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Social Economy

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Social Economy

DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

Social Economy

STUDY

Abstract

This study assesses the important role the social economy plays in the EU. Priority policies identified to reach its full potential include: 1) digital transformation of social economy, 2) enabling EU cross-sectorial regulatory and financial frameworks, and 3) improving definitions and developing indicators - alternatives to GDP - to focus policies on EU added-value.

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LIST OF ABBREVIATIONS

SEE	Social Economy Europe
CEP-CMAF	European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations
CEPES	Spanish Business Confederation of Social Economy
CITR	Community Investment Tax Relief
CoR	Committee of the Regions
DSM	Digital Single Market
EESC	European Economic and Social Committee
ENSIE	European Network of Social Integration Enterprises
ESF	European Social Fund
EURICSE	European Research Institute on Co-operative and Social Enterprises
GDP	Gross Domestic Product
ILO	International Labour Organisation
IMCO	Internal Market and Consumer Protection Committee
NAUWC	National Auditing Union of Workers' Co-operatives
REVES	European Network of Cities and Regions for the Social Economy
RLA	Regional and Local Authorities
SCE	Statute for a European Co-operative Society
SCOP	Société coopérative et participative
SGEI	Services of General Economic Interests
SIP	Social Investment Package
WISE	Work Integration Social Enterprises

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EXECUTIVE SUMMARY

Definitions

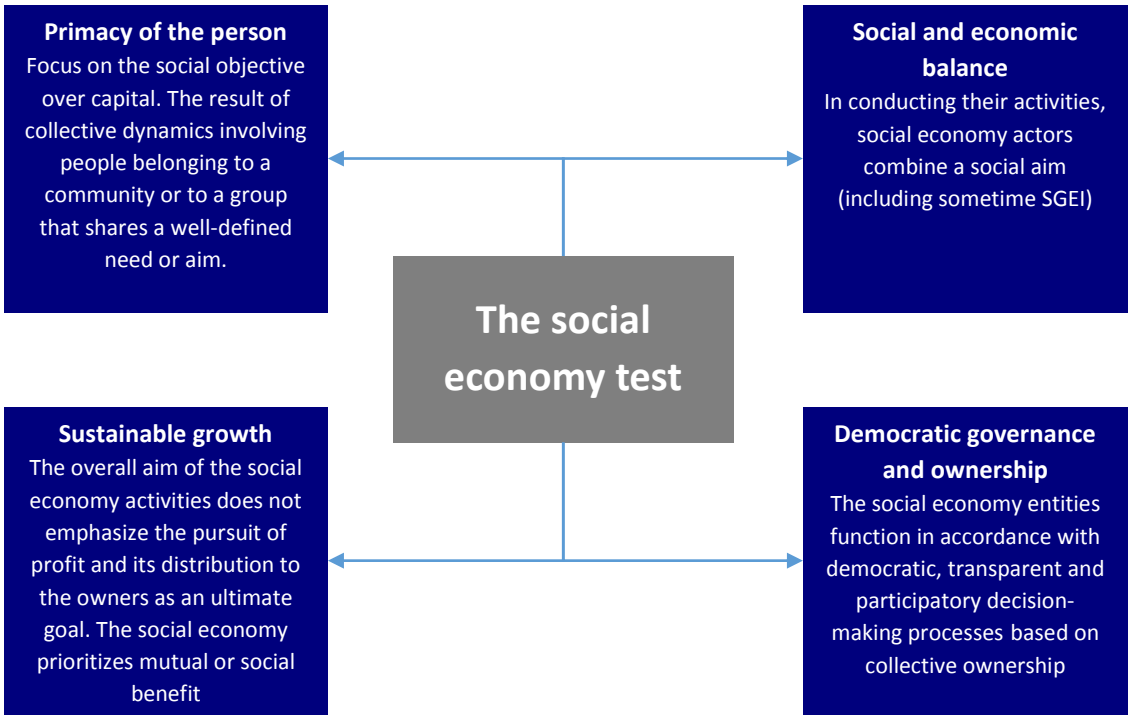
The social economy is a sector of the market which operates between the public and the private sphere. Despite the efforts of academics, EU institutions, international organisations, national governments and social economy representatives in trying to provide a common analytical framework, a universally accepted definition of the social economy still does not exist. The main analytical difficulties that need to be overcome in attempting to define the social economy are:

- clarifying the distinction between the different forms of social economy activities and
- identifying the differences that exist when comparing these entities, the other private economic players and the public sector.

Distinctive features of the social economy can be identified on the basis of what sets them apart from other enterprises. These elements, which form the basis of a "social economy test" to distinguish social economy actors from those operating in similar but different sectors, such as the collaborative or sharing economy, include:

- **the primacy of the person**: the social economy is based on the primacy of the individual and of social objectives over capital,
- **sustainable growth:** the overall aim of the social economy activities does not emphasise the pursuit of profit and its distribution to owners as an ultimate goal,
- **social and economic balance:** in conducting their activities, social economy actors focus on social aims, and
- **democratic governance and ownership:** social economy entities function in accordance with democratic, transparent and participatory decision-making processes. The social economy basis is made up of individuals deciding to collaborate on a voluntary, co-operative and reciprocal basis; ownership of the capital does not determine the decision-making process.

Figure 1: The social economy test



In light of the above, this assessment adopts the following definition: *the social economy consists of private, formally-organised enterprises and networks that operate on the basis of democratic and participatory decision-making processes, producing market and non-market goods and services. In social economy initiatives, the distribution of profits or surpluses amongst members is not directly linked to the capital or the fee contributed by each member, but is directed towards meeting the members' needs, through the production of goods and the provision of services, insurance and finance*[1].

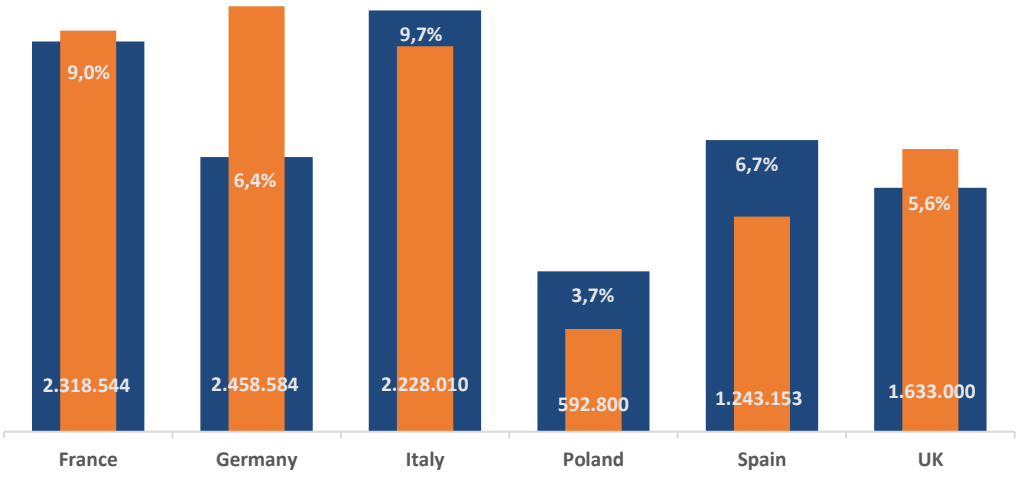
With the onset of the digital revolution, the **ubiquity of social networks** must also be factored into the description of the social economy. Deriving from the contemporary improved access to information, a new element represented by **the increased capacity in connecting service providers and recipients across countries** affects the way in which a growing number of social economy actors operate within the Digital Single Market. In addition to the traditional factors, represented by the primacy of people and the values of sustainable growth, social and economic balance and democratic governance (which continue to be applicable), this particular new element within the definition of the social economy will be focused on, in discussing the social dimensions of the Digital Single Market in chapter 5.

Size and Importance of the EU Social Economy

In the EU, there are around **2 million social economy entities, accounting for approximately 10-12% of all European businesses**. Traditional social economy entities **employed over 14.5 million people, equivalent to 6.5% of the entire EU working population in 2010**, up from 11 million and 6.5% in 2002.

[1] This definition is consistent with the conceptual delimitation of the social economy that can be found in the Social Economy Europe's Charter of Principles of the Social Economy.

Figure 2: Absolute Numbers and Share of the working Population employed in the Social Economy



Source: *CIRIEC*[2].

The table below provides more a more detailed numerical overview of the size of the social economy.

Table 1: Some social economy indicators – case study countries

MS	Size
France	10.5% of employment, (2.37 million people) 6 000 to 28 000 entities.
Germany	There is no clear delimitation of the term and as such estimates suggest that the number would be a small four-digit number.
Italy	34 840 although only 1 346 are recognised under the social enterprise legislation.
Poland	Estimated that around 76 000 entities could be classified as social enterprises.
Spain	42 900 social economy enterprises with 2 219 000 direct and indirect jobs. They associated 19 876 000 people (10% of GDP).
UK	Around 70 000 social enterprises in the UK, employing nearly a million people and contributing GBP 24 billion to the economy.

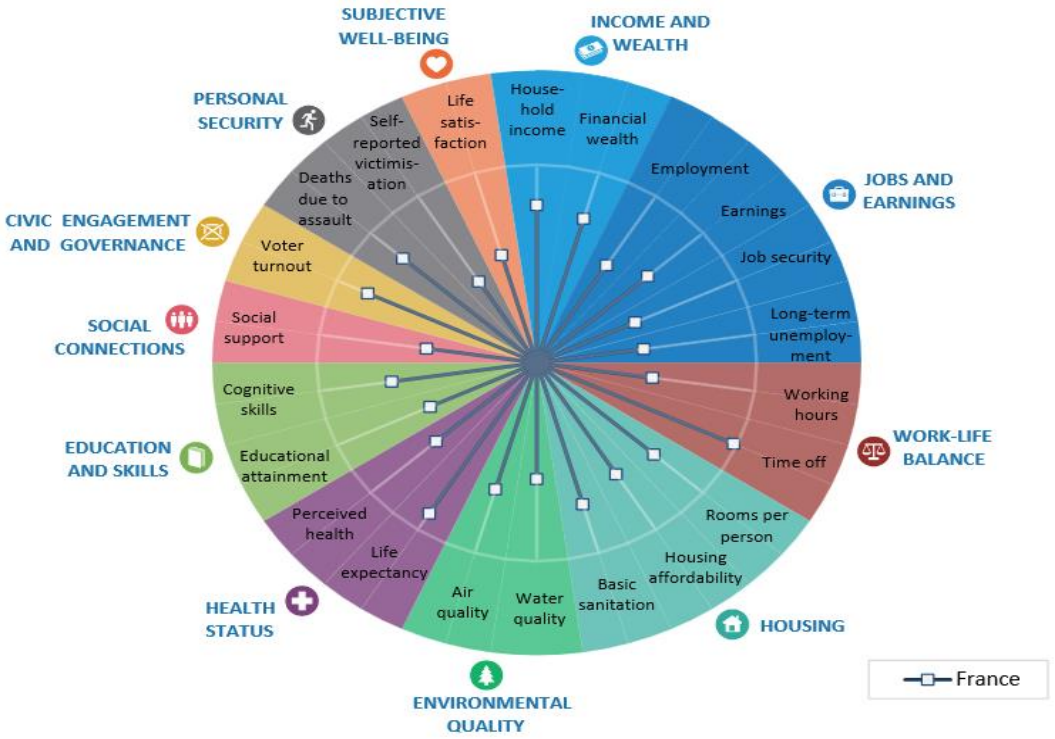
However, updated and accurate data on the social economy are difficult to collect, due both to the differences in legal status and the roles it plays within single EU Member States and to the scant attention traditionally paid by statistical offices to social economy entities. The reasons for this lack of data include (i) the **absence of a harmonised and accepted**

[2] http://www.statistiques.public.lu/en/actors/statec/organisation/red/ecosol102015/CIRIECChaves.pdf

definition of the social economy, (ii) **difficulties in extracting precise data** concerning social economy entities out of other relevant existing statistical categories, (iii) the fact that **traditional indicators, such as GDP and employment, disregard key elements of what the social economy is**.

Instead, a collection of comparable and authoritative pan-European statistics depends on: i) the development of a commonly accepted definition(s) of the social economy; ii) the establishment of specific parameters of the statistical population and development of appropriate classifications and criteria; iii) the adoption of alternative indicators **such as well-being (e.g. quality of life in more holistic, physical, psychological, environmental and social terms), social performance in various domains, sustainable development, etc.** in future initiatives, directed at measuring the socio-economic size and impact of the social economy. In the meantime, **some positive measures have been taken in EU Member States to improve the frequency and quality of data collection**. Some Member States (ES, PT, HU, CZ) use satellite account methodology to measure physical units rather than just monetary amounts. Others countries (e.g. PO) have already started collecting distinct statistical data for social economy/non-profit entities. The figure below provides an example of the types of indicators which could be collected to assess the impact of the social economy.

Figure 3: OECD example of alternatives to GDP – the better life initiative



Source: OECD.

However, while there are no comparable and acceptable statistics on the size and importance of the social economy, it is possible to provide figures for the traditional types of entities (co-operatives, associations, foundations and mutual societies).

Legal and regulatory Framework

The **social economy as a whole** contributes to the development of the economic system embraced by the EU Treaties (Art. 3 TEU); it represents an instrument that realises

participatory democracy in Europe (Art. 11 TEU). So far, the rather limited scope of the policies deployed by the EU to promote the social economy does not seem to take into account the multidimensional nature of the social economy and the consequent need to develop a cross-sectorial policy framework capable of fully capitalising on the overall social economy potential. The EU institutions should establish transversal institutional and normative links to unlock social economy potential in the creation of a more efficient and participatory model of goods and services provision, which would help sustain economic growth while providing innovative responses to social needs.

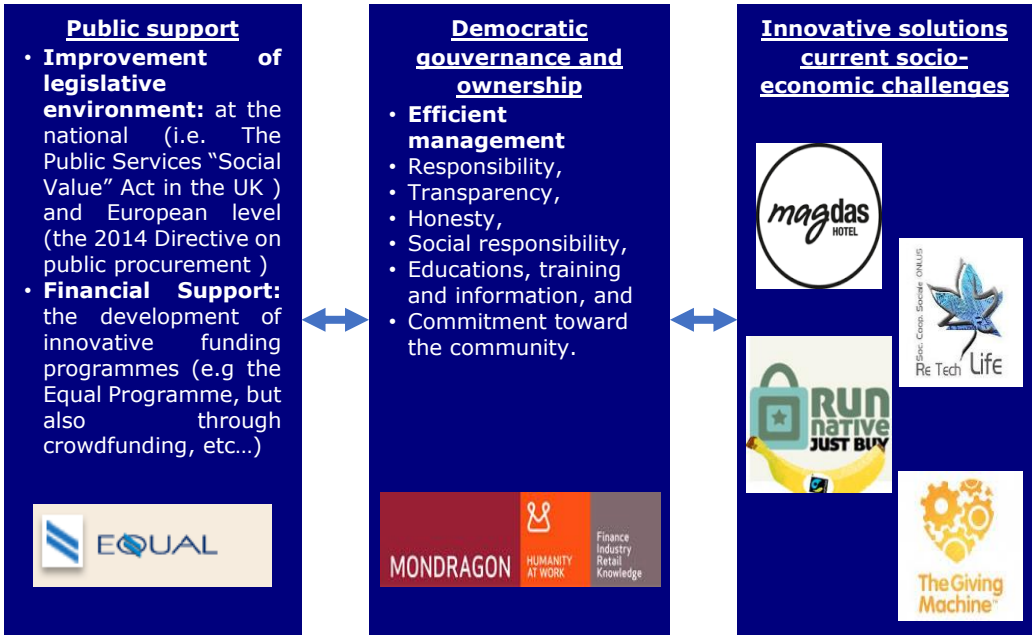
Since the 1980s, **attempts have been made to develop commonly accepted statutes for traditional social economy entities** (co-operatives, foundations, associations and mutual societies). However, as Member States have not been able to agree, only one Statute for a European Co-operative Society has been adopted.

Social enterprises are the most innovative form of social economy entities. The definition provided in the Social Business Initiative, put forward by the European Commission, provides an important attempt at mapping and increasing the visibility of social enterprises and constitutes a significant step towards the improvement of the existing regulatory framework. A social enterprise must fulfil the following conditions: (i) it must engage in an economic activity; (ii) it must pursue an explicit and primary social aim; (iii) it must have limits in terms of distribution of profits and/or assets; (iv) it must be independent; and (v) it must have inclusive governance.

In terms of the regulatory framework, Member States can be divided into three main groups, based on the legal framework in which social economy entities operate: the **first group represents the highest level of** social economy **acceptance**, whereas initiatives directed at creating overarching social economy legal frameworks have been developed (e.g. BE, IT, PT, ES, SE and FR); the **second group comprises of countries which have adopted some statutory provisions covering social economy organisation but who have stopped short of developing a systematic normative approach** (UK, DK, FI, EL, PO, MT and LU); **the third group is comprised of countries with a low level of or no legal recognition of the social economy,** which can stem from either the low development of the social economy or the fact that it is not clearly defined, due to other developing overlapping concepts, such as the third sector (e.g. HU, AT, EE, DE, LT, LV, CZ, SI and NL). Despite being granted with a low level of recognition, social economy players, which are present and active in the latter group of countries, often contribute positively to socio-economic growth, both at the national and the overall European level. As such, even where the legislative and regulatory recognition of social economy entities have been limited (e.g. DE), social economy actors still represent an important driver of societal change (alternative economy), constitute a response to mass unemployment and offer an instrument for the development of local economies and/or community development.

Recent developments in the EU inter-institutional debates show that the intention to ensure public support across the social economy board is emerging in Europe. Both the EU institutions and the Member States are aware that political, legislative and financial shortfalls have serious implications on social economy organisations.

Role of the Social Economy and Best Practices



With the development of social enterprises, **the social economy has been gradually expanding beyond the sectors where it has traditionally operated**. Where it exists, the concept of social enterprise provides a more flexible framework for the establishment of social economy entities in any economic area.

The **social economy has played a key buffer role during the economic crisis,** mainly thanks to rules governing social economy entities relating to profit distribution and ownership, which make social economy actors more grounded locally, while they make their long-term approach less vulnerable to short term financial difficulties.

Best practices can be identified in terms of **exogenous factors** (i.e. public support); in particular: (i) the improvement of the legislative environment (such as the Public Services (Social Value) Act) 2012 in the UK; (ii) financial support (such as the creation of a loan designed to support social economy entities by the BPI in France); and (iii) fostering synergies between public authorities and social economy actors at the local level (such as the European Network of Cities and Regions for the Social Economy - REVES).

Best practices stemming from social economy actors themselves can be grouped into three main categories: (i) democratic governance structures (such as the Mondragon group in Spain); (ii) the provision of innovative solutions to current socio-economic issues (such as the Magdas Hotel run by refugees); and (iii) increasing the visibility of the social economy (such as the DIESIS - European Research and Development Service for the Social Economy).

The Digital Single Market and the Social Economy

Going beyond the traditional sectors it is involved in, the social economy has the potential to take advantage of the development of the Digital Single Market. Social economy actors can make use of the Digital Single Market to further their objectives through increased direct sales, thus appealing to the consumer directly rather than first having to convince an intermediary.

Allowing for the digitalisation of services, the adoption of sharing economy models and the development of networks of producers, providers, users and workers, the DSM has the potential to improve access to information, develop online transactions, reduce trading and

operating costs, dematerialise consumption and improve the ways in which social economy actors operate. On the other hand, through their participation in the Digital Single Market, social economy actors could help both users and service providers to become collective owners, rather than just consumers or workers. However, social economy actors **face challenges on the level of competition from dominant digital-based service providers** (e.g. Uber and Airbnb) in terms of public awareness, allocation of work, as well as wage levels. Whereas appropriately developed, the interlinks between digital technologies and the social economy could help balance creative freedom and social protection objectives and therefore contribute to fully unleashing the growth potential of the new sharing economy.

To unlock (and fine-tune) the growth potential of both the DSM and SE, there is a need to **allow the social economy to participate in the digital single market, helping to shape the way in which it functions.** The Digital Single Market policy framework should include concrete proposals, directed at ensuring that the social economy mode of governance, values and role in the provision of services of general economic interest is also recognised and fostered in the digital environment.

Obstacles

Despite these identified good practices, obstacles and difficulties remain in the development of the social economy in the EU, as it suffers from significant competitive disadvantages, due to three types of barriers:

- **Structural barriers** include the lack of visibility and recognition of both the social economy itself and of its impact on contemporary European society and economy. This reduced visibility is also linked to the fact that GDP is often used as an indicator to represent the social economy, measuring its impact on contemporary EU society and economy. Even where economic indicators are available (i.e. GDP, employment, etc.), they are often not sufficient as standard economic indicators and are biased towards a productivist model based on growth, which completely disregards key elements of what social economy entities consist of.
- **Regulatory barriers,** including the lack of a clear legal framework in the EU and even within Member States; and
- **Financial barriers**, amongst which access to finance (and in particular to innovative sources of funding, such as crowd-funding, micro-financing, lease society and the establishment of sharing platforms) and fiscal constraints are of particular importance.

Possible Policy Measures

Based on the consultations conducted with stakeholders and the quantitative and qualitative findings of this medium term assessment, the following paragraphs set forth a series of goal-driven recommendations directed at:

- **Identifying and prioritising the areas covered in the present analysis, which should receive the most policy attention**, also bearing in mind issues related to subsidiarity and considering the EU and Member States' respective capacity to address the identified problems and to unlock the potential of the social economy in Europe.
- **Assisting the EU institutions in the identification of specific initiatives, which could help overcome the obstacles and shortcomings** that the social economy faces within the different domains covered in the present study, identified as deserving overriding policy attention; and at the same time.
- **Outlining a series of high-level strategies supportive of European social economy organisations** and in particular of their efforts to gain better access to the

Single Market, effectively supporting social inclusion, economic development and smart, sustainable and inclusive growth as per the objectives of the Europe 2020 Strategy[3].

In particular, considering the obstacles and barriers that currently exist in relation to the i) conceptual definition, statistical representation and measurement; ii) regulation and policy support, and; iii) digital transformation of the social economy at both the national and European level, the measures proposed below prioritise and propose a series of possible policy and regulatory actions that, despite being specific to the different domains of the social economy, also consider the need to establish and—when already existing—reinforce synergies between this cross-cutting policy field and other interconnected fields of EU intervention.

[3] Commission Communication, Europe 2020 A strategy for smart, sustainable and inclusive growth, COM (2010) 2020.

Priority areas for intervention	Strategic Goals and related possible Initiatives
Digital transformation of the social economy at both the national and supranational (European) level	**Strategic goal i):** Incorporating social economy enterprises that have been using digital methods into the proposals for the Digital Single Market, referring in particular to the non-commercial co-operative economy, which has major social potential. **Related possible initiatives:** Unlocking (and fine-tuning) the growth potential of both the DSM and the SE, **recognising not just how social economy actors could use the digital economy but also ensuring that social economy actors can participate in the digital single market, helping to shape the** way in which it functions. Among the policy options currently available at the EU level, in terms of developing the digital dimension of the social economy in the framework of the Digital Single Market Strategy, some are of particular relevance. Specifically: **Simplifying rules applying to cross-border e-commerce transactions**: complex and unclear rules discourage social economy actors and their potential customers from cross-border trading. This also prevents the public from benefitting from the most competitive offers. **Strengthening the role of social economy online platforms**: this is important to enable consumers to find information on social economy businesses operating cross-border and to help the social economy become an integral part of the emerging sharing economy. **The Parliament should examine the opportunity of introducing an online social economy information system to provide news, case studies, knowledge-based analysis and online channels of communication to social economy actors, in order to improve awareness of social economy operators on the opportunities provided by the DSM** and new technologies, including the possibility of operating through flexible organisational structures and contractual relations and using leased goods as means of production, as well as addressing the chance for increased efficiency, growth, jobs and improved consumer choice offered by the shared economy. This could help translate all existing national data into ready-to-use market information, but also would make sure that legislation and tax regulations were translated into the official EU languages, taking into account country and regional outlooks and statistical data. This Electronic Data Exchange Platform for social investors and entrepreneurs - Access to EU Education and Training Programmes (Lifelong Learning Programme, Youth in Action) would be a practical tool for every social economy entrepreneur willing to enter the EU single market. **Strategic objective ii): to help disseminate the best practices, ensuring that issues affecting the social economy are communicated within the relevant industries and arenas.** **Related possible initiatives: The European Parliament could encourage the establishment of collaborative platforms and**

Priority areas for intervention	Strategic Goals and related possible Initiatives
	stakeholders' networks. The social economy sector would benefit from a collaborative platform[4] established at the EU level. This could include education and training, which could also be promoted, both within academia and in civil society. **Including co-operative and mutual models in business education** as part of curricula for schools and tertiary education, so that young people are more informed when aiming to start a business. Furthermore, for a social economy business to fully operate within the DSM, the **development of the necessary technological skills is essential**. Therefore, digital skill levels need to be raised among social economy employees in all economic sectors and among job seekers in order for them to improve their employability. **Encouraging public authorities to contribute to the promotion of social economy entrepreneurship, through forms of business support that are specifically tailored to meet the needs of social economy operators**. Cross-border social economy could also be better promoted through existing instruments, such as the Erasmus programme for young entrepreneurs[5].
Development of an enabling cross-sectorial regulatory, financial and policy framework at the EU level	**Strategic goal iii)**: in account of the specific national and local environments within which social economy enterprises operate, building an enabling legal, regulatory and fiscal framework that recognises and valorises the dual dimension (economic and social) of the social economy, both at the national and the European level. **Related possible initiatives: Coordinating initiatives and complementing legal interventions with other soft law and measures, in order to encourage the development of the social economy.** Legislation has limited effectiveness without associated policies, which would be particularly useful at an operational level. For example, after the introduction of the European Co-operatives Status, co-operatives would have benefited from complementary policies on taxation and financing that could have supported the implementation of the new Regulation[6]. Policy actors at the EU level can play an important role in supporting the social economy, through enabling access to (free) advice and business support and / or encouraging social economy enterprises to work together and share costs and resources. Encouraging the European Commission to **centralise efforts on the development of the social economy by clearly giving the responsibly for fostering of the social economy to a Commission vice-president and by creating a dedicated unit with DG GROW**. Developing a cross-sectorial policy framework in the context of a coherent

[4] Similar to the Social Economy Alliance recently created in the UK.

[5] Co-operative working group, *Fostering co-operatives' potential to generate smart growth and jobs*, 2015.

[6] Interview Co-operatives Europe.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	political mandate is essential in order to overcome the rather limited scope of the policies that the EU has deployed concerning the social economy. EU institutions should establish transversal institutional and normative links to unlock social economy potential in the creation of a more efficient but also participatory model of goods and services provision and in order to sustain economic growth, while providing innovative responses to social needs. **Introducing "social clauses" in public procurement and the commissioning of public services.** Currently, EU procurement rules allow for social economy options, but the way in which these are transposed and implemented can give rise to concern[7]. The key achievement of the EU Public Procurement Directive is that bids should now be evaluated on the basis of the Best Price-Quality Ratio (particularly when it comes to social and health services), but provisions on reserved contracts for sheltered workshops and economic operators in work integration should also be included in national legislation, together with provisions on reserved contracts for social services provided by social economy operators. Development of support mechanisms for implementing the Directive and awarding contracts in separate lots should also be foreseen[8]. Continuing to ensure that Structural **Funds, including the European Social Fund, encourage the development of the social economy**[9]. The ESF mentions the promotion of the social economy as a priority in terms of facilitating access to employment, promoting social inclusion and working against poverty and all forms of discrimination. At the same time, the Member States could be asked to state more clearly how the operational programmes of the structural funds, and more specifically the European Social Fund (ESF), are implemented in support of the social economy[10]. Furthermore, the existing social innovation and social investment programmes tend to reflect a focus on investor-led models and could be opened up to innovation based on member capital and on participatory innovation. Allowing for **flexibility in the current State Aid Legislation, which is a particular hindrance for new policy action in favour of social economy solutions**. A fast track system for social innovation, focusing exclusively on the social economy and its models of social ownership could be envisaged. Of course these should be reviewed in line with Treaty obligations on competition, but a faster approval process and then a slower review process *post hoc* could contribute to fully releasing the development potentials of SE[11].

7 Interview Ed Mayo, Co-operatives UK.

8 Social Platform, *Public procurement for social progress. A Social Platform Guide to the EU Public Procurement Directive*, 2015.

9 Interview with Dan Gregory from Social Enterprises UK.

10 Social Economy Europe, *Social Economy…taking back the initiative*, 2015.

11 Interview Ed Mayo, Co-operatives UK.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	Also, **simplifying the complex employment law,** which currently makes it difficult for social economy actors to employ people, could help both employment creation and could also help expand social economy businesses. **Strategic goal iv):** overcoming the obstacles currently encountered by a large number of social economy actors in accessing finance; benefiting from an adequate and consistent fiscal treatment, taking into account the management specificities and the functioning principles of these enterprises. **Related possible initiatives: the introduction of sustainable and innovative finance solutions is essential in order to stimulate the emergence of a strong financial marketplace for social economy enterprises.** Sustainable finance might be supported through the adoption of measures promoting social economy access to innovative funding, including: the creation of dedicated crowd-funding platforms that help share information on financial mechanisms best suited to social economy enterprises; the reinforcement of micro-financing; the creation of a special fund with a view to supporting social innovation[12]. In addition, Regulation (EU) No 1296/2013 should incorporate the European Union Programme for Employment and Social Innovation (EaSI) and there should be an amendment of decision No 283/2010/EU, establishing a European Progress Microfinance Facility for employment and social inclusion[13]. More generally, institutional arrangements between EU institutions, Member States' governments, as well as regional, national and international financial institutions should be encouraged. **Encouraging Member States to develop VAT regimes, which do not disadvantage social economy entities.** Social economy actors do not expect to be treated differently to other enterprises, but social economy enterprises which deliver services of public utility suffer from a comparative disadvantage when compared to certain public sector institutions, which receive VAT exemptions. In the absence of harmonised legal and fiscal status for European social enterprises, this problem should be tackled domestically, at the national level[14]. **Indirect fiscal measures can also be utilised to help support investment in social economy enterprise development, in order to recognise their positive social benefits**, especially when they work with disadvantaged people (such as people with low skills, those who require intensive support, etc.). Indirect fiscal measures can also be utilised to help support investment in social enterprise development. For example, in the UK, social enterprises can access Community Investment Tax Relief (CITR),

[12] Social Economy Europe, *Social Economy…taking back the initiative*, 2015.

[13] European Committee of the Regions, *Draft opinion of the European Committee of the Regions – The role of the social economy in restoring economic growth and combating unemployment*, 2015.

