



THE SOCIAL ECONOMY IN THE EUROPEAN UNION



European Economic and Social Committee

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***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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Foreword by Luca JAHIER

As President of the Various Interests Group of the European Economic and Social Committee (EESC) I would like to strongly welcome this study on the state of the Social Economy in the European Union, which was commissioned by the EESC and carried out by CIRIEC. Since the previous study on the same topic published in 2008, much has changed in the European Union and it was considered necessary to re-examine the scope and impact of the sector, both in the EU Member States and in the acceding/candidate countries (Croatia and Iceland respectively). Moreover, 2012 is the UN International Year of Cooperatives and an opportunity for the entire social economy sector to demonstrate its contribution to our societies and our economies.

Undoubtedly, the social economy is a sector which makes a significant contribution to employment creation, sustainable growth and to a fairer income and wealth distribution. It is a sector which is able to combine profitability with social inclusion and democratic systems of governance, working alongside the public and private sectors in matching services to needs. Crucially, it is a sector which has weathered the economic crisis much better than others and is increasingly gaining recognition at the European level.

Nonetheless, much still needs to be done in increasing understanding, in raising awareness and in building public trust in the sector. A first step in this process is to fully comprehend the scope and scale of the social economy within the European Union and for this reason it has been necessary to revisit the facts and figures. Armed with this information, we must now strive for unity and a new identity for the sector, despite its multiple dimensions. We must reinforce its profile, highlighting its economic and social potential as a **solution** to the current economic and social crises and as an instrument for positive change. I call on all relevant stakeholders to work together to achieve this!



Luca JAHIER

President of the Various Interests Group
European Economic and Social Committee



Foreword by Miguel Ángel CABRA DE LUNA

Four years on we have the pleasure to publish an update of the EESC study on *The Social Economy in the EU*. Once again, the objective is to provide an overview of the sector in the EU, both from a quantitative and a qualitative perspective. This time we have extended it to the current 27 Member States plus the acceding/candidate countries (Croatia and Iceland).

The EESC thus reinforces its commitment to the recognition and promotion of the Social Economy, a sector that not only constitutes an important pillar in terms of employment and social cohesion across Europe, but which is also key to achieving the goals of the Europe 2020 Strategy.

As this study demonstrates, Social Economy enterprises in their diverse forms (including social enterprises) play an important role in increasing the competitiveness and efficiency of the European economy in many different ways: through directing disperse and idle resources towards economic activity, mobilising resources at the local level, strengthening the culture of entrepreneurship, eliminating market rigidities, encouraging the flexibilisation of markets, promoting the multilocalisation of production, just to mention a few. Social Economy enterprises also have a greater capacity to maintain employment and to avoid job losses during difficult economic cycles, as witnessed in the current economic crisis.

In the last few years, the sector has also been subject to important improvements in terms of political and legal recognition, both at the EU level (Single Market Act, Social Business Initiative, European Foundation Statute, Social Entrepreneurship Funds, etc.) and at the national level (e.g. the recent Spanish Law on the Social Economy). I hope that this study will positively contribute to gathering further momentum for the recognition of the Social Economy.



Miguel Ángel CABRA DE LUNA

Spokesperson of the Social Economy Category
of the European Economic and Social Committee



INTRODUCTION AND OBJECTIVES

1.1 Introduction and objectives

The general objective of this report is to update the study “The Social Economy in the European Union” published in 2008 by the European Economic and Social Committee, expanding its scope to include all 27 of the current EU Member States and the acceding/candidate countries (Croatia and Iceland respectively), and examining the definitions, state, contribution, legal instruments and public policies surrounding the social economy (SE) as well as the impact of the economic crisis.

To meet the latter objective, the report makes use of three intermediate objectives or tools that have not been sufficiently defined until now. The first is to establish a clear, rigorous definition of the SE as a concept, and of the different classes of company and organisation that form part of it.

The second intermediate objective is to identify the different agents which, irrespective of their legal form, form part of the SE in each EU Member State on the basis of the definition established in this report, and to compare the different national definitions used in relation to the SE concept.

The third intermediate objective is to provide macro-economic data on the SE in the 27 Member States and the two candidate countries, to examine recent national legislation on the SE, to conduct a comparative analysis at national level of current concepts and perceptions of the SE in each country, and to analyse how the social economy can and will contribute to implementation of the Europe 2020 Strategy.

1.2 Methods

The report has been prepared and written by Rafael Chaves and José Luis Monzón of CIRIEC, with advice from a Committee of Experts made up of D. Demoustier (France), R. Spear (United Kingdom), Alberto Zevi (Italy), Chiara Carini (Italy) and Magdalena Huncova (Czech Republic), who have discussed the work schedule as a whole, the methodology and the proposed final report with the directors.

Because this is an update, most parts of the document draw on the previous report published in 2008: “The Social Economy in the European Union”. In terms of methodology, the first part of the report takes the definition of the business or market sector of the SE given in the European Commission *Manual for drawing up the Satellite Accounts of Co-operatives and Mutual Societies* as the basis for establishing a definition of the SE as a whole on which there is broad political and scientific consensus.

Concerning the second of the report's objectives, a major field study was conducted in February, March and April 2012 in the form of a questionnaire sent out to the 27 EU Member States and the acceding and candidate countries. It was sent to privileged witnesses with an expert knowledge of the SE concept and related areas and of the reality of the sector in their respective countries. These experts are university researchers, professionals working in the federations and structures that represent the SE, and highly-placed national government-level civil servants with responsibilities relating to the SE. The results have been very satisfactory: 52 completed questionnaires have been collected from 26 countries. Contributions from such European organizations as Cooperatives Europe, COGECA and ICMIF have helped to plug gaps in the data.

Table 1.1 Questionnaires received

	Questionnaires
Austria	1
Belgium	3
Bulgaria	2
Cyprus	0
Czech Republic	3
Denmark	1
Estonia	0
Finland	1
France	2
Germany	4
Greece	2
Hungary	4
Ireland	2
Italy	2
Latvia	1
Lithuania	1
Luxembourg	0
Malta	1
Netherlands	1
Poland	3
Portugal	1
Romania	2
Slovakia	3
Slovenia	2
Spain	3
Sweden	1
United Kingdom	2
Acceding And Candidate Countries	
Croatia	3
Iceland	1

With regard to the third intermediate objective of the report – identifying public policies, examining recent national legislation on the social economy, analysing the impact of the economic crisis on the social economy and studying how the social economy can and will contribute to implementation of the «Europe 2020 Strategy» – this was achieved by consulting the Committee of Experts and sector experts, using information supplied in the questionnaires, and holding discussions with the Committee of Experts and within the CIRIEC Scientific Committee for the Social Economy.

1.3 Structure and summary of the report

The report has been structured as follows:

Following the first chapter introducing the report and its objectives, Chapter 2 presents the historical evolution of the social economy as a concept, including the most recent information on its recognition in national accounts systems.

Chapter 3 begins by formulating a definition of the social economy that fits in with the national accounts systems, before identifying the major groups of agents in the social economy on this basis.

Chapter 4 summarises the main theoretical approaches to the social economy, establishing the similarities and differences between them.

Chapter 5 and 6 present an overview of the current situation of the social economy in the EU, providing a comparative analysis of the perceptions of the social economy in each country and macro-economic data on the social economy in the 27 Member States and the two candidate countries.

Chapters 7, 8 and 9 present an overview of recent national legislation on the social economy, public policies that each country has developed in relation to the social economy, followed by a review of the impact of the economic crisis and the contribution of the social economy to implementation of the “Europe 2020 Strategy”.

Finally, Chapter 10 analyses the challenges and trends and presents conclusions. The report concludes with a list of bibliographical references.

CHAPTER 2

HISTORICAL EVOLUTION OF THE CONCEPT OF THE SOCIAL ECONOMY

2.1 Popular associations and cooperatives at the historical origin of the social economy

As an activity, the *social economy* (SE) is historically linked to popular associations and cooperatives, which make up its backbone. The system of values and the principles of conduct of the popular associations, reflected in the historical cooperative movement, are those which have informed the modern concept of the SE, which is structured around three large families of organisations: cooperatives, mutual societies and associations, with the recent addition of foundations. In reality, at their historical roots these great families were interlinked expressions of a single impulse: the response of the most vulnerable and defenceless social groups, *through self-help organisations*, to the new living conditions created by the development of industrial capitalism in the 18th and 19th centuries. Cooperatives, mutual assistance societies and resistance societies reflected the three directions that this associative impulse took.

Although charity (charity foundations, brotherhoods and hospitals) and mutual assistance organisations had seen considerable growth throughout the Middle Ages, it was in the 19th century that popular associations, cooperatives and mutual societies acquired extraordinary impetus through initiatives launched by the working classes. In Britain, for instance, the number of *Friendly Societies* multiplied in the 1790s. Throughout Europe, numerous mutual provident societies and mutual assistance societies were set up. In Latin American countries such as Uruguay and Argentina, the mutualist movement grew considerably during the second half of the 19th century.

The first stirrings of cooperative experiments flowered in Britain in the late 18th and early 19th centuries as a spontaneous reaction by industrial workers to the difficulties of their harsh living conditions. However, the socialist thinking developed by Robert Owen and Ricardian anti-capitalists such as William Thompson, George Mudie, William King, Thomas Hodgskin, John Gray and John Francis Bray would soon exert considerable influence on the cooperative movement, and from 1824 to 1835 a close connection was established between this movement and trade unions, both being expressions of a single workers' movement and having the same objective: emancipation of the working classes. The eight *Cooperative Congresses* held in Britain between 1831 and 1835 coordinated both the cooperatives and the trade union movement. Indeed, the *Grand National Consolidated Trades Union* was formed at one of these congresses, uniting all British trade unions.

William King intervened directly and decisively in the development of the cooperative movement in Britain and influenced the well-known cooperative that was founded in Rochdale (England) in

1844 by 28 workers, six of whom were disciples of Owen (Monzón, 2003). The famous cooperative principles that governed the workings of the Rochdale Pioneers were adopted by all kinds of cooperatives, which created the International Cooperative Alliance (ICA) in London in 1895, and which have made a notable contribution to the development of the modern concept of the SE.

According to the 1995 ICA Congress in Manchester, these principles identify cooperatives as democratic organisations in which the decisions are in the hands of a majority of **user members of the cooperativised activity**, so investor or capitalist members, if involved, are not allowed to form a majority and surpluses are not allocated according to any criteria of proportionality to capital. Equal voting rights, limited compensation for the share of capital that user members are obliged to subscribe and the creation, in many cases, of indivisible reserves that cannot be distributed even if the organisation is dissolved, are further ways in which cooperatives differ from other companies.

From Rochdale onwards, cooperatives have attracted the attention of different schools of thought. Indeed, transcendence of ideological boundaries and analytical pluralism are among the characteristics of the literature addressing this phenomenon. Utopian socialists, Ricardian socialists, social Christians (both Catholic and Protestant) and social liberals, as well as eminent classical, Marxist and neo-classical economists, have analysed this heterodox type of company extensively.

The term **social economy** probably appeared in economics literature for the first time in 1830. In that year the French liberal economist Charles Dunoyer published a **Treatise on social economy** that advocated a moral approach to economics. Over the 1820-1860 period, a heterogeneous school of thought that can collectively be termed the **social economists** developed in France. Most of them were influenced by the analyses of T.R. Malthus and S. de Sismondi, regarding both the existence of 'market failures' that can lead to imbalances, and the delimitation of the true subject of economics, which Sismondi considered to be **man** rather than **wealth**. However, most of the social economists must be placed within the sphere of liberal economic thinking and identified with laissez-faire principles and the institutions that the emerging capitalism was to consolidate, including capitalist companies and markets.

As a result, the thinkers behind social economics in this period did not launch or promote any alternative or complementary approach to capitalism. Rather, these economists developed a theoretical approach to society and what is social, pursuing the reconciliation of morality and economics through the moralisation of individual behaviour, as in the model of F. Le Play (Azam, 2003), for whom the goal that economists should strive for was not welfare or wealth but social peace (B. de Carbon, 1972).

Social economics underwent a profound reorientation during the second half of the 19th century through the influence of two great economists: John Stuart Mill and Leon Walras.

Mill paid considerable attention to business associationism among workers, in both its cooperative and mutualist aspects. In his most influential work, **Principles of Political Economy**, he examined the advantages and drawbacks of workers' cooperatives in detail, calling for this type of company to be encouraged because of its economic and moral benefits.

Like Mill, Leon Walras considered that cooperatives can fulfil an important function in solving social conflicts by playing a great “economic role, not by doing away with capital but by making the world less capitalist, and a moral role, no less considerable, which consists in introducing democracy into the workings of the production process” (Monzón, 1989).

Walras' *Études d'Économie Sociale: théorie de la répartition de la richesse sociale*, published in Lausanne in 1896, marks a major break from the original social economy approach identified with F. Le Play's model. With Walras, the social economy became both part of the science of economics and a field of economic activity that is prolific in cooperatives, mutual societies and associations as we know them today. It was at the end of the 19th century that the principal features of the modern concept of the social economy took shape, inspired by the values of democratic associationism, mutualism and cooperativism.

2.2 Present-day scope and field of activity of the social economy

Although the SE was relatively prominent in Europe during the first third of the 20th century, the growth model in Western Europe during the 1945-1975 period mainly featured the traditional private capitalist sector and the public sector. This model was the basis of the welfare state, which addressed recognised market failures and deployed a package of policies that proved highly effective in correcting them: income redistribution, resource allocation and anti-cyclical policies. All of these were based on the Keynesian model in which the great social and economic actors are the employers' federations and trade unions, together with government.

