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## **Social economy in Europe**

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EUROPEAN UNION



GOVERNMENT OF ROMANIA  
MINISTRY OF LABOUR, FAMILY  
AND SOCIAL PROTECTION  
AMPOSDRU



European Social Fund  
POSDRU 2007-2013



Structural Instruments  
2007-2013

**Sorin CACE - coordinator**

**Daniel ARPINTE, Nicoleta Andraia SCOICAN,  
Harry THEOTOKATOS, Eleftheria KOUMALATSOU**

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# **SOCIAL ECONOMY IN EUROPE**



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Harry THEOTOKATOS,  
Eleftheria KOUMALATSOU**

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# **SOCIAL ECONOMY IN EUROPE**

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## FOREWORD

The new book coordinated by Sorin Cace is one of the products of a large research/development project of the Institute for Quality of Life Research (IQLR), "Proactive – from marginal to inclusive", coordinated by the Teleorman County branch of the Association for Socio-Economic Development and Promotion, CATALACTICA.

„Social economy in Europe“ is a book which gives the reader a structured image of a new process of change/development initiated with strength by the European Union, which enjoys much interest in Romania.

The term of social economy may seem strange to many people. The recent decades have been dominated by many liberalist extremisms: the economy must function dominated by a pure logic harboured of any inference of the social. Of course, the society benefits of the economic results. Economy must therefore separated as much as possible from the social. The current crisis raised question marks as to many of the liberal dogmas. We are increasingly aware on the limits of the pure economy. But towards what new, *post-liberalist* direction, as I would term it, should economy evolve? I think that the European program of the social economy should be placed within this new context.

Obvious, the social economy is not the **solution**, but just an opening towards a package of solutions to be formulated.

The failures of the present economy motivate us to explore the social resources of the economy that can not be used by the old paradigm.

Social economy offers new entrepreneurial opportunities for some social segments excluded from an economy based on ruthless competition.

Furthermore, it provides an opening towards a new ethics and an explicit social engagement of the economic. This new pattern promotes a new strategy of the relation between the economic actor and the community, an early stage of incorporation of the social responsibility into the economic act; it focuses on the value of solidarity which seemed completely excluded by the individualist competition.

The interest for social economy makes us reflect on the form of social evolution. The development of society can no longer be conceived in a simplistic manner, as a strictly linear process in which all that has been done in the past has been exceeded, either by final incorporation in new solutions, or removed as history errors. Development runs, rather, on a zigzag course. Some experiments are unfairly and simplistically rejected, only to be resumed later within a new context. This is just the case of the subject theme of this book. Is social economy a completely new concept? Yes and no. Its substance is a restart of the tradition of cooperativism. We have to learn from history. After the Revolution, by a, hard to understand, extremism, the cooperativist tradition, both under the forms disturbed by the Romanian socialism, and under the traditional forms, both Romanian and foreign, was violently rejected; this may only be catalogued as detrimental misunderstanding. And, as any error, we still have to bear its effects. Actually, the whole Europe, except the post-revolutionary extremism in Romania, rather tolerated cooperativism as an oddity. We are beginning to use the plurality of the non-standard economic patterns as important resources, which we have to resume and amplify within the new context. Maybe just to mark this thing, there was a need to look for a new term.

IQLR, in the spirit of its mission, allocated part of its resources to promote the plurality of social economy models. The project, coordinated by Sorin Cace does just this. It is completed by another project of IQLR, coordination of a network of master studies in social economy, implemented in four universities.

The reader of this book is initiated in a new and fascinating opening of social-economic reform, in which the entire Europe is engaged.

Cătălin ZAMFIR,

Director of the Institute for Quality of Life  
Research, Member of the Romanian Academy

# INTRODUCTION

## *Proactive - from marginal to inclusive*

Proactive – from marginal to inclusive, is a project cofinanced from the European Social Fund through the Sectoral Operational Program Human Resources Development 2007-2013 and implemented by the Association for Socio-Economic Development and Promotion, CATALACTICA - Teleorman County branch, in partnership with Aitoliki Development S.A. Local Organization Authority - AITOLIA S.A and with the Institute for Quality of Life Research.

The general objective of the project is the active promotion of social inclusion on the labour market by activating the social economy, the women and the ethnic groups to develop partnerships and by disseminating positive practices in the regions of development *South Muntenia* and *South West Oltenia*.

### **Specific objectives**

- ✓ to increase the level of information on the social economy;
- ✓ individual formation for the professional development of the women and representatives of the ethnic minorities employed in the NGOs functioning in the social economy;
- ✓ to increase the level of cooperation by starting an inter-professional network materialized in a Centre for social economy;
- ✓ to help get passed the cultural stereotype regarding the social role and professional status of the women and ethnic minorities on the labour market and within the Romanian society.

### **Beneficiaries**

- ✓ women;
- ✓ trainers involved in social economy;

- ✓ social workers;
- ✓ managers of the social enterprises;
- ✓ Roma ethnics;
- ✓ specialists involved in social economy.

**Main activities**

- ✓ study on the stage of social economy development in the regions South Muntenia and South West Oltenia;
- ✓ elaboration of handbooks of intervention based on social economy principles;
- ✓ organisation of a training course in social economy;
- ✓ organise within NGOs, training courses and professional updating courses on social economy;
- ✓ establishment of a Centre for Social Economy Promotion;
- ✓ transfer of good practices;
- ✓ campaign of information and awareness raising

The concept of social economy is very wide, but most times it refers to all the types of economic and social activities which take place under many legal forms within the private and public sectors. Social economy is term commonly used in continental Europe and in the institutions of the European Union (EU), while in the USA and in other countries the dominant terms tend to be those of non-profit organisation (NPO) and third sector, which is also used internationally. There also are other terms describing the social economy, such as the economy of solidarity. For the purposes of this book we will use the term of social economy, since it suits best the reasons described above and we will only make brief references to the differences and similarities between the concept of social economy and that of NPO.

Furthermore, since the theoretical and research domains covering the social economy / third sector are vast, complex and full of different interpretations, particularly in respect of its various subcomponents, their

detailed approach is beyond the scope of this book. We recommend the readers requiring more details on specific subjects concerning the social economy, to see also the relevant bibliographic documentation mentioned in the references section.

The purpose of this book is to give an overall image of the social economy in the European Union.

The book is divided in six sections. The first section gives data on the evolution of the social economy, on the theoretical and conceptual approaches of the social economy.

In the second part we describe and analyse the main forms of social economy: cooperatives, mutual organisations, non-profit organisations and social enterprises.

Chapter three presents the social economy in terms of European regulations and the links between the social economy and EU policies.

Chapter four focuses on the relevant actors in social economy within the EU.

In chapter five we present the mechanisms supporting and financing the social economy institutions.

The last chapter describes the main patterns of social economy in Europe and part of the best practices in some European countries.

*Andreia Nicoleta Scoican*  
(Project Manager)

*Sorin Cace*  
(book coordinator)

# CHAPTER 1

## GENESIS AND EVOLUTION OF THE CONCEPT OF SOCIAL ECONOMY

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### *1.1. Emergence of the social economy*

The historical roots of the early forms of social economy lay in the new conditions created by the development of the industrial capitalism in the 18<sup>th</sup> and 19<sup>th</sup> centuries, as response of the most vulnerable and defenceless social groups. The development of the current concept of social economy around three forms of organisation – cooperatives, mutual societies and associations (the foundations joined later) – has as historic background the connection with the popular associations and cooperatives that were oriented towards charity activities (charities, brotherhoods and hospitals). The emergence of the working class determined a new momentum for their consolidation in the 19<sup>th</sup> century through Europe. *Table 1* synthesizes the main landmarks of their emergence in the Great Britain, Germany, Spain, Italy and France (CIRIEC, 2007, p. 11-13).

**Table 1**

**Historic landmarks of the early European forms of social economy in the  
Great Britain, Germany, Spain, Italy and France**

Country	Historic landmarks of social economy emergence
Great Britain	<ul style="list-style-type: none"><li>• influence of the socialist current: William Thompson, George Mudie, William King, Thomas Hodgskin, John Gray, John Bray</li><li>• 1824-1835 – linking of the unions associated to the socialist movement within the context of working class emancipation</li><li>• 1831-1835 – 8 cooperative congresses have coordinated both the cooperatives and the union movement; establishment of the</li></ul>

Country	Historic landmarks of social economy emergence
	<p><i>Grand National Consolidated Trade Union</i> during one of the congresses, which unified thus all the British unions</p> <ul style="list-style-type: none"> <li>• 1844 – William King established the cooperative <i>Rochdale</i> with 28 workers; the principles of Rochdale cooperatives were adopted by all types of cooperatives</li> <li>• 1895 – establishment of the <i>International Co-operative Alliance (ICA)</i> in London.</li> </ul>
Germany	<ul style="list-style-type: none"> <li>• the promoters of the movement of the industrial workers association were: Ludwing Gall, Friedrich Harkort, Stephan Born</li> <li>• pioneers of cooperativism; urban areas – Victor Aimé Huber and Schulze-Delitzsch, rural areas – Friedrich Wilhelm Raiffeisen (in 1862 he established the first credit union in Anhausen and in 1877 he established the <i>German Federation of the Rural Cooperatives of Raiffeisen type</i>)</li> <li>• 1876 – adoption of a special legislation on the rural mutualism and on the workers' societies of mutual assistance</li> </ul>
Spain	<ul style="list-style-type: none"> <li>• 1840 – the weavers from Barcelona established the first union, <i>Asociación de Tejedores</i>, concomitantly with the provident-type mutual society, <i>Asociación Mutua de Tejedores</i>, which became in 1842 <i>Compañía Fabril de Tejedores</i></li> </ul>
Italy	<ul style="list-style-type: none"> <li>• during the early third of the 19<sup>th</sup> century there have been many mutual societies of assistance which preceded the first cooperatives</li> <li>• 1853 – the mutual society of assistance, <i>Società operaia di Torino</i>, lead to the establishment of the first consumer cooperative – <i>Magazzino di Provvidenza di Torino</i>, to defend the purchasing power of the employed members</li> </ul>
France	<ul style="list-style-type: none"> <li>• influence of the socialist current: Claude-Henri de Saint Simon, Charles Fourier, Louis Blanc</li> <li>• 1834 – first important worker's cooperative was established in Paris – <i>Association Chretienne des Bijoutiers en Doré</i> - by Jean-Phillippe Buchez, disciple of Saint-Simon</li> <li>• 1847 – the workers' associations were behind 2500 societies of mutual assistance with 400,000 members and 1.6 millions beneficiaries</li> </ul>

Source: CIRIEC, 2007, p. 11-13.



The term of *social economy* appeared for the first time in the economic literature in probably 1830, when the French liberal economist Charles Dunoyer published a *Treaty on the social economy*, which pleaded for a moral approach of the economic (CIRIEC<sup>1</sup>, 2007, p. 14). During the second half of the 19<sup>th</sup> century, several correlated ideas of the social economy concept were expressed by different prestigious economists (T.R. Malthus, S. de Sismondi, F. Le Play, John Stuart Mill, Leon Walras etc.).

Two periods can be distinguished in Western Europe: 1945–1975 and the renewal of the interest for the social economy in mid 70s. During 1945–1975, the long period of economic growth of the developed western countries consolidated the socio-economic roles of the private and public sectors. The development of the welfare state which compensated and/or corrected the inherent weakness of the capitalist economy (income redistribution, resources allocation and anticyclic policies) limited severely the role of the social economy between the market and the state, because the welfare state was dominant in that area, despite the continuous development of the social economy sector. As of the late 70s, there was a renewed interest for the typical structures of the social economy, within the context in which the crisis of the 70s demonstrated the incapacity of the welfare state and of the mixed economic system to reduce the long-term unemployment, social exclusion and the dependence of social assistance in the rural areas. Social economy was found to be better adapted to create jobs and to maintain the work force employed, as well as to correct the serious economic and social imbalances.

In Central and South Eastern European countries, the centralised planned communist economies allowed only the economic activity coordinated by the state; the operating cooperatives didn't have their traditional affiliation and organisation based on voluntary work and democracy. The period of transition after the fall of the communist regimes was marked by a strong neoliberal policy characterized by the restitution of properties, increased privatization, a hostile attitude against state

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<sup>1</sup> Report elaborated for the European Economic and Social Committee, which covered 25 EU countries (it was finished in 2006, so that Romania and Bulgaria were not included).

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involvement in the administration of the former cooperatives and dissolution of the operating rules for cooperatives. Additionally, the social functions of the paternalist communist state concerning the public enterprises, which included the non-profit sector (for instance, the sport clubs and other leisure or cultural activities) remained in the shadow and deteriorated continuously (Spaer, 2006, 5-6).

The problem of the general interest in the modern societies in which the role of the main architect belongs to the state, experienced varied evolutions over the past century. This period, marked by numerous changes and crises both at the level of the nation states, and at the level of the geopolitical structures due to the emergence of the new blocks – such as the European Union – led to a reinventing of the states in terms of abilities division, by globalization and decentralisation, as well as in terms of their essential functioning, particularly with reference to the methods of intervention and regulation of the economy and society (Lévesque, 2003). Thus, the public companies had to cope with the competition of the cooperatives and mutual associations which have multiplied their services mainly in the area of social services, local development, job creation, integration into the labour market and commercial activities. Concomitantly, there was an increasing trend towards privatization, demutualization and decooperativization. While the state is one of the main actors, but not the only, in the definition of the general interest, new “*perimeters of solidarity*” were established within the contemporary societies (Monnier and Thiry, 1997). From this perspective, the economic and social entities became much more complex, more interdependent and more hesitating in the confrontation with the global challenges, such as global warming, security and sustainable development.

After 1990, different trends were noticed within the current area of the European Union: the nucleus of the older 15 member states was consolidating the activities of the social economy, while the former communist countries were dissolving the old cooperatist forms of the socialist state.

Thus, in 1995, in the older 15 member states, 7.92% of the work force was registered within the sector of the social economy, ranging from 3% in Greece to 16% in the Netherlands (*Table 2*).

**Table 2****Employment in social economy in 15 EU member states (1995)**

Country	Cooperatives	Mutual companies	Associations	Total	% of total employees
Austria	52373	7325	173964	233662	8.08
Belgium	33037	11230	161860	206127	7.13
Denmark	78160	-	211322	289482	13.85
Finland	75896	-	62684	135580	8.18
France	293627	91200	830000	1214827	6.81
Germany	448074	130860	1281927	1860861	6.46
Greece	11681	884	56025	68770	3.31
Ireland	32018	1000	118664	151682	15.89
Italy	479738	-	667230	1146968	8.23
Luxemburg	1979	28	4733	6740	4.6
Great Britain	127575	22387	1473000	1622962	8.42
Netherlands	109000	-	660000	769000	16.64
Portugal	48750	1042	60892	110684	3.50
Spain	403233	1425	473750	878408	9.97
Sweden	90718	6991	83084	180793	5.83
Total	2286039	274372	6319135	8879546	7.92

Source: Spaer, 2006, 4.

### ***1.2. Definition and recognition of the social economy in Europe***

A working definition of the social economy, which is important to understand the way in which the social economy and its components are structured and understood in general, institutionally, in the EU, is the one given by CIRIEC (CIRIEC 2007, 20-21). CIRIEC Report proposes the following working definition for the social economy:

*The set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The Social Economy also includes private, formally-organised organisations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them.*

**Common features of the national economy sub-sectors  
(market or business sub-sector and non-market sub-sector)**

- 1. They are private, in other words, they are not part of or controlled by the public sector;*
- 2. They are formally-organised, that is to say that they usually have legal identity;*
- 3. They have autonomy of decision, meaning that they have full capacity to choose and dismiss their governing bodies and to control and organise all their activities;*
- 4. They have freedom of membership, in other words, it is not obligatory to join them;*
- 5. Any distribution of profits or surpluses among the user members, should it arise, is not proportional to the capital or to the fees contributed by the members but to their activities or transactions with the organisation;*
- 6. They pursue an economic activity in its own right, to meet the needs of persons, households or families. For this reason, SE organisations are said to be organisations of people, not of capital. They work with capital and other non-monetary resources, but not for capital;*
- 7. They are democratic organisations. Except for some voluntary organisations that provide non-market services to households, SE primary level or first-tier organisations apply the principle of "one person, one vote" in their decision-making processes, irrespective of the capital or fees contributed by the members. Organisations at other levels are also organised democratically. The members have majority or exclusive control of the decision-making power in the organisation.*

This definition is absolutely consistent with the conceptual delimitation of the social economy reflected in the CEP-CMAF's *Charter of Principles of the Social Economy*. In national accounts terms, it comprises two major sub-sectors of the social economy: a) the market or business sub-sector and b) the non-market producer sub-sector. This classification is very useful for drawing up reliable statistics and analysing economic activities, in accordance with the national accounting systems currently in force. Nonetheless, from a socio-economic point of view there is obviously a permeability between the two sub-sectors and close ties between market and non-market in the social economy, as a result of a characteristic that all social economy organisations share: they are *organisations of people who conduct an activity with the main purpose of meeting the needs of persons rather than remunerating capitalist investors*.

The public interest objectives determine the principles of organisation and we can identify social economy structures which differentiate the institutions aiming profit from at least four points of view: the fundamental objective, allocation principles based on solidarity and reciprocity, modalities of participation and the democratic decision-making process within the organization plus the plurality of resources (Noya and Clarence, 2007).

The fundamental objective is a response to an increasing need of the society. Thus, over the past two decades, many forms of organisation appeared in response to new social needs and to the insufficient response of the social work institutions to some of these needs.

The presence of the allocation principles based on solidarity and reciprocity is a basic feature of the social economy structures, unlike the profit-generating enterprises which, on the contrary, are thus structured as to prevent third parties to get net advantages and to ensure the allocation of the residual gain towards the owners. The social economy initiatives establish social relations relying on the non-contractual principle of the economic action. The exchange resulting from this allocation system also generates benefits for beneficiaries other than the owners (concept of the indirect beneficiaries).

The inclusion of the modalities of participation and the democratic decision-making process within the organisational structures shows the

democratic control, with equal voting rights “one person, one vote”, against “one share, one vote”, proving that the employees and consumers are more important than the capital. Only the foundations don’t adhere to this principle.

Because of the concept of plurality of resources, social economy structures must rely on different sources of income from the market, non-market and non-monetary economy. In other words, they generally rely on a combination between voluntary and paid work and on a combination of financial resources generated from the sales of goods and services, public financing (as contracts, fiscal advantages and direct subsidies) and private donations. Observing these principles, social economy structures have shown that they can contribute to innovation in service provision, to social cohesion and to the promotion of new forms of democratic local participation, to the advancement of self-assertion and influence and to solving the social problems that affect a large number of vulnerable social categories.

The concept of social economy is obviously expanding in the European Union, but the term has different scientific connotations in all member states; there even are cases when different interpretations of the concept of social economy coexist in the same country. The level of recognition by the public authorities, by the social economy companies and by the academic/scientific world shows a variety of approaches among EU25 countries, as shown in *Table 3* (CIRIEC, 2007, 36-37).

**Table 3**

**National acceptance of the concept of “social economy”**

*Question: Could you tell us whether the concept of “social economy” is recognized in your country?*

Country	By public authorities	By social economy companies	By academic/scientific world
Belgium	**	**	***
France	***	***	**

Country	By public authorities	By social economy companies	By academic / scientific world
Ireland	**	***	**
Italy	**	**	***
Portugal	***	***	***
Spain	***	***	***
Sweden	**	***	**
Austria	*	**	**
Denmark	*	**	**
Finland	**	**	**
Germany	*	*	**
Greece	**	**	**
Luxemburg	**	**	**
Netherlands	*	*	*
United Kingdom	*	*	**
<i>New member states</i>			
Cyprus	**	**	**
Czechia	*	**	*
Estonia	**	*	*
Hungary	*	*	*
Latvia	*	***	**
Lithuania	**	*	*
Malta	**	***	**
Poland	**	**	**
Slovakia	n/a	n/a	n/a
Slovenia	*	**	**

Note: (\*) scant or no acceptance of this concept; (\*\*) medium level of acceptance; (\*\*\*) high level, denoting an institutionalized acceptance in the country of reference

Source: CIRIEC, 2007, 37.