[14] Interview with Dan Gregory, Social Enterprises UK.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	which, although not specifically designed for social enterprises, was created to encourage investment in disadvantaged areas[15].
Conceptual definition, statistical representation, and measurement	**Strategic goal v):** setting up a clear definition of the social **economy** and its components at the EU level, through the establishment of common minimum standards, allowing for social economy actors to operate cross-border. **Related possible initiatives:** public limited companies and co-operatives already operate in the context of European statutes. Mutuals, foundations and associations are only acknowledged at national level, but such recognition is not enough to allow social economy actors to effectively compete in the provision of cross-border goods and services. As such, EU level definition should be proposed by the Commission. Similarly, social enterprises should be clearly defined along the lines of the recommendations of the Social Business Initiative. Definitions should take into account the latest developments, registered in the way social economy actors operate as goods and services providers within the (digital) single market. **Strategic goal vi):** producing aggregated and comparable data on the size and importance of the social economy in the EU which, complementing data collected at the national level, could support policy makers in the adoption of evidence-based policy initiatives and tailored actions. **Related possible initiatives:** encouraging the European Commission to pursue a re-examination of the GDP indicators to give it a redefined focus and elaborating a comprehensive set of indicators, taking into account key elements of the social economy and work as a counterbalance to traditional indicators. Developing a coordinated system for measuring the size, assessing the role of the social economy in Europe and enhancing awareness of the role played by social economy organisations. Such a system could make use of the indicators listed in the European Statistical System Committee (ESSC) Quality of Life indicators, which include: • Health • Education • Leisure and social interactions • Economic and physical security • Governance • Environment • Overall life experience Mainly relying on outcomes rather than expenditures, these indicators can produce significant measurements that, focusing on economic and social progress, are a better fit than GDP in terms of reflecting and capturing the

[15] European Commission, OECD, *Policy Brief on Social Entrepreneurship Entrepreneurial Activities in Europe*, 2013.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	contribution of the social economy to sustainable economic growth and social integration across the EU. Screening mechanisms should be put in place to ensure that the specific needs of social economy organisations are taken into account, when legislation and other policy initiatives are developed and **implemented.** Such mechanisms would make sure that social economy actors are not impeded or disadvantaged, compared to other organisations. Specific indicators should also be modelled with a consideration of the increasingly frequent use of information and communications technology (ICT) amongst social economy actors.

BACKGROUND

Aim and Structure of the Study

The aim of this medium-term assessment is to provide an analysis of the role that the social economy plays in the EU, exploring its potential in contributing to jobs and growth.

Adopted Methodology

The methodology used for this medium-term assessment builds upon **descriptive analysis**, **thematic analysis** and **comparative analysis** techniques and relies on **qualitative** and **quantitative research,** consisting of:

- **Desk research:** assessing information published at the EU level, including specific reports commissioned and published by the European Economic and Social Committee (EESC), the European Commission and other European Institutions. A list of the literature collected and reviewed to date is included in the References section.
- **Interviews** with European organisations and associations representing the social economy at the EU level. To date, interviews have been conducted with:
    - The European Network of Social Integration Enterprises (ENSIE).
    - Social Economy Europe (SEE).
    - Co-operatives Europe.
    - The European Foundation Centre.
    - Social Enterprises UK.
    - Co-operatives UK.
    - National Auditing Union of Workers' Co-operatives (NAUWC) in Poland.
    - Spanish Foundation Association (Asociación Española de Fundaciones) and
    - Spanish Business Confederation of Social Economy (CEPES).

These interviews have focused on investigating the organisation and structure of the social economy in the EU, identifying barriers and obstacles as well as good practices, which are conducive to the development of social economy enterprises in the EU and highlighting additional relevant literature.

Country case studies, covering six Member States (Spain, France, Italy, Poland, Germany and the UK) have been completed. A number of interesting examples of Member States with different types and structures of actors in the social economy exist. However, given the scope of this study, it was decided that there should be a focus on these five Member States. The rationale for selecting these Member States is presented in the table below.

Table 2: Rationale for Case Study Selection

Country	Rationale
Spain	First Member State to present a Social Economy Act. According to the Spanish Business Confederation of Social Economy (CEPES), the social economy sector in Spain represents 10% of the country's GDP[16].
France	First country to award political and legal recognition to the modern concept of the social economy (1891). An estimated 10.3% of total employment in France is within the social economy (78% of which is in Associations)[17].
UK	There is a long history of co-operative movements in the UK, dating back to the 19th century. There is also a ministry responsible for social enterprise and social economy[18].
Poland	This is a Central European Country, which has experienced a revival in the social economy sector and where co-operatives are legally recognised.
Germany	There is a long tradition of "Third Sector" entities operating in different economic sectors, despite the lack of a clear legal framework.
Italy	Member State with an important and developed social economy sector, including in the fields of agriculture and food purchasing.

To support a more in-depth assessment of the research questions developed through the desk research and the interviews at the EU level, the case studies have been developed through:

- A country-specific literature review;
- Contacts with national organisations representing social economy businesses in the selected Member States.

An **online survey** was conducted, targeting relevant national consumer organisations. The survey was created and uploaded on Survey Monkey, an online tool. The survey link was emailed to relevant consumer protection organisations. The survey has been online for a period of 3 weeks and regular reminders have been sent to maximise the response rate.

We understand that the findings of the study will provide background information for the Members of the Internal Market and Consumer Protection (IMCO) Committee of the European Parliament on priority measures and actions to be undertaken in this field.

[16] CEPES, statistics 2013, accessible at http://www.cepes.es/Statistics (comment: data up-to-dated by CEPES. 2014).

[17] Observatoire National de l'ESS – CNCRES, Atlas Commenté de l'Economie Sociale et Solidaire 2014.

[18] See background section and the webpage of the UK Minister for Civil Society (https://www.gov.uk/government/ministers/parliamentary-secretary-minister-for-civil-society).

1. DEFINING THE SOCIAL ECONOMY

KEY FINDINGS

- Despite the efforts of academics, EU institutions, international organisations, national governments and social economy representatives to provide a common analytical framework, **a universally accepted definition of the social economy does not yet exist**.
- The main analytical difficulties to overcome in the attempt of defining the social economy are: **clarifying the distinction between the different forms of social economy activities** and **identifying the differences between these entities, other private economic players and the public sector**.
- Distinctive features of the social economy can be identified - par ricochet - on the basis of what sets them apart from other enterprises. These elements include (i) **the primacy of people**: the social economy is based on the primacy of the individual and of social objectives over capital, (ii) **sustainable growth:** the overall aim of the social economy activities does not emphasise the pursuit of profit and its distribution to the owners as an ultimate goal, (iii) **social and economic balance**: in conducting their activities, social economy actors are engaged in a social aim and (iv) **democratic governance:** social economy entities function in accordance with democratic, transparent and participatory decision-making processes.

1.1. Social Economy in Theory and Policy Making

Over the past decades, different terms have been used to describe the fast evolving and yet extremely heterogeneous set of entities that is currently referred to as the social economy (SE), social enterprises and/or social entrepreneurship. With its growing social, economic, regulatory and political relevance, a series of definitions directed at providing a conceptual and legislative framework of reference for this increasingly complex socio-economic sector has been proposed.

In particular, scholars have been increasingly undertaking analytical efforts to describe and define a series of **field realities that are transforming and developing almost everywhere**, in Europe as well as in other regions of the world.

Some authors, especially in Europe, tend to identify the social economy with the ”third sector”, understood as the ensemble of non-profit organisations, as well as co-operatives, associations, mutual societies and foundations[19]. Other academics describe the social economy by highlighting the **importance of the social mission** that its initiatives feature and the economic democracy that is realised through the emergence of entities with particularly charitable aims, organisations with a democratic structure, not-for-profit private enterprises and private enterprises with social aims [20]. Some others, especially in North America, characterise the social economy by stressing the "blurred boundaries" among different social economy institutional and legal forms, as well as the "blended value creation" (i.e. profits alongside social value) that feature in social entrepreneurship[21]. These authors

[19] Monzón, J.L. & R. Chaves (2008), The European Social Economy: Concept and Dimensions of the Third Sector. Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Co-operative Economy (CIRIEC).

[20] See, Nicholls, A. (ed.) (2006) Social Entrepreneurship. New Models of Sustainable Social Change, Oxford: Oxford University Press.

[21] Kerlin, J.A. (2006), Social Enterprise in the United States and Europe: Understanding and Learning from the differences. Voluntas, Journal of the International Society for Third-Sector Research and The Johns Hopkins University, ,17/2006, p. 247-263.

have adopted definitions of the social economy that cover a wider spectrum of initiatives, spanning from voluntary activism to corporate social responsibility[22].

A comparative literature review, that takes into account both the historical development of the social economy and the changing cultural, economic and regulatory contexts, operates within substantiates the understanding of this sector as involving a wide gamut of different organisations and bodies. Terms such as social economy and social entrepreneurship have been used in relation to an increasing number of different socio-economic actors, legal entities and policy initiatives. Currently, scholars ascribe to the social economy a series of entities, ranging from those formed in the 18th and 19th centuries (associations, foundations, mutuals and co-operatives) to newly formed types of web-based enterprises; they include in this domain both large organisations and small initiatives with significantly different value bases[23]. This constitutes a heterogeneous family of economic actors, encompassed by a variety of co-existing legal frameworks and thus the social economy can be effectively represented as **an evolving galaxy, populated by variously lived and institutionally recognised socio-economic realities**, which position themselves "at the cross-roads of market, public policy and civil society"[24].

On the other hand, policy-makers across Europe have shown an increasing propensity to encourage the social economy, which is progressively viewed as **an effective tool to fight poverty, create employment and foster social cohesion**[25]. At the national level, Member States' legislators have started recognising the innovation potential of some traditional social economy actors and have adopted measures for the promotion of new models of social entrepreneurship in different sectors of their economies. Taking into account the experiences that have been maturing in national systems, European institutions have supported research projects directed at mapping and grouping the great plurality of actors that currently populate the landscape of Social Economy in Europe[26]. Specific definitions of the social economy and social entrepreneurship have been adopted by the European Economic and Social Committee (EESC)[27], the European Commission[28], as well as by the

[22] See, for example: Defourny, J., Develtere, P., Fonteneau, B. & M. Nyssens (2009), The worldwide making of the social economy. Leuven: ACCO; Kerlin, 2006; Monzón, J.L. & R. Chaves (2012), The Social Economy in the European Union. Summary of the Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Co-operative Economy (CIRIEC).

[23] For a historical perspective of Social Economy developments in Europe, see Spears, R. (2009), The social economy in Europe ; trends and challenges, Open University, Milton Keynes.

[24] Nyssens, M. (ed.) (2006), Social Enterprise. At the Crossroads of Market, Public Policies, and Civil Society, Routledge, London and New York.

[25] European Commission (2011), Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation; European Commission (2013), Social Economy and social entrepreneurship. Social Europe Guide, vol. 4.

[26] For example, the EMES-network lead the ICSEM project, the aim of which is to map the field of social enterprises in Europe, and to provide a framework that can be used to compare social enterprise models and their respective institutionalisation processes across the world. (ICSEM, 2013). Likewise, CIRIEC has been trying to develop a mapping of the social economy in Europe.

[27] "The set of private, formally-organised 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 take place through democratic and participatory decision-making processes. The social economy also includes private, formally organised organisations with autonomy of decision and freedom of membership 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". http://www.eesc.europa.eu/resources/docs/executivesummary-of-study-of-the-social-economy-in-the-europeanunion-en.pdf .

[28] "Social enterprises seek to serve the community's interest (social, societal, environmental objectives) rather than profit maximisation. They often have an innovative nature, through the goods or services they offer, and through the organisation or production methods they use. They often employ society's most fragile members (socially excluded persons). They thus contribute to social cohesion, employment and the reduction of inequalities". http://ec.europa.eu/internal_market/social_business/index_e.

European Parliament[29]. Directed at both, identifying the entities that are part of the social economy and assessing their contribution to economic growth and social inclusion, these analytical undertakings represent important endeavours that the EU has put forth in an effort to outline a dedicated policy framework for the social economy[30].

However, despite the efforts of academics, EU institutions, international organisations, national governments and social economy representatives to provide a common analytical framework, **a universally accepted definition of the social economy does not exist yet**. Both academic literature and policy documents acknowledge that, while different types of social economy entities present some common (overlapping) features, they also diverge in important respects. Furthermore, different enterprises and organisational structures identify themselves according to different concepts. Even if they consider themselves a part of the social economy, they might not feel comfortable being called social enterprises. At the same time, not all enterprises with a legal status that, under a particular (national and/or European) regulatory regime, is 'fit' for social entrepreneurship – fully recognise themselves as social enterprises or as part of the wider social economy family (i.e. some types of co-operatives[31]). An additional challenge involves the different meanings of the term social economy in different Member States[32].

Therefore, the main analytical difficulties to overcome in the attempt of defining the social economy are:

- Clarifying the distinction between the different forms of social economy activities (i.e. "traditional" social economy organisations, social enterprises, Work Integration Social Enterprises (WISEs) and non-profit organisations) and
- Identifying the differences between these entities, other private economic players and the public sector.

Sharing the idea that the social economy "is made up of a wide range of operators which taken all together constitute a pole between the public sector and the capital-based sector"[33], this study aims at providing a rationale for a social, economic and regulatory reality that: a) is driven by values that substantially and institutionally deviate from the ones governing purely capital-based economic initiatives; and b) is capable (where appropriately recognised and supported) of addressing market failures, in a more efficient way than the public sector.

1.2. Defining the Social Economy

While it is difficult to describe the social economy by focusing on what social economy organisations share, some distinctive features can be identified - *par ricochet* - on the basis of **what sets them apart from other enterprises**. In particular, a series of structural elements seem to distinguish the different social economy actors from other subjects, organisations and bodies operating within the EU single market. These elements, which are

[29] The Wight of Social Economy, an international Perspective. "Social and solidarity-based economy enterprises, which do not necessarily have to be non-profit organisations, are enterprises whose purpose is to achieve their social goal, which may be to create jobs for vulnerable groups, provide services for their members, or more generally create a positive social and environmental impact, and which reinvest their profits primarily in order to achieve those objectives". http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2015-0247+0+DOC+XML+V0//EN.

[30] European Parliament resolution of 19 February 2009 on Social Economy (2008/2250(INI)).

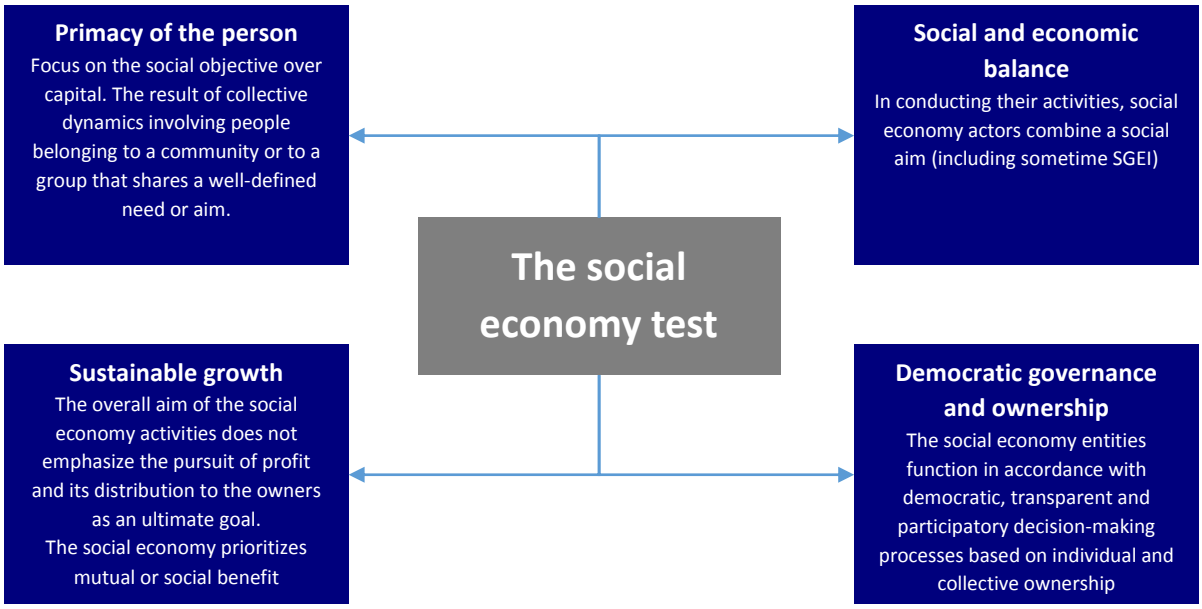
[31] Interview with a representative of Co-operatives Europe.

[32] Social enterprises in France are different from the ones in Italy, for example, where enterprises with the legal form of shareholder-ownership can be included.

[33] Monzón, J.L. & R. Chaves (2012), The Social Economy in the European Union. Summary of the Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Co-operative Economy (CIRIEC).

presented in the figure below before being expanded below, constitute a "social economy" test, which allows distinguishing social economy organisations from others.

Figure 4: The social economy test



- **Primacy of the person:** the social economy is based on the primacy of the individual and of social objectives over capital. Social economy enterprises and entities are in the main concerned with creating wealth and better living conditions for their members and stakeholders, either by creating jobs, through assuring access to services (health, insurance, education, etc.). In this sense, the social economy can be represented as the result of collective dynamics, involving people belonging to a community or to a group that shares a well-defined need or aim. In one way or another, this collective dimension must be maintained over time, even though in some cases (e.g. social enterprises) the importance of leadership is not neglected[34].
- **Sustainable growth**: The overall aim of social economy activities does not emphasise the pursuit of profit and its distribution to the owners as an ultimate goal. This means that instead of directly or indirectly redistributing profits and revenues among members, the social economy prioritises mutual or social benefit statutory goals. As a consequence, social economy revenues are mainly redistributed based on the work performed and the services rendered by their members, or are reinvested in order to pursue the organisation's social benefit goals. At the same time, unlike some traditional non-profit organisations (for example, many foundations) not all social economy entities (i.e. social enterprises) have advocacy activities or the redistribution of financial flows as their major activity. In some cases, social economy players are directly involved in the production of goods or the provision of services to people, on a continuous basis. Thus, productive activity may also represent the reason, or at least one of the main reasons, for the existence of some type of social economy actors (i.e. social enterprises)[35].
- **Social and economic balance** – In conducting their economic activity, social economy actors combine a social aim with the production of goods and the provision of services, sometimes services of general interest, in particular with regard to the needs of

[34] Defourny, J. and Nyssens M. (2013) L'approche EMES de l'entreprise sociale dans une perspective comparative, SOCENT Working Paper 2013/01.

[35] Ibid.

vulnerable groups (e.g. immigrants, the aged population, drug-users, the long-term unemployed, the homeless). Scarce resources are used to produce goods and services meeting real social needs and they are sold in the market for a price that covers the production costs, at least partially[36]. As such, social economy entities generally help increase social capital, i.e. the level of trust within society and economy, as their activity is based on collaboration and civic engagement among individuals within the community. To enhance their efficiency, they rely on higher intrinsic motivations (ensuring a mix of incentives for all stakeholders); the development of innovative entrepreneurial practices; and higher resources supplied for free (voluntary work, donations)[37].

- **Individual and collective ownership**: The social basis of the social economy is made up of a plurality of individuals deciding to collaborate on a voluntary, co-operative and reciprocal basis.
- **Democratic governance and ownership**: Social economy entities typically adopt forms of democratic governance, ensuring that stakeholders have the possibility to actively and directly participate in decision-making processes. Functioning in accordance with democratic, transparent and participatory decision-making processes, social economy entities are generally governed through the principle of "one member, one vote". This is radically different from what happens in the case of the "profit" sector (where decisions are based on market factors and shareholding) or even in the public sector (where decision-making processes are hierarchical, based on the rule of law and bureaucracy)38. This particular governance structure promotes workers' empowerment and ultimately helps create awareness and citizenship. In many cases, one of the aims of social enterprises involves furthering democracy at the local level, through economic activity39**.** In fact, social economy entities are created by groups of people on the basis of an autonomous project and are governed by these people. Being of a horizontal nature, the social economy's collective method of coordination implies both individual and ownership and therefore favours the exercise of decision-making powers on the part of a wider range of stakeholders (and not just shareholders) involved in a particular initiative.

Box 1: The distinctive Features of the Social Economy

To summarise, the social economy in Europe is made up of private socio-economic initiatives that, regardless of their specific legal status: **a)** produce goods and services for both market and non-market purposes [40] and redistribute and/or reinvest revenues and incomes; **b)** are based on values of sustainability, solidarity, trust, reciprocity, local development, social cohesion and inclusion; and **c)** aim at the reinforcement of social cohesion, awareness and citizenship, through internal and external collaboration and collective efforts[41]. These indicators do not only allow the description of the traditional social economy organisations, but also permit the identification of brand new social economy operators, on the basis of both their internal dynamics and their external productive aims.

[36] Monzón, J.L. & R. Chaves (2012), The Social Economy in the European Union, cit.

[37] Borzaga, C. Depedri, S and E. Tortia (2010), The growth of Organizational Variety in Market Economies: The case of Social Enterprises, Euricse Working Papers, N. 003/10.

[38] Keay, A. (2010), Shareholder Primacy in Corporate Law: Can It Survive? Should It Survive?, European Company & Financial Law Review 7, p. 369-413.

[39] Moulaert and Nussbaumer, J. (2005), Defining the Social Economy and Its Governance at the Neighbourhood Level: A Methodological Reflection, Urban Studies 42, p. 2071-88.

[40] In fact, many initiatives in social economy appeal on a mix of market and non-market incomes.

[41] See also, European Centre for Not-for-Profit Law, September 2012, Legal Framework for Social Economy and Social Enterprise: a Comparative Report.

In light of the above, this assessment adopts the following definition: the social economy is a set of private, formally-organised entities that, operating through democratic and participatory decision-making processes produces market and non-market goods and services. In social economy initiatives, the distribution of profits or surpluses among members is not directly linked to the capital or a fee contributed by each member, but is directed towards meeting their members' needs, through the production of goods and the provision of services, insurance and finance[42].

Combining a set of specific and at the same time flexible features regarding both its social basis and the economic activities it performs, the social economy has progressively affirmed itself as a source of social and entrepreneurial innovation for the development of answers to limited government budgets on the one hand and to high social needs on the other hand.

Since the onset of the digital revolution, there is an important issue that needs to be invoked in order to provide a comprehensive definition of the social economy. It must be noted that the widespread adoption of information and communications technology (ICT), which currently blurs the boundaries between the real and virtual world[43], is increasingly common amongst social economy actors too. Through connecting individuals and tools with each other, these new technologies improve access to information and consequently contribute to the creation of smart networks across the entire process of production of goods and services. In the medium and long term, this process will have a significant impact on the way in which an increasing portion of social economy actors operate within the (digital) single market. Therefore, while the main elements of the basic definition, such as primacy of a person, sustainable growth, social and economic balance and democratic governance continue to be applicable, the development represented by the ubiquity in the provision of goods and delivery of services across countries seems to constitute a highly disruptive element to the traditional social economy. In addition to traditional types of social economy actors and institutions, the rise of these—ubiquitous—new forms of networks, connecting social economy services and goods providers and recipients, not only across different countries, but also with unprecedented precision, should therefore be also factored in, in order to ensure a comprehensive description of the ever-expanding and increasingly complex social economy arena.

[42] This definition is consistent with the conceptual delimitation of the social economy that can be found in the CEP-CMAF's Charter of Principles of the Social Economy.

[43] Carlos Montalvo, David Peck, Elmer Rietveld, and Tom Bastein, A longer life-time for products: benefits for consumer and companies, Study produced for the European Parliament, Directorate General for Internal Policies, Policy Department A (Economic and Scientific Policies), December 2015, p. 63.

2. THE SOCIAL ECONOMY IN THE EU

KEY FINDINGS

- There are no comparable European statistics on the social economy overall. The reasons for this lack of data include: (i) the **absence of a harmonised and accepted definition** of the social economy; (ii) the **difficulties in extracting precise data** concerning social economy entities out of other relevant existing statistical categories; (iii) the fact that traditional indicators such as GDP disregard key elements of what the social economy is.
- Focusing on traditional entities (co-operatives, associations, foundations and mutual societies), there are around **2 million social economy entities, accounting for approximately 10-12% of all European businesses**.
- Traditional social economy entities **employed over 14.5 million people, which is equivalent to 6.5% of the entire EU working population in 2010**, up from 11 million and 6.5% in 2002.
- The traditional means of measuring economic growth disregard some of the key elements of the social economy, including well-being, sustainable development and environmental impact.
- Co-operatives, associations, foundations and mutual societies account for the large majority of the social economy sector, while newer forms like social enterprises also contribute and respond to new societal challenges and economic opportunities.

2.1. Size and Scope of the Social Economy in the EU

The social economy has been increasing in number and size during the past decades in the EU, in line with global trends[44]. However, the differences in the legal status and role played by social economy entities in each Member State and the relatively scant attention that (until recently) has been accorded to this field by statistical offices, make it **difficult to assess the size of the social economy** in the EU as a whole. These difficulties also translate to the economic importance of the sector (in terms of GDP). Due to the specificities of the social economy, the use of GDP as an indicator is questionable. As a consequence, **other indicators, such as the number of social economy entities or employment are often used as a proxy to assess the sector's relative size, as it allows for a comparison between Member States**. Furthermore, Eurostat does not collet any statistics on the social economy, in terms of its size and composition, adding a level of uncertainty to the comparison of data between Member States for which data is available.

Focusing on the traditional types of social economy entities (co-operatives, mutuals, associations and foundations), allows for a more robust comparison as, despite their differences, these entities are more clearly defined at the EU level (as developed in Chapter 3). Nevertheless, the figures presented here provide a lower estimate, given that they do not take into account the more innovative and recent types of entities, which make up the social economy. In particular, the current rise of ubiquitous networks that, since the onset of the digital revolution, have been established by an increasing number of social economy actors in order to produce goods and deliver services within the (digital) single market, should also be taken into account in the collection of data concerning the current size of the social economy in Europe.

[44] See data published by EURICSE and the International Co-operative Alliance in the World Co-operative Monitor.

Available data shows that, overall, **there are around 2 million traditional social economy entities, accounting for approximately 10-12% of all European businesses**[45]. According to the Commission, social economy entities (measured as the aggregate of co-operatives, mutuals, associations and foundations) employed over 14.5 million people, equivalent to 6.5% of the entire EU working population in 2010, up from 11 million and 6.5% in 2002[46]. Out of these, 70% were employed in non-profit associations, 26% in co-operatives and 3% in mutual associations[47].

While limited in scope, these figures show that the social economy now constitutes an essential pillar of the European social model[48]. Although the situation varies widely between Member States, social economy entities are currently **present in almost every sector of the economy**, such as banking, insurance, agriculture, craft, various commercial services, health and social services, etc. There are further common extensions of economic activity that meet collective needs in additional areas: environment (i.e. organic agriculture, horticulture, food processing, through to environmental services and environmental protection) in countries like the Czech Republic, Malta and Romania; serving community interest needs in countries like the UK, Germany and the Netherlands (for example, housing, transportation and energy); and cultural, sport and recreational activities (for example, arts, crafts, music and increasingly tourism) in Croatia, Estonia, Finland, Greece, Hungary, Malta and Sweden[49].

However, the possibility of delivering a precise assessment of the size of the social economy and a quantitative analysis of its impact on the overall European economy is hampered by the **lack of available, updated and precise data produced and collected at the EU level**. As an example, Eurostat does not collect statistics covering the size of the social economy. The major obstacles that have been recently identified in the current systems for the production of statistics on the social economy include:

- The **absence of a harmonised definition** of the social economy, hindering the possibility of identifying precisely the social economy actors that should be taken into account in data collection exercises. Given the diversity of national economic structures, welfare, cultural traditions and legal frameworks, measuring and comparing social enterprise activity across Europe remains a challenge;
- **Difficulties in extracting precise data** concerning social economy entities out of other relevant existing statistical categories (i.e. Small and Medium Enterprises);
- The **problems related to measuring the social economy production of goods and services**. Given that the social economy is so diverse and that its aims are wider than those of organisations operating in the private sector, standard measuring tools, such as growth of share of GDP, cannot adequately reflect the real importance of the social

[45] For a comprehensive overview of the social economy growth rates in different EU Member States see José Luis Monzón and Rafael Chaves, The Social Economy in the European Union, CIRIEC Report, 2012. This study aims to provide comparable data from across Europe. The figures included in the case studies in the appendices may differ because, where available, up-to-date information provided by national stakeholders has been included. This information may be less comparable amongst countries.

[46] Study commissioned by the EESC on the Social Economy in the EU: http://www.eesc.europa.eu/ resources/docs/qe-31-12-784- en-c.pdf.

[47] Schneider, E.A. and Laino E. (2014), Promoting the Social Economy as a Driver for Inclusive Growth and Social Progress, Solidary Social Economy Framework Working Paper, p. 4.

[48] Although it is interesting noting that, across Europe, most of the different types of social economy organisations have been established as associations, mutuals, foundations and co-operatives. These and other similar organisations account for about 65% of employment in Europe's social economy (with co-operatives forming 33%).

[49] Wilkinson, C., Medhurst, J., Henry, N., Wihlborg, M., Braithwaite, BW. 2014. A map of social enterprises and their eco-systems in Europe.

economy and do not record relevant indicators, such as the distribution and spill-over effects and the positive externalities generated by social economy entities[50].

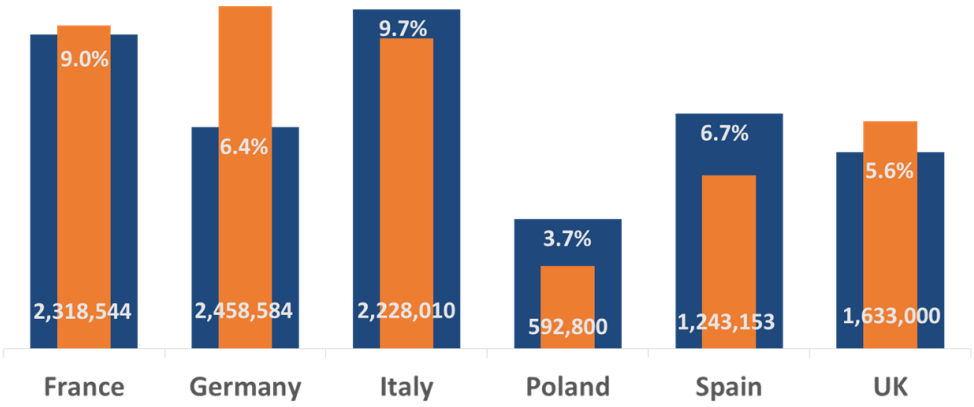
Given the absence of precise indicators for the collection of quantitative data on the size of the social economy at the EU level, Member States' national statistics still represent the main source of insight into the size of the social economy sector across Europe.