In Central and Eastern European countries, linked to the Soviet system and with centrally-planned economies, the state was the only economic actor, leaving no space for SE agents. Cooperatives alone had a considerable presence in some Soviet bloc countries, although some of their traditional principles such as voluntary and open membership and democratic organisation were totally annihilated. In the last two centuries, Czech economists came up with social economic approaches without exclusively privileging profitability. A large number of non-profit organisations during the period of the First Czechoslovak Republic followed this tradition, which dated back to the 19th century.

The consolidation of mixed economy systems did not prevent the development of a notable array of companies and organisations – cooperatives, mutual societies and associations – that helped to address socially important and general interest issues concerning cyclical unemployment, geographical imbalances between rural areas and the skewing of power relations between retail distribution organisations and consumers, among others. However, during this period the SE practically disappeared as a significant force in the process of harmonising economic growth with social welfare, with the state occupying centre stage. It was not until the crisis of the welfare state and the mixed economy systems in the final quarter of the 20th century that some European countries saw a reawakening of interest in the typical organisations of the SE, whether business alternatives to the models of the capitalist and public sectors, such as cooperatives and mutual societies, or non-market organisations – mostly associations and foundations. This interest sprang from the difficulties that the market economies were encountering in finding satisfactory solutions to such major problems as massive long-term unemployment, social exclusion, welfare in the rural

world and in run-down urban areas, health, education, the quality of life of pensioners, sustainable growth and other issues. These are social needs that are not being sufficiently or adequately addressed by either private capitalist agents or the public sector, and for which no easy solution is to be found through self-adjusting markets or traditional macroeconomic policy.

Although a series of demutualisations of major cooperatives and mutual societies has taken place in some European countries in recent decades, overall, the business sector of the SE (cooperatives and mutual societies) has seen considerable growth, as recognised by the European Commission's *Manual for drawing up the Satellite Accounts of Companies in the Social Economy*.

Major studies have highlighted the considerable growth of the SE as a whole in Europe. One of the most significant of these, carried out by CIRIEC for the European Commission within the scope of the "Third System and Employment" Pilot Scheme, highlights the increasing importance of cooperatives, mutual societies and associations in creating and maintaining employment and correcting serious economic and social imbalances.

After the Soviet bloc crumbled, many cooperatives in Eastern and Central Europe collapsed. Furthermore, they were severely discredited in the eyes of the public. Lately, however, a revival of citizens' initiatives to develop SE projects has been taking place and is being reflected in proposals for legislation to boost organisations in this sector.

Spectacular growth of the SE has taken place in the field of organisations engaged in producing what are known as **social or merit goods**, mainly work and social integration as well as social services and community care. In this field, associationism and cooperativism seem to have reencountered a common path of understanding and cooperation in many of their projects and activities, as in the case of **social enterprises**, many of them cooperatives, which are already legally recognised in various European countries, including Italy, Portugal, France, Belgium, Spain, Poland, Finland and the United Kingdom. Their characteristics are summarised in section 3.2.D of this report.

In the EU-27, over 207,000 cooperatives were economically active in 2009. They are well-established in every area of economic activity and are particularly prominent in agriculture, financial intermediation, retailing and housing and as workers' cooperatives in the industrial, building and service sectors. These cooperatives provide direct employment to 4.7 million people and have 108 million members.

Health and social welfare mutuals provide assistance and cover to over 120 million people. Insurance mutuals have a 24% market share.

In the EU-27, associations employed 8.6 million people in 2010; they account for over 4% of GDP and their membership comprises 50% of EU citizens.

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

2.3 Present-day identification and institutional recognition of the social economy

Identification of the SE as it is known today began in France in the 1970s, when the organisations representing the cooperatives, mutual societies and associations created the *National Liaison Committee for Mutual, Cooperative and Associative Activities* (CNLAMCA). From the end of World War II to 1977, the term 'social economy' had fallen out of everyday use, even among the 'families' in this sector of economic activity. European conferences of cooperatives, mutual societies and associations were held under the auspices of the European Economic and Social Committee in 1977 and 1979. Coinciding with its 10th anniversary, in June 1980 the CNLAMCA published a document, the *Charte de l'économie sociale* or Social Economy Charter, which defines the SE as the set of organisations that do not belong to the public sector, operate democratically with the members having equal rights and duties, and practise a particular regime of ownership and distribution of profits, employing the surpluses to expand the organisation and improve its services to its members and to society.

These defining features have been widely disseminated in the economics literature and outline an SE sphere that hinges on three main families – cooperatives, mutual societies and associations – which have recently been joined by foundations. In Belgium, the 1990 report of the Walloon Social Economy Council (CWES) saw the SE sector as a part of the economy that is made up of private organisations that share four characteristic features: "a) the objective is to serve members or the community, not to make a profit; b) autonomous management; c) a democratic decision-making process; and d) the pre-eminence of individuals and labour over capital in the distribution of income".

The most recent conceptual definition of the SE by its own organisations is that of the *Charter of Principles of the Social Economy* promoted by the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF), the EU-level representative institution for these four families of social economy organisations.

The rise of the SE has also been recognised in political and legal circles, both national and European. France was the first country to award political and legal recognition to the modern concept of the SE, through the December 1981 decree that created the Inter-Ministerial Delegation to the Social Economy (*Délégation interministérielle à l'Économie Sociale* – DIES). In other European countries, such as Spain, 'social economy' is a term that has also entered the statute book. In 2011, Spain became the first European country to pass a Social Economy Act. Greece also has a Social Economy Act and Portugal has presented a bill. The new French government which took office in June 2012 has appointed a Minister Delegate for the social economy within the Ministry of the Economy, the Treasury and Foreign Trade. 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 1st 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. Numerous European conferences have been held since then. The latest two were held in Toledo (May 2010) and Brussels (October 2010). In 1997, the Luxembourg summit recognised the role of social economy companies in local development and job creation and launched the "Third System and Employment" pilot initiative, with the social economy as its field 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”. In 2009 the European Parliament adopted a major report on the social economy that recognised the SE as a social partner and as a key actor in achieving the Lisbon Strategy objectives. Very recently, the European Commission has taken two important initiatives on social enterprises, a set of companies that forms an integral part of the social economy: the ***Social Business Initiative (SBI)*** and the ***Proposal for a Regulation on European Social Entrepreneurship Funds***.

For its part, the European Economic and Social Committee (EESC) has published numerous reports and opinions on the contribution of companies in the social economy to achieving different public policy objectives. The EESC’s latest own-initiative and exploratory opinions have included one on the variety of forms of companies, which recognises the importance of the social economy in building Europe; one on the social economy in Latin America (the Cabra de Luna Opinion), which considers the role of the social economy in local development and social cohesion; and one on social entrepreneurship and social enterprise. Consultation by the Commission resulted in the EESC’s adopting opinions on the Social Business Initiative (SBI) (Guerini Opinion) and the Proposal for a Regulation on European Social Entrepreneurship Funds (Rodert Opinion).

CHAPTER 3

IDENTIFYING THE ACTORS AND GROUPS INCLUDED IN THE CONCEPT OF THE SOCIAL ECONOMY

3.1 Towards recognition of the social economy in national accounts systems

The national accounts systems perform a very important function in providing periodic, accurate information on economic activity, and in working towards terminological and conceptual harmonisation in economic matters to enable consistent, meaningful international comparisons. The two most important national accounts systems currently in force are the United Nations' *System of National Accounts* (1993 SNA) and the *European System of National and Regional Accounts* (1995 ESA or ESA 95). The 1993 SNA gives national accounting rules for all the countries in the world. The 1995 ESA applies to EU Member States and is fully in line with the 1993 SNA, although there are minor differences.

The thousands upon thousands of entities (institutional units) that carry out productive activities (as defined in the 1993 SNA and 1995 ESA) in each country are grouped into five mutually exclusive *institutional sectors* that make up each national economy: 1) non-financial corporations (S11); 2) financial corporations (S12); 3) general government (S13); 4) households (as consumers and as entrepreneurs) (S14); 5) non-profit institutions serving households (S15).

This means that, rather than the companies and organisations that form part of the SE concept being recognised as a different institutional sector in the national accounts systems, cooperatives, mutual societies, associations and foundations are scattered among these five institutional sectors, making them difficult to analyse as a single group.

The European Commission recently prepared a *Manual for drawing up the Satellite Accounts of Companies in the Social Economy (cooperatives and mutual societies)* which will make it possible to obtain consistent, accurate and reliable data on a very significant part of the SE: cooperatives, mutual societies and other similar companies. Based on this manual, at the initiative of the European Commission's DG Enterprise and Industry, satellite accounts for cooperatives and mutual societies have already been drawn up in 2011 in Spain, Belgium, Serbia and Macedonia. Recently this same Directorate-General has sponsored an initiative to draw up reliable statistics for social businesses.

As the SE company satellite accounts manual says, the methods used by today's national accounts systems, rooted in the mid-20th 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 that 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 manual recognises, it is at odds with the increasing importance of the organisations that form part of the SE.

3.2 A definition of the social economy that fits in with the national accounts systems

A further reason for the institutional invisibility of the social economy referred to above is the lack of a clear, rigorous definition of the concept and scope of the SE that could usefully be employed by the national accounts systems. Such a definition needs to disregard legal and administrative criteria and centre on analysing the behaviour of SE actors, identifying the similarities and differences between them and between these and other economic agents. At the same time, it needs to combine the traditional principles and characteristic values of the SE and the methodology of the national accounts systems in force to create a single concept that constitutes an operative definition and enjoys broad political and scientific consensus, allowing the main aggregates of the entities in the SE to be quantified and made visible in a homogeneous and internationally standardised form.

Accordingly, this report proposes the following working definition of the SE:

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.

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** (see section 2.3 of this report). 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 activity in accordance with the national accounting 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 people rather than remunerating capitalist investors.**

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

- a) They are private, in other words, they are not part of or controlled by the public sector;
- b) They are formally-organised, that is to say they usually have a legal identity;
- c) 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;
- d) They have freedom of membership. In other words, it is not obligatory to join them;
- e) 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;
- f) 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;
- g) They are democratic organisations. Except for some voluntary organisations that provide non-market services to households, SE primary level or first-tier organisations usually apply the principle of “one person, one vote” in their decision-making processes, irrespective of the capital or fees contributed by the members. At all events, they always employ democratic and participatory decision-making processes. Organisations at other levels are also organised democratically. The members have majority or exclusive control of decision-making power in the organisation.

A very important feature of SE organisations that is deeply rooted in their history is their democratic character. Indeed, in the aforementioned satellite accounts manual for companies in the social economy that are market producers (classed in the S.11 and S.12 institutional sectors of the national accounts), the democratic criterion is considered a prerequisite for a company to be considered part of the social economy, as the *social utility* of these companies is not usually based on their economic activity, which is an instrument to a non-profit end, but on their purpose and on the democratic and participatory values that they bring to running the company.

However, the working definition of the SE applied in this report 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.

3.3 The market or business sub-sector of the social economy

In essence, the market sub-sector of the SE is made up of cooperatives and mutual societies; business groups controlled by cooperatives, mutual societies and other SE organisations; other similar companies; and certain non-profit institutions serving SE companies.

In addition to the features shared by all SE entities, the working definition in 3.2 above and in the European Commission manual emphasises three essential characteristics of SE companies:

- a) *They are created to meet their members' needs through applying the principle of self-help, i.e. they are companies in which the members and the users of the activity in question are usually one and the same.*

The European Commission manual gives a detailed explanation of the scope and limitations of this characteristic. The central objective of these companies is to satisfy and solve the needs of their members, who are, basically, individuals or families.

In cooperatives and mutual societies, the members and the users of the activity in question are usually (but not always) one and the same. The principle of self-help is a traditional principle of the cooperative and mutual movement. The main objective of these companies is to carry out a cooperativised or mutualist activity to meet the needs of their typical members (cooperativist or mutualist members) who are mainly individuals, households or families.

It is the cooperativised or mutualist activity that determines the relationship between the user member and the SE company. In a workers' cooperative, the cooperativised activity is employment for its members, in a housing cooperative it is building homes for the members, in a farming cooperative it is marketing the goods produced by the members; in a mutual society, the mutualist activity is to insure the members, etc.

Naturally, in order to carry out the cooperativised or mutualist activity to serve the members an instrumental activity needs to be conducted with other, non-member parties on the market. For example, a workers' cooperative sells its goods and services on the market (instrumental activity) in order to create or maintain employment for its members (cooperativised activity).

In the case of mutual societies, there is an indissoluble, inseparable relationship between being a mutualist (member) and being a policy-holder (intended recipient of the mutual's activity).

In the case of cooperatives, the member and user relationship is common but not always indispensable. Some classes of 'ancillary members' may contribute to the company without being users of the cooperativised activity. Examples include capital investors or former user members who are no longer users for logical, justified reasons (retirement, among others); some public bodies may even be contributing members of the company. Provided that the SE company characteristics established in the working definition hold true, including democratic control by the user members, the companies that possess these other classes of non-user contributing members will form part of the business sub-sector of the SE.

There may also be other SE companies, as in the case of social enterprises, where some members may share their objectives without being permanent members, strictly speaking, although a transitory association still exists. This may even include certain volunteer activities. Nevertheless, what is typical and relevant is that in these companies there is always a reciprocal relationship, a stable bond between the company and those who participate in its activities with a certain continuity, sharing in its risks and offering some consideration in respect of membership.

The beneficiaries of the activities of SE companies also play a leading role in these companies, which constitute reciprocal solidarity initiatives set up by groups of citizens to meet their needs through the market.

This does not prevent SE companies from undertaking solidarity-based activities in much broader social environments, transcending their membership base. In the case of cooperatives, their traditional rules of operation made them pioneers in applying the principle of the social responsibility of companies, or corporate responsibility, as these rules stimulate and foster solidarity mechanisms (the principle of education and social action, the 'open membership' principle, the creation of reserves that cannot be divided among the members, etc.). However, all this does not alter the mutual basis of SE companies, which compete in the market, finance themselves largely through the market and conduct business entailing risks with results on which depend, in the final analysis, the provision of services to their members.