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Three groups of countries have been identified, from the aggregate answers of the EU25 member states, using the level of recognition and acceptance of the concept social economy:

1. *countries in which the concept of the social economy is widely accepted:* in France, Italy, Portugal, Spain, Belgium, Ireland and Sweden, the concept enjoys greater recognition by the public administrations and by the academic and scientific world, as well as the social economy sector itself in these countries.
2. *countries in which the concept of the social economy enjoys a medium level of acceptance:* Cyprus, Denmark, Finland, Greece, Luxembourg, Latvia, Malta, Poland and the United Kingdom. In these countries the concept coexists alongside other concepts, such as the non-profit sector, the voluntary sector and social enterprises or social firms. In the United Kingdom, the low level of awareness of the social economy contrasts with the Government's policy of support for social enterprises, while in Poland it is quite a new concept but it has become popular, fostered particularly by the structuring effect of the European Union;
3. *countries with scant or no recognition of the concept of the social economy:* Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands and Slovenia. The related terms non-profit sector, voluntary sector and non-governmental organisations sector enjoy a greater level of relative recognition;

### ***1.3. Conceptual delimitations: third sector, non-profit sector, economy of solidarity***

Even though the term of “third sector” is much more used in the Anglo-Saxon area to describe the non-profit sector which consists largely of foundations and associations, several overlapping situations can be observed in the use of this term in relation to the social economy. The expression “third sector” was used by Levitt (1973) in the United States of America, while in Europe it has started to be use several years later to



describe a sector existing between the public sector and the capitalist sector, close to the domain of social economy<sup>2</sup>.

In the early 90, an international research project headed by Johns Hopkins University (Baltimore, SUA) aimed to discover and quantify the size and structure of the non-profit sector, to analyse its development and impact on the society. The various stages of the project pictured the significant coordinates of the third sector in 36 countries on five continents (Salamon, Anheier, List, Toepler, Sokolowski et al., 1999).

The organisations analysed during the project were those meeting five key criteria of the structural-operational definition of the non-profit organisations (Salamon and Anheier (1997). These are:

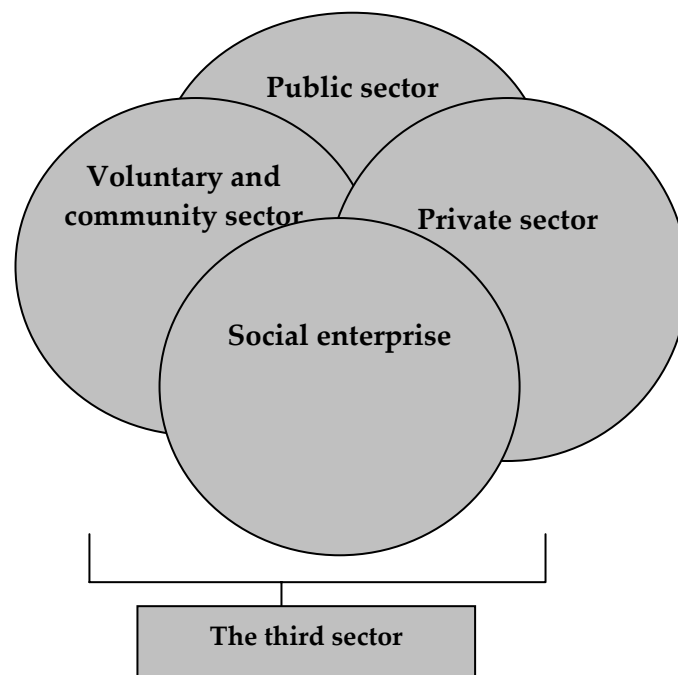
- a) Organisations, meaning they have an institutional structure and presence. They usually are legal persons.
- b) Private, meaning they are separated institutionally from the government, although they can receive public financing and may have public officials in their governance bodies.
- c) Self-management, meaning they can control own activities and are free to fire their governance bodies.
- d) Non-profit distribution, meaning they can make profit, but it has to be reintroduced in the main mission of the organisation, rather than being distributed to the owners, members, founders or governance bodies of the organisation.
- e) Voluntary, meaning two things: first, membership is not legally compulsory; second, they must have volunteers involved in their activity or administration.

The current changes in the products, services and processes correlate with the new social conditions, specific aspects of the third sector which

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<sup>2</sup> *The year of publishing coincides with the start of the research by the Commission on Private Philanthropy and Public Needs (Filer Commission) regarding the economic, social and political importance of the non-profit sector, sponsored by the Rockefeller Foundation.*

exists at the interference of three distinct sectors (public sector, voluntary sector and social enterprise), as shown in *Figure 1*.



Source: Westall, 2007, 4.

*Figure 1. Overlapping of sectors and diversity of the organisational types*

The approaches to the non-profit organisations differ clearly from the social economy too, mainly in relation to three criteria: *the non-profit criterion; the democracy criterion; the criterion of serving people*. Table 4 shows synthetically the main differences between the two domains.

Table 4

## Difference between the non-profit organisations and social economy

Criterion	Non-profit organisations	Social economy
<i>Non-profit criterion</i>	<ul style="list-style-type: none"> <li>the organisations must apply the principle of non-distribution of the profit or surpluses (constraints of non-distribution)</li> </ul>	<ul style="list-style-type: none"> <li>the cooperatives and mutual societies, which are the decision-making nucleus of the social economy, are excluded from the third sector by the ONP approach, because most of them distribute the profit among the members</li> </ul>
<i>Democracy criterion</i>	<ul style="list-style-type: none"> <li>the concept of democratic organization of an entity from the third sector is not a criterion<sup>3</sup>.</li> <li>the non-profit institutions prove their <i>social usefulness</i> by the free supply of goods and services deserved by the individuals or families</li> </ul>	<ul style="list-style-type: none"> <li>the approach of the social economy generally excludes from the third sector any entity which doesn't operate on democratic bases, although it accepts that the non-profit voluntary organisations which provide free or very cheap, economically non-significant, non-market services to persons or families, can be included within the social economy</li> </ul>
<i>Criterion of serving people</i>	<ul style="list-style-type: none"> <li>there is no criterion which to consider the services provided to the people as a major goal</li> <li>the non-profit institutions can be organised to supply services both to the individual persons and to the corporations which control or finance them</li> </ul>	<ul style="list-style-type: none"> <li>the main purpose of all organisations is to serve people or other social economy organisations</li> <li>most beneficiaries of their activity are individual persons, households or families, either as private entrepreneurs, or as producers or consumers; many of these organisations only accept individual persons as members</li> </ul>

<sup>3</sup> Defourny, J and Borzaga, C., *The Emergence of Social Enterprise in Europe*, Routledge, London, 2001.

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Another concept associated to social economy development refers to the economy of solidarity which developed in France and in some Latin American countries. New social need emerged during the past decades which were not solved by the public sector or by the capitalist one, and this affects numerous groups in danger of social exclusion. These problems regard the living conditions of the elder, long-term mass unemployment, immigrants, ethnic minorities, the disabled, reintegration of former convicts, abused women, people with chronic diseases etc. Within this context, this sector brought simultaneously a novel set of organisations and areas of action. The sector of the solidarity economy has three distinctive features compared to the classical agents of the social economy: a) the social demands it endeavours to solve; b) the actors behind these initiatives; c) the explicit wish for social change (Favreau and Vaillancourt, 2001). The solidarity economy doesn't fit within the market stereotype of the classical economy (Eme and Laville, 1999), rather, it has plural origins: market (sales of goods and services), non-market (managing subsidies and allocations) and non-monetary (voluntaries).

Other forms which try to replace the market economy and to get affiliated to the social economy current are:

- a) **the alternative economy**, with roots in the movements which developed in France after May 1968 (Archimbaud, 1995);
- b) **the popular economy**, promoted in South America countries, which excludes any type of relation employee/employer and which consider the work as the main production factor (Coraggio, 1995).

The research also revealed a variety of answers regarding other widely accepted notions that coexist in the European Union. (CIRIEC 2007, 38-39) (*Table 5*).

Table 5

**National acceptance of other recognised concepts related to “social economy”**

*Question: Which other concepts related to “social economy” enjoy scientific, political or social recognition in your country?*

Country	Social enterprises	Non-profit sector	Third sector
Belgium	***	***	*
France	**	*	**
Ireland	**	**	**
Italy	**	**	**
Portugal	**	**	***
Spain	*	*	**
Sweden	**	***	**
Austria	**	***	*
Denmark	**	**	**
Finland	***	**	***
Germany	**	**	**
Greece	**	**	*
Luxemburg	*	*	*
Netherlands	***	***	*
United Kingdom	***	**	***
<i>New member states</i>			
Czechia	*	***	**
Estonia	*	**	**
Hungary	*	**	*
Latvia	**	***	n/a
Lithuania	*	**	**
Malta	**	**	**
Poland	*	**	**
Slovenia	*	**	*

*Note: (\*) scant or no acceptance of this concept; (\*\*) medium level of acceptance; (\*\*\*) high level, denoting an institutionalized acceptance in the country of reference*

*Source: CIRIEC, 2007, 37.*

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In countries such as the United Kingdom, Denmark, Malta and Slovenia, the concepts of voluntary sector and non-governmental organisations, more closely related to the idea of non-profit organisations, would appear to enjoy wide scientific, social and political recognition. In the Frenchspeaking European countries (France, the Walloon Region of Belgium, Luxembourg) the concepts of solidarity economy and social and solidarity economy are also recognized, while the notion of *Gemeinwirtschaft* (general interest economy) is known in Germanic countries such as Germany and Austria. Also in several countries (Germany, United Kingdom, Latvia and partly in Portugal) certain components of the term social economy, such as the cooperatives, are not recognized as integral parts of this social sector, stating, on the contrary, their isolation.

Currently, social economy enterprises reached 2 million units (10% of the total business in Europe) and use 11 million paid employees (equivalent to 6% of the EU working population): 70% of them work in non-profit associations, 26% in cooperatives and 3% in mutual societies.

The recognition of the social added value of the social economy is reflected in different domains with a high level of scientific, social and political consensus, regarding mainly the social cohesion, employment, generation and maintenance of the social and economic structure, development of democracy, social innovation and local development. The importance given to the new economic alternatives is also reflected in the report of the articles published in the *Annals of Public and Cooperative Economics*, during 1975-2007 (*Table 6*). Thus, over a period of three decades, 57.6% of the published papers referred to the public sector, 42.4% referred to the third sector (cooperatives, mutual societies, associations, non-profit organisations etc.). However, if in the first surveyed decade, there was a clear dominance of the public sector, with 75.4% of the published articles, in the last surveyed decade, the third sector was predominant, with 55.9% of the published articles (Fecher and Lévesque, 2008, 681).

**Table 6****Articles on the public sector and on the third sector (social economy and non-profit organisations)**

	<b>Public sector (%)</b>	<b>Third sector (%)</b>	<b>Total (%)</b>
1975-1985	75.4	24.6	100 (207)
1986-1996	55.9	44.1	100 (267)
1997-2007	44.1	55.9	100 (254)
<b>Total</b>	<b>57.6</b>	<b>42.4</b>	<b>100 (728)</b>

*Source: Fecher and Lévesque, 2008, 680-681.*

An important aspect that was signalled from the emergence of the very first forms of social economy, is that this innovative form of economy also contributes in a significant manner to the more equitable distribution of the incomes and wealth, to the creation and provision of social assistance services (such as social, health care and social security services), to the sustainable development, to a higher level of public opinion democratization and implication and to the increase of the public policies' efficiency.

## CHAPTER 2

### SPECIFIC INSTITUTIONS OF THE SOCIAL ECONOMY

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Social economy diversity in Europe has been reviewed by many specialists with the view to highlight the specific elements in terms of forms of manifestation and to identify the dynamics of their development within the European Union.

#### *2.1. Cooperatives*

A cooperative can be defined as an enterprise freely established that is owned and controlled by a group of legal persons for the purpose of equitably providing themselves with mutual benefits that arise from the activities of the enterprise and not primarily from investment in it (Parnell, 1992). Another definition, more descriptive as to its principles and operations, is the one provided by *Cooperatives Europe* where co-operative enterprises are defined as: *Established with the dual aims of realising economic success and that of answering social objectives.*<sup>4</sup>

Co-operatives emerged concomitantly with the process of industrialisation, in response to the demand to address employment, economic and social needs for individuals and groups, that were not satisfied with the new labour market and who chose alternative modes of employment and association.

While some types of cooperatives, such as the agricultural cooperatives, were established almost everywhere, others were more country specific, such as consumer cooperatives in England and housing

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<sup>4</sup> <http://www.co-opseurope.co-op/spip.php?rubrique19>.



cooperatives in Germany, United Kingdom and Sweden. In the countries where industrialisation was less rapid, such as in France and Italy, workers' production cooperatives were developed and encouraged in the industrialized regions.

While the cooperatives could benefit from certain arrangements negotiated with the state, most of them had to cope with competition. In general, the logical consequence was to concentrate the means of production, which motivated them to specialise in major activities linked to the identities of their members

In the European Union, cooperatives are well established in every area of economic activity, because the principles of the cooperatives can be applied to any form of economic activity. They can be established by individual persons and their dimension can vary from small enterprises (a shop, for instance) to large, complex units. The main types of cooperatives that operate in the EU are agricultural, of financial intermediation (banks, insurances), retail sales, housing, worker's (craftsmen, traders, agricultural workers etc.); other significant types are consumer, pharmaceutical, production, social, women's, fishing, health, education, credit unions, banking, tourism. In Spain there are labour societies, special labour entities and labour insertion companies and other.

## ***2.2. Mutual organisations***

In the early 19<sup>th</sup> century, in Europe numerous initiatives had been initiated to address by solidarity the problems of work disability, illness and old age, bringing together members of a profession, an industry or a geographical area. Seen as instruments of worker emancipation, by the socialists, as barriers against social unrest by the liberals and conservatives, these mutual societies were tolerated and controlled by the government, as it was in Belgium and France, at the middle of the past century.

The inherent risk of the benefits provided by mutual societies could be better managed than by the banks thanks to the participation of a large number of members throughout the country and to the support provided by statistical techniques. The security of the system was guaranteed by

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establishing compulsory insurance schemes (illness, old age). The nature of the economic activities involved created, after the World War Two, a dependency on social security systems, and mutual societies became social protection organisations complementary to the compulsory schemes. They became subject to standards set by the state in order to supplement the social transfers, even if it meant altering the principle of voluntary membership to be able to provide contingent and complementary support. In Denmark, Spain, France and Italy, mutual societies joined their health insurance activities with those of administering health care and with the social welfare institutions.

The concept of mutual society employed in the European Commission's Manual is as follows: an autonomous association of persons (legal entities or natural persons), united voluntarily for the primary purpose of satisfying their common needs in the insurance (life and non-life), providence, health and banking sectors, which conducts activities that are subject to competition. It operates according to the principle of solidarity between the members, who participate in the governance of the business, and answers to the principles of the absence of shares, freedom of membership, not exclusively profit-making objectives, solidarity, democracy and independence. (CIRIEC, 2007, 24-25.)

A definition of the mutual societies, as given by the Association Internationale de la Mutualité (AIM)<sup>5</sup>, adds to the above definition: Mutual societies grouped together within AIM are groupings of persons with social-welfare objectives and without a profit motive, whose goal is to provide protection against the consequences of various social risks to their members and members' families. They generally furnish social welfare coverage and access to social services financed on the basis of solidarity, whose scope is defined democratically by the members. The mutual society functions essentially according to the principle of autonomous management, absence of shareholders and independence from public authorities. Although mutual societies are required to comply with national

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<sup>5</sup> *Group of autonomous health insurance and social protection bodies operating according to the principles of solidarity and non-profit-making orientation.*

legislation and are consequently subject to supervision by these same authorities, democratic control of their functioning is exercised primarily by their statutory bodies. Their autonomy and democratic structure serve as a guarantee of dynamism and constant adaptation of their services to respond to actual need.<sup>6</sup>

Depending on their principal activity and the type of risk they insure, mutual societies are divided into two large classes or categories. One group comprises mutual provident societies. Their field of activity mainly consists of covering the health and social welfare risks of individuals. The second group is mutual insurance companies (CIRIEC, 2007, 24).

### ***2.3. Foundations and associations***

**A.** The **associations** have been closely linked to different welfare states, corresponding with the three models of welfare state regimes identified by Esping-Andersen (1990). The first model, that corresponds to the social democratic systems from the Scandinavian countries such as Sweden and Denmark, with a broad reliance on the State as the organiser of society, considers social services as a “collectivisation of needs” (Leira, 1992), giving priority to social integration and gender equality. Within this framework, the role of the associations has been to exert social pressure by giving voice to demands, and they have mobilised networks to press for the delivery of benefits by the public service.

In the second configuration, corresponding to liberal and dual systems, services are largely absent. Under the liberal welfare state system characteristic to the United Kingdom, government intervention is concentrated on the most disadvantaged sectors of the population. Neutrality in the area of service delivery has been maintained. The corollary of this is a lack of child care, which causes a great many women to have to work only part-time (Lewis, 1992). A insufficient number of government-regulated non-market services is also characteristic of the dual systems specific to southern Europe and exemplified by Spain, Italy and

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<sup>6</sup> <http://www.aim-mutual.org/index.php?page=13>.

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Portugal. Focussed on cash transfers, such systems eschew services and give protection to people well integrated into the labour market, at the expense of persons trapped in insecure jobs or in the informal economy; here, “access to rights is neither universal nor egalitarian, but operates on the basis of personal knowledge, privilege and patronage” (Ferrara, 1996).

In both of the above configurations, the role of associations as producers of goods or services is very limited, but for opposite reasons: in the universalist model, the creation of many new services, with tasks previously performed by the private sector is shifted to government; and in the liberal and dual models, there is a weak externalisation of services, with tasks remaining largely performed by women.

For its part, the third configuration corresponds to a corporatist system. In contrast to the other two, this configuration gives associations a major role as service providers. Hierarchical regulation governs relations between associations and government, the associative services being considered an integral part of the social policies financed by taxes or social security contributions. The State establishes the rules for how services are delivered and for the wage-earning occupations that provide them. If the rules are complied with, funding is provided through redistribution. In Germany, Austria, France and Belgium, associations were pioneers in social services, identifying emerging social requirements which were subsequently kept in the associative sector, albeit under control of the State. State regulation has brought associations closer to the government and prompted them to form major nation-wide federations (affiliated with political parties, churches, the Red Cross and non-aligned organisations in Germany; lay and Catholic in France; socialist and Christian in Belgium).

In practice, this sub-group includes together all other forms of individual freedom of association with the purpose to produce goods or services, but whose primary goal is not to make profit. It is no surprise that these forms too have a large variety of names. Among the denominations we find not-for-profit organisations and associations, voluntary organisations, and non-governmental organisations. Furthermore, country-specific foundations and organisations, such as the English charities, are frequently associated with this category.

The associations are social economy actors. Associations share the values of democracy, the primacy of the individual and of social objectives over capital and are dedicated to their members and the general interest. Therefore, they distinguish themselves from commercial enterprises by the fact that they are not for profit orientated and that they aim at contributing to the general interest.

Associations are a place for expression and information. They do play different societal functions, such as provision of services, militant activities, assistance, integration and training. They answer needs expressed at all level thanks to their role as social actors; partners in the definition, implementation and follow up of public policies; partners of public authorities in their mission of services of general interest.

Therefore, associations assume a social role and are involved in the development of collective action, of local development, of sustainable development for the people, ensuring a real social productivity.

Associations are important players in the development of the European Union and no progress can occur without the construction of a social and political project for Europe without the participation of its citizens and social actors..<sup>7</sup>

The associations, among which the non-governmental associations (NGOs) are the best known forms of organization, include charities, relief and aid organisations, trades unions, professional or learned societies, consumers' associations, political parties, churches or religious societies, cultural, recreational, educational, citizenship, social and health issues, environmental issues, and sports clubs, uniting a big number of organizations with millions individual members. These associations rely to a very large extent on volunteers, while the market sub-sector of the social economy (cooperatives, mutual societies and similar companies) has practically no volunteers except in social enterprises. (CIRIEC, 2007, 27).

**B. Foundations**, throughout Europe, are receiving increased attention and are taking up a more central role in policy discussions on the future of economic, social, and environmental issues as well as research and

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<sup>7</sup> *Social Economy Europe*, <http://www.socialeconomy.eu.org/spip.php?rubrique201&lang=en>.

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innovation, among others, as they try to improve the living conditions and quality of life of the general public and specific disadvantaged individuals.

A generic definition of "foundation" throughout Europe as a whole is difficult due to the many languages and cultures in Europe and the different legal/fiscal environments from one country to the next. Thus, the British refer primarily to a *trust*, the Dutch to a *stichting*, the Finnish to a *saatio*, the French to a *fondation*, the German to a *stiftung*, the Italians to a *fondazione*, the Spanish to a *fundación*, the Swedish to a *stiftelse*, etc.

