

solidar

ITALIAN PRESIDENCY CONSULTATION SOCIAL ECONOMY

UNLOCKING THE POTENTIAL OF THE SOCIAL ECONOMY FOR EU GROWTH

QUESTIONS FOR PUBLIC CONSULTATION

1

Much as biodiversity is important for the environment, there is increasing evidence that markets and society benefit from having a diversity of enterprise forms. What is the unique contribution that social economy enterprises bring to the European continent in terms of social and economic development? In what ways do they help address the needs of European citizens beyond what the public sector or other enterprise types can do (e.g. provision of additional social or general interest services, mobilization of additional entrepreneurial resources on the part of individuals that are not motivated by profits, more inclusive employment opportunities, recuperation of failing enterprises, etc.)? What is their importance for the growth of citizen participation in the economy and society? Are these contributions sufficiently well known and recognized?

SOLIDAR

The social economy is an essential pillar of the European social model and its actors play an important role in maintaining social services and in overcoming economic and social crises; in recent years 3.5 million new jobs have been created in the social economy. The social economy accounts for 10-12% of the European economy and its actors constitute an important economic force, stimulating innovation by pointing out existing deficiencies and inconvenient truths. By their nature and by the work they do, they contribute to establishing a more cohesive, democratic and active society, and often with favourable working conditions.

Social economy actors bear a social responsibility for the well-being and inclusion of significant numbers of people. They are close to the people and aware of their needs, worries and hopes. Social economy actors involve volunteers in various sectors and therefore contribute to our democratic society. Furthermore, they work in a structured way with stakeholders. By seeking new and diverse approaches – including developing value-based public-private partnerships – to address ever changing social and societal questions, they are key proponents of social innovation. These characteristics unite the broad variety of social economy actors and distinguish them from private business actors striving for profit. The potential of the social economy must be fully recognised by decision makers at EU level, in particular the European Commission. We need a level playing field and have to raise more awareness of the social economy sector and create conditions under which the economy serves society and the common good instead of undermining it.

2

Do European regulations of enterprises and markets (ranging from accounting standards to state-aid regulation and procurement rules) sufficiently take into account the importance of entrepreneurial and organisational diversity? Are the specificities of social economy organisations sufficiently recognized by regulators when they seek to “level the playing field” for all enterprise types? Are there particular policies adversely affecting social economy organisations?

SOLIDAR

Social economy actors should be appraised by the social added value they produce. A clear distinction between not-for-profit and for-profit enterprises should be made in national and EU legislation based on the unique characteristics of social economy actors: democratic control, membership-based, engaging volunteers and civil society, serving the general interests of society at large, innovative and providing decent and quality employment.

We demand clear and stringent regulatory parameters at EU and national level for the provision of social services that incorporate social and ecological criteria.

These criteria need to be turned into obligatory indicators in public procurement when transposing the public procurement directive in national law. Accordingly, European state aid rules also need clarification and further definition.

3

Are existing policies (including, for instance, public procurement regulations, business start-up and development support especially for innovative social start-ups, entrepreneurship training and education, co-funding mechanisms etc.) sufficiently effective in supporting the Social Economy and spurring its growth? Are there other policies, not currently in place, that should be considered?

SOLIDAR

Regarding the new public procurement directives, the outcome is ambivalent for social economy actors. SOLIDAR welcomes the fact that this framework puts a focus on qualitative aspects such as social, innovative and environmental considerations, including accessibility, qualification of the staff, production process or delivery conditions and will allow public authorities to give preference to bidders that offer better working conditions to their workers, favour the integration of disadvantaged workers, and offer sustainably produced goods.

We welcome the shift towards qualitative criteria which could ensure a bigger leeway for public authorities to organise public procurement in a sustainable manner with a focus on quality services instead of the cheapest offer. However, regrettably, the way in which MEAT is defined within the new directive will in fact allow contracting authorities to purchase on the basis of the cheapest option only. Thus, Member States need to make the consideration of qualitative and social aspects compulsory when implementing the new provisions.

Member States may reserve certain procurement contracts to social economy operators which at first sight is a very positive development. SOLIDAR regrets nevertheless that such reserved contracts may not be awarded twice in a row to the same social economy actor which might pose obstacles to the continuity of service provision.

