

MEMORANDUM

2014 European Elections





A stylized graphic of the European Union flag, consisting of a blue circle with a white arc of yellow stars.

THE IMPORTANCE OF SOCIAL ECONOMY

A large, solid blue semi-circle that serves as a background for the text block.

Social economy is a very important reality in Europe providing paid employment to over 14.5 million Europeans and representing about 6.5% of the working population of the EU. In countries such as Belgium, Italy, France, Spain and the Netherlands it accounts for between 9% and 11.5% of the working population. Particularly in the current period of economic and social crises, social economy is able to bring innovative solutions for social cohesion and inclusion, job creation, entrepreneurial spirit, growth and the promotion of active citizenship.

Social economy actors are deeply rooted in the local realities and able to interpret emerging social needs and provide adequate solutions. Historically, they have contributed to job creation and established routes to work for disadvantaged groups, reinvesting their surpluses in the community. It is precisely for its positive impact on the society, the environment and communities that social economy has been recognized by EU Institutions as a key actor in implementing the Europe 2020 Strategy and the aim of the Single Market Act for a “highly competitive social market economy”.

ABOUT SOCIAL ECONOMY EUROPE



Social Economy Europe, the EU-level reference network for the social economy wishes to encourage all political parties to support the creation of an enabling environment for social economy, to the benefit of all European citizens. Unless a level-playing field for social enterprises is established, with legal, administrative and financial instruments conducive to the development of the sector, the potential of the social economy will not be unleashed.

Social economy actors are guided by a mission that provides new solutions and generates positive impact on the society, the economy and the environment. For ages social economy actors have been developing and managing services and products that satisfy the specific needs and interests of a community. Social economy actors can be defined on the basis of three markers:

- The primacy of the person and the community purpose
- The democratic governance and inclusiveness
- The collective ownership of the profits and surpluses which are reinvested

The European elections of 2014 are the opportunity to put in place actions tapping into the potential of social economy to face important challenges of the society. In this respect, the European Parliament and other EU institutions have a decisive part to play in ensuring that these demands are fully heard and acknowledged by all European institutions and are reflected in European policies that meet the needs and concerns of all European citizens.



SOCIAL ECONOMY, A GOVERNANCE MODEL FOR THE EUROPEAN UNION

Social economy represents 2 million enterprises (i.e. 10% of all European businesses) and employ over 14 million paid employees (the equivalent of 6,5% of the working population of the EU). Out of these, 70% are employed in non-profit associations, 26% in cooperatives and 3% in mutuals. These enterprises come in all types and sizes, from SMEs to international companies, and they are very active in all economic sectors.

The main families of social economy (cooperatives, foundations, mutual societies and associations) are organizations set up by citizens to serve the general interest of their community and managed with democratic and participative decision-making processes. In Europe, there are 123 million members in 160.000 co-operative enterprises providing jobs to 5,4 million European citizens. Cooperatives are active 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. Health and social welfare mutuals provide assistance and cover to over 120 million people. Insurance mutuals have a 23.7% market share. Associations accounted for over 4% of GDP and a membership of 50% of the citizens of the European Union.

Social economy is a school of thought which integrates the constraints of the economy, the internal market and social considerations. As stated in the Single Market Act "the social economy and social enterprises are key actors in delivering social innovation, inclusiveness and trust. Harnessing confidence in the Single Market and strengthening the social market economy demands highly responsible and innovative companies which can make a positive impact on society and the environment". It is precisely for its positive impact on the society, the environment and communities that social economy has been recognized by EU institutions as a key actor in implementing the Europe 2020 Strategy and the aim of the Single Market Act for a 'highly competitive social market economy'. These conditions – promotion of active citizenship, inclusiveness and trust – are essentials to improve social capital in our society.

Social Economy Europe believes that the roots of the recent crisis also lie in a problem of governance and in the primacy of strictly economic concerns over human, social and environmental objectives. While the social dimension is among the main pillars of the EU, it is challenged because of the crisis and the need to promote growth policies to foster job creation and investment in social policies. Social economy can play an important role in the shaping of EU policies and in correcting these inequalities and imbalances because it is organised around a management model based on democracy, equitable distribution of profits and reinvestment in the interests of the community. Moreover, it can provide solutions on economic and social matters, meeting the needs and expectations of a large number of people. It is this human-centred approach, putting people and the environment before profits, which should be brought into the centre of EU governance principles.

