



OPINION

European Economic and Social Committee

Social economy action plan

Communication from the Commission to the European Parliament, the Council, the European
Economic and Social Committee and the Committee of the Regions

Building an economy that works for people: an action plan for the social economy
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Section responsible	Single Market, Production and Consumption
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Outcome of vote (for/against/abstentions)	179/1/4

1. Conclusions and recommendations

- 1.1 The EESC welcomes the social economy action plan (SEAP) which incorporates many key points raised by the Committee over the years, starting with the opinion INT/447 of 2009. The SEAP clearly recognises that the European institutions should promote and recognise the different legal forms that distinguish the social economy ecosystem, not least because of its particular role of supporting the local economy and its proximity to local areas and communities.
- 1.2 The violent invasion of Ukraine and the resulting exodus of refugees is highlighting the great propensity for solidarity of European citizens and civil society organisations involved in receiving refugees and managing humanitarian aid, confirming the social economy's important role in organising responses that demonstrate solidarity during humanitarian crises.
- 1.3 The potential of the social economy has still not been harnessed in all Member States. The SEAP therefore needs to be complemented by medium- and long-term actions and by targeting and coordinating the necessary measures and strengthening the legal reference framework. In this regard, the EESC fully supports the approach of securing a specific recommendation by the European Council, scheduled for 2023.
- 1.4 The EESC proposes that, in order to make the SEAP more effective, it should be strengthened with targeted proposals in four areas of interest: i) collaboration between public administrations and social economy entities; ii) State aid; iii) investments and financial instruments; and iv) taxation – strengthening the link between the SEAP and the "European 2030 Strategy", with particular reference to the role that the social economy can play in supporting the green, digital and social transitions.
- 1.5 The EESC hopes that the SEAP will promote a more targeted investment of European resources earmarked for the national recovery and resilience plans towards social inclusion, education and employment stimulus targets, with a special focus on young people, families and vulnerable people, recommending that particular attention be paid to digital skills training for disadvantaged people.
- 1.6 In order to develop best practices for cooperation between public entities and social economy entities, the EESC recommends developing collaborative territorial governance and shared administration instruments as the ideal means of involving as wide a range of stakeholders as possible, strengthening the culture of subsidiarity.
- 1.7 The EESC welcomes the SEAP's proposal to boost efforts to steer public procurement and concessions towards the pursuit of social and environmental goals and recommends that public-private partnership models be strengthened.
- 1.8 In line with the SEAP's proposals on taxation, the EESC encourages the Commission to pay special attention to tax provisions for social economy entities in the legislative initiative *Business in Europe: Framework for Income Taxation (BEFIT)*, due in the next few months.

2. General comments and background

- 2.1 The social economy action plan looks towards 2030 and is complemented by two working documents. The first of these provides additional information supplementing the communication on *Building an economy that works for people: an action plan for the social economy*, to be taken in parallel with the implementation of the European Pillar of Social Rights. The second, on *Scenarios towards co-creation of a transition pathway for a more resilient, sustainable and digital Proximity and Social Economy industrial ecosystem*, ties in with the new European industrial strategy, in which the social economy can play a role as an innovator, leading to a fair and equitable transition, in strategic sectors such as the digital and green economies.
- 2.2 The EESC welcomes the decision to align the SEAP with both the European Pillar of Social Rights and the new European industrial strategy, which has taken the innovative step of targeting a specific "ecosystem" of the social economy. In this respect, it is important that the medium- and long-term objectives be more clearly defined beyond 2023. The social economy can be of great help in dealing with the big questions currently facing Europe, i.e. the reduction of forms of inequality, demographic pressures, support for the younger generations, managing the reception of refugees and migrants and the sustainability of healthcare systems and the European welfare model.
- 2.3 The EESC believes that the SEAP must also promote measures coordinated with the single market for capital plan, as recommended in opinions ECO/533 and INT/965. These two opinions call for the capital markets union to take account of the specific features required of financial instruments for the social economy sector.
- 2.4 While the action plan does not provide a legal definition of "social economy", it does identify the distinctive features of its entities: i) primacy of people and social purposes over profit; ii) reinvestment of all or most of the profits in activities that are in the collective interest or which benefit members and users, in the context of the general interest; iii) democratic and participatory governance.
- 2.5 The EESC endorses these principles and encourages the Commission and Member States to undertake more ambitious and better coordinated initiatives with a view to shaping a duly accepted and coordinated legal framework on the social economy built around the above-mentioned three principles, which would make it possible to put an end to ambiguities and uncertainties. A definition incorporating the different organisational models and forms of enterprise that have been taking root would also make it possible to achieve the goal of introducing a European statute for associations, mutual societies and foundations, especially for those engaged in cross-border operations.
- 2.6 The EESC welcomes the Commission's proposal to guide the Member States in drawing up measures to help the social economy, with a view to supporting a more sustainable, inclusive and innovative model of economic and social development. Specifically, the Commission is proposing to intervene either directly or alongside the Member States in three priority areas: i) creating the right conditions for the social economy; ii) offering opportunities for them to start up and expand their activities; iii) ensuring recognition of the social economy.