2.2. Size of the Social Economy at the national Level

In many Member States, there are a number of sources providing data on the social economy or on particular sectors within it[51]. At the same time, the possibility of providing a thorough comparison of the Member States' collected data is prevented by both the differences in the methods used for data collection and the distinctive definitions of social enterprises adopted in the national contexts.

The following graph provides an overview of the share of the working population employed in the social economy and the number of social economy entities operating in the country.

Figure 5: Absolute Number and Share of the working Population employed in the Social Economy



Source: CIRIEC[52].

A 2009 study conducted for the Global Entrepreneurship Monitor Report on Social Entrepreneurship assessed the share of the population involved in social entrepreneurship as reaching 7.5% in Finland, 3.1% in France, 3.3% in Italy and 5.7% in the United Kingdom. This equated to approximately one in four businesses founded in Europe being a social enterprise. This figure rises to one in three in Belgium, Finland and France[53]. The figures in Finland and the United Kingdom were similar to those identified in the CIRIEC study. In contrast, the figures for Italy and France are significantly different. This highlights the difficulties in collecting comparable figures, even within the same country, when there are differences in the criteria for defining the social economy and in compiling statistical data.

[50] See, Bouchard, M.J and Rousselière (2015), The Weight of Social Economy, an international Perspective, P.I.E. Peter Lang.

[51] For example, the UK conducts a biennial "State of Social Enterprise Survey". The 2015 data were collected via 1 159 interviews with enterprises that defined their organisation as a social enterprise and generated 25% of more of their income from trading activities.

[52] http://www.statistiques.public.lu/en/actors/statec/organisation/red/ecosol102015/CIRIECChaves.pdf.

[53] Terjesen, S., Lepoutre, J. , Justo, R. and Bosma, N. 2011. Global Entrepreneurship Monitor Report on Social Entrepreneurship.

Goods and services are provided by the market or business sub-sector of the social economy, including co-operatives, mutuals and social enterprises[54]. While co-operatives and mutuals have been around for a long time, social enterprises are a relatively new entity in many countries, making it difficult to estimate the number of organisations choosing this business model. In many cases, co-operatives and mutuals may also be classified as social enterprises.

Table 3: Number of Social Enterprises and other Data for each Case Study Country based on the EU definition of a social enterprise[55]

Member State	SE entities
France	6 000 to 28 000 but only 315 organisations that recognise themselves as Société Co-operative d'Intérêt Collectif.
Germany	There is no clear delimitation of the term and as such estimates suggest that the number would be a small four-digit number.
Italy	34 840, although only 1 346 are recognised under the social enterprise legislation. Employment levels continued to rise in the 106 biggest social co-operatives—they grew from 75 828 employees in 2008 to 81 156 in 2009 and 84 243 in 2010.
Poland	There is no data systematically collected on social enterprises but it is estimated that around 76 000 entities could be classified as social enterprises.
Spain	In 2014, there were 42 900 social economy enterprises, with 2 219 000 direct and indirect jobs. They associated 19 876 000 people. Turnover of Spanish Social Economy represents 10% of national GPD.
UK	There are around 70 000 social enterprises in the UK, employing nearly a million people and contributing GBP 24 billion to the economy. There has also been a start-up explosion with three times the proportion of start-ups compared to traditional SMEs. In an era of the retrenchment of the welfare state, employment in the voluntary sector rose from 642 000 jobs in 2007, to 765 000 in 2010, 2.7% of the UK workforce[56]. Social enterprises contribute GBP 55 billion annually to the UK economy and their growth has been a key part of this government's long-term economic plan[57].

[54] EU definition of a social enterprise: It must engage in an economic activity, it must pursue an explicit and primary social aim, it must have limits on distribution of profits, existence of an asset lock, independence from the State, inclusive governance.

[55] Wilkinson, C. , Medhurst, J., Henry, N., Wihlborg, M., Braithwaite, BW. 2014. A map of social enterprises and their eco-systems in Europe.

[56] José Luis Monzón and Rafael Chaves, The Social Economy in the European Union, CIRIEC Presentation, 2012.

[57] https://www.gov.uk/government/speeches/uk-social-economy-francis-maude-speech.

2.3. Main Indicators, Methods and Criteria used in measuring the Social Economy

As identified in the previous sections, there are a number of difficulties in measuring the size of the social economy in Europe. While some of the issues are definitional, one of the key issues relates to the choice of indicator. Employment is often used as a proxy for the size of the sector, as differences in legal status and the role of social enterprises make it difficult to assess the sector's size within the Single Market. Even where economic indicators are available, they are often not sufficient as standard economic indicators and are biased towards a productivist model based on growth, which completely disregards key elements of what is specific about social economy entities[58].

This debate on the best indicator for measuring the performance of the economy is not limited to the social economy. Following the emergence of a growing body of literature, the International Commission on the Measurement of Economy Performance and Social Progress was set up in 2008 to look for alternatives to the traditional economic approaches to market performance measurements. The Commission was headed by economist Joseph Stiglitz, who argued that "**chasing GDP growth results in lower living standards**"[59]. The Commission suggested that rather than simply focusing on economic indicators, **indicators such as well-being and sustainable development indicators should be included**[60]. These indicators may be suitable in measuring the social economy, which has the dual purpose of operating in a market economy while achieving social objectives.

With no indicators specifically assigned to the social economy, there is currently no organisation responsible for the collection and collation of all social economy data across Europe. The European Research Institute on Co-operative and Social Enterprises has started to collect data on co-operatives and social enterprises. In the latest report on world co-operatives, it has built a database of indicators for nearly 3 000 co-operatives worldwide. Considering that in the UK alone there are nearly 7 000 co-operatives, this is still a relatively small number, but as more data is gathered it will provide a valuable source for statistics. Instead, Europe-wide figures are normally based on a small number of reports and targeted research, rather than on large-scale data collections of statistical production exercises. The most authoritative existing reports include:

- The **OECDs 2013 e-questionnaire**[61] sent to representatives within territories in a select number of countries from across the globe.
- The **Global Entrepreneurship Monitor Report on Social Entrepreneurship's** world-wide study conducted in 2009 and
- The 2012 **CIRIEC report**, one of the most detailed assessments of the size of the social economy in Europe, with figures quoted in many of the official documents produced by European Institutions. The data was collected for 2009-2010, but the availability and quality of statistical reporting means that for some countries and some forms of entities the data is much older.

The CIRIEC report highlights the difficulties in compiling EU-wide figures for the social economy but also mentions **some of the positive measures that have been taken in**

[58] Amélie ARTIS, Marie J. BOUCHARD & Damien ROUSSELIERE. 2015. L'économie sociale compte-t-elle ? Comment la compte-t-on ? Représentations de l'économie sociale à travers les indicateurs statistiques, CIRIEC Report 2015.

[59] http://www.theguardian.com/commentisfree/2009/sep/13/economics-economic-growth-and-recession-global-economy .

[60] Stiglitz, J., Sen, A., Fitoussi, JP. 2009. Report by the Commission on the Measurement of Economic Performance and Social Progress.

[61] OECD. 2013. Job creation through the social economy and social entrepreneurship.

EU Member States to improve the frequency and quality of data collection. In Spain, Portugal, the Czech Republic and Hungary satellite account methodology is being used for the social economy; this method may reclassify expenditures, which are usually presented in different industry groupings or may measure activity beyond the production or asset boundary. **This second aspect may be particularly useful for the social economy, as it can measure physical units rather than just monetary amounts.** In Poland non-profit entities provide distinct statistical reports; so statistical data is available for these entities. With such variation in the definitions, the legal models and the role of social entities in Europe, a data collection method would need to be carefully designed in order to overcome the limitations. This would require the establishment of parameters of the statistical population and the development of appropriate classifications and criteria. The collection of comparable and timely statistics is important if the scale and impact of the social economy are to be fully recognised. Nevertheless, the collection of comparable and authoritative Pan-European statistics will of course depend on the development of a commonly accepted definition or definitions of the social economy.

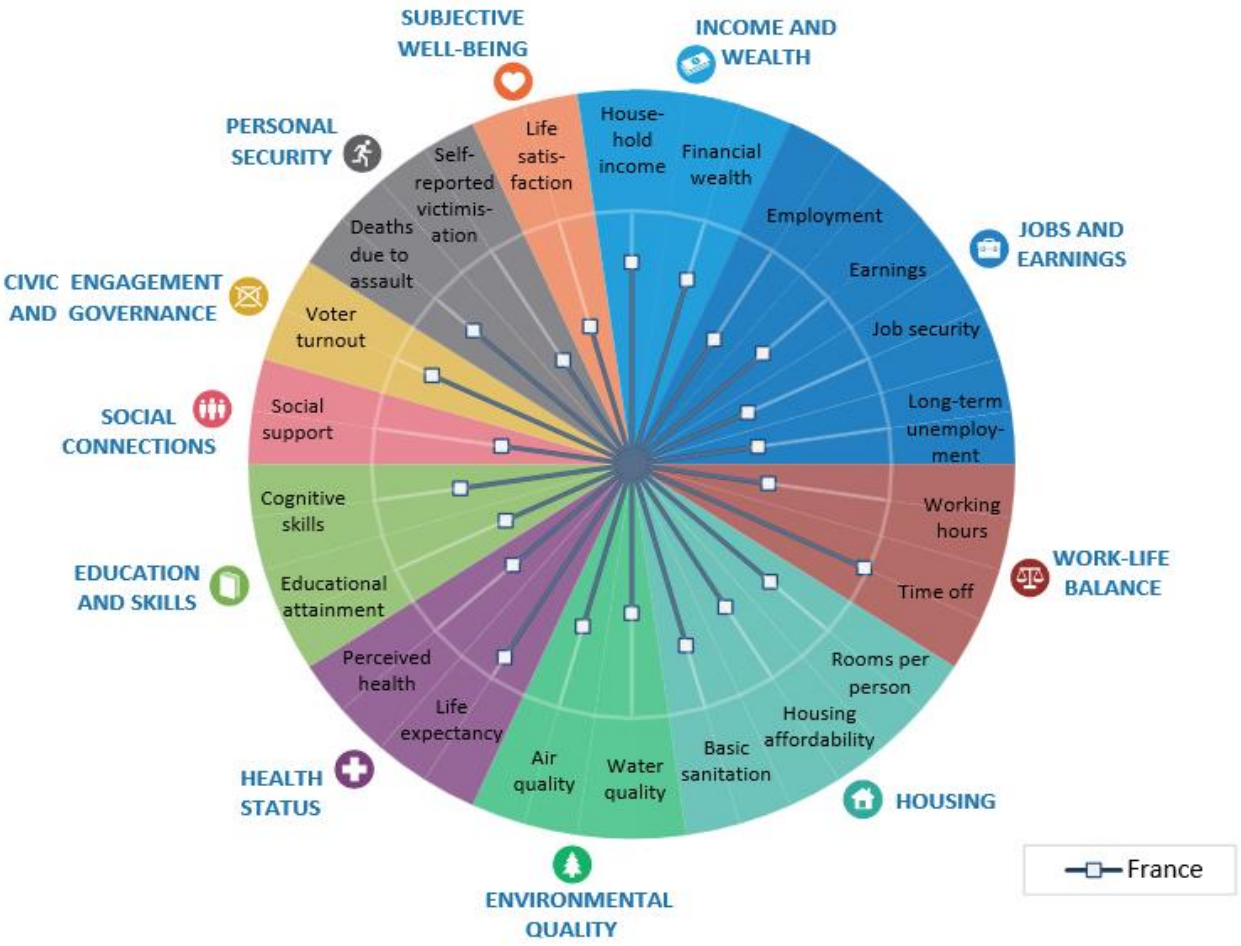
Future EU-wide-led initiatives undertaken to represent, measure and assess the size, role and impact of the social economy in the current EU socio-economic context should be based on the distinctive features of social economy entities, their underlying values, goals and common denominators. Possible indicators of the social aspects that the European Statistical System Committee (ESSC) has included in its **Quality of life indicators**[62], include:

- Health
- Education
- Leisure and social interactions
- Economic and physical security
- Governance
- Environment
- Overall life experience

Mainly relying on outcomes rather than expenditures, these indicators can produce significant measurements that, focusing on economic and social progress, are a better fit than GDP in reflecting and capturing the contribution of the social economy to sustainable economic growth and social integration across the EU. In this respect, work undertaken by the OECD on well-being indicators is particularly interesting, as they focus on some of the characteristic elements of the social economy such as work-life balance, environmental quality, education and skills, social connections etc. The figure below provides an example of the OECD's "better life imitative", an alternative to GDP at the national level.

[62] European Parliament Research Service, Measuring well-being and social progress: Looking beyond GDP, Briefing 04/03/2014.

Figure 6: OECD example of alternatives to GDP – the better life initiative



3. LEGAL FRAMEWORK(S) FOR THE SOCIAL ECONOMY IN EUROPE

KEY FINDINGS

- The **social economy as a whole can be considered a cornerstone of the European integration project, as it contributes to the development of "a solidarity-based economy"**. So far, the rather limited scope of the policies deployed by the EU to promote the social economy does not seem to take into account the multidimensional nature of the social economy and the consequent need to develop a cross-sectorial policy framework capable of fully capitalising on the overall social economy potential. The EU institutions are required to establish transversal institutional and normative links to unlock social economy potential in the creation of a more efficient but also participatory model of goods and services provision and to sustain economic growth while providing innovative responses to social needs.
- Since the 1980s, **attempts have been made to develop commonly accepted statutes for traditional social economy entities** (co-operatives, foundations, associations and mutual societies). However, as Member States have not been able to agree, only the Statute for a European Co-operative Society has been adopted.
- **Social enterprises are the most innovative form of social economy entities**. The definition provided in the Social Business Initiative put forward by the European Commission provides an important attempt at mapping and increasing the visibility of social enterprises and constitutes a significant step towards the improvement of the existing regulatory framework. A social enterprise must fulfil the following conditions: (i) it must engage in an economic activity; (ii) it must pursue social aims explicitly and as a primary goal; (iii) it must have limits on the distribution of profits and/or assets; (iv) it must be independent; and (v) it must have inclusive governance.
- Member States can be divided into three main groups, based on the legal framework in which social economy entities operate: t**he first group represents the highest level of social economy acceptance**, where initiatives directed at creating overarching social economy legal frameworks have been developed (e.g. BE, IT, PT, ES, SE and FR); the **second group comprises of countries that have adopted some statutory provisions covering social economy organisations but who have stopped short of developing a systematic normative approach** (UK, DK, FI, EL, PO, MT and LU); **the third group is comprised of countries with a low level or no legal recognition of the social economy,** stemming from either the low development of the social economy or the fact that it is not clearly defined, due to other developed overlapping concepts, such as the third sector (e.g. HU, AT, EE, DE, LT, LV, CZ, SI and NL).
- With the development of social enterprises, **the social economy is gradually expanding beyond the sectors where it has traditionally operated**. Where it exists, the concept of social enterprise provides a more flexible framework for the establishment of social economy entities in any economic area.
- Recent developments in the EU inter-institutional debates show that the intention to ensure public support across the social economy board has been emerging in Europe. Both the EU institutions and Member States are aware that political, legislative and financial shortfalls have serious implications on social economy organisations.

3.1. Positioning the Social Economy in the EU and Member States' constitutional Architecture

While most of the different undertakings that currently make up the social economy sector are not expressly mentioned in the EU Treaties, the social economy as a whole can be considered a cornerstone of the European integration project. In fact, in terms of contributing to the development of a "solidarity-based economy", the social economy helps European countries to achieve a number of key EU goals, such as job creation and preservation, social cohesion, social innovation, rural and regional development and environmental protection[63].

The principles of solidarity and its implementation in the EU economy are based on two distinct but complementary pillars:

- the enforcement of competition; and
- the adoption of social policy measures guaranteeing social justice and bolstering social protection[64].

The economic solidarity principle has progressively received primary law recognition in both Member States' constitutions and EU treaties. References to the need to complement economic growth with social cohesion have been included in all the acts that led to the establishment and progressive development of the European Integration Project[65]. Article 3 of the Treaty of the European Union (TEU) currently states that in the establishment of the Single Market "*The Union shall […] work for the sustainable development of Europe, based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress and a high level of protection and improvement of the quality of the environment*".

Simultaneously contributing to economic development, solidarity and social integration across Europe, social economy's (market and non-market) initiatives do not only complement the objectives underlying the solidarity principle, but also represent a source of innovation for a system which, more and more often, is considered too expensive and a "drag on economic growth"[66]. In fact, through their expanding presence in many sectors of the European economy, social economy entities promote both market competition and a more balanced social development. They thus practically contribute to reconciling the principles of market freedom and those of social security and social compensation. Combining economic liberalism, (re)-distributive mechanisms and support to collective welfare through the provision of goods and services of general interest, **the social economy contributes to the development of the economic system embraced by the European Union Treaties**.

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63 'Unlocking the potential of the social economy for EU growth', Social Economy Conference, November 17 and 18 November 2014, Auditorium del Massimo, Rome.

64 See, De Witte, F., (2015) The Architecture of a "Social Market Economy", LSE Law, Society and Economy Working Papers 13/2015; Eisel, S., (2012), Between ideologies: the social market economy, at http://www.kas.de/wf/doc/kas_31897-1522-11-30.pdf?120904143031. Albert, M., (2003) Une nouvelle économie sociale de marché : quels modèles d'entreprise pour un développement durable ? Futuribles, analyse et prospective, n° 287.

65 With the 1957 Treaty of Rome, the goal of European integration was extended not only to economic cooperation in general (broadening the scope of the original European Coal and Steel Community), but also to the achievement of a cohesive social and economic growth that could reduce disparities among European countries. With the entry into force of the Treaty of Maastricht, economic and social cohesion has been expressly listed as one of the objectives of the European Union. References to the "social market economy" were also included in the Part I of the Convention that designed a constitution for Europe. From the entry into force of the Lisbon Treaty the EU has among its constitutional objectives the goal of achieving a highly competitive social market economy. See, Joerges, C. and Rödl, F., (2004), Social Market Economy as Europe's Social Model? EUI Working Paper LAW No. 2004/08.

66 http://oecdinsights.org/2014/02/25/the-social-market-economy-in-a-globalised-world/.

Also, requiring that the EU institutions should conduct a "transparent and regular dialogue with representatives' associations and civil society" (Art. 11 TEU), the Treaty of Lisbon has recognised that the social economy represents an instrument towards the realisation of participatory democracy, offering the opportunity to involve its actors in EU policy-shaping and decision-making processes. At the same time, the social economy largely relies on the establishment of transversal institutional and normative links to play an active role in the creation of a more efficient but also participatory model of goods and services provision and to sustain economic growth, while providing innovative responses to social needs[67]. In fact, (inter)-sector coordination, promoted through the development of dedicated legislative and policy frameworks, is essential to:

- facilitate social economy entities in their attempt to penetrate the single market; and
- offer an important support to the role they play in the enhancement of social cohesion and solidarity across Europe[68].

Possible regulatory frameworks and legal infrastructure for the social economy have been discussed across Europe and beyond. These legal frameworks have been established and used with various degrees of intensity and success. The following paragraphs provide an overview of the most significant initiatives undertaken at the European and Member State level to:

- recognise the social economy in its different forms;
- ensure that social economy actors compete with others economic players in the provision of goods and services; and
- grant the social economy with the possibility to contribute to social integration and economic development goals, set forth by both the EU Treaties and the Member States' constitutions.

3.2. EU Legal Framework and Recent Initiatives

3.2.1. Recognition of Social Economy Actors at the EU Level

At the EU level, a series of hard and soft-law interventions have been under discussion to recognise social economy actors and create favourable conditions, allowing them to operate more competitively within the Single Market.

In the 1980s, the European Commission launched initiatives to provide pan-European statutes for economic actors. In 1985, the Council adopted Regulation (EEC) No 2137/85 relating to European Economic Interest Grouping. In 2001, Regulation (EC) No 2157/2001 relating to a Statute for a European Company was passed, making it easy for *societas Europaea* to operate in different Member States (especially in terms of transfer or mergers). In 1989, the Commission published its first Communication on social economy enterprises, which proposed a European legal basis in the form of Statutes to be established for co-operatives, associations and mutual societies[69]. Between the 1990s and the beginning of 2000, the Council and the Commission adopted a series of initiatives, directed at promoting the visibility of social economy entities, through the development of links with public officials

[67] Spears, R. (2009), cit.

[68] See the recently adopted Draft Opinion of the Committee of the Region, The role of the social economy in restoring economic growth and combating unemployment, SEDEC-VI/004, 3-4 December 2015.

[69] European Commission (1989), Communication on " Businesses in the Social Economy sector" Doc. SEC (89) 2187 fin.

responsible for the regulation and development of the social economy in the Member States[70], as well as directed at supporting the social economy as a driver for employment[71].

European Co-operative Society

In 2003, the adoption of the **Statute for a European Co-operative Society**[72] (SCE) aimed to foster the transnational activities performed by European co-operatives and to promote the adoption of co-operative legislation in countries which lack their own (i.e. France; United Kingdom), or where this legal form had been increasingly losing social utility and prestige (i.e. Central and Eastern Europe). The Regulation provides for SCE to be separate legal entities registered with the companies' registrar in one Member State, with members from more than one Member States. The object of SCEs must be the satisfaction of its member's needs (or the development of their economic and social activities), rather than the pursuit of profit. Ultimately, the establishment of an SCE statute aimed at encouraging the development of the internal market, by facilitating the activity of these social economy actors at the European level[73].

Similar statutes had been proposed for mutual societies[74], foundations[75] and associations[76]. However, their recent removal from the European Commission's agenda represented a serious setback to greater opportunities for common social economy legal statutes to be used across Europe. In particular, European representatives from the social economy sector noted that the current lack of a European statute for mutuals, associations and foundations constitutes a legislative obstacle, with negative consequences on these social economy actors' capacity to operate in a cross-border way, especially in and with those Member States where legislative recognition is not provided by national law[77].

There are specific cross-border operational difficulties and risks, deriving from the absence of a European statute for mutual societies, associations and foundations, which are developed here.

Mutuals

Whilst some countries have a long-standing tradition of mutuals, particularly in the financial and healthcare insurance sectors, a number of other Member States have no mutual societies and do not recognise this kind of entity (i.e. the Czech Republic, Slovakia and the Baltic countries). Even when national laws governing mutual societies exist, they are marked by a high degree of disparity. In some countries, mutual societies can carry out all sorts of different activities (insurance, banking, property management, etc.). In others, they are limited to fields such as insurance and healthcare (France, Belgium, Sweden, etc.). Also, rules governing the setting up, operating and liquidating of mutual societies differ significantly, depending on national, legal or sociological traditions.

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[70] See: COM(93)650 final; COM(97)241 final; COM (2004) 18 Final – INT 238. In the Commission, such work has been carried out, at first, by the « Social Economy Unit » created within DGXXIII (Directorate General for Small and Medium Enterprises and, after 2000, by Unit 3 (Crafts, Small Enterprises Co-operatives and Mutual Societies) of the bigger DG Enterprises and Social Economy.

[71] COUNCIL DECISION of 19 January 2001 on Guidelines for Member States' employment policies for the year 2001 (2001/63/EC).

[72] Regulation 1435/2003 of 22 July 2003 and a supplementing Council Directive 2003/72/EC of 22 July 2003 regarding the involvement of employees.

[73] For an assessment of Regulation 1435/200e, see Co-operatives Europe, Euricse, Ezai, *European Study on the implementation of Regulation 1435/2003 on the Statute for a European Co-operative Society*, 2010.

[74] COM (1991)0273.

[75] COM (2012) 35 final.

[76] COM/93/252 final The Commission withdrew from its work programme in 2005 the draft provision on the statute for a European Association.

[77] Social Economy Europe (2014), White Paper Social Economy… Taking back the initiative - Proposals to make social economy into a pillar of the European Union.

Against this fragmented legislative background, **mutuals encounter significant difficulties in operating cross-border within the single market**. In fact:

- While there is an ever-growing request for mutuals to provide services and/or to exploit activities that follow mobile members, or to provide services and/or to exploit activities to members in different European Member States, the absence of a uniform discipline at the EU level often condemns these entities to remaining local, regional, or national players.
- Cross-border cooperation between different mutual societies is hindered, as entities from different Member States are now required to form holding companies, joint stock company structures, or EGEIs (European Group of Economic Interest) to work together.
- The introduction of a new European risk-based solvency system (Solvency II) increases the pressure for regrouping within the mutual insurance sector. Lack of a proper legal instrument would be likely to lead to unwarranted demutualisation of the insurance sector.

Therefore, a Statute for European Mutuals "could help mutual-type organisations to gain recognition, to increase the understanding concerning mutual-type organisations in the countries and to better respect mutual-type organisations' interests at European level"[78].

Associations

The withdrawn Regulation on a proposed statute, defined an Association as a *"permanent grouping of natural or legal persons whose members pool their knowledge or activities either for a purpose in the general interest or in order to directly or indirectly promote the trade or professional interests of its members"*, with its profit from any economic activity being devoted exclusively to the pursuit of its purposes and not being divided amongst its members. This proposal was particularly relevant, not only because it represented the outcome of more than 20 years of inter-institutional debate towards the European Statute for Associations, but also because it could have filled the gaps left by the lack of references to the Statute for European Associations in the final twelve levers in the Single Market Act II.

Associations assume an ever more prominent European and transnational dimension, but the engagement of European citizens cannot rely on an express institutional recognition. The lack of recognition has particular negative consequences for non-profit associations, as they are not covered by competition and enterprise law. At the same time, association-enterprises which offer goods and services on the market have a low chance of falling under the provision of competition law, given their relatively small economic power. In two important decisions, the Court of Justice of the EU provided its view on the important effects of not recognising European associations, namely:

- the free movement of capital (see the Stauffer Judgement[79]);
- the principle of mutual recognition of establishments across Member States, if they pursue the same purposes with other entrepreneurial entities (see the *Persche* Judgement[80]).

Furthermore, the adoption of a European Statute for Associations would allow for the introduction, at the EU level, of an obligation to reinvest surpluses towards achieving the

[78] European Commission, Synthesis Report on the comments on the open consultation on the measures proposed by a study financed by the Commission for the promotion of mutual societies in the EU and the necessity for a Status for a European Mutual Society, Ref. Ares (2014)84281 -16/01/2014.

[79] The Stauffer Case (C386/04).

[80] The Persche case (C-318/07).

organisation's mission, a measure which would help increase the overall accountability of non-profit entities[81]. It is worth noting that the introduction of a single statute, applicable to the Union as a whole would be different from creating a unifying statute, as it would coexist with the national statutes rather than replace them.

Foundations

With the foundation sector in Europe growing exponentially in the conducive national frameworks provided by most EU countries, the development of a European Foundation Statute (EFS) would offer a legal tool that could ensure that these entities operate effectively with optimal impact on public good. Given the international nature of the problems that foundations seek to address (migration, global health, environment) these entities are increasingly required to work across borders[82] and have every right to operate on a European level playing field. The increasing geographical mobility of founders during their working lives and upon retiring and the related increased geographical spread of their assets means that foundations are more likely to be working and investing across borders. Nevertheless, in the absence of a common European legal statute, foundations across Europe still face obstacles of different types:

- **Legal Obstacles**: the differences in the existing legislation that Member States put forth for the legal recognition of these entities[83] create legal uncertainty in terms of the possibility to recognise foreign foundations as legal personalities, which in turn hinders cross-border work and cooperation of foundations;
- **Administrative Obstacles**: there are administrative costs linked to the creation and administration of several "recognised" legal entities in the countries where foundations need to operate to fulfil their objectives and there is a need to use available assets/funds, which otherwise would have been distributed as grants or used for programme activities;
- **Fiscal Barriers**: non-resident foundations are discriminated against in most EU countries as regards income tax.

The European Foundation Statute could foster the removal of national barriers to foundations and therefore could help them open branches in other Member States, allowing them to pool resources for public benefit projects across Europe[84].

Social Enterprises

On 25 October 2011, the Commission launched its largest initiative for the promotion of social economy/social entrepreneurship. The "Social Business Initiative—Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation"[85] was developed by DG Market, DG Employment and DG Enterprise in the framework of the implementation of the Single Market Act (April 2011)[86]. The communication proposes 11 main actions to promote the social economy and social entrepreneurship in the wider sense.

In particular, in its 2011 Social Business Initiative, the European Commission provided its own definition of social enterprises, which are *"businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for*

[81] Opinions expressed by social economy representative in occasion of a EP Intergroup on Social Economy meeting held in Brussels in September 2015. See, http://www.socialplatform.org/blog/social-economy-and-social-enterprises-time-to-set-boundaries-while-pursuing-a-common-strategy/.

[82] Based on the information in EFC member profiles for approximately 200 members.

[83] Gallop., B. (2002), "Foundations in Europe: Society, Management and Law," 2002, p. 752

[84] Salole, G., Why Is the European Foundation Statute Needed? The international Journal of Not-for-Profit Law, Vol. 11, Issue 1, November 2008.

[85] COM (2011) 682.

[86] COM (2011) 0206 final.

elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services". Setting the main criteria that have to be met for an organisation to be considered a social enterprise, the Commission put **more emphasis on the innovative feature of social enterprises**, which lies in particular in their capacity to bring an entrepreneurial and commercial dimension to the provision of services of general economic interest and to the solution of social issues[87]. In other words, the Commission acknowledges that social enterprises are more than social employment and inclusion entities, as they are **oriented towards addressing the needs of the entire community** and not only of their owners or members. The Commission also expressed the view that since social enterprises pursue social goals as the main reason of their existence and operate according to the principles of democracy, participation and social justice, they deserve adjusted treatment and legislation[88].

From a public policy point of view, the Commission's definition represents an important attempt at mapping and increasing the visibility of social enterprises and constitutes a significant step towards the improvement of the existing regulatory framework[89]. A legislative definition of social enterprises (and of social innovations) has been provided by Articles 2(1) and 2(5) of Regulation 1296/2013 on a European Union Programme for Employment and Social Innovation (EaSI).

Box 2: Defining and Mapping Social Enterprises and their Eco-System in Europe[90]

A study launched in 2013 by the European Commission, as a follow up to Action 5 of the SBI, aimed at mapping the contours of social enterprise activity and eco-system in 29 European Countries (28 Member States plus Switzerland) and at developing a common "operational definition" of the category.

Focusing on the current conceptual and methodological limitations affecting national policy and legal frameworks for social enterprise; business development services and support schemes for social enterprises; networks and mutual support mechanisms; social impact investment markets; impact measurement and reporting systems; and marks, labels and certification schemes, the study aimed at paving the way for further policy initiatives at the EU level.

