



# THE SOCIAL ECONOMY IN THE EUROPEAN UNION



***European Economic and Social Committee***

# **THE SOCIAL ECONOMY IN THE EUROPEAN UNION**

**Report drawn up for the European Economic and Social Committee by the International  
Centre of Research and Information on the Public, Social and Cooperative Economy  
(CIRIEC)**

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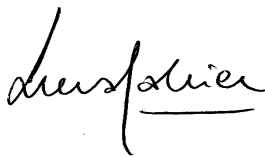
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## FOREWORD by Luca JAHIER

As President of the Various Interests Group of the European Economic and Social Committee (EESC) I would like to strongly welcome this study on the state of the Social Economy in the European Union, which was commissioned by the EESC and carried out by CIRIEC. Since the previous study on the same topic published in 2008, much has changed in the European Union and it was considered necessary to re-examine the scope and impact of the sector, both in the EU Member States and in the acceding/candidate countries (Croatia and Iceland respectively). Moreover, 2012 is the UN International Year of Cooperatives and an opportunity for the entire social economy sector to demonstrate its contribution to our societies and our economies.

Undoubtedly, the social economy is a sector which makes a significant contribution to employment creation, sustainable growth and to a fairer income and wealth distribution. It is a sector which is able to combine profitability with social inclusion and democratic systems of governance, working alongside the public and private sectors in matching services to needs. Crucially, it is a sector which has weathered the economic crisis much better than others and is increasingly gaining recognition at the European level.

Nonetheless, much still needs to be done in increasing understanding, in raising awareness and in building public trust in the sector. A first step in this process is to fully comprehend the scope and scale of the social economy within the European Union and for this reason it has been necessary to revisit the facts and figures. Armed with this information, we must now strive for unity and a new identity for the sector, despite its multiple dimensions. We must reinforce its profile, highlighting its economic and social potential as a *solution* to the current economic and social crises and as an instrument for positive change. I call on all relevant stakeholders to work together to achieve this!



**Luca JAHIER**

President of the Various Interests Group  
European Economic and Social Committee

## **FOREWORD by Miguel Ángel CABRA DE LUNA**

Four years on we have the pleasure to publish an update of the EESC study on *The Social Economy in the EU*. Once again, the objective is to provide an overview of the sector in the EU, both from a quantitative and a qualitative perspective. This time we have extended it to the current 27 Member States plus the acceding/candidate countries (Croatia and Iceland respectively).

The EESC thus reinforces its commitment to the recognition and promotion of the Social Economy, a sector that not only constitutes an important pillar in terms of employment and social cohesion across Europe, but which is also key to achieving the goals of the Europe 2020 Strategy.

As this study demonstrates, Social Economy enterprises in their diverse forms (including social enterprises) play an important role in increasing the competitiveness and efficiency of the European economy in many different ways: through directing dispersed and idle resources towards economic activity, mobilising resources at the local level, strengthening the culture of entrepreneurship, eliminating market rigidities, encouraging the flexibilisation of markets, promoting the multilocalisation of production, just to mention a few. Social Economy enterprises also have a greater capacity to maintain employment and to avoid job losses during difficult economic cycles, as witnessed in the current economic crisis.

In the last few years, the sector has also been subject to important improvements in terms of political and legal recognition, both at the EU level (Single Market Act, Social Business Initiative, European Foundation Statute, Social Entrepreneurship Funds, etc.) and at the national level (e.g. the recent Spanish Law on the Social Economy). I hope that this study will positively contribute to gathering further momentum for the recognition of the Social Economy.



**Miguel Ángel CABRA DE LUNA**  
Spokesperson of the Social Economy Category  
of the European Economic and Social Committee



## PREFACE

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In 2006, the European Economic and Social Committee (EESC) commissioned a report from the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) in order to take stock of the social economy in the 25 Member States of the European Union. One requirement of this report was that it pinpoint a core identity shared by all the companies and organisations in this sphere. Its purpose was practical: to visualise and more clearly identify the social economy (SE). Questions addressed by the report include: which? How many? Where? How have they developed? How large or important are they? How do the public and governments see them? What problems do they solve and how do they contribute to the creation and equitable distribution of wealth and to social cohesion and welfare?

In 2011 the EESC decided to update the report to include the two new Member States Bulgaria and Romania, and the two acceding and candidate countries Croatia and Iceland respectively, alongside the earlier members. Once more, it commissioned CIRIEC to carry out the work, the results of which are presented in this report.

The report has been written by two experts from CIRIEC. The directors and authors, José Luis Monzón and Rafael Chaves, are both members of the Institute of the Social and Cooperative Economy of the University of Valencia (IUDESCOOP-UV) and of the CIRIEC International Scientific Committee for the Social Economy.

As the report's authors we have had the permanent support and advice of a Committee of Experts composed of Danièle Demoustier (Institut d'Études Politiques de Grenoble, France), Roger Spear (Open University, Milton Keynes, United Kingdom), Alberto Zevi (Italy), Chiara Carini (Euricse, Italy) and Magdalena Huncova (Czech Republic). The advice of each has been very valuable at every stage: designing the work schedule, deciding on the methodology, drawing up questionnaires and supervising the final report.

We would like to express our gratitude to the members of the Social Economy Category of the European Economic and Social Committee, who very kindly discussed an Intermediate Report during their meeting of 16 March 2012 in Brussels. Their information, observations and advice have been most useful in carrying out and concluding the work.

This report would not have been possible without the support and involvement of the European network of national sections of CIRIEC and CIRIEC's Scientific Committee for the SE. Thanks to them we were able to set up a very large network of correspondents and co-workers in all countries of the European Union and to benefit from CIRIEC's long record of research in key theoretical issues. We are indebted to all their relevant works.

One of the central objectives of the report, a comparative analysis of the current situation of the SE by country, could not have been achieved without the decisive help of correspondents – academics, sector experts and highly-placed civil servants in the 27 Member States and two candidates for EU membership (Croatia and Iceland) – listed at the end of this Report. All of them answered a comprehensive questionnaire on the SE in their respective countries, carrying out this work with great professionalism and generosity. Ben Telfer (ICMIF), Fabienne Fecher (Belgium), Luca Jahier (Italy), Joao Leite (Portugal), Gurli Jakobsen (Denmark), Edith Archambault (France), Carmen Comos (Spain), Günther Lorentz (Germany), Paul A. Jones (United Kingdom) and Peter Herrmann (Ireland) all became actively involved in the survey process, offering us extremely useful information and advice. And finally, B. Gonda,

G. Szocialis, K. Joo and T. Ibolya, all from Hungary, and Ancuta Vamesu from the Institute for Social Economy of Romania, provided useful information about the Social Economy in the new European Union countries.

Pepe Monzón of CIRIEC-España played a decisive role in setting up and coordinating the network of correspondents. We are very pleased to acknowledge the excellent work he has done.

Ana Ramón of CIRIEC-España's administrative services and Christine Dussart at the Liège office took good care of the administrative and secretarial work involved in preparing the report, which was written in Spanish and translated into English by Gina Hardinge and the company B.I.Europa. Bernard Thiry, the Director of CIRIEC, placed the entire network of the organisation at our disposal and involved himself personally in finding useful information and improving the content of the report.

We feel privileged to have been given the opportunity to direct the preparation of this report which, we hope, will serve to boost awareness of the SE as one of the pillars of the European edifice. The SE centres on people, human beings, who are its reason for being and the goal of its activities. The SE is the economy of citizens who take charge of and are responsible for their own destinies. In the SE, men and women take decisions equally. After all is said and done, it is they who make history.

José Luis Monzón and Rafael Chaves

## CHAPTER 1

### INTRODUCTION AND OBJECTIVES

1.1 Introduction and objectives

1.2 Methods

1.3 Structure and summary of the report

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#### 1.1 Introduction and objectives

The general objective of this report is to update the study "The Social Economy in the European Union" published in 2008 by the European Economic and Social Committee, expanding its scope to include all 27 of the current EU Member States and the acceding/candidate countries (Croatia and Iceland respectively), and examining the definitions, state, contribution, legal instruments and public policies surrounding the social economy (SE) as well as the impact of the economic crisis.

To meet the latter objective, the report makes use of three intermediate objectives or tools that have not been sufficiently defined until now. The first is to establish a clear, rigorous definition of the SE as a concept, and of the different classes of company and organisation that form part of it.

The second intermediate objective is to identify the different agents which, irrespective of their legal form, form part of the SE in each EU Member State on the basis of the definition established in this report, and to compare the different national definitions used in relation to the SE concept.

The third intermediate objective is to provide macro-economic data on the SE in the 27 Member States and the two candidate countries, to examine recent national legislation on the SE, to conduct a comparative analysis at national level of current concepts and perceptions of the SE in each country, and to analyse how the social economy can and will contribute to implementation of the Europe 2020 Strategy.

#### 1.2 Methods

The report has been prepared and written by Rafael Chaves and José Luis Monzón of CIRIEC, with advice from a Committee of Experts made up of D. Demoustier (France), R. Spear (United Kingdom), Alberto Zevi (Italy), Chiara Carini (Italy) and Magdalena Huncova (Czech Republic), who have discussed the work schedule as a whole, the methodology and the proposed final report with the directors.

Because this is an update, most parts of the document draw on the previous report published in 2008: "The Social Economy in the European Union". In terms of methodology, the first part of the report takes the definition of the business or market sector of the SE given in the European Commission Manual for drawing up the Satellite Accounts of Co-operatives and Mutual Societies as the basis for establishing a definition of the SE as a whole on which there is broad political and scientific consensus.

Concerning the second of the report's objectives, a major field study was conducted in February, March and April 2012 in the form of a questionnaire sent out to the 27 EU Member States and the acceding/candidate countries. It was sent to privileged witnesses with an expert

knowledge of the SE concept and related areas and of the reality of the sector in their respective countries. These experts are university researchers, professionals working in the federations and structures that represent the SE, and highly-placed national government-level civil servants with responsibilities relating to the SE. The results have been very satisfactory: 52 completed questionnaires have been collected from 26 countries. Contributions from such European organizations as Cooperatives Europe, COGECA and ICMIF have helped to plug gaps in the data.

**Table 1.1. Questionnaires received**

	Questionnaires
Austria	1
Belgium	3
Bulgaria	2
Cyprus	0
Czech Republic	3
Denmark	1
Estonia	0
Finland	1
France	2
Germany	4
Greece	2
Hungary	4
Ireland	2
Italy	2
Latvia	1
Lithuania	1
Luxembourg	0
Malta	1
Netherlands	1
Poland	3
Portugal	1
Romania	2
Slovakia	3
Slovenia	2
Spain	3
Sweden	1
United Kingdom	2
<b>Acceding and Candidate Countries</b>	
Croatia	3
Iceland	1

With regard to the third intermediate objective of the report – identifying public policies, examining recent national legislation on the social economy, analysing the impact of the economic crisis on the social economy and studying how the social economy can and will contribute to implementation of the "Europe 2020 Strategy" – this was achieved by consulting the Committee of Experts and sector experts, using information supplied in the questionnaires, and holding discussions with the Committee of Experts and within the CIRIEC Scientific Committee for the Social Economy.

### **1.3 Structure and summary of the report**

The report has been structured as follows:

Following the first chapter introducing the report and its objectives, Chapter 2 presents the historical evolution of the social economy as a concept, including the most recent information on its recognition in national accounts systems.

Chapter 3 begins by formulating a definition of the social economy that fits in with the national accounts systems, before identifying the major groups of agents in the social economy on this basis.

Chapter 4 summarises the main theoretical approaches to the social economy, establishing the similarities and differences between them.

Chapter 5 and 6 present an overview of the current situation of the social economy in the EU, providing a comparative analysis of the perceptions of the social economy in each country and macro-economic data on the social economy in the 27 Member States and the two candidate countries.

Chapters 7, 8 and 9 present an overview of recent national legislation on the social economy, public policies that each country has developed in relation to the social economy, followed by a review of the impact of the economic crisis and the contribution of the social economy to implementation of the "Europe 2020 Strategy".

Finally, Chapter 10 analyses the challenges and trends and presents conclusions. The report concludes with a list of bibliographical references and appendices.

## CHAPTER 2

### HISTORICAL EVOLUTION OF THE CONCEPT OF THE SOCIAL ECONOMY

- 2.1. Popular associations and cooperatives at the historical origin of the social economy
  - 2.2. Present-day scope and field of activity of the social economy
  - 2.3. Present-day identification and institutional recognition of the social economy
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#### **2.1. Popular associations and cooperatives at the historical origin of the social economy**

As an activity, the *social economy* (SE) is historically linked to popular associations and cooperatives, which make up its backbone. The system of values and the principles of conduct of the popular associations, reflected in the historical cooperative movement, are those which have informed the modern concept of the SE, which is structured around three large families of organisations: cooperatives, mutual societies and associations, with the recent addition of foundations. In reality, at their historical roots these great families were interlinked expressions of a single impulse: the response of the most vulnerable and defenceless social groups, *through self-help organisations*, to the new living conditions<sup>1</sup> created by the development of industrial society in the 18th and 19th centuries. Cooperatives, mutual assistance societies and resistance societies reflected the three directions that this associative impulse took (López Castellano, 2003).

Although charity (charity foundations, brotherhoods and hospitals) and mutual assistance organisations had seen considerable growth throughout the Middle Ages, it was in the 19th century that popular associations, cooperatives and mutual societies acquired extraordinary impetus through initiatives launched by the working classes. In Britain, for instance, the number of *Friendly Societies* multiplied in the 1790s. Throughout Europe, numerous mutual provident societies and mutual assistance societies were set up (Gueslin, 1987). In Latin American countries such as Uruguay and Argentina, the mutualist movement grew considerably during the second half of the 19th century (Solà i Gussinyer, 2003).

The first stirrings of cooperative experiments in Britain flowered in the late 18th and early 19th centuries as a spontaneous reaction by industrial workers to the difficulties of their harsh living conditions. However, the socialist thinking developed by Robert Owen and Ricardian anti-capitalists such as William Thompson, George Mudie, William King, Thomas Hodgskin, John Gray and John Francis Bray would soon exert considerable influence on the cooperative

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<sup>1</sup> The Common Company of Ampelakia (Greece) is considered the first modern cooperative in the world. It was founded between 1750 and 1770 as the small cotton-growing and red yarn-producing fellowships (*syntrofies*) in 22 villages in the Tempi area united in 1772 to avoid unnecessary rivalry and competition. It became a major enterprise, with 6000 members, 24 factories and 17 branches throughout Europe, from St. Petersburg and London to Smyrna. Its members benefited from social insurance, health facilities, schools and libraries and the Free University of Ampelakia. It was dissolved in 1812 under the combined pressure of heavy taxes and economic and technical developments in the yarn industry (Kalitsounakis, 1929: 224-231, quoted in Nasioulas, 2010:64).

movement<sup>2</sup>, and from 1824 to 1835 a close connection was established between this movement and trade unions, both being expressions of a single workers' movement and having the same objective: emancipation of the working classes. The eight *Co-operative Congresses* held in Britain between 1831 and 1835 coordinated both the cooperatives and the trade union movement. Indeed, the *Grand National Consolidated Trades Union* was formed at one of these congresses, uniting all the British trade unions (Monzón, 1989; Cole, 1945).

William King intervened directly and decisively in the development of the cooperative movement in Britain and influenced the well-known cooperative that was founded in Rochdale (England) in 1844 by 28 workers, six of whom were disciples of Owen (Monzón, 2003). The famous cooperative principles that governed the workings of the Rochdale Pioneers were adopted by all kinds of cooperatives, which created the International Cooperative Alliance (ICA) in London in 1895, and which have made a notable contribution to the development of the modern concept of the SE<sup>3</sup>.

According to the 1995 ICA Congress in Manchester, these *Principles* identify cooperatives as democratic organisations in which the decisions are in the hands of a majority of *user members of the cooperativised activity*, so investor or capitalist members, if involved, are not allowed to form a majority and surpluses are not allocated according to any criteria of proportionality to capital. Equal voting rights, limited compensation for the share of capital that user members are obliged to subscribe and the creation, in many cases, of indivisible reserves that cannot be distributed even if the organisation is dissolved, are further ways in which cooperatives differ from other companies.

From Rochdale onwards, cooperatives have attracted the attention of different schools of thought. Indeed, transcendence of ideological boundaries and analytical pluralism are among the characteristics of the literature addressing this phenomenon. Utopian socialists, Ricardian socialists, social Christians (both Catholic and Protestant) and social liberals, as well as eminent classical, Marxist and neo-classical economists, have analysed this heterodox type of company extensively.

In the multi-faceted expression of popular associationism, Britain is no exception. In continental Europe, workers' associationism manifested itself in the growth of mutualist and cooperative initiatives. In Germany, cooperativism boomed in rural and urban areas, together with mutual assistance societies. The ideas of the workers' industrial association movement were widely disseminated in Germany in the mid 19th century by Ludwig Gall, Friedrich Harkort and Stephan Born (Monzón, 1989; Bravo, 1976; Rubel, 1977)<sup>4</sup>. Although one of the first German cooperatives for which there are references was set up by a group of weavers and spinners<sup>5</sup>, cooperativism developed in urban areas through the work of Victor-Aimé Huber and Schulze-Delitzsch, and in rural areas by Friedrich Wilhelm Raiffeisen, who set up and spread the *Darlehenskassenvereine* credit unions. The first of these was founded in Anhausen and its spectacular growth culminated in 1877 with the founding of the German Federation of Rural Cooperatives of the Raiffeisen type (Monzón, 1989). At the same time, both workers' mutual assistance societies and rural mutualism became established institutions in German society and were regulated by an imperial law of 1876 (Solà I Gussinyer, 2003).

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<sup>2</sup> In 1821 George Mudie published the first Owenian cooperativist newspaper, *The Economist*. From 1828 to 1830, in Brighton, William King published a monthly periodical, *The Co-operator*, which did much to spread cooperative ideas (Monzón, 1989).

<sup>3</sup> A detailed analysis of the Rochdale experience and its operating principles can be found in Monzón (1989).

<sup>4</sup> Bravo, G.M (1976): *Historia del socialismo, 1789-1848*, Ariel, Barcelona

Rubel, M (1977): "Allemagne et coopération", *Archives Internationales de Sociologie de la Coopération et du Développement*, N° 41-42.

