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

**SHORT REPORT**

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## Peer Review: Social Economy - laying the groundwork for innovative solutions to today's challenges

Held in Paris (France) on 10-11 December 2012, the Peer Review was hosted by the French Directorate General for Social Cohesion. In addition to the host country, ten peer countries were represented: Bulgaria, Cyprus, the Czech Republic, Germany, Greece, Hungary, Malta, the Netherlands, Romania and Slovenia. The stakeholder representatives were Eurodiaconia and FEANTSA. Taking part for the European Commission were representatives of DG EMPL.

### 1. The policy 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 2008-9, 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%.

A **Minister for the Social Economy** was appointed in May 2012, underscoring the French government's 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, the 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 with project engineering, 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 cooperative** created in France over the past ten years have proved particularly innovative. The Collective Interest Cooperative Societies (SCIC) have a multiple partnership structure, with representation of beneficiaries and employees. Local authorities can provide capital and take part in the SCICs' decisions.

Business and Employment Cooperatives (CAE) enable private individuals to test a product or service while retaining employee-style social security through a special “employee entrepreneur” status.

## 2. Key issues discussed during the meeting

French policy on the social economy is closely aligned with EU measures (see section 4). So this Peer Review took place in a broader European context. The main issues discussed were:

- What are the most effective measures for the **creation and development of social enterprises**?
- How can **better recognition of social enterprises** be achieved (for example, through education and public relations, as well as national and European observatories)?
- How can the **challenges for the future development of social enterprises** best be addressed?

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**.

## 3. Key learning elements

- **Social enterprises are accountable both to stakeholders and to society.** If this were fully understood, the image of social enterprises would improve.
- The social economy should be **more strongly linked to the European strategies for employment and social innovation.**
- The social economy has **different starting points in different parts of Europe.** There are some countries where it is already strong, others where it is newly emerging and others still where there is a strong non-profit sector but so far no real orientation towards social entrepreneurship. In each country, the social economy has specific historic roots. The **European-level approach** to this sector should be one of **preserving national specificities** while propagating **appropriate good practice**. There should be no attempt to transpose what is not transposable.

**Definitions** of the social enterprise vary between and even within countries. This could raise some issues for European-level promotion of the sector, and it was suggested that the standard EU criteria specifying its common characteristics should be used.<sup>1</sup> With regard to social enterprise, the European Commission in its Social Business Initiative uses the term 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,

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<sup>1</sup> See <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>

- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.
- Detailed definitions suggested by participants include those given by the European research network EMES for social enterprise.<sup>2</sup>
- In Europe, the idea has been gaining ground of building an **ecosystem** that incorporates all the elements a social enterprise needs in order to thrive. These may include **business incubators, training, various financial packages** and **promotion of the social economy through education and social marketing**. However, it was also emphasised that the social economy is a fully-fledged **third sector**, which should be 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 approach has already been adopted in the UK, where those funds were matched by substantial contributions from the big banks. **Crowd funding** (pooled individual investment in start-ups etc, usually via the Internet) may also be a promising source of finance for the social economy. The web based social investment initiative **myc4**, developed in Denmark to fund small businesses in Africa, could be a more widely applicable model.
- **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.
- Most social economy initiatives are driven by the **European Social Fund**. This can give rise to fears about **competition issues**, and there may be a need to develop **a more flexible range of support policies and financial packages**, as well as the appropriate orientations.
- **Institutional measures** needed to foster the social economy include **policy coordination between the ministries concerned**, as well as **ministry staff training** about the social economy.
- **Legislation** has made an important contribution to the development of social enterprise in 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.
- However, legislation on its own may give only a temporary boost unless there is follow-up. A **supply of social entrepreneurs** must be ensured, and accountants and lawyers have to be kept informed of the possibilities offered by social enterprise legislation.
- **Participative management** and **shared learning among managers about good practice** are essential in social enterprises. 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.

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<sup>2</sup> see [www.emes.net](http://www.emes.net)

- 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.
- **Cooperatives** 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 more negative reputation. International partnerships can help to restructure and restructure such cooperatives into more socially effective, member-based organisations.
- 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 cooperatives** 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.
- **Research**, for example through observatories, is important in order to gather data that can inform policy. The data should also be qualitative, in terms of demonstrating the **added value of the social economy**. Appropriate **metrics** should be developed, well adapted to smaller organisations. **More regular reporting of social indicators** in the sector is needed, and the Commission's **"Beyond GDP" initiative** should continue. **Regional inputs** and **scientific advisory committees** can help to ensure research quality.
- **Social marketing** techniques can 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 and "ambassadors", and social trademarks.
- **Preconditions for a thriving social economy** include developing a spirit of entrepreneurship and increasing public awareness of the strengths of the social economy, as well as overcoming legal and fiscal barriers and ensuring that social enterprises have good access to SME support structures. The sector needs to be owned and controlled by civil society actors through a **bottom-up approach** to the social economy. This can be linked to complementary **top-down enabling measures**, but State control of the sector should be avoided.

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

Across Europe, the social economy is a force for **social innovation**, and it delivers **better social outcomes**. So it is highly relevant to the EU's **Europe 2020 strategy**. This calls for a **smart, sustainable and inclusive economy**, promoting **employment, productivity and social cohesion**.

The **Europe 2020 flagship initiatives "Innovation Union" and "Platform Against Poverty and Social Exclusion"** make social innovation a priority.

Some **2 million European enterprises** (10% of the total) are part of the social economy. They have proved particularly **resilient** to the crisis. In the period between 2002-2003 and 2009-2010, the social economy's share of employment in Europe rose **from 11 million to 14.5 million jobs** (6.5% of the EU workforce). It has pioneered the **creation of new markets and new jobs** and it is a major contributor to the **European social model**. The activities of the European social economy range across healthcare, integration through work, culture, education, lifelong learning, environmental protection, IT, fair trade, tourism and community development. It

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promotes **sustainable development** and **social inclusion**, which are major aims of the Europe 2020 strategy.

The EU is already providing strong support for the social economy, and this is due to expand as part of Europe 2020. Among the European measures:

- Launched in 2011, the **Social Business Initiative** is an EU-level action plan to facilitate social economy enterprises' access to finance, raise their visibility and improve the legal framework for them.
- The **European Social Fund** has been supporting the social economy for more than 50 years now. Between 2007 and 2013, it will have provided 6bn EUR for socially innovative approaches (social inclusion, inclusive employment, education and training). The new draft European Social Fund regulation proposes to incentivise social innovation and transnational cooperation through a higher co-funding rate. And it includes a new specific investment priority for the social economy. The **Youth Opportunities Initiative** (2012-2013) promotes youth employment through greater use of the ESF to "support schemes for young business starters and social entrepreneurs".
- Drawing together three current programmes, the draft regulation on the **Programme for Social Change and Innovation** provides for a budget of some 960m EUR over a six-year period of which 60% has been earmarked for the Progress sub-programme. At least 17% of this shall be allocated to promoting social policy experimentation<sup>3</sup>.

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<sup>3</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0609:FIN:EN:PDF>