Nevertheless, there exists across Europe a generally understood and accepted concept of what public-benefit foundations are. *They are public-benefit foundations asset-based and purpose-driven. They have no members or shareholders and are separately constituted non-profit bodies. Foundations focus on areas ranging from the environment, social services, health and education, to science, research, arts and culture. They each have an established and reliable income source, which allows them to plan and carry out work over a longer term than many other institutions such as governments and companies.*<sup>8</sup>

A self-definition of foundations, as given by the European Foundation Centre (EFC)<sup>9</sup>, supplements further the above definition:

- Are separately-constituted non-profit bodies with their own reliable source of income, usually but not exclusively from an endowment or capital;
- Have their own governing board;
- Use their financial resources for educational, health-related, social, research-oriented, cultural, or other public benefit purposes either by making grants to third parties or operating their own programmes and projects.<sup>10</sup>

Foundations are an important part of the independent funding community, representing a valuable source of income for associations, and/or they operate key programmes and services to benefit the public in a

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<sup>8</sup> <http://www.socialeconomy.eu.org/spip.php?rubrique202&lang=en>.

<sup>9</sup> EFC, [http://www.efc.be/Legal/Documents/Facts\\_Figs\\_publication.pdf](http://www.efc.be/Legal/Documents/Facts_Figs_publication.pdf).

<sup>10</sup> EFC, p. 1. [http://www.efc.be/Legal/Documents/Facts\\_Figs\\_publication.pdf](http://www.efc.be/Legal/Documents/Facts_Figs_publication.pdf)

variety of fields. The range of activities of foundations is closely linked to their type.

**Categories of foundations:**

- **Independent foundations**, which form the largest part of the sector
- **Corporate foundations**
- **Government-supported foundations**
- **Community foundations** with a local/community focus and other fundraising foundations

#### ***2.4. Social enterprises***

The term social enterprise is American in origin and distinguishes non-profits that have moved away from reliance on more traditional forms of income such as grants, towards a more entrepreneurial and business-like approach to raising revenue

There are numerous definitions about social enterprises reflecting both theoretical and institutional understandings of it. Perhaps one of the most appropriate definitions is the one proposed by the European Research Network (EMES) ([www.emes.net](http://www.emes.net)), which has proposed a set of common economic and social criteria to identify organisations likely to be called "social enterprises." (DIESIS, 2008, 9) They are shown in *Table 7*.

Table 7

**Definition of the social enterprises according to  
economic and social criteria**

Economic criteria	Social criteria
<ul style="list-style-type: none"> <li>• A continuous activity producing goods and/or selling services</li> <li>• A high degree of autonomy</li> <li>• A significant level of economic risk</li> <li>• A minimum amount of paid work (high reliance on volunteers)</li> </ul>	<ul style="list-style-type: none"> <li>• An explicit aim to benefit the community</li> <li>• An initiative launched by a group of citizens</li> <li>• A decision-making power not based on capital ownership</li> <li>• To serve the community or a specific group of people</li> <li>• To promote a sense of responsibility at local level</li> <li>• The result of collective dynamics involving people belonging to a community or to a group that shares a certain need or aim</li> <li>• A participatory nature, which involves the various parties affected by the activity</li> <li>• A limited profit distribution</li> </ul>

Within the context of social economy, the social enterprises exhibit more innovative behaviour in creating new organisational forms and new services; they rely on a more varied mix of resources, in particular they rely more on income generated through trading rather than funding from public authorities; and they are more entrepreneurial – they have a stronger inclination towards risk-taking characteristics. The concept of social entrepreneurship is linked to the rise of the social enterprises.

For Defourny, “a participatory nature, which involves the persons affected by the activity” is one of the social criteria implicit within the very definition of social enterprises: “Representation and participation of customers, stakeholder orientation and a democratic management style are important characteristics of social enterprises” (Smith, Graham, p. 9).



In the case of the UK, which has shown a great interest in social enterprises due to their entrepreneurial character and ambition to be self-financing, in the policy discourse of the UK government there is a distinct lack of attention to the internal structure of organisations. There is, for example, no mention of participation in social enterprises (no systematic attention given to principles of democratic organisation) in the much quoted UK government definition of a social enterprise: *A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. (idem)*

By valorising a sub-sector of the social economy on the grounds that it engages in entrepreneurial business activity and risk taking, the significance of democratic forms of organisation has been overlooked. The British government's definition of '*social enterprise*' stands out from accepted usage in continental Europe, in that it is very outcome-oriented and permissive.

CIRIEC Report tried to distinguish the components of the social economy diversity in EU25 using analogue national experts. The outcome was the identification of a significant diversity regarding the concept and levels of social economy recognition, hence the variety of institutional forms. Here are the conclusions:

1. There are diverging concepts on the social economy, even in every country; only in France and Spain there is a formal recognition of the social economy.
2. The cooperatives, mutual societies, associations and foundations are the most widespread exactly in the group of countries where the concept of social economy has the highest recognition, except for Ireland and Finland, from the old EU15.
3. The cooperatives, particularly, the mutual societies, associations and foundations can be considered as the "central" elements of the social economy.
4. There are significant differences in the distribution of the social economy components between the old EU15 member states and

the new member states, former communist countries. The fundamental difference refers to the very low number of mutual societies (such as the friendship societies) from the social economy, explained by the very low recognition of the very concept of social economy and by the lack of a legal framework to establish mutual societies in these countries. Almost half of the new member states have the components of associations and foundations.

# CHAPTER 3

## SOCIAL ECONOMY IN THE EUROPEAN REGULATIONS

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The statutory provisions on the social economy are of major importance for the recognition of this sector, from three perspectives:

- Explicit recognition by the public authorities of the different identity of these organisations, which require special treatment. In this respect the objective of the legal system is to institutionalize them as private agents;
- Recognition of the these organisations' capacity and freedom to act in any area of social and economic activity;
- Recognition of their negotiating role in the process of drawing up and applying the various public policies, viewing them as co-decision makers and co-executors of the policies.

### *3.1. European documents of social economy*

A first document on the social economy is the Social Economy Chart, which states the principles and values characterizing social economy organisations. This Chart, elaborated in 1980, and updated in 1995, sets several basic principles, which are shown in *Table 8*.

Table 8

**Basic principles of the Social Economy Chart  
(1980, 1995)**

Article 1	<ul style="list-style-type: none"> <li>• Social economy enterprises function democratically; they have the same rights and duties.</li> </ul>
Article 2	<ul style="list-style-type: none"> <li>• Shareholders, consumers or producers, social enterprises members commit themselves freely to follow the chosen form of action (mutual cooperatives or associations) for their responsibilities as full rights members of these societies.</li> </ul>
Article 3	<ul style="list-style-type: none"> <li>• All members are at the same time owners of the production means; the social economy enterprises try to establish, within the internal social relations, new links for a permanent action of formation and information on the basis of consideration and mutual trust.</li> </ul>
Article 4	<ul style="list-style-type: none"> <li>• Social economy enterprises claim equal opportunity for all members, stating their right to develop on the basis of respect for the total freedom of action.</li> </ul>
Article 5	<ul style="list-style-type: none"> <li>• Social economy enterprises have a particular system of credit, distribution or income allocation. The fiscal surplus can only be used for economic growth and to provide better services to the members who just take care of the control.</li> </ul>
Article 6	<ul style="list-style-type: none"> <li>• Social economy enterprises endeavour to promote permanent research and experimentation in all fields of human activity, to participate in the harmonious development of the society, to promote the individual and collectivity.</li> </ul>
Article 7	<ul style="list-style-type: none"> <li>• Social economy enterprises claim that their final goal is to serve the people.</li> </ul>

Source: Robert 2007, 12 şı [http://transversel.apinc.org/spip/article.php3?id\\_article=286](http://transversel.apinc.org/spip/article.php3?id_article=286).

In Europe, the European Commission published in 1989 the communication Social economy enterprises and the single internal market. In the same year, the Commission financed the first European Conference on Social Economy (Paris) and created a unit for social economy within DG XXIII Enterprise Policy, Distributive. Trades, Tourism and the Social

Economy. In 1990, 1992, 1993 and 1995, the Commission promoted European conferences on social economy at Roma, Lisbon, Brussels and Seville. In 1997, the Luxemburg Summit recognised the role of the social economy enterprises in job creation and launched the pilot action “The third system and labour force employment” taking social economy as reference domain.

In the European Parliament (EP) the Intergroup for Social Economy became operational in 1990. In 2006, the European Parliament asked the Commission to “respect the social economy and to make a report on this cornerstone of the European social pattern”.

The European Economic and Social Committee (EESC) published many reports and communications on the contribution of social economy enterprises to the accomplishment of the different objectives of the public policies.

**Main legal acts on social economy adopted  
by the European Union**

- The Commission forwarded three legislative proposals to the Council of Europe:
  1. Proposal for a Council Regulation on the Statute for a European Cooperative Society
  2. Proposal for a Council Regulation on the Statute for a European Mutual (insurance society)
  3. Proposal for a Council Regulation on the Statute for a European Association,

These three regulations were accompanied by three similar directives which imposed employee involvement in the decision-making process in their European businesses, such as the *Directive on Employee Involvement (Council Directive 2001/86/EC of 8 October 2001)*<sup>1</sup>. It took 11 years for the *Statute of the European Society of the Cooperatives* to be adopted on July 22 2003).<sup>1</sup> The other two proposals of regulation have been withdrawn by the Commission in 2006 because of the lack of progress in the legislative process.

- Services of General Economic Interest (SGEI), which specify the conditions in which the compensation for the companies providing public services is compatible with the unemployment aid legislation and it must not be notified in advance to the Commission.
- On the Value Added Tax (VAT). Council Directive 2006/112/EC of 28 November 2006. The common VAT system allows the member states to authorize the social enterprises not to cash VAT for the goods and services provided for the general interest.
- Communication in the field of general interest services, which include social services, to evaluate the way to improve transparency and trust – EU working frame in which social services can be provided.
- Commission Interpretative Communication of the on the application of the community law on public procurement and concessions for Institutionalised Public-Private Partnerships – IPPP. The IPPPs are understood by the CE as cooperation between public and private entities, involving the establishment of an entity with mixed capital which concludes contracts or public concessions.
- Commission Regulation (EC) no 800/2008 of 6 August 2008 which states certain categories of assistance compatible with the common market in applying art. 97 and 88 from the Treaty (Regulation of block exemption).

Source: [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index_en.htm); [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index_en.htm).

The most recent conceptual delimitation of the social economy, by its own organisations, is that of the *Charter of Principles of the Social Economy* promoted by the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF), the set principles being as follows:

- The primacy of the individual and the social objective over capital;

- Voluntary and open membership;
- Democratic control by the membership (not applying to foundations because they don't have members);
- The combination of the interests of members/users and/or the general interest;
- The defence and application of the principle of solidarity and responsibility;
- Autonomous management and independence from public authorities;
- The essential surplus is used to carry out sustainable development objectives, services of interest to members or of general interest (CIRIEC, 2007, 9).

In Europe, the different forms of social economy don't have an adequate level of recognition in the national legislations. Not all the forms of social economy are recognised to the same extent by the legislative systems if the different EU member states.

In the case of the cooperatives, which are explicitly recognized in Article or Section 48 of the Treaty of Rome as a specific type of company, and also in the constitutions of various member states, like Greece, Italy Portugal and Spain, although they have a regulatory framework within which they can operate and which guarantees the rights of members and third parties there is not always a specific law at national level that regulates all co-operatives. Indeed, some countries like Denmark, the Czech Republic or the United Kingdom lack general co-operative laws, although there are some laws for specific types of cooperative, such as housing cooperatives in the case of Denmark, or credit cooperatives or credit unions in the United Kingdom and the Czech Republic. This contrasts with the situation in other countries like Spain, Italy or France, which suffer from legislative inflation in this area, with different laws according to the type of cooperative and level of government (state and regional).

### ***3.2. Legal recognition of the social economy in the European Union member states***

There is a variety of approaches to the legal status of the different forms of social economy throughout Europe, as shown in *Table 9*.

The normative regulations on social economy in the EU member states allow the identification of three groups of countries:

1. states which have specific legislation for the social economy forms;
2. states which have some statutory provisions covering social economy organisations scattered among various laws;
3. states which lack any trace of legislation governing certain forms of the social economy.

**Table 9**

#### **Legal recognition of some forms of “social economy”**

<b>Country</b>	<b>Cooperatives</b>	<b>Mutual Societies</b>	<b>Associations</b>	<b>Foundations</b>
Belgium	Yes	Yes	Yes	Yes
France	Yes	Yes	Yes	Yes
Ireland	R	Yes	NO	NO
Italy	Yes	Yes	Yes	Yes
Portugal	Yes	Yes	Yes	Yes
Spain	Yes	Yes	Yes	Yes
Sweden	Yes	Yes	NO	Yes
Austria	Yes	NO	Yes	Yes
Denmark	NO	Yes	Yes	Yes
Finland	Yes	Yes	Yes	Yes
Germany	Yes	Yes	Yes	Yes
Greece	Yes	n/a	Yes	Yes
Luxemburg	Yes	Yes	Yes	Yes
Netherlands	Yes	Yes	Yes	Yes
United Kingdom	R	R	Yes	Yes



Country	Cooperatives	Mutual Societies	Associations	Foundations
<i>New member states</i>				
Cyprus	Yes	n/a	n/a	n/a
Czech Republic	R	NO	Yes	Yes
Estonia	NO	NO	Yes	Yes
Hungary	Yes	n/a	Yes	Yes
Latvia	Yes	NO	Yes	Yes
Lithuania	Yes	NO	Yes	Yes
Malta	Yes	n/a	NO	NO
Poland	Yes	Yes	Yes	Yes
Slovenia	Yes	NO	Yes	Yes

Source: CIRIEC, 2007, 69.

Shortfalls in the legislation can have serious implications as regards the legal position of groups that wish to set up social economy organisations: the legal framework can act as a brake on the deployment of new forms if the existing ones cannot be adapted to new necessities. In this respect, the objective of the new legislation that has appeared in recent years in different countries, like the specific laws concerning social companies (Finland - 2003, Lithuania - 2004 and Italy - Law118/2005), social cooperatives (Poland – 2006, Portugal – 2006) and non-profit organisations of social utility (Italy - Decree 460/1997) or the modifications to existing laws to reflect new forms (France – 2001, the cooperative societies of collective interest, Spain - different laws concerning the cooperatives), has been to provide a channel for the development of an emerging social reality.

*Table 10* shows synthetically the main legislative progresses achieved in some EU member states.

Table 10

**Legal forms for social economy companies  
and organisations in Europe**

Country	Legal forms for social economy companies and organisations
Belgium	- Act on "Sociétés à finalité sociale" (Social-purpose enterprises), 13.04.1995.
Ireland	- Credit Union Act, 1997.
Italy	- D.Legs. 155/2006 "Disciplina dell'impresa sociale" (Social Enterprise regulations), - Onlus (Non-Profit Organization of Social Utility), D. Lgs. n.460/1997 - Development NGO Act 49/1987 - Act 266/1991 "Legge Quadro sul volontariato" (Framework Law of Voluntary Work)
Portugal	- Misericordias DL 119/83, 25.02.83
Spain	- Sociedades laborales (Labour companies) Act 1997, - Centros Especiales de Empleo para minusválidos (special employment centre for handicapped people), RD 2273/1985), - Empresas de Inserción (Integration Enterprises): Act 12/2001 additional provision nine, regional laws.
Sweden	- Housing associations (economic associations), 30/05/1991
Finland	- Social Enterprises, 30.12.2003 - Osuuskuntalaki (Co-operative Societies Act), 28.12.2001/1488
Greece	- Act 2190/1920 applies to "Popular companies" - Acts 2810/2000 and 410/1995 for "Development Agencies"
Netherlands	- Civil Law book 2 (legal persons) dates from 1850; updated in 1992
Denmark	- Act on Housing Cooperatives and other Collective Housing Societies, updated in 2006.
Czech Republic	- Association of Common Benefits (NNO), 1995 - Association of flat owners, 2000
Hungary	- Non profit companies

Country	Legal forms for social economy companies and organisations
Latvia	- Credit Cooperative, 15.07.1993
Lithuania	- Credit Unions, 1995 - Social Enterprises, 2004
Poland	- Social cooperatives, 2006 - Act on Social employment for Centres for social integration, 13.06.2003 - Act on Public benefit activity and volunteerism for public benefit organisations, 24.04.2004
United Kingdom	- Community interest company (CIC)

Source: CIRIEC, 2007, 69-70.

The rise of the social economy was acknowledged by the political and legal circles both at the national and at the international level too. Although in several legal texts some member states and the EU itself recognise the social economy as such together with some of its composing elements, progresses are required in delimiting the legal dimension of the social economy and in defining the conditions which its components must meet in order to avoid the dilution of its characteristic features and the loss of its social utility.

# CHAPTER 4

## RELEVANT ACTORS WITHIN THE SOCIAL ECONOMY

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### *4.1. European institutions*

**A. The European Parliament** has acknowledged the importance of Social Economy at European level with the creation of the Social Economy Intergroup in 1990. The Social Economy Intergroup is a platform for exchange between members of the European Parliament (MEPs) and members of the civil society. Representatives of cooperatives, mutual societies, associations and foundations together with representatives of civil society and employers take part in the meetings. In the last session of Parliament there were 43 MEPs members the intergroup.

The Social Economy Intergroup plays a significant role in the EU democratic process, as is the case in 2005 where members of the Intergroup triggered the demand for the establishment of an own initiative report on Social economy in the European Parliament. The request was accepted in 2008. The report produced was adopted with nearly 80% votes in favour in the plenary, on 19th February 2009. Some of the key recommendations of the Intergroup to future European presidencies are:

- to approve the European statutes of associations, mutual societies and foundations;
- to introduce the social services of general interest in the European debate and to recognise the specificity of general interest of those services in the new Treaty;
- to recognise the contribution of the social economy to the European social model.

## B. European Commission

The **Directorate-General Enterprise and Industry** has the primary legislative responsibility for the social economy sector, with its Small and Medium-sized Enterprises (SMEs) Unit having the operational responsibility<sup>11</sup>.

The **Directorate-General for Employment, Social Affairs and Equal Opportunities** plays a key role in promoting positive interaction between economic, social and employment policies, as the social economy, and especially social enterprises, is a major actor of employment and social inclusion policies.

### 4.2. European associative forms

The peak European Union consultative body with social economy representatives is the **European Economic and Social Committee (EESC)** under the Social Economy Category (Group III)<sup>12</sup>. The 344 members of the EESC are drawn from economic and social interest groups in Europe and ensure that the Committee is able to give full voice to the concerns of the various social, occupational, economic and cultural organisations that make up civil society. Members are nominated by national governments and appointed by the Council of the European Union for a renewable 4-year term of office. The next renewal will occur on October 2010. They belong to one of three groups: Employers (Group I), Employees (Group II) and Various Interests (Group III).<sup>13</sup> In addition, over the years the EESC has

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<sup>11</sup> [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index_en.htm).

<sup>12</sup> [http://www.eesc.europa.eu/groups/3/index\\_en.asp?id=1405GR03ENEESC](http://www.eesc.europa.eu/groups/3/index_en.asp?id=1405GR03ENEESC), established in 1957, it is an advisory body which gives the representatives of the socio-professional groups from Europe and to other people, an official platform to express their views on EU matters. The opinions are forwarded to the larger institutions – the European Council, Commission and Parliament. The Committee plays thus a key role in the decision-making process within the European Union

<sup>13</sup> <http://www.socialeconomy.eu.org/spip.php?rubrique190&lang=en>.

published a number of Opinions several opinions concerning the social economy or its components.

**The EESC Social Economy category** - The unique feature which forges Group III's identity is the wide range of categories represented within its ranks: its members are drawn from farmers' organisations, small businesses, the crafts sector, the professions, cooperatives and non-profit associations, consumer organisations, environmental organisations, associations representing the family, persons with disabilities, the scientific and academic community and non-governmental organisations. The Social economy category brings together 39 members (38 of whom belong to Group III and 1 to Group I) from cooperatives, mutuals, associations, foundations and social NGOs. Their current spokesperson is Mr. Miguel Ángel Cabra de Luna. Group III's Social economy category represents a significant proportion of civil society and, together with other members and categories, works towards a more democratic, social and competitive Europe.