Furthermore, the European Commission needs to step up efforts to simplify the statute for a European Cooperative Society (SCE) and to further develop a European statute for associations to complement existing legal statutes at Member States' level and emphasise the importance of activities carried out by volunteers in various sectors of the social economy. There also needs to be a focus on the streamlining of the social economy in all EU funds while keeping the bureaucratic effort manageable.

4

In some countries the differences between social economy organisations and other enterprises are made explicit through specific legal constraints to their activities (e.g. profit distribution constraints, asset locks, etc.), which in turn give access to a range of fiscal benefits. Ideally, what are the constraints that should be posed on social economy organisations in order to best justify a differential treatment in terms of fiscal policy?

SOLIDAR

As social economy actors in the field of social service provision follow their own logic and rules and give priority to the empowerment of people instead of economic interests, they should be valued in terms of the social added value they produce. A cross-sector approach to this added value through all relevant legal matters is what we are aiming for. A clear distinction between not-for-profit and for-profit enterprises should be made in national and EU legislation.

5

Unlike shareholder corporations, which are defined and regulated in similar ways across Europe, the laws regulating the different types of organisations that make up the Social Economy (cooperatives, mutuals, foundations, associations, social enterprises, etc.) vary significantly from country to country. Is this variety a strength to be cultivated or would a greater convergence towards shared European definitions and appropriate legal frameworks that take into account the specificities of each form be preferable?

SOLIDAR

Full recognition of the diversity as well as the added value of the social and solidarity economy is necessary to develop a level playing field for its actors. Furthermore, we demand the improvement and simplification of the statute for a European Cooperative Society (SCE) as well as the creation of European statutes for the other legal forms of the social and solidarity economy, namely foundations, associations and mutuals. The strengthening and improvement of the Open Method of Coordination (OMC) are crucial for the successful establishment and development of a social economy structure throughout Europe. By sharing best practices regarding legal reforms, networks, communication, tax policy, research, statistics etc, the OMC is an important and very helpful tool to assess and improve the current situation with very different conditions for social economy actors at Member States level.

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How can the European institutions, the Member States and regions best integrate social economy actors into their process of structural reform in order to fulfil and leverage the potential of these organisations in terms of economic and social development?

SOLIDAR

Within the EU 2020 strategy and the framework of the European Semester we demand a comprehensive monitoring process of social developments by means of the social scoreboard which needs to be the basis for concrete and legally binding indications for the Member States within the country specific recommendations. Social economy actors at regional and local level need to be involved in the monitoring process and the development of recommendations. The state of play of the social and solidarity economy sector needs to be taken into account in the monitoring process and therefore, full statistical recognition of social economy actors is necessary.

The Partnership Principle within EU structural funds with regards to programming, implementation, utilisation and accessibility needs to be fully implemented by Member States including the comprehensive and structured inclusion of civil society and especially social economy actors.

7

What is the role of statistics and research in filling the gap between the importance of the Social Economy and its visibility? Should national statistics offices be more involved in the production of data on these organizations? In particular, how can they contribute to revealing the economic relevance of each type of social economy organization? Is there a need for more specialized research and training on the Social Economy in European universities?

SOLIDAR

We argue for the full statistical recognition of social economy actors and their productivity by national statistical offices, as well as Eurostat and the SME Performance Review. Only a separate record of the sector's contribution safeguards an adequate valuation justified by its action. Research done at the Center for Civil Society Studies at the Johns Hopkins University can be a valuable source for this measurement.

The social economy is an economic model that provides an alternative to the pure profit seeking that has led to the financial and social crises we are experiencing in Europe today. Social economy actors can build on their experience from a long history, develop different models and strive for their position in the Single Market. Financial profit does matter to the enterprises of the Social Economy but only as a means to a broader end. Their business model is geared towards social objectives achieved through business means. They are often eager to work in a spirit of solidarity, responsibility and openness and they are a testing ground for an economy that is not based on a „piranha tank” model and therefore the social economy deserves comprehensive consideration by research and academia.

