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## PLEA FOR A EUROPEAN SOCIAL ECONOMY TOWARDS A EUROPE OF CITIZENS AND TERRITORIES

Europe does not make anyone dream anymore. It has become the scapegoat for many problems our European societies are confronted to. It has moved away from citizens who perceive it through the often distorting prism of media channels: an Europe where governments are opposed to each other, that imposes red tape, and does not protect from globalization. It has moved away from the territories that no longer perceive it as the way to economic and social development. Yet an abundance of innovative and solidarity initiatives by citizens occur in territories everywhere and bring solutions that only wait for being structured and amplified. Europe can help to achieve that by resolutely promoting social economy (SE)<sup>1</sup>. SE changes the economy through its values, its statutes, and its practices that are shared by a majority of citizens - value of solidarity, social utility, and democracy - . SE thrives by meeting many social needs that are not or poorly satisfied.

Social economy offers a model that reconciles economic and social issues on a long-term basis. SE is characterized by common values: i) a social or of general interest objective; ii) a profit reinvestment; and iii) a democratic or participatory governance. It may have happened that common values might have not been fully respected at any time and in all circumstances, but they remain deeply seated in behaviour and some European governments have endeavoured to strengthen them by legislation<sup>2</sup>. By simply complying with these values, social economy offers solutions to the many societal challenges that the current growth model struggles to solve, mainly because it is the root of these issues.

Social economy is not an utopian view: it is already an economic reality in the European Union. It concerns one enterprise out of 10, employs a workforce of 13,6 million paid employees and 5,5 voluntary workers and provides 8% of the European GDP<sup>3</sup>. But its size remains too small for its beneficial impact to appear unequivocal and be recognised by all public decision-makers.

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<sup>1</sup> Social economy or social and solidarity economy. Designation and definition vary according to the different European countries.

<sup>2</sup> French law on social and solidarity economy in 2014, Italian law on social cooperatives in 1991, Spanish law on social economy in 2011, Portuguese framework law on social economy in 2013, the Bulgarian national "concept" on social economy in 2012, etc.

<sup>3</sup> Source: "Recent Evolutions of the Social Economy in the European Union", European Social and Economic Committee, 2016

Its assets firstly result from its very principles and values. They provide many answers to different challenges: globalization, financialization of the world, mistrust of citizens with regard to policy decision-makers, lack of democracy in enterprises and gender equality.

*Globalization.* Globalization provides economic benefits linked to competition and free movement of products and services. However it reaches its limits when it weakens the local production fabric, makes easier relocation of enterprises abroad, and threatens the environment. By contrast, SE ensures a **territorial long-lasting anchorage** of social and economic activities. SE is an economy of proximity meeting the specific local features and demand. Indeed SE leans on local co-operation between private and sometimes public stakeholders; it provides services that are local by definition. Consequently social economy enterprises only delocate their activities with great difficulty. SE more and more often gives rise to short production chains allowing producers to directly sell to their customers on the same territory, to local micro-enterprises sharing their resources, to local job creation-oriented enterprises, or to initiatives of urban regeneration, etc. In some cases, SE is linked to local digital money<sup>4</sup> amplifying territorial wealth creation<sup>5</sup>. Thus its development modality allows SE to alleviate some negative impacts of globalization.

*Financialization.* The excessive financialization that the world is currently experiencing brings about financial instability, an uneven distribution of income in favour of capital to the detriment of labour, and a subordination of economy to capital. For many years, the financial system has steered away from its main purpose of financing the social and economic activities development so as to favour increasing its assets, to monopolize an always growing share of value added, and to impose its short-term views. Social economy favours **profit reinvestment** that protects its enterprises against the financial drift and ensures the primacy of enterprises and its employees over capital. Human comes before capital. SE enterprises have explicitly written it down in their statute or their corporate objectives. Profit reinvestment allows enterprises to spend their surplus either to raise their activities by financing investment, or to better pay their employees, or to cut down prices according to their long-term business strategy. For instance mutual insurance companies redistribute their profit to their customers by revising their fees downwards.