- b) ***SE companies are market producers, which means that their output is mainly intended for sale on the market at economically significant prices.*** The ESA 95 considers cooperatives, mutual societies, holding companies, other similar companies and non-profit institutions serving them to be market producers.
- c) ***While they may distribute profits or surpluses among their user members, this is not proportional to the capital or to the fees contributed by the members, but corresponds with the member's transactions with the organisation.***

The fact that they may distribute profits or surpluses to their members does not mean that they always do so. There are many cases in which cooperatives and mutual societies make it a rule or custom not to distribute surpluses to their members. Here the point is only to emphasise that the principle of not distributing surpluses to members is not an essential trait of social economy companies.

Although democratic organisation is a shared feature of all SE organisations, certain non-profit voluntary organisations that provide non-market services to families may be part of the SE despite not possessing a democratic structure, as will be seen further on.

For a company to be considered part of the SE, however, the democratic criterion is considered a prerequisite. As the European Commission's manual says, SE companies are characterised by democratic decision-taking by the members, without ownership of the share capital determining the control of the decision-making process. In many cooperatives and mutual societies the principle of 'one person, one vote' may often be qualified, allowing some weighting of votes to reflect each member's participation in the activity. It may also happen that business groups set

up by different SE companies weight the votes, not only to reflect the different degrees of activity of the members of the group but also to acknowledge the differences between them in terms of rank and file membership numbers. Other business groups may be set up and controlled by SE organisations to improve the delivery of their objectives for the benefit of their members, with the parent organisations controlling the decision-making processes. These groups also form part of the SE.

In some countries, certain social economy companies created by workers in order to create or maintain jobs for themselves take the form of limited or public limited companies. These too may be considered democratic organisations with democratic decision-making processes, provided that the majority of their share capital is owned by the working partners and shared equally among them.

Other social economy companies that also take a different legal form from a cooperative have been set up to conduct activities to benefit groups that are vulnerable, excluded or at risk of social exclusion. They comprise a wide spectrum of social enterprises that follow participatory and democratic processes.

3.4 The non-market sub-sector of the social economy

The vast majority of this sub-sector consists 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.

As mentioned in 3.2 above, they are *private, formally-organised entities with autonomy of decision and freedom of membership that produce non-market services for families and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them*. In other words, they are non-profit organisations in the strict sense of the term, since they apply the principle of non-distribution of profits or surpluses (the non-distribution constraint), and as in all social economy entities, individuals are the true beneficiaries of the services they produce.

The national accounts have a specific institutional sector, S.15, called 'non-profit institutions serving households' (NPISH), to differentiate them from other sectors. The ESA 95 defines this sector as consisting of non-profit institutions that are separate legal entities, that serve households and that are other private non-market producers. Their principal resources, apart from those derived from occasional sales, come from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income (ESA 95, 2.87).

The NPISH sector includes a variety of organisations, mostly associations, that perform non-market activities for their members (entities of a mutualist nature) or for groups of non-member citizens (general interest entities). Most of these entities operate democratically and possess the characteristic features of the SE. They include charities, relief and aid organisations, trade unions, professional or learned societies, consumers' associations, political parties, churches or religious societies, and social, cultural, recreational and sports clubs.

As stated in section 3.1 above, certain voluntary non-profit organisations that are producers of non-market services for households are included in the SE under the name of **social action third sector** despite not possessing a democratic structure, because the services they provide free of charge are **social or merit goods** of unquestionable social utility.

NPISH that do not possess a legal personality or are not very large, which the ESA 95 places in the Household sector, S.14 (ESA 95, 2.76), also form part of the SE.

Lastly, there may be other private, non-profit institutions (NPI), funded by non-financial corporations or financial corporations, that produce cultural, recreational, social etc. services which they supply free of charge to individuals. Although the 1995 ESA conventionally considers these to be serving the non-financial or financial corporations in question and therefore includes them in the respective (market) institutional sectors (ESA 95, 2.23 and 2.40), provided that they meet the requirements set out in the definition they form part of the non-market sub-sector of the SE.

NPISH that are market producers engaged in producing non-financial market goods and services, financial intermediation, or auxiliary financial activities are excluded from this group, as are business associations funded by voluntary fees paid by non-financial or financial corporations in return for the services they provide.

3.5 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 cooperatives 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 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 (cooperatives, mutual societies and similar companies) has practically no volunteers except in social enterprises; these are a clear example of a hybrid of market and non-market with a wide diversity of resources (revenue 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 part in a plural society does not amount to a hotchpotch with no identity or analytical value. On the contrary, the shared core identity of the SE is reinforced by a large and diverse group of free and 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, created by not-for-profit organisations. Over the past 200 years, this varied spectrum (market and non-market, of mutual interest or general interest) has shaped the third sector, as identified here through the social economy approach.

THE MAIN THEORETICAL APPROACHES RELATED TO THE SOCIAL ECONOMY

4.1 The third sector as a meeting point

Although the term *third sector* has mostly been used in the English-speaking world to describe the private non-profit sector that is largely composed of associations and foundations, *third sector* is also used in Continental Europe and in other parts of the world as a synonym for the social economy (SE) described in the previous chapter.

In the United States, Levitt was one of the first to use the expression *third sector*, identifying it with the non-profit sector. In Europe, the same term began to be used a few years later to describe a sector located between the public sector and the capitalist sector, far closer to the concept of the SE.

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, in the theoretical approaches that have been developed from these concepts, the TS is assigned different functions in today's economy.

4.2 The non-profit organisation approach

4.2.1 The non-profit organisation (NPO) as a concept

The main theoretical approach that addresses the TS, apart from the SE approach, is of English-speaking origin, as mentioned above: literature on the non-profit sector or non-profit organisations (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 finance them.

The historical roots of this concept are linked to the philanthropic and charitable ideas that were deeply-rooted in 19th century Britain and in the countries it influenced. The renown of the British *charities* and US *philanthropic foundations* has given rise to terms such as the *charitable sector* and the *voluntary sector*, which are included in the wider concept of the non-profit sector.

The modern concept of the non-profit sector has been more precisely defined and widely disseminated throughout the world by an ambitious international research project which began in the early 1990s, spearheaded by Johns Hopkins University (Baltimore, USA), to discover and quantify its size and structure, analyse its development prospects and evaluate its impact on society. The different phases of the project cover the non-profit sector in 36 countries across five continents.

This project examined organisations that met the five key criteria in the 'structural-operational definition' of non-profit organisations. They are, therefore:

- a) **organisations**, i.e. they have an institutional structure and presence. They are usually legal persons;
- b) **private**, i.e. institutionally separate from government, although they may receive public funding and may have public officials on their governing bodies;
- c) **self-governing**, i.e. able to control their own activities and free to select and dismiss their governing bodies;
- d) **non-profit distributing**, 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, members, founders or governing bodies of the organisation;
- e) **voluntary**, which means two things: first, that membership is not compulsory or legally imposed, and second, that they must have volunteers participating in their activities or management.

4.2.2 The NPO approach in the 1993 SNA

The United Nations published a *Handbook on Non-Profit Institutions in the System of National Accounts* (NPI Handbook). The handbook's identification of the non-profit institutions is based on a definition of the non-profit sector drawn from Salamon and Anheier's NPO approach as described in the previous paragraph. On this basis, the NPI Handbook identifies a large, heterogeneous set of non-profit organisations which could belong to any of the five institutional sectors that make up the system of national accounts, including 'general government' (S.13). There are non-profit institutions in the 'non-financial corporations' sector (S.11), the 'financial corporations' sector (S.12) and the 'households' sector (S.14). Lastly, 'non-profit institutions serving households' or NPISH (S.15) have their own separate institutional sector in the national accounts system. These organisations take a great variety of legal forms, although the majority are associations and foundations, and are created for very different purposes: to provide services to the people or companies that control or finance them; to carry out charitable or philanthropic activities to benefit people in need; to supply non-profit market services such as health, education, leisure activities, etc.; to defend the interests of pressure groups or the political programmes of like-minded citizens, etc.

However, the NPI Handbook considers that such major groups as cooperatives, mutual societies, social enterprises and others do not belong in the non-profit sector.

As will be seen further on, not all the non-profit institutions that the NPI Handbook considers to lie within its scope form part of the SE concept.

4.3 The solidarity economy approach

The concept of the *solidarity economy* developed in France and certain Latin American countries during the last quarter of the 20th century, and is associated to a large degree with the major growth that the TS has experienced in organisations that produce and distribute some of what are known as *social goods or merit goods*. Merit goods are those on which there is broad social and political consensus that they are essential to a decent life and must therefore be made available to the entire population, irrespective of income or purchasing power. Consequently, it is considered that government should provide for the production and distribution of these goods, whether by ensuring that they are provided free of charge or by subsidising them so that they can be obtained at well below market prices.

During the height and consolidation of the welfare state, universal enjoyment of the most important of these merit goods, such as health services and education, was guaranteed by the governments of most developed countries in Europe. In recent decades, however, *new social needs* have emerged that are not being addressed by either the public sector or the traditional capitalist sector, and which affect numerous groups at risk of social exclusion. These problems are related to the living conditions of elderly people, mass long-term unemployment, immigrants, ethnic minorities, the handicapped, reintegration of ex-prisoners, abused women, the chronically ill, etc.

It is in these areas that some organisations that are typical of the SE (cooperatives and, above all, associations) have seen considerable expansion. This sector simultaneously brings together a set of new organisations and new fields of action. Compared to the classic SE agents, it has three distinctive features: a) the social demands it attempts to address, b) the actors behind these initiatives and c) the explicit desire for social change.

Based on these three aspects, the concept of the *solidarity economy* developed in France from the 1980s onwards. It corresponds to an economy in which the market is one component, possibly the most important, but not the only one. The economy revolves around three poles: the market, the state and reciprocity. These three poles correspond to market, redistribution and reciprocity principles. The latter refer to a non-monetary exchange in the area of primary sociability that is identified, above all, in associationism.

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

In addition to this concept of the solidarity economy, which has its epicentre in France, another view of the solidarity economy with a certain prominence in some Latin American countries sees it as a force for social change, the bearer of a project for an alternative society to neoliberal globalisation. Unlike the European approach, which considers the solidarity economy to be compatible with the market and the state, the Latin American perspective centres on developing this concept as a global alternative to capitalism.

4.4 The social enterprises approach

A considerable body of work on social enterprises has appeared in recent years, although it cannot be said to take a unified approach. However, two main approaches to social entrepreneurship can be distinguished: the Anglo-American approach and that of Continental Europe.

The Anglo-American approach comprises various currents that define the social enterprise sphere differently, ranging from those who consider social enterprises to be the market company counterpart of private non-profit organizations with a social purpose, to those whose definition of a social enterprise centres exclusively on social innovation and satisfying social needs, whatever the form of ownership of the enterprise (public, private capital-based or what is understood by the term 'social economy' in Europe).

In the Continental European tradition, the main approach to social enterprises is summarised in the studies and proposals of the EMES network, which sees these companies as the result of collective entrepreneurship in the social economy sphere and as defined by three blocks of indicators (in the economic, social and governance structure dimensions). The European Commission, in the *Social Business Initiative* mentioned earlier, also defined social enterprises as a sub-set of the social economy (*social economy operators*).

4.5 Other approaches

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

COMPARATIVE ANALYSIS OF THE PREVAILING DEFINITIONS RELATING TO THE CONCEPT OF THE SOCIAL ECONOMY IN EACH EUROPEAN UNION MEMBER STATE, ACCEDING AND CANDIDATE COUNTRY

5.1 Concepts prevailing in each country

The social and economic phenomenon that we refer to in this work as the 'social economy' is widespread and in evident expansion across the EU. However, this term, as well as the scientific concept linked to it, is not unambiguous across all EU countries – or even within a country in some cases – usually coexisting with other terms and similar concepts. The purpose of this section is to shed light on the diversity of concepts and terms that exist in Europe to refer to this phenomenon.

Part of this research has been directed on the one hand to assessing the level of recognition of the social economy in three important spheres – public administration, the academic and scientific world, and the social economy sector itself in each country – and on the other hand to identifying and assessing other similar concepts. This work has been carried out in accordance with the methodology used in the first chapter of *The enterprises and organizations of the third system. A strategic challenge for employment* (Vivet and Thiry in CIRIEC, 2000), in which the third system was assimilated into the social economy.

Information from primary sources has been gathered on the basis of the semi-open question targeted at correspondents (see appendix), all of whom are privileged witnesses and have expert knowledge of the concept of the social economy and similar concepts, and of the reality of this sector in their countries. The questionnaire included semi-closed questions on the social economy and similar concepts in the different EU countries. The correspondents are academics, professionals from the federative and representative structures of the sector in the countries, and top officials from the national public administrations with powers in the field of the social economy. The degree of recognition has been divided into three relative levels across the different countries: (*) where there is little or no recognition of this concept; (**) where there is a moderate level of recognition; and (***) where there is a high level, denoting institutionalised recognition of the concept in the country in question.

The results appear in tables 5.1. and 5.2. They relate respectively to the level of recognition of the concept (and the term) of the social economy; recognition of the related concepts 'social enterprise', 'non-profit sector' and 'third sector'; and finally recognition of other concepts.