**Table 11**

**Network European structures and organisations  
specific to the social economy**

European social economy structures	Network European social economy organizations
<ul style="list-style-type: none"> <li>• AMICE - Association of Mutual Insurers and Insurance Cooperatives in Europe</li> <li>• AIM - International Association of Mutual Health Funds <a href="http://www.aim-mutual.org">http://www.aim-mutual.org</a></li> <li>• CECODHAS - European Representative Organization of Social Housing Service <a href="http://www.cecodhas.org">www.cecodhas.org</a></li> <li>• CECOP - European Confederation of Workers' Co-operatives, Social Co-operatives, Social and Participative</li> </ul>	<ul style="list-style-type: none"> <li>• CEFEC- Confederation of European Social Firms, Employment Initiatives and Social Cooperatives (din 1986) <a href="http://www.cefec.de">www.cefec.de</a></li> <li>• EARTH European Alliance for Responsible Tourism and Hospitality (din 2008)</li> <li>• EAPN European Antipoverty Network (din 1990) <a href="http://www.eapn.org">www.eapn.org</a></li> <li>• EMES - European Research Network (din 1996) <a href="http://www.emes.net">www.emes.net</a></li> <li>• ENSIE - European Network for Social Integration Enterprises (din 2001) <a href="http://www.ensie.org">www.ensie.org</a></li> </ul>

European social economy structures	Network European social economy organizations
Enterprises (din 1979) <a href="http://www.cecop.coop">www.cecop.coop</a>	
<ul style="list-style-type: none"> <li>• CEDAG - European Council of Associations of General Interest (din 1989) <a href="http://www.cedag-eu.org/">http://www.cedag-eu.org/</a></li> <li>• COGECA - the General Confederation of Agricultural Co-operatives in the European Union (din 1959) <a href="http://www.copa-cogeca.be">www.copa-cogeca.be</a></li> <li>• COOPERATIVES EUROPE - Common platform of the cooperatives within Europe (din 2003) <a href="http://www.coopseurope.coop/">http://www.coopseurope.coop/</a></li> <li>• EACB - European Association of Co-operative Banks (din 1970) <a href="http://www.eurocoopbanks.coop">www.eurocoopbanks.coop</a></li> <li>• EFC - European Foundation Centre (din 1989) <a href="http://www.efc.be/">http://www.efc.be/</a></li> <li>• EUROCOOP - European Community of Consumer cooperatives (din 1957) <a href="http://www.eurocoop.net">www.eurocoop.net</a></li> <li>• SOCIAL ECONOMY EUROPE (ex CEP-CMAF) (din 2000) <a href="http://www.socialeconomy.eu.org">www.socialeconomy.eu.org</a></li> </ul>	<ul style="list-style-type: none"> <li>• ESFN - European Social Franchising Network <a href="http://www.vagenut.coop/esfn/index.html">www.vagenut.coop/esfn/index.html</a></li> <li>• FEBEA - European Federation of Ethical and Alternative Banks (din 2001) <a href="http://www.febea.org">http://www.febea.org</a></li> <li>• FEDES - European Federation of Social Employeurs <a href="http://www.fedee.com/">http://www.fedee.com/</a></li> <li>• REVES - European Networks for Cities and Regions for Social Economy (din 1997) <a href="http://www.revesnetwork.eu">http://www.revesnetwork.eu</a></li> <li>• RREUSE - European network of national and regional social economy federations and enterprises with activities in re-use and recycling (din 2000) <a href="http://www.rreuse.org">www.rreuse.org</a></li> <li>• Social Platform (din 1993) <a href="http://www.socialplatform.org">www.socialplatform.org</a></li> <li>• SOFICATRA - State investments in the social economy and other economic sectors (din 1993) <a href="http://www.soficatra.org">www.soficatra.org</a></li> </ul>

Function of their sphere of action within the social economy, several organisations active in the field of family cooperatives, family mutual societies, family organisations and associations can be identified throughout Europe, as shown in *Table 12*.

Table 12

**Organisations representing social economy in Europe  
according to their sphere of action**

Family cooperatives	Family mutual societies	Family organisations and associations for social action
<ul style="list-style-type: none"> <li>• EUROCOOP: European Community of Consumer Co-operatives</li> <li>• ACME: Association of European Cooperative and Mutual Insurers</li> <li>• CECODHAS: European Liaison Committee for Social Housing – co-operative section</li> <li>• CECOP: European Confederation of Workers' Co-operatives, Social Cooperatives and Participative Enterprises</li> <li>• COGECA: General Confederation of Agricultural Co-operatives</li> <li>• GEBC: European Co-operative Banking Group</li> <li>• UEPS: European Union of Social Pharmacies</li> </ul>	<ul style="list-style-type: none"> <li>• AIM: International Association of Mutual Societies</li> <li>• ACME: 'Co-operative family'</li> <li>• AISAM: International Association of Mutual Insurance Companies</li> </ul>	<ul style="list-style-type: none"> <li>• CEDAG: European Council for Voluntary Organisations</li> <li>• EFC: European Foundation Centre</li> <li>• European Platform of Social NGOs</li> <li>• CEFEC: Confederation of European Social Firms, Employment Initiatives and Social Co-operatives</li> </ul>

Source: CIRIEC, 2007, 40-41

### **4.3. National structures with competencies in social economy matters**

Many EU member states have a central structure which has explicitly responsibilities in social economy matters and, therefore, a title relating to the social sector. The role of these structures is not to create a limitative area within the social matters, but to recognise the importance of this area and



to set the priorities to be promoted and monitored in the public agenda. The socio-political visibility and image are ensured through the functions of information and coordination specific to an institutionalised structure.

In Europe, this type of public structure is found sometimes under interministerial forms: France – Ministry of Youth, Sport and Associations and the Interministerial Delegation for Social Innovation and Social Economy; Belgium – the State Secretariat for Sustainable Development was transformed into the State Secretariat for Plural Economy; Spain – the National Institute for Social Economy Promotion. The existence of these public structures depends largely on the changes and reshuffles in the governments of the particular countries (CIRIEC, 2007, 73). *Table 13* shows the structures of public administration that coordinate the social economy (2006 data).

**Table 13**

**Government body with competence  
in social economy matters**

Country	Name of the authority
Belgium	Secretary of State for Sustainable Development and the Social Economy
Cyprus	Cooperative Societies' Supervision and Development Authority
Spain	Directorate-General for the Social Economy, the self-employed and the European Social Fund
France	Interministerial delegation for innovation, social experimentation and the social economy of the Ministry of employment, social cohesion and housing
Ireland	Social Economy Unit, FAS.
Italy	Directorate general for co-operative entities, Ministry of economic development Agency for Socially Responsible Non-Profit Organisations
Malta	NGO Liaison Unit, Department for Social Welfare Standards, Ministry for the Family and Social Solidarity.
Portugal	António Sérgio Institute of the Cooperatist Sector (INSCOOP).

Country	Name of the authority
United Kingdom	Social Enterprise Unit, previously within the DTI, now within the Cabinet Office, and Charity and Third Sector Finance Unit within HM Treasury

*Source: CIRIEC, 2007, 75-76.*

The existence of such a body within the central administration with managing responsibilities pertaining to the social economy is not always a precondition for activating specific social economy policies, the first nuclei being those regarding the fight against poverty and social marginalisation. Some new member states developed social economy initiatives before the institutionalization of governmental structures (Chaves and Monzon, 2000).

#### ***4.4. Universities/Research and training centres***

The policies of dissemination, training and research in the field of social economy aim to ensure the social visibility and receptiveness and to develop training and research competencies to the benefit of the entire sector. Some EU member states have stable channels of support for training and research: Sweden, Portugal, Italy, Spain and France (CIRIEC International, EMES, Johns Hopkins Comparative Non-Profit Sector Project, the inter-university networks in Germany, France, Spain and Portugal).

# CHAPTER 5

## MECHANISMS OF SUPPORT AND FINANCING OF THE FORMS OF SOCIAL ECONOMY

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### *5.1. Measures for social economy support and financing within the European Union*

The specificity of social economy organisations relies on certain features, values and rules structured around the democratic decision-making process and around the way in which the profit and surplus are distributed. However, the specific manner of operation is not neutral: the use of the legal forms of social economy provides the economic groups and agents opportunities to finance quite high operational costs compared to other private companies. The expenditure determined by the specific features of the social economy relate to the internalization of their social costs, which pertain to the democratic decision-making process, to the method of distribution and to the nature of the services and goods that are produced, oriented mainly towards the general and/or social interest, compared to cost externalization used by the private companies seeking to make profit.

These costs may appear in different forms, such as restrictions in planning the surplus and reserves, existence of control and audit structures within some organisations (such as the cooperatives in Germany and Austria), limitations in the development of large economic projects (such as in Italy – the Associative Statute), a preset minimal number of members or preset minimal capital etc. Consequently, based on cost-benefit analyses which evaluate the possibilities, advantages and disadvantages, the founding members and groups may find themselves in the deterring position to adopt some legal forms at the expense of other (the economists refer to the “economy of choice” between different alternatives of legal

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statute). This economy of choice acts mainly during the periods of legislation changes: a paradigmatic case happened with the work companies (sociedades laborales) from Spain, who underwent a laborious process of legislation modifications which started in the early 80s, with major consequences in terms of the creation and legal transformation of these social firms, particularly in relation to workers' cooperatives.

The increasing importance of the social economy structures is recognised by the national authorities and the European Commission. A recent study identified 82 support measures in 31 European countries, grouped in five large categories (Heckl, 2007, 3):

- **Legal acts** (21 analysed measures): many countries have tax exemption or taxation privileges for the non-profit organisations and for the associations. There are legal acts which are prerequisites for the development of the social enterprises, most times aiming the withdrawal of the public sector as supplier of social services.
- **Financial support** (26 analysed measures): direct support as subsidies or grants, and indirect financial support, most times as wages subsidies for the social enterprises involved in the integration on the labour market.
- **Business support** (13 analysed measures): the support ranges from the supply of business incubators to consultancy, from financial issues to the provision of services. Also identified are the support services for business and the varied training opportunities for the future entrepreneurs and managers from the entrepreneurial social sector, as well as the supply of information and knowledge in this field.
- **Improved cooperation** (8 analysed measures): measures for the cooperation on vertical (cooperation between the public authorities and the social enterprises sector) and on the horizontal (between the social economy organisations and the umbrella organisations).

- **EQUAL** (8 analysed measures): an important impulse was provided by projects directed towards the forms of social economy. The principle of partnership resulted in cooperation between the public authorities and the social entrepreneurs.

Other types of support have been identified in some countries (6 analysed measures), such as initiatives of the central administration for general programs of active labour market policies or social inclusion policies with provisions specific to the promotion of the social economy.

To ensure equal opportunities for all types of organisations, and because the unequal situations demand different treatments, the official legal framework should enforce measures to avoid the operational difficulties derived from the legal status and to give up the bankruptcy options. These measures can be guaranteed if different forms of taxation are applied. The process of elaboration of measures should establish a proper mechanism which to prevent the situation in which some economic agents behave in an opportunistic manner and only receive advantages from the compensations received to adopt these forms, with no support from own costs.

In most EU western countries, the four important legal forms of social economy enjoy a specific taxation (*Table 14*). Such measures are much more abundant for the associations and foundations, on the fertile soil of their non-profit nature and of the way in which the resources and surplus is distributed, which gives priority to the activities of general and/or social interest.

**Table 14**

**Specific tax treatment for social economy organisations  
in the European Union**

Country	Cooperatives	Mutual societies	Associations	Foundations
Belgium	--	--	--	--
France	Yes	Yes	Yes	Yes
Ireland	Yes	--	--	--
Italy	Yes	Yes	Yes	Yes

Country	Cooperatives	Mutual societies	Associations	Foundations
Portugal	Yes	Yes	Yes	Yes
Spain	Yes	Yes	Yes	Yes
Sweden	--	--	--	--
Austria	--	--	Yes	Yes
Denmark	--	Yes	--	--
Finland	Yes	--	Yes	Yes
Germany	--	Yes	Yes	Yes
Greece	Yes	n/a	Yes	n/a
Luxemburg	--	--	--	Yes
Netherlands	Yes	Yes	Yes	Yes
United Kingdom	--	--	Yes	Yes
<i>New member states</i>				
Cyprus	Yes	n/a	n/a	n/a
Czech Republic	--	--	Yes	Yes
Estonia	--	--	--	Yes
Hungary	--	--	Yes	Yes
Latvia	Yes	--	Yes	Yes
Lithuania	n/a	n/a	n/a	n/a
Malta	Yes	n/a	No	No
Poland	--	--	--	--
Slovenia	--	--	--	--

Source: CIRIEC, 2007, 72-73.

The legislation on taxation has been strengthened in recent years in a number of countries, such as Spain's NPO taxation system, passed in Act 43/2002, Italy's Act 460/1997 on the ONLUS or non-profit organisations of social utility and Germany's 'Social Law Code' (Sozialgesetzbuch) governing the non-profit organisations. As regards co-operatives, many countries that have a special tax system do not extend it to all co-

operatives. In Ireland, for instance, it is only applicable to credit unions and in Greece only to agricultural cooperatives

A predominant tendency is for tax benefits to be eroded; this erosion has recently been creeping in at European Community level also. While some countries such as Portugal, Italy and Spain possess consolidated special tax regimes backed by recognition of the social role of the social economy in their respective constitutions, in other countries existing tax specific treatments are being reduced. Changes in the legislation concerning co-operatives in various countries are not unconnected with this trend, as they tend to reduce the restrictions imposed by the Co-operative Principles. The changes are as follows: reducing the minimum number of persons required to create a co-operative; the possibility of giving some members more than one vote; broadening the limits on activities and on trading with non-members; the possibility of issuing specific bonds, representing risk or debt capital; allowing third parties to participate in share capital and permitting the transformation of co-operatives into joint-stock companies. Quite apart from the reasons put forward for these changes in co-operative legislation, such as economic arguments concerning growth and improved competitiveness, what lawmakers undoubtedly see in these measures is lower operating costs for this legal status and, consequently, less need for special treatment, including compensatory policies and tax measures.

*The Lisbon integrated directing lines for growth and jobs (2005-2008)* encourage the expansion of the social services and of the social economy within the context of the Lisbon Strategy, which aims to achieve an average employment rate for the European Union (EU) of 70% overall, partially by employing the people disadvantaged on the labour market. Within this context, a large number of projects have been financed through the EQUAL initiative of the European Social Fund (ESF) to develop the role of the social enterprises in the struggle against exclusion and to promote employment, job creation and social integration. Because the EQUAL program has been concluded, the European Regional Development Fund (ERDF) and the European Social Fund intervened in many countries to support the social economy organisations/the third sector.

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EQUAL was designed to promote new means of combating all forms of discrimination and inequalities in connection with the labour market, through transnational cooperation. Theme 2D, under the entrepreneurship pillar aimed at strengthening the social economy (the third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs , (DIESIS 2008, 11-12). EQUAL differed from the European Social Fund mainstream programmes in its function as a laboratory (principle of innovation) and in its emphasis on active co-operation between Member States. Two calls for proposals for EQUAL projects in the Member States have taken place, the first one in 2001, the second one in 2004<sup>7</sup>. Responsibility for the implementation of the Community Initiative programmes in the Member States lied with the national authorities. Over 6 years, a total budget of 600 Meuro (average budget per DP 1.3 Meuro) funded 424 Development Partnerships (DPs) under the social economy theme. Several other social economy projects have been financed under other themes too (equal opportunity, job creation, etc.).

In order to draw concrete and transferable lessons, to exchange policies and practices among EQUAL projects, the Commission structured several European Thematic Groups (ETG).

PROGRESS (2007-2013), Community Program for Employment and Social Solidarity<sup>14</sup>, supports financially the implementation of the objectives of the European Union in the fields of employment and social affairs, of the Lisbon Strategy goals in those fields. Social economy is a transversal issue in many of these themes. However, PROGRESS is in no way a replacement for EQUAL, and it is clear, it will not fund pilot actions or projects but only research, awareness raising and benchmarking activities at EU level.

EQUAL principles became an integral part of the new ESF programs (2007-2013). It is now for Member States to identify the most suitable implementation arrangements. As far as social economy is concerned, it is likely that its funding will vary according to the different role and

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<sup>14</sup> It includes five main themes: social protection and inclusion, gender equality, non-discrimination and diversity, employment and working conditions.



recognition gained in each country. Therefore, as it happens already with ESF, some countries will provide resources for the “social economy” as a whole, while others will address specific target groups (disabled, unemployed, etc.) and activities (training, job creation, etc.) or use similar – but only partially equivalent - terms (third sector, non profit, etc.)

In theory, social economy can access all general funding programs from mainstream Commission budgets. In practice, however, the programs mostly used are those managed by DG Employment (equal opportunities, social inclusion, social dialogue, etc.) and those in the field of education and training (Leonardo da Vinci, Grundvig, etc.), while programs for SMEs (Small and Medium Enterprises) and R&D are very difficult to access.

The paper *Policy and future sources of EU funding for the social economy* consolidates within a single document the very complex and dispersed domain of EU funding sources, while showing a very good understanding of them and of their complexity in relation to the social economy organisations.<sup>15</sup> It also analyses the future and potential EU financing for the social economy. This analysis is done within the 2007-2013 multi-annual Financial Framework, which creates various sources of potential financing in agreement with the new political priorities.

The paper starts by discussing the concepts at EU member state level and it underlines the conceptual difficulties in the clear delimitation of their meaning, therefore for what type of sources and programs they are eligible or not eligible. It is therefore proper to return to the *Social Economy in the European Union* to refresh the conceptual definitions of the different sectors of social economy. The conceptual difficulties concerning social economy and the non-profit organisations within the European Commission thinking and policy are reflected by the availability of financing through criteria of eligibility: “Clearly, social economy enterprises, as not-for-profits, should be able to apply for small company support and, dependent on their treatment of profits, could also be relevant for NGO funding sources. This dual

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<sup>15</sup> Andrea Westall, *Policy and future sources of EU funding for the social economy*, October 2007, p. 1-22. [http://www.cedag-eu.org/uploads/File/EU\\_report\\_on\\_social\\_economy\\_funding.pdf](http://www.cedag-eu.org/uploads/File/EU_report_on_social_economy_funding.pdf).

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*applicability reflects the 'hybrid' nature of many social economy organisations but make it hard to know whether an organisation with limited profit distribution, for example, with some quasi-equity funding arrangement, is able to access programmes for which only 'non profits' can apply"*<sup>16</sup>

A presentation of CE financing programs also exists in the document retrieved from [http://ec.europa.eu/contracts\\_grants/index\\_en.htm](http://ec.europa.eu/contracts_grants/index_en.htm)<sup>18</sup>, which gives the main aspects of interest: the Financial Framework for 2007-2013 and the relevant allocations, their time frames and the specific funds and programmes which are set out underneath four headings and sub-headings: "competitiveness and cohesion, sustainable development, European citizenship and external policy" and there are specific focuses on trans-national working and SMEs; schemes of relevance to the social economy come under the categories of NGOs or non-profits as well as SMEs, illustrating both the widespread sources of funding but also the potential for confusion and debates over applicability.

Another overview of sources and information was found to be the *Welcomeurope* database which can be accessed by type of organisation, policy, or issue at [www.welcomeurope.com](http://www.welcomeurope.com). Given the extremely large number of funding sources identified in the Funding Framework, it is impossible to go into every source of available funding for the social economy but, in order to produce manageable information, one can:

- explore the Welcomeurope database along with the EU funding opportunities set out on the Europa website;
- put more focus on those funding sources available to general social economy organisations rather than very specific areas such as the environment, rural affairs, crime or human
- direct financing from the Commission – for example, support for innovation

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<sup>16</sup> *Ibidem*, p. 4.

<sup>17</sup> *Ibidem*, p. 5.

<sup>18</sup> *Ibidem*, p. 5.

- financing from the EU via national and regional governments, for example, the Structural and Cohesion Funds
- exclude procurement
- exclude external aid funding even though this is an area where the social economy participates;

The paper provides a number of useful tables by programmes, sub-programmes amounts available, applicability and comments. Appendix 1 provides a short and consolidated version of the tables to get an understanding of the range and applicability of available funding for SE organisations.

