
Social Economy in Europe

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— A growing interest in social economy

While social economy is not a new phenomenon, it has been gaining more presence in public policies. Social economy organisations and enterprises have moved to fill the gaps left by the market and the state, and have shown themselves to be innovative, adaptable and responsive to local needs when provided with the opportunity and the right enabling environment.

Over the last two decades, the development of new business and organizational models has broadened the understanding and role of social economy in territories¹. These transformations are rooted in the principles of inclusion, equity, and responsibility—principles public and private actors must embrace to achieve the sustainable development goals laid out by the United Nations.

Following the global health crisis, the demand for social economy has never been greater. Indeed, with the fragility of the economy and the deepening of existing inequalities, a fundamental need for resilience, innovation and cooperation emerged. The COVID-19 pandemic caused significant global economic and social disruption.

As our economies begin to recover, the time is right to reflect on the lessons learned, and what role the social economy can play to build back better. These reflections must also now integrate broader economic and social considerations. It is now key to question how current and forthcoming transformations can contribute to more sustainable development and growth models.

This is why the social economy finds its place in the updated EU Industrial Strategy² which aims at achieving climate neutrality and digital leadership.

The discussions about social economy and its future in Europe are therefore timely. While we are still addressing the challenges of the pandemic, the European Commission is looking beyond the crisis to build a fairer and more inclusive EU society and accelerate the twin green and digital transitions we wish to see in the next decade.

While the social economy is already making a significant contribution to the lives of individuals and communities, it still has enormous, untapped potential.

Today, it is high time to look beyond the crisis we are facing to work on building a fairer, more prosperous and stronger society. Social economy is an excellent example of an “economy that works for people”. It helps build a social Europe, turning our *European Pillar of Social Rights* principles into actions with concrete results for citizens. Social economy actors are best suited to support the ambitious agenda agreed between European leaders in Porto³, to shape the future of social rights in Europe.

In a few words, we must turn the big challenges we face into opportunities. We have to ‘walk the talk’ to deliver more on just transformation and long-term sustainable growth.

To accomplish this, the Commission released on 9th December an ambitious package. First, the European Action Plan on Social Economy sets out the vision and the framework of action for the social economy in the next decade. Second, the transition pathway for the “Proximity and Social Economy” industrial ecosystem presents different scenarios to enable social economy actors to be frontrunners in the green and digital transformation. The document is an invitation to build, together with stakeholders, the path towards resilience and the twin transition⁴.

— The European Action Plan for the Social Economy: a step towards a more inclusive and sustainable economy

The *European Social Economy Action Plan* aims to enable the development of favourable conditions for social economy across Europe. The potential of the social economy is indeed underutilized and remains unknown to many. Due to this lack of understanding and recognition, social economy enterprises and organisations face difficulties scaling-up their activities. More can be realised in the Single Market to integrate and replicate successful experiences across territories.

The Social Business Initiative⁵ in 2011 already paved the way for more progress in the EU regarding the development of the sector. Nonetheless many obstacles remain, as shown by a study conducted in 2020⁶.

1 Itçaina X., Richez-Battesti N. (eds.) (2018), *Social and Solidarity-based Economy and Territory. From Embeddedness to Co-construction*, CIRIEC, Peter Lang.

2 European industrial strategy, European Commission: https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en

3 Porto Social Summit, 7-8 May 2021. <https://www.2021portugal.eu/en/porto-social-summit/>

4 European Commission (2021), *Scenarios towards co-creation of a transition pathway for a more resilient, sustainable and digital Proximity and Social Economy industrial ecosystem*, Commission staff working document, SWD(2021) 982 final. <https://ec.europa.eu/docsroom/documents/47854>

5 Social enterprise: <https://ec.europa.eu/growth/sectors/proximity-and-social-economy/social-economy>

First, we need to create the right conditions for the social economy to thrive

Conceptualizing the notion of the social economy, while understanding and integrating the heterogeneous traditions in Member States, is at the forefront of the European Commission's agenda. Therefore, to emphasize enabling policies and legal frameworks, it is key to support mutual learning opportunities and provide guidance. The Commission will propose, in 2023, a Council recommendation on developing social economy framework conditions in the Member States, such as skills, taxation, financial support or public procurement.

Public procurement will remain high on our agenda⁷. Supplying goods and services to both public and mainstream enterprises, is key to the reinforcement of the social economy and its connection with mainstream economy. In recent years, several local and regional authorities have developed their public purchase in socially responsible public procurement, but a lot more needs to be done, especially to improve awareness and foster the exchange of best practices in Europe.

Moreover, promoting more socially responsible value chains is important. The Commission will therefore launch actions to trigger mainstream businesses to work with social economy actors in their supply chain practices⁸.

Access to funding for the social economy enterprises and organisations will continue to be a major concern to tackle. Over the 2014-2020 period, at least EUR 2.5 billion was mobilised from the EU budget to support the social economy. This budget is expected to increase in the period 2021-2027, using the multiplier effect of our financial instruments, such as InvestEU, ESF+, ERDF, the Single Market Program or Erasmus + just to name some of them.