*Lack of confidence in policy decision-makers.* In-depth change our societies are confronted with, and the numerous financial, economic and social crises of worldwide scale have led to a paradox: citizens increasingly expect public authorities to weaken the crises impact and at the same time deny them any effectiveness. Citizens lack of confidence towards policy decision-makers spreads over all European countries. Social economy offers an innovative solution: **co-construction**. Co-construction allows citizens usually beneficiaries of public measures to be involved in their design and their implementation. It enables individuals to express their solidarity by getting involved in collective initiatives. Through its collective approach, SE counteracts the worrying rising of individualism that endangers republican solidarity. SE combines individual freedom with collective strength. They are many successful examples of co-construction initiatives in which citizens, SE or traditional enterprises, and local public authorities co-operate. Co-construction acknowledges the

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<sup>4</sup> For instance, Eusko (Basque country), Chiemgauer (Bavaria), Bristol Pound (UK), SoNantes (France), etc.

<sup>5</sup> By internalizing the keynesian multiplier effect on the territory.

proactive force of citizens when put on an equal footing with public authorities, provides organizational framework for solidarity, and enhances trust relations triggered by co-operation.

*Democracy.* The principles and rules of running SE enterprises are democratic by definition. The decision process based on **the principle "one person, one vote"** ensures that the power of decision is not tied up to capital holding. Similarly profit reinvestment and the involvement of users or employees in the choice of objectives and implementation of enterprises activities lead to a democratic running of enterprises. Freedom membership<sup>6</sup> is a basic principle of democratic freedom that is a feature of SE enterprises. In a nutshell, social economy keeps alive the participative democracy in enterprises.

*Gender equality.* Professional gender equality is one of social economy values. It is sometimes explicitly written down in the statutes of SE enterprises. Despite the lack of complete data, the achievement of SE with regard to gender equality is better than in the rest of the economy even if further improvement could be made.

Beyond these beneficial effects related to the values and principles themselves of social economy, SE meets various demands expressed by citizens: getting quality jobs, reconciling the economy and the environment, preserving their cultural identity, integrating refugees, benefitting from social services, escaping poverty. Social economy satisfies these societal needs through the products and services it provides.

In Europe, social economy is active in most of the sectors including the competitive ones<sup>7</sup>. Its main feature is that it provides services to satisfy social demand, and even sometimes demand of public interest. It may happen that SE substitutes for public authorities that are impeded by budgetary constraints. These needs are multi-faceted. Some of them are structural (employment, housing, integration, environment, social assistance); others have significantly increased since the 2009 crisis (social exclusion, poverty, immigration). It results from its ability to innovate through its constant and multi-faceted **social innovation**<sup>8</sup>. Its ability rests on partnerships between stakeholders that transcend the usual socio-economic groups (the employee becomes employer; the customer producer; the citizen public decision maker; etc) and alter the traditional trade networks (hort production chains; fair market networks; etc). Social economy is an agent for change; as such it becomes a necessary stakeholder for implementing new types of pro-active public policies, be they employment, social, environmental, cultural or immigration policies.

Current economic change leads to the creation of new types of jobs: atypical jobs, self-employed people, temporary workers, .. poorly protected by social security schemes. Social economy not only creates jobs, but also **quality jobs**, ie long-lasting jobs with a contract, social protection, collective labour relations, and meaningful jobs for the worker.

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<sup>6</sup> by contrast with the compulsory involvement in Soviet cooperatives

<sup>7</sup> The best example is the city of Mondragón in the Spanish Basque country where all the economic activities are provided by cooperatives, be they commercial, industrial, banking or media.

<sup>8</sup> According to the definition given by the High Council of Social and Solidarity Economy in France, "Social innovation consists in developing new answers to new social needs or needs poorly met by the market and social policies conditions".

It allows self-employed workers to become employees while keeping their activities and to benefit from a normal social security coverage like in the case of "Activity and Employment Cooperatives"<sup>9</sup> in France. Some SE enterprises provide **integration jobs** for the most disadvantaged people, disabled ones or people in difficulty so as to increase their employability by skill training. For many people, notably the young, the SE enterprises make work meaningful, and offer a fulfilling work by contrast with an alienating one.