<sup>5</sup> This was the *Ermunterung* consumers' cooperative, founded in Chemnitz in 1845 (Hesselbach, W. (1978): *Las empresas de la economía de interés general*, Siglo XXI).

In Spain, popular associationism, mutualism and cooperativism forged strong links as they expanded. They were often set up by the same groups, as in the case of the weavers of Barcelona. Their *Asociación de Tejedores* or Weavers' Association, the first trade union in Spain, was founded in 1840, at the same time as the *Asociación Mutua de Tejedores* mutual provident society, which in 1842 created the *Compañía Fabril de Tejedores*. This is considered the first production cooperative in Spain and was a mixture of "workers' production society and mutual assistance society" (Reventos, 1960).

In Italy, mutual assistance societies were very numerous in the middle third of the 19th century, preceding the first cooperatives. It was precisely a mutual assistance society, the *Società operaia di Torino*, that in 1853 set up the first consumers' cooperative in Italy, the *magazzino di previdenza di Torino*, to defend the purchasing power of its members' wages. Similar instances of friendly societies' creating consumers' cooperatives ensued in other Italian cities (De Jaco, 1979).

Nonetheless, of all the European countries, France is probably the one where the origins of the SE are most visibly a manifestation of popular associative movements and inseparable from these. Indeed, the emergence of cooperatives and mutual societies during the first half of the 19th century cannot be explained without considering the central role of popular associationism, which in its industrial associationism version found its driving force in Claude-Henri de Saint-Simon, an exponent of one of the French socialist currents.

Under the influence of the associationist ideas of Saint-Simon and his followers, numerous workers' associations were created in France from the 1830s onwards and although the term 'co-operation' was introduced into France in 1826<sup>6</sup> by Joseph Rey, an Owenite, during most of the 19th century production cooperatives were known as 'workers' production associations'<sup>7</sup>. The first significant workers' cooperative in France, for instance, the *Association Chrétienne des Bijoutiers en Doré*, founded in Paris in 1834<sup>8</sup>, was started by Jean-Phillipe Buchez, a disciple of Saint-Simon. Its founding date and the name of its 'father' have the advantage of immediately locating the *workers' production cooperatives* in the environment in which they originated: the first half of the 19th century, in the melting-pot of social experiments and socialist associationist doctrines that marked the birth of the workers' movement (Vienney, 1966).

Associationism also played a fundamental part in other socialist currents, such as those influenced by Charles Fourier, who called for society to organise itself through associations, mutual societies and phalanxes, multi-purpose communities of workers with a comprehensive network of multiple solidarities (Desroche, 1991). Workers' production associations also occupied a decisive place in the thinking of Louis Blanc, who proposed that production should be organised through the widespread establishment of state-supported, worker-controlled *social workshops* (Monzón, 1989).

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<sup>6</sup> Joseph Rey was the author of the "Lettres sur le système de la Coopération mutuelle et de la Communauté de tous les biens d'après le plan de M. Owen" The first of these letters was published in 1826 by the Saint-Simonian journal *Le Producteur* (Lion et Rocher, 1976).

<sup>7</sup> Even in 1884, when the French workers' production cooperatives federated they did so under the name of *Chambre consultative des associations ouvrières de production*. This was the forerunner of today's *Confédération générale des sociétés coopératives (ouvrières) de production* - or General Confederation of (Workers') Production Cooperatives.

<sup>8</sup> This was a significant cooperative, and not only because of its considerable expansion, opening as many as eight branches in Paris and operating for thirty-nine years, until 1873 (Monzón, 1989). It was significant above all because of its rules, as in many aspects Buchez was ahead of the Rochdale Pioneers in outlining the most important principles of the cooperative movement: a company based on people, not capital, democratic organisation (one person, one vote), distribution of surpluses in proportion to work, creation of an indivisible reserve, limits to the employment of salaried workers, etc. (Desroche, 1957).



Mutual assistance and mutual provident societies very quickly became widespread in 19<sup>th</sup> century France and although their origins and activities were highly diverse, workers' associationism was behind most of the 2,500 mutual assistance societies, with 400,000 members and 1.6 million beneficiaries, in France in 1847 (Gueslin, 1987).

The term *social economy* probably appeared in economics literature for the first time in 1830. In that year the French liberal economist Charles Dunoyer published a *Treatise on social economy* that advocated a moral approach to economics<sup>9</sup>. Over the 1820-1860 period, a heterogeneous school of thought that can collectively be termed the *social economists* developed in France. Most of them were influenced by the analyses of T.R. Malthus and S. de Sismondi, regarding both the existence of 'market failures' that can lead to imbalances, and the delimitation of the true subject of economics, which Sismondi considered to be *man* rather than *wealth*. However, most of the social economists must be placed within the sphere of liberal economic thinking and identified with laissez-faire principles and the institutions that the emerging capitalism was to consolidate, including capitalist companies and markets.

As a result, the thinkers behind social economics in this period did not launch or promote any alternative or complementary approach to capitalism. Rather, these economists developed a theoretical approach to society and what is social, pursuing the reconciliation of morality and economics through the moralisation of individual behaviour, as in the model of F. Le Play (Azam, 2003), for whom the goal that economists should strive for was not welfare or wealth but social peace (B. de Carbon, 1972).

Social economics underwent a profound reorientation during the second half of the 19th century, through the influence of two great economists, John Stuart Mill and Leon Walras.

Mill paid considerable attention to business associationism among workers, in both its cooperative and mutualist aspects<sup>10</sup>. In his most influential work, *Principles of Political Economy*, he examined the advantages and drawbacks of workers' cooperatives in detail, calling for this type of company to be encouraged because of its economic and moral benefits<sup>11</sup>.

Like Mill, Leon Walras considered that cooperatives can fulfil an important function in solving social conflicts by playing a great "economic role, not by doing away with capital but by making the world less capitalist, and a moral role, no less considerable, which consists in introducing democracy into the workings of the production process" (Monzón, 1989).

Walras' *Études d'Économie Sociale: théorie de la répartition de la richesse sociale* (Studies in Social Economy: theory of the distribution of social wealth), published in Lausanne in 1896<sup>12</sup>, marks a major break from the original social economy approach identified with F. Le Play's model. With Walras, the social economy became both part of the science of economics<sup>13</sup> and a field of economic activity that is prolific in cooperatives, mutual societies and associations, as we know them today. It was at the end of the 19th century that the principal

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<sup>9</sup> In Spain, too, *Lecciones de economía social* by Ramón de la Sagra was published in 1840.

<sup>10</sup> J.S. Mill made a decisive contribution to the passing of the Industrial and Provident Societies Act in Great Britain in 1852, the first law in the world to regulate the cooperative phenomenon.

<sup>11</sup> As well as their macroeconomic benefits, Mill maintained that workers' cooperatives would usher in a "moral revolution" in society, as they would achieve "the healing of the standing feud between capital and labour, the transformation of human life, ... the elevation of the dignity of labour; a new sense of security and independence in the labouring class, and the conversion of each human being's daily occupation into a school of the social sympathies and the practical intelligence" (Mill, 1951:675; first published in 1848). A detailed analysis of Mills' ideas on cooperatives can be found in Monzón, 1989.

<sup>12</sup> A modern edition in French is *Études d'économie sociale: théorie de la répartition de la richesse sociale*, Leon Walras, Economica, Paris, 1990.

<sup>13</sup> "What I call social economy, as does J.S. Mill, is that part of the science of social wealth that addresses the distribution of this wealth between individuals and the State" (B. de Carbon, 1972).

features of the modern concept of the social economy took shape, inspired by the values of democratic associationism, mutualism and cooperativism.

## **2.2. Present-day scope and field of activity of the social economy**

Although the SE was relatively prominent in Europe during the first third of the 20th century<sup>14</sup>, the growth model in Western Europe during the 1945-1975 period mainly featured the traditional private capitalist sector and the public sector. This model was the basis of the welfare state, which addressed recognised market failures and deployed a package of policies that proved highly effective in correcting them: income redistribution, resource allocation and anti-cyclical policies. All of these were based on the Keynesian model in which the great social and economic actors are the employers' federations and trade unions, together with government.

In Central and Eastern European countries, linked to the Soviet system and with centrally-planned economies, the state was the only economic actor, leaving no space for SE agents. Cooperatives alone had a considerable presence in some Soviet bloc countries, although some of their traditional principles such as voluntary and open membership and democratic organisation were totally annihilated. In the last two centuries, Czech economists came up with social economic approaches without exclusively privileging profitability. A large number of non-profit organisations during the period of the First Czechoslovak Republic followed this tradition, which dated back to the 19th century<sup>15</sup>.

The consolidation of mixed economy systems did not prevent the development of a notable array of companies and organisations – cooperatives, mutual societies and associations – that helped to address socially important and general interest issues concerning cyclical unemployment, geographical imbalances between rural areas and the skewing of power relations between retail distribution organisations and consumers, among others. However, during this period the SE practically disappeared as a significant force in the process of harmonising economic growth with social welfare, with the state occupying centre stage. It was not until the crisis of the welfare state and the mixed economy systems in the final quarter of the 20th century that some European countries saw a reawakening of interest in the typical organisations of the SE, whether business alternatives to the models of the capitalist and public sectors, such as *cooperatives* and *mutual societies*, or non-market organisations – mostly *associations* and *foundations*<sup>16</sup>. This interest sprang from the difficulties that the market economies were encountering in finding satisfactory solutions to such major problems as massive long-term unemployment, social exclusion, welfare in the rural world and in run-down urban areas, health, education, the quality of life of pensioners, sustainable growth and other issues. These are social needs that are not being sufficiently or adequately addressed by either private capitalist agents or the public sector, and for which no easy solution is to be found through self-adjusting markets or traditional macroeconomic policy.

Although a series of demutualisations of major cooperatives and mutual societies has taken place in some European countries, in recent decades, overall, the business sector of the SE

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<sup>14</sup> The zenith of its institutional recognition may be considered the Paris Exhibition of 1900, which included a Social Economy pavilion. In 1903 Charles Gide wrote a report on this pavilion in which he underlined the institutional importance of the SE for social progress.

<sup>15</sup> Information from Jiri Svoboda, Cooperative Association of Czech Republic (Czech Republic).

<sup>16</sup> In the European System of National and Regional Accounts (the 1995 ESA), *non-market output* is goods and services that certain organisations supply to other units (e.g. households or families) without charge or at prices that are not economically significant. *Non-market producers* are those that supply *the majority of their output* free or at insignificant prices. Most private non-market producers are associations and foundations, although many of these organisations are also *market producers* and, moreover, of considerable economic importance.

(cooperatives and mutual societies) has seen considerable growth, as recognised by the European Commission's *Manual for drawing up the Satellite Accounts of Companies in the Social Economy* (Barea and Monzón, 2006).

Major studies have highlighted the considerable growth of the SE as a whole in Europe. One of the most significant of these, carried out by CIRIEC for the European Commission within the scope of the "Third System and Employment" Pilot Scheme (CIRIEC, 2000), highlights the increasing importance of cooperatives, mutual societies and associations in creating and maintaining employment and correcting serious economic and social imbalances.

After the Soviet bloc crumbled, many cooperatives in Eastern and Central Europe collapsed. Furthermore, they were severely discredited in the eyes of the public. Lately, however, a revival of citizens' initiatives to develop SE projects has been taking place and is being reflected in proposals for legislation to boost organisations in this sector.

Spectacular growth of the SE has taken place in the field of organisations engaged in producing what are known as social or merit goods, mainly work and social integration as well as social services and community care. In this field, associationism and cooperativism seem to have reencountered a common path of understanding and cooperation in many of their projects and activities, as in the case of social enterprises, many of them cooperatives, which are already legally recognised in various European countries, including Italy, Portugal, France, Belgium, Spain, Poland, Finland and the United Kingdom (CECOP, 2006). Their characteristics are summarised in section 3.2.D of this report.

In the EU-27, over 207,000 cooperatives were economically active in 2009. They are well-established in every area of economic activity and are particularly prominent in agriculture, financial intermediation, retailing and housing and as workers' cooperatives in the industrial, building and service sectors. These cooperatives provide direct employment to 4.7 million people and have 108 million members<sup>17</sup>.

Health and social welfare mutuals provide assistance and cover to over 120 million people. Insurance mutuals have a 24% market share<sup>18</sup>.

In the EU-27, associations employed 8.6 million people in 2010; they account for over 4% of GDP and their membership comprises 50% of EU citizens (CIRIEC; Jeantet, 2006).

In conclusion, over and above its quantitative importance, in recent decades the SE has not only asserted its ability to make an effective contribution to solving new social problems, it has also strengthened its position as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activity serving social needs, correcting labour market imbalances and, in short, deepening and strengthening economic democracy.

### **2.3. Present-day identification and institutional recognition of the social economy**

Identification of the SE as it is known today began in France in the 1970s, when the organisations representing the cooperatives, mutual societies and associations created the *National Liaison Committee for Mutual, Cooperative and Associative Activities (CNLAMCA)*<sup>19</sup>.

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<sup>17</sup> Cooperatives Europe and CIRIEC.

<sup>18</sup> ACME, Association des coopératives et mutuelles d'assurance, <http://www.acme-eu.org>.

<sup>19</sup> CNLAMCA was set up on 11 June 1970. On 30 October 2001 it became the present-day CEGES (*Conseil des entreprises, employeurs et groupements de l'économie sociale* or Council of Social Economy Companies and Institutions) (Davant, 2003).

From the end of World War II to 1977, the term 'social economy' had fallen out of everyday use, even among the 'families' in this sector of economic activity<sup>20</sup>. European conferences of cooperatives, mutual societies and associations were held under the auspices of the European Economic and Social Committee in 1977 and 1979 (EESC, 1986). Coinciding with its 10th anniversary, in June 1980 the CNLAMCA published a document, the *Charte de l'économie sociale* or Social Economy Charter, which defines the SE as the set of organisations that do not belong to the public sector, operate democratically with the members having equal rights and duties, and practise a particular regime of ownership and distribution of profits, employing the surpluses to expand the organisation and improve its services to its members and to society (Économie Sociale, 1981; Monzón, 1987).

These defining features have been widely disseminated in the economics literature and outline an SE sphere that hinges on three main families – cooperatives, mutual societies and associations – which have recently been joined by foundations. In Belgium, the 1990 report of the Walloon Social Economy Council (CWES)<sup>21</sup> saw the SE sector as a part of the economy that is made up of private organisations that share four characteristic features: "a) the objective is to serve members or the community, not to make a profit; b) autonomous management; c) a democratic decision-making process; and d) the pre-eminence of individuals and labour over capital in the distribution of income".

• The most recent conceptual definition of the SE by its own organisations is that of the *Charter of Principles of the Social Economy* promoted by the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF)<sup>22</sup>, the EU-level representative institution for these four families of social economy organisations. The principles in question are:

- The primacy of the individual and the social objective over capital
- Voluntary and open membership
- Democratic control by membership (does not concern foundations as they have no members)
- Combination of the interests of members/users and/or the general interest
- Defence and application of the principle of solidarity and responsibility
- Autonomous management and independence from public authorities
- Use of most of the surpluses to pursue sustainable development objectives, services of interest to members or the general interest.

The rise of the SE has also been recognised in political and legal circles, both national and European. France was the first country to award political and legal recognition to the modern concept of the SE, through the December 1981 decree that created the Inter-Ministerial Delegation to the Social Economy (*Délégation interministérielle à l'Économie Sociale* – DIÉS). In other European countries, such as Spain, 'social economy' is a term that has also entered the statute book. In 2011, Spain became the first European country to pass a Social Economy Act. Greece also has a Social Economy Act and Portugal has presented a bill. The new French

<sup>20</sup> The first time since World War II that the expression 'the social economy' was used in a similar sense to its present meaning was in 1974, when the journal *Annales de l'économie collective* changed its name to *Annales de l'Économie Sociale et Cooperative*, as did the organisation to which it belongs (CIRIEC: the International Centre of Research and Information on the Public, Social and Cooperative Economy). Justifying the change of name, Paul Lambert, the President of CIRIEC in 1974, pointed to "... important activities, with considerable economic repercussions, which are neither public nor cooperative: certain social security institutions, mutual societies, trades unions ..." (Annales, 1974). In 1977 Henri Desroche presented a *Rapport de synthèse ou quelques hypothèses pour une entreprise d'économie sociale* to the CNLAMCA (Jeantet, 2006).

<sup>21</sup> Conseil Wallon de l'Économie Sociale (1990): *Rapport à l'Exécutif Régional Wallon sur le secteur de l'Économie Sociale*, Liège.

<sup>22</sup> *Déclaration finale commune des organisations européennes de l'Économie Sociale*, CEP-CMAF, 20 juin 2002.

government which took office in June 2012 has appointed a Minister Delegate for the social economy within the Ministry of the Economy, the Treasury and Foreign Trade. At European level, in 1989 the European Commission published a Communication entitled "Businesses in the *Economie Sociale* sector: Europe's frontier-free market". In that same year the Commission sponsored the 1st European Social Economy Conference (Paris) and created a Social Economy Unit within DG XXIII Enterprise Policy, Distributive Trades, Tourism and the Social Economy<sup>23</sup>. In 1990, 1992, 1993 and 1995 the Commission promoted European Social Economy Conferences in Rome, Lisbon, Brussels and Seville. Numerous European conferences have been held since then. The latest two were held in Toledo (May 2010) and Brussels (October 2010). In 1997, the Luxembourg summit recognised the role of social economy companies in local development and job creation and launched the "Third System and Employment" pilot initiative, with the social economy as its field of reference<sup>24</sup>.

In the European Parliament, too, the European Parliament Social Economy Intergroup has been in operation since 1990. In 2006 the European Parliament called on the Commission "to respect the social economy and to present a communication on this cornerstone of the European social model"<sup>25</sup>. In 2009 the European Parliament adopted a major report on the social economy that recognised the SE as a social partner and as a key actor in achieving the Lisbon Strategy objectives (the Toia Report)<sup>26</sup>. Very recently, the European Commission has taken two important initiatives on social enterprises, a set of companies that forms an integral part of the social economy: the *Social Business Initiative (SBI)* and the *Proposal for a Regulation on European Social Entrepreneurship Funds*.

