



**European Economic and Social Committee**

# **Recent evolutions of the Social Economy in the European Union**

## Executive summary

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## **EXECUTIVE SUMMARY**

### **TABLE OF CONTENTS**

Preface

1. Introduction and objectives

2. The social economy concept and the main theoretical approaches

3. The social economy and related emergent concepts in Europe

4. Public policies towards the Social Economy at the European level in the recent period (2010-16)

5. Public policies towards the Social Economy at the national and regional level in Europe in the recent period (2010-16)

6. A comparative analysis of the new national legislation on the Social Economy in Europe

7. The weight of the Social Economy in the 28 EU Member States

8. Methods and indicators to evaluate the Social Economy and its impact

9. Conclusions

Bibliography

Appendix 1. Correspondents of the study

Appendix 2. Questionnaires per country

Appendix 3. Glossary

## **INTRODUCTION AND OBJECTIVES**

### **1.1. Objectives**

The general objective of the Report is to study the recent evolution of the social economy (SE) in the European Union (UE) and its 28 member states. It focuses in three areas: firstly, the social economy and the emergent concepts/movements related to the space between states and market/for profit businesses, secondly, the public policies in their large sense built both at the EU and the Member countries in recent years to enhance the social economy sector and thirdly, sizing the weight of the social economy in each EU Member country. This research is not only an update of the studies entitled “The Social Economy in the European Union” published in 2008 and in 2012 by the European Economic and Social Committee, carried by CIRIEC but also an analysis and assessment of recent evolution in this field in Europe. In order to provide answers to the research topics, the project was structured around three areas.

Under the first area, the conceptual one, the research made an overview of the emergent concepts, comparing them with the EU established concept of social economy and to identify their challenges.

In the second area, the policies area, the research focused on the policies deployed by governments, at the European level and at the national level towards the social economy in the recent period (2010-16). The environment and the ‘ecosystem’ of the social economy are key factors, as they can facilitate the development of the social economy entities or can be an external barrier to them. The project formulated a framework to categorize all these policies. It features a review of the main initiatives deployed at the EU and national levels, a comparative analysis of the new national legislation on the Social Economy and an assessment of their impact in Europe.

The third area is the statistical area. Its central goal is to provide quantitative data of the social economy in the 28 Member States, following the same method used in the two former researches carried by CIRIEC for the EESC. It also studies the recent developments in the statistics and the available data around Europe.

An important related objective is to provide references for the European Economic and Social Committee in relation to the part it can play as regards support for the Social Economy and, thereby, democracy and social dialogue. This is done notably by delivering quantitative data about the European Social Economy, by identifying the main public policies that address the Social Economy in Europe and the main organs for coordination and social dialogue between general government and the organisations that represent this sector.

### **1.2. Methods**

The Report has been directed and mainly written by Rafael Chaves and José Luis Monzón of CIRIEC, advised by a Committee of Experts, who discussed the entire work schedule, methodology and the proposed final Report with the directors. Those experts helped the authors to identify the different

classes of companies and organisations that form part of the Social Economy in each of the European Union member states.

With regard to the methods themselves, the first part of the Report takes the definition of the business or market sector of the SE given in the European Commission Manual for drawing up the satellite accounts of co-operatives and mutual societies as the basis for establishing a definition of the SE as a whole that is intended to achieve wide political and scientific consensus.

Concerning the second of the Report's objectives, a major field study was conducted in March and April 2017 by sending out a questionnaire to the 28 member states of the EU. It was sent to privileged witnesses with an expert knowledge of the SE concept and related areas, and of the reality of the sector in their respective countries. These experts are university researchers, professionals working in the federations and structures that represent the SE and highly-placed national government civil servants with responsibilities in relation to the SE. The results have been highly satisfactory, as 89 completed questionnaires have been collected from 28 countries in the EU (See Appendices 1 and 2).

The identification of public policies was done through consulting the Committee of Experts and sector experts, through information supplied in the questionnaires and through discussions with the Committee of Experts.

## **THE SOCIAL ECONOMY CONCEPT AND THE MAIN THEORETICAL APPROACHES**

### **2.1. Present-day identification and recognition of the Social Economy**

The most recent conceptual definition of the social economy, drawn up by its own members, can be found in the *Charter of Principles of the Social Economy* of Social Economy Europe, the European-level association that represents the social economy. These principles are:

- primacy of the individual and of the social objective over capital
- voluntary and open membership
- democratic control by the membership (does not concern foundations as they have no members)
- combination of the interests of members/users and/or the general interest
- defence and application of the principle of solidarity and responsibility
- autonomous management and independence from public authorities
- use of most of the surpluses in pursuit of sustainable development objectives, services of interest to members or the general interest.

### **2.2. A definition of the Social Economy that fits with the national accounts systems**

The definition proposed, as already set out in the 2012 Report, is as follows:

"The set of private, formally-organized 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, or at all events are decided through democratic, participatory processes. The social economy also includes private, formally-organized entities with autonomy of decision and freedom to join 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".

