

# THE SOCIAL ECONOMY AS A PARADIGM FOR THE PRESENT AND FUTURE OF EUROPE: ELEMENTS FOR AN ACTION PLAN

## Position Paper

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*L'Europe se fera dans les crises et elle sera la somme des solutions apportées à ces crises.*

*Ce qui est important, ce n'est, ni d'être optimiste, ni pessimiste, mais d'être déterminé.*

Jean Monnet



*For well over a decade now, Diesis Network and Euricse have been working on, with and for the European social economy. As the European Commission prepares to launch a new Action Plan for the Social Economy, it seemed important to share some observations that we have drawn from our experience as practitioners and researchers. Rather than offering a detailed list of policy recommendations, which will no doubt be provided by other organisations, this document tries to outline the key elements of a vision that sees the social economy as a key link between the European Union's roots and its future.*

## INTRODUCTION

The Covid pandemic has been an exceptional training ground for grasping the importance of an approach that is not solely oriented towards profit nor based exclusively on the exercise of public authority. After the pandemic and the related economic and social crisis have further exposed all the pitfalls of the free market approach that has dominated the past three decades, the recipe for recovery cannot be simply a return to public management of the economy. For this reason, the approach of the Social Economy, i.e. the universe of organisations that place at the core of their activities not the distribution of profits but rather meeting the needs of their members and communities, today becomes even more promising and far-sighted.

Indeed, this period has made it clear that all of the actors that inhabit the space between the State and the Market are not purely marginal but play an essential function. When the effect of public subsidies comes to an end, the role of the social economy in countering the loss of jobs will be decisive, as it was after the 2008 crisis. Moreover, the need to enhance health, social care and education services will offer great opportunities for further development of the social economy, as many of these services are produced primarily by social economy organisations.

Indeed, one of the effects of the pandemic will probably be the acceleration of the transition from a welfare system centred primarily on the public sector to a system centred on society as a whole – the so-called welfare society, in which the production of health and social services is distributed among a plurality of different actors, among which a crucial role is played by the organisations of the social economy. This forecast is based on the fact that we are experiencing a constant transformation of care services, moving toward greater personalisation in order to respond to ever-growing and diversifying needs. This trend requires the ability to understand the needs of, and tailor the response to, the context of specific communities. To get out of this crisis, we need an approach to designing services that

actively involves users, starting from a meticulous knowledge of the communities to which they are addressed. To this end, the ability of social economy organisations to include a variety of actors in the design of social and general interest services, enhancing their skills and resources, will be crucial.

This trend concerns not only the production of social services but also many other sectors of economic life, in which it is important to establish a pact of trust between different stakeholders. This applies for example to the agricultural sector, where the issue of food safety requires an alignment of interests between producers and consumers; it is also true for the banking industry, where the relational dimension is crucial in order to facilitate access to credit by the most fragile social categories; and we could list many other examples in which the social economy approach responds to the real needs of our post-Covid time. And it does so not according to a restorative logic, which intervenes only in situations of social hardship and marginalisation, but rather in a broader and more systemic perspective based on the balance between the social and economic dimensions.

In this context, the social economy today embodies a conceptual approach that represents the synthesis between the values of economic growth and social progress that founded the European institutions, much as happened at the origins of what is now called the European Union. Indeed, in the founding treaties, the reference to the social market economy was aimed precisely at defining a market economy that could be attentive to social cohesion. At the time, the dominant concern was to legitimise the market economy as an instrument capable of taking on social integration, and demonstrating the validity of a liberal political model against the socialist political model that dominated the countries of Eastern Europe. The main elements of this model were: the balance, on the basis of a competitive economy, between private initiatives and social progress, between free market and social welfare; the regulation of markets, making sure that social policies do not interfere with the freedom of enterprise; the protection of consumers through competition; the defence of workers' social

rights through trade unions (and in some cases, as in Germany, the participation of worker unions in the governance of the enterprise).