Social economy stands for environmental values. It can be a pro-active player in **protecting the environment and fighting against climate change**. SE enterprises have long been involved in activities such as waste management, recycling and re-use. Nowadays they get involved in greenhouse gas emission reduction by contributing to the cooperative production of renewal energy or by committing to lower their own overall carbon footprint. Social economy raises citizens awareness and involves them in the necessity to reduce the greenhouse gas emission. As a result they become stakeholders in the fight against climate change. They reduce their energy consumption (energy saving) or they get involved in the production of renewable energy (citizenship energy transition)<sup>10</sup>. The cultural world also undergoes in-depth change in Europe. **Culture** is the base of European civilization. Social economy enables entrepreneurial change required in the cultural world: more cooperative behaviour, more efficient entrepreneurship while respecting the principle of limited profitability and refusal of commodification of culture. The cooperative organizations and the regrouping of SE enterprises are often chosen as an adequate labour framework for a third cultural way<sup>11</sup>. Social economy also allows to reduce job insecurity for self-employed workers by providing them with a better social coverage.

In spite of an absence of agreement between European countries with regard to **migration**, social economy is an active and recognized stakeholder for refugees integration<sup>12</sup>. Beyond reception, assistance, housing or education services to refugees, SE enterprises contribute to their social and professional integration in support of existing national policies: language learning, skill acquisition and integration in the labour market. In all sectors of **social action**, social economy is active in support of public policies or takes part in territorial initiatives. It meets the needs for personal assistance, medical care, housing at affordable prices or fight against poverty. These needs are of a structural nature. They give rise to an always reiterated demand for a welfare state and result from population ageing, increased mobility, and impoverishment after the successive economic crises, etc<sup>13</sup>. Through many various services, social economy contributes to wellbeing and social cohesion.

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<sup>9</sup> Coopératives d'activités et d'emplois (SAE)

<sup>10</sup> According to the European Social and Economic Committee, the development of renewable energy is faster in the Member States that allow their inhabitants to launch initiatives of citizenship energy either individually or collectively.

<sup>11</sup> In France the enterprises with cultural objectives represent more than 15% of enterprises of social economy.

<sup>12</sup> also called asylum seeker in some countries.

<sup>13</sup> cf the report of Prodi-Sautter "Boosting Investment in Social Infrastructure in Europe", 2018

Social economy is not a silver bullet, but it may bring many solutions to the European challenges. It offers a different path that ensures the primacy of values of general interest, of solidarity, and of democracy with a new entrepreneurship behaviour. To achieve it, social economy must scale up and become a genuine political ambition of the European Union in accordance with the Treaty on the European Union that stipulates " The Union ... shall work for ... a highly competitive social market economy, aiming at full employment and social progress ..."<sup>14</sup>. There is a rising political awareness in most of European countries and within the European institutions. Some policy measures are implemented or are being strengthened to promote social economy. But the plea aims at generating a genuine scaling-up of European policies. It calls on the candidates to the European Parliament for conveying the promotion of social economy in their election campaign and, if elected, for lobbying in the European institutions. Through its values, social economy is able to help solve many of the major society challenges that Europe is facing. It requires an European policy for social economy scaling up, strengthening its visibility, increasing the budgets devoted to it, and adapting the functioning of institutions<sup>15</sup>.

➤ Firstly it requires a political willingness expressed at the highest level of European policy makers so as to ensure the visibility of social economy policy.

➤ Secondly it requires a programmatic priority given to social economy for the 2021-2027 period by the creation of a programme dedicated to social economy<sup>16</sup>. The Labo of Social and Solidarity Economy has proposed a programme "Erasmus of Social Economy" with a Euros 3 billion budget over the 2021-2027 period. Its objective would be threefold: i) promoting education for social entrepreneurship; ii) developing trans-european partnership between social entrepreneurs (current and to-be), representatives of eco-systems or organizations of social economy; iii) promoting partnership between national or territorial public authorities to exchange best practices. It also requires the integration of social economy into most of European policies (economic, social, environmental, regional, education, development, etc), or in other words the policies to which social economy can bring solutions. The recommendation particularly concerns the European regional policy. Yet the proposal for a European regulation of sustainable development for 2021-2027 gives no explicit priority to social economy although it would allow territorial co-operations and strengthening of local governance.

