



# 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 Cooperative Economy (CIRIEC)

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## INTRODUCTION

This is a summary of a Report, prepared by CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy) at the request of the EESC (European Economic and Social Committee), which consists of a conceptual and comparative study of the situation of the Social Economy (SE) in the European Union (EU) and its 25 member states. The Report was completed in 2006 and therefore does not include Bulgaria or Rumania, which joined the European Union on 1 January 2007.

The Report was directed and written by Rafael Chaves and José Luis Monzón of CIRIEC, advised by a Committee of Experts composed of D. Demoustier (France), L. Frobel (Sweden) and R. Spear (United Kingdom).

They also received assistance from sector experts of recognised prestige from the organisations that represent the different families within the SE: Cooperatives Europe, the International Association of Mutual Societies (AIM), the International Association of Mutual Insurance Companies (AISAM), the European

Standing Conference of Co-operatives, Mutual societies, Associations and Foundations (CEP-CMAF), the European Foundation Centre (EFC), Confederazione Cooperativa Italiana (Confcooperative), Lega Nazionale delle Cooperative e Mutue (LEGACOOOP) and Confederación Empresarial Española de la Economía Social (CEPES). CIRIEC's Scientific Committee for the SE and the European sections of CIRIEC have been actively involved in this work.

The conceptual delimitation of the SE is based on the European Commission's Manual on satellite accounts for co-operatives and mutual societies and on the formulations developed by the organisations that represent the SE in Europe, with the aim of achieving wide political and scientific consensus.

For the comparative analysis of the current situation of the SE by countries, CIRIEC set up a network of correspondents which was initially composed of 52 experts from 26 EU countries (academics, sector experts and highly-placed civil servants).

## 1.1

### Popular associations and co-operatives at the historical origin of the Social Economy

As an activity, the *Social Economy* (SE) is historically linked to grass-roots associations and co-operatives, which make up its backbone. The system of values and the principles of conduct of the popular associations, synthesised by the historical co-operative movement, are those which have served to formulate the modern concept of the SE, which is structured around co-operatives, mutual societies, associations and foundations.

Health and social welfare mutuals provide assistance and cover to over 120 million people. Insurance mutuals have a 23.7% market share.

In the EU-15, in 2002, associations employed 7.13 million people and in the UE-25, in 2005, they accounted for over 4% of GDP and a membership of 50% of the citizens of the European Union. In the year 2000 the EU-15 had over 75,000 foundations, which have seen strong growth since 1980 in the 25 member states, including the recent EU members in Central and Eastern Europe. Over 5 million full-time equivalent volunteers are working in the EU-25.

## 1.2

### Present-day scope and field of activity of the Social Economy

In the EU-25, over 240,000 co-operatives were economically active in 2005. They are well-established in every area of economic activity and are particularly prominent in agriculture, financial intermediation, retailing and housing and as workers' co-operatives in the industrial, building and service sectors. These co-operatives provide direct employment to 3.7 million people and have 143 million members.

In conclusion, over and beyond its quantitative importance, in recent decades the SE has not only asserted its ability to make an effective contribution to solving the new social problems, it has also strengthened its position as a necessary institution for stable and sustainable economic growth, matching services to needs, increasing the value of economic activities serving social needs, fairer income and wealth distribution, correcting labour market imbalances and, in short, deepening and strengthening economic democracy.

## 1.3

**Present-day identification and institutional recognition of the Social Economy**

The most recent conceptual delimitation of the SE, by its own organisations, is that of the *Charter of Principles of the Social Economy* promoted by the European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF). The principles in question are:

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

The rise of the SE has also been recognised in political and legal circles, both national and European. At European level, in 1989 the European Commission published a Communication entitled "Businesses in the 'Économie sociale' sector: Europe's frontier-free market". In that same year the Commission sponsored the 1<sup>st</sup> European Social Economy Conference (Paris) and created a Social Economy Unit within DG XXIII Enterprise Policy, Distributive

Trades, Tourism and the Social Economy. In 1990, 1992, 1993 and 1995 the Commission promoted European Social Economy Conferences in Rome, Lisbon, Brussels and Seville. In 1997, the Luxembourg summit recognised the role of social economy enterprises in local development and job creation and launched the "Third System and Employment" pilot action, taking the field of the social economy as its area of reference.

In the European Parliament too, the European Parliament Social Economy Intergroup has been in operation since 1990. In 2006 the European Parliament called on the Commission "to respect the social economy and to present a communication on this cornerstone of the European social model".

The European Economic and Social Committee (EESC), for its part, has published numerous reports and opinions on the social economy enterprises' contribution to achieving different public policy objectives.

## 1.4

**Towards recognition of the Social Economy in national accounts systems**

The companies and organisations that form part of the SE concept are not recognised as a different institutional sector in the national accounts systems. Co-operatives, mutual societies, associations and foundations are dispersed in the national accounts, making them difficult to perceive.

Recently, the European Commission has developed a *Manual for drawing up the*

*Satellite Accounts of Companies in the Social Economy (co-operatives and mutual societies)* which will make it possible to obtain consistent, accurate and reliable data on a very significant part of the SE, that of co-operatives, mutual societies and other similar companies.

As the SE enterprise satellite accounts manual says, the methods used by today's national accounts systems, rooted in the mid 20<sup>th</sup> century, have developed tools for collecting the major national economic aggregates in a mixed economy context with a strong private capitalist sector and a complementary and frequently interventionist public sector. Logically, in a national accounts system which revolves around a bipolar institutional reality there is little room for a third pole which is neither public nor capitalist, while the latter can be identified with practically the entirety of the private sector. This has been one important factor explaining the *institutional invisibility of the social economy* in present-day societies and, as the Commission's Manual recognises, it lies at odds with the increasing importance of the organisations that form part of the SE.

## 1.5

**A definition of the SE that fits in with the national accounts systems**

The working definition of the SE proposed in this report is as follows:

*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. 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.*

This definition is absolutely consistent with the conceptual delimitation of the SE reflected in the CEP-CMAF's *Charter of Principles of the Social Economy*. In national accounts terms, it comprises two major sub-sectors of the SE: a) the market or business sub-sector and b) the non-market producer sub-sector. This classification is very useful for drawing up reliable statistics and analysing economic activities in accordance with the national accounts systems currently in force. Nonetheless, from a socio-economic point of view there is obviously a permeability between the two sub-sectors and close ties between market and non-market in the SE, as a result of a characteristic that all SE organisations share: they are *organisations of people who conduct an activity with the main purpose of meeting the needs of persons rather than remunerating capitalist investors.*

According to the above definition, the *shared features* of these two sub-sectors of the SE are:

- 1) They are private, in other words, they are not part of or controlled by the public sector;
- 2) They are formally organised, that is to say that they usually have legal identity;

- 3) They have autonomy of decision, meaning that they have full capacity to choose and dismiss their governing bodies and to control and organise all their activities;
- 4) They have freedom of membership, in other words, it is not obligatory to join them;
- 5) Any distribution of profits or surpluses among the user members, should it arise, is not proportional to the capital or to the fees contributed by the members but to their activities or transactions with the organisation.
- 6) They pursue an economic activity in its own right, to meet the needs of persons, households or families. For this reason, SE organisations are said to be *organisations of people, not of capital*. They work with capital and other non-monetary resources, but *not for capital*.
- 7) They are democratic organisations. Except for some voluntary organisations that provide non-market services to households, SE primary level or first-tier organisations apply the principle of “one person, one vote” in their decision-making processes, irrespective of the capital or fees contributed by the members. Organisations at other levels are also organised democratically. The members have majority or exclusive control of the decision-making power in the organisation.