### **Additional sources of EU funding for social economy**

#### *A. Financial agencies<sup>19</sup>*

Possible relevant funding may come from the European Investment Bank and the European Investment Fund. The EIB [www.eib.org](http://www.eib.org) European Investment Bank was set up to be the long-term lending bank of the EU. It lends to projects which further EU objectives and has six priority areas: cohesion and convergence support for SMEs, environmental sustainability, and implementation of the Innovation 2010 Initiative, development of Trans-European Networks in transport and energy, sustainable competitive and secure energy. The EIB supports SME investment through credit arrangement with local intermediary banks and financing institutions. The most widely available support is lines of credit with local banks, venture capital, SME portfolio guarantees and JEREMIE which is the Joint European Resources for Micro and Medium Enterprises (JEREMIE).

The EIF European Investment Fund's activity [www.eif.org](http://www.eif.org) is based on two instruments:

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<sup>19</sup> Sabău Crăciun, Dudă-Dăianu Dana-Codruța, *Financing opportunities for Romanian economy by Structural Funds*, Tibiscus University of Timisoara, Faculty of Economics, p. 14-5.

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- EIF's venture capital instruments consist of capital investments in venture capital funds and business incubators that support SMEs, particularly those that are newly created and technology-oriented.
  - EIF's guarantee instruments consist of providing guarantees to financial institutions that cover credits to SMEs.

Each country and/or region has EIF intermediaries which can be contacted about eligibility criteria and application procedures. Access to SME financing through these routes should be possible for certain relevant SE organizations as well as the potential for support from this route for forms of microcredit for local areas and/or intermediary lending facilities to the social economy.

The 2010 program for grants of the European Commission Enterprise and Industry Directorate General<sup>20</sup> revolves around the Annual Management Plan. The following activities may receive financing: competitiveness, industrial policy, innovation and entrepreneurship; Internal market for goods and sectoral policies; space and security

#### *B. Transnational funding bodies and mechanisms*

This section covers a number of transnational bodies that provide funding to social economy including banks.

##### *CoopEst – Finance for Social Economy Initiatives in Central and Eastern Europe<sup>21</sup>*

CoopEst was set up in October 2005 in Brussels as a limited liability company governed by Belgian law, by several financial institutions active in the field of the social economy sector in Belgium, France, Italy and Poland, having altogether signed the Cracow Declaration on 28 October 2004. It was launched in December 2006 of a bond loan of 15 million euro. CoopEst is a financial facility aiming at initiating and fostering the development of cooperatives, mutual societies, associations, foundations

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<sup>20</sup> [http://ec.europa.eu/enterprise/contracts-grants/calls-for-proposals/grants-work-programme-2010/index\\_en.htm](http://ec.europa.eu/enterprise/contracts-grants/calls-for-proposals/grants-work-programme-2010/index_en.htm).

<sup>21</sup> <http://www.cecop.coop/CoopEst-Finance-for-Social-Economy.html>.

and social enterprises (which together can be referred to as social economy). The target countries of CoopEst in Central and Eastern Europe are: Poland, Hungary, Czech Republic, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Bulgaria, **Romania**, Croatia, Albania, Bosnia and Herzegovina, the Republic of Macedonia, Montenegro and Serbia.

The creation of CoopEst is based on the evidence that the access to long-term financing (private and public) in Central and Eastern Europe is still very limited and difficult for Small and Medium Enterprises (SME), mainly due to the weakness of their financial structure. Therefore, CoopEst aims to provide long-term financial support both in terms of equity (subordinated loan), long-term loans and guarantees to sustainable and socially responsible projects in the target countries enabling them to leverage further funding for the development of their activities.

CoopEst intends to intervene through local financial intermediaries in the respective countries. Therefore, the target groups are established financial institutions in Central and Eastern Europe with a direct link to or an interest in the social economy sector and/or socially responsible business (eligible institutions could be cooperative or commercial banks, credit unions, micro finance institutions).

Investments in long-term debt (up to 10 years) and guarantees (approximately between € 500.000 and € 2M) are possible: global loans, subordinated loans, subscriptions to bond issues; co-investments (syndicated loans); interventions in providing guarantees are also possible so as to help final beneficiaries to get better access to local and international loan bank financing (especially European).

The main criterion for the involvement of CoopEst is to support socially responsible initiatives in the target countries. Eligible SE projects may include a wide range of economic activities. Some examples could be agricultural co-operatives, social housing or housing co-operatives, energy equipment/renewable alternative energies, organic agriculture, production/commercialization of handicraft small-scale industries; small business development, especially among unemployed or disadvantaged groups etc.

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### *C. External foundations*

The *Welcomeurope* database identifies three foundations that are active in European issues. It is unclear whether they receive money directly from the EU or not. These are:

- Charles Stewart Mott Foundation – civil society program applicable to EU accession countries and new member states ([www.mott.org](http://www.mott.org))
- Soros Foundation – grants provided to NGO projects in the new EU member states, accession countries and South Eastern Europe to promote initiatives to support law, education, public health and an independent media ([www.soros.org](http://www.soros.org))
- Compagnia di San Paolo Foundation – grants for non-profit projects in many scientific, social and cultural fields to foster social good, civic, cultural and economic development ([www.compagnia.torino.it/english/index.html](http://www.compagnia.torino.it/english/index.html))

### *5.2. Financing mechanisms*

The increasing dissemination of activities and social economy features are extremely challenging, particularly financially. The insufficiency or lack of instruments and sources of financing are an obstacle to the multiplication of these social economy units, blocking thus the possibility to develop their potential to create jobs and to foster social cohesion. The main financial difficulties, among other, are (SEEN 1 year, 5-6):

- difficulties related to the legislative status of the specific social economy unit (by expressing the general interest, they choose most times to be organised in a way which not to render evident the distribution of the capital);
- restraints related to the normative context in a specific country (in some countries, the existing stipulations don't allow the credit institutions to give loans to the institutions which can not put up adequate collaterals);

- lack of knowledge and existence of prejudices on the bank-side concerning the non-traditional enterprises, which prevents the latter to access certain financial instruments;
- even if there is a strong social impact of the “financial benefit” of the social economy institutions, they don’t succeed to draw the attention of the traditional funding organisations.
- contracting and public tenders may generate financial problems to the social economy enterprises if no profit limits or the possibility of capitalization are stipulated. Social economy units are confronted with difficulties in managing their financial flow because of the delays in payments or due to their “dependency” on a small number of clients.

Social economy organizations have played a vital role in the establishment of stable models of democracies after the political transformations that have occurred during the recent decades in Europe and, specifically, in Central and Eastern Europe<sup>22</sup>. These organisations have not only successfully served as vehicles for expressing and representing citizens’ needs but they have also been addressing the immediate needs of their stakeholders by directly engaging in service provision or lobbying for change in government policies. Social economy organizations still face many challenges pertinent to the financial aspects of their sustainability. This is true especially for countries in South-East Europe where foreign donors are a predominant source of funding, while the mechanisms for government support remain underdeveloped and non-transparent

Generally, there are three main sources of revenue available to social economy organizations:<sup>23</sup>

1. **Income generating activities:** fees for services, sales, membership fees, rents, investments, business ventures (making 53% of the income);

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<sup>22</sup> *Hatzi-Miceva, Katerina, A supportive financing framework for social economy organizations, European Center for Not-for-Profit Law, 2005, p. 1.*

<sup>23</sup> *P. 5-8.*

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2. **Government funding** (central and local level) (making 35% of the income);
  3. **Philanthropy** (financial donations and in-kind support from volunteers) (making 12% of the income).

The relative importance of all three sources varies among countries and regions and not one approach taken independently will alleviate the sustainability problem. Each country should assess what is a strategic priority depending on local circumstances.

On the other hand, ensuring diversified funding resources is important to support the existence and to foster the flourishing of different types of organizations based on their activity. However, some sources dominate over the others as it happens at the global level, where the social economy organisations active in health care and social services benefit the most from governmental funding.

### **1. Income generating activities**

An important factor that helps measure the supportiveness of the legal environment towards social economy organizations' viability is the permissibility of them to engage in income-generating activities. SE organizations' may generate income from membership fees, sales, fees from services, investments or renting property. Allowing social economy organizations' to generate income could lead to an increased level of effectiveness in program implementation and to better quality and more diverse services. State policies and the favorable legal environment play an important role in the ability of social economy organizations' to generate income from economic activities to support their non-profit purposes. Economic activities may be considered as "*regularly pursued trade or business involving the sale of goods or services*" Most fundamental is the non-distribution principle, which essentially ensures that such income is not distributed to the members or associates of the organization. In addition, the income should be used to support statutory purposes.

Most countries have set additional criteria that determine the ability of social economy organizations to engage in economic activities.



- Croatia allows social economy organisations' engagement in economic activities to the extent it is necessary and only in those activities, which are enumerated in the statute so that the registration authority could review their legitimacy in advance. However, the lack of clear criteria regarding what is considered to be an economic activity is one of the problems in implementing this provision. Further, country specific legislation differs regarding the extent to which social economy organisations are allowed to engage in economic activities.
- Bosnia, Bulgaria, **Romania**, and Slovenia permit only activities related to the mission of the organisation, while in Albania the economic activity must "conform" to the purposes of the organization, which may allow activities that are consistent with, but not necessarily related to the statutory purposes. However, the income from unrelated activities should also be used to support the statutory activities.
- Of all CEE countries, it is only in Macedonia that organisations cannot engage directly in economic activities and are required to establish a subsidiary (e.g., a limited liability company) if they want to do so.
- Income from investment also provides an essential source of revenue for social economy organisations and many countries impose additional requirements and limitations on the distribution and the accumulation of capital to ensure that such income is spent in pursuance of their objectives. Slovenia and Macedonia generally treat almost all investment income as taxable, while Hungary and Poland provide exemptions for public benefit organisations.

## **2. Government funding**

Governments support financially social economy organizations by (1) allocating resources directly from the state budget line, or (2) indirectly, by granting benefits to social economy organizations. Recent data shows that

the amount of government funds available to social economy organizations in Western Europe varies from 29% in Sweden and 35% in Norway to up to 77% in Belgium and Ireland. In CEE the government funding ranges between 20 and 30% on average. The rules that regulate the distribution and monitoring of the use of funds should also be considered.

Specifically, social economy organizations around the South-East Europe have difficulties accessing government funding mainly because implementation of the funding mechanisms is not transparent, it lacks professionalism in grant-making, there are no clear criteria and the decisions as to who can receive grants are politicized and there is no effective monitoring mechanism to oversee the use of funds and ensure accountability by the social economy organizations that have received them

#### *A. Direct Funding – Forms of Direct Support*

Government funding can be distributed through several traditional forms: subsidies, grants, procurement, per capita fees or vouchers. From the mechanisms of government funding, subsidies and grants are the most common form throughout the CEE region

**Subsidies** are generally distributed to social economy a organization whose contribution to governmental policy implementation is considerable and may therefore serve as a general indicator of the public sector's recognition of civil society. They are prescribed by law and distributed by the authority which is dealing with the issue. Funding through subsidies is usually given to major international agencies (such as the Red Cross), national interest representation groups (such as Associations of Pensioners), major service-providing organizations, and very few advocacy organizations.

**Grants**, on the other hand, are awarded through an open tender-type application process and can provide funding for the delivery of social services (Germany, Croatia, UK) or the implementation of programs from the country's international development aid obligations (Sweden, Denmark, Germany).

The **procurement** mechanism regulates the government purchase of goods and services delivered by the social economy organizations. The challenge of this mechanism is that social economy organizations generally bid together with other service providers (such as businesses) and they are unable to meet technical requirements (e.g., collateral) or achieve the high standards (e.g., quality assurance system) usually set by governments. Some countries have amended their legislation to remove the prohibition on social economy organizations participation in procurement procedures (Bulgaria). Others have created specific mechanisms, such as the public benefit contract in Hungary. Generally, social economy organizations engaged in social service delivery are most likely to benefit from this mechanism

**Third party payment schemes** common in Western Europe, such as per capita fees and vouchers are not widespread in CEE as yet but have proved to be useful mechanisms of public support mainly for social service delivery social economy organizations.

**Per capita fees** or normative support system, which is common in Hungary, essentially means that social economy organizations seek reimbursement from the government based on the volume of services they have provided. Social economy organizations that deliver services in areas such as healthcare or education are the beneficiaries of this system.

**The voucher mechanism**, which was introduced in the Czech Republic, allows municipalities to provide vouchers for the services that fall within their obligation and leave the decision to the citizens to choose their provider. Aside from the fact that these two mechanisms are a form of financial support, they also prompt social economy organizations to compete with service providers from other sectors (public and private), which eventually contribute to higher quality of service delivery and increased accountability.

### ***B Indirect funding***

- *Funds directed towards social economy organisations*

Of all regional examples of sources of public support it is worth emphasizing two models: (1) the use of privatization proceeds and (2) the creation of a public fund for support of civil society. Both are important

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because they have been introduced as a result of concerted government effort to strengthen the third sector through adopting innovative instruments.

The **distribution of privatization proceeds** to foundations was introduced in the Czech Republic as a result of the privatization of state-run enterprises. The Czech Government allocated 1% of these privatization proceeds to a Foundation Investment Fund, which then re-distributed the funds to local foundations in the forms of endowments. The purpose of this mechanism was to enhance building of endowments as a secure resource base for social economy organizations. In 2002, 27 million euros were distributed to 64 foundations, which at that time represented one-third of all foundations in the country. Currently, 375 foundations are registered in the Czech Republic, with the value of their endowments exceeding over 80 million euros. This instrument also led to improved cooperation among foundations, which pooled their endowments to establish a joint investment portfolio designed specifically for this purpose.

In 2003, the Hungarian Government established the **National Civil Fund** with the aim to provide a mechanism for institutional support to social economy organizations. Essentially, the National Civil Fund supplements the mechanism of percentage allocation in that the government matches the amount of funds that are designated to social economy organizations through the percentage system. 60% of the resources of the National Civil Fund are allocated to social economy organizations to support operational costs. In addition, funds from this source also support development programs (research, education, international representation). Elected social economy organizations representatives sit on all committees which are deciding on the distribution of the funds. In the first year a total of 28 million euros were distributed to support the operational costs of over 3,500 organizations. Although, the funding potential of this mechanism is considerable, its impact on general financial sustainability in the longer term will largely depend on the willingness of the government and the Governing Council of the Fund to learn from the challenges in the first year and try to revisit the goals they have set to achieve in order to improve the effectiveness of the system.

- *Indirect forms of support*

Indirect support most often appears in the form of tax benefits, use of municipal property or providing services by reduced costs. The support is considered “indirect” because rather than distributing public funds, governments do not collect the revenue that they would be entitled to. The issue of tax benefits is emphasized as the most important because it is directly connected to amount of generated income that social economy organizations can utilize in pursuing their objectives. Tax benefits can appear in the form of exemption of certain types of income from profit tax. Almost all countries exempt from taxation the income from membership fees, grants and donations. There is also a general consensus that all social economy organizations, regardless of whether they serve mutual or public benefit purpose should be exempted in this case.

In **Bulgaria**, mutual benefit organizations are subject to tax on donations. In addition, tax benefits are also associated with income from investments, real estate and customs. Further, the VAT treatment of social economy organizations activities is an important consideration in discussions on

The **Macedonian** VAT Law provides a VAT exemption only for services and supplies of goods by institutions for social welfare and not to social economy organizations. This poses a serious burden on the ability of social economy organizations to financially manage social service activities.

Some countries, such as Czech Republic, Serbia and Montenegro have introduced a tax exemption cap, so they would only tax income that exceeds a certain threshold. Finally, some countries, fully tax social economy organizations (Albania, Bulgaria, Slovenia).

The **percentage mechanism** is a relatively new example of state support to social economy organizations. It was first introduced in Hungary in 1997 and although several countries in the region have gladly embraced it, its effect is still disputable. The percentage mechanism is a form of tax allocation as it allows taxpayers to designate a portion of their paid tax to a specific organization. After Hungary introduced the so-called “1% Law”, Lithuania, Poland, Slovakia and Romania have adopted similar legislation.

Hungary is the only country that has witnessed over 7 years of implementation of this law so that one would be able to draw actual learning points from its experience. However, the implementation of the laws in Hungary as well as the other countries has sent signals that require cautious examination by the new wave of countries (such as the Czech Republic, Ukraine, Georgia and Macedonia) that consider implementing such mechanism.

Although the percentage mechanism seems to be gaining popularity in countries of CEE, the lessons from implementation in the existing countries should not be ignored. These examples reveal that even if social economy organizations and governments estimate that the mechanism can significantly contribute to the sustainability of the sector, all factors should be considered in its conceptualization. Most importantly, they illustrate that should this mechanism be introduced, it ought to complement and not replace other existing mechanisms, as it will not be the remedy for the financial viability problem.

### **Philanthropy**

Although according to the global study the share of philanthropy is relatively small in the income of the non-profit sector (12%), it is of central importance for social and economic development in transition societies. The level of philanthropy is an indicator of domestic social support social economy organizations, which is seriously needed in an environment where social economy organizations have been largely supported by foreign funding. In addition, it is an indispensable source for certain types of organizations, such as advocacy organizations, who generally would be less likely to receive support from government sources due to the types of activities they engage in. Support through philanthropy can take the form of monetary or in-kind contributions. In both cases public policies and legal framework play an important role.

(1) Governments aim to promote or support philanthropy by creating tax incentives in the form of tax deductions or tax credits. By allowing individuals and corporations to receive a reduction in taxes in return for

contributions to social economy organizations, governments empower them to commit resources to goals, which are of common importance. The example of Slovakia, where the relationship with the percentage law indicated that funding from private donations constituted a significant portion of sectoral revenue, shows that the importance of this form of support should not be easily disregarded.

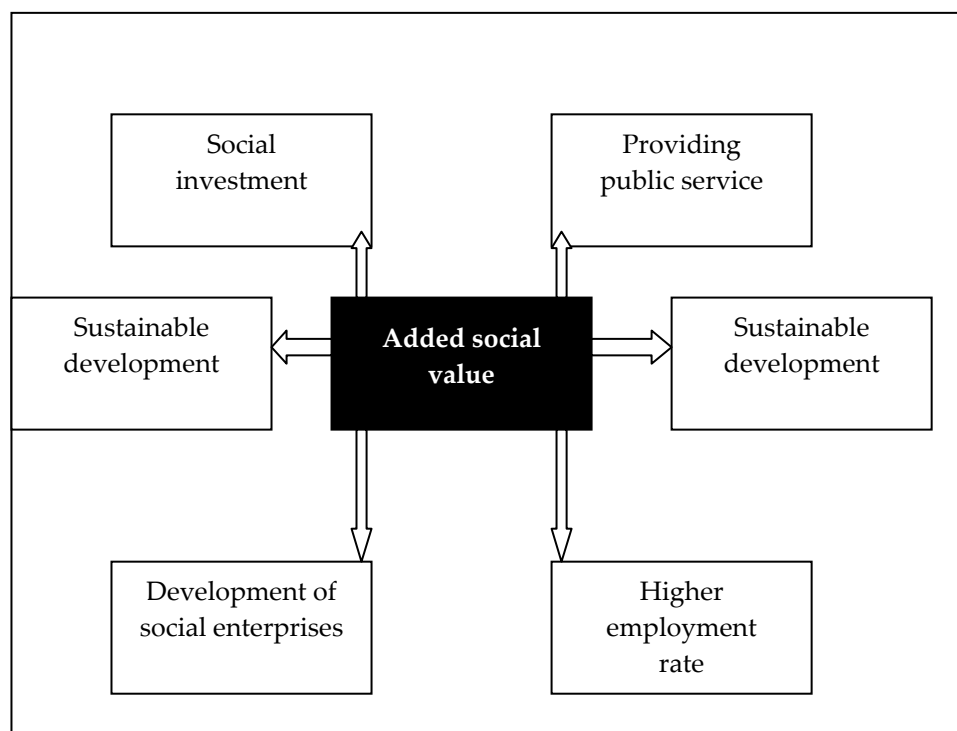
Most countries of the region have decided to allow tax deductions or credits only for donations given to public benefit social economy organizations (Hungary, Estonia) or to those social economy organizations who are engaged in services which are considered of public benefit (Croatia).

(2) In addition to the monetary donations, the contributions by volunteers are also considered a significant part of philanthropy. Thus, if the value of volunteer contributions is added to the philanthropy, its share in the "civil society revenue pie" increases from 12 to 30% and thus places philanthropy in second place (in comparison to the 43% from economic activities and 27% from government funding).

