



European Economic and Social Committee

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**Social economy enterprises' contribution
to a more cohesive and democratic Europe**

OPINION

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– exploratory opinion at the request of the Romanian Presidency of the Council

Rapporteur: **Alain Coheur**

Referral	Letter of 20/09/2018
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Section responsible	Single Market, Production and Consumption
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1. Conclusions and recommendations

- 1.1 Thanks to the diversity of the sectors in which they operate, social economy enterprises (SEEs) have many contributions to make to the move towards a society that is more cohesive and focused on public interest. The social economy is a key driver of economic and social development in Europe, with 2.8 million companies and 13.6 million employees, representing 8% of the EU's GDP. SEEs play a major role in creating and maintaining good jobs, and in the success of the European Pillar of Social Rights and the 2030 Agenda for Sustainable Development.
- 1.2 The state of the social economy in Europe is currently uneven. There are some Member States where historical factors and recent national policies support the development of the sector, while in others it faces constraints. This context, combined with the insufficiency of financial resources, prevents the social economy from contributing to economic recovery and renewed business dynamism, alleviating the social tensions caused by rising inequalities and poverty, lowering unemployment in particular regions and combating precarious working conditions, which are phenomena fuelling the rise in populism.
- 1.3 The EESC calls for the Member States and the European Commission to recognise SEEs' contribution to developing active citizenship and to the common good, to promoting the European social model and to constructing a European identity. This recognition will only have real meaning if adequate resources are allocated, and if people are encouraged to disseminate and promote the use of innovation and skills.
- 1.4 The EESC notes that SEE models hardly feature at all in educational programmes and business start-up and development schemes. It must be possible to include the issue of training and education on the social economy in the curriculums of educational systems – the true gateway to knowledge and entrepreneurial spirit. Therefore access of SEEs to the Erasmus + programme should be promoted.
- 1.5 The EESC reiterates that it is essential for SEEs to be promoted through ambitious and cross-cutting public policies as well as through a European social economy action plan.
- 1.6 The EESC, as already expressed in previous opinions, calls on the EU institutions and Member States (MS) to ensure specific support for social innovation, which includes recognition and political support for SEEs and civil society as a key stakeholder in society and providing an enabling environment.
- 1.7 The EESC asks the Commission to clarify the concept of "social economy" on the basis of the characteristics of its various current forms.
- 1.8 The EESC reminds the Commission, the Member States and Eurostat of the need to implement the proposals set out in the manual on satellite accounts, in order to create a statistical register of SEEs.

1.9 The EESC reiterates the need for more research to understand the scope and mechanisms by which SEEs contribute to promoting social cohesion and democracy and boosting the economy. This approach would reduce the gap between the new Member States and the rest of the EU.

2. General comments

- 2.1 SEEs are characterised by the fact that they serve the public interest or a community and that their goal is not to maximise their profits. Their aim is clearly social: to improve individual and collective well-being by reducing inequalities and increasing social cohesion. They also aim to help develop quality jobs in socially responsible businesses.
- 2.2 The social economy is a way of organising human activities, founded on shared ownership, solidarity and participatory democracy: it is underpinned by the economic viability of its means and effects the production, distribution, exchange and consumption of goods and services. It is a form of expression of active citizenship and contributes to individual and collective prosperity. It operates in all areas: economic, social, societal and environmental.
- 2.3 It should be noted that there are many elements progressively undermining the foundations of our societies which are based on democracy and social cohesion: reduction in public spending and the safety nets they offer, the mind set followed by financial and speculative markets of short-term profit and profitability, the rise in populist movements and increased inequality.
- 2.4 In order to respond to these developments in society and the growing uncertainties – but also to maintain its ambitions for economic development – the EU needs to contribute to the emergence of democratic and cohesive societies that are synonymous with economic and social progress and the fight against discrimination and social exclusion. The EU can achieve its ambitions while defending its shared values through the ambitious implementation of the European Pillar of Social Rights and achieving the sustainable development objectives.

