Social economy - laying the groundwork for innovative solutions to today’s challenges (Paris, 10-11 December 2012)

Social Economy in Greece: from childhood to adolescent

Dionyssis Balourdos
National Centre for Social Research

Konstantinos Geormas
Hellenic Ministry of Labour, Social Insurance and Welfare

Introduction

Contrary to the situation in other European countries, where social economy has a significant contribution to the creation of new jobs and the sustainable development of local economies and societies, in Greece, social economy is not particularly developed, as the implementation of policies and practices is still on a basic level. As it is stated in the ‘European Social Innovation Research’ (2012): “Today, there is a great need for Greece to reinforce its social economy. The high rates of unemployment, the austerity measures, and the reductions in wages, pensions and social services have created the need for the enhancement of social economy and social innovation that can offer alternative solutions to the Greek society.”

Kotalakides and Parlalis (2010), state that while a substantial effort has been made on scientific level, the design and implementation of policies and practices on social economy is on an elementary level. Awareness and visibility of the sector is low, both on the civil society level as well as on the level of public administration, and that any further development is more connected to the support by the EU Structural Funds.

However, an increased focus on the social economy is expected in the following years. In September 2011 a law for Social Economy and Social Entrepreneurship was passed by the parliament and the distinct legal form of Co-operative Social Enterprises was created. Prior to this legislation, the lack of an institutional framework created serious problems in the sector development. Research on social economy was also restricted due to the lack of a national register that would document the actual number and range of sectors activities. The decision for the establishment of a General Register for Social Economy was very recent, in early February 2012. Nevertheless, even now we can only have a rough estimation of the size and the activities of the field (Natioulas, 2012a).

The current crisis has severely hit the Greek economy. Continuous adoption of difficult austerity measures implemented by the Greek government, rising unemployment rates especially for the young population and women, cuts in wages,

---

1 Prepared for the Peer Review in Social Protection and Social Inclusion programme coordinated by OSB Consulting, the Institute for Employment Studies (IES) and Applica, and funded by the European Commission.
© OSB Consulting, 2012

pensions and social spending resulting in a growing number of people living under the poverty line, has created the vital need to develop social economy.

The question is, whether social economy constitutes an alternative to overcoming underdevelopment, and proceeds to meet future challenges; is there a role for social economy and social co-operatives in helping to pull Greece out of its awful situation?

1. Brief note on the institutional framework and the policy context in Greece

The institutional framework regarding social economy consists of law No 2716/99 “Development and modernisation of mental health services”, and of the new law 4019/2011 on “Social Economy and Social Entrepreneurship”, which are shortly presented below.

1.1. Law No 2716/99

According to the first law, Limited Liability Social Cooperatives (KoiSPE) constitute a special category of cooperatives. They are legal entities of private law with commercial faculty and are considered as mental health units, supervised by the Ministry of Health and Social Solidarity. KoiSPE’s goal is the social-economic integration and labour market inclusion of persons with mental illnesses. The individual members of KoiSPE are divided in three categories: a minimum 35% are mentally ill persons, a maximum 45% are mental health professionals and a maximum 20% are third actors. All members obtain only one (1) mandatory share in the cooperative and multiple optional shares, with the latter having no voting rights.

KoiSPE’s areas of interest are tourism, environment, agriculture, provision of services, while their fields of activity are nutrition/catering, cleaning services, recycling, marketing of gifts and local goods, support of people with disabilities, agricultural production/beekeeping and joinery (Katsikarou, 2011).

The institution of KoiSPE, by law, is treated with a highly favourable status by the State: i) Financial incentives, e.g.: social benefits for patients that are members; ii) Tax incentives (exemption from income tax and municipal taxes, etc.); iii) Business incentives (employment of mental health professionals without burdening KoiSPE, trilateral programme contracts, favourable regime for awarding contracts by public entities and local authorities).