- 2.7 With this in mind, the EESC is pleased that the action plan flags up the need for a mix of policy measures, including taxation, regulation of public procurement, competition and state aid, appropriate regulation of working conditions, education and research. In this regard, the EESC stresses the need to promote the quality of work and the development of the procedures for informing and involving workers when it comes to the strategic decisions taken by social economy entities.
- 2.8 The sectors in which social economy entities operate encompass social and health services, care, education and training, culture and environmental protection, and in general many of the SGEIs referred to in the European Pillar of Social Rights, sectors that generate increasing economic value and ever higher employment rates.
- 2.9 Social economy entities are active in all economic sectors in many European countries: from industrial and craft manufacturing to the circular economy, from sustainable tourism to energy production from renewable sources, from transport to communication and information services, with key roles in social innovation and widespread technology transfer supporting disadvantaged populations or areas. The variety of legal and organisational forms means that a "one-size-fits-all" approach is inappropriate, although some form of coordination under the leadership of the Commission would be useful.
- 2.10 Social economy enterprises are firmly rooted in the local community, contributing to social cohesion in local areas and making them more resilient and inclusive. This propensity for proximity makes social economy entities particularly effective, including at supporting the green and digital transition and making digital technologies more accessible to everyone, including the most vulnerable and at risk of social exclusion, especially enabling technologies that help people with disabilities to work.
- 2.11 Special attention should also be paid to the involvement and development of young people, who should be supported with training measures that encourage the growth of entrepreneurship among the younger generations.
- 2.12 To unleash this potential, social economy entities need greater access to investment capital, particularly to make better use of investments in social infrastructure (affordable housing, long-term healthcare and support, education and lifelong learning, poverty reduction, improved accessibility). These types of infrastructure must be strengthened so as to reduce inequality and social exclusion, problems that have been exacerbated in Europe by the pandemic.
- 2.13 The action plan is an opportunity to develop the social economy, by improving industrial policy and by recognising the role played especially by cooperatives (which form major hubs and have considerable capacity for innovation) in European services and industry.
- 2.14 The EESC attaches considerable importance to the Commission's commitment to carrying out studies and research on the social economy with a view to a European Council recommendation in 2023. The EESC is also pleased that the Commission plans to evaluate the implementation of the action plan in 2025. However, to ensure the effectiveness of the studies and assessments the

SEAP should set clearer medium and long-term goals to help identify the intended social impact, also in relation to the European 2030 strategy.

- 2.15 The EESC welcomes and supports the Commission's goals for promoting cross-border relations and the internationalisation of the social economy, by supporting and encouraging the participation of social economy undertakings in European partnership platforms, by establishing a single EU Social Economy Gateway (one-stop-shop).
- 2.16 As part of initiatives to promote a culture of entrepreneurship and, in particular, to increase young people's involvement in starting up new enterprises, it is essential to increase knowledge of the potential of the social economy in secondary school and university curricula. This is why we support the proposal to establish a new Youth Entrepreneurship Academy that includes the social economy.

3. Specific comments

3.1 Relations between public administrations and social economy entities

- 3.1.1 Recognising the potential of the social economy for the future of social and industrial policies, the SEAP affirms the importance of the general interest functions to which the social economy contributes, and it is therefore crucial to establish goals for improving collaboration between the public administration, social economy entities and participants in the social dialogue.
- 3.1.2 With this in mind, the EESC sees a need to invest in strengthening "shared administration" between public authorities and social enterprises working towards common interest goals within their respective areas of responsibility and remits. Forms of planning using inclusive methods of governance that recognise the role of social economy entities, particularly in local systems of cooperation between the social economy and local authorities, should therefore be encouraged. These innovative ways of working must meet the requirements of transparency, equal treatment, affordability and openness to different stakeholders, applying the principle of subsidiarity.
- 3.1.3 These forms of collaboration seem to be particularly effective when establishing services of general interest because they allow better handling of competitiveness, developing and leveraging the collaboration and positive social impact accomplished by taking a "common goods" approach.
- 3.1.4 The EESC therefore supports the Commission's intention to work towards improving access to the public contract market for social economy entities. Much progress has been made in relation to this, owing to the 2014 directives on public contracts¹. However, the EESC hopes that when reviewing the procurement directive – and particularly Article 77 thereof on the lighter regime for social services – the Commission will make a clearer distinction between the pursuit of the general interest and the delivery of the single market, so as to provide a more robust legal basis for collaboration agreements between public and social economy entities.

