



INT/925
Social economy/job creation

OPINION

European Economic and Social Committee

**The role of the social economy in the creation of jobs and in the
implementation of the European Pillar of Social Rights**
(exploratory opinion)

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Co-rapporteur: **Cinzia DEL RIO**

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Section responsible	Single Market, Production and Consumption
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Outcome of vote (for/against/abstentions)	237/2/1

1. **Conclusions and recommendations**

- 1.1 The EESC is grateful to the Portuguese presidency for requesting this opinion, and considers it important to view the various bodies making up the social economy as strategic partners in implementing the European Pillar of Social Rights and in building a European Union that reaffirms that the main function of the economy is to serve people. To that end, it recommends that, in their national recovery and resilience plans for emerging from the pandemic crisis, Member State authorities provide for a broad involvement of social economy bodies.
- 1.2 The EESC considers it necessary to consolidate the operational criteria adopted by the EU institutions to promote proper recognition of social economy organisations and enterprises, in their various legal forms. These criteria require that social objectives of general interest take precedence, that democratic governance involving a range of stakeholders be adopted, and that even when "limited profitability" is achieved, this is used to help pursue their statutory objectives.
- 1.3 In order to measure the social impact created by social economy organisations and enterprises, the EESC considers it necessary for the European Union to have a permanent statistical mapping system that will enable it to have suitable comparable and up-to-date data on the size and impact of the sector.
- 1.4 The EESC believes that, when the role of the social economy in creating and maintaining employment involves disadvantaged workers and disadvantaged areas, appropriate support policies are needed that give proper recognition to the general-interest role of these organisations, which, although taking the form of private legal entities, perform an essentially public function.
- 1.5 These support policies are needed at four levels:
 - tax policies and taxation systems that recognise the general-interest role;
 - policies to promote public and private investment that fosters the development of social-impact finance – including by harnessing public procurement and concessions;
 - policies to support the stable employment and economic leadership of workers in social economy enterprises; and
 - policies to support the skills level of staff and technological innovation in social economy organisations.
- 1.6 With regard to creating and maintaining jobs, the EESC believes that the formula known as worker buy-outs is a good practice not only for re-launching companies in crisis but also for transferring SMEs whose founders have no successors. To this end, it might be worth setting up a specific European investment fund.
- 1.7 The EESC calls for the growing interest of financial operators in social-impact investments to be supported and encouraged, including through incentive policies, which should lead to social economy enterprises becoming the key player in revitalising investment dedicated to social, environmental and solidarity-based objectives.

- 1.8 The EESC believes that the form taken by social economy enterprises may make them ideal for new kinds of digital-platform-based entrepreneurship and in particular for sharing-economy activities, given their propensity to actively involve the workers and the users of digital platforms.
- 1.9 The EESC stresses that decent working conditions and democratic governance are key elements for social economy enterprises and that, where these elements are not provided for by statute, as they are in social and workers' cooperatives, provision should be made for specific forms of consultation and worker participation.
- 1.10 The EESC believes that social economy organisations, and in particular voluntary associations, are fundamental to cohesion, nurturing social capital and supporting the responsible role played by civil society.
- 1.11 Volunteering among young people is a key resource for increasing the employability and human capital of the new generation, creating a positive effect that increases employment opportunities. This would also appear useful for reducing the phenomenon of NEETs and it would be worth putting in place policies to facilitate the transition from volunteering to stable forms of paid employment.
- 1.12 Finally, the EESC advocates and hopes that the Action Plan for the Social Economy provides the opportunity to deploy operational tools and practical legislative proposals.

2. **General comments**

- 2.1 With this exploratory opinion, requested by the Portuguese presidency of the Council of the EU, the EESC is pleased to contribute to the pursuit of its programme priorities, with particular regard to promoting the European social model, by identifying specific proposals on the role of social economy enterprises in creating stable and decent work and a more inclusive, sustainable and resilient economy.
- 2.2 The social economy is increasingly being recognised at international level as playing a pivotal, important role, with the ability to harness the organisational and transformative capacity of civil society. Legislation has been produced in several Member States recognising its aims and functions and outlining the structure and legal form of organisations recognised as pertaining to the social economy¹.
- 2.3 With regard to legal recognition, the EESC has pointed out in its opinion INT/871² that social economy organisations and enterprises put social objectives before the role of capital, not least through democratic governance involving a range of stakeholders. They are not private for-profit

¹ [https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2016/2237\(INL\)&l=en](https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2016/2237(INL)&l=en),
<https://betterentrepreneurship.eu>,
https://ec.europa.eu/commission/presscorner/detail/en/MEMO_11_735,
<https://cecop.coop/works/cecop-report-on-social-enterprises-laws-in-europe-a-worker-and-social-coops-perspective>.