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SOCIAL ECONOMY EUROPE therefore calls on the European institutions:

1. To set up a new European Parliament Social Economy Intergroup

The Intergroup of the European Parliament provides an important forum for dialogue with the objective of promoting exchanges between MEPs, social economy actors, European Commission officials, civil society representatives and other relevant stakeholders on EU policies and legislation related to social economy. Since 1990, the social economy intergroup has provided up-to-date information on EU policies and legislation linked to the social economy and played a significant role in the EU democratic process. In the last parliamentary term, the regular hearings of the Intergroup contributed to the work on important European Parliament's reports relating to social economy, including the work of H. Becker MEP, S. Giegold MEP and P. Toia MEP. In addition to that, the Intergroup enhanced inter-institutional cooperation, for instance on the work on European Economic and Social Committee opinions such as the "Social entrepreneurship and social enterprise" of Rapporteur Ariane Rodert.

2. To maintain and to foster within the European Commission a dedicated unit or a transversal department in charge of social economy issues

Social economy is dealt with as a transversal issue by the Commission across several of its General Directorates. Within the DG Enterprise and Industry, the D/1 Entrepreneurship and Social Economy unit only partly covers social economy issues. DG Internal Market and Services integrates the social economy in the context of its work on "Business environment" - more specifically on the "social business initiative" - and on Investment Funds - particularly on Social Investment Funds. DG Employment, Social Affairs & Inclusion works on issues related to social economy in the framework of "Europe 2020 initiatives" and setting up of the European platform against poverty. SEE believes that the plethora of concepts and different overlapping frameworks used by several DGs for promoting social economy is a source of confusion.

3. To present and to advance on the basis of a clear roadmap for the creation of European statutes for foundations, mutual societies and associations

Social economy primarily allows combining economic efficiency and direct social benefits to individuals and the community. Unlike other, i.e. stock-owned, companies, they put people before profit and allow only limited profit distribution, while promoting democratic governance. Social economy enterprises should be allowed to operate in the internal market on equal footing with the other forms of enterprise. Social economy can thrive and develop its full potential only if a legal framework with suitable political, legislative and operational conditions is introduced at EU level for all families of social economy, i.e. co-operatives, mutuals, associations and foundations.

4. To define a European Action Plan for the development of social economy enterprises

Social Economy Europe proposes to work together with the EU institutions in defining a European Action Plan for the development of the social economy sector, to promote social economy and social economy enterprises and to streamline EU policies to provide clarity for the social economy sector. Such Action Plan enables social economy actors to actively participate in the definition of EU policies with impact on job creation, entrepreneurship, social cohesion, territorial development, social inclusion and business development.

PROMOTING SOCIAL ENTREPRENEURSHIP AS AN INTEGRAL PART OF SOCIAL ECONOMY



SOCIAL ECONOMY EUROPE considers that social economy and social economy actors deserve a comprehensive and consistent policy at European level according to its strong presence in society and the institutional recognition by the European Institutions. More than 200 documents of the European Parliament, the European Commission and the European Economic and Social Committee have recognized the contribution to the European project and the need to take social economy into account in all social and economic policies.

SOCIAL ECONOMY EUROPE also believes that most of the instruments proposed at EU level for strengthening social entrepreneurship such as social innovation, social investment funds, corporate social responsibility and measurement of social impact constitute new phrasing for something already existing within the long tradition of social economy.

Today, social economy is at a crossroads. Social entrepreneurship, as integral part of the social economy, has been a major issue among the initiatives launched by DG Internal Market and Enterprise to promote a “social market economy, highly competitive.” The Commission has chosen to place the social economy and social innovation at the heart of its concerns, both in terms of territorial cohesion as well in research, innovative solutions to societal problems - particularly in the fight against poverty and social exclusion.

Moreover, special attention is now placed on measuring the impact of social enterprise to demonstrate its value for economic recovery and social re-design. Although these initiative marks important steps forward in terms of recognition of the role of the social economy, several risks arise:

- The risk of trivializing the social enterprise. The concept that any business can claim to be a social enterprise can cause a race to the bottom.
- The danger of measuring the effectiveness and efficiency of social enterprises by focusing on immediate and quantitative results rather than focusing on the impact on the individual, the society and on the environment.

- The tendency towards the privatization of the public services and the perspective that the market and the private initiative can solve all social problems.

SOCIAL ECONOMY EUROPE therefore calls on the European institutions:

5. To ensure that an adequate and meaningful methodology is put in place for the social impact measurement, including the stakes of social economy actors, public authorities, beneficiaries and classical financial actors.

The evaluation and measurement of social impact should serve to justify first and foremost the relevance of the action of social enterprises internally as well as externally towards various stakeholders (users, public authorities, employees, funders, etc.). Secondly, measuring the social impact means mitigating the risk of benchmarking and paying attention to the extra-financial performance, namely qualitative and social analyses such as social utility, social return on investment and positive externalities and democratic governance. Thirdly, measuring and evaluating the social impact should be done not only at micro level, but also on a macro or societal level as well.