In total, 16 KoiSPE have been established until now, of which 12 have been funded by the Operational Programme “Health and Welfare 2000-2006” of the 3rd Community Support Framework with 5.2 million EUR. KoiSPE have created

---

3 According to a recent report in Greece (Hellenic Organization of Small & Medium Sized Enterprises and Handicraft S.A., 2011), “Women’s Agrotourist Cooperatives” and the “Social Cooperatives of Limited Liability” (KoiSPE) for people with mental health problems are referred as “core social enterprises”.

4 The first social cooperative was established in November 2002 on the island of Leros involving mentally ill persons from the Leros psychiatric hospital as well as persons from the local community (Seyfried, with the collaboration of Ziomas 2005).

5 No.12 Decree 60/2007.

6 See also, http://www.pokoispe.gr/site/el-gr/κοινωνικοίσυνεταιρισμοίπεριορισμένηςευθύνης.aspx

7 4 million were provided by the ESF and the remaining 1.2 million by the European Regional Development Fund (ERDF).
hundreds of jobs, 200 of which for the mentally ill. Katsikarou (2011) claimed in a recent conference presentation claimed that the total number of KoiSPE members is 2,092 individuals and 405 employers. Natioulas (2012a) also states that the financial assistance provided by the European Union Structural Funds, including in particular the Community Initiatives HORIZON and EQUAL, have made a considerable contribution towards the gradual realisation of psychiatric de-institutionalisation in Greece. He also claims that the received funding from the EQUAL programme for the creation of a nation-wide technical support structure, which, through business consultancy and organisational counseling, helped to lay the foundations for the newly-created KoiSPEs.

However, KoiSPE Chios “Orion”, (2011, p. 79) stated that in the 12 years of implementation of the law 2716/99, the KoiSPE have developed to a small degree, as there are large geographical areas of the country that do not have a similar structure. The bulk of their businesses involve the provision of services, as the risk is lower. Though it is estimated that these businesses aren’t viable and, for most of them, the operating time is short.

1.2. Law 4019/2011

Law 4019/2011 on “Social Economy and Social Entrepreneurship” identifies Social Economy as “the sum of economic, entrepreneurial, productive and social activities, undertaken by juridical entities or associations whose statutory aim is the pursuit of collective benefit and the service of wider social interests” (Art 1). It also introduces the Social Cooperative Enterprise (KoinSEP) as an entity of Social Economy. It is a civil cooperative with social purpose possessing entrepreneurial capacity by law, having individuals or juridical entities as members, participating with one vote regardless of the cooperative shares they possess (Art. 2). Article 2, § 2 further elaborates on the specific fields of activity needed in order for an entity to be identified as belonging to the Social Economy in Greece, as follows:

---

8 Related registers are kept at the Ministry of Health and Social Solidarity, which has the right to judge upon the purposefulness of such a cooperative's establishment. The 2nd grade association (The Panhellenic Federation of the Social Cooperatives of Limited Liability) was established in February 11th, 2011, providing for their collective representation. The Federation is temporarily managed by a Committee of 7 members. (http://www.pokoispe.gr/site/enus/homepage.aspx).

9 The first income of cooperatives come from the obligation to purchase at least a portion of the cooperative by each member, creating a cooperative capital which varies by the number of members and the amount of cooperative portions. Also, most of the cooperatives were funded by O.P. "Health and Welfare” originally by ESPA. These funds are for the development of new projects, the purchase of equipment and / or payment of wages (see KoiSPE, Chios 'Orion’, 2011).