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EU statements concerning the Social Economy often stress two characteristics of these organisations: their deep roots in local communities, and the need to scale up their activities. But how can these two principles be reconciled?

SOLIDAR

Rootage in local communities and scaling-up are not contradictory per se.

As social economy actors are directly involved in the daily lives of people and therefore are the first ones to experience their needs, they develop their services from a bottom-up approach. The needs of the individual are the incentive for their services rather than developing a new tool and implementing it in a top-down-approach.

Their economic activity concentrates on the satisfaction of elementary needs, values individual and collective skills, competences and knowledge and often springs from local dynamics and needs.

By facilitating exchange between social economy actors across borders as well as by improving/establishing European statutes for the different legal forms of the social economy, the EU institutions could play an important role in supporting the scale-up of activities.

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Social economy organizations have a long and well-documented history of collaboration and partnerships with the public sector, and the relationship between these two actors is constantly evolving. Along which lines can the relationship between social economy organizations and the public sector be further strengthened and developed in the future?

SOLIDAR

Corporate undertakings between public authorities and private enterprises in the form of public-private partnerships (PPP) can develop effective ways to provide services to the public and to finance innovation and thereby contribute to economic growth and job creation. For SOLIDAR members the partnership approach in this kind of business model is of utmost importance as well as striving towards common, social or sustainable objectives. Public authorities must safeguard a high level of quality of the services provided and decent working conditions in the sector.

The Partnership Principle within EU structural funds with regards to programming, implementation, utilisation and accessibility must be fully applied.

The reorientation of governments towards progressive deregulation and privatisation of public services poses serious pressure on providers of social services.

The financial framework of our social work has to be redesigned according to the principles of community and social cohesion. Social economy actors need a stable and secure financial base to enable them to deliver high quality services continuously and not to bow out of remote and scarcely habited regions like for-profit service providers, thereby making an invaluable contribution to social inclusion. The growing orientation of financing policies towards competition needs to be replaced by cooperative financing. We welcome the creation of the European Social Entrepreneurship Funds which gives capital-intensive initiatives a new way of financing. Nevertheless, we stress the fact that private financing must not replace public financing of social and health services, it can only be additional.

10

How would you characterize the relationship between social economy organizations and private sector corporations? What are the most interesting examples of social economy organizations and shareholder corporations joining forces in order to achieve common goals?

SOLIDAR

For social economy actors, the bottom line is to maximise their social impact rather than their profit, usually by addressing an urgent need that is being mishandled, over-looked or ignored by other institutions. For business entrepreneurs, the bottom line may be to maximise profits or shareholder wealth, or to build an ongoing, respected entity that provides value to customers and meaningful work to employees.

Social economy actors are confronted with changes in the environment they are operating in. Markets are becoming more and more globalised and characterised by competition, decentralisation and relocation of production. Governments orientate towards progressive deregulation and privatisation of public services. Commercialisation in the social sector is increasing, for example in refugee work, care or the integration of the long term unemployed which leads to a market structure where private service providers offer low-cost services and risking the level of quality. These providers abstain from remote regions and cherry-pick the most profitable services with a short term approach and attach no importance to volunteering and honorary office. This leads to an erosion of civil society engagement.

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When it comes to social enterprises, the distinction between social economy organizations and for profit corporations has not been very clear until recently. The Strasbourg declaration stated that only the enterprises that have not only an explicit but also a prevalent social goal should be included under the umbrella of “social enterprise”. Is this statement sufficiently clear or does it need further clarifications?

SOLIDAR

Defining the social economy is not an easy task; there is a broad variety of definitions by different actors. The social economy can have many names: social economy (enterprises with certain legal forms such as cooperatives, associations, mutual societies and foundations), solidarity economy (enterprises with particularly charitable aims), third sector (not-for-profit private enterprises), economic self-help (mostly locally organised with a democratic structure), social enterprises (private enterprises with mainly social goals) etc.

Furthermore, different enterprises and organisational structures identify themselves according to different concepts. Even if they consider themselves as a part of the social economy they might not feel comfortable being called social enterprises as it sounds too much like business and profit-making. This can also pose problems to actors of the social economy when cooperating or even merging. An additional challenge is the different meanings of the term social economy in different Member States. Social enterprises in France are different from the ones in Italy, for example, where enterprises with the legal form of shareholder-ownership can be included.