To bolster volunteering and remove legal impediments to volunteering, countries throughout EU, such as Spain, Portugal, Poland, Czech Republic, Lithuania and Hungary have adopted laws governing volunteering, while Croatia, Macedonia and Serbia have launched legal reforms. Additionally, the mobilization of volunteers is a consideration in granting government or municipal funding to social economy organizations (e.g., for example this is one of the criteria for receiving municipal funding for social service provision in some cities in Croatia).

However, the economic situation is also a factor to be considered when assessing the potential of philanthropic giving, similarly to the case of economic activities. In addition, the local tradition of giving and the image and degree of development of social economy organizations skills, which are necessary to reach out to the local community and mobilize their support, are equally important.

Figure 2 shows the main directions by which social economy organisations are funded with focus on the general interest of obtaining added social value.



Source: SEEN 2, year, 5.

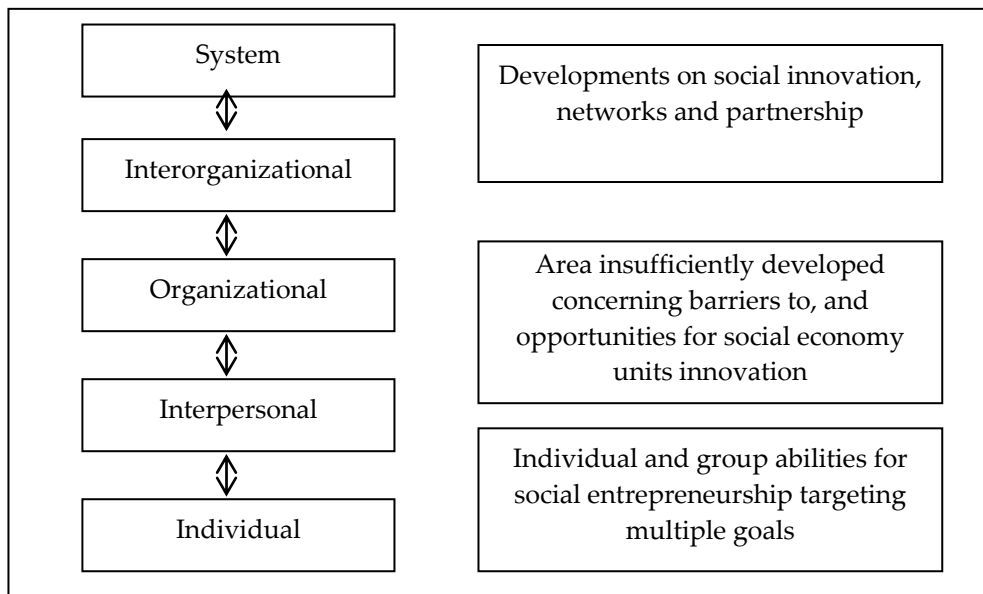
Figure 2 – Mechanism of funding social economy

The competition for investments or funding grant schemes makes the organisations monitor closely the available resources. In response, the investors and funding bodies became more sophisticated in their decision-making and proceeded to evaluate particularly the capacity of the social economy organisations to prove the social and environmental impact of their activity.



### 5.3. Social economy beneficiaries

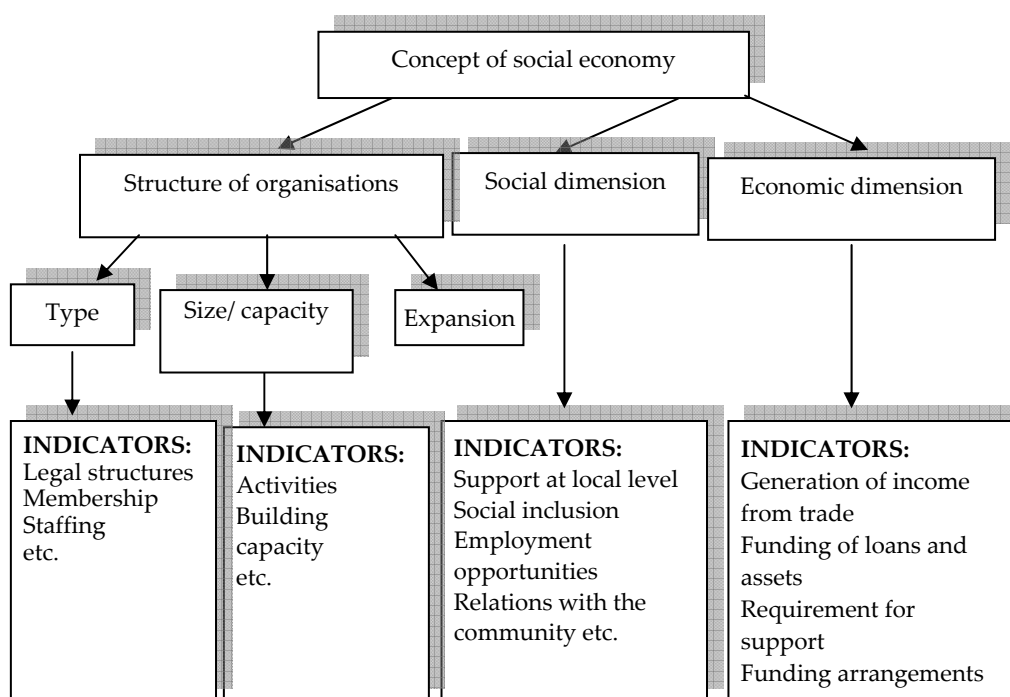
The beneficiaries of the different forms of social economy largely lay within the wide spectrum of innovation and sustainable development in Europe, at multiple levels: systemic, interorganisational, organisational, interpersonal and individual.



Source: Westall, Andreea, 2007, p., 14.

Figure 3 – Systemic approach of innovation through social economy

For descriptive and analytical information on social economy beneficiaries, it is relevant to determine the activities of the social economy organizations, their funding schemes and their relations with the community and with other groups from the sector, correlated to a consistent process of determining the specific indicators of social economy, as shown in Figure 4. These data will be used subsequently to clarify the effects of social economy activities on the target groups, to inform the decision-making process and to guide practical actions through training courses and by operating a Centre for Social Economy.



Note: The indicators for social cohesion can be adapted after the common indicators of social exclusion and poverty<sup>24</sup>.

Figure 4- Process of setting the specific indicators for social economy

In order to map social economy sector and to determine without error the size, scope and features of social economy, the key questions are as follows:

<sup>24</sup> The European Council from Laeken, in December 2001, decided on a set of 18 primary and secondary indicators common for social exclusion and poverty, which cover key dimensions of social exclusion: financial poverty, employment, health, education, which must be taken as a coherent whole. The wide methodological framework consists of a list of primary and secondary indicators for a main portfolio and the three elements (social inclusion, pensions, health and long-term care). The primary indicators consist of a small set of main indicators which cover all the essential domains of the set objectives. The secondary indicators are intended to support the main indicators by supplying additional details on the nature of the problem. In June 2006, the Social Protection Committee adopted a set of new common indicators for the process of social protection and of social inclusion (see: [http://ec.europa.eu/employment\\_social/spsi/common\\_indicators\\_en.htm](http://ec.europa.eu/employment_social/spsi/common_indicators_en.htm)).

- Which are the features of the social economy organisations?
- How can we capture best conceptually this sector?
- How many non-profit and voluntary organisations exist?
- In what areas are they active?
- How many persons do they involve in their activity?
- How are they funded?
- Which are their challenges?
- Which are the regional necessities approached by the social economy?
- Can we understand social economy as something residual which fills in where the government and the market can not cover the necessities?
- How can social economy play an important role in the social inclusion of the vulnerable groups?

A useful source for the methodology by which social economy beneficiaries can be determined is the *Guidance on mapping social enterprises*, published by ECOTEC Research and Consulting Limited in the United Kingdom (2003). This report relies on the experience of 33 mapping studies which attempted to map social enterprises and which issued recommendations on the type of data that should be included in the projects mapping social economy sector. Briefly, this guide separated the mapping projects according to their purpose. Four key-purposes are identified: strategy development; program delivery; assessing the economic contribution and developing a directory:

- *Strategy development* often involves a qualitative information sample to supplement published data sources
- *Programme delivery* uses detailed, often codified, information to be gathered in relation to specific aspects of social enterprise support
- *Assessing economic contribution* requires detailed income and employment information and has been attempted in a number of studies to generate a range of estimates

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- *Developing a directory* requires accurate and updated contact details and systematic categorisation

The guidebook also identifies four broad ways to approach social enterprises mapping: regional methods, bottom-up local method, membership-based methods and process-based methods.

- *Regional methods* have used public data sources together with sample surveys for qualitative aspects
- *Bottom-up local methods* use existing knowledge and networks within the sector
- *Membership based methods* use existing membership lists and need to guard against double counting when aggregated
- *Process-based methods* have appeal given the dynamic nature of the sector as well as the potential to establish on-going mechanisms

The paper also suggests five core data fields to map social economy enterprises

- number of social enterprises;
- number of employees – part-time and full-time, temporary and permanent;
- geographical location of social enterprise;
- core (and additional) trading activity of social enterprise;
- turnover (incl. total turnover and proportions from trading / non-trading activities).

An important aspect concerning social economy beneficiaries refers to the creation of a statistic as starting point of greatest importance for the creation of an exhaustive catalogue of the different classes of social economy companies, using the conceptual delimitations and criteria set by the manual. Without the registry, or at least a catalogue based on the above criteria, social economy monitoring and evaluation might become problematic and unreliable.

In 2006, CIRIEC proposed and produced, on behalf of the European Commission, the *Manual for Drawing up the Satellite Accounts of Companies in*

*the Social Economy: Cooperatives and Mutual Societies*. The purpose of this manual is to establish the necessary directions and guidelines for drawing up a satellite account of companies in the social economy (cooperatives, mutual societies and similar companies) in the European Union (EU) in accordance with the central national accounting framework set out in the European System of National and Regional Accounts (ESA 95)<sup>25</sup>. **The main explanation for drawing up the manual is the fact that the cooperatives, mutual societies and similar companies are excluded expressly from the scope of NPI Handbook.** This prevents their being identified in a specific social economy sector of the national accounts (because these entities have a specific historical and socio-economic character in Europe) and favours the institutional invisibility mentioned above.<sup>26</sup>

For instance, EUROSTAT, published several studies on cooperatives, mutual societies, associations and foundations, but they are fragmented, incomplete and don't have continuity, which makes them hard to use for an evaluation of social organisations' contribution to the achievement of the main goals of the public policies. Hence, the aim of this manual is to obtain homogeneous, accurate and reliable data on the companies in the social economy. The Manual is intended for:<sup>27</sup>

- a) statisticians in the national statistics offices of the EU Member States. The Manual also is an aid to statistics offices, as it suggests new sources of data and new tools for collecting statistically useful information on the companies in the social economy.
- b) everyone who produces and uses statistics on the social economy without necessarily being a national accounting expert;
- c) statisticians and experts in social economy outside the EU, particularly from the candidate countries.

The Manual proposes new data sources and new tools for the collection, classification and dissemination of information statistically useful about the social economy companies. Statistics on the social

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<sup>25</sup> *Manual*, p. 7.

<sup>26</sup> *Manual*, p. 11.

<sup>27</sup> *Manual*, p. 12.

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economy obtained from different sources are essential for drawing up reliable, accurate and comparable data on co-operatives and mutual societies, so it is very important for everyone who produces statistics to use the same methodological criteria

To achieve its aims, the Manual has evolved two tools that have been insufficiently developed or simply non-existent until now:

- A. a definition of the companies in the social economy and the satellite account population that is clear and rigorous and enjoys wide political and scientific consensus.<sup>28</sup> The Manual proposes a definition of companies in the social economy that not only establishes a rigorous conceptual delimitation but also attains a wide consensus, both among the most prominent organisations that represent the social economy in Europe and in the sphere of the specialist literature in this field of economics. **An exhaustive catalogue of the different classes of company that form part of the social economy, based on the conceptual delimitation and the criteria set out in this Manual, will have to be drawn up in each Member State of the EU.** Preparing an administrative and legal map of the companies in the social economy in each country belongs to a later stage, after the circulation of this Manual
- B. a methodology that will allow the satellite accounts for companies in the social economy to be drawn up in a manner that is coherent with the central framework of the national accounts in the ESA 95. The Manual explains a method that will make it possible to ascertain the economic activity of the companies in the social economy throughout the European Union through a set of standard, coherent accounts with the same structure as the ESA 95.

The accounting information systems in the EU-25 are unevenly developed. There is no standard business accounts system for the different EU Member States and these countries do not all apply the same degree of disaggregation by industry. However, all the Manual can do is to establish certain guidelines and devise a method for drawing up the satellite

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<sup>28</sup> *Ibid.*

accounts of companies in the social economy that is coherent with the central framework of the national accounts defined in the ESA 95.

**Drawing up complementary guidelines and directions for harmonising specific aspects of the accounting information system in each country with the methodological criteria presented in this Manual is a task for the national statistics office of each Member State.**<sup>29</sup>

The Manual suggests three stages in drawing up the satellite accounts of companies in the social economy as follows:<sup>30</sup>

1. creating a Statistical Register of Companies in the Social Economy in each EU member state (to identify and classify the whole population included in the Statistical Registries of each EU member state). **This is an extremely important stage; by the end of the process it must ensure that the Register contains all the companies it should and that all the companies it contains should be in it.** (The Manual makes suggestions for regrouping and encoding tables).
2. drawing up the satellite accounts of the social economy companies included in their respective Statistical Registers, by institutional sector and industry, in each member state<sup>31</sup>.
3. macroeconomic analysis of the results obtained from the satellite accounts.<sup>32</sup>

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<sup>29</sup> *Manual*, p. 13.

<sup>30</sup> *Manual*, p. 146-8.

<sup>31</sup> *The first step is to prepare connecting tables between the accounts of the national economy (balance sheet and account of profit and losses) and the satellite accounts in terms of the national accounts for the specific institutional sectors. These connecting tables can be drawn by the federations of cooperatives, mutual societies or other social economy companies using the financial statements provided by the companies or they can be obtained from various registry books. After the connecting tables are drawn up, they must be sent to the statistical offices of the particular EU member state which will monitor the work and draw up the satellite accounts. This stage also requires the satellite accounts are drawn up by type of industry using the method described by the Manual.*

<sup>32</sup> *Even though it doesn't hinder the studies conducted in EU member states, this analysis must be initiated and coordinated by the CE Directorate General with competencies in*

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The Manual has six chapters (4-9) which explain and exemplify the whole methodology that will allow drawing satellite accounts for the social economy organisations. Chapter 10 (Conclusions) shows punctually what has to be done. The best summary for this part of the book is this excerpt from the Manual: “the conceptual framework of the Satellite Accounts is the same as that of the National Accounts. That is why the transactions of co-operatives and mutual societies are grouped into accounts with the same structure as those of the European System of National and Regional Accounts (ESA 95), which is binding on all the countries of the European Union. **For this reason, the Manual for drawing up Satellite Accounts for the market agents in the social economy is an important initiative** (*bold face in the original text*) by the European Commission, as when there is the political will to allow the Manual to be implemented, it will make it possible to trace the activity of companies in the social economy throughout the European Union and by member states, using a shared methodology and standardised accounts.<sup>33</sup>

There are several reasons for the development of a framework with *societal* goals, expected results and social economy indicators: the societal goals need the collection and analysis of qualitative data mainly in order to understand the operation and impact of this type of objectives, which can not be narrowed to accounting figures or deducted from such figures. By setting several societal objectives, we move farther from the usually common, but limited practice, to narrow the measure of social economy impact to indicators such as effect on employment, because of the stress set by the Lisbon employment strategy on the employment dimension of the social economy. By definition, the social economy organisations take care of some social results which neither the private, nor the public sector don't take care, which must, therefore, be identified.

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*cooperatives and mutual societies; the organisations representing these companies in Europe must take an active part in this process.*

<sup>33</sup> *Manual*, p. 112.



#### ***5.4. Potential measures of support within the context of the economic crisis***

A comprehensive report of the International Organisation of Industrial, Artisanal and Service Producers' Cooperatives - CICOPA, regional organisation of the European Confederation of Workers' Co-operatives, Social Co-operatives and Social and Participative Enterprises - CECOP)<sup>34</sup>, makes detailed clarifications on a social economy sector – cooperatives, but it can be also suggestive for the other sectors of the social economy. Thus, the economic situation of the productive sector<sup>35</sup> given by the dynamics of the social cooperatives shows that:

- All of the countries under analysis (18 countries in all, of which 11 EU member states, Romania included) report a downturn in production and sale.
- In general, all countries highlight a downturn all through the construction sector, which also affects plumbers, electricians, painters and home service as a whole. Moreover, countries with a presence of a textile industry states difficulties as well. Those countries are: **Romania**, Slovakia, Bulgaria and Italy (Italy declares problems in shoe production as well as in the ceramic, furniture and food sectors).
- All member states reported a limited job reduction. For instance, the United Kingdom reports that worker-cooperatives are less likely to reduce jobs as they privilege forms of pay-cuts among their members rather than making workers redundant
- CECOP members do not indicate any closing down among their affiliated cooperatives so far. We can consider this good performance of cooperatives as a result of their capacity to combine security and flexibility while pursuing their mission of creating sustainable jobs.

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<sup>34</sup> CICOPA, Impact of the crisis on worker and social cooperatives, Brussels, July 2009. [http://www.cecop.coop/public\\_docs/RaportCriseEN.pdf](http://www.cecop.coop/public_docs/RaportCriseEN.pdf).

<sup>35</sup> *Ibidem*, p, 1-2.

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Another problem relates to credit solvency and liquidity problems<sup>36</sup> within the current economic crisis, which increased risk awareness in the credit sector, and determined the ongoing restructuring process in the finance sector, with a **negative** impact on the accessibility for cooperative SMEs to obtain credits. Italy, Denmark, UK and Poland report a positive trend regarding the performance of the cooperative banks. According to them, cooperative banks have not been massively affected by the crisis thanks to their decentralized structure, as well as their strong reliance on deposits, make them more immunized against global stock market turbulences than other credit institutions. Particularly UK highlights that cooperative banks are less affected by the economic downturn as they historically do not take such strong risks with their capital and have an ethical policy on investments. On the other hand, the cooperative banks from France and Spain reported difficulties. These observations are supported by a recent article in the *Economist*<sup>37</sup>, which shows that the cooperative banks don't need a large governmental aid compared to the commercial banks, while Rabobank, a large Dutch cooperative specialised in agricultural credits, is the only bank which still has AAA rating. The cooperative banks which reported problems generally find themselves in this situation because they expanded in new areas, such as investment banking or capital markets.

The phenomenon of late payments from public authorities is far from being homogeneous among EU countries. Nordic countries are not affected by this problem which seems to concern mainly the Mediterranean countries. Italy, Spain and France reported big damages related to the late payment phenomenon. In particular, Italy is highly concerned with this problem which massively affects their SMEs (because of the large number of cooperatives, SMEs supplying health and welfare services). This shows one of the potential weaknesses of having several social economy organisations relying on governmental contracts.

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<sup>36</sup> *Ibidem*, , p, 2-3.

<sup>37</sup> *The Economist*, [http://www.economist.com/businessfinance/displaystory.cfm?story\\_id=15331269](http://www.economist.com/businessfinance/displaystory.cfm?story_id=15331269), 21/01/2010. Also one in five Europeans is a customer of a co-operative bank

The **potential measures** which CECOP members expressed in a very proactive approach, are intended to help cooperative enterprises to better face the global crisis. These measures are directed towards three large areas of intervention (*Table 15*):

Table 15

**Potential measures of intervention  
in support of the cooperative enterprises**

<i>Boosting efficiency and competitiveness</i>	Finland, Slovakia, <b>Romania</b> and Italy plan training activities for both workers and directors, chain production restructuring, marketing support and promotional activities with the purpose to find new orders, clients and in general new business contacts. In some cooperatives, the members decided not to distribute the surpluses of 2008.
<i>Promote partnerships</i>	In order to ensure a better access to credits, Italy, Slovakia and France stress the necessity to promote partnerships, and generally-speaking to cooperate, with both neighbourhood federations and cooperative credit system.
<i>Support to access governmental and EU programs</i>	Only Bulgaria stressed the importance to facilitate the access to programs financed by the EU and governmental funds to their members. Denmark reported its commitment to work politically to secure that the European growth objectives will be well targeted in order to really meet the enterprises' needs.

Source: CICOPA, *Impact of the crisis on worker and social cooperatives*, Brussels, July 2009.  
[http://www.cecop.coop/public\\_docs/RaportCriseEN.pdf](http://www.cecop.coop/public_docs/RaportCriseEN.pdf).