10 The state also recognises existing legal entities, which cumulatively abide by the following criteria: to have a statutory purpose of social benefit, through the production of goods or the provision of services of collective and social character, they present priority of individuals and labour over capital, they employ a democratic system of decision-making, they enjoy autonomy in management of their activities, their profits are utilised primarily on the service of their statutory goals and secondarily for any eventual restricted profit distribution (profits: not to members, 5% reserve, 35% to employees, 60% to the activities of the enterprise) and they operate on the principle of sustainable development. Women's agricultural cooperatives of Law 1541/1985 and civil cooperatives of Law 1167/1986 could also be considered as beneficiaries of Law 4019/2011.
Figure 1. Type of KoinSEPs and targeting

<table>
<thead>
<tr>
<th>Failure of the labour market to provide adequate integration to vulnerable social groups</th>
<th>a) KoinSEPs of integration, which focus on integration of individuals belonging to vulnerable population groups(^{11}) into the economic and social life; this provision also covers Limited Liability Social Cooperatives of the Law 2716/1999. They are compulsory staffed - at a minimum percentage of 40% - by persons belonging to vulnerable population groups.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure of the existing welfare structures to provide adequate goods and services of personal and domestic care to certain vulnerable population groups</td>
<td>b) KoinSEPs of care, which focus on production and provision of goods and services of social-care character, towards certain population groups such as the elderly, infants, children, disabled and chronically ill.</td>
</tr>
<tr>
<td>Failure to provide adequate collective social goods and to promote local society initiatives. In remote areas of the country such phenomena lead to economic desertification</td>
<td>c) KoinSEPs of collective and productive purpose, which focus on the production of products and the provision of services to meet the needs of collectivity (culture, environment, ecology, education, social benefit services, promoting local products, reserving traditional activities and crafts etc) which also promote local and collective interest, the development of employment, the enhancement of social cohesion and the strengthening of local or regional development(^{12}).</td>
</tr>
</tbody>
</table>

Adapted from Chrysakis (2012) and Geormas (2012).

Law 4019/2011 categorises KoinSEPs according to the diversity of establishment needs and needs for provision of incentives; scales the advantages and benefits depending on the type of KoinSEP. The law also provides for participation in the corporate form of natural and/or legal persons. For the establishment of a integration KoinSEP at least seven members must be involved, of which sixty percent (60%) are individuals and workers; Governing bodies: a) The General Assembly b) The Steering Committee - a three-member committee, which is elected by the General Assembly and its members have a 2 year renewable term (Chrysakis 2012, Geormas 2012, Natioulas 2012b).

Participation of Local Administration Organisations and Legal Entities of Public Law is not allowed, except in the case of KoinSEPs of integration. Profits are not to be distributed to members, except in case such members are also employees. In that case, 35% of the profits may be distributed to them, a 5% should be reserved and the rest 60% should be invested in new jobs creation and in general in promoting the KoinSEP’s activities (Art. 7).

The specific motives to start up a KoinSEP are the following\(^{13}\):

- A KoinSEP is not subject to an income tax for the part of its profits which is placed in reserve and its activities. The part of KoinSEP profits distributed to its employees is subject to a discharge resulting from withholding income tax, according to the applicable tax rate on the first band of income after deduction of

---

\(^{11}\) Such as the disabled, addicted, HIV-positive, imprisoned/released, juvenile offenders, unemployed young or women, unemployed over 50 years of age, long-term unemployed, single-parents, large-families members, abused women, illiterate, residents of remote regions, immigrants, refugees.

\(^{12}\) To start up an integration KoinSEP at least 7 members are required, while at least 5 members are required in order to start up a KoinSEP of the other two categories.

\(^{13}\) Taken from ‘Start up Greece’: How to start up a Social Cooperative Enterprise (SCE): http://www.startupgreece.gov.gr/content/how-start-social-cooperative-enterprise-sce
the tax-free amount under Art. 9 (1) of L. 2238/1994 in force. As regards the profits made by the KoiNSEP and its employees who belong to vulnerable social groups there is a discharging effect of the retention of tax;

- KoiNSEPs may have access to funding provided by the Social Economy Fund;
- They may have access to funding provided by the Hellenic Fund for Entrepreneurship and Development;
- They may be eligible under L. 3908/2011 on “boosting private investment in economic development, entrepreneurship and regional cohesion”; 
- They may be eligible under entrepreneurship support programmes, OAED (Greek Manpower Employment Organisation) work support programmes and all kinds of active employment policies;
- They may conclude programme contracts with the public sector, the wider public sector and first- or second-level local authorities.