**Table 2.1. Social economy operators by ESA 2010 institutional sector**

| ESA 2010 INSTITUTIONAL SECTOR |  | SE ENTERPRISES AND MICROECONOMIC ORGANISATIONS   |
|-------------------------------|--|--|
| MARKET PRODUCERS              | Non-financial corporations (S11)                 | <ul style="list-style-type: none"> <li>• Co-operatives (workers, agrifood, consumers, education, transport, housing, healthcare, social etc.)</li> <li>• Social enterprises</li> <li>• Other association-based enterprises</li> <li>• Other private market producers (some associations and other legal persons)</li> <li>• Non-profit institutions serving social economy non-financial organisations</li> <li>• Non-financial corporations controlled by the social economy</li> </ul> |
|                               | Financial corporations (S12)                     | <ul style="list-style-type: none"> <li>• Credit co-operatives</li> <li>• Mutual insurance companies* and mutual provident societies</li> <li>• Insurance co-operatives</li> <li>• Non-profit institutions serving social economy non-financial organisations</li> </ul>  |
|                               | General government (S13)                         | —  |
| NON-MARKET PRODUCERS          | Households (S14)**                               | <ul style="list-style-type: none"> <li>• Non-profit institutions serving households that are not very important</li> </ul>   |
|                               | Non-profit institutions serving households (S15) | <ul style="list-style-type: none"> <li>• Social action associations***</li> <li>• Social action foundations***</li> <li>• Other non-profit organisations serving households (cultural, sports, etc.)</li> </ul>  |

(\*) Excluding social security system management organisations and, in general, mutual societies of which membership is obligatory and those controlled by non-social economy companies.

(\*\*) The Households sector (S14) includes sole traders and general partnerships without legal personality that are market producers and do not belong to the social economy. It also includes nonprofit organisations of limited size ("not very important") that are non-market producers and do form part of the social economy.

(\*\*\*) Non-profit organisations that are private non-market producers, with voluntary membership and participation and strategic and operative autonomy, and whose purpose consists in achieving social welfare objectives through supplying or providing goods and social or merit services, free of charge or at prices which are not economically significant, to persons or groups of persons that are vulnerable, socially excluded or at risk of exclusion. These organisations make up the *Social Action Third Sector*, which, obviously, forms part of the SE.

### 2.3. Main theoretical approaches related to the social economy

#### **The Non-Profit Organisation (NPO) concept**

The modern concept of the non-profit sector has been more precisely defined and disseminated widely throughout the world by an international research project which began in the early 1990s, spearheaded by Johns Hopkins University (Baltimore, USA), to discover and quantify its size and structure, analyse its development prospects and evaluate its impact on society.

The organisations that this project examines are those that met the five key criteria in the 'structural-operational definition' of non-profit organisations. They are, therefore:

- a) *Organisations, i.e. they have an institutional structure and presence.* They are usually legal persons.
- b) *Private, i.e. institutionally separate from government, although they may receive public funding and may have public officials on their governing bodies.*
- c) *Self-governing, i.e. able to control their own activities and free to select and dismiss their governing bodies.*
- d) *Non-profit distributing.* Non-profit organisations may make profits but these must be ploughed back into the organisation's main mission and not distributed to the owners, founder members or governing bodies of the organisation.
- e) *With voluntary participation, which means two things: firstly, that membership is not compulsory or legally imposed and secondly, that they must have volunteers participating in their activities or management.*

#### **The Solidarity Economy approach**

The 'solidarity economy' concept has been developing in France since the last century 80's. For this approach the economy revolves around three poles: the market, the State and reciprocity. These three poles correspond to market, redistribution and reciprocity principles. The latter refers to a non-monetary exchange in the area of primary sociability that is identified, above all, in associationism.

In short, the economy is plural in nature and cannot be reduced to strictly commercial and monetary terms. The solidarity economy approach is an unprecedented attempt to hook up the three poles of the system, so specific solidarity economy initiatives constitute forms that are hybrids between the market, non-market and non-monetary economies. They do not fit in with the market stereotype of orthodox economics and their resources, too, have plural origins: market (sales of goods and services), non-market (government subsidies and donations) and non-monetary (volunteers).

As well as this concept of the solidarity economy, which has its epicentre in France, another view of the solidarity economy with a certain presence in some Latin American countries sees it as a force for social change, the bearer of a project for an alternative society to neo-liberal globalisation. Unlike the

European approach, which considers the solidarity economy to be compatible with the market and the State, the Latin American perspective is developing this concept as a global alternative to capitalism.

### Other approaches

Related to the approach described in the previous paragraph, other theoretical developments directly propose replacing market economies where the means of production are privately-owned with other ways of organising the production system. These approaches include: a) the *alternative economy*, with roots in the anti-establishment movements that developed in France after May 1968; and b) the *popular economy*, promoted in various South American countries since 1980 with very similar views to the Latin American version of the solidarity economy, so much so that it is also termed the *solidary popular economy*. The popular economy excludes any type of employer/employee relationship and considers labour the main factor of production.

## THE SOCIAL ECONOMY AND RELATED EMERGENT CONCEPTS IN EUROPE

### 3.1. Social enterprises, social entrepreneurship and social innovation

The European Commission defines the social enterprises as **integral part of the social economy**: “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 [sic] 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 an open and responsible manner and, in particular, involve [sic] employees, consumers and stakeholders*” (Communication from the European Commission, *Social Business Initiative*, COM/2011/0682 final of 25/10/2011). This Communication of the Commission also identifies the social enterprises’ main fields of activity: a) businesses providing social services and/or goods and services to vulnerable persons and b) businesses that pursue the employment integration of people with employability difficulties, but whose activity may be outside the realm of the provision of social goods or services.

For their part, the different North American currents of thought concerning social enterprises may be grouped into two main approaches: ‘earned income’ and the ‘social innovation’ school promoted by the Ashoka Foundation set up by Bill Drayton in 1980.

The **social innovation** approach emphasises the individual role of the **social entrepreneur**, who adopts a mission to create and sustain social value (not just private value), recognises and pursues new opportunities to serve that mission, engages in a process of continuous innovation, adaptation and learning, acts boldly without being limited by resources currently in hand and exhibits a heightened sense of responsibility and accountability to the constituencies served and for the outcomes created. In short, social entrepreneurs carry out a social mission and the impact related to the mission (rather than creating wealth) is the core criterion for gauging a social entrepreneur. In the social innovation approach, the form of ownership of the social enterprise (public, capital-based or social economy) is secondary and the key figure is the social entrepreneur, as the main person responsible for entrepreneurship and social change.

