



Issues Paper

Developing the Social Economy

**Jobs for Europe:
The Employment Policy Conference**

Stream C: Pathways to full employment

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Main challenges

The concept of **social enterprise** draws on the well-established European tradition of undertakings aiming at producing and distributing goods and services for their members and community (often referred to as the **social economy** or third sector). Social enterprises are notable for their use of business models to spur social innovation, generate jobs and contribute to inclusive, socially fairer and environmentally sustainable growth. They have a primarily social mission as their *raison d'être*, mainly reinvest their profits to advance this mission, and operate in an inclusive or participatory manner. Initially their economic activities focused mainly on work integration and social and health care for disadvantaged people, but many of them now produce services and products that meet collective needs (such as care services, well-being, education and lifelong learning, culture and arts, reduction of emissions and waste, efficient use of natural resources, community development etc.). This concept is new to a number of Member States; it needs to be communicated and disseminated, demonstrating clearly the social impact generated.

The **social economy** movement is much older, dating back at least to the 19th century when participative forms of enterprises were developed in an effort to improve workers' and communities' well-being through more equitable and democratic management of resources. Specific legal forms of social economy enterprises, such as cooperatives, foundations, associations or mutual societies have since developed in many economic sectors. Today, more than 11 million people in the EU work in the social economy and social enterprises.¹

However, development of social enterprises and of social economy across Europe is uneven, and the **social impact** generated by these actors is often underestimated. While recent legislation in some Member States applies the broader concept of social enterprise, it is still narrowly understood in others. Moreover, as regards specific forms of social economy actors such as cooperatives, only some Member States have **legal frameworks** supportive of their grater development (in terms of ownership rules, taxation, etc.).² There are wide divergences across Europe also as to the frameworks and practice of **employee financial participation**.³

Across Europe, social entrepreneurs and social economy actors face **barriers** in starting, developing, scaling and transforming enterprises:

- An underdeveloped financing system - throughout the life cycle of a business;
- Insufficient investment in education and training for developing the necessary mind-sets, skills and competences of workers;
- Lack of expertise on the organisation of business transfers to employees or employee financial participation;
- Inadequate support services, infrastructures and other meso-level instruments for the development of social (economy) enterprises;
- Lack of awareness and recognition of the social value which social enterprises and social economy actors generate in the population as a whole.

¹ <http://bit.ly/ycTqJu>, p.3

² See e.g. Roelants et al., Cooperatives and social enterprises: Governance and normative frameworks, 2009, <http://bit.ly/OUGt0J>

³ See e.g. <http://bit.ly/O1h3Nx>

What has the Commission done in this field?

Giving the increasingly important role of social (economy) enterprises in addressing today's employment and social challenges, the Commission has put support to the social economy and social enterprises on the EU's growth and jobs agenda through a number of initiatives:

The **Social Business Initiative**⁴ presents a policy framework and an action plan at EU level to:

- Facilitate access to funding for social enterprises tailored to meet their specificities;
- Improve the visibility and recognition of social enterprise, facilitate mutual learning and capacity building, and promote skills development;
- Simplify European legal and regulatory frameworks to ensure that these include social enterprises on equal terms with other forms of businesses, notably in the fields of public procurement, state aid measures for social and local services, and capital markets.

The **European Social Fund** and the **European Regional Development Fund** will offer in 2014-2020 dedicated investment priorities on promoting social economy and social enterprises, and the Commission is encouraging Member States and regions to integrate this funding opportunity into their Structural Funds programmes. Moreover, the **Programme for Social Change and Innovation** will contain an EU-level financial instrument of €92m to support the development of social enterprises, building on the experience of the European Progress Microfinance Facility.⁵

Under the **Youth Opportunities Initiative**, funding has been allocated to help set up support schemes for young business starters and social entrepreneurs.

The **Annual Growth Survey 2012** as well as the communication "**Towards a job-rich recovery**" highlight the importance of social economy actors and social enterprises for inclusive employment and the need for greater support to this part of the economy.⁶

One of the roles of the Commission is to facilitate **mutual learning** and to assist in **capacity building** of public administrations and key stakeholders, also to help them effectively utilise Structural Funds resources for supporting social (economy) enterprises. It is therefore working to establish learning platforms to share expertise and experience in designing integrated strategies and effective support packages that combine business development support, improved access to financial instruments and awareness raising on the sector.⁷

Best practices

Cooperatives (and their groups) have demonstrated strong resilience during the present economic crisis, often performing better than other enterprises in maintaining employment and creating new jobs, e.g. through internal flexibility, pooling of human resources or smooth wage adjustments. Their participative governance models strengthen their innovation potential and help them anticipate and manage restructuring well.⁸

⁴ <http://bit.ly/nEMrZ5>

⁵ <http://bit.ly/rcNx9o>

⁶ <http://bit.ly/SNgVPV>; <http://bit.ly/HHmOdk>

⁷ <http://bit.ly/O0yPNn>

⁸ See e.g. CECOP-CICOPA Europe, The Resilience of the Cooperative Model, 2012, <http://bit.ly/KKXdFu>.

Co-financed by the ESF, the guesthouse *U Pana Cogito* in Krakow integrates mentally handicapped people into employment and provides vocational training.⁹

Questions

- What role can social enterprises and the social economy more broadly play in efforts to end the economic crisis? Should a greater proportion of European enterprises adopt models and practices of social (economy) enterprises? How could this be promoted through public policy?
- How best is it possible to communicate a clear and better understanding of social economy and social enterprise across Member States and across policy fields, given the diversity of legal and administrative frameworks and policy initiatives?
- What are key factors that shape the future scale and scope of the social enterprise sector in Europe, and what impact will these have on progress towards the Europe 2020 employment and poverty targets and on the European social model?

⁹ <http://bit.ly/O1wISp>