For its part, the European Economic and Social Committee (EESC) has published numerous reports and opinions on the contribution of companies in the social economy to achieving different public policy objectives. The EESC's latest own-initiative and exploratory opinions have included one on the variety of forms of companies, which recognises the importance of the social economy in building Europe; one on the social economy in Latin America (the Cabra de Luna Opinion), which considers the role of the social economy in local development and social cohesion; and one on social entrepreneurship and social enterprise<sup>27</sup>. Consultation by the Commission resulted in the EESC's adopting opinions on the Social Business Initiative (SBI) (Guerini Opinion) and the Proposal for a Regulation on European Social Entrepreneurship Funds (Rodert Opinion)<sup>28</sup>.

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<sup>23</sup> The current DG Enterprise and Industry

<sup>24</sup> The proposed European Constitution of some years ago also mentioned the *market social economy*, which takes its inspiration from the German *Soziale Marktwirtschaft* (Social Market Economy) concept coined by Franz Oppenheimer and popularised in the 1960s by Ludwig Erhard. The *Soziale Marktwirtschaft* lay behind the development of the German welfare state. It proposes a balance between free market rules and social protection for individuals, as workers and citizens (Jeantet, 2006). The *Soziale Marktwirtschaft* should not be confused with the concept of the SE expounded in this report or with the market sector of the SE, which is made up of cooperatives, mutual societies and other similar companies whose output is mainly intended for sale on the market. In the consolidation of the market social economy and the European social model, however, greater importance is increasingly being placed on the SE pillar (Report on a European Social Model for the future, 2005).

<sup>25</sup> Report on a European Social Model for the future (2005/2248 (INI))

<sup>26</sup> European Parliament report on the social economy (2008/2250 (INI))

<sup>27</sup> EESC Opinions INT/447 (OJ C 318 23.12.2009), CESE 496/2012 - REX/325 and 2012/C 24/01.

<sup>28</sup> CESE 1292/2012 - INT/606 and CESE 1294/2012 - INT/623.

## CHAPTER 3

### IDENTIFYING THE ACTORS AND GROUPS INCLUDED IN THE CONCEPT OF THE SOCIAL ECONOMY

- 3.1. Towards recognition of the social economy in national accounts systems
  - 3.2. A definition of the social economy that fits in with national accounts systems
  - 3.3. The market or business sub-sector of the social economy
  - 3.4. The non-market sub-sector of the social economy
  - 3.5. The social economy: pluralism and shared core identity
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#### 3.1. Towards recognition of the social economy in national accounts systems

The national accounts systems perform a very important function in providing periodic, accurate information on economic activity, and in working towards terminological and conceptual harmonisation in economic matters to enable consistent, meaningful international comparisons. The two most important national accounts systems currently in force are the United Nations' *System of National Accounts* (1993 SNA) and the *European System of National and Regional Accounts* (1995 ESA or ESA 95). The 1993 SNA gives national accounting rules for all the countries in the world. The 1995 ESA applies to EU Member States and is fully in line with the 1993 SNA, although there are minor differences.

The thousands upon thousands of entities (institutional units) that carry out productive activities (as defined in the 1993 SNA and 1995 ESA) in each country are grouped into five mutually exclusive *institutional sectors* that make up each national economy: 1) non-financial corporations (S11); 2) financial corporations (S12); 3) general government (S13); 4) households (as consumers and as entrepreneurs) (S14); 5) non-profit institutions serving households (S15).

This means that, rather than the companies and organisations that form part of the SE concept being recognised as a different institutional sector in the national accounts systems, cooperatives, mutual societies, associations and foundations are scattered among these five institutional sectors, making them difficult to analyse as a single group.

The European Commission recently prepared a *Manual for drawing up the Satellite Accounts of Companies in the Social Economy (cooperatives and mutual societies)*<sup>29</sup> which will make it possible to obtain consistent, accurate and reliable data on a very significant part of the SE: cooperatives, mutual societies and other similar companies. Based on this manual, at the initiative of the European Commission's DG Enterprise and Industry, satellite accounts for cooperatives and mutual societies have already been drawn up in 2011 in Spain, Belgium, Serbia and Macedonia. Recently this same Directorate-General has sponsored an initiative to draw up reliable statistics for social businesses<sup>30</sup>.

As the SE company satellite accounts manual says, the methods used by today's national accounts systems, rooted in the mid-20th century, have developed tools for collecting the major

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<sup>29</sup> In 2003, the United Nations published a handbook for drawing up consistent statistics on the non-profit sector, in accordance with the conceptual delimitation criteria established by the Non-Profit Organisation (NPO) approach. This sector includes an large number of social economy entities, largely made up of associations and foundations.

<sup>30</sup> Proposal 46/G/ENT/CIP/12/F/S01C24.

national economic aggregates in a mixed economy context with a strong private capitalist sector and a complementary and frequently interventionist public sector. Logically, in a national accounts system that revolves around a bipolar institutional reality, there is little room for a third pole that is neither public nor capitalist, while the latter can be identified with practically the entirety of the private sector. This has been one important factor explaining the institutional invisibility of the social economy in present-day societies and, as the manual recognises, it is at odds with the increasing importance of the organisations that form part of the SE.

### **3.2. A definition of the social economy that fits in with national accounts systems**

A further reason for the institutional invisibility of the social economy referred to above is the lack of a clear, rigorous definition of the concept and scope of the SE that could usefully be employed by the national accounts systems. Such a definition needs to disregard legal and administrative criteria and centre on analysing the behaviour of SE actors, identifying the similarities and differences between them and between these and other economic agents. At the same time, it needs to combine the traditional principles and characteristic values of the SE and the methodology of the national accounts systems in force to create a single concept that constitutes an operative definition and enjoys broad political and scientific consensus, allowing the main aggregates of the entities in the SE to be quantified and made visible in a homogeneous and internationally standardised form.

Accordingly, this report proposes the following working definition of the SE:

*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, or at all events take place through democratic and participative decision-making processes. 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<sup>31</sup>.*

This definition is absolutely consistent with the conceptual delimitation of the SE reflected in the CEP-CMAF's *Charter of Principles of the Social Economy* (see section 2.3 of this report). In national accounts terms, it comprises two major sub-sectors of the SE: a) the market or business sub-sector<sup>32</sup> and b) the non-market producer sub-sector. This classification is very useful for drawing up reliable statistics and analysing economic activity 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 SE, as a result of a characteristic that all SE organisations share:

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<sup>31</sup> This definition is based on the criteria established by the European Commission's Manual for drawing up the Satellite Accounts of Companies in the Social Economy and by Barea (1990 and 1991), Barea and Monzón (1995) and Chaves and Monzón (2000). It concurs both with the delimiting criteria established by the social economy organisations themselves (CNLAMCA charter, 1980; Conseil Wallon de l'Économie Sociale, 1990; CCCMAF and ESC-CMAF, 2000) and with the definitions formulated in the economics literature, including Desroche (1983), Defourny and Monzón (1992), Defourny et al (1999), Vienney (1994) and Demoustier (2001 and 2006).

<sup>32</sup> In this report, the expression 'business' is mainly used to designate micro-economic organisations that draw their resources principally from the market (most cooperatives, mutual societies, social enterprises and other companies). It is less common, although not impossible, to employ 'business' to mean other micro-economic organisations in the SE that principally receive their monetary resources from outside the market, in the form of donations, membership fees, property income or grants (most associations and foundations). These non-market producers also carry out an economic activity that falls within the scope of National Accounts analysis.

they are *organisations of people who conduct an activity with the main purpose of meeting the needs of people rather than remunerating capitalist investors.*

According to the above definition, the *shared features* of these two sub-sectors of the SE are:

- 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 usually apply the principle of “one person, one vote” in their decision-making processes, irrespective of the capital or fees contributed by the members. At all events, they always employ democratic and participative decision-making processes. Organisations at other levels are also organised democratically. The members have majority or exclusive control of the decision-making power in the organisation.

A very important feature of SE organisations that is deeply rooted in their history is their democratic character. Indeed, in the aforementioned satellite accounts manual for companies in the social economy that are market producers (classed in the S.11 and S.12 institutional sectors of the national accounts), the democratic criterion is considered a prerequisite for a company to be considered part of the social economy, as the *social utility* of these companies is not usually based on their economic activity, which is an instrument to a non-profit end, but on their purpose and on the democratic and participative values that they bring to running the company.

However, the working definition of the SE applied in this report also accepts the inclusion of voluntary non-profit organisations that are *producers of non-market services for households*, even if they do not possess a democratic structure, as this allows very prominent *social action third sector* organisations that produce *social or merit goods* of unquestionable social utility to be included in the social economy.

### **3.3. The market or business sub-sector of the social economy**

In essence, the market sub-sector of the SE is made up of cooperatives and mutual societies; business groups controlled by cooperatives, mutual societies and other SE organisations; other similar companies; and certain non-profit institutions serving SE companies.



As well as all the features shared by all SE entities, the working definition in 3.2 above and in the European Commission Manual emphasises three essential characteristics of SE companies:

- a) *They are created to meet their members' needs through applying the principle of self-help, i.e. they are companies in which the members and the users of the activity in question are usually one and the same.*

The European Commission manual gives a detailed explanation of the scope and limitations of this characteristic. The central objective of these companies is to satisfy and solve the needs of their members, who are, basically, individuals or families.

In cooperatives and mutual societies, the members and the users of the activity in question are usually (but not always) one and the same. The principle of self-help is a traditional principle of the cooperative and mutual movement. The main objective of these companies is to carry out a cooperativised or mutualist activity to meet the needs of their typical members (cooperativist or mutualist members) who are mainly individuals, households or families.

It is the cooperativised or mutualist activity that determines the relationship between the user member and the SE company. In a workers' cooperative, the cooperativised activity is employment for its members, in a housing cooperative it is building homes for the members, in a farming cooperative it is marketing the goods produced by the members; in a mutual society, the mutualist activity is to insure the members; etc.

Naturally, in order to carry out the cooperativised or mutualist activity to serve the members an instrumental activity needs to be conducted with other, non-member parties on the market. For example, a workers' cooperative sells its goods and services on the market (instrumental activity) in order to create or maintain employment for its members (cooperativised activity).

In the case of mutual societies, there is an indissoluble, inseparable relationship between being a mutualist (member) and being a policy-holder (intended recipient of the mutual's activity).

In the case of cooperatives, the member and user relationship is common but not always indispensable. Some classes of 'ancillary members' may contribute to the company without being users of the cooperativised activity. Examples include capital investors or former user members who are no longer users for logical, justified reasons (retirement, among others); some public bodies may even be contributing members of the company. Provided that the SE company characteristics established in the working definition hold true, including democratic control by the user members, the companies that possess these other classes of non-user contributing members will form part of the business sub-sector of the SE.

There may also be other SE companies, as in the case of social enterprises, where some members may share their objectives without being permanent members, strictly speaking, although a transitory association still exists. This may even include certain volunteer activities. Nevertheless, what is typical and relevant is that in these companies there is always a reciprocal relationship, a stable bond between the company and those who participate in its activities with a certain continuity, sharing in its risks and offering some consideration in respect of membership.

The beneficiaries of the activities of SE companies also play a leading role in these companies, which constitute reciprocal solidarity initiatives set up by groups of citizens to meet their needs through the market.

This does not prevent SE companies from undertaking solidarity-based activities in much broader social environments, transcending their membership base. In the case of cooperatives, their traditional rules of operation made them pioneers in applying the principle of the social responsibility of companies, or corporate responsibility, as these rules stimulate and foster solidarity mechanisms (the principle of education and social action, the 'open membership' principle, the creation of reserves that cannot be divided among the members, etc.). However, all this does not alter the mutual basis of SE companies, which compete in the market, finance themselves largely through the market and conduct business entailing risks with results on which depend, in the final analysis, the provision of services to their members.

- b) *SE companies are market producers, which means that their output is mainly intended for sale on the market at economically significant prices.* The ESA 95 considers cooperatives, mutual societies, holding companies, other similar companies and non-profit institutions serving them to be market producers.
- c) *While they may distribute profits or surpluses among their user members, this is not proportional to the capital or to the fees contributed by the members but in accordance with the member's transactions with the organisation.*

The fact that they may distribute profits or surpluses to their members does not mean that they always do so. There are many cases in which cooperatives and mutual societies make it a rule or custom not to distribute surpluses to their members. Here the point is only to emphasise that the principle of not distributing surpluses to members is not an essential trait of social economy companies.

Although democratic organisation is a shared feature of all SE organisations, certain non-profit voluntary organisations that provide non-market services to families may be part of the SE despite not possessing a democratic structure, as will be seen further on.

For a company to be considered part of the SE, however, the democratic criterion is considered a prerequisite. As the European Commission's manual says, SE companies are characterised by democratic decision-taking by the members, without ownership of the share capital determining the control of the decision-making process. In many cooperatives and mutual societies the principle of 'one person, one vote' may often be qualified, allowing some weighting of votes to reflect each member's participation in the activity. It may also happen that business groups set up by different SE companies weight the votes, not only to reflect the different degrees of activity of the members of the group but also to acknowledge the differences between them in terms of rank and file membership numbers. Other business groups may be set up and controlled by SE organisations to improve the delivery of their objectives for the benefit of their members, with the parent organisations controlling the decision-making processes. These groups also form part of the SE.

In some countries, certain social economy companies created by workers in order to create or maintain jobs for themselves take the form of limited or public limited companies. These too may be considered democratic organisations with democratic decision-making processes, provided that the majority of their share capital is owned by the working partners and shared equally among them.

Other social economy companies that also take a different legal form from a cooperative have been set up to conduct activities to benefit groups that are vulnerable, excluded or at risk of social exclusion. They comprise a wide spectrum of social enterprises that follow participative and democratic processes.

Accordingly, the different groups or families of agents in the market sub-sector of the social economy are as follows:

## A. Cooperatives

As mentioned in the European Commission's manual, cooperatives in the European Union are subject to very different and varied bodies of law. Depending on the country, they may be considered commercial companies, a specific type of company, civil associations or organisations that are difficult to categorise. There may even be a total lack of specific legal regulation, obliging them to follow the rules for companies in general, which normally means commercial companies. In such cases, it is the cooperative's members who include the operating rules in the articles of association which enable a company to be identified as a 'cooperative'.

In terms of the business they conduct, cooperatives are found in both the non-financial corporations sector and the financial corporations sector and in practically every kind of activity.

In general, it would be fair to say that the vast majority of cooperatives in the European Union share a common core identity based on the historical origins of the cooperative movement and on the acceptance, to varying degrees, of the operating principles detailed in the *Statute for a European Cooperative Society (SCE)*<sup>33</sup>.

As these operating principles are reflected in each and every one of the characteristics of companies in the SE set out at the beginning of this chapter, *cooperatives are the first great business agent in the social economy*. Cooperatives are self-help organisations set up by citizens (they are private and are not part of the public sector) which are formally organised and have autonomy of decision. In order to satisfy the needs of their members or conduct their business they operate on the market, from which they obtain their main source of funding. They are organised democratically and their profits are not distributed in proportion to the share capital contributed by their members. The 1995 ESA considers cooperatives to be market producer institutional units.

## B. Mutual societies

Like cooperatives, mutual societies in the EU are governed by very diverse bodies of law. 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 main activity is covering the health and social welfare risks of individuals. The second group is mutual insurance companies. Their principal activity usually centres on insuring goods (vehicles, fire, third party insurance, etc.), although they can also cover areas related to life insurance.

The concept of the 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 subject to competition. It operates according to the principle of solidarity between the members, who participate in the governance of the business, and to the principles of the absence of shares, freedom of membership, not exclusively profit-making objectives, solidarity, democracy and independence<sup>34</sup>.

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<sup>33</sup> See clauses 7 to 10 of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE).

<sup>34</sup> <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/social-cmafagenda/social-cmaf-mutuas.htm> and consultation document "Mutual Societies in an enlarged Europe", 2003 <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/mutuals-consultation/index.htm>.

These operating principles, which are very similar to those of the cooperatives, again comply with all the characteristics of companies in the SE mentioned previously, so *mutual societies are the second great business agent in the social economy*.

However, following the European Commission's manual, social security management bodies, and in general mutual societies of which membership is obligatory and those controlled by companies that are not part of the social economy, are excluded from the business sub-sector of the SE.

### **C. Social economy business groups**

The European Commission's manual also considers certain business groups to be SE market agents. According to the manual, when an SE company or coalition of companies or any other SE organisation sets up and controls a business group to improve the delivery of its objectives for the benefit of its rank and file members, this group is considered an SE group, regardless of the legal form it adopts. In the European Union, there are groups that engage in agri-food, industrial, distribution and retail, social welfare and other activities. There are also SE banking and mutual society groups. They are all incorporated under different legal forms.

### **D. Social enterprises**

In addition, the European Commission's manual considers that the market agents in the SE include a gamut of companies with legal forms other than those of cooperatives and mutual societies but which operate according to principles that, in essence, fit the definition of social economy companies established in this report.

Among non-financial companies, the manual cites a variety of cases such as integration and other social action organisations that operate in the market and adopt different legal forms, in many cases as cooperatives and in others as commercial or similar companies. Generally known as *social enterprises*, they are continuously engaged in producing goods and/or services, have a high degree of autonomy and a significant level of financial risk, use paid work and are market oriented, meaning that a significant proportion of the organisation's income is derived from the market (services sold directly to users) or from contractual transactions with the public authorities. It should also be noted that they are private companies set up by groups of citizens, there is direct participation by the persons affected by the activity, their decision-making power is not based on the ownership of capital, distribution of surpluses and profits is limited, and they have the explicit objective of benefiting the community (Borzaga and Santuari, 2003).

The European Commission's *Social Business Initiative (SBI)*<sup>35</sup> defines a social business as a *social economy operator* with the main objective of achieving a social impact rather than generating profits for its owners or members. Social businesses operate in the market to provide goods and services in an entrepreneurial and innovative fashion. They mainly use their surpluses for social ends and their organisation is based on democratic or participative principles that aim for social justice.

In other words, *social enterprises are non-financial corporations which, irrespective of their legal status, possess the aforementioned features of social economy companies*.

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<sup>35</sup> Communication from the Commission SEC/2011/1278/final of 25/10/2011.