**Table 3.1 Similarities and differences between the concepts of social enterprise, social entrepreneurship and social innovation**

| DIMENSIONS                             | EMES approach  | Earned Income school   |   | Social Innovation school  |
|--|--|--|---|---|
|  |  | Commercial Nonprofit   | Mission-driven Business   |   |
| <b>ECONOMIC AND BUSINESS DIMENSION</b> | Nature of the economic activity closely related to the social mission  | Nature of the economic activity not related to the social mission  |   | Nature of the economic activity closely related to the social mission     |
|  | Economic risk: financial sustainability based on a mixture of market revenue (commercial income) and non-market revenue (grants, subsidies, donations) | Sustainability based on commercial income  |   | Sustainability based on a mixture of market and non-market revenue        |
| <b>SOCIAL DIMENSION</b>                | Explicit objective of benefiting the community or creating social value  | Objective of benefiting the community guaranteed by reinvesting all profits  | Objective of benefiting the community is not guaranteed                   | Explicit objective of benefiting the community                            |
|  | Collective dynamics  | No mention of individual or collective entrepreneurship  | No mention of individual or collective entrepreneurship                   | Primacy of individual initiatives   |
|  | Limited distribution of profits allowed (non-profit and for-profit organisations)  | Profit distribution forbidden (non-profit organisations)   | Distribution of profits allowed (non-profit and for-profit organisations) | Distribution of profits allowed (non-profit and for-profit organisations) |
| <b>PARTICIPATIVE DIMENSION</b>         | Autonomy   | Not specified, but autonomy from public organisations appears to be guaranteed by self-sufficiency, though autonomy from the private organisations that founded them is not. |   | Not specified as such, but autonomy is implicit                           |
|  | Democratic decision-making   | Democratic decision-making is not a requirement  |   | Democratic decision-making is not a requirement                           |
|  | Participative decision-making  | Participative decision-making is not a requirement   |   | Participative decision-making is not a requirement                        |

Source: Monzón y Herrero (2016).

### 3.2. Collaborative Economy, Related Concepts, and Social Economy

A new concept that has firmly established itself since the start of the 21st century is that of the “collaborative economy”, which refers to very wide range of activities linked to the fields of consumption, production, finance, education, and even governance. In its Communication called “A European agenda for the collaborative economy” (COM/2016/0356 final - 02/06/2016), the European Commission defines the collaborative economy as “business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals”. The Communication identifies three categories of actors involved in the collaborative economy: a) service providers — private individuals or professionals; b) the users of these services, and c) intermediaries that connect — via an online platform — providers with users and that facilitate transactions between them (“collaborative platforms”). The Communication ends by noting that collaborative-economy transactions do not involve a change of ownership and can be carried out for profit or not-for-profit.

While they are not crucial to the collaborative economy's current boom, *collaborative platforms* are playing a very important role. Their main functions are: a) creating the platform connecting the supply and demand of goods; b) creating the mechanism allowing economic transactions to be made electronically, and c) creating verification mechanisms that minimise the transaction risks and costs associated with dealing with strangers. In summary, the collaborative economy uses information technology to reduce information asymmetries and the transaction costs of the goods and services exchanged or shared, as well as to broaden and deepen collaborative markets.

Various cooperative platforms are also being developed in Europe. LAMA and Cooperatives Europe conducted a study of 38 cases from 11 European countries and 3 initiatives from outside the European Union. In its conclusions, the study points out both the new opportunities for expansion offered to cooperativism in the area of the collaborative economy and the obstacles and barriers facing it, which include funding problems and the small size of co-operatives promoting collaborative-economy initiatives, which cause them to lose part of their efficiency.

### 3.3. The Economy for the Common Good and the Social Economy

The Economy for the Common Good ((ECG) (1) is a socioeconomic and political movement founded by Austrian economist Christian Felber in 2010. The ECG model's central proposition is that the economy should be at the service of people, i.e., of the common good. The ECG is based on the values recognised by all people as universal: human dignity, solidarity, ecological sustainability, social justice, transparency, and democratic participation. The ECG model is cross-disciplinary and applicable to all kinds of companies and organisations.

In order to acknowledge the contribution to the common good of the companies and entities that make up the economic system, a specific method is used based on the Common Good Balance (CGB), the Common Good Matrix (CGM), the Common Good Report, and the Common Good External Audit.

### 3.4. Circular economy and the social economy

The circular economy model consists of replacing a linear economy, based on the take-make-use-dispose model, with a circular one in which waste can be transformed into resources so the economy can become more sustainable and reduce its negative environmental impact through improved management of resources and reducing extraction and pollution. At the same time, the circular economy allows companies to achieve competitive advantages thanks to better management of raw materials, offering new economic opportunities in new markets and enabling new jobs to be created locally.

The circular economy and the social economy meet at numerous major points. Both models place individuals and sustainable development at the centre of their concerns. In the circular economy, as in the social economy, a key factor of its success consists in strengthening creative and innovative capacity at local level, where relations of proximity constitute a decisive component. In other words, values and principles of the cooperative movement and the social economy, such as links with the local area, inter-cooperation, or solidarity, are decisive pillars for guaranteeing sustainable development processes in their triple dimension: environmental, economic and social. It is no accident that in Europe, the social economy was a pioneer of the circular economy in reusing and recycling waste, in energy and in agriculture. More recently, cooperative platforms in the collaborative economy sphere are well-known examples of initiatives that help to preserve and improve natural capital, optimise the use of resources and foster system efficiency. The European Commission itself, in its *EU action plan for the circular economy*, recognised that social economy enterprises will make “a key contribution to the circular economy”.

