



European  
Commission

# The **Social Business Initiative**

of the European Commission



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# The Social Business Initiative of the European Commission



## President of the European Commission, José Manuel Barroso:

*"Social business can be indeed a very powerful agenda for change. To deliver better outcomes for the common good. To show that it is possible to do things more responsibly and more fairly, whilst still being a success on the market. And to become a real engine of growth in the EU. Europe must not only be part of these changes. Europe should be in the lead."*



## Vice-President of the European Commission Antonio Tajani, in charge of Industry and Entrepreneurship:

*"Social business is one of the pockets of untapped potential in our Single Market. Social business is a good example of an approach to business that is both responsible and contributes to growth and jobs."*



## Commissioner Michel Barnier, in charge of Internal Market and Services:

*"Social enterprises pursue objectives of social, ethical or environmental development, but they have also to respect an economic model. They must balance their accounts and win enough money in order to be able to invest in the future."*



## Commissioner László Andor, in charge of Employment, Social Affairs and Inclusion:

*"The Social Business Initiative is an invitation to national and regional governments and stakeholders to develop eco-systems for social enterprise, to strengthen efforts at national and regional levels, and to make best use of the structural funds and other available sources of support."*

### Social economy in the European Union:

- 10% of the European economy (GDP).
- More than 11 millions of workers, 4.5 % of the active EU population.

### Social Entrepreneurship in the European Union:

- 7.5 % of the active population in Finland, 5.7 % in the United Kingdom, 5.4 % in Slovenia, 4.1 % in Belgium, 3.3 % in Italy, 3.1 % in France, etc.
- 1 out of 4 new enterprise set-up every year in the European Union, and up to 1 out of 3 in Finland, France and Belgium.

# What is social business?

## Why is it important for the European Union?

A **social business/social enterprise** is an undertaking:

- whose primary objective is to achieve social impact rather than generating profit for owners and shareholders,
- which uses its surpluses mainly to achieve these social goals,
- which is managed by social entrepreneurs in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

The **main objective** of social businesses is to generate a significant impact on society, the environment and the local community.

Social enterprises contribute to smart growth by responding with social innovation to needs that have not yet been met. For instance, many social enterprises take it for granted to encourage workers to learn and update their skills.

They also create sustainable growth by taking into account their environmental impact and by their long-term vision. For example, social enterprises often develop efficient ways to reduce emissions and waste or use natural resources.

In addition, social enterprises are at the heart of inclusive growth due to their emphasis on people and social cohesion: they create sustainable jobs for women, young people and the elderly.

In other words, their key aim is to effect social and economic transformation which contributes to the objectives of the Europe 2020 Strategy.



# Examples of social businesses

## Why are they so successful?

- In **Romania**, a company with five members of staff and five volunteers has been working since 1996 to provide cultural services in the Romanian language to approximately 90 000 blind people by adapting media (especially audio books and films) to their needs.
- In 2004, in **France**, a business launched an innovative concept of water-free car washing services by using biodegradable products and employing unqualified or marginalised staff in order to reintegrate them in the labour market.
- In **Hungary**, a foundation set up a restaurant employing disabled staff (40 employees) and provided them with training and childcare to ensure the transition to stable employment.
- In **The Netherlands**, a company teaches reading using innovative digital tools and a method based on playing. This method is particularly suitable for hyperactive or autistic children but can also be used for illiterate people and immigrants.
- In **Poland**, a social cooperative comprising two associations employs long-term unemployed and disabled staff. It provides a variety of services: catering and food services, small construction and handicraft jobs and employability training for disadvantaged people.

Employees feel good about their work and this reflects on other people and their surroundings. Not only does the staff's attitude provide reliability and consistency in the business' work, but a tremendous impact can be made without necessarily requiring the resources of a 'standard' business: employees are half less likely to take sick leave or to leave the business for good, which saves costs. In addition, the management and administration costs are lower than in many of their counterparts and wages are more moderate than in other types of business.

This gives social businesses a competitive advantage in the market. Furthermore, the profit made by the business is reinvested into the business, which makes social enterprises viable long-term investment opportunities.