Capitalising on existing definitions (and especially on the one provided in the SBI), the study elaborated a conceptual and analytical framework of reference for social enterprise in Europe. An "operational definition" of social enterprise has been given, based on a series of common elements that the entities labelled as social enterprises present in all the 29 different national regulatory settings.

87 European Commission (2013), Social Economy and social entrepreneurship. Social Europe Guide, vol. 4.

88 Ibid.

89 The Social Business Initiative is a coordinated action of the Commission, adopted in collaboration between the Commission President, DG Industry and Entrepreneurship, DG Internal Market and Services and DG Employment, Social Affairs and Inclusion. The Member States as well as the regions are also encouraged to make a contribution.

90 European Commission, A map of social enterprises and their eco-systems in Europe, Executive Summary, December 2014.

According to the study, the *a priori* conditions that must be met by an organisation to be considered a social enterprise in all EU countries, are the following:

- The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services.
- It must pursue an explicit and primary social aim: a social aim is one that benefits society.
- It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making.
- It must be independent i.e. it must have organisational autonomy in regards to the State and towards other traditional for-profit organisations and,
- It must have inclusive governance i.e. must be characterised by participatory and/ or democratic decision-making processes[91].

Besides the Commission and the Council, the European Parliament also played an important role in the development of an EU legal framework for the social economy. Since the 1990s, the EP adopted: a written declaration[92] calling on the European Commission to table three proposals for European Statutes for foundations, associations and mutuals; two resolutions, respectively on the social economy[93] and on the contribution of co-operatives to overcoming the crisis[94] (February 2013); and the resolutions on the Statutes for a European Mutual Society[95] (March 2013) and for a European Foundation[96] (July 2013). This work has been supported by the EP's Social Economy Intergroup[97]. In February 2009, the European Parliament responded to requests to better integrate the social economy in EU policies and strategies, by adopting its own initiative on the social economy, the Toia report[98].

Furthermore, the European Economic and Social Committee (EESC) has also championed the recognition of co-operatives, mutuals, associations and the social economy in general and has actively contributed to the EU institutional debate, through the adoption of a series of opinions and recommendations[99].

[91] European Commission, A map of social enterprises and their eco-systems in Europe, Executive Summary, December 2014.

[92] EP Written Declaration 84/2010.

[93] European Parliament, EP Resolution of 19 February 2009 on the social economy (2008/2250(INI)) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0062+0+DOC+XML+V0//EN.

[94] European Parliament, EP Resolution of 2 July 2013 on the contribution of co-operatives to overcoming the crisis (2012/2321(INI)) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0301+0+DOC+XML+V0//EN .

[95] European Parliament, EP Resolution of 14 March 2013 with recommendations to the Commission on the Statute for a European mutual society (2012/2039(INL)) http://www.europarl.europa.eu/sides/getDoc.do?pubRef= //EP//TEXT+TA+P7TA 2013 0094+0+DOC+XML+V0//EN

[96] European Parliament, EP Resolution of 2 July 2013 on the proposal for a Council regulation on the Statute for a European Foundation (FE) (COM (2012)0035 – 2012/0022(APP)).

[97] In this respect, see Patrizia Toia MEP report on social economy (2009) and on the contributions of co-operatives to overcoming the crisis (2012). See also Heniz K. Becker's report on the Social Business Initiative (2012).

[98] http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0062&language=EN.

[99] See CES 1233/88 ; CES 270/89 ; CES 1032/89 P-F- ORT/TPR/cf ; CES 1046/90 ; CCMI/006 ; COM (2004) 18 Final – INT 238 ; SC/024 ; SOC/267.

3.2.2. EU Support to the Social Economy Presence in the Single Market

Based on the principles of democratic decision-making and limitations on how profits and surpluses are distributed, the specific *modus operandi* of social economy entities often generates higher operating costs than those faced by other forms of private companies[100]. Operational difficulties deriving from a deficient regulatory and policy framework are likely to discourage operators from their choice to adopt certain social economy legal forms. Therefore, the adoption of compensation measures becomes necessary in order to avoid "economies of choice" between different (SE and non-SE) legal status alternatives.

Sectorial support: at the European level, the social economy has so far been supported through a series of interventions, developed under two major policy lines:

- **Social and work integration policies** (for example in the context of the European Platform Against Poverty)[101]. The EU agendas around social cohesion and social exclusion have helped shape a new wave of social economy initiatives in the areas of work integration and community regeneration (in particular, through the development of work integration social enterprises)[102].
- **Local development and job creation policies**[103]. Most notably, under the Single Market Act (I and II), a series of initiatives have focused on supporting social businesses, through the promotion of better access to funding.

However, the rather limited scope of the policies deployed by the EU to promote the social economy **does not seem to take into account the multidimensional nature of the social economy** and the consequent need to develop a cross-sectorial policy framework, capable of fully capitalising on the overall social economy potential. On the other hand, policy interventions limited to social integration and job creation cannot provide adequate solutions to the comparative disadvantages that social economy operators face under both the EU's competition policy and, more recently, under its state aid policy.

Financial support: to date, the social economy's participation in the European Union's budgetary policy has mainly been ensured indirectly, through funds destined towards employment and social cohesion policies. More specifically, the social economy sector has been funded by initiatives (i.e. the ADAPT initiative; the EQUAL initiative; the European Social Fund (ESF); and the Third System and Employment pilot), which target social and work integration[104]. On the other hand, the Employment and Social Innovation (EaSI) Programme promotes social entrepreneurship's access to finance, in an effort to combat unemployment[105].

Given the absence of a specific European budgetary policy for the social economy, the Structural Funds and other European programmes should now be more carefully oriented towards the different types and sizes of social and solidarity-based initiatives. Most of them are constituted as co-operatives, mutual societies, foundations, associations and new forms of social and solidarity-based economy enterprises and represent a growing share of European SMEs and micro-enterprises. **Improving their access to various forms of financing** (not only European funds, but also **venture capital, microcredit and crowd-**

[100] See Social Economy in the European Union, cit. p. 75.

[101] The platform, which was launched in 2010 and will remain active until 2020, is one of the flagship initiatives of the Europe2020 strategy. One of the five areas of the platform's action is the idea of working in partnership with civil society, to more effectively support the implementation of social policy reforms.

[102] COM(2013) 83 final.

[103] COM(2010) 608 final.

[104] COM(2013) 0083.

[105] Regulation (EU) No 1296/2013 of the European Parliament and of the Council.

funding) is essential in order to reconcile the demanding economic and financial requirements, with the acknowledged public interest of the work carried out in the field by these organisations.

In 2014, a Directive on **Public Procurement**[106] introduced improved rules requiring public authorities to take social and environmental aspects into account in their specifications and when assessing tenders. The new Directive permits competition for certain contracts, listed in the CPV code, mainly in **the social and health sectors, that are now "reserved" to organisations such as mutuals and social enterprises, which meet certain limited criteria**. This will enable social economy organisations to gain experience in delivering services. However, to ensure that social considerations are fully incorporated in the allocation of public funds, further efforts in the amendment of European rules on public procurement are required[107].

That said **the objective to develop a more comprehensive solidarity ecosystem** emerges from a series of initiatives that have been recently undertaken by EU institutions. In the first place, a step towards the improvement of the social economy's overall access to finance is reflected in the current Commission's investment plan, which describes the social and solidarity economy "as a sector able to benefit from these funds". In addition, in the follow up of the European Economic and Social Committee's "Milan declaration[108]", the Council approved the "Rome Strategy[109]", which identified the areas where intervention is needed for the strengthening of the social economy in Europe and drew up a series of proposals and general recommendations for more effective support for social innovation and social investment policy. In July 2015, the European Parliament adopted a Resolution that stressed the role of Social Entrepreneurship and Social Innovation in combatting unemployment[110]. The current Luxembourg Presidency's "Roadmap on boosting the social economy in Europe"[111] focuses on the development of social economy enterprises, whilst **highlighting the importance of establishing a coherent policy framework for the social economy in Europe**. In its Conclusions of the 7th of December 2015, the Employment, Social Policy, Health and Consumer Council (EPSCO) invited Member States and the Commission to "*establish, implement and further develop, as appropriate, European, national, regional and/or local strategies and programmes for enhancing the social economy, social entrepreneurship and social innovation*". The Conclusions invoke a constructive dialogue between European, national, regional and/or local authorities and all relevant stakeholders, which according to the Council shall focus on four different strategic areas, namely:

- Awareness, recognition and education;
- Social Innovation;
- Regulatory environment;
- Access to finance.

Despite recognising the high political relevance of this initiative, which also includes an invitation for the establishment of a constructive dialogue with different stakeholders, some

[106] Directive 2014/24/EU on Public Procurement.
[107] COR-2015-01691-00-01-PAC-TRA.
[108] EESC Declaration "Boosting innovation for a better social outcome", adopted on 23 October 2014.
[109] As adopted under the Italian Presidency, on 18 November 2014.
[110] European Parliament Resolution of 30 July 2015 (2014/*2236 (INI)).
[111] Adopted on 4 December 2014 before the EPSCO December Council.

social economy actors have remarked that the Council Conclusions do not mention democratic governance among the priority areas requiring intervention and support[112].

3.3. The Legal Status of Social Enterprises in National Law

3.3.1. Existing Differences in Member States' Legal Systems

Due to historical and political reasons, the social and political relevance of social economy actors **differs substantially across Europe**. The level of social economy acceptance varies according to the culture, values, history or circumstances specific to the emergence of this phenomenon at the national level. To a large extent, the varying social acknowledgment and political visibility achieved by the social economy in different national contexts also condition the characteristics of the legal frameworks established by single EU Member States to recognise and regulate this particular sector.

Most Member States grant some kind of recognition and representation for the traditional types of social economy entities (co-operatives; associations; foundations and mutuals). However, the level of legal recognition varies to a large extent in terms of Member States' legal systems. Only a few Member States provide for a high level of recognition for the social economy and social entrepreneurship, including references to the social economy in their constitutions. France, Portugal and Spain fall within this category, with Belgium, Ireland, Italy and Sweden close behind[113]. On the other hand, precise legal definitions and overall recognition are still lacking in other Member States (i.e. Austria, Germany, the Netherlands, but also the Czech Republic, Estonia, Hungary, Lithuania and Slovenia)[114]. Depending on the type of recognition granted to the social economy in different national contexts, Member States can be divided into three groups, which are presented below.

Figure 7: Legal Status of the Social Economy

MS with systematic social economy recognition	**MS with ad hoc recognition**	**MS with low social economy recognition**
ES, IT, PT, SE, FR, EI, BE	**UK, DK, FI, EL, PL, MT, LU, BG**	**HU, AT, EE, DE, LT, LV, CZ, SI, NL, CY, HR, RO, SK**
MS with overarching SE legal frameworks which tackle the SE's atomization	MS with statutory provisions covering SE organisations, but no systematic normative approach to SE	Incipient legal recognition; normative concept of SE overshadowed by other concepts (e.g. the third sector)

The first group is composed of countries such as Belgium, Ireland, Italy, Portugal, Spain Sweden and France. Presenting the highest level of social economy acceptance, these countries have developed initiatives directed at creating overarching social economy legal frameworks. In these countries, innovative initiatives have been adopted to tackle the social economy's atomisation, through the development of an **overall legal framework covering the whole sector**. Legal innovations have also been developing, in response to the rapidly changing field of social economy, where existing frameworks do not correspond anymore to the reality of social economy organisations[115].

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[112] See, http://www.cecop.coop/Council-adopts-conclusions-on-social-economy-a-historic-commitment-for-the.

[113] Co-operatives are expressly mentioned in the constitutions of various Member States, like Greece, Italy, Portugal and Spain, although they have a regulatory framework within which they can operate and which guarantees the rights of members and third parties; there is not always a specific law at national level that regulates all co-operatives.

[114] Salamon, L. M. & Anheier, H. K. (1997): Defining the non-profit sector — a cross-national analysis, Institute for Policy Studies, The Johns Hopkins University; and Demoustier, D. & Chaves, R., Huncova, M., Lorenz, G. & Spear, R. (2006): Débats autour de la notion d'économie sociale en Europe, Revue Internationale de l'économie sociale, Nº 300.

[115] Peels, R., Legal Frameworks on Social and Solidarity Economy: What is the Role of Civil Society Organizations in Policy Making? http://www.unrisd.org/unrisd/website/newsview.nsf/(httpNews)/4F3B00A8643CF846C1257B7A00477D13?OpenDocument.

Box 3: Examples of Social Economy Incorporation into the Legal Systems of EU Member States – Case Study Countries[116].

Spain

The Spanish Constitution of 1978 contains (both general and specific) references to the social economy (Art. 1; 9; 34; 38; 40; 129). Since 1990, Spain has devoted increasing attention to the social economy, for example with the creation of the National Institute for the Promotion of Social Economy (INFES). Since 1999, an advisory and consultative body of activities, related to social economy enterprises, has been established (the Council for the Promotion of Social Economy).

Law n. 5 of 2011 on social economy (Economía Social), which provides an overarching legal framework on the social economy and which sets up the legal framework to work alongside current legislation in order to increase visibility and recognition of the sector and in order to provide more legal certainty.

Since its entry into force, the law has provided the framework for social economy organisations, including associations, foundations which carry out economic activities, co-operatives and mutual benefit societies. It also covers worker-owned societies, shelters, employment centres and insertion enterprises. In addition, other historical actors are covered, such as agricultural societies and fisherman societies. The main institutional forms that these organisations fall under are:

- CO-OPERATIVES: A co-operative is an enterprise based on a democratic structure and operation. Its activity is developed in compliance with co-operative principles accepted and regulated at regional, national and international levels: voluntary and open adhesion of the members, democratic management, economical participation of members, education, training and information and an interest in the community.
- WORKER-OWNED SOCIETIES: Worker-owned societies have a high potential to create businesses. In this type of corporation, the majority of the capital is shared by employees/workers. The fact that the workers are also the shareholders encourages self-motivation in entrepreneurial projects. The minimum number of members is three and constitution procedures are similar to those of other companies.
- MUTUAL BENEFIT SOCIETIES: These organisations—made up of persons—have a non-profit nature. With a democratic structure and management system, they provide voluntary insurance as a complement to the social security system.
- SHELTERS EMPLOYMENT CENTRES: These companies combine economic feasibility and market participation, with a social commitment to groups with less access to the job market. Their staff includes people with disabilities (which have to be over 70% of total employees). They develop productive and competitive capacities in introducing their products into the market.
- INSERTION ENTERPRISES: Insertion companies are defined as "learning structures, in business corporate form, that aim at ensuring job market access to disadvantaged groups, by developing a productive activity. To that end, an insertion process is designed with a standard labour relationship". The staff must consist of a number of insertion employees, from 30 to 60%, depending on the region. Eighty percent of the profit is re-invested in the company.
- FISHERMEN'S GUILDS: These are sector-based, public-law organisations of a non-profit nature. They represent the economic interests of fishing boat builders and

[116] See case study appendices for further information.

fishing workers and operate as an advisory and collaborative body in the corresponding administrations in the areas of sea fishing and fishery planning. Their goal is to meet their members' needs and to contribute to local development, social cohesion and sustainability.

- DISABILITY ASSOCIATIONS: The main aim of this associative movement is to provide services where the profit-making sector has failed to do so. This is usually the case with sectors having to do with people's fundamental rights, particularly with regard to particularly vulnerable groups, like disabled individuals. Other features involve innovation in the way social problems are dealt with and the defence of social, legal and administrative changes, aimed at protecting the rights and liberties of those with disabilities as the necessary basis for diversity, plurality and tolerance.
- FOUNDATIONS: These are non-profit organisations whose equity is dedicated to a general interest objective in the long term, by the will of their creators. Social economy foundations must fully comply with the aforementioned social economy principles, contained in Law 5/2011.

Law 5/2011 also clarifies government-social economy relations. It recognises the right of association of social economy organisations to represent and defend their interests (Art. 7). The law also specifies the requirements for aggregated organisations. For example, they have to include the majority of social economy organisations and represent a minimum of 25% of all member companies or associated entities.

Italy

In Italy, the social economy receives indirect constitutional recognition, as the Italian Constitution protects and promotes the fundamental rights and principles that stand at the basis of the social economy (equal social dignity of citizens, right to work, right of association, etc.).

The social economy is also referred to as the not-for-profit sector, which in Italy is composed of organisations that have: formal constitution; democratic and self-governing structure; private legal nature; no distribution of profits to shareholders and executives; voluntary membership; and use of a certain amount of free labour force. They can have the following forms: social co-operatives; associations; foundations; and committees.

- NON-PROFIT ORGANISATIONS (non-profit organisations for social aims - ONLUS). As established by Legislative Decree 460/97, they are a cross-section category of non-business bodies applicable to social co-operatives, volunteering organisations and NGOs; being recognised as an ONLUS Organisation offers some benefits related to tax regime voluntary work. Onlus organisations are a category of non-business bodies, a fiscal entity that has not yet been defined in civil law. Legal Onlus can be: social co-operatives (Law of 08.11.1991, n. 381); volunteering organisations (Law of 11.08.1992, n. 266); NGOs (Art, 28, Law of 26.02.1987, n. 49).
- CO-OPERATIVES, which are legal persons regulated by Article 2511-2548 of the Italian Civil Code, which establishes that a co-operative is an independent association of people that get together in order to satisfy their own economic, social and cultural needs through the setting up of an enterprise, characterised by commonly owned property and by democratic control. It is possible to divide co-operatives into sectors or areas of activity, although it is not easy to categorise such a varied phenomenon into pre-established schemes. The Italian Ministry of Labour divides the co-operatives existing in Italy into eight sections: Consumer Co-operatives, Production and work Co-operatives, Agricultural Co-operatives, Housing Co-operatives, Transport Co-operatives, Fishing Co-operatives, Mixed Co-operatives, Social Co-operatives.

Law 381.91 recognises a specific type of co-operative, represented by the so-called social co-operative, which is characterised by the pursuing of goals responding to the general interest of the community. There are three different sub-types of social co-operatives.

- ASSOCIATIONS, regulated by Article 14-42 of the Civil Code. Associations are non-profit organisations constituted by natural or legal persons sharing a common goal. There are two types of associations: unrecognised or recognised. With regard to the first, no public authorisation is needed and they are not legal persons. Recognised associations, instead, are those which have obtained the authorisation of the Central State. They have legal status, patrimonial autonomy and limited responsibility of the administrators. They can accept legacies and donations.
- FOUNDATIONS, which are institutions supported by an endowment entrusted by the founder for pursuing a goal of public benefit. To constitute a foundation, some goods must be destined for the achievement of the specific purpose identified in the statutory act. Foundations have their own legal personality and are regulated by the Civil Code (Articles 14-42).

The 155/2006 Law introduced a new type of economic actor, the social enterprise. The 155/2006 Law established the requirements that a particular enterprise must meet in order to be labelled as a social enterprise. The eligibility criteria introduced by this law are: the private nature of the organisation; the performance of an entrepreneurial activity directed at the production of social utility goods and services; the absence of the profit goal; the objective to act towards promoting common interests. It has to be noted that social enterprises are neither a new legal form nor a new type of organisation. Regardless of their internal structure, all organisations that meet the eligibility criteria set by the 155/2006 Law may be included within this new legal category. Article 2082 of the Italian Civil Code applies to Italian social enterprises, whose activities must be productive, professional, economic, and organised. At the same time, the business has to deliver a social utility that can fall into two categories:

- **Sectorial**: A business delivers a social utility (and is therefore a social enterprise) if it falls within specific sectors (welfare, health, education, culture, environmental protection, development of cultural heritage, social tourism, academic education, research and delivery of cultural services, extracurricular training, support to social enterprises);
- **Work integration**: Independently of sectors, a business also is a social enterprise if at least 30% of its employed staff is disadvantaged people. An amendment of the financial redistribution of profits for social enterprises was proposed in December 2012, but did not pass[117].

Therefore, in Italy the term "social enterprise" resembles a legal "brand", which all eligible organisations can obtain and use in the marketplace (see art. 1, para. 1 and art. 7, Law 155/2006).

France

Despite not having an official definition for social enterprises, France—together with other French-speaking European countries (the Walloon region of Belgium and Luxembourg)—recognises the concepts of solidarity economy and social and solidarity economy[118]. In France, the social economy is defined as the set of co-operative societies, mutual

[117] The amendment would have allowed Social Enterprises to re-distribute up to 50% of their profits to any stakeholder.

[118] In France, the concept of solidarity economy appeared in 1980, within an economic and unemployment context. Solidarity economy was defined according to the outcomes targeted, by ensuring insertion and consolidation of the social connections.

societies, associations and foundations, separate from individual enterprises (by their collective nature), public enterprises and capital societies (by the primacy of people over capital, without firstly pursuing remuneration). The social economy forms of organisation in France are: co-operatives, mutual societies, associations and foundations, with activities in fields such as agriculture, food, fisheries, construction, transport, health insurance, education, culture, sports, social tourism etc.

- CO-OPERATIVES: these are regulated by Law 604 of 17.07.2001, setting out that their purpose is the production or supply of goods and services for the collective interest, activities with social utility character (although the notions of "collective interest" and "social utility" have not been legally defined). French legal provisions refer to the compulsory minimum capital, which is EUR 1 for limited liability companies and EUR 18 500 for joint-stock companies that decide to adopt the legal form of co-operatives.
- MUTUAL SOCIETIES: these date back to the beginning of the 20th century, having been created by farmers, with a view to insuring the farms against the risk of mortality and against adverse weather conditions which can destroy the crops. At present, the mutual health and insurance societies play a major role, as they protect around 38 million persons[119].
- ASSOCIATIONS: in France, two or more individuals can create an association for any legal activity which does not involve profit distribution. A condition for associations to acquire legal personality is notifying the prefecture (territorial subdivision of the Government). Associations in France can be of general interest or of public utility. They can have volunteers or salaried employees.
- FOUNDATION: According to the Law on the Development of Philanthropy of July 1987 in the draft consolidated on January 1st 2010, foundations are established by the action of one or more individuals who decide to irrevocably grant certain goods, rights or resources necessary for the achievement of a public and non-patrimonial interest. Foundations must have their own assets, an attribute that differentiates them from associations, which are groups of individuals or legal entities with a common objective. Foundations established for private interests are not allowed. There are three types of foundations in France: with public utility, protected and corporate.

Law 2014-856 on social and solidarity economy (économie sociale et solidaire) sets out 5 key aims in order to:

- **Ensure the recognition** of social and solidarity economy as an innovative and sustainable means of entrepreneurship and ensure more private and public funding for it;
- **Strengthen networks** of the social economy;
- **Empower employees**, in particular by allowing them to be informed when their enterprise is at risk of closing down and thus being able to create a co-operative to rescue it, without the immediate need to find the necessary capital;
- **Create a co-operative "shock"** to encourage the development of job creation;
- **Reinforce local policies** to encourage the development of the sector.

One of the most innovative elements of the law is the provision obliging SMEs and mid-caps to inform their employees of the potential sale of their enterprise and allowing one or multiple employees the opportunity to come up with an alternative purchase offer.

[119] See, http://www.mutualite.fr/la-mutualite-francaise/.

The second group is composed of Member States that, while having developed some statutory provisions covering social economy organisations, have not adopted a systematic normative approach to the social economy. In other words, in these countries (which include, for example, the UK, Denmark, Finland, Greece, Poland, Malta and Luxembourg) there have not been overarching legislative attempts to streamline the social economy within a coherent normative framework. The UK can be used as a paradigmatic example of this regulatory approach to the social economy.

UK[120]

Attempts to provide a legal definition and to promote the social economy through specific normative interventions have been quite limited in the UK. The concept of social economy is not central in governmental policies, but there is growing interest in social enterprises, in the social investment market and in social impact bonds.

In the UK, social economy actors are not restricted to a specific legal form. Instead, organisations are able to pick the model that best suits their needs. While the UK social economy embraces charities, charitable trusts and foundations, co-operatives and mutuals, social enterprises represent cross-cutting types of social economy actors, organised in different legal structures.

- COMPANY LIMITED BY SHARES (CLS) – this is the most common legal form for all businesses. CLS can be adapted to social enterprises by stating their social mission in governing documents alongside plans for their profits[121].
- COMPANY LIMITED BY GUARANTEE (CLG) – these companies have members rather than shareholders; the members do not own shares and therefore cannot profit from the increased value of the company. This is the most common legal form for social enterprises, with 51% of social enterprises structured by using this model.
- COMMUNITY INTEREST COMPANY (CIC) - introduced in 2005, this legal structure is specific to social enterprises but is based on a structure limited by shares or by guarantee. A CIC must serve a community interest and the assets must be retained within the company for community purposes. CICs limited by shares can distribute some profits. In 2013, 17% of CLGs and CLSs were also a CIC.
- INDUSTRIAL AND PROVIDENT SOCIETIES (IPS) – 19% of social enterprises use this distinct legal form, usually used by mutual or community benefit societies, as well as in setting up consumer, agricultural and housing co-operatives[122].
- CHARITIES AND CHARITABLE INCORPORATED ORGANISATIONS (CIO) – if a charity wants to be incorporated but does not want to be a company, then it can choose to become a CIO. This provides some of the benefits that companies experience but does not have to register with Companies House.
- SOLE TRADER OR PARTNERSHIP - while it is possible for a social enterprise to take an unincorporated legal form, tax and other ensuing benefits mean that generally social enterprises are incorporated[123].

Also, the UK has recently approved a series of measures to improve access to finance for social economy entities. In particular, the **(Public Services) Social Value Act 2013** is

[120] See case study appendices for further information.

[121] Social Enterprise UK (2012). Start your social enterprise.

[122] European Centre for Not-for-Profit Law (2012). Legal framework for social economy and social enterprises: A comparative report.

[123] *Ibid*.

a new law, calling for all public service commissioning to factor in social and environmental values as well as economic values. The UK Parliament has also adopted **the Finance Bill 2014**, introducing social investment tax relief (30%), intended to encourage investment in social enterprises and other socially-driven organisations, by offering tax breaks for investors who want to use their capital to create social as well as financial returns.

Poland

The social economy is organised into a number of different actors. There is a recognised move towards social enterprises, with an explicit economic and social dimension:

- **Co-operatives** – most co-operatives were established in the 1980s and have played an important role in diversifying the economic system through consumer, producer and worker co-operatives.
- **Social co-operatives** – these are worker co-operatives that support labour market and social reintegration of members. It is possible to gain some money in order to establish a social co-operative; but if someone belongs to a co-operative, it is required that they work there.
- **Mutual organisations** – these nearly disappeared during the communist period. Now they are re-emerging as financial and insurance institutions.
- **Associations/foundations** - **Non-governmental organisations** - at the end of 2010, over half of NGOs that were registered with an economic activity were actually conducting an economic activity. The main areas in which they were active were sport and culture, education and work in the social, health and environmental sectors.
- **Social integration centres** – these provide vocational training programmes (12-18 month programmes) and employment for people from socially marginalised groups. They also help individuals to set up social enterprises.

Employment activation units (ZAZ) – these are aimed for the physically and mentally disabled.

The third group includes Member States (such as Hungary, Austria, Estonia, Germany, Lithuania, Latvia, the Czech Republic, Slovenia and the Netherlands) which have a low or zero legal acceptance of the social economy concept and which traditionally lack any trace of legislation governing certain forms of the social economy[124]. This group is made up of countries which joined the EU after the 2005 enlargement as well as Germanic countries, in which social economy is still not well known or is incipient, while related concepts (non-profit sector, voluntary sector and non-governmental organisations) are widely recognised. Austria, Denmark, Estonia, Germany, the Netherlands, Portugal, Slovakia (but also the UK) have opposed the introduction of European Statutes for Associations and Foundations.
Hungary can be viewed as an example of an EU country where some kind of social economy legislation has developed only recently and whose normative concept of social economy does not match the ones proposed by Member States where the sector has received the most advanced legal protection. Germany is an example of a country where the concept of social economy has been overshadowed by other similar but different concepts, such as third sector, etc.[125].

[124] Chaves and Monzón Campos, J. L., The Social Economy in the European Union Rafael CIRIEC Working Papers, N° 2008/02.

[125] See case study appendices for further information.

Hungary

There is no official definition of social economy in Hungary. The settling down of the idea of a social economy in Hungary and its embedding into the national economy has only started after the fall of the communist regime.

- FOUNDATIONS: the birth of the third sector in Hungary dates back to 1987, when a modification of the Civil Code made it possible for foundations to be a legitimate form of operation. Except in cases when they are constituted in the form of governmental organisations, foundations are private entities with a legal personality.
- ASSOCIATIONS: approved in 1989, the Law on Associations did not establish a new social economy form, but removed the political guardianship, which had been previously imposed on these organisations under the communist regime. The aim of Hungarian associations is defined in their base regulations. Associations can only perform economic activities when this is complimentary (not principal) for the achievement of their main goals.
- CO-OPERATIVES: in 2006, the Hungarian government introduced a law regulating co-operatives (the X/2006 law on associations) and then adopted the governmental decree about social co-operatives (141/2006 (VI.29). The bill, which considers co-operatives an organisational framework able to combine cultural, social and community organising functions, represented a historic advancement for the social economy in Hungary. On the one hand, it rehabilitated co-operatives and on the other hand paved the way for the establishment of social co-operatives. According to policy makers, co-operatives are communities established in accordance with the freedom of association and the principle of self-aiding. Members participate in co-operatives with the aim of fulfilling their common economic, social, cultural needs and incentives and of ensuring their own financial contribution in the framework of a democratic local government. Co-operatives might conduct basic entrepreneurial activities to serve their members' interests.
- PRIVATE VOLUNTARY ACTIVITIES: Law LXXXVIII/ 2005 on private voluntary activity promotes voluntary work, by providing financial incentives and by reducing bureaucratic procedures. This normative act enables the use of volunteering by organisations, in a controlled and legal manner.
- PUBLIC BENEFIT ORGANISATIONS: According to paragraph 57 of the Civil Code of Hungary, the public benefit company is a legal entity of public benefit, serving the common needs of society without the aim of gaining profit or fortune. While public benefit companies can do business in order to promote their public benefit goals, they cannot divide the profits deriving from the company's economic activity amongst members. After several modifications intervening on this topic, the 2006/IV TV Law currently includes the following entities in the group of public benefit organisations: social organisations with the exception of associations, political parties and organisations representative of employers' and employees' interests; foundations; public foundations; public boards (such as the Hungarian Higher Education Accreditation Committee, the Higher Education and Scientific Board and the Hungarian Sectorial Conference); sport associations; non-profit companies; the European Territorial Cooperation Association; higher education institutions not working as governmental organisations; and social co-operatives fulfilling public benefit activity. With the aforementioned modification, a new economic company form was born, paving the way for the third economy. A unique aspect of the new legislation was the introduction of amendments regarding the compulsory representation of employees

in supervision councils. The new legislations brought minor changes (reduction of the bureaucracy related to the establishment and operation of various forms of SMEs).