Natioulas (2012a, p. 166) argues that they also have access to funding by the “Social Economy Fund” – which although is mentioned by the law, has not yet been established - and the “National Fund of Entrepreneurship and Development”. Nevertheless, it is not clear yet if all existing cooperative entities can be beneficiaries of these funding opportunities.

Policies regarding planning, coordination, monitoring and evaluation of the Social Economy are primarily implemented through the Special Service for Social Inclusion and Social Economy which is subject to the General Secretariat for the Management of European and other funds at the Ministry of Labour, Social Insurance and Welfare.

According to the Greek legislation, social enterprises are registered in the registry of Social Entrepreneurship, kept by the Ministry of Labour, Social Insurance and Welfare; the Ministry audits the respective records and documents, unless protected by professional confidentiality. Registration in the respective registry is necessary for any favourable law provisions\(^\text{14}\). At present, there are 97 Social Cooperative Enterprises (KoiNSEP) in the registry, that have 920 members, and most of which are of collective and productive purpose, (Figure 2):\(^\text{15}\)

\(^{14}\) Remuneration is not conventionally taxed but only under the first tax level, with no other tax charge. One more favourable provision is set by Art. 16, introducing the concept of “Social Orientation Public Contracts”; all enterprises under Law 4019/2011 could be eligible as outsourcing contractors under special favourable status.

\(^{15}\) For one case (KoiSPE) no data was available concerning the number of the members. As it was a relatively new KoiSPE we put approximately a number of 7 members.
Comment paper Greece
Peer Review on the social economy, France 2012

Figure 2. Registered number and members of KoiNSEP

2. Brief summary of recent policy initiatives

In the National Strategic Reference Framework (NSRF) 2007-2013, there are actions for the promotion of social economy (e.g. supporting the creation of social enterprises, creation of a social economy observatory at a national level, etc.). Furthermore, both in OP Human Resources Development as well as in the OP Competitiveness, more actions are provided for the enhancement of social enterprises. Especially in the Systemic Axis of OP Human Recourses Development, there are registered actions that should promote the development of the social economy in Greece 16.

Currently, a number of relevant initiatives are implemented. More precisely, it is estimated that in the course of two ESF programme implementations[Local Integrated Programmes for Employment and Local Integrated Programmes for Vulnerable groups (TOPSA and TOP EKO 17)], close to 200 social enterprises will be established.

In parallel with these initiatives, the Greek government in close coordination with the European Commission (Employment, Social Affairs and Inclusion DG), are discussing how the ESF resources could best be used to launch an integrated support package for the development of an eco-system for social economy.

According to László Andor (2012) 18, this support package is based on three lines of action:

16 Priority 4 “Full integration of all of the human resources to a society of equal opportunities”, objective 2 “Utilisation of social entrepreneurship for the inclusion of vulnerable social groups to labour market”.
17 A total of 132 Action Plans have been approved, involving 12,000 beneficiaries and total budget of 60,000,000 EUR.
- Support to teams establishing and developing a social enterprise;
- Support to organisations or teams providing information, advice, coaching and mentoring services to social enterprise in their start-up and development phase; and
- Support through loans and guarantees for social cooperatives for social development and expansion.\(^{19}\)

As a result of these discussions, an establishment of a steering committee for social economy has taken place, staffed with Greek and international experts, officers from the public sector and the European Commission. The role of the committee is to formulate an action plan for the creation of a supportive eco-system for social economy in Greece. The steering committee has the overall supervision on designing and planning Social Economy actions and meets regularly at least once a month. The committee will also be responsible for making proposals, monitoring the implementation phase of Social Economy actions and suggest corrective actions. Head of the Committee is the Secretary General for the management of European and other funds from the Ministry of Labour, Social Security and Welfare. The participants are a) experts from Greece b) experts from abroad and c) public administration staff. Out of a total of 18 participants, 10 of them are experts and 8 of them public administration staff.