# Social Business Initiative

## What has been achieved so far?

The Social Business Initiative launched in 2011 identified three strands of action to make a real difference and improve the situation on the ground for social enterprises:

1. Improve the access to finance
2. Give more visibility to social enterprises
3. Optimise the legal environment

Since then, a lot has been achieved. The EU institutions have delivered in all three areas. The event **“Social Entrepreneurs – Have your Say!” in Strasbourg on 16/17 January 2014** provided the platform both to take stock of the achievements so far and to identify useful actions for the future. Here is an overview over what has been accomplished.

### 1. IMPROVED ACCESS TO FINANCE FOR SOCIAL ENTERPRISES:

- **Public money** has been mobilised to help social enterprises. The **Employment and Social Innovation programme** has been made available to social enterprises to support the development of the social investment market with €85m and to facilitate their access to finance through quasi-loan instruments from 2014-2020. For the same period, the **Structural Funds** have been reformed to enable Member States to earmark structural funds to finance social enterprises.
- But the sector also needs **private investments**. This is why Europe has established the instrument of a **European Social Entrepreneurship Fund** to help social enterprises get easier access finance and aid investors to identify investments in social business. This EU passport is available to investors from July 2013. To further improve access to private capital, the Regulation on **Venture Capital Funds** creates a new “European Venture Capital Fund” label and to allow marketing and growing of this type of funds across the EU and grow while using a single set of rules.
- **Social Stock Exchanges** are also being developed further to create a European platform that allows the trading of shares in social enterprises on a Financial Services Authority regulated stock exchange. At the same time work is being carried out at to tap into additional financing methods. In October 2013, a ‘Code of Good Conduct for **Micro-credit** Provision’ was published to enable the sector to face the challenges of accessing long-term finance. In addition, **crowd funding** is growing in importance. Work is being carried out to collect more information on internet-based fundraising across Europe and to identify what added value EU action could bring.

More details on all initiatives to improve access to finance:

[http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

## 2. MORE VISIBILITY FOR SOCIAL ENTERPRISES:

- In order to give social enterprises more visibility, the online platform **Social Innovation Europe** was set up. It also helps social entrepreneurs communicate and share information on the latest events happening in the field. Another enabling tool is funding provided via Youth in Action, Erasmus and other education programmes, to **educate and train** social entrepreneurs in Europe. The **SME Forum** which was set up in 2010 achieves the same objective. The forum is a platform for dialogue and understanding between SMEs, social enterprises and financial institutions, to discuss problems each face and find ways in which they can work together for the future.
- At the same time, it is important to **assist national authorities** to understand the sector so that they can support the local and national ecosystems of social enterprise. Between 2014 and 2020, help will be provided to set up and improve schemes supporting social enterprise. The recently published '**Guide to Social innovation**' will also contribute to this objective. On top of this, a **mapping exercise** is currently underway to give a clearer picture of the sector and gather sufficient and reliable data on social enterprises to identify potential EU actions to enhance social entrepreneurship. Subject of the results of this mapping exercise, a database comparing **social enterprise labels and certifications** will be created to have more transparency on the actual social impact of companies with social enterprise initiatives.

More details on all initiatives to enhance visibility:

[http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

## 3. OPTIMISED LEGAL ENVIRONMENT:

- To improve the legal environment, a first aspect is how authorities can take into account the specificities of social enterprises. The **public procurement reform package** adopted early 2014 encourages and enables public authorities to consider the full life-cycle of products in their purchasing decisions taking into account social criteria linked to the production process. In the same vein, the Services of General Economic Interest package introduced in 2011 gives more proportionality and flexibility to public authorities when providing **state aid to social enterprises**, by raising the threshold exempt from EU notification for public service compensations to 500,000 € per undertaking over a three-year period.
- Another important aspect is the offer of **legal forms** that can cater for the specific needs of social enterprises. This is why the Commission adopted a proposal for a **European Foundation** to facilitate cross-border activities of public benefit foundations. This project is currently being negotiated between Member States. Another legal form is **European Cooperative Society** which is already available. The Commission carried out a public consultation in order to simplify the existing statute and make it more user-friendly. A third legal form often used by social enterprises is the mutual. The Commission currently looks at legislative and non-legislative options to see how the current situation of **mutuals** in Europe can be improved.

More details on all initiatives to improve the legal environment:

[http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