3. Social cohesion and civil society

- 3.1 According to the Council of Europe, social cohesion is a society's ability to secure the well-being of all its members, reducing disparities and avoiding marginalisation. For the European Commission, the aim of economic, social and territorial cohesion policy is to reduce disparities in wealth and development between EU regions. The infringements of "social cohesion" are causing rising frustration and a turn inwards based on identity, forming a breeding ground for anti-democratic theories. Democracy, social cohesion and free and independent organisation of civil society are key components of the European project, even if they are being called into question today. Through its social aims and social impact, the social economy provides a pragmatic response to the goals of cohesion and development while supporting a democratic model.

- 3.2 For historical and contextual reasons, civil society has very different definitions and can take different forms depending on the Member State. Its roots are in cultural and political traditions. Some of its organisations (trade unions, associations, charities, etc.) are well-established, while others are emerging over time. SEEs, being economies based on people, not capital, can be seen as a component of this civil society.
- 3.3 Civil society is a sort of incubator for the development of SEEs and thus serves to speed up cohesion. By creating SEEs, civil society can give certain minorities the right to be heard, or develop low-profit activities which would not necessarily have been considered by more conventional businesses. At this time of xenophobic movements and democratic retreat, SEEs can contribute to more democracy and more cohesion (Article 2 TEU), for example in the area of integrating migrants¹.
- 3.4 In the field of education, the social economy as well as its contribution and its added value for our societies are more often than not overlooked in school and university curriculums, and the same goes for entrepreneurial initiatives. Member States and the EU institutions should therefore introduce the possibility of education on the social economy, to offer it without imposing it, to give people the means of making it their own.

4. The social economy, an economic model which takes a different form

- 4.1 The social economy has its roots in citizens' efforts to organise in order to meet their social and economic – and also cultural – needs in the face of social upheaval. SEEs have been defined first and foremost by their legal statutes, basic contracts binding the parties in question by freely establishing the internal rules by which they functioned. This was the basis for the creation of mutual societies, cooperatives and associations, and later of foundations. Today, it is these legal vehicles which are usually used in the establishment of SEEs².
- 4.2 As societies have developed, other kinds of structures have joined them: work integration social enterprises (WISE) in the areas of social and professional integration and disabilities or social-purpose enterprises in recovery and recycling, personal care or environmental protection.
- 4.3 The EC has encouraged support for the development of social enterprises – essentially, enterprises falling under the umbrella of the social economy – in a number of different kinds of texts (initiatives, regulations³). Today, there is considerable debate concerning the *de facto* inclusion of a social entrepreneurship that has not been unequivocally defined.
- 4.4 The EESC has long called for an Action Plan for SEEs to ensure development and growth and to unleash the full potential of this sector in Europe. For the EESC, SEEs are part of the regular economy and not in conflict with other business models. However, most existing business

¹ [OJ C 283, 10.8.2018, p. 1](#).

² [2017 EESC Study on Recent evolutions of the Social Economy in the European Union](#).

³ Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion.

support, development and start-up programmes as well as other necessary conditions such as legislation and financial instruments often fail to support SEEs mainly because they are designed for a standard, more traditional company model and logic. In addition SEEs must be fully recognised and involved in the social dialogue.

5. Contribution of cooperation and the social economy to the goals of social cohesion and democracy

- 5.1 Democracy is at the heart of the definition of the social economy and the way SEEs operate. "Internal" democracy involves the principle of "one person, one voice" in decision-making bodies, and participation of different categories of stakeholders in the management of the enterprise, such as workers, users or beneficiaries.

However, the role of SEEs in democratising our economy goes beyond their internal ways of operating. There is a democratic dimension which gives people the possibility of engaging in collective activities and contributing to social debates. In that sense, SEEs are a real school of participatory democracy.

- 5.2 This democratic role is played by SEEs at different levels: through the goods and services they provide, the alternatives they offer, their responses to unmet needs, the forums for expression and debates that they help to create, their lobbying and awareness-raising initiatives. They must take on a business model that is more respectful of environmental issues, social relations and their employees' working conditions.
- 5.3 When we talk about the social economy's contribution to cohesion, we tend to think mainly of its ability to "repair", its support for population groups in difficulty, and its role in the social, welfare and medical sectors. This tendency to see the social economy as having a repairing role is unquestionable and inextricably linked to the activity of the voluntary sector. However, it is also important to look at cohesion and democracy in terms of policies and procedures implemented by SEEs to measure their social impact.