Today, decades later, the terms of comparison have changed. Policies inspired by the social market economy have achieved many successes in the member countries, and the European Union is grappling with new challenges of social integration. As the antagonism between liberalism and socialism has disappeared, the discussion today has moved on to the various forms that the market economy can take, comparing approaches that combine social values and economic purposes in different ways.

In recent decades, the European Union has promoted the development of a competitive market economy based on the liberal principles of competition and the pursuit of profit. Nowadays, particularly in the light of the situation highlighted by the Covid-19 emergency, it is essential to shift the strong commitment towards a development model that places environmental and social sustainability at the centre and that sees the social economy as a fundamental component of it.

It is a question of developing forms of business and economic activity for which the creation of environmental and social value prevails over the maximisation of profit, and of promoting a greater pluralism of economic forms and organisational models by giving ever greater protection to those who make respect for the environment and communities the centre of their action. In other words, the time has come for the social economy to step out of the shadows and be recognised as one of the pillars for the development of the future of Europe and a structural element of the European economic-social model. With its rich history of consolidated experiences and successful cases, it can help correct the excesses that the market economy model has produced in Europe and in many other parts of the world, to the detriment of the attention to social protection that has been the distinctive feature of the European Union from its origin.

For this reason, we welcome the intention of the European Commission to launch an Action plan for the Social Economy and we see it as an opportunity to recreate a balance between economic growth policies and social policies as an engine of fair and sustainable development. Below we indicate some of the elements that in our opinion should be kept in mind when formulating this plan. They have been elaborated on the basis of our experience as researchers and practitioners who have worked for many years on and with the social economy, and witnessed its constant and flourishing growth in all member countries both in terms of number of organisations and employees and in terms of economic value and social impact.

## 1. THE SOCIAL ECONOMY AS AN EMPLOYER

The contribution of the social economy to employment in Europe has grown steadily and significantly over the past decades. Analyses show that the social economy has played a countercyclical role in terms of employment, not only preserving jobs in times of crisis but also absorbing workers leaving other sectors. Moreover, social economy enterprises are a key actor in compensating for the negative effects of urbanisation, and preserving employment in rural areas, particularly for youth.

On the whole, the skills level of social economy workers has also increased, as social economy organisations are increasingly present in areas where the knowledge and skills required are no lower than in other sectors of the labour market. Moreover, as confirmed by numerous surveys, the levels of staff satisfaction place employment in the social economy on average in a higher appreciation range than other job positions, as a result of the alignment of values and motivations between worker and organisation.

Therefore, in a development perspective, this component of the world of work has all the requisites to deserve support and strengthening interventions, also bearing in mind that the transformations under way make many of the functions carried out by enterprises operating in the social economy less vulnerable to replacement by machines and intelligent automation systems. Indeed, all of the analyses that assess the future of work in terms of the effects of automation agree that the relational and empathic components present in many of the "social professions" are less easily replaceable.

Demand for a more resilient economic model has been accelerated by the Covid-19 crisis, along with the need to rebuild an EU economic and social fabric for an economy that works for people and the planet. Social dialogue still guarantees the most effective way to address these challenges.



**The Action Plan should include** measures for a structured interaction between the social economy community and all the other key stakeholders (policy-makers, trade unions, for-profit enterprise associations, etc.). At the same time, this interaction requires the European social economy to develop a more cohesive and unified voice.

## 2. THE SOCIAL ECONOMY IS OLDER AND BROADER THAN MANY PEOPLE THINK

When it comes to economic policy, a lot of attention is usually paid to start-ups and scale-ups, and this has influenced the way in which policy-makers look at the social economy as well, often focusing on small and new organisations. However, this perspective does not work for social economy enterprises, a set of collective and democratic entrepreneurial experiences that follow different growth patterns and have existed for almost 200 years. Indeed, these organisations have deep roots in European history, and while they might vary in their relevance and forms from country to country, they can be found throughout the continent and in every sector of economic activity.