In Hungary, the growing number of non-profit organisations required the regulation of financing as well. The 1996/CXXVI Law (also known as the 1% Law) allowed citizens to support service providers by designating 1% of their tax (after the reduction of a tax discount) for the benefit of an organisation. While the 1% can be designated to religious organisations, foundations, state and local government institutions providing social services, public benefit economic companies cannot benefit from it.

Among the obstacles to social economy development in Hungary is the lack of an institutional reform, of the cooperation in providing local and regional information, as well as the lack of resources for disadvantaged communities[126].

Germany

Despite the long tradition of social economy entities in Germany (in particular co-operatives, charities, foundations and traditional associations), there is no specific legal framework on social entrepreneurship in Germany. Specific acts do however exist.

Legal stipulations for co-operatives were for the first time established in the Civil Law Code in 1889 and for associations in 1872. Germany has no special legal form under which social entrepreneurs can pursue activities. They can take the legal form of other social entities such as co-operatives, foundations and associations. They can also be public liability companies[127].

In 2006, the German Co-operatives Act was revised and added a strong social and cultural element to the mission of co-operative. This legal change was seen as promoting new types of social enterprises, away from the traditional areas of work integration, social integration and social services to include the purpose of cultural and social purpose.

The trend is still for social enterprises to use the legal forms characteristics of associations, co-operatives and foundations, a number of social enterprises have adopted a limited liability status (GmbH). In 2013, the "Gesetzes zur Stärkung des Ehrenamtes" of 21 March 2013 introduced the status of limited liability company with a social mission has been introduced (gGmbH). In order to qualify as a gGmbH, an entity must fulfil a number of conditions include having a non-profit purpose. However, gGmbH are still covered by limited liability company law.

In some of these countries and in particular in Germany, available data show that despite the absence of an overarching legal framework as well as of initiatives undertaken to grant legal recognition to non-traditional forms of social economy, this socio-economic sector is not a marginal phenomenon, representing to the contrary a considerable share of the overall national and European economy, contributing importantly to both job creation and the provision of services of general economic interest[128].

[126] Study on practices and policies in the social enterprise sector in Europe- Country Fiche Hungary", Austria Institute for SME Research, Vienna, 2007.

[127] Zimmer and Bräuer. 2014. The Development of Social Entrepreneurs in Germany.

[128] Birkhölzer K., Lorenz G., Schillat M., Lokale Partnerchaften. Wirkungsweise und Wirksamkeit sektorübergreifender und multidimensionaler Bündnisse zur Förderung sozialer Kohäsion, Berlin: Technologie-Netzwerk Berlin, Veröffentlichungsreihe, Lokale Ökonomie no. 35, 2001.

3.3.2. Social Enterprise – a Social Economy Type on the Rise in EU national Legislations

Aside from the traditional types of social economy entities discussed above, a horizontal and cross-cutting category has been receiving increasing political and legislative recognition at the national level: the social enterprise.

In the context of national legislations, social enterprises can take a variety of legal forms and statuses, ranging from existing legal forms (i.e. associations, foundations, co-operatives, share companies), to new legal forms exclusively designed for social enterprises (e.g. social co-operatives in Italy, Société Co-opérative d'Intérêt Collectifs (SCICs) in France, Community Interest Companies in the UK, gGmbH in Germany). In other cases, the legal status of social enterprises can be obtained by existing legal forms, provided that they comply with a number of legally defined criteria (e.g. social enterprise legal status in Italy or the Social Purpose Company in Belgium). Some countries (e.g. Slovenia) have created new types of legal forms that allow traditional non-profit organisations to undertake economic activity.

Twenty out of the 28 EU Member States have adopted a definition of social enterprise[129]. Despite several areas of overlap between different national models/definitions, a comparative analysis of the 28 EU countries' legislative framework for social enterprises highlights that important differences remain. In particular, depending on the definition elaborated in different national contexts, the notion of social enterprise varies in:

- **Breadth**: while some Member States (for example, Italy and Spain) include in this category a wide range of organisations (i.e. traditional companies, but also associations, foundations, mutuals, co-operatives, etc.) others (namely Finland, Lithuania, Poland, Slovakia, Sweden) only include work integration social enterprises (WISES). This restricted definition excludes enterprises that pursue social missions such as the provision of social and educational services, environment, well-being for all, or solidarity with developing countries. This also means that *de-facto* European social enterprises are often 'hidden' amongst existing legal forms.
- **Governance structure**: not all EU countries require social enterprises to have "inclusive governance" models.
- **Autonomy regime**: while the criterion relating to "independence" is understood/ interpreted as "managerial autonomy" and/or "autonomy from the State" in most EU countries, in some others (Italy and Portugal) emphasis is placed on autonomy from the State and from other traditional for-profit organisations.

Box 4: Work Integration Social Enterprises (WISEs)

A particular type of social enterprise is represented by Work Integration Social Enterprises (WISEs).

The key objective of WISEs is to tackle the exclusion and marginalisation of disadvantaged people in the labour market, through the employment of society's most vulnerable members. WISEs are labour-intensive enterprises providing social support and on-the-job training for the people they support.

Despite their social focus, WISEs are still social enterprises based on economic activity that is performed within the market. Therefore, they are subject to competition rules and

[129] For an operational definition of social enterprise shared by the 28 Member States, see the European Commission's study "A map of social enterprises and their eco-systems in Europe", cited above.

share strong links to the private sector, as this is essential when trying to place people in employment.

WISEs provide goods and services with a social aim and particularly focus their economic activity on the local level, where they contribute to employment and job creation. They provide a wide range of goods and services (e.g. recycling, construction and building, fashion products, glass, paper, gems). In rural areas (i.e. Romania) WISEs tend to focus on agriculture.

WISEs have democratic governance structures, which help create citizenship and empowerment for every worker. Empowerment is also supported through other initiatives, such as training prior to elections. This enables socially marginalised individuals to achieve a greater involvement in society.

While significant differences still exist between national legal systems, many European countries have legislated on the social economy over the past ten years. Some of the most recent cases of Member States dealing with the social economy are Romania and France, where bills to regulate the social economy have prospered. These and other countries have recently adopted national legislations in the field of social economy in general (for example, Portugal, Law n. 30/2013 on social economy; Romania, Law 219/2015 on social economy), but also on social enterprises (namely: Act of 2003 in Finland; Act of 2004 in Lithuania; Act 118/2005 in Italy; Act of 2011 in Slovenia; and the Luxembourg Project of Law on Social Impact Societies), as well as on the modification of existing normative provisions (like the co-operative societies of collective interest, created in 2001 in France; and Poland's 2006 Act on social co-operatives, specifying that the key objective of social co-operatives is to support those at risk of social exclusion and those with levels of low employability in order for them to enter the labour market).

This trend can be explained in light of the overall need, emerging across the social economy board and in the whole of Europe, to deal with an increasingly relevant social and economic reality. Member States are becoming aware that legislative shortfalls have serious implications on social entrepreneurs that wish to set up social economy organisations. In fact, the legal framework can act as a brake on the deployment of new forms of social economy, if the existing ones cannot be adapted to new necessities.

3.4. Role of Social Economy Entities in Europe

From the above overview of the main types of social economy actors in Europe, it emerges that the social economy includes two main categories of actors, active respectively within the market and non-market sub-sectors.

Box 5: Social Economy Sub-Sectors

- **The market sub-sector** consists of organisations that function to meet the needs of their members, but also that sell their goods or services on the market. Social economy companies that are part of the market sub-sector are market producers, as their output is mainly intended for sale on the market at economically significant prices. The principle of not distributing surpluses to members is not an essential trait of social economy companies, as social economy market companies may also distribute profits or surpluses amongst their user members. This distribution is not

proportional to the capital or to the fees contributed by the members, but happens in accordance with the members' transactions with the organisation.

- **The non-market producer sub-sector** consists of foundations and associations that provide their goods and services free of charge or at prices that are not economically significant. The non-market sub-sector is made up of all the social economy organisations that are traditionally considered as non-market producers. These are non-profit organisations in the strict sense of the term. They apply the principle of non-distribution of profits or surpluses (the non-distribution constraint). As all social economy entities, individuals are the true beneficiaries of the services they produce.

Though the workings of the two sub-sectors differ, both market and non-market social economy actors strive to meet the needs of people rather than to make a profit. By linking the economic and social aspects of society, the social economy as a whole works to establish a symbiotic relationship between the private and public sectors and thus to create a more cohesive society. Bridging economic objectives and social needs, the social economy currently plays a **central role in supporting European economic development and improving wellbeing across the EU**.

- **At the social level**: the social economy represents an area of civic activity which, through the performance of economic and public interest activities, contributes to: professional and social integration of persons at risk of social marginalisation, job creation, provision of social services of general interest and local development. The social impact of social economy organisations is a direct consequence of their internal governance structure and their mission. The involvement of the stakeholders in the decision-making mechanisms empowers individuals and promotes the creation of active citizenship. At the same time, democratic governance ensures that the organisation stays true to the interests of its members and of its community. As such, social economy organisations generally help increase social capital, i.e. the level of trust within society and economy, as their activity is based on collaboration and civic engagement among individuals within the community.
- **At the economic level**: social economy business models contribute to the improvement of competitiveness within the EU Single Market. The social economy provides more choices to consumers, helps prevent the formation of monopolies, lowers retail prices, provides opportunities for skill development and innovation and limits information asymmetry[130]. Drawing from a pool of resources that goes beyond public offers, social economy organisations also improve the provision of goods and services of general economic interests at the local, national and EU level. In fact, they integrate the provision of these goods and services by the public sector, contributing to the widening of the range of actors supplying social goods and services, creating new employment and contributing to income growth at the same time.

Services of General Economic Interest are defined as those that have been identified by public authorities as being of particular importance to citizens but which would not necessarily be provided by market actors. Given this wide definition, there are two specific elements of SGEI that are of interest to this assessment:

- The definition of SGEI will vary between Member States, based on their traditions and cultures; public transport networks or postal services might be considered to be part of the SGEI in some countries but not in others;

[130] See, European Commission, *Social economy and social entrepreneurship*, Social Europe guide, Volume 4, 2013.

- SGEIs operate in the space between the public sphere and the private for-profit sector, which is where the social economy has traditionally been mostly developed.

Interviewed stakeholders have expressed their hope that the change in public procurement rules will have a positive impact on encouraging actors of the social economy to participate in public tendering procedures. With the withdrawal of public actors and the increasing place given to market actors, the social economy's role in the area has gathered pace. Actors in the sector have experience of competing for such contracts. One stakeholder highlighted how social economy actors were a "natural fit" in terms of delivering SGEIs, as their social aim could provide more tangible benefits to the public than when there is a wish to maximise profits. The changes in public procurement rules are expected to encourage social economy actors to participate in public tenders.

Box 6: Networking Replicable Example of Social Economy Business Model in the Provision of SGEI

RREUSE is the European umbrella organisation for a network of social enterprises operating in the reuse, repair and recycling sector. It provides an example of how social enterprise business models may be replicable cross-border. Across 16 European countries, including Ireland, Italy, France, Poland, Germany, Finland and Belgium, individual social enterprises combine social and environmental objectives in the collecting, sorting and redistribution of textiles, electronic waste, furniture and recyclables. Within the network, there have been 77 000 full-time jobs created, as well as awareness raising campaigns, business support and exchange of best practices amongst members.

Table 4: Social Economy Main Sectors of Economic Activities in the EU[131]

Total	100%
Employment and Training	14.88%
Environment	14.52%
Education	14.52%
Economic, Social and Community Development	14.34%
Culture, the Arts and Recreation	7.08%
Health	6.90%
Business Associations	2.00%
Law, Advocacy and Politics	1.63%
Other	4.72%
Social Services	16.70%
Total	100%

The role of social economy entities is not limited to specific sectors of activity. In fact, they undertake diverse and often innovative economic activities, including the creation of

[131] Source: SELUSI data including all observations across all countries (N=581) Further information: www.selusi.eu.

networks of small and medium enterprises in the manufacturing sector. Research carried out in different EU Member States (Hungary; Romania; Spain; Sweden; UK) shows that the percentage of organisations that introduced new-to-the market or radical innovation over the past years is much higher among social ventures than among comparable commercial enterprises[132]. Expansion of social enterprises is particularly relevant in new fields including, for example, the provision of new forms of educational, cultural, environmental and public utility services, as well as services having to do with food production, distribution and consumption.

This shows that the social economy in Europe **has the capacity to adapt its productive activities, based on the evolving interests and needs of their communities, the wider society and the internal market**. Especially in times of economic recovery, this flexibility is a particularly relevant operational feature, as it can help address structural challenges in times of economic crisis and contribute to the achievement of the sustainable growth objectives set forth by the Europe 2020 Strategy[133].

[132] SELUSI Project, *Social Enterprises, Worth a Closer Look*, Early Insights, Issue 7, Fourth Quarter 2010.
[133] COM (2010) 2020 final

4. BEST PRACTICES

KEY FINDINGS

- The **social economy has played a key buffer role during the economic crisis,** mainly thanks to rules governing social economy entities relating to profit distribution and ownership making them more grounded locally and making their long-term approach less vulnerable to short term financial difficulties.
- Best practices can be identified in terms of **exogenous factors** (i.e. public support) and in particular: (i) the improvement of the legislative environment (such as the Public Services (Social Value) Act) 2012 in the UK; (ii) the existence of financial support (such as the creation of a loan designed to support social economy entities by the BPI in France; and (iii) the fostering of synergies between public authorities and social economy actors at the local level (such as the European Network of Cities and Regions for the Social Economy - REVES).
- **Best practices stemming from social economy actors themselves** can be grouped into three main categories: (i) democratic governance structures (such as the Mondragon group in Spain); (ii) the provision of innovative solutions to current socio-economic issues (such as the Magdas Hotel run by refugees); and (iii) increasing the visibility of the social economy (such as the DIESIS - European Research and Development Service for the Social Economy).

4.1. The Choice of Best Practices in the Social Economy

In recent years, the social economy has progressively shown its potential in mitigating the effects of the global economic crisis. This is mainly because the particular rules governing social economy entities, relating to profit distribution and ownership, make these entities more grounded locally and makes their long-term approach less vulnerable to short term financial difficulties.[134]

Through the performance of collective action for the achievement of common goals and wellbeing, the social economy has also managed to create growth and employment in a period of economic stagnation and recession. While growing, the social economy has managed to retain jobs in sectors in crisis, increasing job stability levels, taking jobs out of the black or grey economy, keeping skills alive, exploring new occupations and developing pathways into work for disadvantaged groups[135]. In the European context in particular, this has occurred wherever—at the local, national or EU level—an appropriate social, political and legal environment has been shaped, allowing the different social economy entities to operate effectively and to compete within the single market.

Hence, the reasons allowing social economy organisations to play this buffer role are manifold and can be explained in light of a series of different but complementary factors. These factors consist of:

- The adoption of measures directed at supporting the **social visibility** of this sector, as well as directed at granting the social economy with the **legal status and structures** that it needs in order to play an impactful role in society.

[134] EESC, The Social Economy in the European Union, p.49.

[135] Inotool: Social Economy Innovation Toolbox, Social Economy as a Way to Recovery and Employment, 2014.

- The effective embedding of **democratic principles** in the different social economy governance structures and
- The **guarantee of social commitment** in the performance of economic activities.

On the basis of these resilience/success factors, a series of best practices has been identified, categorised and selected, on the premise that they meet one or more of the following criteria:

- They demonstrate an initiative by a public authority (at the European, national and local level) that aids social economy entities in meeting the objectives of the social economy.
- They demonstrate methods of organisation by a social economy entity that are conducive to them meeting their social objectives.
- They provide an example of a social entity notably achieving social impact or measuring social impact in a manner that may be applicable more widely.

Rather than producing a simple inventory, the criteria used to select best practices allow the pinpointing of:

- significant best practices by public authorities in supporting the social economy;
- within social economy entities; and
- in terms of how those entities measure their success.

In the following paragraphs, a list of best practice examples is illustrated and proposed, **on the basis of their replicability** for similar public authorities and social economy entities across the European Union.

4.2. Best Practice in Public Authorities' Support to the Social Economy

As mentioned in the previous chapters, the potential of the social economy to be an effective driver of social cohesion, productivity through jobs and more generally of sustainable economic development through the provision of services cannot only rely on social economy actors' internal motivation, organisational structures and entrepreneurial capacities. Multi-level public authorities' interventions, directed at reducing the comparative disadvantages that still prevent social economy actors from fostering entrepreneurship and competitiveness, are crucial for the development of the social economy.

Different examples of (replicable) public authorities' good practices have been identified at different levels of the EU system of governance and in respect to different typologies of interventions.

4.2.1. Improvement of Legislative Environment

Tailored normative interventions at both EU and national levels are essential to create an eco-system conducive to social economy growth and able to strengthen the economic and social impact of the sector. While comprehensive sets of legislation on social economy are still lacking in many Member States, as well as at the EU level, specific measures have been adopted in order to support the work of social economy entities in Europe.

In particular, normative advancements have been made by EU institutions and some EU countries, aiming towards the **promotion of a strategic approach to 'social value' procurement**. Especially in times of spending reviews, the principle of value for money is an over-riding factor for all public sector procurement decisions. Embedding social value (i.e. the wider social and economic benefits that can be secured through public sector purchasing) in public procurement contributes significantly to the implementation of the

value for money principle, because it ensures that public money is used in a way that achieves the most sustainable and widest possible impact.

At the national level: The Public Services (Social Value) Act has been introduced in the UK in 2012 and still constitutes one of the most significant national legislative developments in the context of this positive trend. The Act calls for all public services to factor social and environmental value into their commissioning considerations. UK public bodies are now required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area. This **includes all public service markets, from health and housing to transport and waste**. The requirement to factor social value in, at the pre-procurement phase, allows commissioners to embed social value in the design of services, from the outset. The Act received cross-party support in both the House of Commons and the House of Lords. Not only did this enable the Act to pass through Parliament, but in a world where policy changes fast, the political consensus that exists on this approach to public spending is a good sign of its likely continuity[136]. According to a recent review, the Act has produced savings by cutting waste and by fostering outcomes, such as decreasing re-offending rates through the commissioning of social enterprises, such as the Emmaus communities, which reduce public spending[137].

At the EU Level: the 2014 Directive on Public Procurement introduced improved rules, requiring public authorities to take social and environmental aspects into consideration, in specifications and when assessing tenders[138]. New important possibilities are offered to social firms within the new European directive on the award of public procurement. These include: a **provision on reserved contracts in national law**, offering contracting authorities the choice to restrict some tendering procedures for the purchase of some goods, works or services to economic operators whose main aim is work integration of disadvantaged or disabled people. This new proposal is expected to offer a more effective and sustainable integration of disadvantaged persons and persons with disabilities; a **Social Clause**, requiring that bids are evaluated not only on the basis of price, but also on the basis of other criteria, such as social and environmental considerations; and a **reserve for social services contracts**. The Directive also allows commissioners to ensure that social services are only awarded to external parties on the basis of the best-quality ratio, including quality criteria, rather than simply on the basis of the lowest cost. The best-quality ratio allows the contracting authority to include specific quality criteria essential in the delivery of social services, e.g. that the services procured should be accessible and affordable and should promote the involvement and empowerment of users[139].

4.2.2. Financial Support

In the absence of an EU-wide policy and regulatory framework for the recognition and promotion of the social economy, improving the social economy's access to various forms of financing (such as European funds, venture capital, microcredit and crowd-funding) is essential in unlocking the sector's potential[140].

At the EU level: the development of **innovative funding programmes** constitutes one of the most effective ways through which the EU has been supporting the social economy's presence in the internal market; promoting the provision of key services as well as the

[136] Social Enterprise UK, *The Social Value guide, Implementing the Public Services (Social Value) Act*, 2013.

[137] Cabinet Office, Social Value Act Review, 2015.

[138] See above, para. 2.

[139] Bussi, P. (2015), New Directive on Public Procurement; the Potential for Social Firms, http://www.socialfirmsengland.co.uk/new-directive-on-public-procurement-the-potential-for-social-firms/.

[140] Committee of the Regions, Draft Opinion - The role of the social economy in restoring economic growth and combating unemployment, 3-4 December 2015.

creation of jobs; and fostering social inclusion across the continent.[141] In general, EU funds have proved to be vital instruments in supporting the social economy in the Member States.

The ESF Regulation for the period 2014-2020 contains new provisions that, through the supply of financial support, have aimed at valorising the social economy's role in the field of social innovation (Article 9). For example, a network of social economy support centres has been established in each region of Poland, using the European Structural Fund (ESF). These are centres where a person who wants to establish a social enterprise can find support and can benefit from specialised training. These centres also offer support during the first few years of running an enterprise. The ESF has also allowed Spain to carry out an operational programme (2014-2020) for social inclusion and social economy. This ESF-supported Spanish national programme is directed at creating employment in the social economy, fostering workers' buy-out of enterprises and facilitating the adaptation of social economy workers active in the economic sector in crisis to new innovative ones.

Box 7: EQUAL Programme - Financial Support to Social Economy Entities' Participation in Policy Planning

A particularly innovative way of using ESF finance to support the social economy is represented by **the EQUAL Programme**, concluded in 2008. This programme focused on themes such as "Strengthening the social economy (the third sector), especially the services of interest to the community, with a focus on improving the quality of jobs". More specifically, this initiative significantly stimulated innovation in European social economy, in particular providing support to projects fighting discrimination and social exclusion, through the strengthening of the social economy in community contexts. EQUAL also contained a specific strand on business creation and social economy.

The EQUAL has been especially important for the support it granted to projects involving the direct participation of social economy organisations. In Belgium, the EQUAL Programme allowed the co-financing of nine development partnerships with a social economy theme. As such, this initiative allowed the involvement of social economy organisations in the collection of evidence and measurement of social economy projects' non-monetary impacts. In particular, the EQUAL partnership in Belgium proved that such impacts can be assessed, using tools such as social return on investment (SROI), which can be of assistance to policy-makers in achieving better value for money in public spending[142]. Linked to the above point, it would be interesting to explore how quasi-market systems (voucher systems) can reward such additionally that may cross policy boundaries[143].

At the national level, many countries, (namely France, Lithuania, Slovenia, Spain and the UK) introduced direct support schemes specifically designed for the social economy entities. These **public financial schemes** take various forms, including the provision of grants, subsidies, loans, financial compensations etc. However, it must be noted that national support schemes are often limited to social enterprises that have a distinct legal status, or operate in a special legal form for social enterprises. Relevant best practices developed in

[141] COM (2011)682 final.

[142] The Social Return on Investment is a (non-exclusive and constantly evolving) concept for organisations with a social purpose wishing to understand measure and enhance their social impact in addition to the financial results. Indeed, organisations being aware and accounting for their social, economic and environmental impacts are giving themselves the means to be more sustainable than others.

[143] See EQUAL policy brief (2008) *Value for money from social firms*; and EQUAL policy brief (2008) *Handling exclusion through social firms.*

national contexts to improve social economy actors' access to finance have been found, in particular, in the following sectors:

Social Banking describes the provision of banking and financial services that consequently pursue, as their main objective, a positive contribution to the potential of all human beings to develop. In social banking, the focus is on "satisfying existing needs in the real economy and the society, whilst simultaneously taking into account their social, cultural, ecological and economic sustainability. Furthering the common good by generating multiple returns with respect to these aspects is at its core. Generating a monetary profit is not an end but a frequent prerequisite to guaranteeing the necessary flexibility for pursuing its objective in a continuously changing environment"[144]. Recently, this sector has received support by different Member States. Significant examples of national measures undertaken to support social banking have been found, in particular, in the UK and France.

Box 8: Support for Social Banking in the UK and France

In the UK, the government set up the world's first social investment wholesaler—Big Society Capital (BSC). Big Society Capital is an independent financial institution with the social mission to help promote the growth of the social investment market. Big Society Capital acts both: as an investor, having a transformative impact on the social investment market in the UK by supporting social investment finance intermediaries to become financially robust and able to attract greater and more diverse sources of investment; and as an advocate, increasing awareness of and confidence in social investment, promoting best practice, sharing information, improving links between social investment and mainstream financial markets and working with other investors to embed social impact assessment into the investment decision-making process. Big Society Capital has already seen over GBP 180 millions of investments to the frontline and this has allowed it to support over 100 social economy ventures across the UK. Moreover, Big Society Capital has GBP 600 million to invest, though a network of social lenders.

In France, the government launched a Public Investment Bank (Banque Publique d'Investissement – BPI), in December 2013. This bank offers companies, particularly SMEs and mid-cap companies, a tailored funding service with a wider palette of financial instruments and advice, supporting them at every stage of their development. Part of the investment made by the BPI will be especially channelled towards social economy organisations. In addition, BPI will provide loans to social enterprises and in particular to the WISEs that struggle to secure loans. Specifically, the bank offers loans targeted at social economy entities; the "Prêt Economie Sociale et Solidaire" (PESS) provides loans of amounts between EUR 10 000 and EUR 50 000 to SMEs, which are covered by the law on the social economy (see France case study in the annexes for more information).[145]

Tax relief for social investment: according to experts, social investment tax relief can be a useful tool to help social economy actors (such as charities) to take on investment and to encourage individuals and corporate investors to put at least some of their money into social projects, at the same time as offering the chance of a steady return.[146] A recent UK initiative, consisting of the introduction of the world's first social investment tax relief, has been launched to incentivise investors to put their money into social economy organisations that pursue their social mission, at the local, national and international level.

[144] This definition of social banking is provided by the Institute for Social Banking. See, http://www.social-banking.org/the-institute/what-is-social-banking/.

[145] http://www.bpifrance.fr/Toutes-nos-solutions/Le-Pret-Economie-Sociale-et-Solidaire .

[146] http://www.civilsociety.co.uk/finance/news/content/20084/how_to_use_social_investment_tax_relief.

Box 9: The Social Investment Tax Relief (SITR)

The Social Investment Tax Relief (SITR) offers a reduction of 30% in investors' income tax bill for qualifying investments made in social enterprises, including a charity. SITR also lets the investors defer a Capital Gains Tax charge, if he/she reinvests the profits into a social enterprise. After 3 years, SITR lets the investor sell or give away SITR-qualifying investments that have gained in value, without paying Capital Gains Tax. In order to make sure that the new investment is directed towards the enterprises which need it most and to meet EU regulations, the investment and the organisation receiving it must meet certain criteria. Organisations must have a defined and regulated social purpose. Charities, community interest companies or community benefit societies carrying out a qualifying trade, with fewer than 500 employees and gross assets of no more than GBP 15 million, may also be eligible.[147] To comply with EU's state aid rules, the UK government has established that individual enterprises can only receive a certain amount of government subsidised investment.[148] Individual investors can invest up to GBP 1000 000 and can invest in more than one social enterprises. This is independent of any investments under the Seed Enterprise Investment Scheme and the Enterprise Investment Scheme, which are subject to their own annual investment limits. In its 2014 Autumn Statement, the UK government announced that it would apply for EU state aid clearance for an enlarged SITR scheme to: increase the limit on the amount of SITR investment that an organisation can receive to GBP 5 million per year and GBP 15 million in total, enabling new social impact bonds (SIBs) to qualify, along with community energy and small-scale community agriculture schemes[149].

Born in the UK, SIBs have been spreading more widely. The municipality of Rotterdam, in the Netherlands, floated an EUR 680 000 SIB in 2013 that could provide investors with returns of 12% per year, if the delivery agency gets 160 unemployed young people into work or into school.

4.2.3. Fostering Synergies between Public Authorities and Social Economy Actors at the Local Level

Given the social economy's important and growing role in the delivery of many services of collective interest (i.e. health, social care, education and regeneration), the creation of synergies between social economy actors and public authorities is of paramount importance in ensuring the provision and continuity of highly innovative and high quality social services.

In particular, and since the delivery of such services of general economic interest and the creation of social economy employment has traditionally been provided for at the local level, it is essential that close partnerships are established and developed between local authorities and social economy actors.

The creation of the **European Network of Cities and Regions for the Social Economy (REVES)** represents an important step towards the creation of cooperation channels, based on the principle of partnership between local and regional authorities and territorial social economy organisations. The REVES network comprises of local authorities and social economy organisations[150] that are committed to the development of a social and solidarity

[147] Other conditions and criteria apply to the enterprise, investor and the investment made. Social enterprises will need to apply to HMRC to confirm that both they and the investment they have received meet the conditions of the scheme. Investors are only able to claim tax relief once this confirmation has been given.

[148] The limit is EUR 344 827 (about GBP 250 000) over 3 years. The exact sterling equivalent is the spot exchange rate on the date of investment.

[149] The legislation giving effect to STIR is the Finance Act 2014.

[150] Under "social economy", Reves considers co-operatives, mutual societies, associations, foundations and, more in general, all those organisations asserting the "primacy of individual and of social objective over capital, the

based economy, but also to the idea of an inclusive and participative and responsible society. Strategically, REVES operates at both the horizontal and the vertical levels. On the one hand, it contributes to the financing and coordination of projects and therefore supports innovation in social policies on the ground, promoting their dissemination in all EU territories. On the other hand, REVES also pursues the objective of connecting social economy actors operating at the local level with European and international institutions, in order to create positive conditions for the development of a social and solidarity based-economy, on a wider, continental scale.

Box 10: Significant Projects developed by REVES

Among REVES' ongoing and recent projects, there are a series of initiatives directed at: developing local mechanisms for a participatory (re)definition and measuring of local quality standards for social services of general interest (UNITE); analysing potentials for local clustering, gearing towards improved mechanisms for an equal participation of women and men in economic and social life (DESEO); defining common approaches to combat social exclusion at a local level, using tools that are applicable at a European level (ECSA).

4.3. Best Practices from the Social Economy

4.3.1. Democratic Governance Structures leading to Sustainable Socio-Economic Development

Founded on principles of solidarity and practices of economic democracy, governance in social economy entities is considered a form of efficient management in the use of the assets configured therein. The rules that govern the internal functioning of social economy entities combine traditional policies of efficient management, with the principles of responsibility, transparency, honesty, social responsibility, democratic control, education, training and information and commitment towards the community. These combined governance policies play an important role in the economy as a whole, as they help correct market failures, through new sources of employment, greater social cohesion and an equitable distribution of wealth[151].

voluntary and open membership, the democratic control by membership, the combination of interests of members/users and the general interest, the defence and application of the principle of solidarity and responsibility, the autonomous management and the sustainable use of most of surpluses".