### 3.5 Corporate social responsibility, corporate citizenship and the social economy

In 2011 the European Commission published its green paper on *Promoting a European framework for Corporate Social Responsibility* and defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

One concept very much linked to CSR is *Corporate Citizenship* (CC). The theories on CC suggest that a company should not only take on responsibilities towards shareholders and stakeholders, but that the company itself should get involved with society. The company must act like a “good citizen”. Although the initial definition of CSR was restricted to a company’s good practices directly related to shareholders and stakeholders, the new definition of CSR from the European Commission literally identifies with the 10 principles of the United Nations Global Compact (COM (2006) 136 final, point 2), so the conclusion may be drawn that the two concepts are equivalent at least in the Commission’s agenda.

The principles of the social economy, inspired by the co-operative principles, are none other than the application of CSR in all its aspects, it can be stated that the social economy has been a pioneer in applying CSR since CSR is an integral part of the values and operating rules of the social economy.

### 3.6 National recognition of the concept of social economy and related emergent concepts

- *Countries in which the concept of the social economy is widely accepted:* In Spain, France, Portugal, Belgium and Luxembourg, the concept of Social Economy enjoys greatest recognition by public

authorities and in the academic and scientific world, as well as in the social economy sector itself. The first two countries stand out: France is the birthplace of this concept, and Spain approved the first European national law on the social economy in 2011.

- *Countries in which the concept of the social economy enjoys a moderate level of recognition:* These include Italy, Cyprus, Denmark, Finland, Sweden, Latvia, Malta, Poland, the United Kingdom, Bulgaria, Greece, Hungary, Ireland, Romania and Slovenia. In these countries the concept of the social economy coexists alongside other concepts, such as the non-profit sector, the voluntary sector and social enterprises. In the United Kingdom, the low level of awareness of the social economy contrasts with the government's policy of support for social enterprises.

- *Countries where there is little or no recognition of the concept of the social economy:* The concept of the Social Economy is little known, emerging or unknown in the following countries: Austria, the Czech Republic, Estonia, Germany, Latvia, Lithuania, Malta, the Netherlands, Slovakia and Croatia. The related terms non-profit Sector, voluntary Sector and non-governmental organisations sector enjoy a relative greater level of recognition.

What regards to the related emerging concepts, the most well known in the EU countries are 'non-profit', 'third sector', 'civil society and voluntary sector', 'corporate social responsibility', 'social enterprises' and 'social innovation'. Another ones as 'circular economy' or 'collaborative economy' show an upward trend in the knowledge levels in most of the UE countries, while the concepts 'economy of the common good' and 'solidarity economy' find difficulties making their way in many EU countries, where they are scarcely or not known.

## **PUBLIC POLICIES TOWARDS THE SOCIAL ECONOMY AT THE EUROPEAN LEVEL IN THE RECENT PERIOD (2010-16)**

### **4.1 Rules: statutes and regulatory frameworks**

Between 2009 and 2017 several initiatives have been activated by European Institutions towards the social economy, or more exactly for social enterprises who are part of the social economy, opening a new period of European Public Policies. Concerning legal forms, few advances have been done. The projects of the European Mutual Society Statute and the Statute for a European Foundation (EF) were discussed but finally were withdrawn, lack of institutional support. Currently the European Parliament has taken the legislative initiative to work on a Statute for social and solidarity-based enterprises.

Concerning regulatory frameworks and legal barriers to the development of social economy entities, until recently, insufficient attention to the specific features of social economy organisations, have been taken in the Directives approved. The application of competition policy was the priority. More recently, to mitigate this regulation framework, in 2012, the Commission adopted the De Minimis Regulation for the field of Services of General Economic Interest (SGEI). And in 2014, the public procurement reform package was approved. It allows to public authorities for the insertion of certain social clauses in procurement procedures and terms of reference. However, it has had little impact. In the context of regulatory framework, an emergent barrier has been developed considered a qualitative austerity policy. It is related to the manner of relation between public sector and SE entities. It is not only the problem of

the increase in bureaucracy but also in delays, procedures of applying and implementing and other exigencies, that complicates, even precludes, the collaboration of the third sector with the public sector. Efforts at the European and national government level have been done to enhance cognitive dimension and participation of civil society, such as, European Conferences organized by Presidencies of the Council of the European Union or within the framework of a Presidency, the successive EESC Opinions, the initiatives and opinions of the European Parliament Social Economy Intergroup and in some cases also those of the Committee of the Regions, or even the Commission itself. The last one has taken in Madrid (23.5.2017) with the adoption of the 'Madrid Declaration' with a high impact in Medias and in social networks. However, to increase social visibility and social receptiveness it needs to go from the macro level to the micro level. In addition, in this way, the social fabric of the societies, its social capital of networks is a key factor. As it was appointed in previous reports European programmes based on ESF have had a wide-ranging structuring effect, both nationally and internationally, in joining up and strengthening the European social economy in terms of federations, networks, research, culture and policies. But on another hand, EU funds and programs find high difficulties in be accessible to the local networks.

As it was appointed before, another issue is the visibility and recognition of the conceptual definition of the social economy field. The periodic deployment of 'neoconcepts' (see chapter 3 of this report) doesn't help. In the seventies the multiplicity of terms related to social economy was the Third system, civil society and non-profit. In the context of the economic crisis, a new wave of concepts have emerged, as the social enterprises, collaborative economy and economy of the common good. We must emphasize that these issues not only hidden lack of consensus on the designation to be employed but also a hidden policy to not advance in this field.