The European social economy includes small organisations operating at a very local scale as well as multinational enterprises with billions of euros in turnover. Indeed, increasing the size of the companies is an asset that cannot be overlooked in order to develop a really sustainable sector. In order to do this for the social economy, however, the Action Plan needs to look at collaborative, participatory, democratic models that for many decades have proven able to grow in terms of economic size, creating employment, local development and technological and social innovation. In a nutshell, policy-makers should pay more attention to the social economy that actually exists – and successfully generate concrete social and economic development.

This would be easier if the social economy itself developed a greater capacity for self-representation. In order to make its contribution and role more apparent there is a great need to give a shared representation to cooperatives and non-profit organisations, philanthropic foundations and social enterprises. The fact that the various organisational and legal forms belonging to the social economy do not share a unified representation is largely responsible for their absence from the Social Dialogue at the European (and in many cases national) level, as well as for the scarce influence that social economy organisations are able to exert in the design and evaluation of public policies.

To this end, **the Action Plan should include** a commitment to promoting a unified representation of social economy organisations as a prerequisite for making dialogue between social economy representatives and public institutions more effective.

### 3. THE SOCIAL ECONOMY IS GROWING IN EMERGING SECTORS (OR RESHAPING EXISTING ONES) FOR A FAIR AND INCLUSIVE DEVELOPMENT

The social economy is commonly referred to as a vehicle for a more inclusive society, and the European Commission itself focuses a lot of attention on proven experiences of enterprises with a social impact or targeting disadvantaged groups. Their presence in public/private welfare systems and in particular in work with these weaker parts of society belong firmly to the tradition and the present of social economy enterprises, but this cannot exhaust their field of action. If we observe how social economy enterprises are emerging in different and new sectors and/or transforming existing sectors, we can see an even brighter and stronger future.

Some clear examples can be found in sustainable and responsible tourism and in cultural and creative industries, where the social economy is able to form a bridge between cultural heritage, touristic services and innovative and sustainable approaches. Similarly, community-based enterprises are growing all across Europe where “enterprising communities”, by means of innovative initiatives and processes, collaboratively organise themselves to define a more inclusive and sustainable model of local development, through the creation of collective business ventures pursuing the common good. These business ventures, in their different forms (e.g. sociétés coopératives d'intérêt collectif in France; community interest companies in the UK; imprese di comunità in Italy), manage to pursue several goals at the same time. These goals are not merely economic, even if boosting employment is a core concern, and they may include, for instance, preventing or tackling depopulation, preserving the local cultural and natural heritage, strengthening community welfare systems (such as education, housing, health and social services), promoting sustainable agriculture, creating strategic alliances, and boosting public participation.

Traditional sectors can also be a fertile ground for the development of an increased role of the social economy. For instance, collective ownership can play a major role in the recovery and reconstruction of SMEs affected by the Covid-19 crisis in the industry and services sector, via business transfer to employees and workers’ buyouts. Similarly, the agriculture and agrifood sectors offer a wide open field for the development of innovative and new social economy enterprises targeting social farming, sustainable agriculture, or sustainable value chains in food production and consumption. Indeed, the relationship of social economy enterprises with their clients, where people are not only consumers but stakeholders with more of a say and sense of responsibility, can help them play an important role in creating a more sustainable food system.

In addition, existing social economy models such as producer cooperatives which are present in primary production sectors such as agriculture and fisheries must be safeguarded. These companies manage to combine a strong focus on safeguarding the territory and the

sea with the recovery of cultural heritage and the creation of new employment. These models are a heritage that Europe cannot afford to lose; they must become the means of involving communities in a Green Deal that otherwise runs the risk of being seen as an imposition and not as an opportunity.

In order to support the action of social economy enterprises in such varied sectors and activities, **the Action Plan should include** an investment in training and education on the specificities of social economy business models, since the curricula of business schools and entrepreneurial networks are still strongly rooted in profit-oriented entrepreneurship.