[151] Munoz Medrano, M. and Peñalver, J.P., Good Governance in the entities of the social economy, CIRIEC-España, Revista de Economía Pública, Social y Co-operative, n. 83, Special Issue, October 2011.

Box 11: A Paradigmatic Example: The Mondragon Group

A paradigmatic example of how the specific internal rules, social commitment and operational flexibility allow social economy actors to produce sustainable economic growth through the provision of services leading to job creation is represented by **the Mondragon Group**.

Democratic governance: Started in 1956 as the first industrial co-operative in the province of Gipuzkoa, the Mondragon Corporation is a federation of worker co-operatives, based in the Basque region of Spain. Mondragon operates in accordance with the principles stated by the International Co-operative Alliance. In the first place, its mission has the approval of all co-operatives making up the group. This implies that all the different divisions (business units) making up the co-operative's four organisational areas (finance; industry; retail; knowledge) are aligned with the strategic policies established at the Co-operative Congress. Secondly, through their participation as members in the General Assembly (the supreme body allowing the expression of all members' social will) the workers contribute directly to the company's management, according to the principle—one member, one vote. The Corporation's reaction to the economic crisis reveals the degree to which the principles of democratic governance are embedded within its operations. Thirdly, a monitoring body (represented by the Standing Committee) ensures that strategic and managerial decisions are taken in compliance with the accounting principles.

Social commitment in the production of goods and services: While Mondragon has its roots in the manufacturing sector, the Corporation now works in the industrial, financial and distribution sectors and has developed important initiatives in the fields of knowledge and education. In the production of these goods and services, Mondragon applies a successful socio-business model, proposing market-integrated solutions based on experience, knowledge, innovation, inter-cooperation and strategic partnerships. In particular, Mondragon's workers are involved in the production chain as company partners and participate through management (by making contributions to improve the products, processes and services) and also through results (in line with the work they provide). Furthermore, Mondragon is a business-based socio-economic initiative, which has deep cultural roots and social ties in the Basque Country. As such, it is committed to the protection of the environment, to competitive improvement and to customer satisfaction. Valuing the principles of (individual and territorial) ownership has helped Mondragon to generate wealth in society through sustainable business development and through the creation of value-added employment.

Operational flexibility leading to recession-resilience: Mondragon is the world's biggest workers' co-operative and represents the 7th largest industrial group in Spain. The co-operative has production subsidiaries located in 41 different countries and sales in 150. As of 2011, the group consisted of 258 businesses and entities, with close to 84 000 workers and EUR 14 755 million in revenues. After two decades of sustained growth, like many other businesses, the Mondragon Corporation was hit by the economic crisis. Total revenue in its manufacturing and distribution sectors fell from 15.5 billion in 2008 to 11.85 billion in 2015. All the measures adopted by the Corporation were designed to cope with the decrease in aggregated business volumes and to strengthen the financial position of the company and were taken by the General Assembly, based on a majority vote by members. Measures included wage reductions, increases in working hours and in the share capital contributions (including reinvestment of profits and the constitution of a voluntary reserve fund). Such measures were complemented by the set-up of a range of mechanisms designed to support the workers (i.e. the creation of an employment

assistance system, the relocation of staff among co-operatives and the existence of compensation for the loss of work hours). As a result, the decrease in employment accompanying the drop in revenues was achieved without producing layoffs. Rather, the Corporation resorted to voluntary pre-retirement schemes for workers over 58 and to the relocation of hundreds of redundant worker-members within co-operatives inside the Group.

4.3.2. Best Practices in the Provision of Innovative Solutions to Current Socio-Economic Challenges

The specific activities performed by a wide variety of different social economy actors across Europe prove that a series of services of general economic interest which, traditionally, would have not been supplied if there had been no public intervention, are currently provided by private undertakings pursuing public service objectives. If the social economy has always been involved in the production of goods and the delivery of services of collective importance, a wealth of examples from this field show that, currently, the entities that are part of this sector are capable of ensuring timely responses to a rapidly changing European socio-economic reality, through innovative and inclusive solutions. In other words, the social economy has been showing its potential to tackle both the inherent deficiencies of the capitalist economies and the upward trend of social inequality and marginalisation concerning a large number of people in Europe[152].

Magdas Hotel: one social enterprise that has recently attracted the attention of experts is the "Magdas Hotel", the **first hotel run by refugees in Europe,** which opened its doors in Vienna (Austria) in February 2015. This social enterprise aims to support refugees, by providing them with training, enabling them to integrate more easily into the work market. This initiative is particularly significant as it manages to address a compelling social and political issue (the integration of refugees in European society) at the same time as it provides an effective response to market failure (the hotel sector is constantly on the lookout for staff). In terms of its financing, apart from the support of Caritas Austria, this establishment relies on partnerships with museums and private actors. To explain the philosophy underlying the establishment of the Magdas Hotel, the coordinator of this initiative has declared that: "rather than focusing on people's shortcomings, we are focusing on their resources". Furthermore, this undertaking constitutes a replicable idea, given the European dimension of the socio-economic issues that Magdas is tackling.

Le Mat: this is one of the **first social franchises in Europe** for running hostels, hotels and B&Bs. Each Le Mat is a social enterprise, aiming to create opportunities for local people and their communities, through sustainable tourism. Each Le Mat hotel, hostel or B&B must be a social enterprise, according to national laws, but must also incorporate pre-established social values. These include employing disadvantaged groups, promotion of the local community and its products, applying environmentally friendly procedures, plus ensuring access to guests that may face barriers in the hospitality sector. Le Mat was first established in Italy but has spread to other European countries, including Sweden.

Le Tech Life Onlus: this social enterprise combines the integration of prisoners and former prisoners back into employment within an enterprise with an environmentally friendly mission. The enterprise specialises in the ecological management of electronic waste. A key driving force underlying the enterprise's success is the cooperation with prisons around Italy, including training while prisoners are still incarcerated. This facilitates the pathway to reintegration of individuals who may otherwise find themselves outside the labour market.

[152] Piketty, T. (2014), Capital in the Twenty-First Century, Belknap Press.

4.3.3. Best Practices in Dissemination: Fostering the Institutional and Social Visibility of the Social Economy

Setting a social, political, and regulatory environment, conducive to the efficient and productive functioning of the social economy, is essential in order to allow this sector to provide solutions in those cases where the public and the traditional private sectors fail to do so. For this purpose, it is essential that social economy actors achieve visibility, legitimacy and recognition, through the dissemination of best practices. Moreover, a better understanding of the sector is essential in order to reinforce the managerial capacities, professionalism and networking of social business and to develop appropriate legal forms, which could be used in European social entrepreneurship.

DIESIS - European Research and Development Service for the Social Economy: The main objective of this organisation is the identification of practitioners and best practices and the dissemination of results among social enterprises and practitioners in the EU. Since 1997, DIESIS supports the development of the social economy in Europe, through the implementation of knowledge-based activities, such as training, project design, consultancy and advisory services, technical assistance and research. DIESIS members are part of a network of thousands of enterprises from all over Europe and work in partnership with European thematic networks and platforms, such as EUTC, REVES, Social Economy Europe, CECOP, EMES and EAPN. It is a member of the OECD LEED Programme, the European Alliance for Innovation and EARTH—European Alliance for Responsible Tourism and Hosting. DIESIS is also part of GECES, the European Commission's expert group on social entrepreneurship that assists the EC in the implementation of the Social Business Initiative. For the last decade, DIESIS has collaborated with all the EU social economy and co-operative organisations, operating in diverse sectors, such as manufacturing, consumer goods, services, social care, work integration, housing and education. DIESIS has provided technical assistance and support to various organisations operating at the European level. It has also provided support and expertise to its members and clients in their search for transnational partners and in the creation and development of European networks[153].

Annual social enterprise awards: Social Enterprise UK organises **annual social enterprise awards** to recognise organisations for their business excellence and contribution to society. This is a good way to increase recognition of the sector but also to acknowledge and identify best practices in the social enterprise market.

[153] http://www.diesis.coop/index.php/what.

5. SOCIAL ECONOMY AND THE DIGITAL SINGLE MARKET

KEY FINDINGS

- The Digital Single Market (DSM) recognises that the global economy is rapidly becoming digital. The social economy can make use of the Digital Single Market to further its objectives through increased direct sales, social networking and the digitalisation of services.
- The European Commission's DSM Strategy makes no direct mention of the social economy and refers only in passing to the non-commercial co-operative economy, which has major social potential.
- The Commission has expressly recognised that the digital single market has a major role to play in the provision of SGEI that benefit vulnerable people (the elderly, those affected by reduced mobility, those isolated in rural areas, or those with low purchasing power) across the EU.
- The digital single market has not so far been open to social economy models in the way that it might have been.
- To unlock (and fine-tune) the growth potential of both the digital single market and the social economy, there is a need to recognise not just how social economy actors could use the digital economy, but also to **ensure that social economy actors can participate in the Digital Single Market and help shape the way in which it functions.**
- The digital single market can **help protect Europe's economic and social model** and increase citizens' well-being, by being a key component of the renewal of public services, which have been hit by the debt burden and long-term spending pressures.
- The DSM, and more generally the development of digital technologies, constitutes means for the **creation of local networks** and for the development of other non-networked, conventional, social and productive activities.
- As social enterprises are becoming increasingly professionalised, **technology now represents an accepted and fundamental component of many socially-minded programmes**. Examples of social programmes pursuing their scopes using existing online retail platforms show that collective utility may effectively complement traditional online business.
- **An increase in direct sales** is a way in which synergies between the digital single market and the social economy have emerged and are likely to increase in the future.
- **The digital single market and digital technologies link online and offline areas of social economy**, helping to strengthen social economy networks and coordination and ultimately granting more social and institutional visibility to this particular sector, at the local, national, and cross-border level.

5.1. The European Commission's Digital Single Market Strategy

5.1.1. Digital Single Market: Definitions and Recent Developments

The Digital Single Market (DSM) is one where flourishing innovations and applied technologies lead to a European single market, which is not only larger and more competitive, but also capable of delivering social and environmental objectives, through the provision of online market and government services. While the establishment of the digital

single market essentially involves the development of online transactions, it also has the potential to improve access to information, reduce transaction costs, dematerialise consumption and improve business and administrative models[154].

According to the European Commission's vision, in a digital single market where firms in all sectors invest and exploit the potential of ICT on an equal footing, companies in Europe can grow, increasing their local and global competitiveness. In turn, this can bring increased productivity and consequently can lead to sustainable growth and creation of more jobs. On the other hand, the enhanced competition brought in by the digital single market would allow consumers to benefit from lower prices, higher quality of products, wider choice, as well as stronger safety when using the internet and higher standards of data protection. Furthermore, the use of ICT in the provision of goods and services would enhance access to and the efficiency of services of general economic interest[155]. Besides opening up new opportunities to boost the economy through e-commerce, the digital single market is also expected to facilitate administrative and financial compliance for businesses, as well as to empower customers through e-government[156].

To realise this vision, the EU has progressively developed a dedicated legislative/non-legislative programme, which is ultimately directed at integrating the digital single market in the overarching vision reflected in the Europe 2020 strategy.[157] EU interventions include—but are not limited—to: proposals for clear contractual rules for online sales of both physical goods and digital content directed at both simplifying online trading for enterprises (and especially SMEs) and increasing consumers' trust in online purchases; initiatives directed at improving transparency in online selling's delivery options and conditions, but also at tackling the lack of interoperability between different operators involved in cross-border shipments (especially when it comes to small parcels sent by SMEs)[158]; the establishment of an e-commerce regulatory framework[159], to be complemented in 2016 through legislative proposals targeting unjustified geo-blocking; the adoption of a Telecoms package[160], due for review in 2015; the creation of a "coherent framework for building trust in the Digital Single Market for e-commerce and online services[161] and the launch of an e-government action plan[162], which will come to an end in 2015 and will be renewed in 2016 in order to complete the interconnection of the business registries (as requested by the Digital Single Market Strategy), as well as to complete the transition towards full e-procurement and interoperable e-signatures. Legislative proposals to reduce the administrative burdens on business arising from different VAT regimes will also be undertaken in 2016[163].

In 2015, the European Commission launched a Digital Single Market Strategy for Europe[164], consisting of a global strategy adopted to eliminate barriers that Europeans (individuals and companies) face when using online tools and services. Globally, the digital single market

[154] See Streaming and Online Access to Content and Services, study prepared for Parliament's Committee on the Internal Market and Consumer Protection, 2014, http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/492435/IPOL-IMCO_ET(2014)492435_EN.pdf.

[155] European Commission Fact Sheet, Who will benefit from a Digital Single Market? Brussels, 6 May 2015.

[156] European Parliament Fact Sheets on the European Union, The ubiquitous digital single market, March 2015.

[157] Introducing ta Digital Agenda for Europe, the Europe 2020 strategy recognised that the use of information and communication technologies (ICT) play a key role in the perspective of the EU wants achieving the EU's ambitions for 2020.

[158] See COM (2012) 698 final; and COM (2013) 0886 final.

[159] Directive 2000/31/EC of the European Parliament and of the Council.

[160] Also known as the EU's regulatory framework for electronic communications, which is a series of legal acts applying throughout the EU Member States to enable consumers to benefit from increased choice of innovative services.

[161] COM (2011)0942.

[162] COM (2010) 743 final.

[163] European Commission, A digital Single Market for Europe, 2015.

[164] COM (2015)0192 final.

includes 16 initiatives, to be delivered by the end of 2016. The strategy focuses on three key areas that aim to increase the access of actors in the European Economy to reap the benefits of a Digital Single Market:

- Better access for consumers and businesses to online goods and services across Europe. The removal of key barriers to cross-border online activity involves: ensuring fair competition and data protection; preventing unjustified geo-blocking; resolving copyright issues (particularly surrounding digital content); reflecting on contract, consumer and VAT rules; and ensuring the right regulatory conditions for innovation and investment;
- The creation of the right conditions for digital networks and services through high-speed, secure and trustworthy infrastructure and content services;
- The maximisation of the growth potential of the European Digital Economy through measures such as ensuring that telecom rules are fit for purpose, updating the media framework and reviewing the regulatory environment for online platforms—including the sharing economy—and intermediaries.

Currently, the digital single market is one of the Commission's political priorities. In the Commission's view, an inclusive digital single market offers opportunities for citizens, provided they are equipped with the right digital skills. The enhanced use of digital technologies can improve citizens' access to information and culture, improving also their job opportunities. A digital single market can also promote modern open government[165].

5.1.2. How is the Social Economy addressed in the Digital Single Market?

The European Commission's Digital Single Market Strategy makes no direct mention of the social economy and refers only in passing to the non-commercial co-operative economy, which has major social potential. On the other hand, the Commission expressly recognises that the digital single market has a major role to play in the provision of SGEI that benefit vulnerable people (the elderly, those affected by reduced mobility, those isolated in rural areas, or those with low purchasing power) across the EU[166]. Moreover, including the Digital Agenda among the flagship initiatives making up its Europe 2020 strategy[167], the Commission expresses the idea that the digital single market can contribute to turning Europe into "a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion".

However, despite several references that have been made to the role that the digital single market can have in the promotion of social cohesion, the way in which the social economy is being perceived in the overall digital single market policy framework at the moment, doesn't consider how social economy enterprises use digital methods, something which could be incorporated into the proposals for the digital single market. This means that the digital single market has not been opening to social economy models in the way that it might have been. In terms of this concern, it should be noted that to unlock (and fine-tune) the growth potential of both the digital single market and the social economy, there is a need to recognise not just how social economy actors could use the digital economy, but also to **ensure that social economy actors can participate in the digital single market and help shape the way in which it functions**.

[165] See the Digital Single Market Factsheet – Final, available at: https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/digital_single_market_factsheet_final_20150504.pdf.

[166] COM (2011) 0942.

[167] COM (2010) 2020.

The sharing economy platforms, for example, allow for the shared use of assets, but not for the shared ownership of the platforms. Where is the community buyout option if the framework for business start-up and succession is focused exclusively on the investor led model? Worker–owned enterprises, for example, could design their own apps-based platforms, fostering truly peer-to-peer ways of providing services and things and therefore competing with other profit-platforms. The valorisation of the social economy model of governance and its promotion among the new-businesses that take advantage of the digital single market would help mitigate the negative effects of the so-called "platform capitalism", defined in reference to digital companies that rely on sub-contracting and produce rental economies with big pay-outs going to small groups of people[168]. Co-operatives, as well as other social economy actors, **face challenges on the level of competition from dominant digital-based service providers** (e.g. Uber and Airbnb) in terms of public awareness, allocation of work, as well as wage levels.

Despite being quite new, the digital single market strategy should be complemented by interventions directed at reconciling the social impact of social economy actors with their capacity to effectively participate in the digital single market and benefit from the opportunities it has to offer. If appropriately developed, the use of digital technologies by the social economy could help balance creative freedom and social protection objectives and therefore could contribute to fully unleashing the growth potential of the new sharing economy.

5.2. Synergies between the Digital Single Market and the Social Economy

5.2.1. The Impact of the Digital Single Market on the Single Market

The digital single market responds to Europe's needs for new economic momentum to help its economies exit the economic and financial crisis and to boost long-term growth rates and competitiveness. The digital single market can help make Europe's labour markets more efficient and at the same time more social and can also help transform Europe into a low carbon economy.

5.2.2. The Impact of the Digital Single Market on the Social Economy

If appropriately structured, the digital single market can help protect Europe's economic and social model and increase citizens' well-being, by being a key component for the renewal of public services, which have been hit by a debt burden and long-term spending pressures. By supporting higher levels of e-readiness and e-skills, as well as education levels, the digital single market can ensure that all Europeans can take part in the future knowledge society[169]. Therefore, the opportunities to create synergies between these two emerging sectors of the European economy are manifold and should be thoroughly examined and addressed.

In a rapidly changing globalised economy and society, internet-based services, digital technologies and networking opportunities provided through the Digital Single Market (DSM) can significantly strengthen the social economy's autonomy, diversity and level of participation within the EU Single Market and therefore can enhance the social economy's potential and value-adding contributions to sustainable growth in Europe. In particular, in terms of the promotion of the "digitalisation" of businesses providing goods and services, the Digital Single Market could offer social economy actors effective operational and organisational tools, allowing the further consolidation and expansion of their role across Europe. In particular, the digital single market and more generally the development of digital technologies constitute **means for the creation of local networks and for the**

[168] Scholz, T. (2015), Platform Cooperativism vs. The Sharing Economy, https://medium.com/@trebors/platform-cooperativism-vs-the-sharing-economy-2ea737f1b5ad#.ecdwoinh5.

[169] European Policy Centre (2014), Establishing the Digital Single Market - Policy recommendations.

development of other non-networked, conventional, social and productive activities. The inherent openness of the internet and the collectivisation of digital technology through user-created content emerge as key elements that can be used for the development of the social economy. At the same time, by engaging in digital content management and related service provisions for public or collective benefit, unions, foundations, social enterprises, crowd-funding platforms and co-operatives could contribute to the deepening of the digital single market. In fact, representing a constantly innovative and decentralised sector within the market environment, the social economy could bring added-value to the digital single market, where—by definition—new models compete with traditional ones, challenging conventional scale advantages through individual or collective initiatives. The research conducted in the context of this study shows that the social economy has already started to take advantage of economic value and social potentials offered by the digital single market and more generally of cyberspace and activities related to digital content creation and dissemination. A new term, "Digital Social Economy", describes a rising sector inside the conventional social economy[170].

5.2.3. The Growing Social Use of the Digital Single Market

As social enterprises are becoming increasingly professionalised, technology now represents an accepted and fundamental component of many socially-minded programmes. Examples of **social programmes pursuing their scopes using existing online retail platforms**, show that collective utility may effectively complement traditional online business.

Box 12: TheGivingMachine

TheGivingMachine was set up as a company to generate donations to charities and schools through online shopping.

The concept of TheGivingMachine was born as a website for free donations for local causes in Bishop's Stortford to flow. In 2007, TheGivingMachine started expanding, in supporting causes further afield. In 2010, it obtained the status of a Social Enterprise and in 2014 it became a charity.

TheGivingMachine is based on a simple idea:

- Customers buy something at an online shop they have been directed to by TheGivingMachine website.
- Purchases automatically generate a sales commission.
- As a charity and non-profit organisation, TheGivingMachine turns the commission generated into a charitable donation and transfers it to a cause chosen by its customers.

TheGivingMachine currently works with thousands of shops, such as Amazon, Sainsbury's, eBay and John Lewis.

Also, an **increase in direct sales** is a way in which synergies between the Digital Single Market and the Social Economy have emerged and are likely to increase in the future. One source of income that many voluntary and community sector organisations use to earn money is through trading[171]. Some charities take on small-scale trading activities, while other organisations with social or environmental goals set themselves up as 'social

[170] Iannis Nasioulas, *The Digital Social Economy* in, *The European Commission Social Business Initiative - GECES Group of Experts on Social Entrepreneurship*, 2012.

[171] Most social enterprises earn their money through trade—with 72% of social enterprises earning between 76% and 100% of their revenue in their marketplaces. See, Social Enterprises UK, People Business report, 2013.

enterprises' from the start[172]. At the same time, local enterprise products need to be widely available and easily accessible, in order to compete with the consumer market. In fact, while there is a growing appetite from consumers looking to purchase ethical products, the main problem faced by social economy enterprises who make and sell excellent, high-quality products is in terms of accessing customers outside their local networks, making it easy for them to buy these products. The digital single market provides online platforms (accessible through electronic devices), enabling cross-border access to goods, services, persons, capital and information. This can include both tangible goods or the creation and dissemination of digital content. Providing a better basis for developing direct sales throughout Europe, the digital single market has the potential to enhance the social economy's competitiveness in the provision of goods and services, through "smart services" (e.g. "apps").

Box 13: Run Native

Run Native is an online marketplace, created by social enterprises for social enterprises. The idea behind Run Native is to bridge the gap between existing ethical products and customers' desire to find them. In practice, it is a collective online marketplace that helps customers find ethical buys and helps ethical producers find customers. Run Native's aim is an example of how interactions between the social economy and the digital single market may change buying patterns across Europe.

More generally, the DSM and digital technologies link online and offline areas of the social economy, helping to strengthen social economy networks and coordination and ultimately granting more social and institutional visibility to this particular sector at the local, national and cross-border level. Using the power of group marketing and social media, social economy organisations can start to increase the awareness of social enterprise among consumers and therefore increase the sustainability of their initiatives. This can lead to **enhancing competitiveness of social economy actors**. Social economy online platforms may take many different forms, such as search engines, social media, e-commerce platforms, app stores or price comparison websites and play an ever more central role in social and economic life. They enable consumers to find online information and businesses to exploit the advantages of e-commerce. These online platforms **contribute towards the Sharing Economy**, a socio-economic system that uses technology to enable the sharing of human and physical resources. The rise of the sharing economy also offers opportunities for increased efficiency, growth and jobs, through improved consumer choice. Besides benefiting from established models of shared economy, social economy **actors can also help improve the functioning of these platforms**, in particular, through offering better working conditions and creating social safety nets for workers in the sharing economy.

The process of **digitalisation** considers how better opportunities for growth and innovations in the social economy continue to emerge, through the progress in digital technologies. This creates new links between the online and offline environments, such as additive manufacturing (e.g. 3D printing). This means better services at better prices, with more choice for existing companies. Digitalisation helps create value and jobs, within a knowledge-based society, particularly at a local and regional level, in places where the social economy is more developed and active. Digitalisation could be particularly important for

[172] A survey conducted in 2015 by Social Enterprises UK showed that, while the number of UK social enterprises exporting cross-border rose from 11% in 2013 to 14% in 2015, London-based social enterprises increased their exports to 23%. In age which is increasingly digital, the Digital Single Market offers the opportunity to further expand the export of these goods and services.

public services provision or for e-government. It is recognised that public services do not get the full benefit of digital services (e-government, e-health, e-energy, e-transport) and that opportunities exist to enhance service delivery in the public sector. This would enable modernised public administration, achieve cross-border interoperability and facilitate easy interaction with citizens. Online public services are crucial to the increase of the cost-efficiency and good-quality level of services provided. The procurement of public services by the social economy could use digitalisation to change the way that services are delivered.

The digital single market could provide a large market, in fields and sectors where these actors could potentially develop their competitive advantage. On the other hand, penetrating the digital single market, the social economy could help both users and service providers to become collective owners, rather than just consumers or workers.

6. OBSTACLES

KEY FINDINGS

- There are still many, deeply embedded, cultural, regulatory and financial obstacles that affect the full development of the social economy.
- The social economy competitiveness is currently hindered by the underdevelopment of an appropriate business environment.
- There is a need to harmonise different European legal environments for social economy enterprises, allowing social economy enterprises and organisations (particularly mutuals, associations, foundations and work integration social enterprises) to operate (cross-border) in the internal market, on an equal footing with other forms of enterprises.
- While the adoption of European statutes for social economy companies would contribute to the deepening of the European Single Market through the removal of the remaining obstacles in the free movement of social economy goods and services, harmonisation proposals are likely to encounter national resistance.
- The difficulties in accessing adequate financial instruments affect most social economy actors and their capacity to develop entrepreneurial activities in Europe.
- Lack of visibility and understanding of the social economy enterprise model. For instance, it will be important for EU institutions to intervene, so that all Member States include social economy enterprises in their business education as part of the national curriculum, for all education levels.

Despite changes in policies with respect to social enterprises, at the regional, national and European levels, a restricted view on the social economy coupled with a silo–approach in the development of supportive policy measures still hinders the development of the field, as well as its measurement, assessment and recognition. The possibility for social economy actors to access and operate within the Single Market and to contribute on their part to European economic growth depends to a great extent on the elimination of comparative disadvantages currently hindering their capacity to compete with other traditional economic actors in the production of good and services. The analysis conducted in the framework of this study has allowed the identification of a series of structural, regulatory and financial barriers, which still affect this segment of the economy.

6.1. Structural Barriers

In the first place, these barriers include the lack of visibility and recognition of both the social economy and the impact it generates on contemporary European society and economy. In particular, the different factors hindering full awareness by decision-makers of the latest trends in the social economy and preventing social economy actors from appropriately ensuring their contribution to the European economy and society depend on:

Type of obstacle	Specific obstacle
Structural barriers	• **The scarcity of updated and aggregated economic information available on the social economy.** The methods of today's national accounts systems mainly revolve around a bipolar institutional framework of reference, which mainly covers national economic aggregates of the traditional private sector and the complementary public sector. As a consequence, only little visibility can be granted to the third pole, represented by the social economy. Very limited availability of statistics prevents decision-makers from grasping the actual size of the social economy and to adopt policy initiatives tailored to the actual needs that social economy organisations have when they operate within the Single Market. Only where the social economy's market shares, organisational and operational trends are assessed through adequate metrics and methods, the social economy can play a role in developing sustainable solutions to tackle the negative effects of the economic crisis.[173] • **Lack of education on the social economy's best practices and lessons learnt**, also due to the lack of media coverage. The general absence of knowledge, education and training on social entrepreneurship and the social economy makes it difficult for social economy enterprises to find staff and managers with the necessary mind set, skills and competences. This hinders the potential for social economy actors to be competitive within the Single Market.[174] In fact, specialised training and education is essential in ensuring that social economy organisations do not suffer from a competitive disadvantage, relative to conventional businesses. • **The underdevelopment of support networks**. Besides the lack of recognition, also the underdevelopment of support networks and infrastructures providing suitable business development services for social economy organisations constitutes a serious obstacle for this sector of the EU economy. Despite the existing efforts undertaken by social economy organisations in developing their own cooperation networks, consortia and representative organisations, the supply of these services still comes quite short, relative to the demand. The lack of coordinated and representative structures affects the possibility for social economy actors to rely on strategic planning and adequate consulting services. In fact, only when social economy entrepreneurs work together and in partnership with public authorities, at the regional, national, and transnational level, are they well-placed to co-create new products and services and to achieve a greater collective impact.[175]

[173] See chapter 2 of this report and Bouchard, M.J and Rousselière (2015), The Weight of Social Economy, an international Perspective, P.I.E. Peter Lang.

[174] Interview with European representatives of the Social Economy.

[175] See European Commission, A map of social enterprises and their eco-systems in Europe, 2014.

Box 14: Need for Recognition of the Social Economy added Value in Latvia[176]

Despite the growing demand and interest in social enterprise from all sectors of society and despite the significant interest from NGOs, Latvia still suffers from a lack of evidence in terms of the added value of the social economy and there is only a limited understanding of the scope and social impact of the activities performed by social economy actors. Historically, there was no legal framework for supporting social enterprises in Latvia. The continuing absence of a public debate on the role of public authorities in the promotion of this growing sector of the national economy unfolds against a backdrop of widespread long-term unemployment, inactivity, poverty and concentration of in urban areas. To adapt to evolving circumstances and balance needs and possibilities, in May 2013, the Ministry of Welfare set up a dedicated working group on social enterprises. One of the key points included in the working group mandate was to find possible ways to develop extensive research and data collection, directed at integrating existing forms of social economy activity and new European funds becoming available for the benefit of social enterprises.

6.2. Regulatory Barriers

Social economy actors still suffer from significant competitive disadvantages, due to a lack of political, regulatory and financial initiatives capable of boosting the social economy's economic development and social inclusion potentials.

Type of obstacle	Specific obstacle
Regulatory barriers	· **Absence at the EU level of a clear legal framework**. In the first place, the cause of this problem is the lack of an adequate legislative recognition of crucial social economy elements, such as: the features of the different types of economic actors of the social economy; and the particular problems that EU social economy actors face when operating within the Single Market. As we have seen, national legislations across the EU provide different (sometimes conflicting) definitions and legal statuses to social economy organisations and social entrepreneurship. Further uncertainty derives from the variety of definitions of public utility across different Member States. The lack of uniform EU regulations, across countries, for the enterprise types that belong to the universe of the social economy and social entrepreneurship poses a significant barrier to their development, as well as to their possibility of operating and trading across national borders. In fact, despite the fact that the number of mutuals, foundations, associations and other social economy actors that are willing to develop transnational activities has grown significantly, legal obstacles deriving from the absence of a uniform status for social enterprises raise operating costs and thereby reduce the funds available to pursue their economic and social objectives. For example, the absence of harmonisation at the EU level leads in many cases to tax discriminations between domestic and foreign social economy actors (and donors). The adoption of European

[176] See EESC, Recommendations on Social Enterprise, 2014.