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<sup>14</sup> Article 353 of the Treaty on the European Union.

<sup>15</sup> cf notably "Best practices in public policies regarding the European Social Economy post the economic crisis", European Economic and Social Committee, 2018; "The future of the EU policies for the Social Economy: Towards a European Action Plan", SEE, 2018; "Europe & ESS - Enjeux et leviers d'action pour les collectivités locales", RTES, 2018.

<sup>16</sup> Currently the budgetary funds to social economy are spread over many European programmes. As a result, it makes it complicated for social economy enterprises to benefit from the EU programmes because of their diversity, their different rules and their various timing of implementation.

➤ Finally it requires institutional change in the European Commission so that one of its vice-presidents has in his portfolio the responsibility for social economy and ensures that social economy policy is taken into account in various other European policies.

By choosing to give a firm priority to social economy, the European Union could reconnect with its citizens and territories.

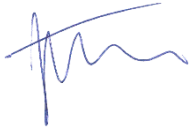
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## Annex: Exemples of initiatives of social economy in Europe

### *Co-construction.*

In France the territorial clusters of economic co-operation (TCEC or PTCE Pôles territoriaux de coopération économique in French) have given rise to a national policy co-constructed with the national public authorities ( Law of 2014 on the Social and Solidarity Economy). There are currently about 150 TCEC in France. They develop their activities in co-construction and co-operation with local and territorial authorities, whose involvement is sometimes statutory, as in the case of cooperatives of collective interest (SCIC Sociétés coopératives d'intérêt collectif in French).

### *Employment of quality*

**SMart**, Belgian cooperative grouping allows independent workers to run their economic activities in a framework that offers a social protection and a genuine entrepreneurial dynamic at the same time. The worker becomes employee and benefits from various services (management tools, insurance, assistance, training, legal advice, working space) in order to help him run his activities. 35.000 workers use its services every year. SMart is active in 9 European countries.

### *Fight against climate change*

**Middelgrunden** (Denmark) was the biggest offshore wind farm when it started producing electricity in 2001. It was 50% owned by 10 000 citizens regrouped in a cooperative. They brought nearly all the funds to finance the investment for 10 wind turbines. Today Middelgrunden produces 90 GWh per year and provides electricity to 3% of Copenhagen population.

**Enercoop** (France) is a supplier of 100% renewable electricity through a network of 10 regional cooperative societies regrouped in a Cooperative Society of Collective Interest (SCIC Sociétés coopératives d'intérêt collectif in French). It supports electricity production projects by citizens and offers services to reduce consumption of electricity.

### *Circular economy*

**Vitamine T** (three French regions) is a leader in economic integration of people and regroups 18 subsidiaries that are social economy enterprises, notably active in the circular economy. These enterprises recover second-hand household appliances, electrical and electronic waste, end-of-life vehicles with leading-edge technology. They also recover and recycle materials such as refrigerators and wooden pallets. They employ 3500 employees; 2/3 of them have an integration employment.

**RECOSI** - Regional and European Co-operative for Social Industry (Ireland) - is a not-for-profit organisation. It was created in Ireland in early 2014 by a group of like-minded individuals, who want to help to develop social enterprises, which operate mainly in the area of reuse of IT equipment and WEEE (waste electrical and electronic equipment) and which create jobs for the marginalised people in society. RECOSI has developed into a successful company providing a range of innovative reuse services in the area of IT and

WEEE across Ireland, UK, USA and Europe. It is also an example for social franchising.

### *Urban regeneration*

The project **Capacity** (Messina, Italy) aims at regenerating areas of barrack settlements. The inhabitants are encouraged and paid to take part themselves in the construction of new houses with the support of an architect specialised in sustainable housing and the involvement of public services. All that is achieved on favourable terms. The inhabitants could also receive a one-off payment that allows them to buy an house if they wish so.