Table 5.1

National acceptance of the concept 'social economy'

	By public authorities	By companies in the social economy	By academia / the scientific world
Austria	*	**	**
Belgium	**	***	**
Bulgaria	**	**	**
Cyprus	**	**	**
Czech Republic	*	**	**
Denmark	**	**	**
Estonia	**	*	*
Finland	**	**	**
France	**	***	**
Germany	*	**	**
Greece	**	**	***
Hungary	*	**	*
Ireland	**	***	**
Italy	**	**	**
Latvia	*	**	**
Lithuania	**	*	*
Luxembourg	**	**	**
Malta	**	*	**
Netherlands	*	*	*
Poland	**	**	**
Portugal	***	***	**
Romania	*	*	*
Slovakia	*	*	*
Slovenia	*	**	**
Spain	***	***	***
Sweden	**	**	*
United Kingdom	*	**	**
Acceding and Candidate Countries			
Croatia	*	*	*
Iceland	**	**	**

Notes: Questionnaire question: Could you tell us whether the concept 'social economy' is recognised in your country?

Even assuming that national conditions and ideas associated with the term social economy differ markedly and may not be comparable, the data obtained in the field work make it possible to divide countries into three groups depending on their level of recognition of the social economy concept (see table 5.1.):

- ***countries in which the concept of the social economy is widely accepted:*** In Spain, France, Portugal, Belgium, Ireland and Greece, the concept of the social economy enjoys greatest recognition by public authorities and in the academic and scientific world, as well as in the social economy sector itself. The first two countries stand out: France is the birthplace of this concept, and Spain approved the first European national law on the social economy in 2011.
- ***countries in which the concept of the social economy enjoys a moderate level of acceptance:*** These include Italy, Cyprus, Denmark, Finland, Luxembourg, Sweden, Latvia, Malta, Poland, the United Kingdom, Bulgaria and Iceland. In these countries the concept of the social economy coexists alongside other concepts, such as the non-profit sector, the voluntary sector and social enterprises. In the United Kingdom, the low level of awareness of the social economy contrasts with the government's policy of support for social enterprises.
- ***countries where there is little or no recognition of the concept of the social economy:*** The concept of the social economy is little known, emerging or unknown in the following countries: Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands, Slovakia, Romania, Croatia and Slovenia, a group which mainly comprises Germanic countries and those which joined the EU during the last round of enlargement. The related terms non-profit sector, voluntary sector and non-governmental organisation enjoy a relatively greater level of recognition.

In the rest of the tables, information for each country is presented according to two objectives: first, that of differentiating the reality of the 12 new countries of the EU and the two candidate countries, a central objective of this work; second, that of differentiating the reality of the 15 older Member States.

Table 5.2 National acceptance of other recognised concepts related to the 'social economy'

	Social enterprises	Non-profit sector	Third sector
Austria	**	***	*
Belgium	**	**	*
Bulgaria	**	**	**
Cyprus	**	**	**
Czech Republic	*	***	**
Denmark	**	***	***
Estonia	*	**	**
Finland	***	**	***
France	**	**	**
Germany	**	**	***
Greece	**	**	*
Hungary	*	***	*
Ireland	**	***	**
Italy	**	***	**
Latvia	*	***	**
Lithuania	*	**	**
Luxembourg	*	*	*
Malta	**	**	*
Netherlands	***	***	*
Poland	***	**	***
Portugal	**	**	***
Romania	*	**	*
Slovakia	**	***	***
Slovenia	*	**	*
Spain	*	*	**
Sweden	***	**	*
United Kingdom	**	**	***
Acceding And Candidate Countries			
Croatia	*	***	**
Iceland	**	***	***

Notes: Questionnaire question: Which other concepts related to the 'social economy' enjoy scientific, political or social recognition in your country?

In the Netherlands, Sweden, Finland and Poland the concept of social enterprises is widely accepted. The Netherlands passed a Law on Social Enterprises in 2003. In addition to the concepts social economy, non-profit sector, social enterprise and third sector, other widely accepted notions coexist in several EU countries. In countries such as the United Kingdom, Denmark, Malta and Slovenia, the concepts voluntary sector and non-governmental organisation, more closely related to the idea of non-profit organisations, appear to enjoy wide scientific, social and political recognition. In French-speaking European countries (France, the Walloon Region of Belgium and Luxembourg), the concepts solidarity economy, and social and solidarity economy are also recognised, while the idea of a *Gemeinwirtschaft* (general interest economy) is known in Germanic countries such as Germany and Austria.

It is important to point out that in several countries certain components of the term social economy in its broadest sense are not recognised as integral parts of this sector, with emphasis instead on their specificity and separateness. This is the case of cooperatives in countries such as Germany, the United Kingdom, Latvia, and partly Portugal.

5.2 The actors in the social economy in EU Member States

In light of the situation outlined in the previous section of this same chapter, which highlights the marked diversity of national realities concerning the concepts and the level of recognition of the social economy and related concepts, it is clearly not easy to identify the components of the social economy in each country. The undertaking is to identify what institutional forms make up the field of the social economy or the related term that is most widely recognised in each country.

The results of the study, having consulted the corresponding national experts, are shown in Table 5.3.

Three main conclusions may be drawn by way of a summary. The first and basic one is that the components vary significantly from one country to another, there being genuinely national forms that the experts consider to be integral to the social economy in their countries (see X1, X2, etc.). In some countries, such as Italy and Spain, there are differing ideas about the scope of the social economy: a business concept of the social economy that sees it as consisting mainly of cooperatives coexists with a non-market concept that sees it as largely comprising associations, social cooperatives and other non-profit organisations.

A second conclusion to be drawn is that the well-known notion of the social economy, one that brings together cooperatives, mutuals, associations and foundations, is most widely spread in precisely the group of countries where the concept of the social economy is most broadly accepted, with the exception of Ireland. In two of these countries, France and Spain, there is legal recognition of the social economy.

A third conclusion is that there is general consensus that cooperatives are part of the social economy. This reflects the fairly widespread view that cooperatives and mutuals are the prototype enterprises of the social economy. Associations, foundations and social enterprises are also considered components. The reason for excluding friendly societies (mutuals) from the sphere of the social economy in the new EU Member States may be the low level of recognition of the very concept of the social economy itself, together with the absence of a legal status for mutuals in these countries.

Table 5.3 **Components of the 'social economy'**

	Cooperatives	Mutuals	Associations	Foundations	Others
Austria	X	X	X	X	X1
Belgium	X	X	X	X	X2
Bulgaria	X	X	X	X	
Cyprus	X	n.a.	n.a.	n.a.	
Czech Republic	X	-	-	-	X11
Denmark	X	X	X	X	X3
Estonia	X	n.a.	X	X	
Finland	X	X	X	X	
France	X	X	X	X	X4
Germany	X	-	X	X	X5
Greece	X	X	X	X	X6
Hungary	X	-	X	X	X12
Ireland	X	X	-	-	X7
Italy	X	X	X	X	X8
Latvia	X	X	X	X	
Lithuania	X	-	-	-	X13
Luxembourg	X	X	X	X	
Malta	X	X	X	X	X14
Netherlands	X	X	X	X	
Poland	X	-	X	X	X15
Portugal	X	X	X	X	X9
Romania	X	X	X	X	X16
Slovakia	X	X	X	X	X17
Slovenia	X	X	X	X	
Spain	X	X	X	X	X10
Sweden	X	X	X	X	
United Kingdom	X	X	X	X	
Acceding and Candidate Countries					
Croatia	X	-	X	X	
Iceland	X	X	X	X	

Notes: Questionnaire question: Which of the following institutional forms do you consider to belong to the field of the 'social economy' in your country or, if applicable, to a related concept that you consider more widely accepted?

Other specific forms of the social economy in each country :

X1: Social enterprises

X2: Sociétés à finalité sociale

X3: Social enterprises

X4: Comités d'entreprise, voluntary social protection

X5: Volunteer services and agencies; social firms for disadvantaged people; alternative enterprises of the women's' and environmental movement; self-help organisations; socio-cultural centres; work integration companies; local exchange and trading systems; neighbourhood and community enterprises

X6: Popular companies

X7: Credit unions

X8: Volunteering organisations; specific types of associations as associations of Social promotion and family associations; community foundations; non-governmental organizations; IPAB: Istituzioni di Pubblica Assistenza e Beneficenza

X9: Misericordias; IPSS (Instituições Particulares de Solidariedade Social)

X10: Sociedades Laborales, Empresas de Inserción, Centros Especiales de Empleo, specific groups such as ONCE, Sociedades Agrarias de Transformación

X11: Association of Common Benefits;

X12: Non profit enterprises

X13: Credit unions and social enterprises

X14: BandClub

X15: Centres of Socio-Economic Integration

X16: Unitati Autorizate Proteiate (Authorized Protected Units)

X17: Sheltered workshops, social services

The platforms and networks of the social economy in Europe

Social organisations have a natural tendency to form groups based on shared economic and political affinities and interests. Some of the social economy business groups and networks that have been built up in the interests of competitiveness are veritable European corporate giants. Groups have also been formed in the political sphere.

The social economy in Europe has set up many organisations to act as its representatives. Through these, it has taken part in drawing up and implementing national and EU policies when these processes have made space for participation by this type of social interlocutor.

In the different European countries, the associations that represent social economy companies and organisations have mainly arisen from a sector perspective, giving rise to organisations, associations and platforms that represent credit, workers' and agricultural cooperatives, among others, as well as mutual insurance companies, provident societies and associations, and other social action non-governmental organisations.

This process has also taken place at European level, where the social economy (either the 'families' within it or as a whole) has historically played a part in different EU policies. This has been evident since the year the Treaty of Rome was signed, when Eurocoop, the organisation that represents the consumers' cooperatives of Europe, was founded, and in the development of the Common Agricultural Policy with the assistance of the General Confederation of Agricultural Cooperatives in the European Union (COGECA).

Nowadays, the organisations that represent the social economy in Europe are:

1. Cooperative family:

- EUROCOOP: European Community of Consumer Cooperatives
- CECODHAS: European Liaison Committee for Social Housing — cooperative section
- CECOP: European Confederation of Workers' Cooperatives, Social Cooperatives and Participative Enterprises
- COGECA: General Confederation of Agricultural Cooperatives
- GEBC: European Cooperative Banking Group
- UEPS: European Union of Social Pharmacies

Cooperatives Europe is the umbrella organisation of all these representative bodies of European cooperatives.

2. Family of mutual societies:

- AIM: International Association of Mutual Societies
- AMICE - Association of Mutual Insurers and Insurance Cooperatives in Europe

3. Family of associations and social action organisations:

- CEDAG: European Council of Associations of General Interest
- EFC: European Foundation Centre
- European Platform of Social NGOs

4. Platforms for social enterprises:

- CEFEC: Social Firms Europe, the Confederation of European Social Firms, Employment Initiatives and Social Cooperatives

Most of these European-level representative organisations are in turn members of Social Economy Europe, the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations, which is currently the highest-level European social economy interlocutor for the European institutions. This platform was set up in November 2000 under the name of CEP-CMAF.

In some countries the representative associations have moved beyond the sector level and created cross-sector organisations that refer explicitly to the social economy. Examples of these are CEPES, the Spanish Business Confederation of the Social Economy and the Social Economy Platform in Luxembourg.

Groupings have also followed other criteria: for instance, the past fifteen years have seen the appearance of joint networks of platforms representing the social economy, government bodies (such as town councils) and/or companies and other social organisations. This is the case with ESMED, the Euro-Mediterranean Social Economy Network, made up of the national social economy or cooperative platforms of Portugal, France, Spain, Italy, Morocco and Tunisia; REVES, the European Networks of Cities & Regions for the Social Economy; ENSIE, the European Network for Social Integration Enterprises; and FEDES – European Federation of Social Employers, all of which are actively promoting the social economy. CIRIEC-International, in turn, is an unusual example of an organisation with a membership that brings together organisations representing companies from the public sector and the social and cooperative economy of many European countries with researchers who specialise in this field.

CHAPTER 6

THE SOCIAL ECONOMY IN THE EUROPEAN UNION AND IN THE ACCEDING AND CANDIDATE COUNTRIES IN FIGURES

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

Drawing up statistics from field studies and verifiable accounts is essential. However, for reasons of cost and time it exceeds the scope of this study and must be tackled at a later stage.

The statistical information provided in this study has been drawn up from secondary data supplied by our correspondents in each country (see Appendix). The reference period is 2009-2010. However, for reasons of availability and of the quality of statistical reporting, the information for some countries is some years old, particularly in the case of associations, foundations and similar organisations. The figures sought were the number of persons employed and, where possible, the full-time equivalent, number of members, number of volunteers and number of organisations or companies. For purposes of comparability with the data of the previous study carried by CIRIEC for the EESC on the state of the social economy in the EU-25, particular attention has been paid to the 'employment' variable. Two specific tables (6.3 and 6.4) have been drawn up to compare the main figures from both studies.

In the course of this work, serious statistical gaps have appeared in the data for various countries, particularly the new EU Member States, but not exclusively. The gaps have been remedied, where possible, on the basis of the information available from other scientific studies cited in the bibliography, from the ICMIF and AMICE, the Cooperatives Europe study of organisations (2010), and studies by other umbrella organisations such as COGECA or Eurocoop. These sources have been cited systematically in the tables for the different countries.

A significant difference between this study and the last one carried out by the EESC-CIRIEC is that national statistical institutes have put a great deal of work in recent years into providing credible data on various groups in the social economy; and in an important step in the recognition of the social economy in Europe, the studies were carried out using the methodology of the satellite account in Spain, Portugal, Greece, the Czech Republic and Hungary.

Given the method employed, particularly in view of the difficulty of comparing certain variables internationally, the questionable reliability of the data for certain countries, the risks of double accounting among 'families' within a single country, the different years to which they refer, and the different sources for the same 'family' and country for the two periods of reference (2002-03 and 2009-10), linked in the latter case to the availability or otherwise of data, this statistical information should be treated with caution.

The tables below are self-explanatory in terms of the state of the social economy in EU countries.

The main conclusion to be drawn is that the social economy in Europe is very important in both human and economic terms, providing paid employment to over 14.5 million people, or about 6.5% of the working population of the EU-27. These aggregates underline the fact that this is a reality which cannot and should not be ignored by society and its institutions.