A very important feature of SE organisations that is deeply rooted in their history is democratic control, with equal voting rights (“one person, one vote”) in the decision-making process.

However, the working definition of the SE established above also accepts the inclusion

of voluntary non-profit organisations that are *producers of non-market services for households*, even if they do not possess a democratic structure, as this allows very prominent *social action Third Sector organisations that produce social or merit goods* of unquestionable social utility to be included in the Social Economy.

### The market or business sub-sector of the SE

The market sub-sector of the SE is made up, in essence, of co-operatives and mutual societies, business groups controlled by co-operatives, mutual societies and other SE organisations, other similar companies such as Spain's labour companies (*sociedades laborales*) and certain non-profit institutions serving SE companies.

### The non-market sub-sector of the Social Economy

The great majority of this sub-sector is composed of associations and foundations, although organisations with other legal forms may also be found. It is made up of all the SE organisations that the national accounts criteria consider non-market producers, i.e. those that supply the majority of their output free of charge or at prices that are not economically significant.

## 1.6

### The Social Economy: pluralism and shared core identity

The SE has positioned itself in European society as a *pole of social utility* between the capitalist sector and the public sector. It is certainly composed of a great plurality of actors. Old and new social needs all constitute the sphere of action of the SE.

These needs can be met by the persons affected through a business operating on the market, where almost all the co-operatives and mutual societies obtain the majority of their resources, or by associations and foundations, almost all of which supply non-market services to individuals, households or families and usually obtain most of their resources from donations, membership fees, subsidies, etc.

It cannot be ignored that the diversity of the SE organisations' resources and agents leads to differences in the dynamics of their behaviour and of their relations with their surroundings. For instance, volunteers are mainly found in the organisations of the non-market sub-sector (mostly associations and foundations), while the market sub-sector of the SE (co-operatives, mutual societies and similar companies) has practically no volunteers except in social enterprises, which are an evident example of a hybrid of market and non-market with

a wide diversity of resources (monetary from the market, public subsidies and voluntary work) and of agents within the organisation (members, employees, volunteers, companies and public bodies).

This plural SE which is asserting and consolidating its place in a plural society does not signify a hotchpotch with no identity or interpretative value. On the contrary, the shared core identity of the SE is fortified by a large and diverse group of free, voluntary microeconomic entities created by civil society to meet and solve the needs of individuals, households and families rather than to remunerate or provide cover for investors or capitalist companies, in other words, by not-for-profit organisations. Over the past 200 years, this varied spectrum (market and non-market, of mutual interest or of general interest) has shaped the Third Sector, as identified here through the Social Economy approach.

## MAIN THEORETICAL APPROACHES RELATED TO THE SOCIAL ECONOMY CONCEPT

### 2.1

#### The Third Sector as a meeting point

The Third Sector (TS) has become a meeting point for different concepts, fundamentally the 'non-profit sector' and the 'social economy' which, despite describing spheres with large overlapping areas, do not coincide exactly. Moreover, the theoretical approaches that have been developed from these concepts assign different functions to the TS in the economies of today.

### 2.2

#### The Non-Profit Organisation approach

The main theoretical approach that addresses the TS, apart from the SE approach, is of English-speaking origin: literature on the *Non-Profit Sector* or *Non-profit Organizations* (NPO) first appeared 30 years ago in the United States. In essence, this approach only covers private organisations which have articles of association forbidding them to distribute surpluses to those who founded them or who control or fund them.

These organisations are:

- a) *Organisations*, i.e. they have an institutional structure and presence. They are usually legal persons.

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

### 2.3

#### The Solidarity Economy approach

This approach developed in France and certain Latin American countries during the last quarter of the 20<sup>th</sup> century, associated to a large degree with the major growth that the TS has experienced in relation to the new social needs of numerous groups at risk of social exclusion. The concept of the *solidarity economy* revolves around three poles: the market, the

State and reciprocity. The latter refers to a non-monetary exchange in the sphere of primary sociability, identified above all with membership of associations. The solidarity economy approach is an attempt to hook up the three poles of the system, so the specific experiences organised within it form hybrids between the market, non-market and non-monetary economies and their resources are also plural in origin: market (sales of goods and services), non-market (government subsidies and donations) and non-monetary (volunteers).

The solidarity economy approach presents important elements of convergence with the SE approach, so much so that the expression *Social and Solidarity Economy* is also employed. Also, from the practical point of view, all the organisations that are considered part of the solidarity economy are also unquestionably part of the SE.

Because of their importance, the main resemblances and differences between the SE approach and the NPO approach are examined here below.

## 2.4

### Resemblances and differences between the Social Economy concept and the Non-Profit Organization approach

As regards the resemblances between the SE and the NPO approaches, four of the five criteria that the NPO approach establishes to distinguish the TS sphere are also required by the SE approach: *private, formally organised* organisations with *autonomy of decision* (self-governing) and *freedom of membership* (voluntary participation).

However, there are three TS delimitation criteria where the NPO and SE approaches clearly differ:

#### a) The non-profit criterion

In the NPO approach, all the organisations that in any way distribute profits to the persons or organisations that founded them or that control or fund them are excluded from the TS. In other words, TS organisations must apply the non-distribution constraint strictly. As well as not distributing profits, the NPO approach demands that TS organisations be not-for-profit, in other words, they may not be created primarily to generate profits or obtain financial returns.

In the SE approach, the non-profit criterion in this sense is not an essential requirement for TS organisations. Naturally, the SE approach considers that many organisations which apply the non-profit criterion strictly belong in the TS: a broad sector of associations, foundations, social enterprises and other non-profit organisations serving persons and families that meet the NPO non-profit criterion and all the SE organisation criteria established in this report. However, whereas co-operatives and mutual societies form a decisive nucleus of the SE, they are excluded from the TS by the NPO approach because most of them distribute part of their surpluses among their members.

#### b) The democracy criterion

A second difference between the NPO approach and the SE approach is the application of the democracy criterion. The NPO approach's requirements for considering that an organisation belongs to

the TS do not include such a characteristic element of the SE concept as democratic organisation. Consequently, in the NPO approach the TS includes many, and very important, non-profit organisations that do not meet the democracy criterion and are consequently excluded from the TS by the SE approach. Indeed, many non-profit institutions in the non-financial corporations and financial corporations sectors that sell their services at market prices do not meet the democratic organisation principle. These non-profit organisations which are considered part of the TS by the NPO approach and not by the SE approach include certain hospitals, universities, schools, cultural and art bodies and other institutions which do not meet the democracy criterion and sell their services on the market, while meeting all the requirements set by the NPO approach.

In the SE approach any non-profit entities that do not operate democratically are generally excluded from the TS, although it is accepted that voluntary non-profit organisations which provide non-market services to persons or families free of charge or at prices which are not economically significant can be included in the SE. These non-profit institutions justify their *social utility* by providing merit goods or services free to individuals or families.

#### c) The criterion of serving people

Finally, a third difference lies in the intended recipients of the services provided by the TS organisations, as their scope and priorities differ between the NPO and the SE approaches. In the SE approach, the main aim of all the organisations is to serve people or other SE organisations. In first

tier organisations, most of the beneficiaries of their activities are individuals, households or families, whether as consumers or as individual entrepreneurs or producers. Many of these organisations only accept individuals for membership. On occasion they may also allow legal persons of any type to become members, but in every case the SE's concerns centre on human beings, who are its reason for being and the goal of its activities.