#### 4. THE SOCIAL ECONOMY PLAYS A KEY ROLE IN OPEN AND SOCIAL INNOVATION

The role that innovation has taken on in social and economic dynamics has progressively expanded, not only in terms of application fields and beneficiaries, but also in relation to the actors involved in the process of creating innovation and socially innovative solutions. Innovation actors are no longer defined, as in the not-too-distant past, as a restricted category of professionals professionally engaged in scientific and technological research. With the emergence of the methodological paradigm of 'open innovation', the boundary between producers and users of innovative solutions has become blurred. Social economy organisations, therefore, fully belong to the innovation ecosystem – indeed they have played a central role in social innovation for more than a century. However, the social economy actors themselves and the general public are not always aware of this role. Often, non-profit organisations are seen by the European Commission as not very committed to the frontier of innovation, and sometimes even lagging behind other actors (especially for-profit enterprises).

**The Action Plan should include** a series of initiatives to create greater awareness of the role that the social economy has played, and still plays, in social innovation – and of its role in producing and disseminating innovation.

These include: specific acknowledgements and initiatives in programmes to support innovation, measures to encourage the adoption of technologically up-to-date solutions and the dissemination of digitalisation tools, incentives to promote the hiring of doctoral-level personnel, and measures to foster cooperation with research centres and the university system (including by providing favourable conditions for access to technologies and research services provided by publicly-funded bodies). In particular, taking into account the structure and size of social economy realities, the plan should encourage a collaborative approach to innovation, favouring the creation of places, opportunities and networks for access to technological solutions and shared practices, and should facilitate organisational innovation processes, including through the funding of specific projects.

## **5. THE SOCIAL ECONOMY'S COLLECTIVE BUSINESS MODELS ARE AN ASSET IN TODAY'S DIGITAL ECONOMY**

People-centred business can be a pillar for a human-centred digital transformation: Social economy enterprises prioritise members' interests and social purposes over investor-oriented growth and profit. The term digital transformation describes the social, cultural, and economic changes resulting from digital innovations, and identifies socio-technological areas in which people are particularly affected by this transformation: work and income, goods and services, money and finance, and state and governance. Digital platforms and blockchains (and other distributed ledger technologies) are two of the most impactful technologies. Because of the astonishing possibilities these technologies offer, observers regularly fathom that it is not only unfeasible but also undesirable to 'stop' the digital transformation. Rather,

it is argued that digital technologies and their impacts must be actively managed and leveraged to ensure their alignment with people-centred development and sustainability.

In this context, a growing number of social economy innovations aim to create internet and digital appliances that put individual users and society first. Social economy enterprises and organisations are either based on participatory governance where users are ultimately in (partial) control over the platform/technology, or bound by a statutory purpose asserting the priority of social and environmental goals before financial returns.

Policy recommendations for scaling up the digital social economy have, to our knowledge, not yet been formulated. From our analysis we acknowledge that fitting legal frameworks may not be a major hindrance to the development of digital social enterprises and cooperatives. Indeed, digital enterprises seem to be able to develop and grow within existing organisational forms, and this is also true for the digital social economy.

Yet, **the Action Plan should include** measures aiming to promote digital social enterprises more actively. The strategic support of existing networks could encourage developing digital businesses to incorporate social goals in their strategies.

Finally, mastering the scaling challenge for the digital social economy crucially depends on the entrepreneurial creativity, skill and commitment that often seems so abundant for profit-oriented innovation, and could be nurtured for the social economy as well through better training and education efforts.

## 6. TOWARDS A GLOBAL SOCIAL ECONOMY, FROM FUTURE TO PRESENT TENSE

In recent years, the concept of social economy has progressively defined an area that includes and represents international experiences that, although different, are nevertheless comparable and referable to common categories. Especially within the European Union, a series of forms and models, both legal and organisational, have converged within the perimeter of the social economy, sharing many fundamental aspects. After a phase in which a centrifugal movement seemed to prevail, whereby the various social economy experiences were described with specifically national and therefore strongly contextualised characteristics (from the Spanish *sociedades laborales* to the French *sociétés coopératives d'intérêt collectif*, from the Italian social cooperatives to the community interest companies in the United Kingdom), in more recent times there has been a need to bring out the common elements as opposed to the differentiating ones.

