

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² Observatoire National de l'ESS 2012, *Atlas commenté de l'économie sociale et solidaire*, Juris Editions et Éditions Dalloz, Hors-Série Jurisassociations, 2012 (available in French only).



These challenges are of three kinds:

- Ensuring better knowledge and recognition of its specific characteristics by public authorities and other economic actors;
- Favouring the generational renewal of its staff, as 600,000 people will retire by 2020;
- Adapting the legislative and financial framework to promote its development in a constrained economic context.

The appointment of a Minister for the Social Economy reporting to the Minister of the Economy and Finance in May 2012 bears witness to the French government's aim of establishing a renewed, ambitious policy in support of government objectives in the area of social cohesion and, more globally, employment and relaunching growth.

This policy, in line with the key actions of the Social Entrepreneurship Initiative launched by the European Commission in October 2011, is made possible by the support of several government departments, each contributing their own expertise. Special attention is given to funding companies in this field.

3. Public policy aiming to support the contribution of the social economy to social cohesion and reinforce the sector as an economic player

Since October 2009, when the then Prime Minister charged a parliamentarian, Francis Vercamer, with drafting a report on the possibilities and obstacles relating to the development of the social economy and social entrepreneurship, we have seen action by the public authorities in favour of this policy³.

The principle of a social economy act was recommended by the Higher Council for the Social Economy (*Conseil supérieur de l'économie sociale et solidaire*, CSESS) in May 2011. This forum for discussion between economic actors and government has since devoted work to various themes (economic development, governance, innovation, labelling, measuring social impact) that could feed into the act.

These first approaches were acknowledged by the new government, leading the Minister for the Social Economy to restate the French authorities' wish to provide a legislative basis for the social economy and policies to encourage its development before the Council Of Ministers on 5 September 2012⁴. The draft bill includes three main areas: improving recognition, structuring the sector and developing social enterprise.

2.1 Improving recognition of the social economy

This area is based on the work done in 2010 by Francis Vercamer's mission and on data produced by the actors themselves through work by regional and national observatories of the social economy and consideration of the introduction of teaching about the social economy in secondary schools and colleges.

a. Integration of social economy modules into teaching programmes

The government's roadmap provides for better training by incorporating modules on the social economy into school and college curricula and qualifications. This area builds on the report by Heinz Becker of the European

3 <http://www.ladocumentationfrancaise.fr/var/storage/rapports-publics/104000206/0000.pdf>, Annex 9, p.154 (available in French only).

4 <http://www.gouvernement.fr/gouvernement/le-soutien-a-l-economie-sociale-et-solidaire>(available in French only).



Parliament on the Social Business Initiative⁵, which calls for social entrepreneurship principles to be included in school teaching.

b. The national social economy observatory

The statistical observation system set up during the 2000s as part of a partnership initiated by the government, structured regional players (regional chambers of the social economy) and the National Institute for Statistics and Economic Studies (*Institut National de la Statistique et des Etudes Economiques*, INSEE) has given rise to the National Social Economy Observatory (*Observatoire national de l'Economie Sociale et Solidaire*) and enabled the social economy to be evaluated in terms of jobs and activities in France.

The Director General of INSEE was commissioned by the Minister of the Economy, Finance and Industry on 23 June 2011 to refine knowledge of the social economy sector, including a national survey of associations' economic activities. This mission is scheduled to take place during the 2013-14 period.

2.2 Structuring the social economy in terms of public policy

The goal of this area is to sustain consultative bodies such as the Higher Council for the Social Economy and set priorities for developing policies in which social enterprises have a specific role to play, such as the development of social innovation.

a. Reinforcing the role and missions of the national consultative body between social sector and the government

The Higher Council for the Social Economy (CSESS) is the national forum for consultation between the actors of the social economy and the government. The Council, whose principles were redefined in October 2010, gives the sector a space for dialogue which aims to provide momentum and support for the implementation of public policies in favour of the sector.