6. To ensure that social innovation is fostered in a way to constantly improve the services and provide solutions adapted to the needs of the society.

Greater attention should be paid to having a broad social purpose and to benefitting the society in general in order to promote the largest possible social inclusion. In addition to this, social innovation should be considered as characterized not only by the problems it seeks to solve and the results it achieves, but also by its “process.” It is therefore important to make sure that the innovative solutions stem from participatory and democratic processes. Social economy has a wealth of expertise to offer in providing innovative and sustainable solutions for the society.

7. To draw on the good examples and practices of Corporate Social Responsibility of social economy, knowing that social economy entrepreneurs are responsible in all aspects of their entrepreneurial activity.

Social economy enterprises integrate the social and the economic constraints along with a respect for the environment and for principles of good governance and inclusion. Social economy enterprises should be a source of CSR best practices and a reference in the implementation of concerned policies at European level.

8. To enhance the involvement of social economy actors in the programming and implementation of the Structural Funds 2014-2020.

Due to their very nature, social economy organizations are rooted in the local reality and able to interpret local development needs and therefore contribute to actual development strategies which contribute to social inclusion and social cohesion. The European Institutions have included in the new program for structural funding a specific priority to support social business from 2014 but it will be up to Member States to decide how to implement it. Ensuring a bottom-up approach involving all the key players and especially social economy actors is therefore crucial in order to live up to the expectations of an inclusive, sustainable and smart growth of the EU2020 strategy.

SOCIAL ECONOMY, FOR UNIVERSAL ACCESS AND HIGH-QUALITY SOCIAL SERVICES OF GENERAL INTEREST



Social economy actors provide essential services to the local communities including social services of general interest. Social economy is active in domains such as social security, social and health services, access to and reintegration into the labour market and the care and social inclusion of vulnerable groups, insurance services, local services (maintenance, cleaning, repair and renovation jobs for housing and green spaces, social transport), education, training and research, culture, sport and leisure activities, social tourism, energy, consumers, the residential environment and cooperative housing.

Social Services of General Interest (SSGIs), often developed and provided by social economy actors are a major feature of the European Social model and an indispensable element for reaching objectives of growth in the context of Europe 2020. As the President of the European Commission J.M. Barroso said in his State of the Union speech in 2012:

“It is precisely those European countries with the most effective social protection systems and with the most developed social partnerships that are among the most successful and competitive economies in the world.”

SOCIAL ECONOMY EUROPE welcomes many of the steps undertaken by the European Commission on the social dimension such as the introduction of a Social Investment Package in order to provide guidance to Member States to invest in “social policies, services and cash benefits that both activate and enable”. Also OECD and IMF reports indicate that the key priorities for growth are education and social expenses which both contribute to maintain a healthy and skilled working population. On the other hand it would like to warn against:

- The tendency of considering social expenses as an investment where the return on it is more important than the social gains
- The tendency to promote short-termism in social policies where the selectivity is more important than the universalism in the provision of social services.

SOCIAL ECONOMY EUROPE refers to the Charter of fundamental rights (in particular art.34 social security and social assistance) and art.9 TFEU of the Lisbon treaty which states that :

“In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.”

The interest of European citizens is to uphold social policies that lead to high-quality social services of general interest for all and that the public interest prevails over the logic of mere profitability.

SOCIAL ECONOMY EUROPE therefore calls on the European institutions:

9. To ensure that in the implementation of the Social Investment Package the societal benefits and the public interest have the priority over the logic of profitability and of selectivity in the provision of social services.

In order for social investment to be a driver of economic growth, inclusion and inequalities reduction, it should address all citizens and not only vulnerable groups. Only long-term and high-quality social investment for all can make a difference in reaching the goals of social progress.

10. To secure an appropriate legal and policy framework including suitable financing for social services of general interest, especially in times of crisis.

The European Commission has provided a 2013 Guide, covering the three main sets of EU rules applying to SSGIs (State aid, public procurement and internal market rules) to help public authorities better understand and apply EU rules. It is comprised of concrete questions with answers, inspired by the questions that the Commission officials receive through the Interactive Information Service and through their regular contacts with public authorities, service users and providers and other civil society representatives and stakeholders. Social Economy Europe believes that only a proper legislative framework on SSGIs would eliminate uncertainties and guarantee through juridical cases of the European Court of Justice the right investment in social services.

11. To take into account the specific characteristics of social economy actors in providing social services of general interest as regards especially the application of public procurement and state aids rules.

SOCIAL ECONOMY EUROPE suggests maximizing societal benefits in both public procurement and state aids rules by always selecting the provider that can best fulfil a mission of general interest.

SOCIAL ECONOMY IN THE EUROPEAN UNION: FINANCIALLY SUSTAINABLE WHILE SERVING SOCIAL NEEDS



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

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