## **E. Other social economy companies**

In some countries there are also certain non-financial corporations set up in order to create or maintain stable employment for their members, in which the majority of shares are owned by the workers, who also control the governing bodies, and which are organised on a workers' self-management basis. While these companies often take the form of public limited companies or limited companies, the workers' equity is equally divided among them, so these companies are actually characterised by democratic decision-making processes and equitable distribution of profits. The best-known example of this type of company is the labour company (*sociedad laboral*) in Spain.

*Non-financial corporations with majority control vested in the workers, democratic decision-making processes and equitable distribution of profits should also be included in the market sub-sector of the SE.*

Lastly, in some countries the financial corporations sector includes savings and loans societies and savings banks which, in their essential aspects, fit the definition of social economy companies given in this report.

## **F. Non-profit institutions serving social economy entities**

The only non-profit institutions which are included in this group are those serving companies in the social economy. These organisations are funded by fees or subscriptions from the group of companies in question which are considered payments for the services performed, i.e. sales. Consequently, such non-profit institutions are market producers and are placed in the 'non-financial corporations' sector if they serve cooperatives or similar social economy companies in this sector, or in the 'financial institutions' sector if they are at the service of credit cooperatives, mutual societies or other social economy financial organisations.

### **3.4. The non-market sub-sector of the social economy**

The vast majority of this sub-sector consists of associations and foundations, although organisations with other legal forms can also be found. It is made up of all the SE organisations that the national accounts criteria consider non-market producers, i.e. those that supply the majority of their output free of charge or at prices that are not economically significant.

As mentioned in 3.2 above, they are *private, formally-organised entities with autonomy of decision and freedom of membership that produce non-market services for families and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them*. In other words, they are non-profit organisations in the strict sense of the term, since they apply the principle of non-distribution of profits or surpluses (the non-distribution constraint), and as in all social economy entities, individuals are the true beneficiaries of the services they produce.

The national accounts have a specific institutional sector, S.15, called 'non-profit institutions serving households' (NPISH), to differentiate them from other sectors. The ESA 95 defines this sector as consisting of non-profit institutions that are separate legal entities, that serve households and that are other private non-market producers. Their principal resources, apart from those derived from occasional sales, come from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income (ESA 95, 2.87).

The NPISH sector includes a variety of organisations, mostly associations, that perform non-market activities for their members (entities of a mutualist nature) or for groups of non-

member citizens (general interest entities). Most of these entities operate democratically and possess the characteristic features of the SE. They include charities, relief and aid organisations, trade unions, professional or learned societies, consumers' associations, political parties, churches or religious societies, and social, cultural, recreational and sports clubs.

As stated in section 3.1 above, certain voluntary non-profit organisations that are producers of non-market services for households are included in the SE under the name of *social action third sector* despite not possessing a democratic structure, because the services they provide free of charge are *social or merit goods* of unquestionable social utility.

NPISH that do not possess a legal personality or are not very large, which the ESA 95 places in the Household sector, S.14 (ESA 95, 2.76), also form part of the SE.

Lastly, there may be other private, non-profit institutions (NPI), funded by non-financial corporations or financial corporations, that produce cultural, recreational, social etc. services which they supply free of charge to individuals. Although the 1995 ESA conventionally considers these to be serving the non-financial or financial corporations in question and therefore includes them in the respective (market) institutional sectors (ESA 95, 2.23 and 2.40), provided that they meet the requirements set out in the definition they form part of the non-market sub-sector of the SE.

NPISH that are market producers engaged in producing non-financial market goods and services, financial intermediation, or auxiliary financial activities are excluded from this group, as are business associations funded by voluntary fees paid by non-financial or financial corporations in return for the services they provide.

### **3.5. The social economy: pluralism and shared core identity**

The SE has positioned itself in European society as a *pole of social utility* between the capitalist sector and the public sector. It is certainly composed of a great plurality of actors. Old and new social needs all constitute the sphere of action of the SE. These needs can be met by the persons affected through a business operating on the market, where almost all the cooperatives and mutual societies obtain the majority of their resources, or by associations and foundations, almost all of which supply non-market services to individuals, households or families and usually obtain most of their resources from donations, membership fees, subsidies, etc.

It cannot be ignored that the diversity of SE organisations' resources and agents leads to differences in the dynamics of their behaviour and of their relations with their surroundings. For instance, volunteers are mainly found in the organisations of the non-market sub-sector (mostly associations and foundations), while the market sub-sector of the SE (cooperatives, mutual societies and similar companies) has practically no volunteers except in social enterprises; these are a clear example of a hybrid of market and non-market with a wide diversity of resources (revenue from the market, public subsidies and voluntary work) and of agents within the organisation (members, employees, volunteers, companies and public bodies).

This plural SE which is asserting and consolidating its part in a plural society does not amount to a hotchpotch with no identity or analytical value. On the contrary, the shared core identity of the SE is reinforced by a large and diverse group of free and voluntary microeconomic entities created by civil society to meet and solve the needs of individuals, households and families rather than to remunerate or provide cover for investors or capitalist companies – in other words, created by not-for-profit organisations. Over the past 200 years, this varied spectrum (market and non-market, of mutual interest or general interest) has shaped the third sector, as identified here through the social economy approach.

## CHAPTER 4

### THE MAIN THEORETICAL APPROACHES RELATED TO THE SOCIAL ECONOMY

- 4.1. The third sector as a meeting point
  - 4.2. The non-profit organisation approach
  - 4.3. The solidary economy approach
  - 4.4. The social enterprises approach
  - 4.5. Other approaches
  - 4.6. Similarities and differences between these approaches and the social economy concept
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#### **4.1. The third sector as a meeting point**

Although the term *third sector* has mostly been used in the English-speaking world to describe the private non-profit sector that is largely composed of associations and foundations, third sector is also used in Continental Europe and in other parts of the world as a synonym for the social economy (SE) described in the previous chapter.

In the United States, Levitt (1973)<sup>36</sup> was one of the first to use the expression *third sector*, identifying it with the non-profit sector<sup>37</sup>. In Europe, the same term began to be used a few years later to describe a sector located between the public sector and the capitalist sector, far closer to the concept of the SE<sup>38</sup>.

The third sector (TS) has become a meeting point for different concepts, fundamentally the *non-profit sector* and the *social economy*, which, despite describing spheres with large overlapping areas, do not coincide exactly. Moreover, in the theoretical approaches that have been developed from these concepts, the TS is assigned different functions in today's economy.

#### **4.2. The non-profit organisation approach**

##### **4.2.1.4.2.1. The non-profit organisation (NPO) as a concept**

The main theoretical approach that addresses the TS, apart from the SE approach, is of English-speaking origin, as mentioned above: literature on the non-profit sector or non-profit organisations (NPO) first appeared 30 years ago in the United States. In essence, this approach

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<sup>36</sup> Levitt, T.: *The Third Sector – New Tactics for a Responsive Society*, Division of American Management Associations, New York, 1973.

<sup>37</sup> Coinciding with the start of research by the Commission on Private Philanthropy and Public Needs (the Filer Commission) on the economic, social and political importance of the non-profit sector, sponsored by the Rockefeller Foundation, which began in 1973.

<sup>38</sup> It was Jacques Delors who first used it in this sense, in 1979, at the University of Paris–Dauphine. Subsequently, a number of major studies on the SE (Jeantet, 2006) have been conducted under the name of the third sector (Defourny and Monzón, 1992) or Third System (CIRIEC, 2000).

only covers private organisations which have articles of association forbidding them to distribute surpluses to those who founded them or who control or finance them<sup>39</sup>.

The historical roots of this concept are linked to the philanthropic and charitable ideas that were deeply-rooted in 19th century Britain and in the countries it influenced. The renown of the British *charities* and US *philanthropic foundations* has given rise to terms such as the *charitable sector* and the *voluntary sector*, which are included in the wider concept of the non-profit sector.

The modern concept of the non-profit sector has been more precisely defined and widely disseminated throughout the world by an ambitious international research project which began in the early 1990s, spearheaded by Johns Hopkins University (Baltimore, USA), to discover and quantify its size and structure, analyse its development prospects and evaluate its impact on society.

The different phases of the project cover the non-profit sector in 36 countries across five continents<sup>40</sup>.

This project examined organisations that met the five key criteria in the 'structural-operational definition'<sup>41</sup> of non-profit organisations. They are, therefore:

- a) *organisations*, i.e. they have an institutional structure and presence. They are usually legal persons;
- b) *private*, i.e. institutionally separate from government, although they may receive public funding and may have public officials on their governing bodies;
- c) *self-governing*, i.e. able to control their own activities and free to select and dismiss their governing bodies;
- d) *non-profit distributing*, i.e. non-profit organisations may make profits but these must be ploughed back into the organisation's main mission and not distributed to the owners, members, founders or governing bodies of the organisation;
- e) *voluntary*, which means two things: first, that membership is not compulsory or legally imposed, and second, that they must have volunteers participating in their activities or management.

#### **4.2.2. The NPO approach in the 1993 SNA**

The United Nations published a *Handbook on Non-Profit Institutions in the System of National Accounts*<sup>42</sup> (NPI Handbook). The handbook's identification of the non-profit institutions is based on a definition of the non-profit sector drawn from Salamon and Anheier's NPO approach as described in the previous paragraph. On this basis, the NPI Handbook identifies a large, heterogeneous set of non-profit organisations which could belong to any of the five institutional sectors that make up the system of national accounts, including 'general

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<sup>39</sup> Weisbrod, B.A. (1975): "Towards a theory of the voluntary nonprofit sector in a three sector economy", in Phelps, E. (Ed.): *Altruism, morality and economic theory*, New York, Russell Sage Foundation.

Weisbrod, B.A. (1977): *The Voluntary Nonprofit Sector*, Lexington Books, Lexington M.A.

<sup>40</sup> Salamon, L.M.; Anheier, H.K.; List, R.; Toepler, S.; Sokolowski, W. et al (1999): *Global Society. Dimensions of the Nonprofit Sector*. The Johns Hopkins Comparative nonprofit Project, Baltimore.

<sup>41</sup> Salamon, L.M. and Anheier, H.K. (1997): *Defining the Non-Profit Sector: A Cross-National Analysis*, Manchester and New York: Manchester University Press.

<sup>42</sup> Handbook on Non-profit Institutions in the System of National Accounts (United Nations, New York, 2003).



government' (S.13)<sup>43</sup>. There are non-profit institutions in the 'non-financial corporations' sector (S.11), the 'financial corporations' sector (S.12) and the 'households' sector (S.14). Lastly, 'non-profit institutions serving households' or NPISH (S.15) have their own separate institutional sector in the national accounts system. These organisations take a great variety of legal forms, although the majority are associations and foundations, and are created for very different purposes: to provide services to the people or companies that control or finance them; to carry out charitable or philanthropic activities to benefit people in need; to supply non-profit market services such as health, education, leisure activities, etc.; to defend the interests of pressure groups or the political programmes of like-minded citizens, etc.

However, the NPI Handbook considers that such major groups as cooperatives, mutual societies, social enterprises and others do not belong in the non-profit sector.

As will be seen further on, not all the non-profit institutions that the NPI Handbook considers to lie within its scope form part of the SE concept.

### 4.3. The solidary economy approach

The concept of the *solidarity economy* developed in France and certain Latin American countries during the last quarter of the 20th century, and is associated to a large degree with the major growth that the TS has experienced in organisations that produce and distribute some of what are known as *social goods* or *merit goods*. Merit goods are those for which there is broad social and political consensus that they are essential to a decent life and must therefore be made available to the entire population, irrespective of income or purchasing power. Consequently, it is considered that government should provide for the production and distribution of these goods, whether by ensuring that they are provided free of charge or by subsidising them so that they can be obtained at well below market prices.

During the height and consolidation of the welfare state, universal enjoyment of the most important of these merit goods, such as health services and education, was guaranteed by the governments of most developed countries in Europe. In recent decades, however, *new social needs* have emerged that are not being addressed by either the public sector or the traditional capitalist sector, and which affect numerous groups at risk of social exclusion. These problems are related to the living conditions of elderly people, mass long-term unemployment, immigrants, ethnic minorities, the handicapped, reintegration of ex-prisoners, abused women, the chronically ill, etc.

It is in these areas that some organisations that are typical of the SE (cooperatives and, above all, associations) have seen considerable expansion. This sector simultaneously brings together a set of new organisations and new fields of action. Compared to the classic SE agents, it has three distinctive features: a) the social demands it attempts to address, b) the actors behind these initiatives and c) the explicit desire for social change<sup>44</sup>.

Based on these three aspects, the concept of the *solidarity economy* developed in France from the 1980s onwards. It corresponds to an economy in which the market is one component, possibly the most important, but not the only one. The economy revolves around three poles: the market, the state and reciprocity. These three poles correspond to market, redistribution and

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<sup>43</sup> The NPI Handbook considers some organisations that the 1993 SNA includes in S.13, the 'general government' sector, to be 'quasi-non-governmental organisations', i.e. self-governing and institutionally separate from government (NPI Handbook paragraphs. 2.20 and 2.22).

<sup>44</sup> Favreau, L. and Vaillancourt, Y. (2001): "Le modèle québécois d'économie sociale et solidaire", *Revue internationale de l'économie sociale*, n° 281.

reciprocity principles<sup>45</sup>. The latter refer to a non-monetary exchange in the area of primary sociability that is identified, above all, in associationism<sup>46</sup>.

In short, the economy is plural in nature and cannot be reduced to strictly commercial and monetary terms. The solidarity economy approach is an unprecedented attempt to link the three poles of the system, so specific solidarity economy initiatives constitute forms that are hybrids between the market, non-market and non-monetary economies. They do not fit in with the market stereotype of orthodox economics<sup>47</sup> and their resources, too, have plural origins: market (sales of goods and services), non-market (government subsidies and donations) and non-monetary (volunteers).

In addition to this concept of the solidarity economy, which has its epicentre in France, another view of the solidarity economy with a certain prominence in some Latin American countries sees it as a force for social change, the bearer of a project for an alternative society to neoliberal globalisation<sup>48</sup>. Unlike the European approach, which considers the solidarity economy to be compatible with the market and the state, the Latin American perspective centres on developing this concept as a global alternative to capitalism.

#### **4.4. The social enterprises approach**

A considerable body of work on social enterprises has appeared in recent years, although it cannot be said to take a unified approach. Two main approaches to social entrepreneurship can be distinguished, however: Anglo-American and Continental European.

The Anglo-American sphere comprises various currents that define the social enterprise sphere differently, ranging from those who consider social enterprises to be the market company counterpart of private non-profit organizations with a social purpose, to those whose definition of a social enterprise centres exclusively on social innovation and satisfying social needs, whatever the form of ownership of the enterprise (public, private capital-based or what is understood by the term social economy in Europe)<sup>49</sup>.

In the Continental European tradition, the main approach to social enterprises is summarised in the studies and proposals of the EMES network, which sees these companies as the result of collective entrepreneurship in the social economy and as defined by three blocks of indicators (relating to economic, social and governance structure). In the *Social Business Initiative* mentioned earlier, the European Commission also defined social enterprises as a subset of the social economy (*social economy operators*).

#### **4.5. Other approaches**

Related to the approach described in the previous paragraph, other theoretical developments directly propose replacing market economies where the means of production are privately-owned with other ways of organising the production system. They include a) the

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<sup>45</sup> Polanyi, K. (1983): *La Grande Transformation*, Gallimard, Paris.

<sup>46</sup> Laville, J.L. (1994).

<sup>47</sup> Eme, B.; Laville, J.L. (1999): “Pour une approche pluraliste du tiers secteur”, *Nouvelles Pratiques Sociales*, Vol. 11-12, N° 1-2.

<sup>48</sup> Boulianne, M. et al (2003): “Économie solidaire et mondialisation”, *Revue du Mauss*, N° 21, Paris.

<sup>49</sup> A comparative analysis of the European and American approaches to social enterprises can be found in Defourny, J. y Nyssens, M., 2011, “Approches européennes et américaines de l’entreprise sociale : une perspective comparative”, *Revue internationale de l’économie sociale*, n° 319 and in *Ciriec-España, revista de economía pública, social y cooperativa*, n° 75, a special issue on “Social Economy and Social Enterprises”, 2012.

*alternative economy*<sup>50</sup>, with roots in the anti-establishment movements that developed in France after May 1968, and b) the *popular economy*, promoted in various Latin American countries since 1980, with very similar characteristics to the Latin American version of the solidarity economy, so much so that it is also known as the *solidarity popular economy*. The popular economy excludes any type of employer/employee relationship and considers work the main factor of production<sup>51</sup>.

#### **4.6. Similarities and differences between these approaches and the social economy concept**

Section 3.5 explained how the concept of the SE established in this report not only sees the SE as being part of a plural economy and society but also as itself composed of a great plurality of actors. From this point of view, not only does the solidary economy approach present important elements of convergence with the SE approach, from a practical point of view it can also be asserted that all the organisations considered part of the solidary economy are also unquestionably part of the SE. The same may be said of other theoretical developments such as the *social usefulness third sector* (Lipietz, 2001), *social enterprise* (Borzaga and Defourny, 2001) or the *new social economy* (Spear, Defourny et al, 2001). In the same way as most of the associative experiences included in the *alternative economy* or the *popular economy*, all of these constitute partial elements of the same group, certainly multi-faceted but possessing a shared core identity and a personality that differentiates it from the other institutional sectors in the economic system.

As far as the social enterprises approach is concerned, it must be emphasised that the concept of the social economy is far broader than that of social enterprise, as the latter forms only a small part of the former: the social economy is made up of a wide range of operators that, taken together, constitute a pole of social utility between the public sector and the capital-based sector. Under the European approach, all social enterprises form an integral part of the social economy, but most social economy enterprises do not form part of the group of social enterprises

Because of their importance, it is worth pausing to examine the main similarities and differences between the SE approach and concept and that of the NPO approach.

In terms of the similarities between the SE and the NPO approaches, four of the five criteria that the NPO approach establishes to distinguish the TS sphere (see 4.2.1) are also required under the SE approach (section 3.1): *private, formally organised* organisations with *autonomy of decision* (self-governing) and *freedom of membership* (voluntary participation).

However, there are three TS delimitation criteria which clearly distinguish the NPO and SE approaches:

##### **a) The non-profit criterion**

Under the NPO approach, all the organisations that distribute profits in any way to the persons or organisations that founded them or that control or fund them are excluded from the TS. In other words, TS organisations must apply the principle of non-distribution of profits or surpluses (the non-distribution constraint) strictly (see section 4.2.1. above). As well as not

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<sup>50</sup> Archimbaud, A. (1995): "L'Économie alternative, forme radicale de l'économie sociale", *Revue des études coopératives, mutualistes et associatives*, N° 256.