#### **4.2. Hard policies: funds and policy field policies**

2011 saw an important shift in the European Commission's political agenda regarding the social economy, or more precisely, social enterprises. The Commission began to deploy the "*Social Business Initiative* (SBI). Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation" (COM(2011) 682 final). The SBI listed the policy agenda of the European Commission with 11 key actions. One axis is *improving private and public funds*. To enhance interest of private investors on social enterprises, Regulation 346/2013 on European social entrepreneurship funds (EuSEF) was approved. The Programme for Employment and Social Innovation (EaSI) was established in collaboration with other financial initiatives as the EaSI Guarantee Instrument, the EaSI Capacity Building Investments Window and the Social Impact Accelerator (SIA). Concerning *public funds*, the goal of 'promoting social economy and social entrepreneurship' is translated to FEDER and ESF. However, a European budgetary policy specifically for the social economy did not get off the ground and is still waiting. The recent Declaration of Madrid (23.5.2017) continues to claim it.

Our study with the correspondents has revealed the importance of the main financial instrument of the EU, the ESF. International congresses and networks, the LEADER initiative and the European directives and legislation have proved also key measures. The first revealed as a tool to generating structuring and cognitive effects such as coordinating the civil society of Europe's social economy The new tools established recently (EFSI, Easi, COSME, etc.) have revealed a little or no impact, especially for the Mediterranean and Eastern EU countries. Studies assessing the impact of the new policies are needed.

## **PUBLIC POLICIES TOWARDS THE SOCIAL ECONOMY AT THE NATIONAL AND REGIONAL LEVEL IN EUROPE IN THE RECENT PERIOD (2010-16)**

### **5.1. New national legislations on the social economy**

Over the past seven years, most of the European countries have paid attention to law-making concerning the social economy. Specific laws on social economy have been passed at national level in Spain (2011), Greece (2011 and 2016), Portugal (2013), France (2014) and Romania (2016) and at regional levels in Belgium (Wallonia, Brussels and Flanders) and Spain (Galicia). A comparative analyse of them could be found in a specific chapter in this report.

Additionally, new bills, drafts and other institutional initiatives as systems of accreditation, labels and large national multi-annual have emerged in this period revealing an increasing interest of the governments for this field. Additionally, reforms for specific groups of the social economy (as social third sector, third sector social enterprises, cooperatives and other) have also been approved, as the ones in Italy and Spain.

The regulation of the social economy with new legal forms is not an advance in itself for fostering the social economy, beyond its institutional recognition (Noia, 2017). As the European Cooperative Statute or the Spanish Law on Social Economy until recently, the effects could be too reduced if the law is not accompanied by other measures.

### **5.2 National and regional action plans and targeted financing**

National and regional action plans are key policies to boost social economy. They are large agreement between different actors, mainly between the government and the social economy / third sector representatives, but also including trade unions, universities and other, whose aim is to improve their mutual relationship for mutual advantage in a long-term period. They include generally stable funding frameworks, participative and consultative schemes, strategic fields to develop and improvements in relationships and societal change.

At the regional and local level, in the last decade good practices were developed in the regions of Andalusia and Murcia in the south of Spain, reaching the higher rates of development of cooperatives in the country and in several regions of France and Belgium (Chaves and Demoustier, 2013). In this decade, other good practices could be found in France with the Territorial pole of economic cooperation (PTCE) recognized by the new French Law on social economy or the local plans to foster social and solidarity, as the Barcelona one.

At the national level and generally in cooperation with the European structural funds, several national action plans have been established in recent years. They are the cases when operational programmes of European funds are targeted on social economy and social inclusion. In the Table 5.2, the main national plans are identified. Three key success factors are relevant: first, their multiannual and holistic framework, secondly, their partnership conception between government, social economy and other stakeholders, that ensure that real needs and priorities are met, and thirdly, the structuring and inclusive effect of the European structural funds around Europe. This later is a key lesson to EU policy makers.

Table 5.2 – National plans that boost social economy established in European countries (2011-2016)

| <b>Country</b>        | <b>National Plan</b>  |
|-----------------------|---|
| <b>Bulgaria</b>       | Action plan for social economy (2014-2015; 2016-2017)   |
| <b>Poland</b>         | National Programme for Social Economy. Establishing of the National Committee for the Development of Social Economy   |
| <b>Portugal</b>       | National Agreement between government and social sector ("Compromissos de Cooperação para o Setor Social e Solidário")  |
| <b>Romania</b>        | Solidar - Support for consolidating Social Economy programme, under POCU - Human Capital Operational Programme  |
| <b>Spain</b>          | National Programme to foster social economy and POISES - Operational Programme - ESF 2014-2010 to social inclusion and social economy.  |
| <b>Sweden</b>         | Multiannual program for support of work integrated social enterprises, by Department of Labour jointly with Department of Enterprise.   |
| <b>United Kingdom</b> | The Compact, agreement between the government and the voluntary and community sector. Established in 1998, it establishes a way of working that improves their relationship for mutual advantage. |

Targeted financing. Several financing frameworks exist around Europe. Some involve mostly public fund, other private funds and finally other are hybrid public-private schemes. We focus here on targeted financing based on public regulation or funds.

Public funds targeted to social economy are the first financial pillar. EU –e.g. from structural funds-, national and regional governments, assign funds explicitly for the promotion and development of the Social Economy. These are the traditional subsidy programs to promote cooperatives and employment in cooperatives in Germany, Italy and Spain. They are many alternatives to operatize.

In the recent year, several governments around Europe have deployed these forms of funds. In Belgium, the Brasero fund support the development of the worker cooperatives in the region of Wallonia. In Cyprus, Social Welfare's Services policy offers annual grants for running expenses, subsidising organisations that deliver welfare services (i.e. child care, long-term care and others). In France, the new Law on social economy has established new financial tools to the sector, including a social innovation fund (FISO). In Italy, a fund for financing social enterprises and social cooperatives has been established.

In some cases, these funds are mixed funds, managed by the government and by social economy organisations: examples in France are the National Fund for the Development of Associative Life (FNDVA) and the National Fund for the Development of Sport (FNDS). In various funds the funding is off-budget. Other schemes are based on revenue income of individuals. A percentage of the personal revenue income could be targeted by citizens to voluntary organisations. These are the cases in Italy and Spain. In Spain all these are integrated in a national fund, that represents more than 200 million € annually, for social third sector organizations.