The NPO approach, on the other hand, has no criterion that considers service to people a priority objective. Non-profit organisations can be set up both to provide services to persons and to provide them to corporations that control or fund these organisations. There may even be first-tier non-profit organisations composed exclusively of capital-based companies, whether financial or non-financial. As a result, the field analysed by the NPO approach is very heterogeneously defined.

In conclusion, the above resemblances and differences between the NPO and SE approaches, together with the existence of a shared space composed of organisations included by both, make it possible to appreciate important conceptual and methodological divergences which do not allow the TS to be configured by simply adding together the groups of organisations considered by the two approaches.

Concerning the differences between the two approaches as regards the functions that the TS can perform in developed economies, so far as the NPO approach is concerned *the TS lies between the State and the market* and the mission of its most characteristic nucleus

(the social third sector) consists in satisfying a considerable quantity of social needs that are not being met either by the market (due to a lack of solvent demand with purchasing power) or by the public sector (as public funding is incapable of doing so), making it essential to turn to a third type of resources and motivations. The Anglo-Saxon concept, based on *volunteers*, *charities* (in Britain) and *foundations* (United States), insists on the values of philanthropy and the *non-profit* criterion.

The lack of profitability of the work carried out demonstrates the purity and rectitude of the motives that underlie it and confirms membership of the TS, which thereby shows its *charitable and welfare* nature, its mission being to palliate the shortcomings of an ungenerous public social protection system and the excesses of a market system that is more dynamic but also more implacable than any other system towards less solvent social sectors.

For the SE approach, the TS is not located between the market and the state but *between the capitalist sector and the public sector*. From this point of view, in developed societies the TS is positioned as a *pole of social utility* made up of a broad set of

private organisations that are created to meet social needs rather than to remunerate capitalist investors.

At all events, the concept of the TS developed by the SE does not consider it a residual sector but an institutional pole of the system which, together with the public sector and the capitalist private sector, is a key factor for consolidating welfare in developed societies by helping to solve some of their most prominent problems, such as social exclusion, large-scale long-term unemployment, geographical imbalances, local self-government and fairer income and wealth distribution, among others.

Unlike the NPO approach, which mainly sees the TS as having a charitable and philanthropic role and developing one-way solidarity initiatives, the SE also promotes business initiatives with reciprocal solidarity among their initiators, based on a system of values where democratic decision making and the priority of people over capital in the distribution of surpluses prevail.

*The SE does not just see people in need as the passive beneficiaries of social philanthropy, it also raises citizens to the status of active protagonists of their own destiny.*

## 3

## NATIONAL CONCEPTS OF THE SOCIAL ECONOMY

The social and economic reality which in this work we refer to as the 'Social Economy' is widespread and in evident expansion throughout the European Union. However, this term as well as its scientific concept, is not unambiguous across all the different countries of the Union, and in some cases not even within a single country, but usually coexists with other terms and similar concepts.

In accordance with the methodology used in the study of *The enterprises and organizations of the third system. A strategic challenge for employment* (CIRIEC 2000), this research<sup>1</sup> aimed, firstly, to assess the level of recognition of the Social Economy in three important spheres, namely public administration, the academic and scientific world and the Social Economy sector itself in each country, and, secondly, to identify and assess other similar concepts.

The results allow three groups of countries to be identified:

- *Countries with the greatest acceptance of the concept of the SE:* France, Italy, Portugal, Spain, Belgium, Ireland and Sweden. The first four countries (all of them Latin) stand out, especially France, the birthplace of this concept. In France, as in Spain, the SE is recognised in law.
- *Countries with a medium (relative) level of acceptance of the concept of the SE:* These are Cyprus, Denmark, Finland, Greece, Luxembourg, Latvia, Malta, Poland and the United Kingdom. In these countries the concept of the SE coexists alongside other concepts, such as the Non-Profit sector, the Voluntary sector and that of Social Enterprises. In the United Kingdom, the low level of recognition of the SE concept contrasts with the Government's policy of support for social firms. In Poland it is quite a new concept but is increasingly accepted, fostered

<sup>1</sup> The primary information gathering was based on a semi-open questionnaire addressed to the team of correspondents, all of whom are privileged witnesses with an expert knowledge of the concept of the Social Economy and similar terms and of the reality of this sector in their respective countries. The degree of recognition has been divided into three relative levels across the different countries: (•) scant or no acceptance of this concept; (••) a medium level of acceptance; and (•••) a high level of acceptance.

Table 1. Degree of national acceptance of the 'Social Economy' concept

Country	By the public authorities	By social economy companies	By the academic/scientific world
Belgium	••	••	•••
France	•••	•••	••
Ireland	••	•••	••
Italy	••	•••	•••
Portugal	•••	•••	•••
Spain	•••	•••	•••
Sweden	••	•••	••
Austria	•	••	••
Denmark	•	••	••
Finland	••	••	••
Germany	•	•	••
Greece	••	••	••
Luxembourg	••	••	••
Netherlands	•	•	•
United Kingdom	•	•	••
<b>New member states</b>			
Cyprus	••	••	••
Czech Republic	•	••	•
Estonia	••	•	•
Hungary	•	•	•
Latvia	•	•••	••
Lithuania	••	•	•
Malta	••	•••	••
Poland	••	••	••
Slovakia	n/a	n/a	n/a
Slovenia	•	••	••

particularly by the structuring effect of the European Union;

- *Countries with little or no recognition of the concept of the SE:* In a group of countries composed of Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands and Slovenia, a group which mainly comprises countries that joined the European Union in the latest enlargement and Germanic countries, the concept of the SE is little known or incipient, while the related concepts of the Non-Profit Sector, Voluntary Sector and Non-Governmental Organizations sector enjoy a greater level of relative recognition.

In addition to the concepts of the Social Economy, Non-profit Sector, Social

Enterprises and Third Sector, other widely accepted notions coexist in several countries of the Union. In the United Kingdom, Denmark, Malta and Slovenia, the concepts of Voluntary Sector and Non-Governmental Organizations, more closely related to the idea of Non-Profit Organizations, would appear to enjoy wide scientific, social and political recognition. Confined to the French-speaking European countries (France, the Walloon Region of Belgium and Luxembourg), the concepts of the Solidarity Economy and the Social and Solidarity Economy are also recognized, while the notion of *Gemeinwirtschaft* (General Interest Economy) is well-established in Germanic countries such as Germany and Austria.

Concerning the institutional forms that make up the SE or the related term which each country deems most recognized, it has been found that these vary significantly from one country to another but that all of them share a nucleus of genuine national forms, comprising Co-operatives, Mutual Societies, Associations and Foundations, which the experts consider belong to the SE in their country.

Alongside these four structural components, other specific forms are also mentioned, such as social firms, *misericordias* (Portuguese charitable associations), *instituições particulares de solidariedade social* (Portuguese private social solidarity institutions), development agencies, community foundations, *istituzioni di pubblica assistenza e beneficenza* (Italian charitable institutions), *sociedades laborales* (Spanish labour companies), integration enterprises, special

employment centres, joint organisations with worker participation, voluntary organisations and pro-social associations.

In several countries certain components of the SE in the broad sense do not recognise themselves as being integral parts of this social sector; on the contrary, they assert their idiosyncrasy and isolation. This is the case of co-operatives in countries such as Germany, the United Kingdom or Latvia and, partially, in Portugal.

Less recognition that mutual societies (friendly societies) are part of the SE is found in some of the new Member States of the European Union. Explanations for this situation may be found in the low level of recognition of the very concept of the SE, together with the absence of a legal status for these institutional forms in these countries.