<sup>51</sup> Coraggio, J.L. (1995): *Desarrollo humano, economía popular y educación*, Instituto de Estudios y Acción Social, Buenos Aires; and Razeto, L. (1993): *Empresas de trabajadores y economía de mercado*, PET, Chile.

distributing profits, the NPO approach demands that TS organisations be not-for-profit, in other words they may not be created primarily to generate profits or obtain financial returns (NPI handbook, paragraph 2.16).

Under the SE approach, the non-profit criterion in this sense is not an essential requirement for TS organisations. Naturally, the SE approach considers that many organisations that apply the non-profit criterion strictly belong in the TS: a broad sector of associations, foundations, social enterprises and other non-profit organisations serving persons and families that meet the NPO non-profit criterion and all the SE organisation criteria established in this report (section 3.1). However, cooperatives and mutual societies, which form a decisive nucleus of the SE, are excluded from the TS by the NPO approach because most of them distribute part of their surpluses among their members<sup>52</sup>.

#### **b) The democracy criterion**

A second difference between the NPO approach and the SE approach is the application of the *democracy criterion*. The NPO approach's requirements for considering that an organisation belongs to the TS do not include such a characteristic element of the SE concept as democratic organisation. Consequently, in the NPO approach the TS includes many, and very important, non-profit organisations that do not meet the democracy criterion and which, therefore, the SE approach excludes from the TS. In effect, many non-profit institutions in the non-financial corporation and financial corporation sectors sell their services at market prices and do not meet the democratic organisation principle. These non-profit organisations that are considered part of the TS by the NPO approach and not by the SE approach include certain hospitals, universities, schools, cultural and art bodies and other institutions which do not meet the democracy criterion, sell their services on the market and meet all the requirements established by the NPO approach.

The SE approach generally excludes from the TS any non-profit entities that do not operate democratically although, as pointed out in section 3.2 of this report, it is accepted that voluntary non-profit organisations which provide non-market services to persons or families free of charge or at prices which are not economically significant can be included in the SE. These non-profit institutions prove their *social usefulness* by providing merit goods or services free to individuals or families.

#### **c) The criterion of serving people**

Finally, a third difference lies in the intended recipients of the services provided by the TS organisations, as their scope and priorities differ between the NPO and the SE approaches.

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<sup>52</sup> The SE approach includes an important current that considers cooperatives and mutual societies to be non-profit in both senses: that of applying the non-distribution constraint among their members and that of being *not-for-profit*, i.e. set up primarily to provide a particular service to their members rather than to obtain financial returns. As regards the application of the non-distribution constraint, this considers that the members only receive part of the surpluses in the form of 'cooperative refunds', which constitute yields generated by the members themselves by engaging in cooperativised transactions with the cooperative, so these surpluses are not considered profits. Nor do members receive any profit when their contributions to the share capital are liquidated, as they are repaid at nominal value, although possibly updated to maintain their purchasing power. If the cooperative is dissolved, the net assets after settling the debts, including the members' contributions to the share capital, cannot be distributed among the members. As regards the second meaning of the non-profit criterion, it is generally accepted in the SE approach that cooperatives and mutual societies, together with other TS organisations, are not-for-profit bodies, i.e. they are set up to solve needs and offer services to individuals, households or families rather than to remunerate or provide cover for investors or capitalist companies. On this debate see Chaves and Monzón (2001).

In the SE approach, the main aim of all the organisations is to serve people or other SE organisations. In first-tier organisations, most of the beneficiaries of their activities are individuals, households or families, whether as consumers or as individual entrepreneurs or producers. Many of these organisations only accept individuals for membership. On occasion they may also allow legal persons of any type to become members, but in all cases the SE's concerns centre on human beings, who are its reason for being and the purpose of its activities.

The NPO approach, on the other hand, has no such criterion of service to people as primary objective. Non-profit organisations can be set up both to provide services to persons and to provide them to corporations that control or fund them (NPI Handbook, paragraph 2.21). There may even be first-tier non-profit organisations composed exclusively of capital-based companies, whether financial or non-financial. As a result, the field analysed by the NPO approach is very heterogeneously defined.

In conclusion, the above similarities and differences between the NPO and SE approaches, together with the existence of a shared space occupied by organisations included by both, make it possible to appreciate important conceptual and methodological divergences which do not allow the TS to be configured by simply adding together the groups of organisations considered by the two approaches.

Concerning the differences between the two approaches in terms of the functions that the TS can perform in developed economies, as far as the NPO approach is concerned *the TS lies between the state and the market*<sup>53</sup> and the mission of its most characteristic nucleus (the social third sector) is to satisfy a considerable quantity of social needs that are not being met by either the market (due to a lack of solvent demand with purchasing power) or the public sector (as public provision is incapable of doing so), making it essential to turn to a third type of resources and motivation. The Anglo-Saxon concept, based on *volunteers*, *charities* (in Britain) and *foundations* (United States), insists on the values of philanthropy and the non-profit criterion.

The lack of profitability of the work carried out demonstrates the purity and rectitude of the motives that underlie it and confirms membership of the TS, which thereby shows its *charitable* and *welfare* nature, with its mission being to palliate the shortcomings of a limited public social protection system and the excesses of a market system that is more dynamic but also more implacable than any other system<sup>54</sup> towards less solvent social sectors.

For the SE approach, the TS is not located between the market and the state but *between the capitalist market and the public sector*<sup>55</sup>. From this point of view, in developed societies the TS is positioned as a *pole of social utility* made up of a broad set of private organisations that are created to meet social needs rather than to remunerate capitalist investors.

Ultimately, the concept of the TS developed by the SE does not consider it a residual sector but an institutional pole of the system which, together with the public sector and the capitalist private sector, is a key factor for consolidating welfare in developed societies by helping to resolve some of their most prominent problems, such as social exclusion, large-scale long-term unemployment, geographical imbalances, local self-government and fairer income and wealth distribution, among others.

Unlike the NPO approach, which sees only a charitable and philanthropic function in the TS developing one-way solidarity initiatives, the SE promotes business initiatives with

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<sup>53</sup> Salamon, L.M. and Anheier, H.K. (1997), Powell (1987).

<sup>54</sup> Caille (2003): "Sur les concepts d'Économie en général et d'Économie Solidaire en particulier", *Revue du Mauss*, N° 21, p. 215-236.

<sup>55</sup> Defourny, J. and Monzón, J.L. (1992): *Économie Sociale. Entre économie capitaliste et économie publique*, De Boeck-Wesmael, Bruxelles.

reciprocal solidarity among its initiators, based on a system of values where democratic decision making and the priority of people over capital in the distribution of surpluses prevail.

*The SE does not just see people in need as the passive beneficiaries of social philanthropy, it also raises citizens to the status of active protagonists of their own destiny.*

## CHAPTER 5

### COMPARATIVE ANALYSIS OF THE PREVAILING DEFINITIONS RELATING TO THE CONCEPT OF THE SOCIAL ECONOMY IN EACH EUROPEAN UNION MEMBER STATE, ACCEDING AND CANDIDATE COUNTRY

5.1. Concepts prevailing in each country

5.2. The actors in the social economy in EU Member States

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#### 5.1. Concepts prevailing in each country

The social and economic phenomenon that we refer to in this work as the 'social economy' is widespread and in evident expansion across the EU. However, this term, as well as the scientific concept linked to it, is not unambiguous across all EU countries – or even within a country in some cases – usually coexisting with other terms and similar concepts. The purpose of this section is to shed light on the diversity of concepts and terms that exist in Europe to refer to this phenomenon.

Part of this research has been directed on the one hand to assessing the level of recognition of the social economy in three important spheres – public administration, the academic and scientific world, and the social economy sector itself in each country – and on the other hand to identifying and assessing other similar concepts. This work has been carried out in accordance with the methodology used in the first chapter of *The enterprises and organizations of the third system. A strategic challenge for employment* (Vivet and Thiry in CIRIEC, 2000), in which the third system was assimilated into the social economy.

Information from primary sources has been gathered on the basis of the semi-open question targeted at correspondents (see appendix), all of whom are privileged witnesses and have expert knowledge of the concept of the social economy and similar concepts, and of the reality of this sector in their countries. The questionnaire included semi-closed questions on the social economy and similar concepts in the different EU countries. The correspondents are academics, professionals from the federative and representative structures of the sector in the countries, and top officials from the national public administrations with powers in the field of the social economy. The degree of recognition has been divided into three relative levels across the different countries: (\*) where there is little or no recognition of this concept; (\*\*) where there is a moderate level of recognition; and (\*\*\*) where there is a high level, denoting institutionalised recognition of the concept in the country in question.

The results appear in tables 5.1. and 5.2. They relate respectively to the level of recognition of the concept (and the term) of the social economy; recognition of the related concepts 'social enterprise', 'non-profit sector' and 'third sector'; and finally recognition of other concepts.

**Table 5.1. National acceptance of the concept 'Social Economy'**

	By public authorities	By companies in the social economy	By academia / the scientific world
<b>Acceding and Candidate Countries</b>			
Austria	*	**	**
Belgium	**	***	**
Bulgaria	**	**	**
Croatia	*	*	*
Cyprus	**	**	**
Czech Republic	*	**	**
Denmark	**	**	**
Estonia	**	*	*
Finland	**	**	**
France	**	***	**
Germany	*	**	**
Greece	**	**	***
Hungary	*	**	*
Iceland	**	**	**
Ireland	**	***	**
Italy	**	**	**
Latvia	*	**	**
Lithuania	**	*	*
Luxembourg	**	**	**
Malta	**	*	**
Netherlands	*	*	*
Poland	**	**	**
Portugal	***	***	**
Romania	*	*	*
Slovakia	*	*	*
Slovenia	*	**	**
Spain	***	***	***
Sweden	**	**	*
United Kingdom	*	**	**

Note: Questionnaire question: Could you tell us whether the concept 'social economy' is recognised in your country?

Even assuming that national conditions and ideas associated with the term social economy differ markedly and may not be comparable, the data obtained in the field work make it possible to divide countries into three groups depending on their level of recognition of the social economy concept (see table 5.1.):

- *countries in which the concept of the social economy is widely accepted:* In Spain, France, Portugal, Belgium, Ireland and Greece, the concept of the social economy enjoys greatest recognition by public authorities and in the academic and scientific world, as well as in the social economy sector itself. The first two countries stand out: France is the birthplace of this concept, and Spain approved the first European national law on the social economy in 2011.

- *countries in which the concept of the social economy enjoys a moderate level of acceptance:* These include Italy, Cyprus, Denmark, Finland, Luxembourg, Sweden, Latvia, Malta, Poland, the United Kingdom, Bulgaria and Iceland. In these countries the concept of the social economy coexists alongside other concepts, such as the non-profit sector, the voluntary sector and social



enterprises. In the United Kingdom, the low level of awareness of the social economy contrasts with the government's policy of support for social enterprises.

- *countries where there is little or no recognition of the concept of the social economy*: The concept of the social economy is little known, emerging or unknown in the following countries: Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands, Slovakia, Romania, Croatia and Slovenia, a group which mainly comprises Germanic countries and those which joined the EU during the last round of enlargement. The related terms non-profit sector, voluntary sector and non-governmental organisation enjoy a relatively greater level of recognition.

In the rest of the tables, information for each country is presented according to two objectives: first, that of differentiating the reality of the 12 new countries of the EU and the two candidate countries, a central objective of this work; second, that of differentiating the reality of the 15 older Member States.

**Table 5.2. National acceptance of other recognised concepts related to the social economy**

	Social enterprises	Non-profit Sector	Third sector
Austria	**	***	*
Belgium	**	**	*
Bulgaria	**	**	**
Cyprus	**	**	**
Czech Republic	*	***	**
Denmark	**	***	***
Estonia	*	**	**
Finland	***	**	***
France	**	**	**
Germany	**	**	***
Greece	**	**	*
Hungary	*	***	*
Ireland	**	***	**
Italy	**	***	**
Latvia	*	***	**
Lithuania	*	**	**
Luxembourg	*	*	*
Malta	**	**	*
Netherlands	***	***	*
Poland	***	**	***
Portugal	**	**	***
Romania	*	**	*
Slovakia	**	***	***
Slovenia	*	**	*
Spain	*	*	**
Sweden	***	**	*
United Kingdom	**	**	***
<b>Acceding And Candidate Countries</b>			
Croatia	*	***	**
Iceland	**	***	***

Note: Questionnaire question: Which other concepts related to the 'social economy' enjoy scientific, political or social recognition in your country?

In Finland, the Netherlands, Sweden, Italy and Poland the concept of social enterprises is widely accepted. Finland passed a Law on Social Enterprises in 2003, Italy in 2005 and a bill has been drawn up in the Netherlands. In addition to the concepts social economy, non-profit sector, social enterprise and third sector, other widely accepted notions coexist in several EU countries. In countries such as the United Kingdom, Denmark, Malta and Slovenia, the concepts voluntary sector and non-governmental organisation, more closely related to the idea of non-profit organisations, appear to enjoy wide scientific, social and political recognition. In French-speaking European countries (France, the Walloon Region of Belgium and Luxembourg<sup>56</sup>), the concepts solidarity economy, and social and solidarity economy are also recognised, while the idea of a *Gemeinwirtschaft* (general interest economy) is known in Germanic countries such as Germany and Austria.

It is important to point out that in several countries certain components of the term social economy in its broadest sense are not recognised as integral parts of this sector, with emphasis instead on their specificity and separateness. This is the case of cooperatives in countries such as Germany, the United Kingdom, Latvia, and partly Portugal.

## **5.2. The actors in the social economy in EU Member States**

In light of the situation outlined in the previous section of this chapter, which highlights the marked diversity of national realities concerning the concepts and the level of recognition of the social economy and related concepts, it is clearly not easy to identify the components of the social economy in each country. The undertaking is to identify what institutional forms make up the field of the social economy or the related term that is most widely recognised in each country.

The results of the study, having consulted the corresponding national experts, are shown in Table 5.3.

Three main conclusions may be drawn by way of a summary. The first and basic one is that the components vary significantly from one country to another, there being genuinely national forms that the experts consider to be integral to the social economy in their countries (see X1, X2, etc.). In some countries, such as Italy and Spain, there are differing ideas about the scope of the social economy: a business concept of the social economy that sees it as consisting mainly of cooperatives coexists with a non-market concept that sees it as largely comprising associations, social cooperatives and other non-profit organisations.

A second conclusion to be drawn is that the well-known notion of the social economy, one that brings together cooperatives, mutuals, associations and foundations, is most widely spread in precisely the group of countries where the concept of the social economy is most broadly accepted, with the exception of Ireland. In two of these countries, France and Spain, there is legal recognition of the social economy.

A third conclusion is that there is general consensus that cooperatives are part of the social economy. This reflects the fairly widespread view that cooperatives and mutuals are the prototype enterprises of the social economy. Associations, foundations and social enterprises are also considered components. The reason for excluding friendly societies (mutuals) from the sphere of the social economy in the new EU Member States may be the low level of recognition

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<sup>56</sup> In France the new socialist government has created a *Ministère délégué chargé de l'Economie sociale et solidaire* and in Luxembourg there is a *Plateforme de l'économie sociale et solidaire* [Social and Solidary Economy Platform].

of the very concept of the social economy itself, together with the absence of a legal status for mutuals in these countries.

**Table 5.3. Components of the 'social economy'**

	Cooperatives	Mutuals	Associations	Foundations	Others
Austria	X	X	X	X	X1
Belgium	X	X	X	X	X2
Bulgaria	X	X	X	X	
Cyprus	X	n.a.	n.a.	n.a.	
Czech Republic	X	-	-	-	X11
Denmark	X	X	X	X	X3
Estonia	X	n.a.	X	X	
Finland	X	X	X	X	
France	X	X	X	X	X4
Germany	X	-	X	X	X5
Greece	X	X	X	X	X6
Hungary	X	-	X	X	X12
Ireland	X	X	-	-	X7
Italy	X	X	X	X	X8
Latvia	X	X	X	X	
Lithuania	X	-	-	-	X13
Luxembourg	X	X	X	X	
Malta	X	X	X	X	X14
Netherlands	X	X	X	X	
Poland	X	-	X	X	X15
Portugal	X	X	X	X	X9
Romania	X	X	X	X	X16
Slovakia	X	X	X	X	X17
Slovenia	X	X	X	X	
Spain	X	X	X	X	X10
Sweden	X	X	X	X	
United Kingdom	X	X	X	X	
<b>Acceding and Candidate Countries</b>					
Croatia	X	-	X	X	
Iceland	X	X	X	X	

Note: Questionnaire question: Which of the following institutional forms do you consider to belong to the field of the 'social economy' in your country or, if applicable, to a related concept that you consider more widely accepted?

Other specific forms of the social economy in each country :

X1: Social enterprises

X2: Sociétés à finalité sociale

X3: Social enterprises

X4: Comités d'entreprise, voluntary social protection

X5: Volunteer services and agencies; social firms for disadvantaged people; alternative enterprises of the women's and environmental movement; self-help organisations; socio-cultural centres; work integration companies; local exchange and trading systems; neighbourhood and community enterprises

X6: Popular companies

X7: Credit unions

X8: Volunteering organisations; specific types of associations such as associations of social promotion and family associations; community foundations; non-governmental organizations; IPAB: Istituzioni di Pubblica Assistenza e Beneficenza

X9: Misericordias; IPSS (Instituições Particulares de Solidariedade Social)

- X10: Sociedades Laborales, Empresas de Inserción, Centros Especiales de Empleo, specific groups such as ONCE, Sociedades Agrarias de Transformación
- X11: Association of Common Benefits;
- X12: Non profit enterprises
- X13: Credit unions and social enterprises
- X14: BandClub
- X15: Centres of Socio-Economic Integration
- X16: Unitati Autorizate Proteiate (Authorized Protected Units)
- X17: Sheltered workshops, social services

### *The platforms and networks of the social economy in Europe*

Social organisations have a natural tendency to form groups based on shared economic and political affinities and interests.

Some of the social economy business groups and networks that have been built up in the interests of competitiveness are veritable European corporate giants<sup>57</sup>.