Europe was the birthplace of the social economy and represents one of the most refined and evolved sources for models of inclusive, democratic and sustainable development. It is important that the European way to the social economy is nourished by an ever more intense comparison with the realities of other continents, which in turn have always found great inspiration in ours. For some years we have been observing the intensification of international connections between social economy actors from different continents; one effect of the pandemic has been to accelerate this process and now we are entering a phase where transcontinental peer-learning becomes the norm. A future made present.

**The Action Plan should provide** political and institutional structures and a support plan, including financial support, for this process. We believe that in this field, too, priority should be given to the social economy representatives, stakeholders and companies that are most in line with the European tradition of collective and democratic enterprises.

## 7. GREEN SOCIAL ECONOMY IN A JUST TRANSITION

The green transformation is not only a matter of jobs: it cannot be separated from civil society awareness and pressure surrounding the issue of environmental sustainability. In Europe, the strong development of ecological organisations, consumer associations, business organisations and other civil society bodies allows upcoming changes to generate an economy that ensures more manageable, sustainable, social and environment-friendly development. Social enterprises that are new players in the open markets pay special attention to social and environmental problems. Social enterprises are considered to be the organisations that are most efficient in solving social and environmental problems in a sustainable way.

Social economy organisations are able to optimise their economic, social and environmental resources, so that the results are more than the sum of their parts. They are able to intercept emerging needs in society and to develop innovative responses addressing social and environmental issues. Based on the special characteristics of their territory and community, they promote a specific strategy of action in order to be more efficient in achieving their goals. In this framework, the greenness seems to be implicitly assumed, rather than explicitly stated in social economy policies and support programmes.

The greening of the economy is expressly addressed in the Europe 2020 strategy and the European Green Deal, which set very clear agendas with the goal of turning challenges into opportunities, and making the transition just and inclusive for all.

Social economy enterprises have the potential to deliver on these targets set in response to climate change. They may represent an important driver of societal change (alternative economy), constitute a response to mass unemployment and offer an instrument for the development of local economies and/or community development.



To exploit the potential of the social economy in achieving the green transformation, we believe that **the Action Plan should recognise** the social economy as a key player for a green economy.

## 8. SUPPORTING THE CULTURAL AND ETHICAL FACTORS AT THE ROOTS OF THE SOCIAL ECONOMY

Last but not least, an Action Plan for the Social Economy cannot neglect the cultural and ethical dimension which constitutes its foundation. The assumption on which the social economy is based is in fact that economic action cannot ignore an orientation toward the good of people and communities. Rather, economic action should be instrumental in achieving social development and collective well-being. Motivations are an integral part of a social approach to the economy. These motivations and their cultural and ethical roots must be cultivated and nurtured with great care, especially in the perspective of working for a “next generation” EU.

The public climate in European countries has been profoundly conditioned in recent years by a progressive weakening of social capital. Populism has developed on this ground, exploiting the sense of fragility and vulnerability felt by individuals left alone by the failure of social networks. Social bonds are based on shared values and visions, which are formed through an uninterrupted work of cultural elaboration that enables us to take a common position towards events and facts. It is in this way that social capital takes shape, as a “reserve of meaning” from which every citizen can draw spontaneously and implicitly because it is shared by all. It is made of beliefs and a shared ethos that can unite beyond divisions and form the foundation of our civic sense.

**The Action Plan should include** a commitment to the cultural and ethical dimension, and more specifically – if we are to counter the current polarisation of the social climate – a commitment to an open public dialogue on the aims and instruments that can be pursued through economic action.

The objective of this commitment is to create the conditions for the regeneration of social capital. In this direction, the European Commission has already demonstrated – for example with the initiative of the New European Bauhaus – that it is aware of how fundamental it is that the policy objectives are accompanied and deepened with an appropriate cultural elaboration and dialogue. The Action Plan for the Social Economy must therefore include, and set as a priority, a conversation on the values and cultural principles that underpin it.