² <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/towards-appropriate-european-legal-framework>.

companies and, even if they achieve "limited profitability" through business activities, the profits go towards the pursuit of their statutory objectives and the creation of jobs.

- 2.4 The substantial recognition of the social economy is supported by papers produced by international institutions and bodies such as the OECD, the United Nations, the ILO, and the various institutions of the EU, including the EESC, whose 13 opinions on the social economy between 2009 and 2020 have identified four categories of social economy organisations and enterprises: cooperatives, associations, mutual societies and foundations, to which social enterprises have been added more recently.
- 2.5 Although the most representative criteria and concepts of the social economy, such as the primacy of the individual over capital, the reinvestment of profits and participatory governance, have been recognised by the European Union³, it has not yet been possible to reach agreement on a standard European legal definition. In 2018, Parliament proposed the introduction of certification for social economy organisations based on Article 50 TFEU. The EESC believes that, for this to become a reality, more effective and standardised gathering of statistics is needed for the purpose of mapping social economy organisations and enterprises, on the basis of a common operational definition, as is the case in countries that have established public registers of social economy organisations and enterprises.
- 2.6 A recognised and formally accepted working definition for the EU institutions is now increasingly needed, particularly to allow access to the many opportunities for growth and development, as well as to foster better understanding of the social economy among public and private institutions.
- 2.7 Such a definition is vital to ensuring full access to the capital market, where there is growing interest in social-impact investments. The Action Plan for the Social Economy is a good opportunity to address this issue; at the same time, the new action plan for *A Capital Markets Union for people and businesses*⁴ should also consider the role of the social economy in attracting investment in Europe for a people-friendly economy.
- 2.8 The **function** of social economy organisations and the **economic value** they generate appear to be very significant, both in terms of size (8% of European GDP) and in terms of the quality and persistence of this value⁵, which, even during the years of the financial crisis, saw an increase in both the economic value produced and the number of workers employed.
- 2.9 The social economy has an important role in creating and maintaining employment, providing more than 13.6 million paid jobs in Europe, and accounting for around 6.3% of the EU-28

³ Social Business Initiative: https://ec.europa.eu/growth/sectors/social-economy/enterprises_en.
Council conclusions on the promotion of the social economy, 2015: <https://data.consilium.europa.eu/doc/document/ST-15071-2015-INIT/en/pdf>.

Social Economy Charter, 2002: <https://www.socialeconomy.eu.org/wp-content/uploads/2020/04/2019-updated-Social-Economy-Charter.pdf>.

⁴ A Capital Markets Union for people and businesses – new action plan, COM(2020) 590 final.

⁵ This data is from the following European Commission publication: <https://ec.europa.eu/social/BlobServlet?docId=22304&langId=en>.

working population⁶, more than 232 million members of cooperatives, mutual societies and similar entities, and more than 2.8 million enterprises and organisations. Some 2.6 million of these workers are workers in social enterprises meeting the requirements set out in the Social Business Initiative of 2011.

- 2.10 While many workers in the social economy are employed by small organisations and enterprises, there are cases of large social economy enterprises, sometimes employing hundreds or thousands of people. A large proportion of employment is in organisations with democratic participatory governance, which points to a correlation between broad participation of stakeholders in governance and the tendency to maintain high levels of employment, as well as a better ability to withstand shocks⁷.
- 2.11 A significant feature of the social economy is the large number of female workers, who account for over 70% of the labour force in many cases, with the percentage generally above 50% elsewhere. Although further steps are needed to achieve full equality, the presence of women in management and senior positions in many social economy organisations is significant. Significant pay equity can therefore be seen in these organisations and enterprises – both between the different positions in the organisational hierarchy and in terms of wages, which are not excessively gender-imbalanced⁸.
- 2.12 Greater pay equity does not compensate for the fact that, in some cases, the wage levels of workers in social economy organisations and enterprises remain at the lower end of the income scale. This is partly due to the undervaluing of care work, which too often is not given adequate economic recognition even in conventional forms of business. In this respect, it is important to strengthen the union rights of workers in the social and care sector.
- 2.13 Also important is the role played in promoting and implementing social innovations, which shows that these organisations can interpret and support societal changes, serving to mobilise human capital resources in the form of active and solidarity-based participation, with more than 82.8 million volunteers.
- 2.14 The large number of people active in important sectors, as well as the social and technological innovation challenges faced by social economy organisations and enterprises, need to be supported by appropriate lifelong learning and qualification measures for the development of professional and organisational skills.
- 2.15 The EESC therefore considers it highly appropriate for the European Commission to announce an action plan for the social economy and specific measures to implement the European Pillar of

⁶ This data is from the following EESC report: <https://www.eesc.europa.eu/sites/default/files/files/qe-04-17-875-en-n.pdf>.