Type of obstacle	Specific obstacle
	statutes for social economy companies would contribute to the deepening of the European Single Market, through the removal of remaining obstacles to the free movement of goods and services and would contribute to the creation of a certain sense of belonging to a community of goods, capital and services. It would re-establish a level playing field, providing social economy actors with opportunities equivalent to those available to other organisational legal structures. At the same time, it has to be noted that the proposals directed at the harmonisation of the requirements that social economy actors need to meet in order to register and operate abroad (e.g. public benefit purposes, minimum assets, registration requirements and some aspects of internal governance), would encounter national resistance, due to the need for changes in national laws and the difficulty in achieving a compromise among Member States on harmonised definitions.[177] • **Need for a specific administrative regime**. The wide majority of social economy organisations in Europe consist of small and medium enterprises (SMEs). As such, they are subject to a large number of national and EU rules, which, in some cases, result in an excessive administrative burden preventing flexibility, job creation and opportunities for growth. Social economy organisations often point to the need that in their efforts to make EU laws lighter, simpler and less costly for business[178], EU institutions take adequately into account and appropriately recognise the differences (and related difficulties) that social economy operators present in terms of management structures, recruitment policies, working times and conditions.

6.3. Financial Obstacles

Besides the structural and regulatory obstacles, a large number of social economy actors encounter financial difficulties in further developing their entrepreneurial activities. This is mainly due to the **lack of an appropriate financial and fiscal ecosystem** for the social economy. In particular, obstacles have been identified in:

Type of obstacle	Specific obstacle
Financial barriers	• **Access to finance** — due to their specificities, social economy organisations often encounter difficulties when it comes to accessing the same type of financing options that are available to conventional enterprises. As a consequence, access to financing is another key issue affecting the social economy, as confirmed by all the EU representatives of social economy actors interviewed during working on this study. Social

[177] A detailed discussion of the absence of a clear EU-level legal framework can be found in Chapter 3 of the present report.

[178] COM (2015) 215 final.

Type of obstacle	Specific obstacle
	economy actors have limited or no access to venture capital and encounter difficulties in accessing alternative sources of funding, due to the lack of understanding of their functioning and/or their small size. The treatment of the long term investments in the EU legislation is inadequate in terms of the financial objectives of social economy organisations and in terms of the role they play in the EU economy.[179] • **Constraints in terms of obtaining a specific tax system**. The justification for **a specific tax system for the social economy is based on the management specificities and the functioning principles of these enterprises, as well as the social mission to be achieved through an economic activity.** There is a lack of a clear stance on the **possibility of reducing VAT** for enterprises that produce goods and services of general economic interest. VAT is a tax on turnover and is based on the nature of the goods or services supplied. In many EU Member States, enterprises operating without a profit motive are still liable to pay VAT. For example, in the UK there is no general exemption from VAT for social enterprises undertaking trading activities. However, those engaged in the provision of education, health or welfare may find exemptions[180]. • **The lack of proportionality in the application of international banking regulations** (i.e. Basel III or the CRD IV/ CRR package) to co-operative and mutual banks. These measures, designed to address systemic risks for large commercial banks, are largely unrelated to co-operative banks and therefore have had an adverse impact on their operations.[181] • **Solvency II challenges.** Given that Solvency II's prudential requirements are too high and too complex, mutual insurers will be pushed to find ways to improve solvency margins at the best cost. This financial pressure could become more acute for mutuals, since they have fewer tools available, i.e. limitations in the creation of mutual groups in most EU countries and have some constraints in terms of access to capital markets.[182]

6.4. Obstacles relating to the Digital Single Market

The emergence of the Digital Social Economy, described in chapter 5, is inevitably bound to the same or even more complex challenges faced by activities in the cyberspace: exclusion, cultural fragmentation, accuracy and content quality, privacy, the impact of intense internet

[179] Interviews with European representatives of the Social Economy.

[180] UK Department for Business Innovation & Skills, *Financing Community Interest Company*.

[181] See Federcasse, DG FISMA consultation paper on the possible impact of the CRR and CRD IV on bank financing of the economy, 2015.

[182] See Social Economy Europe. (2015), Social Economy taking back the initiative.

use along with regulation, taxation and competition issues, including authorisation and digital rights management. The way forward is open and full of challenges[183].

Some practical issues have been identified in relation to the possibility for the social economy to benefit from the services and tools provided by the Digital Single Market.

Type of obstacle	Specific obstacle
Barriers relating to the DSM	• Internet activity may not be geographically embedded or bound; on the other hand, every digital social economy organisation is at least bound to country-specific applicable laws, according to its place of establishment. • There still exist significant entrepreneurial difficulties encountered by social economy actors (e.g. lack of skills, acquisition of new technologies), that could hinder their access to the Digital Single Market and could consequently increase the negative impact of competition from others business sectors. • In addition, in terms of representing a labour intensive sector, social economy actors could be negatively affected by the digitalisation of productive activities. A major consideration is that the social economy aims to create social impact and this often involves the creation of employment; in a labour-intensive sector, social economy actors could be negatively affected by the digitalisation of production activities.

[183] OECD 2007: 12-13, 2009; JRC/IPTS 2008a, 2008b, 2009t

7. CONCLUSIONS AND POSSIBLE MEASURES

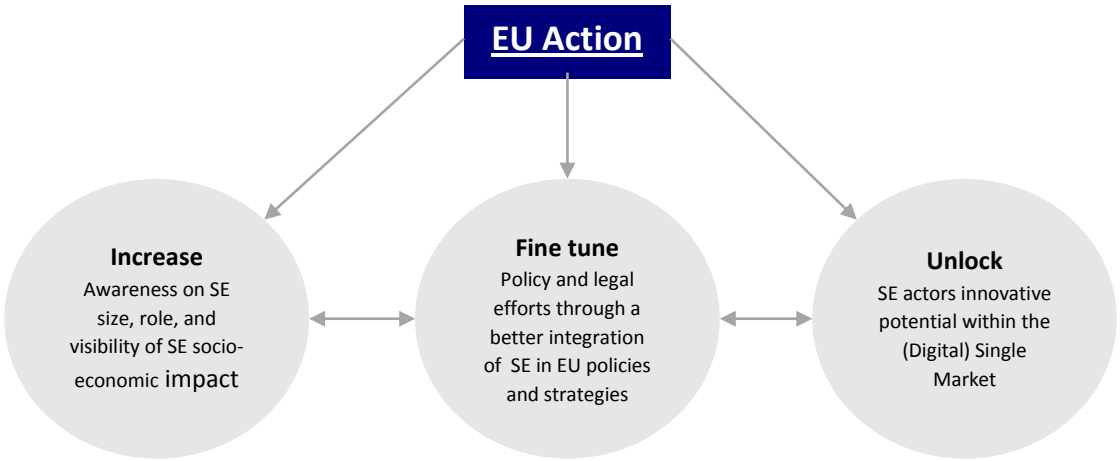
The lack of a common definition for the main types of social economy entities appears to be one of the main impediments for the development of the sector in the EU. Were there to be a clear definition of the social economy, that would help set the boundaries for a comprehensive and coordinated policy and normative framework, paving the way for the full utilisation of the social economy's growth and job creation potential, at both the EU and the Member States level. Member States with a clear social regulatory framework for social economy actors tend to be those where the social economy is the most important. There are however important exceptions to this trend. While it has traditionally been one of the countries in which the social economy has developed, Germany has no clear regulatory framework for the social economy as whole. This suggests that, while a clear regulatory framework is conducive to the development of the social economy at the national level, the opposite is not true and the lack of a coherent regulatory framework does not impede on the sector's development at the national level.

Very few examples of social economy actors operating cross-border have been found in the course of this study. The lack of a common policy framework and the lack of existing common statutes for the main type of social economy entities (save for co-operatives) at the EU level are the main elements responsible for this situation.

The lack of a coherent framework is exacerbated for social enterprises. This type of organisation is the one that has developed most recently and offers the flexibility to operate in non-traditional sectors. In order to facilitate the development of social economy businesses and to overcome obstacles, increasing their potential impact on the Single Market, EU policy intervention should simultaneously focus on the structural, regulatory and financial barriers that currently prevent the social economy from fully releasing its sustainable growth potential.

In this section—and based on the findings from the previous chapters—some key measures are proposed, addressing the key problems, around three key themes.

Figure 8: Need for EU Action



Possible Policy Measures

Based on the consultations conducted with stakeholders and the quantitative and qualitative findings of this medium term assessment, the following paragraphs set forth a series of goals-driven recommendations, directed at:

- **Identifying and prioritising the areas covered in the present analysis, which should receive more policy attention**, also bearing in mind the issues related to subsidiarity and considering the EU and Member States' respective capacity to address the identified problems and unlocking the potentials of European social economy;
- **Assisting EU institutions in the identification of specific initiatives, which could help overcome the obstacles and shortcomings** that the social economy faces within the different domains covered in the present study and identified as deserving overriding policy attention; and at the same time;
- **Outlining a series of high-level strategies supportive of European social economy organisations** and in particular supportive of their efforts to gain better access to the Single Market, effectively supporting social inclusion, economic development and smart, sustainable and inclusive growth, as per the objectives of the Europe 2020 Strategy[184].

In particular, taking into account the obstacles and barriers currently existing in relation to the i) conceptual definition, statistical representation and measurement; ii) regulation and policy support, and; iii) digital transformation of the social economy, at both the national and the European level, the measures proposed below prioritise and suggest a series of possible policy and regulatory actions that, despite being specific to the different domains of the social economy, also take into account the need to establish and—when already existing—reinforce synergies between this cross-cutting policy field and other interconnected fields of EU intervention.

Table 5: Recommendations

Priority areas for intervention	Strategic Goals and related possible Initiatives
Digital transformation of the social economy at both the national and supranational (European) level	**Strategic goal i): Incorporating social economy enterprises that have been using digital methods into the proposals for the Digital Single Market**, referring in particular to the non-commercial co-operative economy, which has major social potential. **Related possible initiatives:** Unlocking (and fine-tuning) the growth potential of both the DSM and the SE, **recognising not just how social economy actors could use the digital economy but also ensuring that social economy actors can participate in the digital single market, helping to shape the** way in which it functions. Among the policy options currently available at the EU level, in terms of developing the digital dimension of the social economy in the framework of the Digital Single Market Strategy, some are of particular relevance. **Simplifying rules applying to cross-border e-commerce transactions**: complex and unclear rules discourage social economy actors and their potential customers from cross-border trading. This also prevents the public from benefitting from the most competitive offers.

[184] Commission Communication, Europe 2020 A strategy for smart, sustainable and inclusive growth, COM (2010) 2020

Priority areas for intervention	Strategic Goals and related possible Initiatives
	Strengthening the role of social economy online platforms: this is important to enable consumers to find information on social economy businesses operating cross-border and to help the social economy become an integral part of the emerging sharing economy. **The Parliament should examine the opportunity of introducing an online social economy information system to provide news, case studies, knowledge-based analysis and online channels of communication to social economy actors, in order to improve awareness of social economy operators on the opportunities provided by the DSM** and new technologies, including the possibility of operating through flexible organisational structures and contractual relations and using leased goods as means of production, as well as addressing the chance for increased efficiency, growth, jobs and improved consumer choice offered by the shared economy. This could help translate all existing national data into ready-to-use market information, but also would make sure that legislation and tax regulations were translated into the official EU languages, taking into account country and regional outlooks and statistical data. This Electronic Data Exchange Platform for social investors and entrepreneurs - Access to EU Education and Training Programmes (Lifelong Learning Programme, Youth in Action) would be a practical tool for every social economy entrepreneur willing to enter the EU single market. **Strategic goal ii): to help disseminate the best practices, ensuring that issues affecting the social economy are communicated within the relevant industries and arenas.** **Related possible initiatives: The European Parliament could encourage the establishment of collaborative platforms and stakeholders' networks**. The social economy sector would benefit from a collaborative platform[185] established at the EU level. This could include education and training, which could also be promoted, both within academia and in civil society. **Including co-operative and mutual models in business education** as part of curricula for schools and tertiary education, so that young people are more informed when aiming to start a business. Furthermore, for a social economy business to fully operate within the DSM, the **development of the necessary technological skills is essential**. Therefore, digital skill levels need to be raised among social economy employees in all economic sectors and among job seekers in order for them to improve their employability. **Encouraging public authorities to contribute to the promotion of social economy entrepreneurship, through forms of business**

[185] Similar to the Social Economy Alliance recently created in the UK.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	support that are specifically tailored to meet the needs of social economy operators. Cross-border social economy could also be better promoted through existing instruments, such as the Erasmus programme for young entrepreneurs[186].
Development of an enabling cross-sectorial regulatory, financial and policy framework at the EU level	**Strategic goal iii)**: in account of the specific national and local environments within which social economy enterprises operate, **building an enabling legal, regulatory and fiscal framework that recognises and valorises the dual dimension (economic and social) of the social economy**, both at the national and the European level. **Related possible initiatives: Coordinating initiatives and complementing legal interventions with other soft law and measures, in order to encourage the development of the social economy.** Legislation has limited effectiveness without associated policies, which would be particularly useful at an operational level. For example, after the introduction of the European Co-operatives Status, co-operatives would have benefited from complementary policies on taxation and financing that could have supported the implementation of the new Regulation[187]. Policy actors at the EU level can play an important role in supporting the social economy, through enabling access to (free) advice and business support and / or encouraging social economy enterprises to work together and share costs and resources. Encouraging the European Commission to **centralise efforts on the development of the social economy by clearly giving the responsibly for fostering of the social economy to a Commission vice-president and by creating a dedicated unit with DG GROW**. Developing a cross-sectorial policy framework in the context of a coherent political mandate is essential in order to overcome the rather limited scope of the policies that the EU has deployed concerning the social economy. EU institutions should establish transversal institutional and normative links to unlock social economy potential in the creation of a more efficient but also participatory model of goods and services provision and in order to sustain economic growth, while providing innovative responses to social needs. **Introducing "social clauses" in public procurement and the commissioning of public services.** Currently, EU procurement rules allow for social economy options, but the way in which these are transposed and implemented can give rise to concern[188]. The key achievement of the EU Public Procurement Directive is that bids should

[186] Co-operative working group, *Fostering co-operatives' potential to generate smart growth and jobs*, 2015.
[187] Interview Co-operatives Europe.
[188] Interview Ed Mayo, Co-operatives UK.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	now be evaluated on the basis of the Best Price-Quality Ratio (particularly when it comes to social and health services), but provisions on reserved contracts for sheltered workshops and economic operators in work integration should also be included in national legislation, together with provisions on reserved contracts for social services provided by social economy operators. Development of support mechanisms for implementing the Directive and awarding contracts in separate lots should also be foreseen[189]. Continuing to ensure that Structural **Funds, including the European Social Fund, encourage the development of the social economy**[190]. The ESF mentions the promotion of the social economy as a priority in terms of facilitating access to employment, promoting social inclusion and working against poverty and all forms of discrimination. At the same time, the Member States could be asked to state more clearly how the operational programmes of the structural funds, and more specifically the European Social Fund (ESF), are implemented in support of the social economy[191]. Furthermore, the existing social innovation and social investment programmes tend to reflect a focus on investor-led models and could be opened up to innovation based on member capital and on participatory innovation. Allowing for **flexibility in the current State Aid Legislation, which is a particular hindrance for new policy action in favour of social economy solutions**. A fast track system for social innovation, focusing exclusively on the social economy and its models of social ownership could be envisaged. Of course these should be reviewed in line with Treaty obligations on competition, but a faster approval process and then a slower review process *post hoc* could contribute to fully releasing the development potentials of SE[192]. Also, **simplifying the complex employment law,** which currently makes it difficult for social economy actors to employ people, could help both employment creation and could also help expand social economy businesses. **Strategic goal iv): overcoming the obstacles currently encountered by a large number of social economy actors in accessing finance**; benefiting from an adequate and consistent fiscal treatment, taking into account the management specificities and the functioning principles of these enterprises. **Related possible initiatives: the introduction of sustainable and innovative finance solutions is essential in order to stimulate**

[189] Social Platform, *Public procurement for social progress. A Social Platform Guide to the EU Public Procurement Directive*, 2015.

[190] Interview with Dan Gregory from Social Enterprises UK

[191] Social Economy Europe, *Social Economy…taking back the initiative*, 2015.

[192] Interview Ed Mayo, Co-operatives UK.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	the emergence of a strong financial marketplace for social economy enterprises. Sustainable finance might be supported through the adoption of measures promoting social economy access to innovative funding, including: the creation of dedicated crowd-funding platforms that help share information on financial mechanisms best suited to social economy enterprises; the reinforcement of micro-financing; the creation of a special fund with a view to supporting social innovation[193]. In addition, Regulation (EU) No 1296/2013 should incorporate the European Union Programme for Employment and Social Innovation (EaSI) and there should be an amendment of decision No 283/2010/EU, establishing a European Progress Microfinance Facility for employment and social inclusion[194]. More generally, institutional arrangements between EU institutions, Member States' governments, as well as regional, national and international financial institutions should be encouraged. **Encouraging Member States to develop VAT regimes, which do not disadvantage social economy entities.** Social economy actors do not expect to be treated differently to other enterprises, but social economy enterprises which deliver services of public utility suffer from a comparative disadvantage when compared to certain public sector institutions, which receive VAT exemptions. In the absence of harmonised legal and fiscal status for European social enterprises, this problem should be tackled domestically, at the national level[195]. **Indirect fiscal measures can also be utilised to help support investment in social economy enterprise development, in order to recognise their positive social benefits**, especially when they work with disadvantaged people (such as people with low skills, those who require intensive support, etc.). Indirect fiscal measures can also be utilised to help support investment in social enterprise development. For example, in the UK, social enterprises can access Community Investment Tax Relief (CITR), which, although not specifically designed for social enterprises, was created to encourage investment in disadvantaged areas[196].
Conceptual definition, statistical representation, and measurement	**Strategic goal v):** setting up a clear definition of the social **economy** and its components at the EU level, through the establishment of common minimum standards, allowing for social economy actors to operate cross-border. **Related possible initiatives:** Public limited companies and co-operatives already operate in the context of European statutes. Mutuals, foundations and associations are only acknowledged at national level, but such recognition is not enough to allow social economy actors to effectively compete in the provision of cross-border goods and services. As such, EU level definition should be proposed by

[193] Social Economy Europe, *Social Economy…taking back the initiative*, 2015.

[194] European Committee of the Regions, *Draft opinion of the European Committee of the Regions – The role of the social economy in restoring economic growth and combating unemployment*, 2015.

[195] Interview with Dan Gregory, Social Enterprises UK.

[196] European Commission, OECD, *Policy Brief on Social Entrepreneurship Entrepreneurial Activities in Europe*, 2013.

Priority areas for intervention	Strategic Goals and related possible Initiatives
	the Commission. Similarly, social enterprises should be clearly defined along the lines of the recommendations of the Social Business Initiative. Definitions should take into account the latest developments, registered in the way social economy actors operate as goods and services providers within the (digital) single market. **Strategic goal vi):** producing aggregated and comparable data on the size and importance of the social economy in the EU which, complementing data collected at the national level, could support policy makers in the adoption of evidence-based policy initiatives and tailored actions. **Related possible initiatives:** encouraging the European Commission to pursue a re-examination of the GDP indicators to give it a redefined focus and elaborating a comprehensive set of indicators, taking into account key elements of the social economy and work as a counterbalance to traditional indicators. Developing a coordinated system for measuring the size, assessing the role of the social economy in Europe and enhancing awareness of the role played by social economy organisations. Such a system could make use of the indicators listed in the European Statistical System Committee (ESSC) Quality of Life indicators, which include: • Health • Education • Leisure and social interactions • Economic and physical security • Governance • Environment • Overall life experience Mainly relying on outcomes rather than expenditures, these indicators can produce significant measurements that, focusing on economic and social progress, are a better fit than GDP in terms of reflecting and capturing the contribution of the social economy to sustainable economic growth and social integration across the EU. Screening mechanisms should be put in place to ensure that the specific needs of social economy organisations are taken into account, when legislation and other policy initiatives are developed and **implemented.** Such mechanisms would make sure that social economy actors are not impeded or disadvantaged, compared to other organisations. Specific indicators should also be modelled with a consideration of the increasingly frequent use of information and communications technology (ICT) amongst social economy actors.

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APPENDIX – CASE STUDIES

Country Case Study no. 1: UK

Social Economy in the UK	The UK saw a resurgence of social entrepreneurship in the mid-1990s, as traditional actors within the social economy came together, using business models to address social challenges and unmet societal needs. In 2001, the Social Enterprise Unit (SEU) within the former Department of Trade and Industry (now Department of Business, Innovation and Skills) opened. Between its inception and until 2006, the SEU introduced a range of policy, legislation and funding mechanisms to support the social economy. Social enterprises in the UK are diverse in terms of their maturity, size, revenue, geographical reach, scope, activities and legal form. In 2015, there was three times the proportion of social enterprise start-ups as SME start-ups. Universities are also starting to recognise the importance of social entrepreneurship and have started incorporating modules dedicated to the subject in relevant degrees. While many of the more traditional social economy actors, such as co-operatives and mutuals, may also be considered social enterprises, they still differentiate themselves. This is facilitated by a legal framework, which doesn't restrict organisations to a specific legal model but allows them to choose, based on individual needs. The Social Economy Alliance was recently launched as an organisation encompassing the wider group of actors operating within the social economy, including social enterprises, Co-operative UK and many other associations and foundations. The group's aim is to campaign for a UK economy that is better for society.
Legal Framework	From the inception of the SEU onward, there have been a series of legislative interventions. The main legislative interventions adopted to promote the social economy's role include: • **Finance Bill 2014.** Social investment tax relief (30%) is intended to encourage investment in social enterprises and other socially-driven organisations, by offering tax breaks for investors wanting to use their capital to create social as well as financial returns. • **The (Public Services) Social Value Act 2013.** This is a new law, calling for all public service commissioning to factor in social and environmental value, as well as economic. Social economy actors are not restricted to specific legal forms, with organisations able to pick the model that best suits their needs: • Company limited by shares (CLS)—the most common legal form for all businesses. CLS can be adapted to social enterprises by stating their social mission in governing documents alongside plans for their profits. • Company limited by guarantee (CLG)—these companies have members, rather than shareholders, who do not own shares and therefore cannot profit from the increased value in the company.

	This is the most common legal form for social enterprises, with 51% of social enterprises structured using this model. • Community interest company (CIC)—introduced in 2005, this legal structure is specific to social enterprises but is based on a structure limited by shares or by guarantee. A CIC must serve a community interest and the assets must be retained within the company for community purposes. CICs limited by shares can distribute some profits. In 2013, 17% of CLGs and CLSs were also a CIC. • Industrial and Provident Societies (IPS)—19% of social enterprises use this distinct legal form usually used by mutual or community benefits societies as well as to set up consumer, agricultural and housing co-operatives. • Charities and Charitable Incorporated Organisations (CIO)—if a charity wants to be incorporated but does not want to be a company, then it can choose to become a CIO. This provides some of the benefits that companies experience but does not have to register with the Companies House. • Sole trader or partnership—while it is possible for a social enterprise to take an unincorporated legal form, tax and other ensuing benefits mean that generally social enterprises are incorporated.
Size and indicators	There are 7 000 social enterprises in the UK, as of 2015, employing nearly 1 million people. If enterprises with no employees are included, the total number of very good fit SME social enterprises rises to 283 500 and 2 million employed.[197] The sector's contribution to the economy has been valued at over GBP 24 billion.[198] There are more than 10 000 organisations that classify themselves as mutuals in the UK, including over 100 public service mutuals (or 'spin-offs') across England. There are 6 796 independent co-operative businesses in the UK, with nearly 15 million people owning the UK's co-operatives.
Structures (main types)	Actors in the social economy can take many different legal forms but they continue to differentiate themselves by their traditional forms: • **Social enterprises.** According to Social Enterprises UK, "social enterprises are businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community." There is an open debate in terms of how this definition should be interpreted. • **Mutuals.** These are organisations that are owned by and run for the benefit of their current and future members. They are unique, in that a large proportion of the business should be owned by either employees and/or the local community. In the UK, they are defined

[197] Government estimate for 'very good fit definition' social enterprises from BMG Research, Social Enterprise: Market Trends, Cabinet Office (May 2013) and based on the BIS Small Business Survey 2012.

[198] Government gross value added (GVA) estimate derived from: Annual Small Business Survey 2005, Department of Trade and Industry (DTI); The Annual Survey of Small Businesses' Opinions 2006/07 (ASBS 2006/07), Department for Business Enterprise and Regulatory Reform (BERR) (February 2008); Annual Small Business Survey 2007/08, BERR (2009); and the Annual Business Inquiry 2008, Office for National Statistics (ONS) (2010).

	in a broader way than in other countries (that are limited to insurance). There are registered societies (co-operative and community benefit), credit unions, building societies and friendly societies. • **Public sector mutuals.** These are organisations that have left the public sector (also known as 'spinning out'), but which continue to deliver public services and have staff control embedded within the running of the organisation. By the end of 2011, the value of public services delivered by dozens of NHS 'spin outs' was 886mGBP, or 12% of the annual turnover of the social enterprise sector.[199] • **Co-operatives.** These are mutual businesses that are owned and run together by their members. They differ from mutuals in that co-operatives are expected to have subscribed to the statement of identity agreed by the International Co-operative Alliance, which defines a co-operative as: an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. This is a set of values and principles, beyond the organisational concept defining a mutual, which a co-op must put into practice. • **Foundations and associations.** According to the UK Association of Charitable Foundations, grant-making remains the predominant activity for most foundations and helps to support charities and social enterprises.
Role of the Social Economy	Social enterprises play an important role, with 73% earning 75% of their income from trade, as businesses driven by a social purpose. Their main trading sectors include education, business support, employment and skills, retail and social care. Around 13% of social enterprises operate at a neighbourhood level, while 30% work across one or more local authorities. In the last two years, the proportion of social enterprises operating globally has risen, from 11% to 14%. This number has risen to 23% for London-based enterprises. Particularly for co-operatives, there is a significant level of cross-border trade in terms of supply chains, import and export, but across the larger co-operatives in the main, including retail and agriculture, where we also see cross-border consolidation. For 27% of social enterprises, the delivery of public services is their main source of income. Those social enterprises operating in the most deprived communities continue to rely the most on the public sector as a source of income. Almost a third of social enterprises operate in the top 20% most deprived areas. The main social objects involve improving health and well-being, supporting vulnerable people, improving communities, creating employment opportunities and addressing social exclusion. In the process, they are able to provide employment to those who may otherwise be outside the labour force. Fifty-nine percent of social enterprises employ at least one person who is disadvantaged.

[199] https://www.gov.uk/government/groups/mutuals-information-service.

Good practices	The social enterprise awards—Social Enterprise UK organises annual social enterprise awards, recognising organisations for their business excellence and contribution to society. This is a good way to increase the sector's recognition but also to acknowledge and identify best practices in the social enterprise market. Furnishing lives (FRC Group)—the group started off by redistributing unwanted, good quality furniture to meet social needs. The enterprise has continued to grow and provides support and employment to those in poverty. What differentiates FRC Group is its leading good practice in delivering reports that fully integrate both the enterprise's financial value and its social value.
Obstacles	**Access to finance** still remains the single largest barrier for 39% of social enterprises; this is twice the proportion of SMEs. Demand for smaller-scale, simpler, unsecured investment remains constant. Barriers to accessing social investment are more likely to be about navigability, accessibility and confidence than about the cost of capital or legal structures. There used to be a charities bank the first of its kind, with no shareholders and with some grant money. The 2002 **capital adequacy regulations** meant that banks needed to have equity capital to be able to be cushioned against losses. The charity bank didn't meet the requirements under Basel II so had to stop being a charity bank and had to give back the grant. There is frustration about the European rules on **state aid** competition, as they distort competition. DG competitions should take measures to differentiate between trading and smaller localised markets. In 2013, social enterprises perceived the skills or resources necessary to access finance externally as a major skills gap; in 2015, 56% say they are poor or average at **marketing and branding**. Reacting to regulation and tax issues is a business capability that 45% lack. In 2013, 34% of social enterprises worked mainly with the public sector, citing **procurement policy** as a principal barrier to their sustainability; by 2015, this has dropped to 13%. However, 49% say there is much to do before the Social Value Act works as intended. What is specific to co-operatives is the fact that legislation doesn't keep pace with beneficial changes to company legislation. It has been suggested that it would be best to move the legislative function for co-operative and community benefit societies from HM's Treasury to Business Innovation and Skills. Government should also introduce a new business impact test to systematically ensure that all legal forms are considered in legislation and regulations that affect business. In 2013, social enterprises reported a **lack of understanding** about what they were on the part of customers and the public (17%) and on the part of banks and support organisations (13%), reported as a barrier by start-ups. There are now 74% of social enterprises that measure their impact. There is a growing culture of proving that social enterprises make a real difference.