### *Migration and integration*

**Khora** (Athens, Greece) is a humanitarian co-operative foundation focusing on the provision of services for refugees. It is managed by a group of experienced volunteers, who provides support for establishing successful and sustainable projects that help thousands of refugees living far away from their home countries.

**Graefewirtschaft (Berlin, Germany)** is a social enterprise which aims to create jobs for migrants and refugees and qualify them to start their own independent business. It facilitates their integration and improve their living conditions. It has developed into a major provider of community catering and canteens, especially for school meals.

**Taste of Home/Okus doma** (Croatia) is a social cooperative that introduces the culture, customs and countries of origin of refugees and migrants in Croatia by recording their memories of home, smells and tastes of their cuisine. It is an experiment in sharing life stories and culinary skills of refugees and people from Croatia. Apart from catering, Taste of Home also provides training opportunities (including language training) which help refugees to find employment and settle in the new society.

### *Culture*

**DynamoCoop** (Liège, Belgium). This cooperative society makes it easier for cultural creators to access the facilities they need. It aims among its different purposes to buy buildings in order to host, facilitate and spread artistic and creative projects in Liege. Investments funding is achieved by the recourse to participative saving.

**Coursive Boutaric** (Dijon, France) is a territorial cluster of economic co-operation that has revitalized a cultural and creative network through co-operation. It provides various services to 18 cultural enterprises (access to new markets, mutualizing, training) in co-operation with training agencies, local and territorial public authorities, and networks of enterprises.

### *Agriculture and sustainable food*

**Permafunghi** (Brussels, Belgium) is a cooperative society with a social purpose that has been created in 2013. It recycles coffee grounds to produce oyster mushrooms, chicory and organic fertilizers while ensuring stable jobs to young people in integration from Brussels.

The **Bread house club** (Bulgaria) is a network of social enterprises that makes bread by using an old traditional technique. It focuses on recruiting and training young people, especially children deprived of parental care. It works also as community cultural



centres. It started in 2009 and grew into a network. There were 15 initiatives of this kind in different parts of Bulgaria in 2016.

#### *Fight against poverty*

**Toit à moi** (some cities in France) is an association that helps social integration to poor people by accomodating them at a token price. In partnership with other organisations and volunteers, it allows excluded persons to connect to other people.

**IQ Roma Servis, Z.S.** (Czech Republic) is an association working mainly, but not only with Roma who find themselves in precarious living conditions and are socially excluded. Among its activities figure education, assistance in the search for employment, dignified housing or initiatives, services around the prevention and reduction of debts or protection from discrimination. Together with the city of Brno and other partners, IQ Roma Servis is also testing the «Housing First» approach as a possible means to end family homelessness.

**Sussex Oakleaf** (Sussex, UK), a social enterprise that provides a range of support services to individuals at risk of homelessness, people with mental health needs, and those with a personality disorder. It provides recovery focused community wellbeing services, residential care, peer mentoring, housing support and employment opportunities.

#### *Insurance and financial institution*

**Laboral Kutxa** (Spanish Basque country) is a cooperative credit bank, the third one in size among the Basque financial institutions. It is the result of a merger with notably the cooperative bank Euskadiko Kutxa created in 1959 to fund the development of the social economy eco-system of Mondragón. It is a worker cooperative. Its customers can also become members of the cooperative.

#### *Social action*

**Caritas and Diakonie** (Germany) Since the end of the XIXth century, the State has delegated to two charity organisations Caritas and Diakonie respectively catholic and protestant a whole set of social services: education and training, personal assistance, health care, poverty and exclusion assistance.

**UP Corporate** is a cooperative society active in 13 European countries and 19 worldwide and employs 3400 people. It facilitates the social action by managing services vouchers to pay for home care, restaurants, childcare, education of pupils, etc.

**Les petits riens** (Belgium) is a social and long-lasting enterprise that salvages and sells back second-hand belongings. It offers stable jobs to particularly fragile people. It addresses current economic, social and environmental challenges.

**The Centre of holistic home care** (Slovenia), a social cooperative that provides a range of integrated care for the elderly (in-home services of care and nursing, and medical-therapeutic services) for affordable price. It allows the elderly to stay at home.