⁷ *The resilience of the cooperative model*, CECOP, 2012 <https://www.cecop.coop/works/the-resilience-of-the-cooperative-model>.

⁸ *Las mujeres en las cooperativas de trabajo*, COCETA, 2019 <https://www.coceta.coop/publicaciones/estudio-mujer-cooperativismo-coceta-2019.pdf>.

Social Rights, with a dedicated action plan, on which the EESC has already set out its views in opinion SOC/614⁹.

3. Proposals for a European policy to support and promote the social economy

- 3.1 In order to give further impetus and heft to the contribution of social economy organisations and enterprises and to build a "more social, resilient and inclusive Europe", legislative measures and European economic policy programmes need to be introduced that promote and foster the growth of these organisations and enterprises, not least because of the contribution they can make to a sustainable, ecological and solidarity-based development model.
- 3.2 To this end, we believe it is possible to identify measures at four levels:
- a taxation system that recognises the general-interest role played by social economy enterprises, with particular regard to those operating in sectors of primary public interest, such as social, health, educational and social inclusion services;
 - policies to promote public and private investment that fosters the development of social-impact finance – further improving market access to public procurement and concessions;
 - policies to support the stable employment and economic leadership of workers in social economy enterprises, especially in their democratic governance; and
 - support policies to implement new skills and foster the dissemination of innovation and new technologies in civil society.
- 3.3 While recognising the fundamental role played by social economy organisations and enterprises in the area of personal services and social services, the EESC considers that states and public administrations still have vital responsibilities to ensure essential services for citizens.
- 3.4 Measures to support employment in social enterprises whose remit involves integrating workers with disabilities or severely disadvantaged workers into the labour market should be further strengthened. These measures should seek to reduce the tax and social security burden affecting labour costs, through public authorities paying the necessary contributions to ensure that these disadvantaged workers are covered by insurance and social security protections. Such incentives should not be considered as state aid to social economy enterprises, as they are intended to support full labour market inclusion for severely disadvantaged people. In any case, the incentives should only be granted to organisations that respect collective bargaining agreements and the fundamental rights of workers.
- 3.5 In many cases, social economy enterprises are the main provider of essential services for the community – such as social, health and educational services, care or training and job integration services for disadvantaged people – and manage activities which, even if of a commercial or business nature, are always ones that have a strong community and local value and involve the profits being reinvested for their statutory objectives. They are services that are delivered with the direct involvement of the recipients themselves and are firmly rooted in the local community, which is part of the mission they carry out. Those characteristics cannot therefore be assimilated

⁹ [OJ C 14, 15/1/2020, p.1.](#)

unconditionally with market competition regimes. As a result, some of the current "state aid" rules that prevent the introduction of a tax system recognising the social merit and public interest of these organisations should be relaxed.

- 3.6 Moreover, for the same reason and as already called for in opinion INT/906¹⁰, the EESC considers that the EUR 500 000 de minimis ceiling on services of general economic interest over three tax years should be at least EUR 800 000 per tax year.

There is also a need for rules on access to public funding that are harmonised on the basis of uniform criteria, transparent, and in compliance with the labour rules and the rules on the application of sectoral collective agreements.

- 3.7 It is important to identify tools to increase social-impact investments in social economy organisations. To this end, some interesting experiments have been carried out with specific bonds and equity (or quasi-equity) securities in social economy enterprises, linked to the pursuit of social objectives of general interest.
- 3.8 Applying preferential taxation in regard to these financial instruments could create significant growth drivers for investors, given that historical data already confirm that social economy organisations have been able, even with limited investment, to generate many jobs and social benefits for the users of the services they provide.
- 3.9 It is, however, necessary to provide for proper metrics that make it possible to measure and compare the results obtained, such as stable employment growth, the application of high standards of safety at work and verification that the social objectives underlying the initiative have been achieved. Member States should therefore adopt framework laws on the social economy and actively implement policies conducive to the growth and development of social economy enterprises.
- 3.10 As far back as 2011, the European Commission identified the need to improve the level of public knowledge and collection of data and statistics on social economy enterprises. However, much remains to be done to set coordinated standards, which, moreover, would also be particularly useful in order to avoid "social washing" or inappropriate access to the support measures.
- 3.11 This could lead to the designation of national authorities, in the Member States that have not yet implemented them, responsible for monitoring and verifying compliance with the requirements and standards and consistency with the social objectives.
- 3.12 Among the specific support measures, one of the most important is participation in the public procurement and concessions market, for which significant instruments were already proposed by Directive 2014/24/EU¹¹, but have not been adequately implemented in all Member States. In order to encourage socially responsible public procurement, the European Commission should

¹⁰ <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/strengthening-non-profit-social-enterprises-essential-pillar-socially-equitable-europe-exploratory-opinion-request>.