In the field of social market finance, the European Commission will work on the demand and supply side to tailor adequate financial opportunities for social economy organisations.

The NextGenerationEU instrument⁹ will also help us to deliver and allow Member States to mobilise investments and reforms in order to develop social economy and social entrepreneurship. The tools are there, we have to make them available to social entrepreneurs and social economy organisations.

The European Commission will continue its support to reinforce social economy at **regional and local levels**. It makes sense to generate cooperation among regional and local authorities as the social economy business models are often anchored at the local level, driving generating growth and jobs.

Since 2018, more than 100 cities and regions have organised awareness-raising events across Europe and joined our network "European Social Economy Regions¹⁰" (ESER) to share experiences, best practices and knowledge in that regard. Exchange and increased cooperation will remain an effective way of enhancing mutual learning on the social economy. Support via ESF+, ERDF or EAFRD will continue to play a significant role.

Furthermore, encouraging the development of social and ecological clusters in Europe can be an excellent vehicle for inclusive economic development and for opening opportunities for local SMEs. Such clusters are "groups of social economy enterprises and other related supporting and economic actors that cooperate in a particular location to increase their joint social and ecologic impact by enhancing their cooperation, pooling resources and innovation capacity". They make it possible to create jobs or revitalize socially and economically stricken areas¹¹.

Second, we have to open up opportunities and boost business support and capacity building

Social enterprises have specific features that create complex needs requiring diversified tailor-made solutions. The European Commission will therefore continue to reinforce business development services such as incubators or social innovation parks to boost the scaling-up of social innovation in Europe. While these incubators often have their own methodologies of operation, we will continue to reinforce exchange between them to increase efficiency and mutual learning.

Developing the right skills is fundamental to stay connected with the labour market. The European Commission has recently launched a *Pact for Skills for the "Proximity and Social Economy" ecosystem* that is a shared engagement model for skills cooperation for upskilling and reskilling in Europe.

To support a fair recovery and deliver on the ambitions of the green and digital transitions, the Commission invites public and private organisations to join forces and take concrete action in that regards. Companies, workers, national, regional and local authorities, social partners, education and training providers to name have a key role to play. The Pact is the first of the flagship actions under the *European Skills Agenda¹²* and is firmly rooted in the European Pillar of Social Rights¹³.

We also need to continue **promoting social entrepreneurship and social economy education in curricula. Presently, many students want to begin their professional life with a job that is meaningful and value laden while looking for job stability and career growth opportunities.**

economy-eu/social-enterprises_en

⁶ European Commission (2020), *Impact of the European Commission's Social Business Initiative (SBI) and its Follow-up Actions*, Final Report – November 2020. <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8373&furtherPubs=yes>

⁷ On previous work on the issue, Social Procurement: https://ec.europa.eu/info/policies/public-procurement/tools-public-buyers/social-procurement_en

⁸ See example on a best practice: Social Entrepreneurship, Purpose and Sustainability, SAP <https://www.sap.com/about/company/purpose-and-sustainability/social-responsibility/social-entrepreneurship.html>

⁹ Recovery plan for Europe, European Commission: https://ec.europa.eu/info/strategy/recovery-plan-europe_en

¹⁰ ESER - European Social Economy Regions - Social Economy Community .

¹¹ PTCE | Le Labo de l'ESS: <https://www.lelabo-ess.org/ptce>

org/ptce

¹² European Skills Agenda, Employment, Social Affairs & Inclusion, European Commission: <https://www.lelabo-ess.org/ptce>

¹³ European Pillar of Social Rights, European Commission: https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights_en

The European Commission is devoting special attention to entrepreneurship training from primary school through to university, with a view to encouraging Europe's young people to become the entrepreneurs of the future. We also strongly believe that different kind of entrepreneurship models should be taught. However, only few schools focus on different business models, such as social or cooperative entrepreneurship. It is then not surprising that those young people wishing to set up a new business do not take into consideration these models.

To address this, the European Commission will launch a new Youth Entrepreneurship Policy Academy in 2022. It will aim at fostering youth entrepreneurship, including a focus on young female entrepreneurs with specific attention to social entrepreneurs with working with national policy makers and youth entrepreneurship networks. We will also continue to promote our Erasmus for Young entrepreneurs' programmes so that social economy stakeholders can actively participate.

— The social economy as a key ecosystem for industrial transition

Europe is embarking on a transition towards climate neutrality and digital leadership. The twin transition cuts across most EU policies. It is particularly relevant for our industrial policy that we updated in May 2021¹⁴. We introduced a new approach based on 14 industrial ecosystems, gathering public and private actors, large and small companies connected along value chains in different Member States. The ecosystem approach represents 90% of the business value added in the EU. Among them, the ecosystem "Proximity and Social Economy".

This industrial strategy will enable the EU27 to overcome the current crisis in a way that protects the economy, society and the environment. It will also help to achieve higher levels of preparedness for future shocks and gradually transform the economy for greater competitive sustainability in the decades to come.