Another traditional targeted resources are obtained from the revenue from games of chance (lotteries, slot machines). These are the cases of RAY and Oy Veikkaus AB in Finland or the ONCE –the national organization for blind people- in Spain.

### **5.3 Public procurement rules**

After a long time when the protection of competition policy was the mainstream in public markets the revision of the EU regulation of public procurement in 2014 (Directives 2014/23; 2014/24 and 2014/25) opened new opportunities to national, regional and local governments to foster social economy facilitating their access to public sector supplier status. This is, therefore, a *demand policy* to boost social economy. Social clauses are now allowed regarding the procedures for awarding public contracts.

Several governments at national, regional and local levels have applied these social clauses, as in Sweden, Spain and United Kingdom. In UK, the Social Value Act (Public Services) of 2012 requires public bodies contracting for public services to consider how such services might improve economic, social improvements to the area where services will be provided. In Spain, municipalities as Zaragoza, Barcelona and Madrid have recently introduced social clauses in their new public contracts.

### **5.4 Institutional barriers**

In this report, we have also addressed to what the professionals and representatives of the social economy understand as main barriers in the development of this sector, focusing on the institutional barriers. In fact, it is way of measure of the efficacy of the policies deployed, or not yet deployed. The question in the questionnaire was very open. Many and diverse answers have been received. Four groups of barriers are identified: firstly, visibility and awareness, secondly, leadership and government administration, thirdly, financing and tax and finally, institutional barriers.

The first group of barriers concerns the lack of awareness and understanding of the concept of social economy, social enterprises and other related concepts in the society, in the public debate and the academia. This is a very barrier for the eastern EU countries as Hungary, Poland, Slovakia or Czech Republic. The correspondents of these countries recognize that the main support (both financial and awareness raising) for social economy comes from EU programmes and initiatives.

Related to this lack of awareness and understanding is the low visibility of the social economy, in the media but also in statistics. Lack of databases, official statistics and reliable data about social enterprises or the social economy emerge in lot of countries, since Austria and Slovakia to Sweden. Additionally there is a need for educational and training programs in the field of social economy in all levels of the education. E.g. in few countries, as France, programmes for adolescent/young students, as scholar cooperatives training, exist.

A second group of barriers concerns leadership and government administration. Many correspondents says that there is a lack of leader institution responsible for Social Economy, for social enterprises, volunteers and civil society able to develop policies and encourage social economy. Consequence of it, there is no national strategy on Social Economy. This field is not considered a policy priority. Correspondents from countries as Germany and Malta consider that most of the media and policy

makers “do not see the necessity” for a social economy, since Germany to Malta. They identify in some cases a lack of trust and rejection of economic activities carried out by non-profit organizations.

Partially as a consequence of the former, the government bodies are not adequate to attend the needs and attempts of the social economy: in some cases the multilevel governments and the different ministries are not coordinated for the social economy matters. In other cases, the government bodies are deeply dependent of the political cycles, e.g. in 2015, the Danish governmental bureau for social economy businesses was closed when the government changed. Finally, but not least, bureaucracy and qualitative austerity policy (Chaves and Zimmer, 2017) are very high obstacles to social economy entities to work with public authorities, e.g. in Italy, Spain and Slovenia.

Another group of obstacles is the *institutional barriers*. Two types are considered. Firstly, the changes in sectorial regulation that are obstacles for the operations of the social economy entities. In France and Spain, government changes in complementary social protection regulation have negatively affected mutual health entities in recent years, in some cases, conditioning the transformation of their legal status into a for-profit entity. In Italy, the reform of popular banks (DL 3/2015) provides that popular banks that have an active higher than 8 billion must be transformed in joint stock companies. Also, the reform of credit cooperatives (L 49/2016) reorganized radically the whole sector of cooperative banks with some negative aspects. In Spain, changes in social security for sports trainers have negatively affected sport associations. In the United Kingdom, large procurement contracts relegate social economy entities to sub-contracting to large private sector companies and also, the tendency (despite Social Value Act) to award contracts is on price rather than including added social value. Charities have improved a new legal status to adapt to this new institutional environment. In Finland, the Directive on Public Procurement that could reserve contracts for certain services is not implemented, thus cannot benefice social economy entities.

The second institutional barriers concerns the new laws and statutes on the social enterprises approved. The first obstacle is the no-implementation of these new regulation (considering them as Soft laws), this is the case of the Spanish Social Economy law (2011), that has not been developed (Pérez, 2016).

The second institutional barriers concern the new difficulties that have emerged for other social economy entities with the new/changes in national legal forms of SE. In Poland and Portugal, the recent changes in cooperative laws are not considered adequate for cooperatives. In Hungary, the new SE law is a risk for many social cooperatives, which were created by a group of citizens, that might need to be transformed to another organization (cooperatives or non-profit ltd.) as the law enters into force in 2018. In Slovenia and Bulgaria, the social entrepreneurship law excludes different organizations that have been already been working as social enterprises.

## **THE WEIGHT OF THE SOCIAL ECONOMY IN THE 28 EU MEMBER STATES**

### **7.1 Introduction: the need for statistics on the social economy**

Efforts have been made during the last two decades, both in the academic field and by national statistical institutes and governments. In 2006, CIRIEC drew up a methodology for the European Commission, the Manual for drawing up the Satellite Accounts of Companies in the Social Economy, in parallel with the UN Handbook for Satellite Accounts of Nonprofit Organizations. Other methods have also been developed to prepare statistics (see Chapter 5). Some countries have put a great deal of work in recent years into providing reliable data on various social economy groups. The statistics institutes of France and the Ministry of Labour of Spain supply time series on employment in cooperatives and the social economy. Italy, Bulgaria, Luxembourg, the Czech Republic and Hungary have made serious improvements in the statistics published by their national statistics institutes, in some cases using the satellite account methodology for non-profit organisations. Special mention should be made of Portugal, Poland and Romania. These three EU countries have developed regular, systematic statistics for the social economy as a whole in recent years. In Portugal this is mandated by the country's Law on Social Economy (2013) and in Poland it is a consequence of an agreement with the ESF (European Social Fund). Despite this, much effort remains to be made to systematise the statistics for the different social economy groups over the coming years.