## THE PLATFORMS AND NETWORKS OF THE SOCIAL ECONOMY IN EUROPE

Self-recognition as a differentiated socio-economic sphere can be seen when there are solid organisations representing the sector. Through these organisations, not only does the ES acquire visibility, it can also take part and defend its own specific interests in the process of drawing up and applying national and EU public policies.

In the different European countries, the associations that represent SE companies and organisations have mainly arisen from a sector perspective, giving rise to 'family' groups of representative organisations:

- Co-operative family:  
EUROCOOP (retail), ACME (insurance), CECODHAS (housing), CECOP (production/workers), COGECA (farming), GEBC (banking), UEPS (pharmacies).

These, in turn, are members of a recently founded umbrella organisation:

Cooperatives Europe.

- Mutual society family:  
AIM (mutual societies), ACME (insurance), AISAM (mutual insurance).
- Association and social action organisation family:

CEDAG (voluntary associations), EFC (foundations), European Platform of Social NGOs, CEFEC (social firms, employment initiatives and social co-operatives).

Most of these European-level representation organisations are in turn members of CEP-CMAF, the European Standing Conference of Co-operatives, Mutual societies, Associations and Foundations, which is currently the top European SE interlocutor for the European institutions.

In some countries the representative associations have surpassed the sector level and created intersectorial organisations that explicitly refer to the SE. Examples of these are CEPES, the Spanish Business Confederation of the Social Economy; its counterpart in France, CEGES, the Council of Social Economy Enterprises, Employers and Organisations in Belgium the Flemish VOSEC and the Walloon CONCERTES organisations; the Social and Solidarity Economy Platform in Luxembourg and the Social Economy Standing Conference in Poland.

## THE SOCIAL ECONOMY IN THE EUROPEAN UNION IN FIGURES<sup>2</sup>

From a macroeconomic perspective, the social economy in Europe is very important in both human and economic terms. It employs over 11 million people, equivalent to 6.7% of the wage-earning population of the EU.

In the ten new EU member countries, those employed in the SE account for 4.2% of the wage-earning population. This is a lower percentage than the average in the 'old' 15

member states (7.0%) and in countries such as the Netherlands (10.7%), Ireland (10.6%) or France (8.7%).

The family of associations, foundations and similar organisations (3<sup>rd</sup> column of figures), taken as a whole, is the majority component of the European SE. However, in the new member countries and in Italy, Spain, Finland and Sweden, the majority family is that of co-operatives and similar.

<sup>2</sup> The statistical information on the SE in Europe is based on secondary data and mainly refers to 2002-2003. For some countries, essentially the new EU member states, no quantitative data existed prior to this study and this information should be treated with caution.

Table 2. Paid employment in co-operatives, mutual societies, associations and similar organisations in the European Union (2002-2003)

Country	Co-operatives	Mutual societies	Associations	TOTAL
Belgium	17,047	12,864	249,700	279,611
France	439,720	110,100	1,435,330	1,985,150
Ireland	35,992	650	118,664	155,306
Italy	837,024	note*	499,389	1,336,413
Portugal	51,000	note*	159,950	210,950
Spain	488,606	3,548	380,060	872,214
Sweden	99,500	11,000	95,197	205,697
Austria	62,145	8,000	190,000	260,145
Denmark	39,107	1,000	120,657	160,764
Finland	95,000	5,405	74,992	175,397
Germany	466,900	150,000	1,414,937	2,031,837
Greece	12,345	489	57,000	69,834
Luxembourg	748	n/a	6,500	7,248
Netherlands	110,710	n/a	661,400	772,110
United Kingdom	190,458	47,818	1,473,000	1,711,276
Cyprus	4,491	n/a	n/a	4,491
Czech Republic	90,874	147	74,200	165,221
Estonia	15,250	n/a	8,000	23,250
Hungary	42,787	n/a	32,882	75,669
Latvia	300	n/a	n/a	300
Lithuania	7,700	0	n/a	7,700
Malta	238	n/a	n/a	238
Poland	469,179	n/a	60,000	529,179
Slovakia	82,012	n/a	16,200	98,212
Slovenia	4,401	270	n/a	4,671
TOTAL	3,663,534	351,291	7,128,058	11,142,883

\* The data for mutual societies are aggregated with those for co-operatives in Italy and for associations in Portugal.

## 7

## EXAMPLES OF ENTERPRISES AND ORGANISATIONS IN THE SOCIAL ECONOMY

To complement the macroeconomic data, the dynamism and socio-economic richness of the SE in Europe is also apprehended through specific cases that testify to the plurality of responses which the SE offers to the multiple needs and aspirations of European society, reveal the wealth of forms that these organisations adopt and make it clear that despite the diversity of specific dynamics it is possible to identify a shared thread: that of their membership of a socio-economic sector located between the traditional capitalist private economy and the public economy.

The following cases, selected with the help of the study's correspondents in each country, illustrate the heterogeneity of SE practice in Europe:

- *Cooperativa Sociale Prospettiva*: labour integration of the most disadvantaged through making artistic ceramics ([www.prospettivacoop.it](http://www.prospettivacoop.it))
- *Chèque Déjeuner* Co-operative: job creation with values ([www.cheque-dejeuner.com](http://www.cheque-dejeuner.com))
- *Irizar* Group: the second-biggest European luxury coach manufacturer manufacturer ([www.irizar.com](http://www.irizar.com))
- *Multipharma*, a great pharmaceutical co-operative ([www.multipharma.be](http://www.multipharma.be))
- *Association of Lithuanian Credit Co-operatives*, an organisation for financial inclusion ([www.lku.lt](http://www.lku.lt))
- *Dairygold Agricultural Co-operative Society*: supporting farmers ([www.dairygold.ie](http://www.dairygold.ie))
- *Anecoop*: a farming cooperative group that harmonises local and agricultural development with technological innovation ([www.anecoop.com](http://www.anecoop.com))
- *Estonian Union of Co-operative Housing Associations*, over 100,000 people living in co-operative housing ([www.ekyl.ee](http://www.ekyl.ee))
- *COFAC*, the biggest Portuguese university co-operative generating knowledge and human capital ([www.ulusofona.pt](http://www.ulusofona.pt))
- *Cooperación y Desarrollo de Bonares*: local-level public/private cooperation and development ([www.bonares.es](http://www.bonares.es))
- *Co-operative Society of Cyprus Marine Services (COMARINE)* ([www.comarine.com.cy](http://www.comarine.com.cy))
- *Consorzio Beni Culturali Italia*: the first service to culture is to create culture ([www.consorziobeniculturali.it](http://www.consorziobeniculturali.it))
- *Britannia building society*: the second-largest building society in the United Kingdom ([www.britannia.co.uk](http://www.britannia.co.uk))
- *Vzajemna*, health and medical care insurance ([www.vzajemna.si](http://www.vzajemna.si))

- *MACIF*, the biggest mutual society in France ([www.macif.fr](http://www.macif.fr))
- *Tapiola* Group, insurance, banking, savings and investments ([www.tapiola.fi](http://www.tapiola.fi))
- The *Benenden Healthcare Society* ([www.benenden-healthcare.org.uk](http://www.benenden-healthcare.org.uk))
- *Shelter*, a great charity for the homeless ([www.England.shelter.org.uk](http://www.England.shelter.org.uk))
- *Alte Feuerwache Köln*, self-managed socio-cultural centre ([www.altefeuerwachekoeln.de](http://www.altefeuerwachekoeln.de))
- *Artisans du Monde*, the first association for fair trade with the third world ([www.artisansdumonde.org](http://www.artisansdumonde.org))
- *Motivacio*, a foundation for social integration of the handicapped ([www.motivacio.hu](http://www.motivacio.hu))
- *Fondazione Cariplo*: resources to help civic and social institutions provide a better service to the community ([www.fondazionecariplo.it](http://www.fondazionecariplo.it))
- *Trångsviksbolaget AB*, a community business in the north of Sweden ([www.once.es](http://www.once.es))
- *ONCE*, the Spanish organisation of the blind, integrates handicapped people into the labour market and provides social services )
- Association for Mutual Help *Flandria*, access to complementary health services ([www.flandria.pl](http://www.flandria.pl))