The European Commission will work with stakeholders to prepare a transition pathway for the "Proximity and Social Economy Ecosystem". We hope to mobilise stakeholders towards commitments that can be transformed into joint actions to boost the twin green and digital transformation of social economy.

Social economy as enabler for the green transition

Social economy actors have a crucial role to play to reach the ambition of the European Green Deal to make Europe the first climate-neutral continent by 2050. On top of that,

reconciling economic growth with environmental sustainability offers numerous business opportunities for the sector.

Social economy has delivered innovative green solutions for decades. These examples can be found in the circular economy, for example, through providing re-use and up- and recycling services¹⁵ and generating new products and services. Others can be highlighted in clean and shared mobility services, sustainable housing solutions, organic food production or low carbon industrial applications.

Despite these success stories, several challenges remain to scale innovations on the market and across regions. The increasingly competitive nature of several markets— notably with respect to waste management and recycling - are putting additional pressure on established social economy models. To help social entrepreneurs and SMEs in the social economy build further capacity, we will mobilise, in 2022, EUR 6 million under the Single Market Programme, to support transnational networks of intermediaries, and support structures and disseminate good practices. The development of impact measurement tools, which provide evidence of the environmental and social impacts as well as sustainability of activities to customers, procurers of services or investors, deserves due attention in this regard.

Another important aspect for the green transition of the ecosystem is energy poverty and the backlog in greening social infrastructure, which many social economy actors use or own to run their activities (education, lifelong learning, social housing, care and health). A key initiative under the Renovation Wave is our Affordable Housing Initiative (AHI)¹⁶, which seeks to pilot 100 lighthouse renovation districts and support investments in sustainable affordable and social housing by Member States, regions and cities. AHI will also contribute to the New European Bauhaus¹⁷, as it aims to fulfil community needs and participatory models for renovation and regeneration projects in line with the European Green Deal objectives. Such initiatives are important to make the green transition not only sustainable but also just.

Social economy as a driver for technological and digital transformation

The COVID crisis made the digital divide within social economy stakeholders more visible¹⁸ but it also accelerated the trend towards digitalisation of several of the ecosystem subsets (i.e. agri-coops, social service and care providers, social tech developers).

There exist many opportunities for the social economy to shape the development and application of technologies to achieve social good. In many cases, civil society and social economy players have already been quite effective in using already-mature digital technologies. This is apparent in Europe's growing digital social innovation (DSI) communities¹⁹.

¹⁴ European industrial strategy, European Commission: https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en

¹⁵ Job creation in the re-use sector: Data insights from social enterprises, RREUSE. <https://rreuse.org/job-creation-in-the-re-use-sector-data-insights-from-social-enterprises/>

¹⁶ Affordable housing initiative: https://ec.europa.eu/growth/sectors/proximity-and-social-economy/social-economy-eu/affordable-housing-initiative_fr

¹⁷ New European Bauhaus: beautiful, sustainable, together: https://europa.eu/new-european-bauhaus/index_en

¹⁸ See note 4.

¹⁹ DSI4EU: <https://digitalsocial.eu/>.

For instance, digital pioneers within this ecosystem develop technologies and digital services such as decentralised platforms (e.g. platform coops, crowdfunding platforms and collaborative platforms) that have a positive impact on communities and society, at large. Moreover, the business model to support vulnerable groups by offering digital skills and entrepreneurship training is growing within the social economy.

A similar niche of digital enablers offering open or shared digital technology for small entrepreneurs, citizens and localities is also gaining importance and is scaling its potential. The presence of 'technology or digital enablers' or intermediaries in the ecosystem offering adapted and tailored technology solutions and training is key. These specific accelerators make technology solutions available in an affordable, open or shared manner, and design technology that helps to achieve sustainable growth and is more people centred.

Many of the organisations that are part of the social economy have recognized the significance of digital technologies and their potential in addressing social and environmental problems. The time has come to examine how the sector can play a more active role in the digital transformation by building a coherent approach to shape technologies in ways that benefit the whole society.

Conclusion

During the last decade, the European Commission has taken significant steps to boost the development of the social economy as part of our European social market. The actions proposed in the Action Plan on Social Economy and the preparation of the Transition Pathway of the "Proximity and Social Economy" industrial ecosystem can be successful only if there is a strong ownership by the stakeholders. We need to continue creating solutions together, share experiences and exchange ideas to deliver policies and actions for a stronger social in Europe.

The *European Social Economy Summit*, which we jointly organized with the City of Mannheim in spring this year, is a brilliant example of this co-creation process. It made clear that entrepreneurs and innovators active in social economy could drive this ambition forward. The Summit showcased experiences and best practices among more than 3000 participants, which delivered a strong message for action via the Mannheim Declaration²⁰.

We can achieve more together. Let us now move a gear and act!

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²⁰ Mannheim Declaration on Social Economy, European Social Economy Summit 2021: ht-

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