The Council studies and monitors all issues relating to the social economy. It can be consulted about draft legislation or regulations likely to affect organisations in the social economy at national, European and international level. It suggests measures designed to favour the development of structures in the social economy and helps promote the social economy and its innovations. It consists of three committees responsible respectively for economic development, European issues and studying governance and changes in the sector.

The draft bill currently being defined aims to provide a legislative basis for the body and to extend these prerogatives.

b. A definition of social innovation to guide the intervention policy for social economy funding

Social economy structures play an important role in developing social innovation in terms of both business governance and the responses provided to social needs. This relatively recent concept remains poorly defined, however, and social innovation is not recognised in the same way as technological innovation, which is an important lever for business growth.

Nevertheless, social innovation is one of the levers identified by the European Commission to "generate smart, sustainable and inclusive growth".

⁵ Draft report no. PE489.349v02-00, awaiting first reading by the European Parliament (single reading).



In 2011, a CSESS working group focused on the subject. It came up with proposals aiming to defend a wider vision of innovation and of public action to promote it, making local areas the first ecosystems to support social innovation and join the actors of social innovation together in a network.

Finally, the definition of social innovation will also find its place in the draft social economy bill, which will ultimately give it the legal recognition it currently lacks.

2.3 Public policy support for the development of the social economy

In a context of constrained public finances, the government intends in this area to support the development of the social economy from the point of view both of support and assistance with project engineering and of finance tools through a public investment bank, some of whose funds will be ring-fenced for the social economy and which can be based on the trials and practices piloted in the Future Investments Programme (*Programme d'Investissements d'Avenir*, PIA). Tools to support integration through employment will also be mobilised.

a. Support and engineering

Support for projects and their sponsors enables 70% of companies in the seed funding phase to survive five years after their creation, compared with 46% of companies as a whole.

The mechanisms to support the creation and development of social enterprises are a lever of security for new projects. These include local support mechanisms (*dispositifs locaux d'accompagnement*, DLA), mechanisms for assisting and advising structures developing socially useful activities. This system is funded by sponsors including the European Structural Funds (ESF)⁶.

An experimental approach, begun in five regions and funded to the tune of a million Euros in 2010-12, aims to identify and organise a global offer of services favouring the development of the social economy in a given area, from identifying support needs to creating, developing and consolidating projects.

b. A funding tool suited to the characteristics of the social economy

The structures of the social economy have specific legal, fiscal and organisational features, including indivisible reserves and no and/or very limited return on capital, which make access to the usual financial provision particularly difficult.

As part of the future investments programme (*Programme d'Investissements d'Avenir*, PIA)⁷, launched by the French government in December 2009 to reinforce productivity, innovation and business competitiveness but also to promote employment and equality of opportunity, the principle of a budget of 100 million Euros for the social economy was adopted.

This action aims to create and consolidate jobs within social enterprises and to create and develop innovative and alternative business models. Through the funds allocated by the PIA until 2014 up to 2,000 companies could benefit and

⁶ Report by the General Social Affairs Inspectorate (*Inspection générale des affaires sociales*) – 2010 Evaluation of DLA: in 2010 the DLA had a global budget of over 27 million Euros divided between the government (nearly 12 million), the *Caisse des Dépôts* (over 6 million), local authorities (over 4 million) and the European Social Fund (over 4 million).

⁷ <http://www.caissedesdepots.fr/activites/investissements-davenir/investissements-davenir.html> (available in French only).



favour the creation or consolidation of 60,000 jobs, including through integration via economic activity.

**c. Mobilisation of “jobs for the future” and “generation contracts”:
supporting job creation and ensuring generational renewal**

More than one social enterprise employee in four is due to retire by 2020. These retirements (608,000 people) affect executives and women in particular.

Two mechanisms adopted recently by the French government may help provide a response to this challenge.