## THE SOCIAL ECONOMY, POLE OF SOCIAL UTILITY

The concept of the SE is closely linked to the concepts of progress and social cohesion. The contribution to European society made by Cooperatives, Mutual Societies, Associations, Foundations and other social enterprises far transcends the contribution which in strictly economic terms the GDP is capable of reflecting, which is by no means small. The potential of this social sector to generate *social added value* is great, as is its multi-dimensional and markedly qualitative realisation, which is why it is not always easy to perceive and quantify. In fact, it continues to defy methods for the evaluation of wealth and well-being.

Many studies have shown that the SE forms a space that regulates the system in the interests of achieving a more balanced model of social and economic development. This regulatory role shows itself on different levels, such as in the definition of socio-economic activities, in the accessibility of services (geographically, socially, financially and culturally), in its ability to fit services to needs and in its ability to generate stability in a context of eminently cyclical economies. The capacity of the SE to generate new opportunities for society has also been shown, as has the fact that this is a social

sector which brings a kind of development that puts people first.

The spheres with the highest scientific, social and political consensus concerning recognition of the social value added contributions of the SE are social cohesion, employment, generating and maintaining the social and economic fabric, the development of democracy, social innovation and local development. However, the SE also makes notable contributions to a fairer distribution of income and wealth, to creating and providing welfare services (such as social, health and social security services), to sustainable development, to greater democracy and involvement by the public and to increasing the efficiency of public policies.

*Social cohesion:* Complementing and, above all, paving the way for public action in the struggle against social exclusion, the SE has demonstrated its capacity to increase the levels of social cohesion on two ways. In the first place, it has contributed to the social and work integration of clearly disadvantaged people and geographical areas; this has been particularly evident in the case of associations, foundations, and

insertion and other social enterprises, which have reduced poverty and exclusion levels. In the second place, via the SE, society has increased its level of democratic culture, has boosted its degree of social participation and has managed to give a voice and negotiating capability to social groups previously excluded from the economic process and from the process of drafting and applying public policies, especially those formulated at local and regional levels.

*Local and regional development:* The SE also constitutes a strategic motor for local and regional development. Indeed, it shows a great potential for activating endogenous development processes in rural areas, for reactivating declining industrial areas and for rehabilitating and revitalising run-down urban areas, in short, for contributing to endogenous economic development, restoring competitiveness to extensive areas and facilitating their integration at national and international level, rectifying significant spatial imbalances. This capacity is supported by arguments that fit in with the conceptual parameters of the Swedish Nobel prizewinner Gunnar Myrdal's economic development theory, as it promotes *spread effects* (local-level development and accumulation processes) and minimises the regression or *backwash effects*: a) given its authentic profit and surplus distribution logic, it shows a greater propensity to reinvest the profits in the geographical area where they were generated; b) it is able to mobilise not only the agents with the best knowledge of their medium and in the best position to initiate suitable initiatives, but also the resources that exist at local level; c) it is capable of creating and spreading entrepreneurial

culture and a business fabric; d) it can hook up the generation and/or expansion of economic activity to local needs (e.g. community services) and/or the local productive fabric; e) it can maintain economic activities at risk of disappearing owing to lack of profitability (e.g. crafts) or strong competition (traditional industries); f) it can generate social capital as Putnam understands it, as the fundamental institutional foundation for fostering sustained economic development.

Equally, certain properties of the SE have been highlighted by the current context of globalisation, where relocations of production processes are constantly challenging the regions: the authentic SE form of control and decision-making, based on democratic principles and citizen participation, tends to keep the reins of the economic process within the civil society of its own area (unlike capital investors), anchoring enterprises better within the community and giving the local area greater autonomy to define its own model of development.

*Innovation:* The SE's capacity for innovation, in the different dimensions identified by Shumpeter (product, process, market and organisation), is no less important, especially in the processes of change within European society. The direct contact between this social sector and society endows it with a special capacity for detecting new needs, channelling them into the public administration and traditional profit-making private enterprises and, where appropriate, coming up with creative innovatory responses. In the nineteenth century, for example, mutual assistance

societies and friendly societies were pioneers in responding to the needs of the new industrial society by covering health risks and were associated with sustaining the income of the working class, shaping momentous social and institutional innovations which were the forerunners to the creation of public social security systems in Europe. The many ways in which these SE organizations were linked to this process is reflected in the variety of social security models.

In the sphere of technological innovation, too, especially in contexts where SE innovation systems are developed, the generation and dissemination of new ideas and innovations has shown higher success rates. A key factor in these systems is the stable alliance between the different agents of a region involved in fostering the SE, such as the government agencies in charge of these matters, the universities, the federations and the business sector of the Social Economy itself. Some examples are Quebec, the Mondragón Cooperative Corporation and the CEPES-Andalusia system in the South of Spain.

Innovation has not received balanced funding from public authorities and private institutions, however. Preference has been given to financing technological innovation rather than other forms of innovation where the SE is a greater leader.

*Employment:* It is in the regulation of the numerous imbalances in the labour market that the social value added by the SE becomes most visibly and explicitly apparent. It is hardly surprising that among the European governments it is the

ministries of work and social affairs that tend to be responsible for fostering the SE. The European Union's Lisbon Strategy itself expressly recognizes the SE as the core of its employment policy.

In particular, the SE has contributed to creating new jobs, retaining jobs in sectors and businesses in crisis and/or threatened by closure, increasing job stability levels, bringing jobs out of the black economy into the official one, keeping skills alive (e.g. crafts) and exploring new occupations (e.g. social educator) and developing routes into work for groups that are especially disadvantaged and falling into social exclusion. Over the last few decades statistical data have shown that it is a powerful job-creating sector in Europe, with greater sensitivity to employment than the other sectors of the economy (see CIRIEC 2000).

Nonetheless, the SE, on its own, does not constitute a panacea for Europe. Major specific problems limit its potential. A serious problem, from a macroeconomic viewpoint, is the exaggerated atomization of the sector and its initiatives and its structural resistances to forming groups. Another big problem is the structural tendency in the SE organisations to find their specific features being watered down, or even to become traditional for-profit companies, in the case of the SE companies that are most involved in the market, or to become instrumentalised by government bodies, or even dependant (particularly financially) on them, when their habitual relations are with the authorities. This phenomenon is known as *organisational isomorphism*. If it really wants to develop its

full potential, the SE needs to create mechanisms to resist this dilution or degeneration, organise self-sustaining development mechanisms that will prevent its becoming dependent on the other two sectors and forge alliances. From the microeconomic point of view the main problems are, on the one hand, the difficulty that SE companies and organisations have in attracting capital to finance their investments and activities and, on the other, their tensions in retaining strategic human resources.