The second noteworthy conclusion is that, with certain exceptions, the social economy is relatively small in the new EU Member States in comparison to the 'older' 15 Member States. Therefore, if the social economy is to develop its full potential in these countries it needs to reach at least the same level as in other countries in the EU.

The third conclusion is that the social economy has increased more quickly than the population as a whole in 2002-03 and 2009-10, increasing from the 6% of the total European paid workforce to the 6.5%, and from 11 million jobs to 14.5 million jobs.

Table 6.1 Paid employment in cooperatives, mutual societies and associations in the EU (2009-2010)

Country	Cooperatives	Mutual societies	Associations	TOTAL
Austria	61,999	1,416	170,113	233,528
Belgium	13,547	11,974	437,020	462,541
Bulgaria	41,300	n.a.	80,000	121,300
Cyprus	5,067	n.a.	n.a.	5,067
Czech Republic	58,178	5,679	96,229	160,086
Denmark	70,757	4,072	120,657	195,486
Estonia	9,850	n.a.	28,000	37,850
Finland	94,100	8,500	84,600	187,200
France	320,822	128,710	1,869,012	2,318,544
Germany	830,258	86,497	1,541,829	2,458,584
Greece	14,983	1,140	101,000	117,123
Hungary	85,682	6,676	85,852	178,210
Ireland	43,328	650	54,757	98,735
Italy	1,128,381	n.a.	1,099,629	2,228,010
Latvia	440	n.a.	n.a.	440
Lithuania	8,971	n.a.	n.a.	8,971
Luxembourg	1,933	n.a.	14,181	16,114
Malta	250	n.a.	1,427	1,677
Netherlands	184,053	2,860	669,121	856,054
Poland	400,000	2,800	190,000	592,800
Portugal	51,391	5,500	194,207	251,098
Romania	34,373	18,999	109,982	163,354
Slovakia	26,090	2,158	16,658	44,906
Slovenia	3,428	476	3,190	7,094
Spain	646,397	8,700	588,056	1,243,153
Sweden	176,816	15,825	314,568	507,209
United Kingdom	236,000	50,000	1,347,000	1,633,000
Acceding and Candidate Countries				
Croatia	3,565	1,569	3,950	9,084
Iceland	n.a.	221	n.a.	221
TOTAL EU-15	3,874,765	325,844	8,605,750	12,806,379
New Member States	673,629	36,788	611,338	1,321,755
TOTAL EU-27	4,548,394	362,632	9,217,088	14,128,134

In Italy, the data for mutual societies and cooperatives are aggregated.

Table 6.2

Paid employment in the social economy compared with total paid employment in the EU (2009-2010), in thousands

Country	Employment in the SE	Total employment	%
Austria	233.53	4,096.30	5.70%
Belgium	462.54	4,488.70	10.30%
Bulgaria	121.3	3,052.80	3.97%
Cyprus	5.07	385.1	1.32%
Czech Republic	160.09	4,885.20	3.28%
Denmark	195.49	2,706.10	7.22%
Estonia	37.85	570.9	6.63%
Finland	187.2	2,447.50	7.65%
France	2,318.54	25,692.30	9.02%
Germany	2,458.58	38,737.80	6.35%
Greece	117.12	4,388.60	2.67%
Hungary	178.21	3,781.20	4.71%
Ireland	98.74	1,847.80	5.34%
Italy	2,228.01	22,872.30	9.74%
Latvia	0.44	940.9	0.05%
Lithuania	8.97	1,343.70	0.67%
Luxembourg	16.11	220.8	7.30%
Malta	1.68	164.2	1.02%
Netherlands	856.05	8,370.20	10.23%
Poland	592.8	15,960.50	3.71%
Portugal	251.1	4,978.20	5.04%
Romania	163.35	9,239.40	1.77%
Slovakia	44.91	2,317.50	1.94%
Slovenia	7.09	966	0.73%
Spain	1,243.15	18,456.50	6.74%
Sweden	507.21	4,545.80	11.16%
United Kingdom	1,633.00	28,941.50	5.64%
Acceding and Candidate Countries			
Croatia	9.08	1,541.20	0.59%
Iceland	0.22	165.8	0.13%
TOTAL EU-15	12,806.37	172,790.40	7.41%
TOTAL EU-27	14,128.13	216,397.80	6.53%

* Working population aged 16–65, Eurostat, 2010.

Table 6.3 Evolution of paid employment in the social economy in Europe

Country	Social Economy Employment		
	2002/2003	2009/2010	Δ%
Austria	260,145	233,528	-10.23%
Belgium	279,611	462,541	65.42%
Bulgaria	n.a.	121,300	n.a.
Cyprus	4,491	5,067	12.83%
Czech Republic	165,221	160,086	-3.11%
Denmark	160,764	195,486	21.60%
Estonia	23,250	37,850	62.80%
Finland	175,397	187,200	6.73%
France	1,985,150	2,318,544	16.79%
Germany	2,031,837	2,458,584	21.00%
Greece	69,834	117,123	67.72%
Hungary	75,669	178,210	135.51%
Ireland	155,306	98,735	-36.43%
Italy	1,336,413	2,228,010	66.72%
Latvia	300	440	46.67%
Lithuania	7,700	8,971	16.51%
Luxembourg	7,248	16,114	122.32%
Malta	238	1,677	604.62%
Netherlands	772,110	856,054	10.87%
Poland	529,179	592,800	12.02%
Portugal	210,950	251,098	19.03%
Romania	n.a.	163,354	n.a.
Slovakia	98,212	44,906	-54.28%
Slovenia	4,671	7,094	51.87%
Spain	872,214	1,243,153	42.53%
Sweden	205,697	507,209	146.58%
United Kingdom	1,711,276	1,633,000	-4.57%
Acceding And Candidate Countries			
Croatia	n.a.	9,084	n.a.
Iceland	n.a.	221	n.a.
TOTAL EU-15	10,233,952	12,806,379	25.14%
New Member States	908,931	1,321,755	45.42%
TOTAL EU-27	11,142,883	14,128,134	26.79%

Table 6.4 Evolution of paid employment in the social economy in Europe

Country	Jobs in 2002/2003		Jobs in 2009/2010		Δ%	
	Cooperatives	Associations	Cooperatives	Associations	Cooperatives	Associations
Austria	62,145	190,000	61,999	170,113	-0.23%	-10.47%
Belgium	17,047	249,700	13,547	437,020	-20.53%	75.02%
Bulgaria	n.a.	n.a.	41,300	80,000	n.a.	n.a.
Cyprus	4,491	n.a.	5,067	n.a.	12.83%	n.a.
Czech Republic	90,874	74,200	58,178	96,229	-35.98%	29.69%
Denmark	39,107	120,657	70,757	120,657	80.93%	0.00%
Estonia	15,250	8,000	9,850	28,000	-35.41%	250.00%
Finland	95,000	74,992	94,100	84,600	-0.95%	12.81%
France	439,720	1,435,330	320,822	1,869,012	-27.04%	30.21%
Germany	466,900	1,414,937	830,258	1,541,829	77.82%	8.97%
Greece	12,345	57,000	14,983	101,000	21.37%	77.19%
Hungary	42,787	32,882	85,682	85,852	100.25%	161.09%
Ireland	35,992	118,664	43,328	54,757	20.38%	-53.86%
Italy	837,024	499,389	1,128,381	1,099,629	34.81%	120.19%
Latvia	300	n.a.	440	n.a.	46.67%	n.a.
Lithuania	7,700	n.a.	8,971	n.a.	16.51%	n.a.
Luxembourg	748	6,500	1,933	14,181	158.42%	118.17%
Malta	238	n.a.	250	1,427	5.04%	n.a.
Netherlands	110,710	661,400	184,053	669,121	66.25%	1.17%
Poland	469,179	60,000	400,000	190,000	-14.74%	216.67%
Portugal	51,000	159,950	51,391	194,207	0.77%	21.42%
Romania	n.a.	n.a.	34,373	109,982	n.a.	n.a.
Slovakia	82,012	16,200	26,090	16,658	-68.19%	2.83%
Slovenia	4,401	n.a.	3,428	3,190	-22.11%	n.a.
Spain	488,606	380,060	646,397	588,056	32.29%	54.73%
Sweden	99,500	95,197	176,816	314,568	77.70%	230.44%
United Kingdom	190,458	1,473,000	236,000	1,347,000	23.91%	-8.55%
Acceding And Candidate Countries						
Croatia	n.a.	n.a.	3,565	3,950	n.a.	n.a.
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL EU-15	2,946,302	6,936,776	3,874,765	8,605,750	31.51%	24.06%

Table 6.5 Volunteers in the EU, 2011

Country	% of adult population	Number of volunteers
Austria	37%	2,638,255
Belgium	26%	2,341,994
Bulgaria	12%	784,501
Cyprus	23%	153,531
Czech Republic	23%	2,072,862
Denmark	43%	1,949,371
Estonia	30%	341,166
Finland	39%	1,740,611
France	24%	12,646,908
Germany	34%	24,065,072
Greece	14%	1,355,390
Hungary	22%	1,878,243
Ireland	32%	1,124,535
Italy	26%	13,484,222
Latvia	22%	426,628
Lithuania	24%	679,138
Luxembourg	35%	144,534
Malta	16%	55,975
Netherlands	57%	7,787,384
Poland	9%	2,914,610
Portugal	12%	1,082,532
Romania	14%	2,549,410
Slovakia	29%	1,332,145
Slovenia	34%	598,298
Spain	15%	5,867,518
Sweden	21%	1,636,160
United Kingdom	23%	11,774,457
Acceding And Candidate Countries		
Croatia	n.a.	n.a.
Iceland	n.a.	n.a.

Source: Eurobarometer/European Parliament 75.2: Voluntary work.

THE LEGAL FRAMEWORK GOVERNING SOCIAL ECONOMY ACTORS IN EUROPEAN UNION COUNTRIES AND CANDIDATE COUNTRIES AND THE PUBLIC POLICIES IN PLACE, WITH A FOCUS ON RECENT NEW NATIONAL LEGISLATION ON THE SOCIAL ECONOMY

7.1 Legislation governing social economy actors in the European Union

The institutional framework is a key factor in the size and visibility of the social economy. The statutory provisions defining this framework provide three types of recognition in this sector:

- 1) Explicit recognition by the public authorities of the different identity of these organisations, which require special treatment. Here the objective of the legal system is to institutionalise them as private agents;
- 2) Recognition of these organisations' capacity and freedom to act in any area of social and economic activity;
- 3) Recognition of their negotiating role in the process of drawing up and implementing public policies, according to which they are seen as co-decision makers and co-executors of policy.

In Europe, the different forms of the social economy do not always enjoy an adequate level of institutionalisation in these three areas.

As far as the first point is concerned, not all forms of the social economy are recognised to the same extent in the legal systems of different EU countries.

In the case of cooperatives – which are explicitly recognised in Article 58 of the Treaty of Rome as a specific type of company, and also in the constitutions of various Member States including 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 regulating all cooperatives. Indeed, some countries like Denmark, the Czech Republic and the United Kingdom lack general legislation on cooperatives, although there are some laws for specific types of cooperative, such as 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 (state and regional).

An analogous situation can be found in the differences in legal status of the forms of the social economy in Europe, as shown in tables 7.1 and 7.2. Three groups of country are identified: The first has specific legislation for SE forms; the second has some statutory provisions covering SE organisations scattered among various laws; and the third lacks any trace of legislation on forms of the SE.

Table 7.1 Legal recognition of specific forms of social economy organisation

	Cooperatives	Mutual soc.	Associations	Foundations
Austria	YES	YES	YES	YES
Belgium	YES	YES	YES	YES
Bulgaria	YES	no	YES	YES
Croatia	YES	no	YES	YES
Cyprus	YES	n.a.	n.a.	n.a.
Czech Republic	R	no	YES	YES
Denmark	YES	YES	YES	YES
Estonia	no	no	YES	YES
Finland	YES	YES	YES	YES
France	YES	YES	YES	YES
Germany	YES	YES	YES	YES
Greece	YES	-	YES	YES
Hungary	YES	no	YES	YES
Iceland	YES		no	YES
Ireland	R	no	no	no
Italy	YES	YES	YES	YES
Latvia	YES	no	YES	YES
Lithuania	YES	no	YES	YES
Luxembourg	YES	YES	YES	YES
Malta	YES	n.a.	n.a.	n.a.
Netherlands	YES	YES	YES	YES
Poland	YES	YES	YES	YES
Portugal	YES	YES	YES	YES
Romania	YES	YES	YES	YES
Slovakia	YES	YES	YES	YES
Slovenia	no	no	YES	YES
Spain	YES	YES	YES	YES
Sweden	YES	no	YES	YES
United Kingdom	R	R	YES	YES

Notes: Questionnaire question: Do the various institutional forms of the social economy have a clearly differentiated legal status, e.g. a specific law?

R: indicates that this country has some statutory provisions regulating this form of SE organisation, although it may be dispersed among various laws.

Some significant legislation has been passed in the last few years in several of the new EU Member States. They are listed in table 7.2.

7.2 Public policies towards the social economy in European Union countries

Over the last quarter of a century, a number of national and regional governments in the EU have implemented policies with explicit reference to parts or all of the social economy. 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. Examples include active employment policies involving workers' cooperatives and integration enterprises; social service policies in which associations, foundations and other non-profit organisations have played a key role; agricultural and rural development policies in which agricultural cooperatives have been involved; or references to mutual provident societies as an element of social security systems. More recently and uniquely, *policies specific to the social economy* have emerged, some centred on businesses that operate in the market and others aimed at non-profit organisations that operate outside the market, but seldom covering both.