Groups have also been formed in the political sphere, in what some have named the 'European civil society' of the social economy (see DIESIS, 2008). The social economy in Europe has set up many organisations that act as its representatives. Through these, it has taken part in drawing up and implementing national and EU policy when these processes have made space for participation by this type of social interlocutor.

In the different European countries, the associations that represent social economy companies and organisations have mainly arisen from a sector perspective, giving rise to organisations, associations and platforms that represent credit, workers' and agricultural cooperatives, among others, as well as mutual insurance companies, provident societies and associations, and other social action non-governmental organisations.

This process has also taken place at European level, where the social economy (either the 'families' within it or as a whole) has historically played a part in different EU policies. This has been evident since the year the Treaty of Rome was signed, when Eurocoop, the organisation that represents the consumers' cooperatives of Europe, was founded, and in the development of the Common Agricultural Policy with the assistance of the General Confederation of Agricultural Cooperatives in the European Union (COGECA).

Nowadays, the organisations that represent the social economy in Europe are:

#### *1. Cooperative family:*

- EUROCOOP: European Community of Consumer Cooperatives
- CECODHAS: European Liaison Committee for Social Housing — cooperative section
- CECOP: European Confederation of Workers' Cooperatives, Social Cooperatives and Participative Enterprises
- COGECA: General Confederation of Agricultural Cooperatives
- GEBC: European Cooperative Banking Group
- UEPS: European Union of Social Pharmacies

Cooperatives Europe<sup>58</sup> is the umbrella organisation of all these representative bodies of the European cooperatives.

#### *2. Family of mutual societies:*

- AIM: International Association of Mutual Societies

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<sup>57</sup> See the world's major cooperatives and mutual businesses at <http://global300.coop>.

<sup>58</sup> <http://www.coopseurope.coop>

- AMICE - Association of Mutual Insurers and Insurance Cooperatives in Europe<sup>59</sup>

*3. Family of associations and social action organisations:*

- CEDAG: European Council of Associations of General Interest
- EFC: European Foundation Centre
- European Platform of Social NGOs

*4. Platforms for social enterprises:*

- CEFEC: Social Firms Europe, the Confederation of European Social Firms, Employment Initiatives and Social Cooperatives

Most of these European-level representation organisations are in turn members of SOCIAL ECONOMY EUROPE<sup>60</sup>, the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations, which is currently the highest-level European social economy interlocutor for the European institutions. This platform was set up in November 2000 under the name of CEP-CMAF.

In some countries the representative associations have surpassed the sector (family) level and created cross-sector organisations that refer explicitly to the social economy. Examples of these are CEPES, the Spanish Business Confederation of the Social Economy and the Social Economy Platform in Luxembourg.

Groupings have also followed other criteria: for instance, the past fifteen years have seen the appearance of joint networks of platforms representing the social economy, government bodies (such as town councils) and/or companies and other social organisations which are actively promoting the social economy. This is the case with ESMED, the Euro-Mediterranean Social Economy Network, made up of the national social economy or cooperative platforms of Portugal, France, Spain, Italy, Morocco and Tunisia; REVES, the European Networks of Cities & Regions for the Social Economy; ENSIE, the European Network for Social Integration Enterprises; and FEDES – European Federation of Social Employers. CIRIEC-International<sup>61</sup>, in turn, is an unusual example of an organisation with a membership that brings together organisations representing companies from the public sector and the social and cooperative economy of many European countries with researchers who specialise in this field.

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<sup>59</sup> AMICE was created in 2008 through the merger of the two previously existing associations of mutual and cooperative insurers in Europe, AISAM and ACME.

<sup>60</sup> <http://www.socialeconomy.eu.org/>

<sup>61</sup> <http://www.ciriec.ulg.ac.be>

## **CHAPTER 6**

### **THE SOCIAL ECONOMY IN THE EUROPEAN UNION, IN THE ACCEDING AND CANDIDATE COUNTRIES IN FIGURES**

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The purpose of this chapter is to give an overview of the main figures for the social economy in the EU, by country and globally, differentiating three groups of organisations: cooperatives and similar accepted types; mutual societies and similar types; and finally associations, foundations and other related non-profit types.

Drawing up statistics from field studies and verifiable accounts is essential. However, for reasons of cost and time it exceeds the scope of this study and must be tackled at a later stage.

The statistical information provided in this study has been drawn up from secondary data supplied by our correspondents in each country (see Appendix). The reference period is 2009-2010. However, for reasons of availability and of the quality of statistical reporting, the information for some countries is some years old, particularly in the case of associations, foundations and similar organisations. The figures sought were the number of persons employed and, where possible, the full-time equivalent, number of members, number of volunteers and number of organisations or companies. For purposes of comparability with the data of the previous study carried by CIRIEC for the EESC on the state of the social economy in the EU-25, particular attention has been paid to the 'employment' variable. Two specific tables (6.3 and 6.4) have been drawn up to compare the main figures from both studies.

In the course of this work, serious statistical gaps have appeared in the data for various countries, particularly the new EU Member States, but not exclusively. The gaps have been remedied, where possible, on the basis of the information available from other scientific studies cited in the bibliography, from the ICMIF and AMICE, the Cooperatives Europe study of organisations (2010), and studies by other umbrella organisations such as COGECA or Eurocoop. These sources have been cited systematically in the tables for the different countries. On the other hand, for some countries we found different data for the same year depending on the source and the concept of the social economy group. Decisions have been taken based on prudence. Much effort must be made to systematise statistics for the different social economy groups over the coming years (as stated in Chapter 3 and in Archambault and Kaminski, 2009).

A significant difference between this study and the last one carried out by the EESC-CIRIEC is that national statistical institutes have put a great deal of work in recent years into providing credible data on various groups in the social economy. In Spain, Portugal, the Czech Republic and Hungary the satellite account methodology has been employed. Some other statistical institutes, such as France, supply time series on employment in the social economy. Rigorous statistics are an important step in the recognition of the social economy in Europe.

Given the method employed, particularly in view of the difficulty of comparing certain variables internationally, the questionable reliability of the data for certain countries, the risks of double accounting among 'families' within a single country, the different years to which they refer, and the different sources for the same 'family' and country for the two periods of reference (2002-03 and 2009-10), linked in the latter case to the availability or otherwise of data, this statistical information should be treated with caution.

The tables below are self-explanatory in terms of the state of the social economy in EU countries.

*The main conclusion to be drawn is that the social economy in Europe is very important in both human and economic terms, providing paid employment to over 14.5 million Europeans, or about 6.5% of the working population of the EU-27 and about 7.4% in the 15 'older' EU Member States. In countries such as Sweden, Belgium, Italy, France and the Netherlands it accounts for between 9% and 11.5% of the working population. These aggregates underline the fact that this is a reality which cannot and should not be ignored by society and its institutions.*

The second noteworthy conclusion is that, with certain exceptions, the social economy is relatively small in the new EU Member States in comparison to the 'older' 15 Member States. Therefore, if the social economy is to develop its full potential in these countries it needs to reach at least the same level as in other countries in the EU.

The third conclusion is that the social economy has increased more quickly than the population as a whole in 2002-03 and 2009-10, increasing from the 6% of the total European paid workforce to the 6.5%, and from 11 million jobs to 14.5 million jobs.

The fourth conclusion is that associations, foundations and other similar types are the main social economy 'family', comprising most of the social entities / enterprises and about 65% of the employment in this social sector, including both paid and voluntary work.

**Table 6.1. Paid employment in cooperatives, mutual societies and associations in the EU (2009-2010)**

Country	Cooperatives	Mutual societies	Associations	TOTAL
Austria	61,999	1,416	170,113	233,528
Belgium	13,547	11,974	437,020	462,541
Bulgaria	41,300	n.a.	80,000	121,300
Cyprus	5,067	n.a.	n.a.	5,067
Czech Republic	58,178	5,679	96,229	160,086
Denmark	70,757	4,072	120,657	195,486
Estonia	9,850	n.a.	28,000	37,850
Finland	94,100	8,500	84,600	187,200
France	320,822	128,710	1,869,012	2,318,544
Germany	830,258	86,497	1,541,829	2,458,584
Greece	14,983	1,140	101,000	117,123
Hungary	85,682	6,676	85,852	178,210
Ireland	43,328	650	54,757	98,735
Italy	1,128,381	n.a.	1,099,629	2,228,010
Latvia	440	n.a.	n.a.	440
Lithuania	8,971	n.a.	n.a.	8,971
Luxembourg	1,933	n.a.	14,181	16,114
Malta	250	n.a.	1,427	1,677
Netherlands	184,053	2,860	669,121	856,054
Poland	400,000	2,800	190,000	592,800
Portugal	51,391	5,500	194,207	251,098
Romania	34,373	18,999	109,982	163,354
Slovakia	26,090	2,158	16,658	44,906
Slovenia	3,428	476	3,190	7,094
Spain	646,397	8,700	588,056	1,243,153
Sweden	176,816	15,825	314,568	507,209
United Kingdom	236,000	50,000	1,347,000	1,633,000
<b>Acceding and Candidate Countries</b>				
Croatia	3,565	1,569	3,950	9,084
Iceland	n.a.	221	n.a.	221
<b>TOTAL EU-15</b>	<b>3,874,765</b>	<b>325,844</b>	<b>8,605,750</b>	<b>12,806,379</b>
<b>New Member States</b>	<b>673,629</b>	<b>36,788</b>	<b>611,338</b>	<b>1,321,755</b>
<b>TOTAL EU-27</b>	<b>4,548,394</b>	<b>362,632</b>	<b>9,217,088</b>	<b>14,128,134</b>

In Italy, the data for mutual societies and cooperatives are aggregated.



**Table 6.2. Paid employment in the social economy compared with total paid employment in the EU (2009-2010), in thousands**

Country	Employment in SE	Total employment	%
Austria	233.53	4,096.30	5.70%
Belgium	462.54	4,488.70	10.30%
Bulgaria	121.3	3,052.80	3.97%
Cyprus	5.07	385.1	1.32%
Czech Republic	160.09	4,885.20	3.28%
Denmark	195.49	2,706.10	7.22%
Estonia	37.85	570.9	6.63%
Finland	187.2	2,447.50	7.65%
France	2,318.54	25,692.30	9.02%
Germany	2,458.58	38,737.80	6.35%
Greece	117.12	4,388.60	2.67%
Hungary	178.21	3,781.20	4.71%
Ireland	98.74	1,847.80	5.34%
Italy	2,228.01	22,872.30	9.74%
Latvia	0.44	940.9	0.05%
Lithuania	8.97	1,343.70	0.67%
Luxembourg	16.11	220.8	7.30%
Malta	1.68	164.2	1.02%
Netherlands	856.05	8,370.20	10.23%
Poland	592.8	15,960.50	3.71%
Portugal	251.1	4,978.20	5.04%
Romania	163.35	9,239.40	1.77%
Slovakia	44.91	2,317.50	1.94%
Slovenia	7.09	966	0.73%
Spain	1,243.15	18,456.50	6.74%
Sweden	507.21	4,545.80	11.16%
United Kingdom	1,633.00	28,941.50	5.64%
<b>Acceding and Candidate Countries</b>			
Croatia	9.08	1,541.20	0.59%
Iceland	0.22	165.8	0.13%
<b>TOTAL EU-15</b>	<b>12,806.37</b>	<b>172,790.40</b>	<b>7.41%</b>
<b>TOTAL EU-27</b>	<b>14,128.13</b>	<b>216,397.80</b>	<b>6.53%</b>

\* Working population aged 16–65, Eurostat, 2010.

Table 6.3. Evolution of paid employment in the social economy in Europe

Country	Employment in the social economy		Δ%
	2002/2003	2009/2010	
Austria	260,145	233,528	-10.23%
Belgium	279,611	462,541	65.42%
Bulgaria	n.a.	121,300	n.a.
Cyprus	4,491	5,067	12.83%
Czech Republic	165,221	160,086	-3.11%
Denmark	160,764	195,486	21.60%
Estonia	23,250	37,850	62.80%
Finland	175,397	187,200	6.73%
France	1,985,150	2,318,544	16.79%
Germany	2,031,837	2,458,584	21.00%
Greece	69,834	117,123	67.72%
Hungary	75,669	178,210	135.51%
Ireland	155,306	98,735	-36.43%
Italy	1,336,413	2,228,010	66.72%
Latvia	300	440	46.67%
Lithuania	7,700	8,971	16.51%
Luxembourg	7,248	16,114	122.32%
Malta	238	1,677	604.62%
Netherlands	772,110	856,054	10.87%
Poland	529,179	592,800	12.02%
Portugal	210,950	251,098	19.03%
Romania	n.a.	163,354	n.a.
Slovakia	98,212	44,906	-54.28%
Slovenia	4,671	7,094	51.87%
Spain	872,214	1,243,153	42.53%
Sweden	205,697	507,209	146.58%
United Kingdom	1,711,276	1,633,000	-4.57%
<b>Acceding and Candidate Countries</b>			
Croatia	n.a.	9,084	n.a.
Iceland	n.a.	221	n.a.
<b>TOTAL EU-15</b>	10,233,952	<b>12,806,379</b>	25.14%
<b>New Member States</b>	908,931	<b>1,321,755</b>	45.42%
<b>TOTAL EU-27</b>	11,142,883	<b>14,128,134</b>	26.79%

**Table 6.4 Evolution of paid employment in the social economy in Europe**

Country	Jobs in 2002/2003		Jobs in 2009/2010		Δ%	
	Cooperatives	Associations	Cooperatives	Associations	Cooperatives	Associations
Austria	62,145	190,000	61,999	170,113	-0.23%	-10.47%
Belgium	17,047	249,700	13,547	437,020	-20.53%	75.02%
Bulgaria	n.a.	n.a.	41,300	80,000	n.a.	n.a.
Cyprus	4,491	n.a.	5,067	n.a.	12.83%	n.a.
Czech Republic	90,874	74,200	58,178	96,229	-35.98%	29.69%
Denmark	39,107	120,657	70,757	120,657	80.93%	0.00%
Estonia	15,250	8,000	9,850	28,000	-35.41%	250.00%
Finland	95,000	74,992	94,100	84,600	-0.95%	12.81%
France	439,720	1,435,330	320,822	1,869,012	-27.04%	30.21%
Germany	466,900	1,414,937	830,258	1,541,829	77.82%	8.97%
Greece	12,345	57,000	14,983	101,000	21.37%	77.19%
Hungary	42,787	32,882	85,682	85,852	100.25%	161.09%
Ireland	35,992	118,664	43,328	54,757	20.38%	-53.86%
Italy	837,024	499,389	1,128,381	1,099,629	34.81%	120.19%
Latvia	300	n.a.	440	n.a.	46.67%	n.a.
Lithuania	7,700	n.a.	8,971	n.a.	16.51%	n.a.
Luxembourg	748	6,500	1,933	14,181	158.42%	118.17%
Malta	238	n.a.	250	1,427	5.04%	n.a.
Netherlands	110,710	661,400	184,053	669,121	66.25%	1.17%
Poland	469,179	60,000	400,000	190,000	-14.74%	216.67%
Portugal	51,000	159,950	51,391	194,207	0.77%	21.42%
Romania	n.a.	n.a.	34,373	109,982	n.a.	n.a.
Slovakia	82,012	16,200	26,090	16,658	-68.19%	2.83%
Slovenia	4,401	n.a.	3,428	3,190	-22.11%	n.a.
Spain	488,606	380,060	646,397	588,056	32.29%	54.73%
Sweden	99,500	95,197	176,816	314,568	77.70%	230.44%
United Kingdom	190,458	1,473,000	236,000	1,347,000	23.91%	-8.55%
<b>Acceding and Candidate Countries</b>						
Croatia	n.a.	n.a.	3,565	3950	n.a.	n.a.
Iceland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total EU-15</b>	<b>2,946,302</b>	<b>6,936,776</b>	<b>3,874,765</b>	<b>8,605,750</b>	<b>31.51%</b>	<b>24.06%</b>

**Table 6.5. Volunteers in the EU, 2011**

<b>Country</b>	<b>% of adult population</b>	<b>Number of volunteers</b>
Austria	37%	2,638,255
Belgium	26%	2,341,994
Bulgaria	12%	784,501
Cyprus	23%	153,531
Czech Republic	23%	2,072,862
Denmark	43%	1,949,371
Estonia	30%	341,166
Finland	39%	1,740,611
France	24%	12,646,908
Germany	34%	24,065,072
Greece	14%	1,355,390
Hungary	22%	1,878,243
Ireland	32%	1,124,535
Italy	26%	13,484,222
Latvia	22%	426,628
Lithuania	24%	679,138
Luxembourg	35%	144,534
Malta	16%	55,975
Netherlands	57%	7,787,384
Poland	9%	2,914,610
Portugal	12%	1,082,532
Romania	14%	2,549,410
Slovakia	29%	1,332,145
Slovenia	34%	598,298
Spain	15%	5,867,518
Sweden	21%	1,636,160
United Kingdom	23%	11,774,457
<b>Acceding and Candidate Countries</b>		
Croatia	n.a.	n.a.
Iceland	n.a.	n.a.

Source: Eurobarometer/European Parliament 75.2: Voluntary work.

## EU COUNTRIES

### THE SOCIAL ECONOMY IN AUSTRIA

**Table 6.6 (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual companies and other similar accepted forms</b>	<b>Associations and other similar accepted forms</b>
- Cooperative banks (2010: 37,083 jobs 2,370,000 members 620 enterprises) - Agricultural cooperatives (2010: 15,800 jobs 185,000 members 1047 enterprises) - Housing cooperatives (2010: 4,406 jobs 460,614 members 99 enterprises) - Service cooperatives (2010: 4,260 jobs 21,186 members 76 enterprises) - Other coops (2010: 450 jobs 18 enterprises)	- Mutual insurances (2010: 1,416 jobs )	- Social and Health Entities (2006: 99,648 jobs) - Sport and Culture Entities (2006: 6,643 jobs) - Others (e.g. environmental, etc.) (2006: 63,822 jobs)
61,999 jobs 1,860 enterprises 3,015,614 members	1,416 jobs 59 entities	170,113 jobs 116,556 entities 4,670,000 volunteers

(\*) Source: J.Brazda, R.Schediwy & H.Blisse (University of Vienna)

### THE SOCIAL ECONOMY IN BELGIUM

**Table 6.7 (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual companies and other similar accepted forms</b>	<b>Associations and other similar accepted forms</b>
- All cooperatives (1) (2009: 13,547 jobs 2,670,000 members 166 enterprises)	- Mutual companies (2005: 11,974 jobs 26 enterprises)(2)	- Associations (excluding education) (2008: 431,700 jobs 17,794 entities)(2) - Foundations (2005: 5,320 jobs 667 entities)(2)
13,547 jobs 166 enterprises 2,670,000 members	11,974 jobs 26 enterprises	437,020 jobs 18,461 entities

(\*) Source: F.Fecher et al (CIRIEC-Belgium)

(1) Source: Cooperatives Europe, 2009. This information refers only to those affiliated with Cooperatives Europe.