¹¹ https://ec.europa.eu/info/policies/public-procurement/support-tools-public-buyers/social-procurement_en.

lead by example and make the most of its own tendering procedures to pursue social policy objectives.

- 3.13 Other support measures that seem worth considering include ones aimed at the restructuring of productive and service activities, or the transfer of these activities from companies in crisis or from entrepreneurs at the end of their careers to workers, organised as cooperatives or in participatory enterprises.
- 3.14 These experiments, known as *worker buy-outs* (WBOs)¹², already successfully carried out for the resumption of industrial activities in crisis, are now leading to more and more cases where a worker-owned social enterprise is used for the transfer of small businesses. This happens in particular among young people who do not have sufficient capital to start up a business and are often held back by isolation and concerns over tackling market difficulties on their own.
- 3.15 To increase the potential of these initiatives, an investment and support measure is needed to help business start-ups through a capital investment that finances workers in companies in crisis who choose to return to work by forming a cooperative. In some countries, these initiatives have made it possible to restructure various businesses and safeguard thousands of jobs.
- 3.16 Fundamental to these industrial restructuring processes is the role of trade unions. Forms of self-entrepreneurship such as WBOs are an integral part of active labour policies. In terms of collaboration between cooperatives and trade unions, an example of good practice is the agreement signed in Italy between the three cooperative federations and the three most representative trade unions to establish systematic cooperation on worker buy-outs¹³.
- 3.17 The EESC hopes that the Action Plan for the Social Economy promotes the introduction in the EU of similar initiatives in all Member States – by setting up a dedicated system under the European Investment Fund or the European Globalisation Adjustment Fund – in order to have practical tools to support the restart of the economic activities that have been disrupted by the crisis caused by the pandemic.

4. **New forms of social economy**

- 4.1 Social economy enterprises are developing new employment and social innovation initiatives, including in the context of the green economy and the promotion of sustainable development. We are also seeing an increasing number of circular economy projects carried out by social economy organisations, which are also creating new jobs in the area of reuse and social farming. So far, the legal framework and policies in many Member States have not been conducive to the implementation of policies for developing work integration cooperatives. Action at EU level is therefore desirable, to initiate progress here.

¹² Business transfers to employees under the form of a cooperative in Europe: opportunities and challenges, CECOP, 2013 <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/cooperatives-and-restructuring>.

¹³ Italy, historic agreement between unions and coops on worker buyouts, CECOP, 2021: <https://cecop.coop/works/italy-historic-agreement-between-unions-and-coops-to-promote-worker-buyouts>.

- 4.2 Of particular interest is the role that workers' cooperatives¹⁴ can play in making new forms of digital-platform-based entrepreneurship more inclusive in order to make the participation of workers and users more sustainable and shared, so as to develop new forms of mutuality and solidarity by means of new digital technologies, which can facilitate wide participation. This is on the understanding that the protection of platform workers and atypical workers necessarily entails the signing of suitable collective agreements with workers' trade unions.
- 4.3 Social economy enterprises can create opportunities for employment and local development, by organising public participation in the delivery of services such as the provision of renewable energy or the organisation of services in decentralised areas and rural areas, such as the French experiment with regional economic cooperation hubs (PTCEs) bringing together associations, cooperatives, local authorities, traditional businesses and universities to pilot projects in social agriculture, sustainable tourism and the development of environmental and cultural assets.
- 4.4 Voluntary work plays a fundamental role in the social economy, being important both for the younger generation and for older people, for whom in some cases it represents an important opportunity to maintain an active social and civic role that helps to improve their quality of life. In this regard, it is important to step up synergies between training courses and volunteer hours, as a means of facilitating taking up jobs in the social sector. Greater coordination between periods of volunteering and traineeships could facilitate the training of young and skilled workers.
- 4.5 The success of the European Solidarity Corps should be built on: it could be expanded by establishing a kind of "Erasmus for Social Entrepreneurs" to foster cross-border cooperation in the social economy.
- 4.6 This would also appear very useful for reducing the complex phenomenon of NEETs and it would be worth putting in place incentive policies to facilitate the transition from volunteering to stable employment.

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¹⁴ All for one – Worker-owned cooperatives' response to non-standard employment, CECOP 2019: <https://cecop.coop/works/cecop-report-all-for-one-reponse-of-worker-owned-cooperatives-to-non-standard-employment>.