6. Social and territorial cohesion - consolidating an integrated European space through the social economy

- 6.1 Globalisation, creation of the European single market, and major industrial revolutions have resulted in far-reaching changes in the regions. Some regions have been – or are still being – hard hit, particularly by de-industrialisation and unemployment.
- 6.2 The economies of the new Member States have undergone long and sometimes difficult processes of transitioning from planned communist systems to regulated market economies. Institutional and political adjustments have had an impact on their societies and economies, as well as on flows of migration. These changes have also affected SMEs, particularly the cooperative sector in each of these countries, which has been used for several decades, including during the transition to a market system. The development of the social economy in these countries could further the EU's goal of consolidating an integrated European area in which

social and economic inequalities between the EU-15 and the 12 new Member States of eastern and southern Europe would be reduced and eliminated.

- 6.3 In many countries in this region the social economy has become increasingly less prestigious. However, the sector has not been dismantled. On the other hand, after half a century of near-total extinction, mutual societies, associations and foundations are undergoing a gradual rediscovery and expansion, alongside the development of civil society, social movements and trade unions in these countries. The development of this "third pillar" in the new Member States should be seen as part of their proper integration into the European social model.
- 6.4 Education and information campaigns on the history, traditions and national roots of the social economy and cooperative movements should help to mitigate the negative images associated with the forced cooperatives under communist regimes and link the new forms of social enterprise with social enterprise traditions.
- 6.5 In parallel, elected representatives, entrepreneurs and communities with a strong social economy tradition have tried to give fresh impetus to their areas and respond to the forms of economic and social imbalance with which they were faced. Conventional or new forms of social economy have been found at the heart of many local policies and have contributed to cohesion and democratic life.

7. **SEEs deliver social and economic innovation**

- 7.1 Innovations are often referred to as social or societal innovations, a topic the EESC has explored in previous opinions. Social innovations are good for society but also enhance society's capacity to act. The foundation of social innovation is an ethical, ideological or general interest viewpoint, which is demonstrated by the role of civil society in shaping welfare systems. SEEs are catalysts for social innovation, since they are centred on a specific user group, an unmet need in society or filling a gap.
- 7.2 A multitude of new business models are emerging which are transforming the relationship between producers, distributors and consumers (such as the functional economy, the sharing economy and responsible finance). SEEs are not new but fit this category of alternative economic models since they all seek to address other key challenges for people and the planet that are crucial for sustainable development, such as social justice, participatory governance and the conservation of resources and natural capital. The EU can become a leader in innovative economic models that make the idea of economic prosperity inseparable from high-quality social protection and environmental sustainability, and define a "European brand". The EU therefore needs to show ambition on this issue.
- 7.3 In Belgium, the cooperative association SMart enables its freelance members to grow their economic activity within a secure framework: SMart now has a presence in nine European countries with a total of 120 000 professionals.

- 7.4 In Spain, the cooperative group Mondragon has played a significant role in the economic and social development of the Basque Country for over 70 years. The Mondragon Corporation now employs more than 90 000 people.
- 7.5 In France, social initiative cooperatives ('SCICs') have been heavily involved in supporting and reintegrating people in difficulty. They now play an active role in territorial development and conduct local development projects.
- 7.6 More and more professionals and researchers in the digital field are operating in the form of cooperatives and enterprises based on "intangible common goods".
- 7.7 There are similar moves in the fields of fair trade, production and distribution of high-quality products of organic or integrated farming. There are a growing number of SEE initiatives in environment-related sectors.
- 7.8 Not all SEEs are small enterprises. Some of these enterprises in the area of banking and insurance (such as Crédit Cooperative in France and the P&V Group in Belgium) are leaders in their national markets. Similarly, consumption and distribution cooperatives occupy important positions in community commerce in Europe.

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