More specifically, the principal factors determining the scope and importance of the policies implemented, and the extent and way in which the social economy features in those policies, include the social and political recognition of the social economy as an institutional phenomenon; the visibility and image of the sector in the eyes of society and policy makers in terms of the role it plays in the multi-dimensional development (economic, social, cultural) of the nation; the economic weight and history of this phenomenon; and, finally, its capacity to be a credible representative in the various processes of drawing up and implementing public policies.

One of these factors – the role that the social economy can play in the multi-dimensional development of nations – refers to a conceptual model of society and constitutes the foundation for integrating the diverse social and economic forces that coexist in a country. In this respect, there are three prevailing models of society in which the role of the social economy is systematically antagonistic.

In the first model, *traditional social-democracy*, social needs are dealt with exclusively by the state through redistribution. The social economy is considered an inheritance from the past and occupies a residual position. Social issues, therefore, appear almost exclusively as problems demanding investment by the state. This is financed by taxes on capital, which is considered the primary instrument for the production of wealth.

In the second or *neoliberal model*, the economy is reduced to the market, which is exclusively occupied by traditional for-profit businesses, and the social refers only to those who do not participate in the market economy and so constitute an insolvent demand. Here the social economy not only remains excluded from determining the key challenges of the economy, it also contributes to social and economic dualisation in two areas: in market activities, encouraging dependence and instability in the labour and production relations of growing segments of the population; and in non-market and redistributive activities, encouraging questioning of the state as the chief regulator and redistributor and favouring philanthropy, voluntary work and the informal economy (Chaves, 2005).

In the third model, the *social and economic democracy* or *plural economy* model, social needs are simultaneously addressed by the state (redistribution) and by society, the state continues to be the main regulator and redistributor and the *social economy* engages in both market and non-market activities. Under this model, encouraging engagement by the social economy calls for adequate mechanisms to evaluate its potential and limits in generating social added value on the one hand, and for important socioeconomic and institutional changes on the other (Lévesque, 1997).

Table 7.2 Other legal forms of social economy company and organisation in Europe *

Country	Others (specify)
Belgium	- Act on "Sociétés à finalité sociale" (social-purpose enterprises), 13.4.1995.
Ireland	- Credit Union Act, 1997.
Italy	- D.Legs. 155/2006 "Disciplina dell'impresa sociale" (social enterprise regulations), - Onlus (Non-Profit Organization of Social Utility), D. Lgs. n.460/1997 - Development NGO Act 49/1987 - Act 266/1991 "Legge Quadro sul volontariato" (Framework Law on Voluntary Work)
Portugal	- Misericordias DL 119/83, 25.02.83
Spain	- Sociedades laborales (Labour Companies) Act 1997, - Centros Especiales de Empleo para minusválidos (special employment centre for handicapped people), RD 2273/1985), - Empresas de Inserción (Integration Enterprises): Act 12/2001 additional provision nine, regional laws.
Sweden	- Housing associations (economic associations), 30.5.1991
Finland	- Social Enterprises, 30.12.2003 - Osuuskuntalaki (Cooperative Societies Act), 28.12.2001/1488
Greece	- Act 2190/1920 applies to 'popular companies' - Acts 2810/2000 and 410/1995 for 'development agencies'
Netherlands	- Civil Law book 2 (legal persons) dates from 1850; updated in 1992
Denmark	- Act on Housing Cooperatives and other Collective Housing Societies, updated in 2006.
Czech Republic	- Association of Common Benefits (NNO), 1995 - Association of Flat Owners, 2000
Hungary	- Non-profit companies
Latvia	- Credit Cooperative, 15.7.1993
Lithuania	- Credit Unions, 1995 - Social Enterprises, 2004
Poland	- Social Cooperatives, 2006 - Act on Social Employment for Centres for Social Integration, 13.6.2003 - Act on Public benefit activity and volunteerism for public benefit organisations, 24.4.2004
United Kingdom	- Community interest company (CIC)

* Legal status differentiated from those of cooperatives, mutual societies, associations and foundations.

Note: Questionnaire question: Do the institutional forms of the social economy mentioned in section 5 have a clearly differentiated legal status, e.g. a specific law? If so, please specify.

Table 7.3 Specific tax treatment for social economy organisations in the EU

	Cooperatives	Mutuals	Associations	Foundations
Austria	YES	-	YES	YES
Belgium	YES	YES	YES	YES
Bulgaria	-	-	-	-
Cyprus	YES	n.a.	n.a.	n.a.
Czech Republic	-	-	YES	YES
Denmark	YES	-	YES	YES
Estonia	-	-	-	YES
Finland	YES	-	YES	YES
France	YES	YES	YES	YES
Germany	-	YES	YES	YES
Greece	YES	YES	YES	YES
Hungary	YES	YES	YES	YES
Ireland	YES	-	-	-
Italy	YES	YES	YES	YES
Latvia	YES	-	YES	YES
Lithuania	n.a.	n.a.	n.a.	n.a.
Luxembourg	-	-	-	YES
Malta	YES	n.a.	YES	YES
Netherlands	YES	YES	YES	YES
Poland	-	-	-	-
Portugal	YES	YES	YES	YES
Romania	-	YES	YES	YES
Slovakia	-	YES	YES	YES
Slovenia	n.a.	n.a.	n.a.	n.a.
Spain	YES	YES	YES	YES
Sweden	-	-	-	-
United Kingdom	-	YES	YES	YES
Acceding and Candidate Countries				
Croatia	-	-	YES	YES
Iceland	n.a.	n.a.	YES	YES

Notes: Questionnaire question: Do the different institutional forms of the social economy mentioned in section 5 enjoy separate tax treatment from traditional private companies?

7.3 New national legislation on the social economy in Europe

Over the past ten years, various European countries have paid particular attention to law-making concerning the Social Economy. It has been during this time that debates over concept and definition, the subject of the legislation and policies to support this social sector have raged most strongly. Some of the most recent cases are Romania, Poland and France, where bills to regulate the SE have either not been introduced or are being hotly debated. The central point is the very definition of the field of the social economy, whether by this name or by that of social enterprises.

Its borders are delineated very differently in the three Social Economy laws in existence, two national (Spain and Greece) and one regional (Wallonia, in Belgium). The differences are even more evident when defining the field of social enterprises, for which a greater number of laws have been enacted (see Table 7.1).

Table 7.4 Legal recognition of the social economy or of Social Enterprise status

Country	Law	Name of the Law / Project of Law
Spain	YES	Social economy (2011)
Greece	YES	Social economy and social enterprises (2011)
Belgium (Wallonia)	YES	Social economy (2008, Décret régional)
Finland	YES	Social enterprise (2003)
Lithuania	YES	Social enterprise (2004)
Italy	YES	Social enterprise (2005)
Slovenia	YES	Social enterprise (2011)
Portugal	Project	Social economy (2012)
Poland	Project	Social economy (2012)
Netherlands	Project	Social enterprises (2012)
Romania	Project	Social enterprises (2012)
France	Project	Solidarity economy (failed)

The two national social economy laws currently in existence are from the two countries which are experiencing the crisis most deeply: Spain and Greece. The first is Spain's Law 5/2011 of 29 March 2011 on Social Economy and the second is Greece's Law 4019/2011 on Social Economy, Social Entrepreneurship and other provisions. In Belgium, the Walloon Parliament's decree of 20.11.2008 on the Social Economy is similar to the Spanish law.

THE SOCIAL ECONOMY IN A EUROPE AMID GLOBAL CRISIS

8.1 The social economy amid cyclical and structural crisis

The roots of the crisis that Europe has been experiencing in recent years lie in very profound political, social and economic processes, such as the effects of globalisation on national models of capitalism and welfare state models, the governability of Europe and intellectual paradigms of models of society. These elements provide the context of the crisis and simultaneously make it circumstantial, linked more to financial and economic problems and the public funding crisis, and render it more structural in nature. From either point of view, the Social Economy plays and can play an important role.

Distinguishing between a structural analysis of the economic crisis which considers it the result of the exhaustion of Fordism at the end of the 1970s and a more immediate reading which shows a series of shocks in the 1975-2012 period that neither the liberal deregulation of the 1980s nor the Keynesian support of national governments (particularly in 2007-2008) managed to curb, it is possible both to show that the SE, alongside public intervention (direct or through the social welfare system), has provided a short-term buffer against crisis, and to envisage that the SE could be part of a structural exit from crisis if features it possesses that seem to be suitable for renewing Europe's production system are put to good use.

The SE as a *buffer against the crisis*. This role is envisaged for two reasons. One is that because of its particular rules (non-profit, allocation of surpluses, double nature) the SE: – cannot be bought out because there is no market for its shares, – is difficult to relocate because groups of people are anchored in places, – is more resistant in view of its financial reserves, which they cannot be distributed to the shareholders, – is financially more flexible because of the arbitrage between immediate income and distribution of the surpluses (e.g. to shares in a workers' cooperative, to refunds in insurance cooperatives and mutual societies). Finally, the social economy pursues longer-term strategies.

The other is that because of the importance of its social commitments, the result of a mode of governance that over and above simply functioning in terms of representative democracy allows a certain consensus at times of crisis, internally the SE enjoys flexibility in working hours and salaries (restraint in small associations, weighting by the work factor in workers' cooperatives), a less hierarchical salary structure (except in subsidiaries: cf. INSEE Première of February 2012) and a certain job stability (less turnover, keeping older people at work, integrating women. Conversely, job instability does not ensure survival, e.g. home help, sports or cultural associations), while externally, because people trust it, it continues to receive donations and voluntary work, providing a brake on market recession (cooperatives have lost less ground than for-profit companies) and a brake on the restriction of public funding (provided the public mobilise behind it).

The SE as an *agent of structural exit from the crisis*. As well as the non-financialisation of SE enterprises (other than the potential drift of for-profit subsidiaries that do not follow the founding and governance principles of the SE), the SE could be considered well suited to taking a way out of economic crisis based on a new relationship – between individuals and society, autonomy and interdependence and individual and collective responsibility –which is a feature of a higher level of knowledge and innovation (in keeping with the Lisbon strategy), sometimes called the quaternary sector of the economy.

It is a knowledge economy because of its emphasis on collective learning and on competences and its internalisation of life-long learning within economic activity (beyond formal training).

It is a relational service economy because of the co-production of services between producers and users, its mobilisation of stakeholders, and the importance it places on the relationship in the transaction – cf J. Gadrey.

It is an economy of functionality, owing to the «open doors» favoured by its collective ownership alongside access associated with individual ownership, to its accent not being on the product but on the function (housing, transport, food, etc.), to the greater value added of goods by services («bunch of solutions») and to the transversality of its approach – cf Du Tertre.

It is a circular economy: the SE was a forerunner in recycling and reusing goods (paper, cardboard, textiles, etc.) and increasingly invests in energy saving, renewable energies (e.g. cooperative wind farms in Denmark, Enercoop in France), eco building and rehabilitation with a decentralised production perspective.

It is evident, therefore, that the SE plays a counter-cyclical and innovative role at the present time of economic and social disruption. However, it is also showing that it can take an active part in a new, more cooperative form of socio-economic regulation (alongside administrative and competition regulations) if the authorities recognise its particularity of combining economic development and social development rather than treating them as a hierarchy (social development as a by-product of economic development).

8.2 The social economy amid financial crisis

The key features of the financial crisis are well known: first, as capital has globalised, the power and mobility of international capital has grown, with sovereign investment funds (e.g. Kuwait's) playing a key role. This international financial setting presents regulatory challenges at the local and national level. Second, the increasing complexity of financial instruments and interlinking of financial institutions demonstrated the growing importance of regulation and certification systems (e.g. rating agencies) and peer-to-peer financial organisations, but, paradoxically, the prevailing policy has been to scale back regulation of the financial sector at national and international level. When the financial crisis exploded in 2008 it was too late.

The social economy's relationship with the crisis has been different, particularly in its financial sector. First and foremost, it was not the social economy or its financial institutions that caused the crisis: its roots lie in social values such as avarice and rivalry, both interpersonal and between social groups, that are alien to the SE. Secondly, the social economy's financial institutions have suffered

the impact of the financial crisis to a lesser extent, initially at least, as they were less exposed to the financial asset classes that caused the crisis and have more connection with economic activities that are tied to the local level. What has finally affected the financial sector of the social economy has been the length of the crisis and the rationing of credit (see Palomo, 2010). Thirdly, in the current climate of credit rationing and increasing financial exclusion the SE has demonstrated its capacity for social innovation and for responding to social demands by deploying its own alternative forms of solidarity funding, such as ethical banking or social currencies, which are not only providing credit but are also generating trust in its financial services. The microcredit banks devised by the Bangladeshi economist Mohammed Yunus, winner of the 2006 Nobel Peace Prize, are a classic example: as well as facilitating financial inclusion, these organisations have given women a voice, purchasing power and negotiating capacity in countries where their social and financial position was hitherto marginal. In Europe, examples of organisations that provide small loans to women and vulnerable social groups, or that are more conscious of ethical objectives, include ethical banks (Triodos Bank or the Italian Banca Etica), the French CIGALES (*Clubs d'Investisseurs pour une Gestion Alternative et Locale de l'Épargne Solidaire* or Investors' Clubs for Alternative Local Management of Solidarity Savings) and the CDFI (Community Development Financial Institutions). Many such organisations are members of the INAISE network.

The social economy plays a role in regulating the capital market insofar as it integrates into the financial sector large segments of the population who are excluded from the traditional banking sector, is a prime source of public funding and subsidies for people with few resources, and collectively controls financial flows generated by the work and organisations of the SE (such as salary and pension funds, ethical and social banks, credit cooperatives, and the reserves and other funds from the profitable operations of cooperatives and mutuals). Moreover, credit cooperatives have behaved in an exemplary fashion during the current recession. They are not responsible for the current international financial crisis and have not felt its impact as strongly as other financial institutions, but have instead maintained healthy balance sheets and continued to fulfil their function of providing credit and financial inclusion.