Country Case Study no. 2: Spain

Social Economy in Spain	Social economy enterprises have traditionally played an essential role in meeting Spanish social needs. They are recognised in the Spanish constitution and are supported by legislation in order to facilitate the establishment of co-operative enterprises and workers' access to ownership. In 1990, the Government established a National Institute for the promotion of the social economy, whose tasks were assumed in 1997 by the General Directorate for the Promotion of the Social Economy and the European Social Fund. In addition, the Council for the Promotion of Social Economy was established in 2001, under the umbrella of the Spanish Ministry of Employment, as an advisory board to the social economy. The decentralisation of powers means that similar institutions within each of the territories also help raise the sector's visibility. The coordination and development of the social economy at a national level has enabled the creation of CEPES—Spanish Business Confederation of Social Economy—in 1992. This business organisation acts as a national and cross-sector confederation for institutional dialogues with public authorities, becoming the highest representative of the Spanish social economy. Together with France, Spain is the first Member State where a sector is organised under a common "umbrella" organisation, representing the major part of the Spanish social economy enterprises and entities. As an organisation that pools existing economic actions within the social economy model, CEPES is made up of 28 organisations (www.cepes.es). All of them are national or regional confederations and specific business groups, representing the interests of co-operatives, worker-owned societies, mutual benefit societies, insertion enterprises, shelter employment centres, fishermen´s guilds and disability associations, with more than 200 support structures at a regional level. CEPES acts as a spokesman, integrating and organising all confederated structures. CEPES defines itself as a social and economic partner, operating in the market, with repercussions on society through various actions. It has a personality of its own and applies a corporate model with specific values. CEPES is a member of several consultative committees of the State Administration (Ministries of Employment, Economy and Foreign Affairs) and also of the Spanish Economic and Social Council as well as the European Economic and Social Committee. The role of CEPES in these committees is to defend and represent the social economy in the definition of public social and economic policies. The Social Economy Law defines enterprises operating within the social economy as having primacy of mutual or social benefit statutory goals over generating profits; democratic, transparent and participatory governance; profits mainly redistributed based on the work performed and services rendered by their members, or based on the organisation's social benefit goals, where appropriate; independence from public authorities (i.e. voluntary, private legal entities); and a commitment to internal and

	external solidarity, local development, social cohesion, inclusion and sustainability.
Legal Framework	From 1990 onward, the social economy started to obtain recognition from public institutions. Spain was the first EU Member State to adopt a national law on the social economy. • **Law n. 5 of 2011**: on the social economy (Economía Social) this law sets up the legal framework working alongside current legislation in order to increase visibility and recognition of the sector and provide more legal certainty. It defines social enterprise as part of the social economy. Every legal form of the social economy has obtained a specific regulatory framework (please consult the CEPES website: http://www.cepes.es/tipos_de_entidades) Since the entry into force of the 2011 Law, it has provided the framework for social economy organisations, including associations, foundations, co-operatives and mutual associations, which carry out economic activities. It also covers labour associations, shelters, employment centres and integration enterprises. In addition, other historical actors are covered, such as agricultural societies and fisherman societies. The Law n. 5 of 2011 provides a legal definition of the social economy. It also defines its main components, regulating the national representation of the sector before Public Administrations (Central Government and Regional Governments) and also defining measures to foster and develop the sector.
Size and indicators	In 2014, there were 42 900 social economy enterprises, with 2 219 000 direct and indirect jobs. They associated 19 876 000 people. Turnover of Spanish Social Economy represents 10% of national GPD.
Structures (main types)	As noted above, the Social Economy Law covers a wide range of institutions: • CO-OPERATIVES: A co-operative is an enterprise based on a democratic structure and operation. Its activity is developed in compliance with co-operative principles accepted and regulated at regional, national and international levels: voluntary and open adhesion of the members, democratic management, economical participation of members, education, training and information and an interest in the community. • WORKER-OWNED SOCIETIES: Worker-owned societies have a high potential to create businesses. In this type of corporation, the majority of capital is shared by employees/workers. The fact that the workers are also the shareholders encourages self-motivation in entrepreneurial projects. The minimum number of members is three and constitution procedures are similar to those of other companies. • MUTUAL BENEFIT SOCIETIES: These organisations—made up of individuals—have a non-profit nature. With a democratic structure and

	management system, they provide voluntary insurance as a complement to the social security system. • SHELTERS EMPLOYMENT CENTRES: These companies combine economic feasibility and market participation with a social commitment to groups with more restricted access to the job market. Their staff includes people with disabilities (it has to be over 70% of total employees). They develop productive and competitive capacities to introduce their products into the market. • INSERTION ENTERPRISES: Insertion companies are defined as "learning structures, in business corporate form, that aim at ensuring job market access to disadvantaged groups by developing a productive activity. To that end, an insertion process is designed with a standard labour relationship". The staff must consist of a number of insertion employees, from 30 to 60%, depending on the region. Eighty percent of the profit is re-invested in the company. • FISHERMEN'S GUILDS: These are sector-based, public-law organisations of a non-profit nature. They represent the economic interests of fishing boat builders and fishing workers and operate as an advisory and collaborative body in the corresponding administrations in the area of sea fishing and fishery planning. Their goal is to meet their members' needs and to contribute to local development, social cohesion and sustainability. • DISABILITY ASSOCIATIONS: The main aim of this associative movement is to provide services where the profit-making sector fails to do so. This is usually the case with sectors referring to people's fundamental rights, particularly with regard to vulnerable groups, like disabled individuals. Other features include innovation in the way social problems are dealt with and the defence of social, legal and administrative changes, aimed at protecting the rights and liberties of those with disabilities, as the necessary basis for diversity, plurality and tolerance. • FOUNDATIONS: these are non-profit organisations whose equity is dedicated to a general interest objective in the long term, through the will of their creators. Social Economy Foundations must fully comply with the aforementioned social economy principles, contained in Law 5/2011.
Role of Social Economy	The social economy is a growing sector that has shown a great capacity to create and maintain employment in times of crisis. For instance, it has created 29 000 new enterprises and 129 000 in the last 7 years. Job losses in the social economy have been 6,5% lower than the rest of business in times of crisis. Awareness of social economy is rising, as the majority of social economy enterprises' population is not brand new and as there is a large diversity of sectors and activities in which social enterprises are active. This entrepreneurial model is composed in Spain by companies ranging from small enterprises to business groups acting in all economic sectors. The main features of the social economy in terms of social and economic development are:

	• The creation and maintenance of jobs. • The fostering of entrepreneurial spirit by the creation and consolidation of enterprises. • The promotion of social innovation, especially through workers' buy-out of enterprises in crisis. • The improvement of the living conditions of vulnerable populations, in particular through employment opportunities. Local and regional development
Good practices	There are some data showing the economic and social performance of the social economy in Spain: • The final agricultural production of co-operatives represents 60% of the total production at national level. • There are 17 000 workers' co-operatives acting in all economic sectors, providing more than 300 000 jobs. • The market share of consumers' co-operatives has grown from 4% to 15% in the last 20 years. • Credit co-operatives' credit portfolio (EUR 96 000 billion) has increased 6% since the beginning of the crisis. • Thirteen percent of the Spanish population live in houses promoted by co-operatives. • There are more than 560 schools, high schools and universities under the form of educational co-operatives. These co-operatives are run by 15 000 teacher members of co-operatives and provide educational services to 300 000 students. • The health co-operative model, where doctors and health staff are members of the co-operative, accounts for more than 35 000 employments and their turnover is near EUR 1 500 billion. • Twenty-five percent of the insurance market share is in the hands of 371 mutual benefit societies. These societies manage 38 billion euros and associate 2 500 000 people. • There are 12 000 labour societies, employing 63 300 people. • Sea co-operatives and fisherman guilds group more than 10 000 vessels. They employ 35 000 people. There are many social economy good practices. As examples of cross–sectoral business groups, there is Mondragon Corporation[200] or the National Organisation for Blind People (ONCE)[201]. Moreover, there are performant experiences of social economy enterprises in several economic sectors:

[200] http://www.mondragon-corporation.com/eng/
[201] http://www.once.es/new/otras-webs/english

	• Bank: Cajamar[202], Caja Laboral[203] • Consumers: Eroski[204] Consum[205] and UNIDE[206] • Health: Cooperativa LAVINIA- ASISA[207] • Agricultural: Coren[208], DCoop[209], Central Lechera Asturiana[210], Feiraco[211] • Education: Gredos San Diego[212] • Housing: Larcovi[213] Some remarkable mutual benefit societies are Lagun Aro[214] and Mutualidad General de la Abogacía[215]. Social insertion enterprises, such as Engrunes[216] or Formació y Treball[217] are also relevant and provide examples of good practice, as well as ILUNION[218], or the business group of ONCE, composed of shelters and employment centres and active in several economic sectors.
Obstacles	The financial sector has also been adapting to overcoming **access to finance**. Notable examples include organisations such as Creas that provide venture capital to create social value, LaCaixa that provides seed funding for social enterprises' early steps, Banesto that provides entrepreneurship platforms for promoting and supporting social entrepreneurship and innovations initiatives, StoneSoup Consultancy which has pioneered social impact bonds market and UpSocial, proposing to create a fund for social R&D in Spain. The sector has been striving for **increased recognition**. This was one of the factors behind the Social Economy Law passed in 2011. In addition, 54% of social enterprises report that they have at least one indicator to track social impact. The most frequent indicator is related to employment and to the lives affected by them. Some universities also offer master's degree programmes that focus on social entrepreneurship as an emerging business trend.

202 https://www.cajamar.es/en/comun/
203 http://about.laboralkutxa.com/us/
204 http://www.eroski.es/
205 http://www.consum.es/
206 http://web.unide.es/
207 https://www.asisa.es/seguro-privado-de-salud/empresa
208 http://www.coren.es/
209 http://www.dcoop.es/en/
210 http://www.centrallecheraasturiana.es/en/know-us/milk-is-our-life/
211 http://feiraco.es/en/
212 http://www.gredossandiego.com/Inicio.aspx
213 http://www.larcovi.es/
214 http://www.seguroslagunaro.com/
215 http://www.mutualidadabogacia.com/
216 http://www.engrunes.org/index.php?idioma=es
217 http://www.formacioitreball.org/es/
218 http://www.ilunion.com/en

Country Case Study no. 3: Italy

Title	
Social Economy in Italy	In Italy, the social economy emerged in the 70s and further consolidated its presence in the social, economic and entrepreneurial system of the country, throughout the following decades. Principally aiming at addressing shortages in social service supplies by both the Italian public and the private sector, the Italian social economy includes: All private socio-economic initiatives (institutions with or without legal personality) that: produce goods and services (for both market and non-market purposes); feature a non-profit character (cannot directly or indirectly redistribute profits and revenues among members); focus on values of solidarity, trust, reciprocity, collaboration, collective effort; and aim at the reinforcement of social cohesion. Compared with other (profit) economic initiatives, social economy actors in Italy have to balance their economic activity with the social aim of providing services of general interest, in particular with regard to the needs of vulnerable groups (e.g. immigrants, aged population, drug-users, long-term unemployed, homeless). To enhance their efficiency, they rely on: higher intrinsic motivations (ensuring a mix of incentives for all stakeholders); the development of innovative entrepreneurial practices; and higher resources supplied for free (voluntary work, donations). In Italy, the social economy is fully integrated into the welfare system, providing a series of important services of general interest.
Legal Framework	From 1990 onward, a series of legislative interventions expressly recognised the concept of public benefit organisations, establishing the necessary legal framework to support social economy activities (e.g. through the provision of tax benefits and other advantages) and regulating the institutional forms of different categories of Italian social economy actors. Through a complex web of specific and ad hoc legislation, Italian legislators progressively identified and regulated the main categories of organisations operating in the social economy sector. The main legislative interventions adopted to promote the culture, practice and role of social entrepreneurship include: • **Law n. 266 of 1991**: which affirms the social value and function of volunteering, promotes its development, safeguards its independence and pluralism and regulates organised volunteering, aid and solidarity interventions performed by a group or an organisation (not by individuals). • **Law n. 381 of 1991**: establishing a unique legal framework for social co-operatives, which are categorised into two types. The first type operates in the areas of recreation, health, social assistance and education. The second category of social co-operatives involves those co-operatives that are primarily engaged in programmes, activities and services related to labour force integration, providing

	stable work and remuneration to disadvantaged and marginalised people in the labour market. • **Law n. 383 of 2000**: which introduced social promotion associations and regulated their possible sources of funding. These may include heritages; donations; public procurements; entries deriving from entrepreneurial activities, such as the provision of goods and services; as well as self-financing initiatives directed at the achievement of the association's social goals(Article 4, Law n. 383 of 2000). • **Law n. 155 of 2006**: which introduced a new type of economic actor, consisting of the social enterprise. The 155/2006 Law established the requirements that a particular enterprise must meet in order to be labelled as a social enterprise. Eligibility criteria introduced by the law are: the organisation's private nature; the performance of an entrepreneurial activity directed at the production of social utility goods and services; the absence of the profit goal; the objective to act in promoting common interests. It has to be noted that social enterprise is neither a new legal form nor a new type of organisation. Regardless of their internal structure, all organisations meeting the eligibility criteria set by the 155/2006 Law may be included within this new legal category. In the context of the current Italian legislative framework, organisations recognised as "social enterprises" can present different legal forms and institutional settings. Provided that they comply with the eligibility criteria and formal registration requirements set forth by the 155/2006 Law, social enterprises can be structured and operate as: • **Co-operatives** - consisting of firms owned by employees, producers or customers. These organisations are regulated by article 2511 and followings of the Italian Civil Code; • **Business corporations** - which are investor-owned firms regulated by the fifth book of the Italian Civil Code (art. 2247 ff.); • **Traditional non-profit firms** - (i.e. associations and foundations) regulated in the first book of the Italian Civil Code. In all the aforementioned cases, the applicable Italian law is a general law and not a particular law applicable to a specific (or unique) form of social enterprise. Specific sets of legislation apply, among others, to "social co-operatives" (Law, 8 November 1991, no. 381); "voluntary organisations" (Law, 11 August 1991, no. 266), and "social promotion associations" (Law, 7 December 2000, no. 383)
Size and indicators	Data made available in 2014 by the National Institute of Statistics (ISTAT), show that as of the 31st of December 2011, there were 301 191 active social enterprises in Italy (+28%, compared to 2001) formally employing 680 811 workers; 270 769 external collaborators; and 5 544 temporary workers. In addition, there are 4 758 622 volunteers involved in the Italian social economy (+43.5%, compared to 2001). The entrepreneurial dimension of the social economy

	(represented by the organisations formally employing workers) registered an increase compared to 2001 (+9.5%).
Structures (main types)	Despite the variety of institutional and operational structures that, under national law, social economy actors can use to operate within the market, the main social economy organisational models in Italy are: • **Social enterprises**: the requirements are: a) being a private organisation; b) performing an entrepreneurial activity involving the production of social utility goods and services. Social enterprises must engage in regular production and exchange of goods and services that have a social utility and that seek to achieve a public benefit purpose, rather than generate profit. An organisation is considered a social enterprise if it generates at least 70% of its income from entrepreneurial activities; c) acting for the common interest and not for profit. Social enterprises do not distribute profit, directly or indirectly, but rather invest it to further their main statutory (non-profit) goal, or to increase their assets. In order to be defined as a social enterprise, an organisation needs to simultaneously hold all the aforementioned attributes. The structure of social enterprises is subject to these general principles: correct and efficient management, transparency, an "open door", participation, worker protection. • **Co-operatives** - consisting of firms owned by employees, producers or customers. • **Social co-operatives** - they are subject to the same rules applied to other co-operatives, according to the Italian Civil Code as well as subject to a distinctive framework legislation (Law 59/1992). In many ways, social co-operatives are quite distinct from traditional co-operatives, as they exhibit a number of related properties such as: paid employment; limited profit distribution; and democratic management structures. Attempting to establish a unique role for them within Italian civil society, Law 381 designates for social co-operatives the responsibility to pursue the common good vis-à-vis the provision of benefits for third parties. Despite representing economic oriented entities with designated economic goals as a means to social ends, social co-operatives tend to subordinate economic productivity to the realisation of collective social benefits. Currently, social co-operatives are the sole social enterprises that can distribute limited profits to their members. This exception stems from the combined rules of art. 17, para. 3, Law 155/2006, of art. 3, Law 381/1991 and of art. 2514, Civil Code. The main activities covered by social co-operatives include: consumer co-operatives; agricultural co-operatives; credit co-operatives; home construction co-operatives; transport co-operatives; editorial co-operatives; social co-operatives. • **Non-profit organisations** - include both market and non-market units. Market units are those that mainly derive their revenues and incomes from operating in the market, through the production of goods and services. Social economy market-units are concentrated

	in specific economic sectors, such as: economic development and social cohesion; health care; social assistance and civil protection; education and research. Non-market units mainly depend on public procurement and constitute the 69.4% of the Italian non-profit sector. Two main groups of social economy institutions can be identified: ○ Public Utility organisations: oriented towards the delivery of services of general utility and devoted to increasing general welfare. These organisations represent the 61.8% of the total number of Italian non-profit organisations. ○ Mutuals: oriented towards the delivery of services, targeting interests and needs of the organisations' members, or specific groups of individuals. Mutuals represent 38.2% of the total number of Italian non-profit organisations. Mutuals are particularly present in the following sectors: development cooperation, philanthropy and volunteering (97.4%); health care (92. %); social assistance and civil protection (90.6%); education and research (82.7%). • **Voluntary organisations** - can be registered and non-registered in regional registers and are established on the basis of the free-will of their members who are not entitled to any type of financial remuneration. The primary goal of volunteering organisations is the promotion of rights and the delivery of socially relevant activities and services, directed to non-members or the community as a whole.
Role of the Social Economy	In Italy, the main sectors of activity covered by the social economy include culture, sport, leisure, civil protection and social assistance, education and research, philanthropy, healthcare, economic development and social cohesion, fundamental rights protection and politics. In terms of aspects linked both to the existing national legislative framework and to the particular role played by social enterprises in Italy, the Italian social economy is substantially different from that of other EU Member States. It has been observed that the peculiarities of the Italian social economy might result in a new institutional structure of the so-called "third sector" and of the relationships among its players. In general, the social economy continues to play an important instrumental role in the competitive Italian welfare system. Social economy organisations are particularly well suited to further social incentives and social capital development, as well as to link economic and social policies at different levels of governance (e.g. national, regional, local). In addition, the social economy in Italy is an important source of entrepreneurship and jobs in areas where traditional "investor driven" enterprise structures may not always be viable, because of low profit rates and high labour intensity.

Good practices	**Le Mat** – Uses franchises to set up and run hotels and hostels based on common standards. The franchise supports a certain way of travelling, aimed at supporting local communities and also providing employment to disadvantaged groups. **Le Tech Life Onlus** – This social enterprise combines the integration of prisoners and former prisoners back into employment within an enterprise with an environmentally friendly mission. The enterprise specialises in the ecological management of electronic waste. A key driving force underlying the enterprise's success involves the cooperation with prisons around Italy, including training while prisoners are still incarcerated. **Marcora Law** – allows redundant workers to use their accumulated unemployment benefits to capitalise a buyout co-operative.
Obstacles	In Italy, the needs and difficulties of social economy actors have changed over the years. Having come a long way from providing marginal social services, to their current full integration in the Italian welfare system, social economy organisations now face a set of strategic challenges. The rapid growth of the social economy is not supported by proper **institutional development** and an increase of competent management base. There is a need for the improvement of internal organisation processes. The status of social enterprise triggers additional obligations, including the workers' participation in the decision-making process, as well as the transaction costs associated with the amendment of the status, as well as traditional reporting requirements. There is a lack of proper accreditation for social economy actors in terms of monitoring the quality of their work. Any perspectives for the development of non-profit organisations also need to consider the financial context, in order to provide sustainability within continuity and strategy of actions. Modalities to having **access to credit and loans** for third sector organisations are mainly based on profit criteria. In addition, it is not clear what is presently the underlying benefit in operating as a social enterprise, given that the latter is not afforded any specific **tax of financial benefits**. There is an increasing **dependence on public authorities** in articulating their goals and activities.

Country Case Study no. 4: France

The Social Economy in France	The social economy in France is generally referred to as "Economie Sociale et Solidaire" (social and solidarity economy). The concept has existed in the country since the 19th Century and the sector employs approximately 10% of all the country's employees[219]. Social economy actors drew up a charter for the social economy in 1980 soon before being recognised officially in December 1981 with the publication of a decree setting up a delegation fully dedicated to the social economy. More recently, the sector has been given a high profile with the creation of a ministry dedicated to the social economy in 2012 and an updated legal status in 2014, with the adoption of Law 201-856 on the Social and Solidarity Economy. The social economy is mostly represented in sectors such as finance, insurance, social activity, education and health. However, some forms of the social economy, such as the AMAPs (Association pour le Maintien d'une Agriculture Paysanne) and SCIC (Société Coopérative d'Intérêt Collectif) also mean that other sectors such as agriculture and wider sectors are represented.
Legal Framework	The main legal framework in France is the recent **loi n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire**. The main aims of the law are to: • **Ensure the recognition** of social and solidarity economy as an innovative and sustainable means of entrepreneurship, ensuring more private and public funding; • **Strengthen networks** of the social economy; • **Empower employees**, in particular by allowing them to be informed when their enterprise is at risk of closing down and thus being able to create a co-operative to rescue it without the immediate need to find the necessary capital; • **Create a co-operative "shock"** to encourage the development of job creation; • **Reinforce local policies** to encourage the sector's development.
Size and indicators	In 2013, the social and solidarity economy represented 10% of total employment in France. This represented approximately 2.3 million people. Both the volume and the number of employees in the sector have been growing steadily since at least 2009[220]. There are clear regional and local differences; the share of social economy employment is much higher in rural regions such as Limousin and Basse Normandie (17% and 16.4%

[219] INSEE figures available at http://www.insee.fr/fr/themes/detail.asp?reg_id=99&ref_id=eco-sociale .
[220] FINASOL, Panorama de l'économie sociale et solidaire, Edition 2013.

	respectively) when compared to urban ones, with only 8.6% of employment stemming from the social economy in Ile-de-France[221]. The sector also represents roughly 10% of the country's GDP.
Structures (main types)	The main types of actors in the social economy are: • **Associations**—the largest type of actor accounting for the bulk of employment (1.8 million). • **Co-operatives** (around 21 000), which can include very small Sociétés Coopératives et Participatives or large banks such as the Crédit Coopératif, member of tBCPE. • **Mutual organisations,** which operate mainly in the health, social care, insurance and pensions sectors, covering approximately 38 million people in the country; • **Social enterprises,** which can operate in all areas of activity and may generate a profit; • **Foundations** (in 2014 there were 2 229 foundations and 1 842 endowment funds so in total some 4 000 foundations and funds), whose role is generally to fund activities and organisations operating in the social economy.
Role of Social Economy	Traditionally, the social economy in France concentrated on a few distinct sectors. A study conducted for the French Statistical Institute (INSEE) showed that 81% of employment in the social economy focused in 10 sectors, which only accounted for 20% of the country's total employment (including social actions, sports, entertainment, art and creative arts, insurance, financial sector, agriculture and employment). This is mainly due to the fact that these sectors represent areas where neither the private profit-making sector nor the public sector could adequately cater for existing needs.[222] With the introduction of the 2014 law, the role of the social economy is expected to widen. One particularly interesting example is the **SCOP (société co-operative et participative),** an enterprise in which employees hold the majority of the company's share capital. Employees elect the management team, actively participate in decision-making, manage the company and share its profits, in accordance with the democratic economic principles of co-operatives. The 2014 law introduced the concept of SCOP d'amorcage, where employees forming a co-operative can take a majority share of an enterprise, while having up to 7 years to become majority shareholders. This is expected to be used for high profile cases, for example when a multi-national decides to close down a factory in France (such as the Fralib or Lejaby factories).
Good practices	**Terre de liens** brings together a network of associations, which supports access to land to farmers and informs the public on land and agricultural issues; it is a solidarity investment company open to citizens' savings. The

[221] Recherches & Solidarités – Economie Sociale : Bilan de l'emploi en 2014, June 2015.

[222] Philippe Frémeaux, Quel potentiel de développement pour l'économie sociale et solidaire ? January 2012.

	accumulated capital is used for buying farms where diversified agri-rural activities can be developed. The Foundation of Public Utility can receive donations and legacies and can buy land to maintain their agricultural use in a sustainable way, while facilitating intergenerational transmission by enabling new farmers to come in. **SCOP d'amorcage** (see above).
Obstacles	One of the recurring issues involves access to finance. Given the nature of the actors in the social economy sector, organisations do not have collaterals and therefore have very little or no access to the normal streams of access to finance.

Country Case Study no. 5: Poland

The Social Economy in Poland	The first law on co-operatives was established in 1982; the number of co-operatives grew steadily until the early 1990s, as did associations and foundations. However, communism left a heavy burden on the Polish social economy, with the term "co-operative" used to describe the work and neighbourhood unions during the regime that were significantly different from co-operative and democratic organisations of the 1980s. It wasn't until around 2002 that Poland started talking about refreshing the role of the social economy and encouraging the social integration that leads to professional integration. This emphasis on tools promoting professional integration responded to unemployment levels of around 20% between 2000 and 2002. In the last two years, there has been recognition that other social problems can be addressed through the social economy. In 2014, the National Programme of Social Economy Development (KPRES) was approved by Polish ministers. It provides key directions for the creation of the best possible conditions for the development of the social economy and social enterprises. The aim is that by 2020, the social economy will still be an important partner in job creation and social services of general interest. This means creating jobs but also delivering services that are not delivered by other sectors. The KPRES defines the social economy as an area of civic activity which, by means of economic and public interest activities, contributes to: professional and social integration of people at risk of social marginalisation, job creation, provision of social services of general interest and local development.
Legal Framework	There are two distinct timeframes that exist within the legal framework of the social economy. The first of these existed during the 1980s and the early 90s, while the second began in the early 2000s: • **Law of 1982**: Law on co-operatives. • **Laws of 1984 and 1989**: Laws on foundations and associations. • **Law of 2003**: Social Employment Act. • **Law of 2006**: Act on Social Co-operatives, indicating that the key objective of social co-operatives is to support those at risk of social exclusion and those with levels of low employability, aiming for them to enter the labour market.
Size and indicators	There are around 15 000 co-operatives, involving 8 million members and employing almost 266 000 people and more than 1 000 social co-operatives by 2014. Non-profit organisations account for around 77 000 entities, with 123 000 employed in them. These include around 9 000 entities, which conduct an economic activity; in 2012, there were 92 social integration centres, employing 3 523 people.

	The social economy generates around 1.6% GDP and creates around 2.7-3.0% of the existing employment in the economy.[223]
Structures (main types)	The social economy is organised into a number of different actors. There is a recognised move towards social enterprises, with an explicit economic and social dimension: • **Co-operatives** – most co-operatives were established in the 1980s and have played an important role in diversifying the economic system through consumer, producer and worker co-operatives. • **Social co-operatives** – these are worker co-operatives that support labour market and social reintegration of members. It is possible to gain some money in order to establish a social co-operative; but if someone belongs to a co-operative, it is required that they work there. • **Mutual organisations** – these nearly disappeared during the communist period. Now they are re-emerging as financial and insurance institutions. • **Associations/foundations** - **Non-governmental organisations** - At the end of 2010, over half of NGOs that were registered with an economic activity were actually conducting an economic activity. The main areas in which they were active were sport and culture, education and work in the social, health and environmental sectors. • **Social integration centres** – these provide vocational training programmes (12-18 month programmes) and employment for people from socially marginalised groups. They also help individuals to set up social enterprises. • **Employment activation units (ZAZ)** – these are aimed for the physically and mentally disabled.
Role of the Social Economy	In 2002, Poland focused on social integration, leading to professional integration. But more recently, there has been a recognition that the social economy can be beneficial for Poland in other ways, too. As well as job creation, the social economy now plays an important role in the delivery of social services of general interest.
Good practices	**Social integration centre** – At these centres, over a period of 12-18 months, the long-term unemployed are provided with skills and support enabling them to set up social enterprises. Social enterprises require social skills in order to be run and this is something that the long-term unemployed may lack; so by providing this holistic approach to support them, individuals have a greater chance of succeeding. **Network of social economy support centres** have been established, using the European Structural Fund in each region. These are centres where people who want to establish a social enterprise can get support and training. They also offer support in the first few years of running an enterprise.

[223] Ministerstwo Pracy I Polityki Spolecznej (2014). National Programme for Social Economy Development.

Obstacles	The **legal system in Poland**. There have been many attempts made to change the law on the social economy, as situations and attitudes towards the social economy have changed. There are also various complexities in the relevant legal frameworks, making interpretation difficult and leading to variations in how different factors are understood. There are difficulties related to **support systems,** as neighbouring labour offices tend to be run by different authorities. Even if labour offices are close to each other, they can be very different; so there is less synergy between support instruments. **Public procurement** is often conservative, so government tends to be cautious in following legislation implemented at the European level, unless there is a strong requirement for them to do so. It is important that social economy actors have access to this type of work; but there is a risk that European level legislation may not be fully implemented at the Member State level. Barriers exist in trading cross-border, if the **language and skills** capacity is lacking, which is needed to enable organisations to trade on the international stage.

Country Case Study no. 6: Germany

The Social Economy in Germany	Co-operativism boomed in rural and urban areas, together with mutual assistance societies, in the middle of the 19th Century. German associations developed interactions with the state. In contrast, the rise of social enterprises was slower in Germany that in other more liberal welfare states, due to the stronger welfare state[224]. The term 'general interest economy' is more recognised in Germany than the term social economy.
Legal Framework	Despite the long tradition of social economy entities in Germany (in particular, co-operatives), there is no specific legal framework on social entrepreneurship in Germany. Specific acts do however exist. Legal stipulations for co-operatives were for the first time established within the Civil Law Code in 1889 and for associations in 1872. Germany has no special legal form in the context of which social entrepreneurs can pursue activities. They can thus take the legal form of other social entities, such as co-operatives, foundations and associations. They can also be public liability companies[225]. In 2006, the German Co-operatives Act was revised; it added a strong social and cultural element to the mission of co-operatives. This legal change was seen as promoting new types of social enterprises, away from the traditional areas of work integration, social integration and social services, to include cultural and social purposes. The trend is still for social enterprises to use the legal forms characteristic of associations, co-operatives and foundations; a number of social enterprises have adopted a limited liability status (GmbH). In 2013, the "Gesetzes zur Stärkung des Ehrenamtes" of 21 March 2013 introduced the status of limited liability company, with a social mission having been introduced (gGmbH). In order to qualify as a GmbH, an entity must fulfil a number of conditions, including having a non-profit purpose. However, GmbHs are still covered by limited liability company law.
Size and indicators	In 2009-10 there were 7 415 co-operatives, 328 mutuals and 505 984 associations. In 2009-10 co-operatives employed 830 258 people, mutuals 86 497, associations 1 541 829 people.
Structures (main types)	Key entities are foundations, voluntary associations, co-operatives. In addition, volunteer services and agencies; social firms for disadvantaged people; alternative enterprises within the women's movement and the environmental movement; self-help organisations; socio-cultural

[224] Wolf, M. 2014. The State of Social Entrepreneurship in Germany. Seforis Country Report.
[225] Zimmer and Bräuer. 2014. The Development of Social Entrepreneurs in Germany.

	centres; work integration companies; local exchange and trading systems; neighbourhood and community enterprises[226].
Role of the Social Economy	Co-operatives have recently moved into the areas of business administration consulting, IT business, accounting, laboratory business, quality assurance, training and human resource development, as well as activities in the fields of waste disposal, recycling and environmental protection. Their core concepts can be flexibly applied to the most diverse industry structures. Social enterprises active in the field of education, work integration, societal inclusion and social services may take a third sector legal form. Many social enterprises are active in the environmental field (such as sustainable energy or sustainable consumption) and these tend towards a market-based legal form. The social economy also provides volunteer services and agencies; social firms for disadvantaged people; alternative enterprises within the women's movement and the environmental movement; self-help organisations; socio-cultural centres; work integration companies; local exchange and trading systems; neighbourhood and community enterprises. These organisations play an important role in assisting the disadvantaged in society.
Good practices	The **Social Impact Lab** in Berlin is designed to facilitate collaboration and incubate ideas. This collaboration space acts as a hub and the scholarship programme helps many social businesses get off the ground. Twenty percent of the city's GDP currently flows through the creative and cultural industry. The energy sector is in the hands of large corporations in many countries but in Germany the **Renewable Energy Act** and feed-in tariffs that favours community ownership over corporations has increased the acceptance levels of renewables. This approach suggests that rather than large central power stations there should be a large number of smaller power generators that allow community involvement.
Obstacles	There are ongoing discussions about **governance structures** so that social enterprises may balance societal contribution and financial sustainability.

[226] José Luis Monzón and Rafael Chaves, *The Social Economy in the European Union*, CIRIEC Report, 2012.

NOTES

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