More specifically, the need for the establishment of a “social economy support mechanism” has been discussed, of a technical team consisting of Greek public sector officials, as well as Greek and foreign experts, with an overall purpose to support the Special Service for Social Inclusion and Social Economy (EY KEKO) to develop the above mentioned eco-system for social economy.

Moreover 3 sub-committees/groups have been set up:

1. A working group on access to finance for social economy enterprises.
2. A group of the steering committee with the scope of elaborating proposals for the provision of grants to social economy enterprises (evaluation and selection criteria of business plans, evaluation of applications for awarding grants, funding social enterprises). This action will examine the possibility for direct support to teams starting a social enterprise, or to social enterprises during their first years of existence by micro-financing/micro-lending the KoinSEP with non-interest loans in consultation with the banks.
3. A working group with the scope of creating a framework for the supportive mechanism that will help social enterprises. This committee will make proposals for central and regional supporting mechanisms. It will also provide tools such as business plan guidance, and will serve as an observatory of social economy. It should also investigate and probably prioritise the needs in financial tools of the social enterprises.

Actions two and three are envisaged to be launched by the beginning of 2013.

\(^{19}\) More than 60 EUR million of ESF funding has already been earmarked for supporting social enterprises, their business environment, and social financing instruments.

\(^{20}\) Furthermore, to provide scientific support, have the responsibility for the implementation of the joint action plan on supporting social enterprises, develop and implement the necessary tools and methodologies, ensure the quality of the interventions.
3. A brief assessment of the similarities/differences of the policy with the experience of Greece

It should be stated that, in contrast to the French experience where social economy is highly developed, in Greece it has attained, thus far, only a rather peripheral position. This, among other factors, is due to the fact that Greece has only recently developed its legal environment. According to the existing statistical data, the percentage of those employed in the social economy sector in Greece is around 2.67% of total employment as compared to 9.02% in France (CIRIEC 2012, Spear 2012). Besides, although the degree of recognition among public authorities is similar (moderate level), they differ regarding the degree of recognition by companies in the social economy (high level France and moderate Greece) and the degree of recognition by academia/the scientific world (high level Greece and moderate France) (CIRIEC 2012).

One essential difference is that in France, social economy is well supported with a minister for social economy, several government departments are contributing to the policy framework, and higher level strategies are being developed in line with EU policy (Spear, 2012).

In Greece, we are still at the beginning. Strengthening social economy is now considered as one of the main intervention axes in the National Strategic Reference Framework (2007-2013). Actions that are designed by the Greek government in that direction are expected to launch soon.

Overall, it can be said that there is a recognised need in Greece to create the appropriate environment and more favourable conditions for the development of social economy initiatives. Their development however depends heavily on the financial support and the supporting measures, which are currently discussed and designed. As a result, the key challenges and the key elements for social economy between the two countries have important differences. In Greece, the development of social economy is at its infancy and is still heavily based on the support by the EU structural funds. In France, we witness a different and much more developed social economy with different perspectives and different key elements of its policy and strategy.

Moreover, when it comes to examining the social situation in Greece in relation to that of France, one can observe certain differences. In particular, such differences are identified at the risk of poverty rate (in 2011 the rate was 21.4% for Greece and 14% for France), the percentage of working poor (in 2011 the rate was 11.9% for Greece and 7.6% for France) and the percentage of poverty or social exclusion (in 2011 the rate was 31.0% for Greece and 19.3% for France). Unemployment and long-term unemployment in Greece continues to affect disproportionately young persons and persons of vulnerable groups.

We may simply state that the key challenges between these two countries are totally different, based on financial circumstances, social issues, the degree of the social economy sector development, and thus on priorities settings.