8.3 The social economy amid an economic and employment crisis

The social added value of the social economy is probably seen most clearly in its regulation of the numerous imbalances in the labour market. It is not for nothing that European governments' work and social affairs ministers are usually in charge of fostering the social economy.

Historically, the social economy has contributed to job creation and retention in sectors and businesses in crisis and/or threatened by closure, increasing job stability, bringing jobs out of the black economy into the official one, keeping skills alive (e.g. crafts), exploring new occupations (e.g. social educator), and establishing routes into work, especially for disadvantaged groups and the socially excluded (see Demoustier in CIRIEC, 2000). Over the last few decades statistical data have shown that it is a powerful job-creating sector in Europe, and more sensitive to employment than the other sectors of the economy, as can be seen from the tables below.

The social economy helps to rectify three major labour market imbalances: unemployment, job instability and the unemployability and social and labour market exclusion of the unemployed. Traditionally, workers' cooperatives and other worker-controlled or worker-owned enterprises have taken a more active role in this field. In times of crisis, faced with the critical economic

situation of the industrial enterprises in which they work, countless groups of workers have chosen to transform or reactivate these companies in the form of cooperatives in order to keep their jobs. At these times, in a context of general job losses, workers' enterprises have increased direct employment. It has been pointed out (Tomás-Carpi 1997) that employment in the social economy shows considerably less sensitivity to fluctuations in global and sector output and demand (what economists call income elasticity of employment) than the for-profit private sector during downturns in the economic cycle and product maturity stages. However, the social economy has also created significantly higher proportions of direct employment than the rest of the Spanish economy during upturns in the economic cycle, such as during the second half of the 1990s.

New social economy organisations such as social cooperatives and other voluntary organisations working in the so-called new employment fields like health and social services and educational, cultural and research services, play a very dynamic role as job creators in Europe. These organisations show an important creative capacity in the labour market, establishing routes from voluntary work into paid employment, grouping working hours, exploring new services and regulating them from an employment standpoint (e.g. recognising new professions, taking the lead in setting up collective bargaining agreements, etc.), and creating new direct employment.

No less important is the role of the social economy – especially the so-called integration enterprises, special employment centres and social cooperatives – in integrating groups with special employability difficulties, such as physical or mental handicaps or 'social handicaps', and who have been excluded from the labour market for long periods and find themselves in a vicious circle in terms of social and workplace integration, often ending up marginalised and poor. Finally, the SE has also contributed to the emergence of a strong service sector and the introduction of gender equality in the European labour market.

The impact of the crisis on employment in Europe has generally been less harsh in the social economy than in traditional private companies, as reported by the national correspondents of this study, although there are large disparities between different countries and sectors. In general, employment in the social economy withstood the first stage of the crisis (2008-2010) better than traditional private sector employment, although later, owing to the depth of the depression, social economy enterprises have also suffered net job losses.

In an international context of increasing globalisation and territorial vulnerability, the capacity to mobilise endogenous economic potential, attract foreign companies, embed the business fabric and collectively build up new synergies for the general revitalisation of local areas takes on strategic importance. In these conditions, the various kinds of cooperative (such as agricultural, worker, credit and integration cooperatives), association and other social enterprise have proved to be basic assets.

Indeed, as some of the cases studied in the preceding section of this report and many other studies illustrate (Comeau et al, 2001, Demoustier, 2005), the social economy has great potential for activating endogenous development in rural areas, regenerating industrial areas in decline and rehabilitating and revitalising degraded urban areas; in short, for contributing to endogenous economic development, restoring competitiveness to large areas, facilitating their integration at national and international level and rectifying significant territorial imbalances.

No less important is the role of the social economy in the processes of change in European society. This social sector's direct contact with society endows it with a special capacity for identifying new needs, channelling them to the authorities and traditional profit-making private enterprises and, where appropriate, creatively structuring responses.

More recently, innovative initiatives by what has been termed the New Social Economy have emerged: for example, as a result of the employment crisis in Europe, integration enterprises in their many legal forms (such as the Italian social cooperatives) have responded imaginatively to the labour market integration problems facing large groups of workers in advance of active public employment policies. Economic initiatives by citizens that aim to correct the unequal terms of international trade between rich and poor countries have arisen, such as the organisations that specialise in fair trade.

However, the social economy's potential for innovation is not exhausted by the above. In the sphere of technological innovation, especially in situations where social economy innovation systems are structured, the generation and dissemination of new ideas and innovation has had a higher rate of success. A key factor of these systems is the stable alliance between the different agents of a region involved in fostering the social economy, such as the authorities in charge of this area, universities, associations, and the business sector of the social economy itself. Some examples are Quebec, the Mondragon Cooperative Corporation and the CEPES-Andalusia system in the south of Spain. In short, the social economy is capable of deploying different types of innovation which Schumpeter identifies as: product, process, market and organisational – especially the latter, which is also known as social innovation.

8.4 The social economy amid a public sector and welfare state crisis

The crisis has had a particularly negative impact on public finances and therefore also on welfare services and the most vulnerable population groups. Beyond the factors that triggered the crisis and its impact on public finances, what we have witnessed is the re-emergence of a leading global player in international financial capitalism, euphemistically called 'the markets', with strategic allies such as the rating agencies, certain central banks such as the European Central Bank, the International Monetary Fund, and the European Commission. This re-emergence has been the result of the new way of regulating the international financial markets, where their lending role to companies, families and the public sector has been drastically modified. The consequences have been felt in the private sector, with a structural reduction in consumption and investment, and in the public sector, with the emergence of a new problem: sovereign debt. In the last two years, the implementation of structural adjustment policies in the face of the crisis, based on reforms of the labour market and a substantial reduction of the welfare state, have given new currency to old problems which were once considered resolved following years of plenty and economic stability, such as massive unemployment, job insecurity and drastic cuts in the level of cover for the needs of preferential goods and services such as health, education and social services.

The introduction of the social economy into the political and economic process allows the state to benefit from the properties of the former, resulting not only in an increase in genuine democracy but also in greater efficiency of economic policy for several reasons:

- a) owing to its greater proximity and, consequently, knowledge of social problems, needs and possible solutions, involving the social economy in the planning stage of economic policy makes it easier 'get it right' when choosing objectives and tools;
- b) owing to its greater sensitivity to the interests and needs of society, the social economy is capable of recognising new social demands more quickly and immediately developing responses. The state can benefit from this pioneering activity;
- c) owing to its private nature and social sensitivity, it can broaden the scope of public action wherever this presents limitations for different reasons. Two examples illustrate this phenomenon. The first is that of health and education services targeted at illegal immigrants: these services cannot be undertaken by government until rules are changed, even though society approves of them. The second is the case of economic action by the state which, although statutory, is not accepted by society (or by groups within that society) because the power is deemed unlawful (e.g. the British government in areas of Northern Ireland). In both examples the mediation of the social economy enables the state's limits to be surpassed;
- d) owing to its capacity to foster involvement and joint responsibility in society, involving the social economy in the political and economic process makes it possible to increase the degree of acceptance of economic policy measures, as parties involved in drafting and implementing such measures accept them as their own; this enables the state to marshal more resources than it would be able to by itself and makes it possible to open up new opportunities for implementing efficient policies to re-launch demand in open economies, especially when they are carried out at local level with neighbourhood services at their centre;
- e) finally, cooperation between the state and the social economy, given the way the latter allocates and distributes resources, can provide a guarantee to the former that public funds earmarked for various policies, especially social policies, will not be diverted and appropriated by private interests (Vienney, 1994).

One of the most visible and important roles of the social economy in Europe has probably been that of contributing to social inclusion in the context of growing exclusion. This role is set to increase in the coming years.

One of the main challenges that European society has had to face has been the struggle against social and employment exclusion in a society in which social integration is principally achieved through paid employment. The latter affords people not only economic independence but also dignity, participation in society and access to services and facilities. For this reason, those chiefly excluded have been the social groups within the population that are less competitive, for reasons of ability, qualifications or culture, such as the physically or mentally handicapped, the long-term unemployed and certain minority groups (e.g. ethnic minorities, immigrants).

In this situation, complementing and, above all, paving the way for public action in the struggle against social exclusion, the social economy has demonstrated a great capacity for social and labour integration of clearly disadvantaged people and geographical areas. This has been

especially evident in the case of associations, foundations, integration enterprises and other social firms, which have reduced levels of poverty and exclusion (CIRIEC, 2000; Spear et al., 2001).

In a context of great social and economic transformations, the social economy is also providing answers to the new forms of exclusion surrounding access to services and activities, such as financial exclusion and consumer exclusion. It also constitutes a channel whereby social groups that are having difficulty in getting their needs attended to can participate in public life. Via the social economy, therefore, society has strengthened its democratic culture, boosted its degree of social participation (RedESMED, 2004) and managed to give a voice and negotiating capacity to social groups that had previously been excluded from the economic process and from the process of drafting and implementing public policies, especially those formulated at local and regional level.

This role of the social economy is fully convergent with the European Social Model. Historically, this model has been characterised by its aim of guaranteeing high levels of welfare and social, economic and political integration for all Europeans through both public and private mechanisms. It is a concern that continues to feature on the agenda of the enlarged EU, as shown by the Strategy for Social Cohesion, approved by the Council of Europe Committee of Ministers in 2000 and revised in 2004. It defines social cohesion as the capacity of society to ensure the welfare of all its members, minimising disparities and avoiding polarisation. It distinguishes four dimensions of welfare: equity in access; dignity and recognition; freedom and personal development; and participation and involvement. The social economy helps to make social cohesion a competitive factor.

The SE could play an even more important role in the future, bearing in mind the limitations that the State is encountering in providing social welfare related goods and services and the limitations and imbalances of private sector provision.

CHAPTER 9

EUROPEAN UNION POLICIES AND THE SOCIAL ECONOMY, WITH A FOCUS ON THE EUROPE 2020 STRATEGY: FACTS AND IMPACT

9.1 The social economy in European Union policies: facts and perception

The attention paid to the social economy 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 social economy in the social and economic development of Europe, including its position as a cornerstone of the European Social Model, has progressively been gaining recognition.

The long march towards institutional recognition of the social economy and the formulation 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 the establishment through statutes of a European legal basis for cooperatives, associations and mutual societies, and with the creation of the Social Economy Unit in European Commission Directorate-General XXIII. During that decade, two community institutions, the Parliament and the European Economic and Social Committee (EESC), released a succession of reports, proposals and resolutions highlighting the social value added by the social economy, and in both cases culminating in a landmark report. The Parliament released reports on such topics as the contribution of the cooperatives to regional development (Avgerinos), the role of cooperatives in building Europe (Mihir), and cooperatives and cooperation for development (Trivelli), while the resolution proposed by Eyraud, Jospin and Vayssade (1984) invited the Council and the Commission to examine the possibility of establishing a European Law of Associations. For its part, in 1986 the EESC sponsored a European Social Economy Conference, together with the Coordinating Committee of the Cooperative Associations of the Community (CCACC), and published the first European study on cooperatives, mutual societies and associations.

From 1989 there were successive advances and certain setbacks in the recognition and implementation of policies concerning the social economy. As mentioned above, the first civil service body to specialise in the social economy was the Social Economy Unit in Directorate-General XXIII, created by the European Commission in 1989 during the Presidency of Jacques Delors. Its brief was very ambitious, given the meagre financial and human resources available:

- take initiatives to strengthen the cooperatives, mutual societies, associations and foundations sector;
- prepare European legislation for cooperatives, mutual societies and associations;
- analyse the sector;
- ensure the coherence of EU policy affecting the sector;
- liaise with existing representative federations;

- establish relations with those parts of the sector that are unorganised;
- raise awareness of the cooperatives, mutual societies, associations and foundations sector among decision-makers;
- assess the problems the sector faces;
- represent the Commission on relevant matters to the other EU institutions.

The Unit was restructured in 2000, when its responsibilities were divided between two Directorates-General: DG Enterprise and Industry, where DG Enterprise Unit B3 – "Crafts, Small Enterprises, Cooperatives and Mutuals" was created, concentrating particularly on the "business aspects" of cooperatives, mutuals, associations and foundations; and DG Social Affairs, with responsibility for associations and foundations.

Together with the aforementioned unit, two EU institutions have been important champions of the social economy:

- the European Economic and Social Committee (EESC), a European Union consultative body. In its Group III it has representatives of the social economy, who 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, which was disbanded and then revived in 2005.

Another body was the Consultative Committee of Cooperatives, Mutuals, Associations and Foundations (CMAF). Set up in 1998, its function was to give its opinion on the different matters concerning the promotion of the social economy at EU level. This Committee was abolished in a Commission restructuring in 2000, but at the initiative of the sector organisations the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF) was immediately set up as a European platform to liaise with the European institutions.

When implementing measures, the EU institutions keep encountering a two-pronged problem with regard to the social economy: its inadequate legal base and its insufficient and generalised conceptual definition, contending between a lack of explicit references in the basic EU texts (Treaty of Rome and Treaty of Maastricht) and a definition (if any) based on legal form rather than the activities being conducted, and a multiplicity of terms (the third sector, civil society, etc.) that hinder consensus on the term to be employed.

In terms of legal recognition and visibility for the social economy, the main advances have been as follows:

- European Conferences organized by presidencies of the Council of the European Union or within the framework of a presidency;
- Successive EESC opinions, initiatives and opinions of the European Parliament Social Economy Intergroup, and in some cases also those of the Committee of the Regions or even the Commission itself, have contributed to the visibility of the social sector and its components;
- The European Observatory for SMEs focused its sixth report (2000) on associations and foundations;
- The Statute for a European Cooperative Society, which aims to harmonise and favour internationalism, as well as giving institutional support to certain European business initiatives, is proving to be a positive example in both the new EU Member States and in countries where special legislation for cooperatives is lacking, such as the United Kingdom and Denmark;

- The recent approval of the regulation on social clauses;
- An increasingly favourable policy towards social enterprises.