¹ Directive 2014/24/EU of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

3.2 State aid

- 3.2.1 It is no secret that some of the sectors in which social economy entities are active, particularly social care, healthcare, education and culture, need sufficient public financial support, which should in any case be introduced without distorting market rules, where services provided by social economy entities are also provided by commercial enterprises.
- 3.2.2 State aid control seeks to maintain a balance between the provision of support and a level playing field. The action plan highlights how public authorities and beneficiaries frequently fail to make the most of existing possibilities offered by flexibility with regard to state aid. This is certainly true and suggests the need for targeted investments in specialist training for public administrations on European state aid rules, particularly those on services of general economic interest (SGEI).
- 3.2.3 Nevertheless, competition rules are not always a good match for issues such as the management of social services, especially healthcare and individual care services, which are based on solidarity rather than being market-oriented. In opinion TEN/605, the EESC pointed out that "the lack of certainty or the substantial costs involved in fulfilling the requirements raise barriers that unduly prevent authorities from fully implementing SGEI policy". The SEAP must be seen as an opportunity to improve the dialogue between the Commission, the Member States, local authorities and representatives of the social partners and of the social economy.
- 3.2.4 The EU's SGEI rules guarantee sufficient flexibility with regard to state aid rules. However, many public authorities pass up the possibility of applying the legal framework on public aid to SGEIs.
- 3.2.5 The Commission's proposal to set up webinars and workshops to help provide sufficient information on ways of accessing state aid is commendable but does not go far enough. More decisive regulatory intervention is needed, including through soft law, to clarify access requirements and the amount of support available under state aid for social economy entities, particularly with regard to the SGEI sector and aid for recruiting disadvantaged people under the General Block Exemption Regulation (GBER).
- 3.2.6 The subsidies granted to social economy entities in their capacity as entities that help to deliver general interest services should be recognised as being compatible with the internal market. To this end, it would be worth reviewing the de minimis thresholds for aid issued to social economy undertakings for social actions and services of general interest.

3.3 Investments and financial instruments

- 3.3.1 According to the estimates given in the action plan, during the 2014-2020 programming period at least EUR 2.5 billion from the EU budget went towards supporting the social economy through a range of European programmes and funds. The EESC is pleased that the Commission intends to further increase the level of support for the 2021-2027 period, reducing the barriers for social economy entities to access European funds.

- 3.3.2 An important goal for 2022 would therefore be to launch new financial products under the InvestEU programme, in order to mobilise private funding tailored to the needs of social economy undertakings.
- 3.3.3 Besides the promotion of investments and financial instruments, simply accessing bank credit remains difficult for many social economy entities. For this reason, the EESC considers guarantee facilities for access to credit to be necessary. These facilities, which have been extensively tried and tested on SMEs, should also be extended systematically to social economy entities.
- 3.3.4 The EESC proposes that every Member State be encouraged to establish, with the help of InvestEU, a dedicated "Guarantee fund for social economy entities" that complies with specific criteria for assessing creditworthiness, supporting the introduction of appropriate indicators for evaluating social economy investments, which would also be useful in promoting innovative financial instruments.
- 3.3.5 The EESC endorses the SEAP's take on workers' buyouts, pointing to the role of cooperatives formed by employees who take over companies that are in crisis and establish a cooperative. Workers' buyouts are successful if the workers forming the cooperative can count on suitable funding mechanisms and the establishment of funds for the capitalisation of these enterprises. However, alongside these financial instruments it is essential for workers to be properly supported through training and skill-building activities. The EESC also urges the Commission to continue to work closely with the Member States to identify tools and solutions to remove obstacles and speed up legal procedures for transferring ownership of an enterprise to its employees after it closes, through worker cooperatives or other forms of worker-owned social economy enterprises.

3.4 **A tax policy which recognises functions that are in the general interest**

- 3.4.1 Social economy entities operate within a fragmented fiscal framework that is largely defined by the Member States. The EESC is pleased that the action plan stresses the need for tax provisions specific to the social economy, emphasising that few Member States to date have developed a dedicated and coherent fiscal framework for social undertakings.
- 3.4.2 Coordinated fiscal harmonisation, inspired by good practices in Member States, would be useful and desirable, in particular for certain tax exemptions on undistributed profits, reductions on VAT, reductions on or exemptions from social insurance costs and tax reductions for gifts.
- 3.4.3 The EESC is pleased that the SEAP proposes the publication of guidance clarifying the existing rules on the tax treatment of cross-border public-benefit donations, and the publication of a specific study on philanthropic donations in the EU; in this respect, the EESC believes that such guidance should include recommendations to Member States on how to recognise when resident public-benefit organisations are comparable to organisations based in another EU country.

3.4.4 Finally and importantly, the social economy action plan must become a strategic instrument setting out meaningful measures for the benefit of social economy entities and local communities, accompanied by tax policies that are geared towards the stated social goals.

Brussels, 18 May 2022

Christa SCHWENG

The President of the European Economic and Social Committee