*Building Europe:* Historically, the SE has not been unconnected with the project of building Europe, from the Treaty of Rome, which explicitly acknowledged the cooperatives as forms of entrepreneurship, to the European Constitution project, which refers to a social market economy. To reach the levels of welfare and progress that the 'Western' countries of the European Union enjoy, the European social and economic model has needed the contribution of the SE, which has proved capable of occupying a space that balances economic and social aspects, mediates between public institutions and civil society

and evens out social and economic imbalances in a plural society and economy.

The economies and societies of the new member states are going through lengthy processes of transition from Communist planning systems to regulated market economies. The adjustments they have made in recent years have had serious consequences for their respective SEs, particularly in the co-operative sector, which was instrumentalised for many decades and even during the transition to a market system. Nonetheless, contrary to the predictions of some, this sector has not been dismantled on a large scale. Mutual societies, associations and foundations, for their part, after half a century when they virtually disappeared, are experiencing a gradual rediscovery and expansion in tandem with the development of civil society, social movements and trade unions in these countries.

Developing this 'third pillar' is of interest to the new member states if they wish to follow the European model of development and achieve fast, adequate integration into the European social model.

## 9

## LEGISLATION FOR THE SOCIAL ECONOMY ACTORS IN THE EUROPEAN UNION

This important social sector is widely recognised by the institutions of the various EU countries in terms of legislation and policies.

The statutory provisions defining this framework establish three types of recognition of this sector: 1) explicit recognition by the public authorities of the different identity of these organizations, which require special treatment. In this respect, the purpose of the code of law is to establish them as Private Agents; 2) recognition of these organisations' capacity and liberty to operate in any sector of economic and social activity; 3) recognition of the SE's role as an interlocutor in the process of drawing up and applying different public policies, viewing it as co-decision maker and co-executor of the policies.

In Europe, the different forms of the SE do not always enjoy an adequate level of institutionalization in these three areas.

As far as the first is concerned, not all forms of the SE are recognised to the same extent in the legal systems of the different countries of the European Union.

In the case of the cooperatives, which are explicitly recognized in Article or Section 48 of the Treaty of Rome as a specific type of company and also 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 cooperatives. Indeed, certain countries such as Denmark, the Czech Republic or the United Kingdom lack general laws on co-operatives although they have some laws for specific types of cooperative, like housing cooperatives in the case of Denmark or credit cooperatives or credit unions in the United Kingdom and the Czech Republic. This contrasts with the situation in other countries like Spain, Italy or France, which suffer from legislative inflation in this area, with different laws according to the type of cooperative and level of government (national and regional).

An analogous situation is found in the differences in legal status of the forms taken by the SE in Europe. Three groups of countries may be identified: the first has specific legislation for the SE forms,

the second has some statutory provisions covering SE organisations scattered among different laws and the third lacks any trace of legislation governing certain forms of the SE.

Shortfalls in the legislation can cause serious difficulties as regards the legal position of groups that wish to set up SE organisations: the legal framework can act as a brake on the deployment of new forms if the existing ones cannot be adapted to new necessities. In this respect, the objective of the new legislation that has appeared in recent years in different countries, like the specific laws concerning social companies (Act of 2003 in Finland, Act of 2004 in Lithuania and Act 118/2005 in Italy), social cooperatives (Acts of 2006 in Poland and Portugal) and non-profit organizations of social utility (Decree 460/1997 in Italy) or the modifications to existing laws to reflect new forms (like the cooperative societies of collective interest created in 2001 in France, or the social initiative cooperatives that have appeared in recent years in the different laws concerning Spanish co-operatives), has been to provide a channel for the development of an emerging 'New Social Economy'. The recent legislation passed in the last few years in several of the new European Union member states is particularly significant.

At the European level, the new Statute for a European Co-operative Society is already favouring the spread of this form of the SE, not only improving the possibilities of the European co-operatives' conducting transnational activities but also, above all, developing the sector in countries which lack their own statute, as in the case of the

United Kingdom, or where these legal forms had been increasingly losing social prestige through being considered vestiges of the old regime, as in the new members in Central and Eastern Europe.

Equally, the removal of the proposals for a European Mutual Society Statute and a European Association from the European Commission's agenda in the past few years has been a serious setback to providing greater opportunities for the deployment of these forms of the SE in this continent.

The specificity of the organisations in the SE is based on certain characteristic values and principles. The purpose of the rules that govern these organisations is to reflect this specificity, laying down the principle of democratic decision-making and limitations on how profits and surpluses are distributed, among others. However, this specific *modus operandi* is not neutral. The use of these legal forms occasions the founding groups and economic agents relatively higher operating expenses compared to other forms of private company. The expenses entailed by the specific features of the SE organisations respond to their internalisation of social costs, linked to the democratic decision-making process, the way that surpluses are allotted and the nature of the goods and services produced, which are basically of social and/or general interest, compared to the externalisation of private costs by traditional for-profit private companies.

From the perspective of guaranteeing equal opportunities among different types of organization, and given that unequal situations call for differences in treatment,

the legal framework should institute measures to compensate for the operational difficulties suffered by legal forms that afford poorer opportunities. These measures may be grants but they can also take the form of tax concessions. At the same time, however, lawmakers should set up suitable mechanisms to prevent certain economic agents from behaving opportunistically and taking advantage of the compensations for adopting these forms without shouldering their respective costs.

In most countries in the western part of the European Union, the four main legal forms taken by the SE enjoy some kind of specific tax treatment. The benefits of such special fiscal measures are more abundant for associations and foundations, on the grounds of their non-profit nature and the way they assign resources and surpluses, which give priority to activities of social and/or general interest. Such legislation has been strengthened in recent years in a number of countries, such as Spain's Act 43/2002 passing its NPO taxation system, Italy's Act 460/1997 on the ONLUS or non-profit organisations of social utility and Germany's 'Social Law Code' (*Sozialgesetzbuch*) governing non-profit organisations. As regards co-operatives,

many countries that have a special tax system do not extend it to all co-operatives. In Ireland, for instance, it is only applicable to credit unions and in Greece only to agricultural cooperatives.

The institutional framework also defines the SE's margin for action in the different sectors of social and economic activity. Although the statutory provisions for the forms of the SE recognise their right to operate freely in the market like any other private agent, sector regulations can raise barriers to their entering certain fields of activity and developing freely within them. In the case of mutual societies, three patterns of development by economic sectors can be observed: there are countries where mutuals can operate in numerous fields, as in the United Kingdom, where they can engage in activities ranging from water supplies to sports; another group of countries confines their field of action to certain sectors, such as healthcare or health and safety cover; while the final group does not possess this legal form. Additionally, where sector rules prevent risks being mutualised, insurance co-operatives and mutual insurance societies cannot be set up. The situation is similar for co-operatives in other sectors of the economy.

## PUBLIC POLICIES TOWARDS THE SOCIAL ECONOMY IN EUROPEAN UNION COUNTRIES

Over the last quarter of a century there have been numerous national and regional governments within the European Union which have deployed public policies with explicit references to the social economy in its entirety or to its components. In general, they have formulated *sector policies* which have included explicit references, albeit fragmentary and disjointed, to the institutional forms that make up the social economy. The examples include active employment policies involving workers' co-operatives and integration enterprises, social services policies, where associations, foundations and other non-profit organisations have played a key role, agricultural and rural development policies, in which the agricultural co-operatives have been involved, or references to mutual provident societies in the framework of social security systems. More recently, and singularly, *policies specific to the SE* have emerged, some centred on businesses which operate in the market place and others aimed at non-profit organizations that operate outside the market, but seldom covering both. However, the deployment of these policies in the countries of the

European Union has been patchy in both its extent and its content.