### **7.2 Purpose and methodology: challenges**

The purpose of this part of the study is to provide an overview of the main figures for the social economy in the European Union, by country and globally, differentiating three groups of organisations: cooperatives and similar accepted types, mutual societies and similar types; and finally associations, foundations and other related non-profit types.

Drawing up statistics from field studies and verifiable accounts is essential. However, for reasons of cost and time it exceeds the scope of this study and must be tackled at a later stage. The statistical information provided in this study has been drawn from secondary data supplied by our correspondents in each country. The reference period is 2014-2015. However, for reasons of availability and of the quality of statistical reporting, the information for some countries is some years old, particularly in the case of associations, foundations and similar organisations. The figures sought were the number of persons employed and, where possible, the full-time equivalent, number of members, number of volunteers and number of entities or companies. For some countries and groups in the social economy, data on turnover were also available but were not comparable. For purposes of comparability with the data from the previous studies carried out by CIRIEC for the EESC on the state of the social economy in the 25 member states of the European Union in 2002/3 and in 2009/10, particular attention has been paid to the 'employment' variable. Specific tables have been drawn up to compare the main figures in these studies.

### **7.3 Overview of the statistical results**

The following aggregates underline the fact that the European social economy is very important in both human and economic terms and is a reality which should be considered by society and by policy makers.

The European social economy provides:

- over 13.6 million paid jobs in Europe
- equivalent to about 6.3% of the working population of the EU-28
- employment of a workforce of over 19.1 million, including paid and non-paid
- more than 82.8 million volunteers, equivalent to 5.5 million full time workers
- more than 232 million members of cooperatives, mutuals and similar entities
- over 2.8 million entities and enterprises.

The panorama varies among EU countries. While employment in the social economy accounts for between 9% and 10% of the working population in countries such as Belgium, Italy, Luxembourg, France and the Netherlands, in the new EU Member States such as Slovenia, Romania, Malta, Lithuania, Croatia, Cyprus and Slovakia the social economy remains a small, emergent sector, employing under 2% of the working population. Therefore, if the latter countries wish to increase the potential and the social and economic impact of their social economy sector, they could reach at least the same levels as other EU countries.

Another conclusion concerns the evolution of the social economy. After a long period between 2002-03 and 2009-10 in which the social economy workforce increased, the recent economic crisis has impacted this social sector, which has dropped from 6.5% to 6.3% of the total European paid workforce and from 14.1 million jobs to 13.6 million. The reduction in the paid workforce is bigger in cooperatives and similar forms than in associations, foundations and other similar forms.

Finally, associations, foundations and other similar forms remain the main social economy 'family', comprising most of the social entities / enterprises and about 66% of the employment in this social sector.

**Table 7.1. Paid employment in cooperatives, mutual societies, associations, foundations and similar entities. European Union (2014-15)**

| Country            | Cooperatives and similar | Mutual Societies | Associations & Foundations | Total             |
|--------------------|--------------------------|------------------|----------------------------|-------------------|
| Austria            | 70.474                   | 1.576            | 236.000                    | 308.050           |
| Belgium            | 23.904                   | 17.211           | 362.806                    | 403.921           |
| Bulgaria           | 53.841                   | 1.169            | 27.040                     | 82.050            |
| Croatia            | 2.744                    | 2.123            | 10.981                     | 15.848            |
| Cyprus             | 3.078                    | (n/a)            | 3.906                      | 6.984             |
| Czech R.           | 50.310                   | 5.368            | 107.243                    | 162.921           |
| Denmark            | 49.552                   | 4.328            | 105.081                    | 158.961           |
| Estonia            | 9.850                    | 186              | 28.000                     | 38.036            |
| Finland            | 93.511                   | 6.594            | 82.000                     | 182.105           |
| France             | 308.532                  | 136.723          | 1.927.557                  | 2.372.812         |
| Germany            | 860.000                  | 102.119          | 1.673.861                  | 2.635.980         |
| Greece             | 14.983                   | 1.533            | 101.000                    | 117.516           |
| Hungary            | 85.682                   | 6.948            | 142.117                    | 234.747           |
| Ireland            | 39.935                   | 455              | 54.757                     | 95.147            |
| Italy              | 1.267.603                | 20.531           | 635.611                    | 1.923.745         |
| Latvia             | 440                      | 373              | 18.528                     | 19.341            |
| Lithuania          | 7.000                    | 332              | (n/a)                      | 7.332             |
| Luxembourg         | 2.941                    | 406              | 21.998                     | 25.345            |
| Malta              | 768                      | 209              | 1.427                      | 2.404             |
| Netherlands        | 126.797                  | 2.860            | 669.121                    | 798.778           |
| Poland             | 235.200                  | 1.900            | 128.800                    | 365.900           |
| Portugal           | 24.316                   | 4.896            | 186.751                    | 215.963           |
| Romania            | 31.573                   | 5.038            | 99.774                     | 136.385           |
| Slovakia           | 23.799                   | 2.212            | 25.600                     | 51.611            |
| Slovenia           | 3.059                    | 319              | 7.332                      | 10.710            |
| Spain              | 528.000                  | 2.360            | 828.041                    | 1.358.401         |
| Sweden             | 57.516                   | 13.908           | 124.408                    | 195.832           |
| United Kingdom     | 222.785                  | 65.925           | 1.406.000                  | 1.694.710         |
| <b>TOTAL EU-28</b> | <b>4.198.193</b>         | <b>407.602</b>   | <b>9.015.740</b>           | <b>13.621.535</b> |