The first, “jobs for the future” (“*les emplois d’avenir*”) offers employment opportunities and access to a qualification to young people with few or no qualifications who are finding it difficult to enter the job market. These jobs will mainly be created by employers in the non-profit sector, such as associations, in activities with proven social usefulness that are likely to offer long-term recruitment prospects. 100,000 jobs for the future will be created in 2013, with this figure rising to 150,000 in 2014. The government pays 75% of the young person’s salary for three years.

The second mechanism, the “generation contract” (“*contrat de génération*”), aims to promote employment in business for both young people and seniors, in order to help young people find work while protecting older people’s employment and encouraging skills transfer.

4. Financing instrument and innovative business models

4.1 The Future Investments Programme

As part of the Future Investments Programme (*Programme d’Investissements d’Avenir*, PIA), a budget of 100 million Euros has been allocated to fund social enterprises.

The provisions put in place in the co-funding agreement between the government’s chosen operator (the *Caisse des Dépôts et Consignations*) and the social economy funding organisations – chosen through a call for projects – meet social enterprises’ needs for equity or quasi-equity. The priority goal is to develop existing companies to promote the creation or consolidation of 60,000 jobs at nearly 2,000 companies through loans to be repaid by 2019 at the latest. These conditions will enable a leverage effect for the programme.

The future investments programme should emphasise projects that build structure in regions or in developing sectors of the social economy and favour projects that sponsor social innovation.

A review after eighteen months of activity shows the diversity of the sectors that have benefited. The businesses financed cover integration through economic activity, disability, integration through housing, popular education, social tourism, the health and social care sector, building, the environment, the automotive sector, medical imaging and IT services, illustrating the diversity of social enterprises. The integration of people in difficulties or people with disabilities accounts for nearly half of the projects. The legal forms are fairly evenly balanced between associations, cooperatives – cooperative and participatory societies (*Société Coopérative et Participative*, SCOP) and collective interest cooperative societies (*Société Coopérative d’Intérêt Collectif*, SCIC) – and simplified joint-stock companies (*Société par Actions Simplifiées*, SAS).



3.2 Innovative activities and business models in line with emerging social needs

a. Models taken from cooperative law

In its resolution of 18 December 2009, the United Nations (UN) declared 2012 the International Year of Cooperatives⁸, underlining the contribution made by cooperatives to economic and social development and, in particular, recognising their impact on poverty reduction, job creation and social integration.

In France, two forms of social enterprise have been created over the last ten years, providing especially innovative and well-suited responses to the current context.

One has involved the creation of a new legal status, the "collective interest cooperative society" (Société Coopérative d'Intérêt Collectif, SCIC). Within a multiple partnership that has to include a college of beneficiaries and a college of employees, the SCIC enables private economic projects to be associated with local authorities, which provide capital and take part in the company's decisions.

The second is distinguished by its original concept. It usually takes the form of a "cooperative and participatory society" (Société Coopérative et Participative, SCOP), and in a few rare cases a SCIC. The "business and employment cooperative" (Coopérative d'Activités et d'Emplois, CAE) enables a private individual to test a product or service in complete security, giving the project sponsor the status of an "employee entrepreneur".

b. Business and employment cooperatives

The special feature of these cooperatives lies in the security they offer project sponsors in their entrepreneurial approach by pooling resources and providing cooperative support.

"Business and employment cooperatives" (CAEs) are addressed primarily at anyone who, in creating their own company, aims chiefly to create their own job.

The activity of CAEs focuses on three areas:

- a legal, accounting and fiscal framework for the person's activity;
- employee status with a permanent contract;
- individual and collective support based on life-sized trials.

In exchange for these benefits, the employees contribute to the cooperative's operation by paying 10% of their turnover and taking part in participatory discussion groups.

The first of these cooperatives was created in 1995. They have since developed very quickly in France, where they now number 80, in both urban and rural environments.

The "business and employment cooperatives" currently host about 8,000 salaried entrepreneurs, who can choose to remain employed by the cooperative, create their own individual or cooperative company or join the membership of the CAE.

⁸ <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/469/99/PDF/N0946999.pdf?OpenElement>