Many countries in the EU have a high-level body within the national government with explicit, acknowledged responsibility for matters relating to the SE. This is the case of the Belgian government's *Secrétariat d'État au développement durable et à l'économie sociale* (Secretary of State for Sustainable Development and the Social Economy), the *Dirección General de Economía Social* (Social Economy Directorate-General) of the Spanish Ministry of Labour and of several of the regional governments, the French government's *Délégation interministérielle à l'innovation, à l'expérimentation sociale et à l'économie sociale* (Interministerial Delegation for Innovation, Social Experimentation and the Social Economy), the Social Economy Unit – FAS in Ireland, the *Direzione generale per gli enti cooperative*, Ministero dello sviluppo economico (Directorate General for co-operative bodies, Ministry of Economic Development) and the *Agenzia per le Onlus* (Agency for Socially Responsible Non-Profit Organizations) in Italy, the *NGO Liaison Unit* in the Maltese

Government's Ministry for the Family and Social Solidarity, Portugal's Instituto António Sérgio do Sector Cooperativo (INSCOOP) and, in the United Kingdom, the Cabinet Office's Social Enterprise Unit and the Treasury's Charity and Third Sector Finance Unit.

The policies that have in fact been implemented to foster the SE present a

varied catalogue of types. Depending on the nature of the instruments they employ, they can be classified as institutional policies, policies of diffusion, training and research, financial policies, policies of support with real services and demand policies.

## 11

## PUBLIC POLICIES TOWARDS THE SOCIAL ECONOMY AT EUROPEAN UNION LEVEL

The attention paid to the SE by the different EU authorities has been growing over the last three decades, albeit intermittently and with differences between institutions. The important role of the SE in the social and economic development of Europe has progressively been gaining recognition and with this, its position as a cornerstone of the European Social Model.

The long march towards institutional recognition of the SE and the structuring of specific European policies started in the 1980s. It culminated in 1989 with the Communication from the Commission to the Council on "Businesses in the 'Économie Sociale' sector: Europe's frontier-free market", which proposed that a European legal basis in the form of Statutes be established for co-operatives, associations and mutual societies, and with the creation of the Social Economy Unit in European Commission Directorate-General XXIII.

Two other EU institutions have been important champions of the SE:

- the European Economic and Social Committee (EESC), a European Union consultative body. It has SE representatives in its Group III and they

have created a 'Social Economy Category'. The EESC has been especially active in recent years and has issued several Opinions.

- the European Parliament. It first set up a European Parliament Social Economy Intergroup in 1990.

Another body is the Consultative Committee of Cooperatives, Mutuals, Associations and Foundations (CCCMAF). It was set up in 1998 to give its opinion on the different matters concerning the promotion of the SE at European Union level. The Committee was abolished in 2000, after the restructuring of the Commission, but at the initiative of the sector organizations themselves, the European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF) was immediately activated as a European platform to act as the interlocutor of the European institutions.

When implementing measures, the EU institutions keep meeting a two-pronged problem in relation to the social economy: its scanty legal foundation and its insufficient conceptual definition, struggling

with an absence of explicit references in the basic European Union texts (Treaty of Rome and Treaty of Maastricht), a definition (if any) based on legal form rather than on the activities being conducted, and a multiplicity of terms (the Third system, civil society, etc) that hinder consensus on the designation to be employed.

From the point of view of the legal recognition and the visibility of the SE, the organisation of European Conferences, the approval of EESC Opinions and the initiatives and opinions of the European Parliament Social Economy Intergroup should be mentioned, as well as the approval of the Statute for a European Co-operative Society.

In the policies employed, the objectives to which the SE is linked are essentially employment, social services and social cohesion, so they appear above all in two major lines of public policy: social and work integration and social policies and local development and job creation policies. The EU institutions' interest in involving the SE in these objectives constitutes a fundamental advance, although it does reveal a narrow view of the SE's potential and of the properties it could generate in the economy and society of Europe.

In the absence of a specific European budgetary policy for the SE, the SE's

participation in the European Union's budgetary policy has been achieved through the framework of employment and social cohesion policies, specifically the pluriannual budgets to promote SMEs and employment such as the ADAPT initiative, the EQUAL initiative for social and work integration, the European Social Fund (ESF) and the Third System and Employment pilot action.

These programmes have had a wide-ranging structuring effect, both nationally and internationally, in coordinating and structuring the European SE in terms of federations, networks, research, culture and policies. The EQUAL programme is particularly important. It supports projects that involve participation by SE organisations with 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". They also include lectures and debates, which are key factors for spreading the concept. It is having a decisive impact in countries such as Poland, Ireland and Austria.

The timid advances in recognition and in the deployment of policies at European Community level contrast with the difficulties that spring from the EU's *competition policy* and, more recently, from its *state aid policy*.

### The Social Economy: an emerging sector in a plural society

The main and most important trend that can be observed in the recent evolution of the Social Economy is its consolidation in European society as a *pole of social utility* between the capitalist sector and the public sector, made up of a great plurality of actors: co-operatives, mutual societies, associations, foundations and other similar companies and organisations.

The citizens' associative movement is experiencing considerable growth through promoting solidarity business initiatives directed towards producing and distributing merit or social goods. Steadily greater collaboration between the associative and co-operative movements is discernable in the development of many of their projects and activities, as in the case of social enterprises. The capacity of these initiatives to solve the *new social needs* that have appeared in recent decades has revitalised the importance of the SE.

The SE has not only asserted its ability to make an effective contribution to solving new social problems, however, it has also strengthened its position in traditional

sectors such as agriculture, industry, services, retailing, banking and mutual insurance. In other words, the SE is also presenting itself as a necessary institution for stable and sustainable economic growth, matching services to needs, increasing the value of economic activities serving social needs, fairer income and wealth distribution, correcting labour market imbalances and deepening economic democracy.

The new SE is taking shape as an emerging sector which is increasingly indispensable if an adequate response to the new challenges of the global economy and society is to be provided. These challenges lie at the root of the increasing interest in the role that the *new SE* can play in the welfare society.

### The necessary conceptual identification of the SE

A challenge that the SE needs to address without delay is that of ending its institutional invisibility. This invisibility is explained not only by the emerging nature of the SE as a new sector in the economic system but also by the lack of a conceptual identification, i.e. a clear, rigorous definition of the features that the different

types of companies and organisations that make up the SE share and the specific traits that enable them to be distinguished from the rest.

On this point, a gradual process of conceptual identification of the SE has been discernible in recent years, drawing in both the players themselves, through their representative organisations, and scientific and political bodies. This Report presents a concept of the SE developed from the criteria set out in the European Commission's *Manual for drawing up Satellite Accounts of Companies in the Social Economy*, which, in turn, concurs with the definitions formulated in the recent economics literature and by the SE organisations themselves.

### Legal identification of the SE and recognition in the national accounts

Conceptual identification of the SE will make it possible to tackle the challenge of its identification in the legal systems of the EU and EU member states. Although some European countries and the EU itself recognise the SE as such in a number of legal texts, together with some of its constituents, progress needs to be made on a statutory definition of the extent of the SE and the requisites that its components must fulfil in order to prevent dilution of its identifying features and the loss of its social utility.

A *Legal Statute of the SE* and effective legal barriers to entry need to be introduced so that no non-SE organisation can benefit from economies of legal form of organisation or from public policies to encourage the SE.

This Report has also shown the increasing size of the SE, which directly provides over 11 million jobs, accounting for 6% of total EU employment. In contrast, it is invisible in the national accounts, a hurdle that constitutes another major challenge.