**Table 7.2. Paid employment in social economy compared to total paid employment. European Union (2014-15)**

| Country            | Employment in SE (A) | Total employment * (B) | % A / B     |
|--------------------|----------------------|------------------------|-------------|
| Austria            | 308.050              | 4.068.000              | 7,6%        |
| Belgium            | 403.921              | 4.499.000              | 9,0%        |
| Bulgaria           | 82.050               | 2.974.000              | 2,8%        |
| Croatia            | 15.848               | 1.559.000              | 1,0%        |
| Cyprus             | 6.984                | 350.000                | 2,0%        |
| Czech R.           | 162.921              | 4.934.000              | 3,3%        |
| Denmark            | 158.961              | 2.678.000              | 5,9%        |
| Estonia            | 38.036               | 613.000                | 6,2%        |
| Finland            | 182.105              | 2.368.000              | 7,7%        |
| France             | 2.372.812            | 26.118.000             | 9,1%        |
| Germany            | 2.635.980            | 39.176.000             | 6,7%        |
| Greece             | 117.516              | 3.548.000              | 3,3%        |
| Hungary            | 234.747              | 4.176.000              | 5,6%        |
| Ireland            | 95.147               | 1.899.000              | 5,0%        |
| Italy              | 1.923.745            | 21.973.000             | 8,8%        |
| Latvia             | 19.341               | 868.000                | 2,2%        |
| Lithuania          | 7.332                | 1.301.000              | 0,6%        |
| Luxembourg         | 25.345               | 255.000                | 9,9%        |
| Malta              | 2.404                | 182.000                | 1,3%        |
| Netherlands        | 798.778              | 8.115.000              | 9,8%        |
| Poland             | 365.900              | 15.812.000             | 2,3%        |
| Portugal           | 215.963              | 4.309.000              | 5,0%        |
| Romania            | 136.385              | 8.235.000              | 1,7%        |
| Slovakia           | 51.611               | 2.405.000              | 2,1%        |
| Slovenia           | 10.710               | 902.000                | 1,2%        |
| Spain              | 1.358.401            | 17.717.000             | 7,7%        |
| Sweden             | 195.832              | 4.660.000              | 4,2%        |
| United Kingdom     | 1.694.710            | 30.028.000             | 5,6%        |
| <b>TOTAL EU-28</b> | <b>13.621.535</b>    | <b>215.722.000</b>     | <b>6,3%</b> |

\* Paid employment aged between 15 and 65 years, Eurostat, 2015.

**Table 7.3. Evolution of paid employment in social economy in Europe**

| Country            | Employment in the social economy |                   |                   | Δ%<br>2010-2015 |
|--------------------|----------------------------------|-------------------|-------------------|-----------------|
|                    | 2002/2003                        | 2009/2010         | 2014/2015         |                 |
| Austria            | 260.145                          | 233.528           | 308.050           | 31,9%           |
| Belgium            | 279.611                          | 462.541           | 403.921           | -12,7%          |
| Bulgaria           | (n/a)                            | 121.300           | 82.050            | -32,4%          |
| Croatia            | (n/a)                            | 9.084             | 15.848            | 74,5%           |
| Cyprus             | 4.491                            | 5.067             | 6.984             | 37,8%           |
| Czech R.           | 165.221                          | 160.086           | 162.921           | 1,8%            |
| Denmark            | 160.764                          | 195.486           | 158.961           | -18,7%          |
| Estonia            | 23.250                           | 37.850            | 38.036            | 0,5%            |
| Finland            | 175.397                          | 187.200           | 182.105           | -2,7%           |
| France             | 1.985.150                        | 2.318.544         | 2.372.812         | 2,3%            |
| Germany            | 2.031.837                        | 2.458.584         | 2.635.980         | 7,2%            |
| Greece             | 69.834                           | 117.123           | 117.516           | 0,3%            |
| Hungary            | 75.669                           | 178.210           | 234.747           | 31,7%           |
| Ireland            | 155.306                          | 98.735            | 95.147            | -3,6%           |
| Italy              | 1.336.413                        | 2.228.010         | 1.923.745         | -13,7%          |
| Latvia             | 300                              | 440               | 19.341            | (n/p)           |
| Lithuania          | 7.700                            | 8.971             | 7.332             | -18,3%          |
| Luxembourg         | 7.248                            | 16.114            | 25.345            | 57,3%           |
| Malta              | 238                              | 1.677             | 2.404             | 43,4%           |
| Netherlands        | 772.110                          | 856.054           | 798.778           | -6,7%           |
| Poland             | 529.179                          | 592.800           | 365.900           | -38,3%          |
| Portugal           | 210.950                          | 251.098           | 215.963           | -14,0%          |
| Romania            | (n/a)                            | 163.354           | 136.385           | -16,5%          |
| Slovakia           | 98.212                           | 44.906            | 51.611            | 14,9%           |
| Slovenia           | 4.671                            | 7.094             | 10.710            | 51,0%           |
| Spain              | 872.214                          | 1.243.153         | 1.358.401         | 9,3%            |
| Sweden             | 205.697                          | 507.209           | 195.832           | -61,4%          |
| U. Kingdom         | 1.711.276                        | 1.633.000         | 1.694.710         | 3,8%            |
| <b>TOTAL EU-28</b> | <b>11.142.883</b>                | <b>14.137.218</b> | <b>13.621.535</b> | <b>-3,6%</b>    |

Source: CIRIEC/EESC

(n/p) not pertinent



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