The objectives to which the social economy is linked are essentially employment, social services and social cohesion, and therefore appear above all in two major lines of public policy: social and work integration policies, and local development and job creation policies. The EU institutions' interest in involving the social economy in these objectives constitutes a fundamental step forward, although it does reveal a narrow view of the SE's potential and the benefits that it could bring to the European economy and society, as discussed in Chapter 9 of this report.

A European budgetary policy specifically for the social economy has not gotten off the ground. Both of the two attempts so far have been unsuccessful. The first 'multi-annual programme of work for cooperatives, mutual societies, associations and foundations in the Community' (1994-1996) was intended to promote the European social economy through specific transnational projects and by taking it into account in EU policies (statistics, training, research and development). Approved by the European Parliament with a budget of EUR 5.6 million, it was rejected by the Council. The second proposal for a multi-annual programme for the social economy met the same fate. The discord between the Council and the Parliament can be seen in the 'Social Economy budget', which was scrapped in 1977 by the former and reinstated by the latter.

Participation of the social economy in EU budgetary policy has taken place within the framework of employment and social cohesion policy, specifically the pluriannual budgets to promote SMEs and employment, such as the ADAPT initiative, the EQUAL initiative for social and work integration and the Local Action for Employment and Local Social Capital programmes; this participation has also taken place through the European Social Fund (ESF) in the form of measures to support local initiatives (sub-measure 10b), which make explicit reference to the role of the social economy. These explicit references are part of how the social economy is recognised within the Lisbon Strategy framework for employment and local development.

These programmes have had a wide-ranging structuring effect, both nationally and internationally, in joining up and strengthening the European social economy in terms of federations, networks, research, culture and policies. The EQUAL programme is particularly important: it supports projects involving social economy entities, such as strengthening the national social economy (third sector), especially services for local communities, and improving the quality of employment. Its projects also include lectures and debates, which are crucial for disseminating the concept. It is having a decisive impact in countries like Poland, Ireland and Austria.

At the initiative of the European Parliament, in 1997 the Commission set in motion an important pilot scheme entitled The Third System and Employment – the only substantial one specifically directed at the social economy – with a view to exploring and promoting the potential of the third sector in terms of employment. Put into operation by the Directorate-General for Employment and Social Affairs through to 2001, it initiated 81 projects amounting to almost EUR 20 million. It was not continued.

It is hoped that these positive effects will also be seen in the new EU Member States. In this way, the social economy will contribute to building Europe and to the European project.

Within the architecture of European policies, it is important to underline the central role of national governments in transposing EU policies within the Member States.

Some initiatives have also been launched by the Enterprise Directorate-General (Hypsman, 2003): in 2000 the Commission set up an enterprise policy group in the Enterprise Directorate-General to advise the Commission on all matters concerning this area. This institution, a think-tank and debate and consultation body composed of high-level specialists from the business sector and representatives of the Member States, is responsible for examining general enterprise policy questions and helping the Commission to publicise good practice. It includes representatives of the social economy. Its agenda has included green papers on entrepreneurship and the social responsibility of businesses, as well as a report on factors determining business competitiveness.

The timid advances in terms of recognition and policy implementation at EU level contrast with two issues that occupy a central position in the EU agenda and policies: first, the barriers created by antitrust policies, under which cooperative activities are viewed as 'agreements', or practices that restrict competition, that therefore require prohibition; and second, the current review of state support policies and funding for services of general interest: the only beneficiaries that are not called into question are social clauses and non-profit associations.

9.2 The social economy in the Europe 2020 Strategy

In the first half of 2010, when it looked as though the worst of the current economic crisis was over, the European Commission launched the Europe 2020 strategy to achieve sustainable recovery by energetically and resolutely tapping all our society's strengths and potential. The 2020 Strategy sets out three core priorities: smart growth (developing an economy based on knowledge and innovation), sustainable growth (promoting a more resource efficient, greener and more competitive economy) and inclusive growth (fostering a high-employment economy delivering economic, social and territorial cohesion). Five specific targets were set as indicators of these priorities: increasing the employment rate from 69% to 75%; investing 3% of GDP in R&D; reducing the greenhouse effect, developing renewable energies and increasing energy efficiency; reducing the school drop-out rate; and reducing the number living in poverty by 25%. Two years on, in mid-2012, these targets are further off than they were in 2010. Poverty and unemployment in the European Union have risen (25 million unemployed) and social and territorial cohesion have not progressed. Moreover, government policies to balance the budget at all costs are reducing social transfers and income redistribution and seriously threatening the Welfare State. Naturally, they also make it more difficult to return to the path of smart, sustainable growth.

What part can the social economy play in achieving the Europe 2020 strategy targets? The most recent studies and research, as well as empirical evidence, show the social economy's potential for achieving these objectives. The organisational structure of social economy enterprises and their value system explain the fact that their objective functions are a plural matrix which integrates economic and social objectives and makes them compatible with each other, so all social economy enterprises produce important macroeconomic and social benefits for society.

As regards smart growth, it has been shown that the social economy contributes to the development of an economy based on knowledge and innovation. The potential of the social economy is evident in all its organisational forms and economic activities. There are many examples of organisational or social innovation by cooperatives and other similar enterprises in industry, agriculture, services and the financial sector. In the latter, ethical banking and microcredits have proliferated and have had an extraordinarily positive social impact.

There are remarkable innovation systems linked to specific geographical areas that fuel their own innovation chains, as in the Italian cooperative consortia, cooperative agri-food chains in a number of European countries or the well known example of the Mondragón cooperative group in Spain. The latter's innovative governance model – more participative and democratic – and its workers' greater commitment to the company as a result of shared ownership have been shown to create competitive advantages in the marketplace that help it withstand the economic crisis better.

In terms of sustainable growth, social economy enterprises have value systems that translate into solidarity with their surroundings, internalising social costs and generating positive externalities. In the case of cooperatives, which accumulate indivisible assets and apply the "open doors" principle, solidarity is also exercised over time, down the years, as these funds provide future generations with productive wealth that enables them to follow a path of sustainable growth. The Mondragón group is a good example. Unlike capital-based companies that often relocate their production, impoverishing the areas they leave, in the past 4 years the Mondragón cooperatives which have internationalised, employing multi-location production strategies, have seen net employment in their factories in the Mondragón area itself rise by 10%.

As regards employment targets, the empirical evidence proves that the social economy contributes effectively to combating unemployment, job instability and social and work exclusion among vulnerable groups. In Spain, for instance, the European country with the highest unemployment rate, employment in cooperatives fell by 9% between 2008 and 2012 while salaried employment in the private sector as a whole fell by 19%, over twice as much. In other countries such as Italy, worker cooperatives have maintained high employment levels, far higher than in traditional private companies, during the recent years of crisis.

In the specific area of combating poverty and social exclusion, the rise of social enterprises has been remarkable, not only in Northern and Southern Europe but also in the new EU member states in Central and Eastern Europe. It should be remembered, however, that it is not only social enterprises but all social economy enterprises, whatever their line of business, that make an effective contribution to inclusive growth. The social usefulness of social economy enterprises does not arise out of their specific production activity but out of their organisational system and values, in that the rights of the person prevail over those of capital and mechanisms are in place to ensure the equitable distribution of the income and wealth they generate.

It is evident that the social economy as a whole is performing an indispensable role in building Europe and can contribute to the priorities of smart, sustainable and inclusive growth. However, the measures that the European Commission has taken so far to support it have been reductionist, limited to social enterprises. Ignoring the enormous potential of the social economy as a whole, they have excluded most SE enterprises from official initiatives to promote the collective entrepreneurship that is typical of this sector.

9.3 Recent European Union initiatives concerning the social economy

It was not until early 2011 that the social economy or, more precisely, social enterprises, really became part of the European Commission's agenda. There are a number of reasons why this happened: the depth of the economic crisis and increasing questioning of the European institutions helped to lead the Commission to seek alternative solutions; a new wave of social and institutional demands – such as the European academic world's "FROM WORDS TO ACTION: Supporting cooperative and social enterprises to achieve a more inclusive, sustainable and prosperous Europe" open letter of October 2010, the European Parliament's 2009 Resolution on the social economy (the Toia report) or the European Economic and Social Committee Opinion on the "Diverse forms of enterprise" – required the Commission to pay greater attention to the social economy. The application of the Small Business Act adopted in 2008 needed to be reviewed, leading to interest in social businesses; and finally, but no less importantly, there were circumstantial factors such as certain European policy makers' noticing the exceedingly high profile of social enterprises.

The Commission's new attitude was influenced by two different vectors:

On the one hand, on 23 February 2011 the Commission issued a Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions that reviewed the «Small Business Act» – SBA – for Europe (COM(2011) 78 final). Its general aim was to take stock of the application of the SBA and assess the new needs of European SMEs in the current economic climate. This Communication specifically cites the «social economy» and pledges the Commission to «adopt, by the end of 2011, a Social Business Initiative focusing on enterprises pursuing social objectives.»

As a result, on 25 October 2011 the Commission issued a new Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: the «Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation» (COM(2011) 682 final). At the same time, on 26 October, the European Economic and Social Committee issued an Opinion on «Social entrepreneurship and social enterprise».

Moreover, on 13 April 2011 the Commission issued a new Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: the «Single Market Act», Twelve levers to boost growth and strengthen confidence, «Working together to create new growth». Number 8 of these levers is Social Entrepreneurship, identified with the social economy. Its aim is «to promote the development of businesses which have chosen – above and beyond the legitimate quest for financial gain – to pursue objectives of general interest or relating to social, ethical or environmental development».

CHAPTER 10

CHALLENGES AND CONCLUSIONS

10.1 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: cooperatives, mutual societies, associations, foundations and other similar companies and organisations.

The citizens' associative movement is experiencing considerable growth by promoting solidarity business initiatives directed towards producing and distributing merit or social goods. Steadily greater collaboration between the associative and cooperative 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 re-emphasised 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 establishing a reputation as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activities serving social needs, correcting labour market imbalances and deepening and strengthening 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.

10.2 The necessary conceptual identification of the social economy

A challenge that the SE needs to urgently address is 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 identity, 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 others.

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 Manual for drawing up Satellite Accounts of***

Companies in the Social Economy, which, in turn, corresponds with the definitions formulated in the recent economics literature and by SE organisations themselves.

10.3 Legal identification of the social economy and recognition in 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, along with some of its constituents, progress needs to be made on statutory definition of the scope of the SE and the requirements that its parts must fulfil in order to prevent an overly vague definition of its characteristic 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 demonstrated 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 that draw attention to the SE's evident contribution to achieving major economic policy objectives.

The *Manual for drawing up the Satellite Accounts of Companies in the Social Economy* recently released by the European Commission is an important step towards institutional recognition of one part of the SE in national accounts systems. The manual explains the methodology by which reliable, harmonised statistics can be drawn up across the EU within the National Accounts framework (the 1995 ESA) for five major groups of SE companies: a) cooperatives, 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 faces a dual challenge in this field. First, 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.

Second, 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 NPI Handbook covers 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 non-profit sector statistics drawn up in accordance with the handbook.

10.4 Coordination between social economy 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 binds the SE suggest the necessity and advisability of wholehearted efforts to achieve associative coordination of the entire SE, both at national level and internationally 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.

10.5 The social economy and social dialogue

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

The SE has become a major institution of civil society that contributes significantly to the organisation of its associative fabric and the development of participatory democracy. At the same time, however, the SE is a powerful economic and social actor with specific characteristics that do not align with the classic employer/employee dichotomy, 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 that agreed public policies (particularly income policies) were government, employers' organisations and trade unions. Nowadays, however, the economy has become more plural, requiring direct participation in the social dialogue by all sectors involved: employers' federations, trade unions, government 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 reality at the start of this century.

10.6 The social economy 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 vôûte du modèle social européen*).

As a result, even more than before, the Member States and the European Commission must make concrete commitments to make the SE not just an effective instrument for achieving particular policy objectives in the general interest, but also an objective in its own right (i.e. cooperativism,

mutualism, associationism and general interest initiatives by civil society), 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, trade unions, universities and other organisations that represent civil society.

10.7 The social economy 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 increasingly 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 their activities. Without delay, SE actors need to develop 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 products and processes and giving impetus to training and knowledge development policies must feature prominently among their competitive strategies.

10.8 The social economy, the new, enlarged European Union and the development of an integrated Euro-Mediterranean space

The EU places great importance on the objective of forging an integrated European space where social and economic inequalities between the EU-15 and the 12 new Member States in Eastern and Southern Europe are diminished and eliminated as soon as possible. Among other consequences, these inequalities have triggered large-scale 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 the Mediterranean need to consolidate strong democratic states, and the productive fabric of civil society in the southern rim countries needs to be strengthened.

In these countries, high population growth and other structural factors are preventing 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, SE actors can play a major role in both integrating the immigrant population and developing trade flows within the EU and between Europe and the southern shores of the Mediterranean.

10.9 The educational system, research and networks, universities and the social economy

The EU's education systems are set to play an important role in fostering entrepreneurial culture and democratising the economy through training projects that stimulate entrepreneurial initiatives based on the values that characterise the SE. In turn, the development of new products and innovative processes by SE companies require them to boost cooperation with 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.

10.10 Social economy identity and values

The new SE is taking shape in the EU as a *pole of social utility* in a plural economy system, alongside a public sector and a profit-driven private 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, SE actors need to deepen their understanding 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 list 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 enlargements of the EU.

In this new phase and new social economy, all the prominence and the responsibility for defining its specific profile and the strategic objectives it should adopt in order to play a leading part in building Europe, rightfully fall to actors in the social economy themselves.

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