Current national accounting rules, drawn up at the height of mixed economy systems, do not acknowledge the SE as a differentiated institutional sector, making it difficult to draw up regular, accurate and reliable economic statistics on the agents of which it is composed. Internationally, the heterogeneous criteria employed in drawing up statistics prevent comparative analyses and detract from the authority of approaches which draw attention to the evident contribution that the SE makes to achieving major economic policy objectives.

The recent preparation of the European Commission's *Manual for drawing up the Satellite Accounts of Companies in the Social Economy* is an important step towards institutional recognition of one part of the SE in the national accounts systems. The Manual explains the methodology by which reliable, harmonised statistics can be drawn up throughout the EU, within the National Accounts framework (the 1995 ESA), for five major groups of SE companies: a) co-operatives, b) mutual societies, c) SE business groups, d) other similar companies in the SE and e) non-profit institutions serving SE companies.

The SE in Europe has to meet a double challenge in this field: firstly, the organisations that represent the SE need to make their voice heard in the European

Commission and in each of the Member States to ensure that the Manual's proposals are put into effect. Specifically, they need to get each EU member state to set up a *Statistical Register of Companies in the Social Economy*, based on the delimitation criteria laid down in the Manual, so that satellite accounts covering the companies in these registers can be drawn up.

Secondly, they need to promote initiatives that will make it possible to prepare reliable, harmonised statistics on the large segment of the SE that is not covered by the European Commission's Manual. This segment is largely made up of associations and foundations, which are covered by the United Nations' *Handbook on Non-Profit Institutions in the System of National Accounts*. This Handbook includes many non-profit organisations that are not part of the SE, but it would be possible to disaggregate the statistics for non-profit organisations that meet the SE identity criteria as defined in this report from the non-profit sector statistics drawn up in accordance with the NPI Handbook.

### Coordination between SE federations

Being plural and multiform, the SE needs strong organisations to represent the different groups of companies and organisations of which it is composed. However, the identity which they all share and the nucleus of common interests that agglutinates the SE suggest the necessity and advisability of wholeheartedly undertaking processes to achieve associative coordination of the entire SE, both at each of the national levels and transnationally throughout Europe. The more visible and

powerful the collective image transmitted by the SE, the greater the chances of effective action and development for each and every one of the groups of agents that make up this sector.

### The SE and social dialogue

Achieving recognition of the SE as a specific interlocutor in the social dialogue is a very considerable challenge.

The SE has become a major institution of civil society which contributes significantly to the organisation of its associative fabric and the development of participative democracy. At the same time, nonetheless, the SE is a potent economic and social actor with specific characteristics that escape the classic scheme of employers/employees and demand that the SE be expressly recognised as a social interlocutor.

During the second half of the 20th century, at the height of the mixed economy systems, the major figures at the negotiating tables which agreed public policies (particularly income policies) were governments, employers' organisations and trades unions. Nowadays, however, the economy has become more plural and this demands direct participation in the social dialogue by all the sectors involved: employers' federations, trades unions, governments and this other great group of social and economic players, entrepreneurs and employers, that comprises the new SE and is playing an increasingly prominent role in the developed world.

Together with the classic *collective bargaining* tables, *social dialogue* tables that include the *SE agents* should be proposed,

as these would be more in accordance with the new economic scenario at the start of the century.

### The SE and public policies

For over two decades, the European institutions (Parliament, Commission and Economic and Social Committee) have recognised the SE's capacity for correcting significant social and economic imbalances and helping to achieve various objectives of general interest. Recently, the European Parliament identified the SE as a fundamental pillar and keystone of the European social model (*clé de voûte du modèle social européen*).

As a result, even more than before, the member countries and the European Commission must undertake concrete commitments to make the SE not only an effective instrument to achieve particular public policy objectives in the general interest but also, in itself (i.e. cooperativism, mutualism, associationism and general interest initiatives by civil society), an objective in its own right, indispensable for the consolidation of a developed society and the values associated with the European social model. At this point, the organisations that represent the SE have an important part to play by presenting initiatives and proposals to the EU institutions, political parties, trades unions, universities and other organisations that represent civil society.

### The SE and the markets: competitiveness and social cohesion

The recent and future evolution of the SE in Europe has been and will be strongly influenced by changes in the environment

in which it operates, particularly in the markets, which are increasingly globalised and more and more characterised by intensified competition, decentralisation and delocalisation of production and changes in the way governments act, with a clear trend towards the progressive deregulation and privatisation of public services. Together with the emergence of new social problems (ageing population, mass migration, etc.), these changes not only give rise to growth opportunities for the SE but also to challenges and threats to some of its spheres of action.

The different companies and organisations that make up the SE face the challenge of integrating efficient production processes and social welfare objectives in the conduct of their affairs. Without delay, the SE actors must tackle the development of competitive strategies in accordance with the new demands of steadily more competitive markets in order to make themselves useful instruments for their members' welfare and for strengthening social cohesion.

Entering into business networks and alliances, creating new ways to finance companies, innovating in products and processes and giving impetus to training and knowledge development policies must feature prominently among their competitive strategies.

### The SE, the new enlarged European Union and the development of an integrated Euro-Mediterranean space

The EU places great importance on the objective of consolidating an integrated European space where social and economic inequalities between the EU-15 and the 12

new member countries in Eastern and Southern Europe will be diminished and eliminated as soon as possible. Among other consequences, these inequalities have caused considerable migratory flows from East to West within the EU. Together with stronger social cohesion in the EU, another challenge is to foster an integrated Euro-Mediterranean space that will become an area of prosperity and stability. For this, all the countries bordering on the Mediterranean need to consolidate strong democratic states and the productive fabric of civil society in the southern rim countries needs to be expanded.

In these countries, high population growth and other structural reasons are preventing their economic growth from leading to a higher standard of living for the majority of the population, which is why the Euro-Mediterranean region and the EU have become one of the geographical areas with the greatest migratory movements, in terms of both size and intensity. These are further compounded by large population groups from Latin America, Sub-Saharan Africa and South-East Asian countries.

Owing to their specific characteristics, the SE actors can play a major role both in integrating the immigrant population and in developing trade flows within the EU and between Europe and the southern shores of the Mediterranean.

### The educational system, research and exchange networks, the university and the SE

The European Union's education systems are destined to perform an important function in fostering entrepreneurial culture

and democratising the economy through training projects that stimulate entrepreneurial initiatives based on the values which characterise the SE. In turn, the development of new products and innovative processes in SE companies require these companies to boost initiatives for cooperation with the university centres that generate and transmit knowledge. Research networks and information exchange networks between these centres and SE professionals will contribute, as they have been doing in recent years, to broadening the necessary SE-specific knowledge bases and disseminating this knowledge throughout Europe.

### SE identity and values

The new SE is taking shape in the European Union as a *pole of social utility* in a plural economy system, alongside a public economy sector and a capitalist economy sector.

The challenge that the SE must face is to surmount the dangers of dilution or trivialisation of its identifying features, which are what give it its specific social utility. Because of this, the SE actors need to deepen their awareness of the values that make up their shared core of reference, use all the social and cultural levers that are attuned to these values to reaffirm their own institutional profile and achieve an effect that multiplies their economic and social potential.

The challenges and trends outlined above are not a conclusive decalogue but a proposal that is open to debate, a starting point for reflection in the new phase that has opened up in Europe with the recent expansions of the European Union.

In this new phase and new social economy, all the prominence and all the responsibility for defining its specific profiles and the strategic

objectives it should adopt in order to play a leading part in building Europe rightfully fall to the actors in the social economy itself.

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