(2) CIRIEC-Belgium estimates and Foundation Roi Baudoin.

## THE SOCIAL ECONOMY IN BULGARIA

Table 6.8

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Consumer cooperatives (1) (2010: 10,300 jobs 826 enterprises 155,000 members) - Worker cooperatives (2010: 15,000 jobs 235 enterprises 20,000 members) - Agricultural cooperatives (2010: 16,000 jobs 940 enterprises 240,000 members) - Credit unions (2010: 16 enterprises 10,000 members)	- Mutual Savings & Loan (2010: 11 enterprises 12,525 members) (1)	Associations, foundations and other non-profit and voluntary organisations (2010: 8,049 organisations 1,459,000 members) (1)  - Non profit sector (2005: 80,000 jobs 18,305 associations 4,010 foundations Of which : 4,151 public benefit entities) (2)
41,300 jobs 2,016 enterprises 425,000 members	11 entities 12,525 members	80,000 jobs 22,315 entities 1,459,000 members

(1) Source: Doitchinova, J. & Zaimova, D. (University of National and World Economy & Trakian University), based on the Statistical Yearbook 2010, National Statistical Institute.

(2) BCNL (2006) and estimate by CIRIEC, based on the Bulgarian National Statistical Institute (BULSTA)

## THE SOCIAL ECONOMY IN CYPRUS

Table 6.9 (\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- All cooperatives (1) (2009: 5,067 jobs 620 enterprises) Of which: - Banking cooperatives: (2009: 3,326 jobs 406 cooperatives 707,993 members) - Consumer cooperatives: (2009: 285 jobs 1 cooperative 30,000 members) - Others: (2009: 1,456 jobs 213 cooperatives 538,000 members)	- n.a.	- (Entities registered – not all active: 2009: 3,227 associations 289 foundations Of which: 33.6% Welfare & Health 21.0% Sport 12.1% Professional organisations) (2)
5,067 jobs 620 enterprises 1,275,993 members	- n.a.	3,516 entities

(1) Source: Cooperatives Europe, 2009.

(2) SPES & Pan Cyprian Volunteerism Coordinative Council ([www.spes.lazio.it](http://www.spes.lazio.it))

## THE SOCIAL ECONOMY IN THE CZECH REPUBLIC

**Table 6.10 (\*)**

<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 (1): - Housing cooperatives: (2010: 3,158 jobs 611 enterprises 517,969 members) - Consumer cooperatives: (2010: 14,345 jobs 57 enterprises 231,706 members) - Production cooperatives: (2010: 13,375 jobs 218 enterprises 5,022 members) - Agricultural cooperatives: (2010: 27,300 jobs 575 enterprises) - Financial cooperatives: (2010: 14 enterprises 34,007 members) - Housing cooperatives: (2010: 1,624 enterprises 72,998 members)	- Mutual societies (3): (2010: 7 entities 5,679 jobs)	- Associations, foundations and other non-profit voluntary organisations: (2010: 96,229 jobs 98,693 entities) (2)  (2007: 1,215,363 volunteers) (2)
58,178 jobs 3,085 enterprises 754,697 members	5,679 jobs 7 entities	96,229 jobs 98,693 entities

(\*) Source: Huncova, M. (J.E. Purkyne University, Czech Republic) and Francova, P. (P3 Organisation - People, Planet, Profit) based on:

(1) Source: National Statistics of the Czech Cooperatives Association

(2) Source: Czech Statistical Office, satellite account for NGOs, data refer to 1.1.2010

(3) ICMIF figures for 2010

## THE SOCIAL ECONOMY IN DENMARK

Table 6.11 (\*)

Cooperatives and other similar accepted forms	Mutual companies and other similar accepted forms	Associations and other similar accepted forms
-Agricultural cooperatives: (1) (2009: 11 cooperatives 35,000 jobs 99,000 members) - Consumer cooperatives: (2009: 382 cooperatives 19,098 jobs 1,670,000 members) - Banking cooperatives: (2009: 20 cooperatives 659 jobs 67,000 members) - Industrial cooperatives: (2009: 110 cooperatives) 16,000 jobs 4,803 members	- Mutual companies and other forms: (2) (2009: 53 entities 4,072 jobs)	- Associations and foundations (2004: 120,657 jobs 12,877 entities)
70,757 jobs 523 enterprises 1,840,803 members	4,072 jobs 53 entities	120,657 jobs 12,877 entities

(\*) Source: Jakobsen, G . (Copenhagen Business School & Center for Social Entrepreneurship, Roskilde University).

(1) Source: Performance Report of Cooperatives Europe, 2010.

(2) ICMIF Figures for 2010. Includes pension funds

Other sources give the following data:

For associations and similar, Johns Hopkins (2004) gives 140,620 jobs FTE.

For cooperatives and similar, Jabobsen, based on Danmarks Statistik (2009), gives 32,976 jobs and 1,726 enterprises)

## THE SOCIAL ECONOMY IN ESTONIA

Table 6.12

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Cooperatives (1): - Housing cooperatives (2009: 1,200 jobs 1,400 enterprises 340,000 members) - Agricultural cooperatives (2009: 3,600 jobs 180 enterprises) - Worker cooperatives (2009: 3 enterprises) - Consumer cooperatives (2009: 5,050 jobs 72,000 members 21 enterprises)	- (n/a)	- Non-profit organisations (2009: 28,000 jobs 32,000 entities of which: 12,000 housing assocs, (2)
9,850 jobs 1,604 enterprises 410,000 members	- (n/a)	28,000 jobs 32,000 entities

(1) Source: Cooperatives Europe, 2009.

(2) NENO - Network of Estonian Non-Profit Organizations (www.ngo.ee) based on the Center of Registers and Information Systems



## THE SOCIAL ECONOMY IN FINLAND

**Table 6.13 (\*)**

<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>
- Agricultural cooperatives (2010: 32,284 jobs 167,100 members 36 enterprises) - Consumer cooperatives (2010: 47,082 jobs 2,360,200 members 53 enterprises) - Cooperative banks (2010: 13,234 jobs 1,338,100 members 251 enterprises) - Worker cooperatives (2010: 1,500 jobs)	-Mutual insurance (2010: 8,072 jobs 73 enterprises) -Mutual Saving & Loans (2010: 428 jobs 33 enterprises)	- All entities (2005: 130,000 entities 84,600 jobs)
94,100 jobs 4,384 enterprises 3,865,400 members	8,500 jobs 106 entities	84,600 jobs 130,000 entities

(\*) Source: Pekka Pättiniemi based on Tiedotustilaisuus

## THE SOCIAL ECONOMY IN FRANCE

**Table 6.14 (\*)**

<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 (2009: 165,198 jobs 16,186 cooperatives 21,500,000 members) - Agricultural cooperatives (2009: 83,511 jobs 4,492 enterprises) - Worker cooperatives (2009: 25,568 jobs 1,509 enterprises) - Consumer cooperatives (2009: 5,950 jobs 385 enterprises) - Commercial cooperatives (2009: 84 jobs 6,932 enterprises) - Artisans' cooperatives (2009: 2,508 jobs 269 enterprises) - Other (educational coops, etc.) (2009: 31,155 jobs 1,945 enterprises)	- Health mutuals (2009: 83,508 jobs 4,899 enterprises) - Mutual insurance companies (2009: 40,444 jobs 1,834 enterprises) (Others: 4,758 jobs 10 enterprises)	- Social and health associations (2009: 968,834 jobs 35,539 entities) - Sport and culture associations (2009: 114,561 jobs 56,778 entities) - Educational associations (2009: 339,417 jobs 20,532 entities) - Others (e.g. environment, tourism, etc.) (2009: 380,153 jobs 70,811 entities) - Foundations (2009: 66,047 jobs 1,205 entities)
320,822 jobs 24,870 enterprises 24,000,000 members	128,710 jobs 6,743 entities 20,000,000 members	1,869,012 jobs 160,884 entities 14,000,000 volunteers

(\*) Source: D. Demoustier, E. Archambault, N. Richez-Battesti, based on Recherches et solidarité (2009), Observatoire du Conseil National de CRESS, COOPFr, GEMA and FNMF.

THE SOCIAL ECONOMY IN GERMANY

Table 6.15 (\*)

Cooperatives and other similar accepted forms	Mutual companies and other similar accepted forms	Associations and other similar accepted forms
- All cooperatives (1) (2009: 830,258 jobs 7,415 enterprises 20,509,973 members) Of which: - Cooperative banks (2009: 168,000 jobs 1,197 enterprises) - Agricultural cooperatives (2009: 103,000 jobs 2,994 enterprises) - Industrial cooperatives (2009: 35,000 jobs 97 enterprises) - Consumer cooperatives (2009: 15,000 jobs 166,enterprises) - Housing cooperatives (2009: 26,258 jobs 1,869 enterprises) - Other cooperatives (2009: 483,000 jobs 1,092 enterprises)	- Mutual companies (2010: 86,497 jobs 328 entities) (2)	- Non-statutory welfare associations (2008: 1,541,829 jobs 708,523 full-time; 833,306 part-time) 102,393 entities) (3) 23,000,000 volunteers
830,258 jobs 7,415 enterprises 20,509,973 members	86,497 jobs 328 entities	1,541,829 jobs 505,984 entities 3,000,000 volunteers

(\*) Source: G. Lorenz & K. Birkhölzer (Technologie-Netzwerk Berlin) and U.Tiburcy (BAGFW).

(1) Cooperatives Europe, Intermediary Report, 2009

(2) ICMIF

(3) BAGFW - Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e. V.

Other sources give the following data: For associations and similar, Anheier et al – Destatis / CSI (2011) give (2007) 2,284,410 jobs and 104,855 entities for the *dritter Sektor* ('third sector').

## THE SOCIAL ECONOMY IN GREECE

**Table 6.16 (\*)**

<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>
- All cooperatives (2010: 14,983 jobs 7,197 enterprises)  Of which: - Agricultural cooperatives (2010: 11,300 jobs 713,714 members 6,376 enterprises) - Cooperative banks (2010: 1,238 jobs 25 enterprises) - Coop, insurance cos, (2010: 45 jobs 8 enterprise) - Housing cooperatives (2010: 120,242 members 545 enterprises) - Pharmacy coops (2010: 1,500 jobs 41 enterprises) - Plumbers & electricians' coops (2010: 400 jobs 53 enterprises) - Social & women's coops (2010: 500 jobs 140 enterprises)	- Mutual help funds (2010: 1,100 jobs 4 enterprises 150,000 members) - Occupational insurance funds (2010: 40 jobs 7 enterprises 30,000 members)	- Associations (2010: 100,000 jobs 50,000 entities 1,500,000 members)  - Foundations (2010: 1,000 jobs 600 entities)
14,983 jobs 7,197 enterprises 1,052,785 members	1,140 jobs 11 entities 180,000 members	101,000 jobs 50,600 entities 1,500,000 members

(\*) Source: Nasioulas, I (University of the Aegean) and Klimi-Kaminari, O. (Institute of Co-operation).  
 Based on Nasioulas (2012).

## THE SOCIAL ECONOMY IN HUNGARY

Table 6.17

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms (*)
- All cooperatives (1) (2009: 85,682 jobs 2,769 enterprises 547,000 members) Of which: - Consumer cooperatives (2010: 32,000 jobs 50,000 members 97 enterprises) (2)	- Mutual societies (2009: 13 entities 6,676 jobs) (3)	- Nonprofit entities (4): (2006: 58,242 entities Of which: 35.7% foundations 64.3% member-based entities 51.7% voluntary organisations 16.9% Recreation and hobby 15.9 Education and research 12.3% Sports 8.8% Social services) (2006: 85,852 jobs FTE 75,413 full time jobs 20,035 part time jobs 438,000 volunteers)
85,682 jobs 2,769 enterprises 547,000 members	6,676 jobs 13 entities	85,852 jobs 58,242 entities

(1) Source: Performance Report of Cooperatives Europe, 2009.

(2) Source: Eurocoop (2010)

(3) ICMIF figures for 2010

(4) Nagy, R. & Sebestény, I. (Hungarian Central Statistical Office) (s/f)

## THE SOCIAL ECONOMY IN IRELAND

Table 6.18 (\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Agricultural cooperatives (2005: 37,694 jobs 83 enterprises 187,727 members) - Wholesale cooperatives (2003: 2,634 jobs 2 enterprises) - Others: credit unions (2004: 3,000 jobs 424 enterprises 2,569,984 members)	- Mutual benefit societies (2005: ca 650 jobs ca 100 enterprises)	- Nonprofit sector (2005: 40,003 jobs full time 14,754 jobs part-time 1,570,408 volunteers) 25,000 entities) (1) Of which: - Social enterprises (2005: ca 1,500 enterprises)
43,328 jobs 509 enterprises 152,000 members	650 jobs 100 entities	54,757 jobs 25,000 entities 1,570,408 volunteers

(\*) Source: P Hermann (University College Cork) and McCarthy, O. (Centre for Cooperative Studies)

(1) Donaghue et al (2006).

Other sources give the following data: For cooperatives and similar, Cooperatives Europe (2009) presents 18,869 jobs, 152,000 members and 183 enterprises, but this refers only to those affiliated with Cooperatives Europe.

## THE SOCIAL ECONOMY IN ITALY

**Table 6.19 (\*)**

<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>
- Agricultural cooperatives (2008: 63,842 jobs 804,203 members 7,468 enterprises) - Cooperative banks (2008: 29,418 jobs) 1,063,913 members 432 enterprises) - Service cooperatives (2008: 775,905 jobs 33,217 enterprises) - Building cooperatives (2008: 80,474 jobs 13,712 enterprises) - Consumer-commerce cooperatives (2008: 103,335 jobs) 7,758,552 members 5,608 entities) - Industry cooperatives (2008: 75,407 jobs 5,137 enterprises) - Unclassified 26,909 jobs 6,000 enterprises	n/a(*)	- Voluntary organisations (2003: 867,749 jobs 825,955 volunteers 21,021 entities) - Social promotion associations (2007: 48,480 jobs 14,754 volunteers 141 entities) - Foundations (2005: 156,251 jobs 46,144 volunteers 4,720 entities) - NGOs (2007: 27,149 jobs 12,456 volunteers 239 entities) (1)
1.128.381 jobs 71,578 enterprises 12,293,202 members	n/a	1,099,629 jobs 26,121 entities 899,309 volunteers

(\*) Source: F. Linguiti & A. Zevi; G. Perra; F. Zandonai & C. Carini. Data from Euricse, Legacoop and Confcooperative, data on cooperatives and mutual societies only for those affiliated with these confederations.

The data for mutual societies are integrated into those for cooperatives.

(1) Based on ISTAT, 2003-07.

(2) 13,938 social cooperatives were active in 2008, providing 312,040 jobs. 10,538 are service cooperatives and are counted as such. Other social cooperatives operate in other sectors (industry, agriculture, etc.) and are counted in their respective sectors in this table.

## THE SOCIAL ECONOMY IN LATVIA

Table 6.20(\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- All cooperatives (1) (2009: 440 jobs 74 enterprises) Of which: - Consumer cooperatives (2009: 9,900 members 11 enterprises) - Agricultural cooperatives (2009: 63 enterprises 7,430 members 440 jobs)	n.a.	n.a.
440 jobs 74 enterprises 17,330 members		

(1) Source: Performance Report of Cooperatives Europe, 2009. Refers only to those affiliated with Cooperatives Europe

## THE SOCIAL ECONOMY IN LITHUANIA

Table 6.21 (\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Cooperatives (1): - Consumer cooperatives (2009: 7,000 jobs 70 enterprises 130,000 members) - Agricultural cooperatives (2009: 1,600 jobs 361 enterprises 10,670 members) - Banking cooperatives (2009: 371 jobs 59 enterprises 81,188 members)	- none	- Non-governmental organisations (2007.....approx. 2,000 entities Of which: 55% Social services and health care 13% Sport 8% Child care and youth affairs 7% Local communities) (2)
8,971 jobs 490 enterprises 221,858 members	none	22,000 entities

(1) Source: Cooperatives Europe, 2009. Refers only to those affiliated with Cooperatives Europe

(2) Based on Non-Governmental Organisations' Information and Support Centre (NISC).

## THE SOCIAL ECONOMY IN LUXEMBOURG

**Table 6.22 (\*)**

<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>
- All cooperatives (2010: 56 enterprises 1,933 jobs 5,203 members)	- n/a	- Non profit associations (2010: 13,537 jobs 650 entities) - Other entities: (2010: 644 jobs 14 entities)
1,933 jobs 56 enterprises 5,203 members	- n/a	14,181 jobs 664 entities

(\*) STATEC, based on Lavillunière (2011).

## THE SOCIAL ECONOMY IN MALTA

**Table 6.23 (\*)**

<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>
- All cooperatives (1) (2009: 250 jobs 5,663 members) Other: 2011: 57 enterprises (2))	- n.a.	- Voluntary organisations: (2011: 394 institutions) - Sports clubs: (2011: 236 institutions) - Band clubs: (2011: 63 institutions)
250 jobs 57 enterprises 5,663 members		1,427 jobs 693 entities 7,058 volunteers

(1) Source: Performance Report of Cooperatives Europe, 2009. Refers only to those affiliated with Cooperatives Europe.

Source: Social Enterprises Project, MFEI 2012. Deguara Farrugia Adv. & APS Consult Limited.