However, the integrated support package for Greece and the initiatives undertaken by the Greek government in commitment with the EU, have similarities with the French public policy concerning social economy.
4. A brief assessment of the potential transferability of the policy to Greece

Overall, it can be said that there is a recognised need in Greece to create the appropriate environment and favourable conditions for the development of social economy initiatives. Yet, their development depends heavily on the supporting measures and the funding mechanisms.

The first element in the French social economy strategy is the improving recognition by means of education and observatories. Both these elements have a strong potential to be transferred in Greece, and have already been discussed by the steering committee\textsuperscript{21}. Besides, the National Centre for Social Research is positive to the commissioning of the French Minister of the Economy, Finance and Industry, to refine knowledge of the social economy sector, including a national survey of associations’ economic activities. We think that this is a basic activity for the improvement of our knowledge concerning Social Economy. In Greece, the few survey initiatives are concentrated on the KoiSPE’s\textsuperscript{22}. A survey concerning the needs and the improvement of the knowledge of Social Economy will be proposed by the National Centre for Social Research, seeking funding through the NSRF.

Concerning the second element (structuring the sector), we may note the lack of a national consultative body in Greece. Such a body is foreseen in the newly developed Action Plan. Moreover, Law 4019/2011, Art. 16, introduces a new context of Public Social Reference Contracts. Art. 16 § 1 states: "Public Social Reference Contracts are those in which the contracting authorities in the stage of committal take under consideration substantial social aspects as criteria for this contract"\textsuperscript{23}. The competent ministry for the development and implementation of an Integrating Plan for the Integration of Public Policy for Social Reporting, is the Ministry of Labour and Social Security. Within it’s duties, is the establishment of an inter-ministerial Commission. The process of creating this committee is underway\textsuperscript{24}, and thus far, each ministry has been contacted in order to appoint a representative.

In a next step, a Higher Council for the Social Economy could be developed in Greece, with functions equivalent to those that apply in the case of France and further developing systems of co-governance, whereby social economy actors and representatives can discuss and shape policy with government bodies. Furthermore, actions should be promoted in all educational levels so as to introduce courses on social entrepreneurship. We also think that “a wider vision of innovation and of public action to promote it, making local areas the first ecosystems to support social innovation and join the actors of social innovation together in a network” will be a surplus for the support of social economy at local, national and European level.

We could consider that the integrated support package for Greece, briefly described above, could be considered as a public policy support for the development of the

\textsuperscript{21} Recall that in the OP Human Resources Development 2007-13, there is an activity referring to the development of an observatory.
\textsuperscript{22} See: http://www.pokoispe.gr/site/
\textsuperscript{23} Such criteria may be: a) employment opportunities, b) social integration of vulnerable social groups, c) equality of chances, d) planning accessibility for all, e) sustainability criteria, including issues of ethical commerce and f) the broader compliance with corporate responsibility.
\textsuperscript{24} Moreover, in the Inter-ministerial Commission may participate, representatives of other ministries or appropriate representatives of other agencies or the public or private sector or representatives of universities and scientific institutions and organisations, representatives of bodies vulnerable groups and persons with disabilities, representatives of associations or associations or chambers defined by decision of the relevant Association or Chamber, representatives of organisations and consumer associations, non-voting.
social economy in Greece. It has similarities with the third element of the French social economy strategy, at least concerning the support mechanisms. However it is unclear if there will be a similar experimental approach as described in host country paper (p. 5).  

Due to the crisis it is difficult to develop an investment programme in Greece, and of course addressing the issue of generational renewal could be discussed and examined at a later time period.

We think that the Future Investments Programme is vital for the sector, but at the same time it is very ambitious and rather difficult to be currently implemented in Greece. Also, the two new social economy structures provide interesting models for serious consideration and could be seen as good practices in Greece.

---

25 In France an experimental approach, started in five regions and funded at a million EUR in 2010-12, aims to identify and organise a global offer of services favouring the development of the social economy in a given area, from identifying support needs to creating, developing and consolidating projects.
References