In order to face the crisis more easily, CECOP members are asking their national governments to set up measures such as: reduction of tax rates in order to boost potential investments; increase in public spending - especially in the construction sector; measures supporting export and finally special development programs for the cooperative sector in order to support the creation of new cooperative societies; governmental measures

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regarding credit access and late payment problems. **Romania**, Italy and France are asking for a general relaxation of loan conditions for the domestic sector in order to boost consumption and for the business sector to boost investments. Spain suggests the Cooperative Reserve Funds - that cooperatives are obliged to constitute - to be used as guarantee funds to obtain credit and contracts with public authorities. Italy, Spain, France and **Romania** strongly request stronger state intervention to solve late payment problems which increases dramatically the costs of doing business.

In conclusion, the relative resilience of these enterprises to the ongoing crisis can be explained through the very nature of worker and social cooperatives. They are characterized by a special labour relationship where workers-owners hold sovereignty in entrepreneurial decisions and are fully responsible for the choices they make. Being member-based, *the enterprises do not delocalize and generally manage to keep jobs and economic activities locally, thus providing an important component of labour security to their workforce*. Their capacity to combine flexibility and security, to adapt to change when preserving jobs and their local roots, is probably their main strength. Mutualised support institutions, in particular financial instruments, also play a major role in facing the current difficulties.

# CHAPTER 6

## GOOD PRACTICES OF SOCIAL ECONOMY IN THE EUROPEAN UNION

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The Social Economy displays features that differ greatly from country to country according to type of activity, cultural patterns, the type of legislation in force, the legal framework, the prevalent associative tradition and organizational forms, but also according to the needs that arise in each social context and to the characteristics of these needs. Accordingly, in Europe there are five main social models of social economy:

### **a. Anglo-Saxon Model**

The Anglo-Saxon approach to social economy based on the concept of non-profit organizations. This model distinguishes social enterprises from the private sector and based on voluntary support and many of the benefits of focusing on disadvantaged areas or vulnerable groups and frequently the activity of involve the development of community in the form of financial and human resources.

In the United Kingdom of the nineteenth century, the concept of charitable organizations was linked to the debate on citizenship; charity was a social principle, an essential component of a democratic society that helped to regulate it through the establishment of moral objectives and altruistic voluntary commitment. The objective of government in Victorian England was “to provide a framework of rules and directives to enable society to manage itself to large measure”. As a result, associations and their charitable activities were not funded by the government, but run with a high degree of autonomy; at the same time they forged cooperative links with the authorities responsible for legislation on poverty. In addition, a

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large portion of the social security benefits was financed and managed locally, with limited central government assistance, giving rise to a host of “institutions that acted as intermediaries” between the State and citizens while being at the same time “an integral part of the State” (Lewis, 1997: p. 169).

In the Anglo-Saxon world, it is primarily the non-profit organisation and the non-profit sector which have revived interest in the third sector. Consequently, it is useful to point out their contribution to social economy analysis.

### **b. Scandinavian Model**

The Scandinavian model (Sweden, Denmark, Finland and Norway), aims to cover community needs in social services and promote social solidarity and gender equality. In this context, the cooperatives (as the main actors in the social economy) operating as joint representatives of the population whose for achieving these goals exert social pressure and create networks services with public agencies to achieve these goals.

In Scandinavian countries, new organisations responded in ways that were different from those of traditional associations. They abandoned the hegemonic political and cultural approach of the 1970s, and instead proposed “new organisational forms and solutions to local social problems” in the 1980s (Klausen, Selle, 1996: pp. 99-122). Among these were Denmark’s “project developers”, which included one or more highly engaged individuals and Swedish day care co-operatives. In Sweden, in 1994, a total of 1768 non-municipal child care centres were in operation, accommodating 12% of all children in day care facilities. Of these, 1020 were parents’ co-operatives and 117 were workers’ co-operatives (Pestoff, 1997, 1998). In this context, co-operatives and associations contributed to both a redeployment of existing services and the creation of new ones. The “cooperatisation” of social services (Lorendahl, 1997; Pestoff, 1998) sought above all to expand the roles of users, such as parents, in arranging for the care of their children, and it was accepted despite the financial constraints on the public sector.

### **c. Continental European Model**

The Continental Model of Social Economy focuses on social assistance through public provision. In Germany, Austria, France and Belgium, co-operatives as developers and service, recognizing the social needs and requirements creating an appropriate framework to cover them with the appropriate control by the State. This led to the development of cooperatives and their transformation into federations.

In Germany and Austria, the initiatives were termed “self-help” in an effort to reflect a desire to empower the people involved. The initiatives can be divided into three sub-sectors: semi-informal groups, self-help groups (i.e. groups of individuals affected by the same problems) and groups defending the cause of certain populations outside the group. They are formed on a voluntary basis, and paid work is only complementary. There have been roughly 70.000 such initiatives in Germany, involving some 2.65 million persons, half of whom could be considered part of the third system (Evers, Bode et al., 1999). These began to flourish in the 1980s, especially in health care and social action, with between five and ten thousand groups in health care alone. They are rooted in a critique of the bureaucratisation of services in the public sector and in large charitable organizations which also include older associations with which they cohabit. In Vienna, for example, 65,000 children were being cared for, half of them in the public sector and the other half in associations, that are at the same time traditional as well as the product of grassroots initiatives (Leichsenring, 1997).

In France and Belgium, the focus of efforts has been to devise new ways of providing associative services, acknowledging that the lack of a profit motive alone does not ensure user respect. As major, long-standing service providers, associations had virtual local monopolies. Because of a tradition of co-operation between government and associations, new groups adopted the same legal status, but on a renewed commitment to associational relations. According to their promoters, the ultimate legitimacy of service delivery by associations hinges on their ability to give users a “voice”, as Hirschman put it (Pestoff, 1998), to mobilize voluntary

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commitment from a variety of sources, and to find a new financial equilibrium in a context offering less protection.

#### **d. Southern European Model**

At the other end of the spectrum, in Mediterranean countries with dual regimes, it was nonetheless the same juridical form was used: there, co-operative status was used to propose services that the public sector was unable to deliver.

In Italy, social co-operatives emerged in the 1970's in many regions because of their ability to perform functions previously unfulfilled, such as providing jobs for those excluded from the labour market and creating a range of services for individuals. These developed rapidly. By 2004, 7,100 cooperatives involving 267,000 individuals, including approximately 223,000 wage-earners and 31,000 volunteers were providing services for hundreds of thousands of people (Borzaga, Zandonai, 2004). Thus, even if the social economy in Italy remains less substantial than in other countries because of the dominant role of the State in sectors such as education and health care (Gui, 1992), the recent dynamic activity of cooperatives based on "social solidarity" is significant. It proves that confidence in cooperatives based on the non-redistribution constraint (Hansmann, 1980; Ortman and Schlesinger, 1997: pp. 97-119) can be replaced by other characteristics specific to co-operatives, such as the participation of stakeholders or the behaviour of entrepreneurs and workers (Young, 1983; Borzaga and Mittone, 1997).

In Portugal, the law on social solidarity cooperatives passed in 1998, brings together "salaried" members, the recipients of services, and "voluntary" members, the non-salaried providers of goods and services. Social co-operatives emerged in Spain at the same time. The general law of 1999 makes reference to social-service co-operatives providing education, health care, and insertion into the labour market as well as fulfilling other social needs not covered by the market. At the regional level, there are mixed co-operatives for social integration in Catalonia, and co-operatives for social integration in the Basque country and the Valencia region, where



certain workers' co-operatives comprising mainly home-care employees developed into mixed organisations of producers and consumers (Sajardo-Moreno, 1996).

Furthermore, it is not surprising that social cooperatives developed in countries where welfare state systems had sought very little assistance from service-delivery associations and where associations were restricted in their economic activities. The situation is very different in countries with corporatist regimes, where government authorities have established close partnerships with associations.

#### **e. Central and Eastern European Countries**

As mentioned in the EMES paper reported by J. Defourny<sup>38</sup>, there has not been yet a study of the Social Economy in the Central and Eastern European Countries (CEEC). Nonetheless, EMES and J. Defourny highlight some general trends. Principally, J. Defourny identifies a number of obstacles that are slowing the growth organisations in the social economy sector in the Central and Eastern European Countries<sup>39</sup>:

- the influence of the "transition myth" which, until now, induced policies highly dependent on the creation of a free market and failing to understand the value of "alternative" organisations for local and national development;
- Cultural opposition to co-operatives and a belief that they are somehow politically suspect. In many countries, there is a negative perception of old co-operatives as organisations with ties to former Communist regimes – even though many of these organisations were actually created before the Communist era;
- An excessive dependence of social enterprises on donors, combined with a limited view of the role that alternative

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<sup>38</sup> Borzaga, C. and Spear, R. (2004), *Trends and Challenges for Co-operatives and Social Enterprises in Developed and Transition Countries*, Edizioni 31, Trento.

<sup>39</sup> E.M.E.S., (1999), *European Network, The emergence of Social Enterprises in Europe: A short overview*, Brussels.

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organisations can play. As regards associations, it appears that many NGOs are created, but they often suffer from two weaknesses. First, they are highly dependent on external donor agencies - especially American foundations - that tend to use them for their own purposes and significantly limit their autonomy. Second, while NGOs sometimes emerge as forces that are certainly associative, they are often less an authentic expression of civil society than the upshot of strategies linked to funding opportunities;

- a lack of legal frameworks to regulate co-operatives and other non-profit organisations;
- a general lack of confidence in solidarity movements – the concept of solidarity being used primarily to describe an individual's relationship with friends and family - and a view of economic activity orientated towards the pursuit of personal gain, rather than as an activity with positive benefits for the community as a whole;
- the predominance of a "parochial" political culture inducing, among social economy actors, a tendency to limit their horizons to the pursuit of their immediate interests;
- The difficulty in mobilising the necessary resources..

However, despite the cultural, political and legal difficulties they face, both traditional co-operatives and the new generation of non-profit organisations display real potential for growth.

The OECD's Centre for Local Development<sup>40</sup> has noted that when co-operatives return to their roots, they can play an important role in regions with underdeveloped markets. This is true of Poland, for example, where interesting co-operative initiatives have arisen in different areas, including credit, housing and agriculture. It is also true of Estonia, where the co-

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<sup>40</sup> Borzaga, C. and Galera, G. (2004) Social Economy in Transition Economies: Realities and Perspectives, *Discussion Paper presented at the First Meeting of the Scientific Group on Social Economy and Social Innovation of the OECD Centre for Local Development, Trento, Italy.*

operative sector, which took off in the 1990s, has now become a cornerstone of Estonia's social economy, among others through the creation of the Estonian Union of Co-operative Housing Association. Today, this association consists of 7,500 housing co-operatives (out of a total of 16,500 non-profit organisations across the country). The cooperative housing movement in Estonia has made remarkable progress; 55% of the population now lives in co-operative housing units.

Meanwhile, new forms of social entrepreneurship are emerging in Eastern Europe. They are starting to provide services of general interest redressing the failures of the social system. There are now associations in all CEEC, and foundations in all except Latvia and Lithuania. In addition to associations and foundations, about half of the CEEC have created at least one new type of organisation.

First, some countries have established a distinction between grant-making organisations and organisations providing services. They classify foundations as grant-making organisations, and created a new legal form for non-governmental organisations without an associative basis which are either grant-seeking or income generating organisations. These NGOs are most often organisations providing services, such as private hospitals or training centres or institutes. The designation for these organisations varies from country to country. In the Czech Republic, for example, they are called "public interest companies"

Second, in addition to foundations, most of which function over the long term, several countries have created a second form of grant-making organisation: the fund. In Croatia, for example, funds are differentiated from foundations in that the former must set themselves short-term targets (less than 5 years). Similarly, the Czech Republic recognizes funds that, unlike foundations, do not require an initial grant. Third, a few countries have created "open foundations", which result from the convergence of some associations and foundations. Like classic foundations, open foundations commit their resources to a particular cause, usually of public interest.

However, they differ from classic foundations in that their founding members' committees are open to new co-founders. Furthermore, open foundations can exclude founding members who do not meet their

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obligations. Latvia classifies open foundations as a particular type of public organisations, while Lithuania applies the same classification to its charity and support funds. The founding members of open foundations generally have the power to control the activities of their organisations; in Lithuania and Latvia, for example, they constitute the organisation's highest decision making body. Lastly, in the Czech Republic, Hungary and Slovakia, new types of non-profit organisations, closely related in form to Great Britain's Community Interest Company (CIC), were recently granted legal frameworks. In Hungary, public interest companies provide public services, while pursuing economic activities to raise funds for these services. To obtain the legal status of "major community interest", they are obliged to fulfil two additional conditions: (i) offer services usually provided by public institutions, and (ii) publish their annual financial statements and information on their activities. In this case, public interest organisations can claim additional assistance from the government and a better taxation rate than that obtained by other non-profit organisations.

In conclusion, despite the problems associated, among others, to the process of economic transition in which CEECs are engaged, social economy is showing significant growth potential. Co-operatives are regaining ground in some of their traditional roles, and the new associative models that have emerged in Eastern Europe confirm the relevance of the social enterprise model.

Clearly, there will be as much to learn from social enterprise initiatives in Eastern Europe as from their counterparts in the West, irrespective of the barriers that must be overcome.

European social economy is revealed by the wealth of forms that these organisations adopt. Its dynamism can be better understood by presenting a series of cases of companies and organisations in the European social economy that testify to the plurality of specific responses which the social economy offers to the multiple needs and aspirations of European society. Despite the diversity of specific dynamics it is possible to identify a shared thread: that of their membership of a socio-economic sector located between the traditional capitalist private economy and the public economy (CIRIEC, 2007).

### Examples of European social economy organisations

- *Cooperativa Sociale Prospettiva*: integrating the disadvantaged into the job market, making artistic pottery ([www.prospettivacoop.it](http://www.prospettivacoop.it));
- *Chèque Déjeuner cooperative*: job creation with social and human value ([www.cheque-dejeuner.com](http://www.cheque-dejeuner.com));
- *Irizar Group*, Europe's second biggest producer of luxury coaches ([www.irizar.com](http://www.irizar.com));
- *Multipharma*, large cooperative of pharmaceutical products ([www.multipharma.be](http://www.multipharma.be));
- *Association of Lithuanian Credit Unions*, an organization for financial inclusion ([www.lku.lt](http://www.lku.lt));
- *Dairygold Agricultural Co-operative Society*: supporting farmers ([www.dairygold.ie](http://www.dairygold.ie));
- *Anecoop*: an agricultural co-operative group that harmonizes local development, agricultural development and technological innovation ([www.anecoop.com](http://www.anecoop.com));
- *Estonian Union of Co-operative Housing Associations*, more than 100,000 persons living in co-operative flats ([www.ekyl.ee](http://www.ekyl.ee));
- *COFAC*, the biggest University cooperative generating knowledge and human capital ([www.ulusofona.pt](http://www.ulusofona.pt));
- *Cooperación y Desarrollo de Bonares*: local public-private development and cooperation ([www.bonares.es](http://www.bonares.es));
- *Co-operative Society of Cyprus Marine Services (COMARINE) Ltd* ([www.comarine.com.cy](http://www.comarine.com.cy));
- *Consorzio Beni Culturali Italia*: the first service to culture is to make culture ([www.consorziobeniculturali.it](http://www.consorziobeniculturali.it));
- *Britannia building society*: the second largest building society in the UK ([www.britannia.co.uk](http://www.britannia.co.uk));
- *Vzajemna*, health insurance and medical assistance ([www.vzajemna.si](http://www.vzajemna.si));
- *MACIF*, the biggest mutual society in France ([www.macif.fr](http://www.macif.fr));
- *Tapiola Group*, insurance, bank, savings and investment services ([www.tapiola.fi](http://www.tapiola.fi));
- *Benenden Healthcare Society* ([www.benenden-healthcare.org.uk](http://www.benenden-healthcare.org.uk));
- *Shelter*, a large charity for the homelessness ([www.england.shelter.org.uk](http://www.england.shelter.org.uk));
- *Alte Feuerwache Köln*, a self-governing socio-cultural centre ([www.altefeuerwachekoeln.de](http://www.altefeuerwachekoeln.de));
- *Artisans du Monde*, the first fair trade association: fair trade for the Third World ([www.artisansdumonde.org](http://www.artisansdumonde.org));

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- *Motivacio*, foundation for helping disabled people: integrating disabled people into society ([www.motivacio.hu](http://www.motivacio.hu));
  - *Fondazione Cariplo*: resources for helping the civil and social institutions to serve their community better ([www.fondazionecariplo.it](http://www.fondazionecariplo.it));
  - *Trångsviksbolaget AB*, a community business in the north of Sweden ([www.trångsviken.se](http://www.trångsviken.se));
  - ONCE, Spanish National Organization for the Blind, integrating disadvantaged people into the labour market and offering them social services ([www.once.es](http://www.once.es));
  - Association for Mutual Help *Flandria*, access to complementary health services ([www.flandria.pl](http://www.flandria.pl)).

### 6.1. Italy

In Italy, the concept of social economy is known but not widely used to put under the same umbrella the four forms.

The cooperative movement is well established and has a long tradition, but it is mainly considered as part of the economic system, even if non profit. To underline that, it can be remarked that the competence for cooperatives has been transferred from the Ministry of Labour to the Ministry of Industry.

The role of the cooperative movement is recognised by the Constitution. Over the years it has been developed through strong horizontal representative organisations, having similar functions and structures but different ideological backgrounds (for instance, Legacoop, Coonfcooperative and AGCI).

Mutual societies are not very well developed.

Associations and foundations are more often perceived as part of the third sector rather than the social economy. The term 'third sector' became popular because it appeared as a neutral term, free of an *a priori* link with any theoretical or ideological tradition. It gained its official recognition with the creation of the Third Sector Forum.

The Italian third sector is the sector that works for the public benefit and does not distribute profit. It comprises the following principal families of organisations:

- non-recognised associations ('associazioni non riconosciute') is commonly used to refer to cultural or interest-representation associations, often called for the social promotion ('di promozione sociale'). Typical are the non-profit cultural and recreational associations ('circoli ARCI') which operate cultural facilities, restaurants, bars, etc;
- voluntary organizations ('organizzazioni di volontariato') refers to voluntary organizations delivering services

Though unincorporated and with unlimited liability, associations of both types listed above can in practice operate as enterprises.

Further principal families of organisations are:

- social cooperatives;
- NGOs, which work with developing countries
- recognised associations and foundations

Social cooperatives are the linking element between the cooperative movement (where they represent the organisations promoting not only the mutual interest of members but also the general interest of the community) and the third sector, where they bring a businesslike approach to the achievement of social objectives

In terms of scale, the social enterprise sector is estimated to total around 11,000 social enterprises and comprises (CIRIEC, 2007):

- 7,100 social cooperatives;
- around 2,000 of the 10,000 voluntary associations (although they theoretically should not offer services on a permanent basis);
- several hundred other associations;
- between 1,000 and 1,500 other cooperatives, which operate for the public interest but do not call themselves social co-operatives;

- approximately 200 of the 800 public institutions for charitable and social care which have converted themselves into private foundations;
- a few conventional companies.

Table 16

## Social economy in Italy

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<ul style="list-style-type: none"> <li>– Agricultural Cooperatives (2005: 89,139 jobs)</li> <li>– Worker Cooperatives (2005: 364,378 jobs)</li> <li>– Social Cooperatives (2005: 189,550 jobs)</li> <li>– Consumer Cooperatives (2005: 60,890 jobs)</li> <li>– Other (2005: 133,067 jobs)</li> </ul> <p><i>(All forms of cooperatives: 2006 1,020,400 jobs 11,830,000 members 70,397 enterprises)(1)</i></p>	<p>Mutual Societies: 989 jobs; 421,229 members; 324 enterprises</p>	<ul style="list-style-type: none"> <li>– Incorporated Associations (1999: 142,821 jobs, 1,107,498 volunteers, 61,309 entities)</li> <li>– Unincorporated Associations (1999: 151,739 jobs, 1,931,590 volunteers, 140,752 entities)</li> <li>– Foundations (1999: 56,145 jobs, 63,226 volunteers, 3,008 entities)</li> <li>– Committee: (1999: 1,813 jobs, 38,783 volunteers, 3,832 entities)</li> <li>– Other forms: (1999: 146,571 jobs, 61,009 volunteers, 7,861 entities)</li> <li>– Among them:</li> <li>– Health Associations (1999: 8,821 entities)</li> <li>– Research and Education Associations (1999: 8,307 entities)</li> <li>– Volunteering organisations (1999: 670,826 volunteers, 15,071 entities)</li> </ul>

Source: DIESIS, 2008, 53.