The Strasbourg Declaration was a step in the right direction. Nevertheless, further clarification is necessary regarding the definition of social enterprises that distinguishes them from Corporate Social Responsibility in terms of objectives, social character and decision-making processes.

Nonetheless, several elements of EU legislation pose similar obstacles to all enterprises with an economic activity that is not geared towards maximum profit-making. Therefore,

a broad definition is necessary to create political pressure for the full recognition of the social economy.

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The issue of social innovation has gained significant importance in recent years. Official EU documents contain several references to the role of social economy organizations as producers of social innovation. What elements characterize the specific contributions of social economy organizations to social innovation processes?

SOLIDAR

Social economy actors are seeking new and diverse approaches – including developing value-based public-private partnerships – to address ever changing social and societal questions, they are key proponents of social innovation. Although they often perform services on behalf of the public sector they are committed to their services and clients and the general interest. As they do not distribute dividends they can (re)invest in the improvement of service quality and innovation or the increase of service supply and the provision of more affordable services.

The Social Business Initiative and the European Commission's current focus on social innovation – which is a broad term that can be used by nearly all business actors – have exacerbated the problem of defining the core of the social economy. We can see a clear split between market drivers that present themselves as modern and innovative, seeking to open the sector to private capital investment and profit-making on one side, and, on the other side, networks like SOLIDAR who have a long tradition in the social economy, representing the most relevant and innovative actors in the sector.

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If social impact is the key element differentiating social enterprises from other businesses, which indicators and methodologies should be used to measure it? Should the measurement and reporting of social impact on the part of social economy organisations be mandatory? Which standards, if any, should it follow? What role can research institutions and national statistics offices play?

SOLIDAR

Besides intensified discussions at EU level about measuring the social impact of social enterprises (Expert Group on social entrepreneurship's report with regards to two EU instruments: the EU Programme for Employment and Social Innovation and the European social entrepreneurship funds), more and more financial institutions and private investors are interested in investing in social enterprises as a more secure form of investment with a social objective.

Social impact measurement is needed externally (by investors, by public authorities who want to spend their money in an effective and efficient way) and increasingly also internally by the social enterprises who want to improve internal management. Nevertheless, it is of utmost importance to choose relevant indicators, quantify only what it is possible to quantify, qualify, and inform the evaluators (donors, funders, investors) on how social enterprises function and work as well as to give an efficient time frame for the measurement. Social enterprises need time to develop their own methods and tools.

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How important are financial instruments in supporting the growth of social economy organisations? What types financial instruments and intermediaries are best suited to serve the needs of organisations that do not seek to maximise profits? Does the sector need specific training in order to become investment ready? What is the potential role of intermediaries such as ethical investment funds, ethical or solidarity banks and cooperative banks, or of instruments such as impact bonds?

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The financial framework of our social work has to be redesigned according to the principles of community and social cohesion. Social economy actors need a stable and secure financial base to enable them to deliver high quality services continuously and not to bow out of remote and scarcely habited regions like for-profit service providers, thereby making an invaluable contribution to social inclusion. The growing orientation of financing policies towards competition needs to be replaced by cooperative financing. We welcome the creation of the European Social Entrepreneurship Funds which gives capital-intensive initiatives a new way of financing.

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What role can Information and Communication Technologies (ICTs) play in supporting the development and delivery of new general interest services through social economy organizations? For example, how can ICT foster member participation and enable more informed and responsible consumption and saving decisions (e.g. apps providing information to consumers on the social and environmental characteristics of products, multistakeholder web platforms, web-communicated ESG rating)?

SOLIDAR

ICT plays an increasing role in the provision of social services. For example, SOLIDAR member Arbeiter-Samariter-Bund Austria offers the service of an emergency call at home (<http://www.samariterbund.net/pflege-betreuung/heimnotruf/>) where people in need are equipped with a transmitter for a timely assistance by ASB in case of an emergency.

SOLIDAR as a European network of course uses ICT for communication purposes with our members and partners, such as our website (solidar.org) or our app.