## 6.2. Spain

In Spain the concept of social economy is well known and developed. It includes any economic activity following the principles of:

- primacy of people over capital
- democratic organisation
- profits distributed with democratic criteria
- primacy of general or collective interest over individual interest
- contribution to social cohesion, solidarity and social responsibility.

According to the Spanish legislation the organisations sharing these principles and recognised as parts of social economy are:

- cooperatives,
- mutual societies,
- associations,
- foundations;
- employee-owned enterprises;
- special employment centres;
- social insertion companies.

It should be underlined that the legal regulations concerning each of these categories may be slightly different in each region.

**Table 17**

### Social economy in Spain

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
<ul style="list-style-type: none"> <li>– All cooperatives (2005: 313,972 jobs, 26,146 enterprises)</li> <li>– Production Cooperatives (2005: 108,867 jobs, 10,192 enterprises)</li> <li>– Cooperative Banks (2005 : 16,831 jobs, 86 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>– Mutual societies (2001: 3,548 jobs, 487 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>– Voluntary Associations (2001 : 233,123 jobs, 123,228 entities)</li> <li>– Public Utility declared Associations (2001: 22,992 jobs, 1,277 entities)</li> <li>– Singular entities</li> </ul>

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<ul style="list-style-type: none"> <li>– Agricultural Cooperatives (2005 : 68,413 jobs, 3,659 enterprises)</li> <li>– Consumer Cooperatives (2005: 12,344 jobs, 327 enterprises)</li> <li>– Land workers cooperatives (2005: 2009 jobs, 356 enterprises)</li> <li>– Services Cooperatives (2005: 8,207 jobs, 416 enterprises)</li> <li>– Fishery Cooperatives (2005: 154 jobs, 16 enterprises)</li> <li>– Transport Cooperatives (2005: 854 jobs, 214 enterprises)</li> <li>– Health Cooperatives (2005: 997 jobs, 1 enterprise)</li> <li>– Education Cooperatives (2005: 10147 jobs, 273 enterprises)</li> <li>– <i>Other accepted forms:</i></li> <li>– Labour Societies (2005: 125,646 jobs, 20,279 enterprises)</li> <li>– Labour special entities (2005: 47,370 jobs, 1,573 enterprises)</li> <li>– Labour insertion companies (2005: 1,618 jobs, 60 enterprises)</li> </ul>		<ul style="list-style-type: none"> <li>(ONCE, Cruz Roja and Cáritas) (2001: 49,011 jobs, 3 entities)</li> <li>– Foundations (2001: 74,934 jobs, 2,490 entities)</li> </ul>

Source: DIESIS, 2008, 71.

### 6.3. France

The initial idea of 'social economy' in France grew up in the 19<sup>th</sup> century but was subsequently eclipsed by the cooperative and public sectors. Then, in 1980, the 'Social Economy Charter', promoted by UNIOPSS (Union Nationale des Offices Publiques Sociales et Sanitaires; National Association of Health Care and Social Welfare Organisations) and others, defined the social economy in vague terms as being "at the service of mankind". In 1981 the Socialist Party came to power and set up DIES, the Délégation Interministerielle à l'Economie Sociale, which defined the social economy in terms of its legal structures as "cooperatives, mutuals and associations that approach them" and its principles of private ownership, democracy, solidarity and non-profit. In 1983 IDES, the Institut de Développement de l'Economie Sociale. In the 1980s, as a response to long-term unemployment, the social economy grew up under the banner of decentralising and reweaving the social fabric, and reconnecting the economy with its roots in society. Thus, the French government defines the social and solidarity economy as being composed of a variety of organisations, defined either by their legal status (associations, co-operatives, mutuals, foundations) or their activities and objectives (integration, fair trade), and which recognise certain common principles: voluntary nature, democratic operation, general interest purpose.

The French model has been a large influence on European thinking on the social economy; French organisations have been active members of the sector's European representative organisations, and French Members of the European Parliament have supported the development of this sector.

**Table 18**

#### Social economy in France

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
– Cooperative Banks (2003: 206,700 jobs, 5	– Health Mutuals (2003: 58,000 jobs, 750	– Social Action Associations (2002: 746,910 jobs, 139,000

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
cooperative groups) – Agricultural Cooperatives (2003: 150,000 jobs, 3,600 enterprises (13,300 CUMA) – Production Cooperatives (2003: 35,200 jobs, 1,580 enterprises) – Consumer Cooperatives (2003: 17,050 jobs, 70 enterprises) – Others (craftsmen, tradesmen) (2003: 33,000 jobs, 1,046 enterprises)	enterprises) – Mutual Insurance Companies (2003: 27,700 jobs, 34 enterprises) (with 15,000 FTE volunteers) – GROUPAMA 29,400 jobs, 1 enterprise)	FTE volunteers – Health 33,078 entities) – Health Associations (2002: 151,840 jobs, 2,223 entities) – Research and Education Associations (2002: 194,230 jobs, 50,000 FTE volunteers, 15,233 entities) – Grant-making Foundations (2002: 10,100 jobs, 72 entities) – Others (for instance culture & sport) (2002: 331,920 jobs 531,000 FTE volunteers, 77,585 entities)

Source: DIESIS, 2008, 80.

#### **6.4. Sweden**

According to the report « The Social Economy – a third sector for prosperity, democracy and growth? » prepared in 2000 by a working group of the Ministry of Culture, in Sweden “The concept Social Economy refers to organised activities which primarily aim at serving the community, are being built on democratic values, and are organisationally independent of the public sector. These social and economic activities are run mainly by associations, cooperatives, foundations and similar groups. The main driving force of the Social Economy is the benefit of the public or the members of a particular association, and not the profit motive.

Sweden has primarily used the term with reference to the Community's structural funds. More recently it has been used in connection with comprehensive employment and regional policy measures.

In November 1997, the Swedish Government decided to appoint the Working Group on the Social Economy and its Development. This was assigned the task of "reviewing the conditions under which the Social Economy operates and demonstrating its importance for society." The working group, which has been in operation from March 1998 to December 1999, was made up of public officials from five ministries, special advisers and experts.

The working group was instructed to study three areas:

- The relationship between the Social Economy and the public sector.
- Financial support to the Social Economy from the Swedish Government and the EU.
- Legislation and economic conditions that may have an impact on the Social Economy.

The working group has submitted several reports (*The Social Economy in the EU Member State Sweden – tradition and renewal in one concept (Ministerial Communication 1998:48)*; *The Social Economy – A third sector for prosperity, democracy and growth? with a separate appendix section*; *Social Economy in Practice – 19 examples*). The same definition was taken on board by the Seven European Conference on Social Economy, which took place in Gavle in June 2001, organised by the Swedish Government in collaboration with Swedish and European Social Economy Organisations.

Presently the Swedish government has given the assignment to the four government authorities NUTEK, AMS, Försäkringskassan, Socialstyrelsen to create a cross-sectoral program that stimulates the start-up and growth of social enterprises. Besides of creating transversal solutions throughout the authorities the program shall propose modifications to the legislation in order to better guarantee the financial situation of persons working in social enterprises and their rights with regards to reimbursements from the social security system.

Table 19

## Social economy in Sweden

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<ul style="list-style-type: none"> <li>– Agricultural Cooperatives (2005: 23,500 jobs, 200 enterprises)</li> <li>– Consumer Cooperatives (2005: 33,000 jobs, 500 enterprises)</li> <li>– Housing Cooperatives (2005: 7,000 jobs, 14,070 enterprises)</li> <li>– Others (i.e, Tourism, Education) (2005: 36,000 jobs, 4,000 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>– Mutual Societies (2005: 11,000 jobs, 230 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>– Foundations (2004: 23,135 jobs, 4,218 entities)</li> <li>– Associations (2004: 72,062 jobs, 27,194 entities)</li> </ul>

Source: DIESIS, 2008, 93.

### 6.5. United Kingdom

The term social economy acquired some popularity during the 80s, but it was never part of the common British vocabulary. It is more used in Wales, Scotland and Northern Ireland. The term “third sector” is definitely better known. It includes the voluntary sector, associations, co-operatives, foundations and social enterprises. Some of its components, notably the co-operative movement and the voluntary sector are relatively strong in the UK. Comparative statistics show the UK to be among those countries with the larger shares of economic activity and employment within the social economy. However certain types of social economy organisations, such as worker co-operatives and social co-operatives, have not grown very fast in the UK, but a large number of businesses identified themselves as ‘social enterprises’.

Based on the definition of social enterprise, in 2001 the British government created the Social Enterprise Unit within the Department of Trade and Industry. The three-year strategy was launched in July 2002 with the publication of *Social Enterprise: a Strategy for Success*. The foreword contributed by the Prime Minister demonstrated the government's determination to act. It set targets in three domains: creating an enabling environment, making social enterprises better businesses, and establishing the value of social enterprise and its structure assimilated the Active Communities Unit of the Home Office, thus forming a new Office of the Third Sector (OTS), located within the Cabinet Office, the coordinating department reporting directly to the Prime Minister.

The strategy was reviewed in 2006 and updated in the form of the Social Enterprise Action Plan – Scaling New Heights. This action plan focuses on engendering cultural change, improving the supply of advice and finance, and improving relations with the public sector. This leads to the following activities:

- fostering a culture of social enterprise
- ensuring the right information and advice are available to those running social enterprises
- enabling social enterprises to access appropriate finance
- enabling social; enterprises to work with government
- ensuring delivery of services.

Table 20

### Social economy in the United Kingdom

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
– Cooperatives: (2005: 190,458 jobs, 18,895,862 members, 609 enterprises) Among them: – Consumer Cooperatives (2004: 14,000 jobs,	– Building Societies (2005: 35,615 FT jobs, 12,203 PT jobs, 63 enterprises) – Mutual Societies	– All nonprofit sector (1995: 1,473,000 jobs ETC) Among them: – Educational and Research Voluntary

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
9,898,000 members, 42 enterprises) – Cooperative Banks and Insurance (2004: 12,938 jobs) – Agricultural Cooperatives (2000: 12,600 jobs, 583 enterprises) – Credit Unions (2005: ca, 900 jobs, 564 enterprises) – Worker Cooperatives (2005: 1,340 jobs, 397 enterprises)	(Mutual Insurance) (1997: ca, 267 enterprises)	Organizations (1995: 587,000 jobs) – Cultural Voluntary Organizations (1995: 347,000 jobs) – Social Services Voluntary Organizations (1995: 185,000 jobs ) – Development and Housing Voluntary Organizations (1995: 108,000 jobs) – Other voluntary organizations (1995: 247,000 jobs)

Source: DIESIS, 2008, 98.

## 6.6. Finland

The term social economy does not have a clear definition in the Finnish context. The cooperative sector, which is generally considered an important part of the social economy, is not perceived very “social”. There may be two reasons. 1, the cooperative system is very well established in the traditional economic system (80% of Finnish citizens are members of a consumers’ cooperative, while cooperative banks have a market share of 35%) and it is constituted mainly by big and old cooperatives, which do not focus on their social aspects; 2, the public sector has always managed many services which represent an important activity field of the social economy.

A term more used is “third sector” which does not exactly define which types of organisations it includes, but anyway it can be characterised by using words general interest, ethical, social, voluntary and non profit.



Third sector organisations have been supported from public funds, many traditional associations for disabled persons are performing as extensions of the state and their way of working resembles close those of public sector organisations. These associations have of the sole right to provide certain services or are entitled to regular supports by the state. It is customary to Finnish cooperation between public sector and welfare associations that it centralises to established activities of large scale associations. Some associations have no special democratic organisational characteristics and are providing services with public sector finance and closely monitored by the state whilst other associations providing welfare services are hard to be distinguished from the private sector providers.

Since 2004, it exists in Finland a specific definition of “social enterprise”. According to the Act on Social Enterprises (1351/2003), a social enterprise is defined primarily as a business, an enterprise among other enterprises. The legal form of the enterprise can be any form of legal business approved in the trade register. A social enterprise tries to obtain profit by producing goods and services for the market within any sector. The definition of the social dimension includes an obligation that at least 30% of the enterprise’s total work force is either disabled or a combination of disabled and long-term unemployed. Despite the initial enthusiasm, few social enterprises have been founded, however, and, by the end of June 2007, there were 115 enterprises in the social enterprise register.

Table 21

## Social economy in Finland

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<ul style="list-style-type: none"> <li>– Agricultural Cooperatives (2004: 44,552 jobs, 45 enterprises)</li> <li>– Consumer Cooperatives (2004: 31,736 jobs, 43 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>– Mutual Insurance companies (2004: 5,405 jobs, 100 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>– Social &amp; Health Action Associations (2003: 19,857 jobs, 1,364 entities)</li> <li>– Research and Education Associations (2003: 5,969 jobs, 250)</li> </ul>

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<ul style="list-style-type: none"> <li>– Cooperative Banks (2004: 9,848 jobs, 281 enterprises)</li> <li>– Worker Cooperatives (2004: 3,500 jobs, 750 enterprises)</li> <li>– Housing Cooperatives (2004: 125 enterprises)</li> <li>– Others (2004: 2,221 enterprises)</li> <li>– Cooperatives Europe:2005: 112,146 jobs, 4,945,492 members, 4,469 enterprises</li> </ul>		<ul style="list-style-type: none"> <li>– entities)</li> <li>– Foundations (2003: 21,522 jobs, 665 entities)</li> <li>– Others, mainly education (2003: 27,644 jobs, 5,259 entities)</li> </ul>

Source: DIESIS, 2008, 109

### 6.7. Poland

Social economy in Poland is defined as activity of organisations both for economic and for social purposes, the latter having a higher importance. Social economy fills in the gap which the traditional companies can not cover due to improper profitability. Social economy institutions are businesses or social entities that operate in all sectors and which may take different forms: bank cooperatives, mutual insurance, cooperatives, guarantee funds, regional development agencies, associations and foundations. The foundations are active in key areas: social protection, social work, health care, banking, insurance, agricultural production, crafts, households, citizen services, training and education, culture, sport and leisure.

Although there is a multitude of legal forms, these entities have several common features: primacy of the individual and social purposes on

the profit; voluntary participation and transparency; democratic control of the members; accomplish the needs of the members or of the beneficiaries of its services; independent and autonomous management from the public authorities; profit generation to accomplish specific purposes such as sustainable development, services for their members, etc.

The most important entities of the Polish social economy are

- cooperatist and cooperative employment organizations – 13,000 cooperatives and 13 cooperatist branches, the most numerous being the household cooperatives;
- bank cooperatives cover more than one third of the market, produce 7% of the whole profit generated by the banking sector and own more than 5% of the assets of this sector;
- credit and saving cooperatives – over one million members;
- mutual insurance companies – the companies cover 0.5% of the insurances market;
- non-governmental organisations – there are over 40,000 societies and foundations which employ 1% of the total number of employees in the national economy.

I lack a conclusion, or a final chapter which to make connections between the chapters. What we can learn from all these things, what we can improve, where are we heading for, which are the problems we managed to solve, etc. Something functional for the people working in this area. An expert opinion, a personal touch.

## APPENDIX 1

### EU 2007-2013 financial framework – Examples of financing opportunities for social economy organisations

Program <sup>41</sup>	Eligibility for funding	Comments
<i>Title 1A– Competitiveness for development and occupation</i>		
Explored areas relevant for the social economy		
1A.1 –7 <sup>th</sup> Framework Program for research	Research centres, corporations, administrations, SMEs, universities.	Social economy organisations may access funds as SMEs. It may be useful to see whether the best research fields are approached, social, economic and environmental aspects included, which are relevant for the development of solutions to EU problems.
1A.6 – Lifelong learning	Research centres, local and regional authorities, schools, training centres, states, universities, associations, federations, SMEs.	The most relevant fields. Leonardo da Vinci program. It must be clarified whether the programs are promoted for social economy involvement.
1A.7 – Framework of competitiveness and innovation (CIP)	Research centres, corporations, federations, states, agencies, SMEs, banks, investment funds.	Social economy organizations should be able to access these areas. Innovation seems to be focused primarily on science and technology, which ignore the increasing understanding of the non-technological innovation. This wider approach would

<sup>41</sup> The table shows the main areas of EU expenditure for 2007-2013.

<b>Program<sup>41</sup></b>	<b>Eligibility for funding</b>	<b>Comments</b>
		be suited for social economy necessities.
<b><i>Title 1B – Cohesion for development and employment</i></b>		
Explored areas relevant for the social economy		
1B.1 – European Regional Development Fund (ERDF)	Local and regional authorities, corporations, , federations, states, agencies, SMEs, associations.	
1B.2 - ESF	Research centres, local and regional authorities, training centres, states, universities, associations, federations, SMEs.	
<b><i>Title 2 – Conservation and management of the natural resources</i></b>		
Explored areas relevant for the social economy		
2.2 – Rural development	Local and regional authorities, schools, training centres, federations, associations, agencies.	The activities and solutions form social economy will be relevant in all there areas. However, with the focus on associations, can the social economy non-profit organizations, or the social economy enterprises get involved, and douse the EU consider that the results and approaches are relevant to this agenda?
2.4 – Life + (financial instrument for the environment	Research centres, local and regional authorities, training centres, states, universities, federations, SMEs, associations.	Are there useful the social economy examples showing the innovative potential of the various types of approaching the

Program <sup>41</sup>	Eligibility for funding	Comments
		environmental, social and economic problems?
Areas <b>not</b> explored, but <b>which might be relevant</b> to the social economy		
2.2 – Rural development		
<i>Title 3A – Liberty, safety and justice</i>		
Explored areas relevant for the social economy		
3A.1 European fund for the integration of third countries inhabitants	Research centres, local and regional authorities, training centres, states, federations, universities, associations, development SMEs.	Can the non-profit organisations and the social enterprises or the social economy enterprises access these programs and has their relevance been explored?
3A.2 – Fundamental rights and citizenship	Research centres, local and regional authorities, states, universities, associations, development SMEs.	
3A.5 – Prevention and fight against crime	The adoption of Commission's proposal had not been yet decided upon publishing of this table.	
3A.9 - Daphne		Can the non-profit organisations and the social enterprises or the social economy enterprises access these programs and has their relevance been explored?
Areas <b>not</b> explored, but		

<b>Program<sup>41</sup></b>	<b>Eligibility for funding</b>	<b>Comments</b>
<b>which might be relevant to the social economy</b>		
3A.3 – Penal law		
3A.10 – Civil law		
3A.11 – Prevention and information on drugs		
<b><i>Title 3B - Citizenship</i></b>		
Explored areas relevant for the social economy		
3B.2 – Public health	Research centres, local and regional authorities, states, corporations, federations, universities, associations, SMEs, agencies.	
3B.3 – Consumer protection	Federations, states, agencies, associations	Can the non-profit organisations and the social enterprises or the social economy enterprises access these programs and has their relevance been explored?
3B.4 - Culture 2007	Research centres, local and regional authorities, states, corporations, federations, universities, associations, SMEs, agencies.	
3B.5 – Youth in action	Local and regional authorities, training centres, federations, associations, agencies.	Can the non-profit organisations and the social enterprises or the social economy enterprises access these programs and has their relevance been explored?
3B.7 – Europe for the citizens	Research centres, federations, universities, associations.	

Program <sup>41</sup>	Eligibility for funding	Comments
Areas <b>not</b> explored, but <b>which might be relevant</b> to the social economy		
3B.1 – Financial instrument for civil protection		
3b.2 – Media 2007 (support for the audio-visual sector)		
<i>Title 4 – European Union as global partner</i>		
Areas <b>not</b> explored, but <b>which might be relevant</b> to the social economy		
4.1 - Pre-accession instrument (PAI)		
4.5 – Reserve to guarantee loans		
4.6 - Instrument for cooperation with industrialised countries or with other countries on large revenues (ICI)		
4.7 – Financial instrument for civil protection		
4.8 - Ad-hoc		
4.9 – European instrument for neighbourhood and partnership (ENPI)		



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<b>Program<sup>41</sup></b>	<b>Eligibility for funding</b>	<b>Comments</b>
4.10 - European instrument for cooperation development (ENPI)		
4.11 - European instrument for democracy and human rights (EIDHR)		
4.12 - European instrument for stability		
4.13 – Human aid		
4.14 – Reserves for emergency aids		

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