**THE SOCIAL ECONOMY IN THE NETHERLANDS**

**Table 6.24**

<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>
- All cooperatives (1) (2009: 184,053 jobs 677 enterprises 3,249,000 members) - Banking cooperatives (1) (2009: 66,326 jobs 154 enterprises 1,743,000 members) - Agriculture cooperatives (2009: 114,147 jobs 522 enterprises 806,000 members) - Consumer cooperatives (2009: 3,580 jobs 1 enterprise 700,000 members)	- Mutual societies (3) (2010: 124 entities 2,860 jobs)	- Non-profit sector: 1995: 669,121 jobs) (2)  All associations, foundations and other similar accepted forms (with at least 1 employee) (2002: 60,000 entities)
184,053 jobs 677 enterprises 3,249,000 members	2,860 jobs 124 entities	669,121 jobs 60,000 entities

(1) Source: Performance Report of Cooperatives Europe, 2009.

(2) Source: Burger & Decker (2001)

(3) ICMIF figures for 2010



## THE SOCIAL ECONOMY IN POLAND

**Table 6.25 (\*)**

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Cooperatives (1) - Housing cooperatives: (2009: 10,090 jobs 540 enterprises 1,480,000 members) - Bank and financial cooperatives: (2009: 39,313 jobs 641 enterprises 4,526,120 members) - Worker cooperatives: (2009: 7,280 jobs 257 enterprises 5,207 members) - Consumer cooperatives: (2009: 50,000 jobs 274 enterprises 90,000 members) - Other cooperatives: (2009: 293,317 jobs 7,111 enterprises)	- Mutual insurance companies (2) (2010: 22 entities 2,800 jobs)	- All entities (2010) (3) 190,000 jobs 86,100 entities - Social and Health: (2010: 11,620 entities) - Sport and Culture: (2010: 41,500 entities) - Educational: (2010: 12,450 entities) - Environmental: (2010: 1,660 entities)
400,000 jobs 8,823 enterprises 8,000,000 members	2,800 jobs 22 entities	190,000 jobs 86,100 entities

(\*) Source: Les, E. (University of Warwaw. Institute of Social Policy), Janikowska, E. (Concorda), Potkanska, D. (Institute of Public Affairs)

(1) Source: Performance Report of Cooperatives Europe, 2009.

(2) ICMIF figures for 2010

(3) Source: Klon/Jawor Association report on the third sector in Poland 2010

THE SOCIAL ECONOMY IN PORTUGAL

Table 6.26 (\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Agricultural cooperatives (1) (2009: 14,067 jobs 723 enterprises 409,594 members) - Cooperative banks (2009: 4,639 jobs 97 enterprises 401,993 members) - Housing cooperatives (2009: 1,140 jobs 424 enterprises 31,261 members) - Consumer cooperatives (2009: 3,164 jobs 104 enterprises 360,456 members) - Social solidarity cooperatives (2009: 5,872 jobs 190 enterprises 85,285 members) - Educational cooperatives (2009: 12,803 jobs 111 enterprises 12,561 members) - Others (2009: 9,706 jobs 741 enterprises 51,957 members)	Mutual societies (2) (2010: 5,500 jobs 95 enterprises 1,100,000 members)	- Non profit entities (2006: 194,207 jobs 45,543 entities (3))  Of which (2006): - Social services (2006: 103,012 jobs 6,255 entities) - Research & training (2006: 25,719 jobs 2,057 entities) - Culture (2006: 16,566 jobs 22,897 entities) - Health (2006: 17,731 jobs 636 entities) - Other (2006: 31,179 jobs 13,698 entities)  (Includes Misericordias & IPSS)
51,391 jobs 2,390 enterprises 1,353,107 members	5,500 jobs 95 entities 1,100,000 members	194,207 jobs 45,543 entities

(1) Source: CASES – Cooperativa Antonio Sergio da Economia Social, Joao Leite & Lourdes Barata

(2) União das Mutualidades Portuguesas

(3) INE, Conta Satélite das Instituições Sem Fin Lucrativo, 2011

## THE SOCIAL ECONOMY IN ROMANIA

**Table 6.27 (\*)**

<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 (2009: 1,419 jobs 65 enterprises) - Manufacturing & craft cooperatives (2009: 25,553 jobs 788 enterprises 58,497 members) - Consumer cooperatives (2009: 7,401 jobs 894 enterprises 27,823 members) - Agricultural cooperatives (2009: 96 enterprises) - Others: Housing, production, etc, (2009: 28 enterprises)	- Mutual Help Houses for Retired People (CAR-pensionati) (2009: 2,724 jobs 193 enterprises 1,300,000 members) - Mutual Help Houses for Employees (CAR-salariati) (2009: 16,275 jobs 702 enterprises 942,381 members)	- Social and charitable entities: (2009: 18,221 jobs 5,522 entities) - Sport and cultural entities: (2009: 29,326 jobs 6,236 entities) - Educational, research, training: (2009: 25,537 jobs 2,456 entities) - Agricultural associations: (2009: 8,155 jobs 2,278 entities) - Religious entities: (2009: 17,122 jobs 1,852 entities) - Others: (2009: 11,621 jobs 4,756 entities)
34,373 jobs 1,747 enterprises 809,170 members	18,999 jobs 897 entities	109,982 jobs 23,100 entities

\* Source : Constantinescu, S. (coord) (2011). Atlasul Economiei Sociale. Romania 2011

## THE SOCIAL ECONOMY IN SLOVAKIA

**Table 6.28 (\*)**

<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>
- Agricultural cooperatives: (2009: 7,623 jobs 172 enterprises 78,068 members) (1) - Housing cooperatives: (2009: 2,080 jobs 93 enterprises 245,000 members) (1) - Production cooperatives: (2009: 2,400 jobs 86 entities 1,600 members) (1) - Consumer cooperatives (2010: 13,987 jobs, 185,000 members 31 enterprises) (2)	- Mutual societies (4) (2010: 10 institutions 2,158 jobs 57,000 members)	- All non-profit sector (2002: 26,210 entities Of which: ..., 14,654 civil organisations 530 foundations  16,658 jobs 118,623 volunteers) (3)
26,090 jobs 382 enterprises 570,845 members	2,158 jobs 10 entities 57,000 members	16,658 jobs 26,210 entities 118,623 volunteers

\* Lubelcova, G., Capova, H. and Korimova, G. (Faculty of Economics of Matej Bel University – Centre of Social Economics and Social Entrepreneurship)

(1) Source: Performance Report of Cooperatives Europe, 2009.

(2) Source: Eurocoop

(3) SPES & CARDO, based on the Statistics Office of the Slovak Republic, government statistical findings on not-for-profit organisations: 1997-2002

(4) ICMIF figures for 2010

## THE SOCIAL ECONOMY IN SLOVENIA

**Table 6.29 (\*)**

<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 (1): (2009: 3,428 jobs 77 enterprises 16,903 members) - Enterprises for employment of disabled persons: (2010: 177 entities)	- Mutual societies (2): (2010: 3 entities 476 jobs)	- Associations (2010: 20,722 associations 3,062 jobs 1,000,000 members) - Foundations (2010: 214 foundations 128 jobs)
3,428 jobs 77 enterprises 16,903 members	476 jobs 3 entities	3,190 jobs 21,00 entities

(\*) Source: Franci Avsec and Primoz Zervaj (Cooperative Union of Slovenia)

(1) Source: Performance Report of Cooperatives Europe, 2009.

(2) ICMIF figures for 2010

## THE SOCIAL ECONOMY IN SPAIN

**Table 6.30 (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual companies and other similar accepted forms</b>	<b>Associations and other similar accepted forms</b>
<ul style="list-style-type: none"> <li>- All cooperatives: (2008: 456,870 jobs 24,738 entities)</li> <li>Of which:</li> <li>- Worker cooperatives (2008: 221,844 jobs 18,019 enterprises)</li> <li>- Cooperative banks (2008 : 20,940 jobs 81 enterprises)</li> <li>- Agricultural cooperatives (2008 : 90,308 jobs 3,757 enterprises)</li> <li>- Consumer cooperatives (2008 : 65,618 jobs 2,858,925 members 332 enterprises)</li> <li><i>Other accepted forms:</i></li> <li>- Labour societies (2008 : 133,756 jobs 17,637 enterprises)</li> <li>- Labour special entities -CEE (2008: 52,631 jobs 1,775 enterprises)</li> <li>- Insertion companies (2008: 3,140 jobs) 183 enterprises</li> </ul>	<ul style="list-style-type: none"> <li>- Mutual societies (2008: 8,700 jobs ** 428 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>- Associations of social action (2008: 287,285 jobs 5,295,927 members 27,345 entities)</li> <li>-Singular entities (ONCE, Cruz Roja and Cáritas) (2008: ONCE- for blind people: 49,246 jobs Red Cross 11,736 jobs Cáritas 4,621 jobs)</li> <li>- Foundations:</li> <li>- Social Action (2008: 28,868 jobs 1,644 entities)</li> <li>- Home services (2008: 18,082 jobs 2,548 entities)</li> <li>- Savings Bank Foundations (2008: 5,156 jobs 87 entities)</li> <li>- Others (2008: 183,062 jobs 124,380 entities)</li> </ul>
646,397 jobs 44,333 enterprises 6,913,381 members	8,700 jobs 428 entities	588,056 jobs 156,007 entities 4,142,093 volunteers

(\*) Source: Monzon, J.L. (2010): The social economy in Spain in 2008, CIRIEC-España (Observatorio español de la economía social).

These figures do not include Employers' Mutual Insurance Societies, public foundations or market private foundations (3,881 foundations).

THE SOCIAL ECONOMY IN SWEDEN

Table 6.31 (\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Worker cooperatives (2010: 96,552 jobs 3,931 enterprises) - Agricultural cooperatives (2009: 35,000 jobs 275,000 members 30 enterprises)(1) - Consumer cooperatives (2010: 14,638 jobs 44 enterprises) (2) - Cooperative banks (2010: 5,386 jobs 55 enterprises) - Housing cooperatives (2009: 7,274 jobs 5,582 enterprises)(3) - Cooperative communities (2010: 17,966 jobs 2,520 enterprises)	Mutual societies (2010: 15,825 jobs 128 enterprises)	- Social and health entities (2010: 234,812 jobs 16,673 entities) - Other entities (environment, etc.): (2010: 79,756 jobs 2,199 entities)
176,816 jobs 12,162 enterprises 275,000 members	15,825 jobs 128 entities	314,568 jobs 18,872 entities

(\*) Source: Gordon Hahn (Serus)

(1) Source: Cogeca. Agricultural cooperatives in Europe

(2) Source: Eurocoop. Statistical review 2010

(3) Source: Performance Report of Cooperatives Europe, 2009.

## THE SOCIAL ECONOMY IN THE UNITED KINGDOM

**Table 6.32 (\*)**

<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>
- All cooperatives (2010: 236,000 jobs 5,450 enterprises 12,800,000 members)  Of which: - Consumer cooperatives (2010: 109,614 jobs 9,555,000 members 24 enterprises) (1) - Cooperative banks and insurance (2009: 11,447 jobs 1,922,689 members) (2) (Agricultural cooperatives (2010: 7,950 jobs 446 enterprises) - Credit unions (2005: ca, 900 jobs 564 enterprises) - Worker cooperatives (2010: 1,940 jobs 541 enterprises) - Other (2010: 104,149 jobs 3,875 enterprises)	- Mutual savings and loans (2010: 50,000 jobs 48 enterprises) - Mutual insurance (2010: ca, 57 enterprises)	- Broad voluntary sector (BVS) (2007: 1,347,000 jobs 870,000 entities)  Of which: - Narrow voluntary sector (NVS) (2010: 765,000 jobs 10,600,000 volunteers 171,000 entities) (3) -Social and health entities (2010: 437,000 jobs)
236,000 jobs 5,450 enterprises 12,800,000 members	50,000 jobs 105 enterprises	1,347,000 jobs 870,000 entities 10,600,000 volunteers

(\*) Source: Roger Spear (Open University)

(1) Source: Eurocoop (2010) for the Co-operative Group and its subsidiary undertakings only.

(2) European Association of Cooperative Banks, 2009

(3) NCVO Workforce Almanac

Note: The narrow voluntary sector (NVS) includes all organisations in the broad voluntary sector (BVS), less organisations not traditionally thought of as being part of the voluntary sector in the U.K. This is primarily because they are seen as effectively being part of the state despite their constitutional status, and/or because they are thought not to be sufficiently altruistic or public benefit oriented. Excluded on this basis are all universities, schools, sports and social clubs, and trade union and business associations (\*). Other sources give the following data: For cooperatives and similar, Cooperatives Europe (2009) gives 129,130 jobs, 8,434,538 members and 977 enterprises, although this refers only to cooperatives affiliated with Cooperatives Europe.

## ACCEEDING AND CANDIDATE COUNTRIES

### THE SOCIAL ECONOMY IN CROATIA

Table 6.33(\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Savings and Loan cooperatives (2009: 105 jobs 58 enterprises) - Agricultural cooperatives (2009: 2,737 jobs 679 enterprises) - Housing cooperatives (2009: 109 jobs 48 enterprises) - Service cooperatives (2009: 354 jobs 232 enterprises) - Crafts cooperatives (2009: 260 jobs 108 enterprises)	- Mutual societies (1) (2010: 5 entities 1,569 jobs)	- (2009: active entities: 3,950) - Social and health entities (2009: 289 entities) - Sport and Culture entities (2009: 2,034 entities) - Others (2009: 1,442 entities) - Foundations (2009: 185 registered)
3,565 jobs 1,125 enterprises 23,051 members	1,569 jobs 5 entities	3.950 entities

\* Davorka Vidovic (Political Science Research Centre), Zdenko Babic, Igor Vidacak  
 (1) ICMIF figures for 2010

### THE SOCIAL ECONOMY IN ICELAND

Table 6.34 (\*)

Cooperatives and other similar accepted forms	Mutual societies and other similar accepted forms	Associations, foundations and other similar accepted forms
2,216 enterprises	- Mutual societies (2) (2010: 2 institutions 221 jobs)	n.a.
2,216 enterprises	221 jobs 2 entities	n.a.

(1) Steinnun Hrafnisdottir / Ómar H., University of Iceland. School of Social Sciences  
 (2) ICMIF figures for 2010



## CHAPTER 7

### THE LEGAL FRAMEWORK GOVERNING SOCIAL ECONOMY ACTORS IN EUROPEAN UNION COUNTRIES, ACCEDING AND CANDIDATE COUNTRIES AND THE PUBLIC POLICIES IN PLACE, WITH A FOCUS ON RECENT NEW NATIONAL LEGISLATION ON THE SOCIAL ECONOMY

7.1. Legislation governing the social economy actors in the European Union

7.2. Public policies towards the social economy in European Union countries

7.3. New national legislation on the social economy in Europe

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#### 7.1. Legislation governing the social economy actors in the European Union

The institutional framework is a key factor in the size and visibility of the social economy. The statutory provisions defining this framework provide three types of recognition in this sector (Chaves & Monzón in CIRIEC, 2000):

- 1) Explicit recognition by the public authorities of the different identity of these organisations, which require special treatment. Here the objective of the legal system is to institutionalise them as private agents;
- 2) Recognition of these organisations' capacity and freedom to act in any area of social and economic activity;
- 3) Recognition of their negotiating role in the process of drawing up and implementing public policies, according to which they are seen as co-decision makers and co-executors of policy.

In Europe, the different forms of the social economy do not always enjoy an adequate level of institutionalisation in these three areas.

As far as the first point is concerned, not all forms of the social economy are recognised to the same extent in the legal systems of different EU countries.

In the case of cooperatives – which are explicitly recognised in Article 58 of the Treaty of Rome as a specific type of company, and also in the constitutions of various Member States including Greece, Italy<sup>62</sup>, 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 regulating all cooperatives. Indeed, some countries like Denmark, the Czech Republic and the United Kingdom lack general legislation on cooperatives, 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)<sup>63</sup>.

An analogous situation can be found in the differences in legal status of the forms of the social economy in Europe, as shown in tables 7.1 and 7.2. Three groups of country are identified: The first has specific legislation for SE forms; the second has some statutory provisions covering

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<sup>62</sup> Section 45 of the Italian Constitution explicitly recognises the social role of cooperatives.

<sup>63</sup> Spain is a good example: it has a national Cooperatives Act (the latest dates from 1999) and over fifteen regional laws in the different autonomous regions.

SE organisations scattered among various laws; and the third lacks any trace of legislation on forms of the SE.

**Table 7.1. Legal recognition of certain forms of social economy organisation**

	<b>Cooperatives</b>	<b>Mutual Soc.</b>	<b>Associations</b>	<b>Foundations</b>
Austria	YES	YES	YES	YES
Belgium	YES	YES	YES	YES
Bulgaria	YES	no	YES	YES
Croatia	YES	no	YES	YES
Cyprus	YES	n.a.	n.a.	n.a.
Czech Republic	R	no	YES	YES
Denmark	YES	YES	YES	YES
Estonia	no	no	YES	YES
Finland	YES	YES	YES	YES
France	YES	YES	YES	YES
Germany	YES	YES	YES	YES
Greece	YES	-	YES	YES
Hungary	YES	no	YES	YES
Iceland	YES		no	YES
Ireland	R	no	no	no
Italy	YES	YES	YES	YES
Latvia	YES	no	YES	YES
Lithuania	YES	no	YES	YES
Luxembourg	YES	YES	YES	YES
Malta	YES	n.a.	n.a.	n.a.
Netherlands	YES	YES	YES	YES
Poland	YES	YES	YES	YES
Portugal	YES	YES	YES	YES
Romania	YES	YES	YES	YES
Slovakia	YES	YES	YES	YES
Slovenia	no	no	YES	YES
Spain	YES	YES	YES	YES
Sweden	YES	no	YES	YES
United Kingdom	R	R	YES	YES

Notes: Questionnaire question: Do the various institutional forms of the social economy have a clearly differentiated legal status, e.g. a specific law?

R: indicates that this country has some statutory provisions regulating this form of SE organisation, although it may be dispersed among various laws.

Shortfalls in legislation can have serious implications for the legal position of groups or social entrepreneurs wishing to set up social economy organisations: the legal framework can act as a brake on the introduction of new forms if existing ones cannot be adapted to new requirements. In this respect, the objective of the new legislation that has appeared in recent years in different countries, such as the specific laws concerning social enterprises (Act of 2003 in Finland, Act of 2004 in Lithuania, Act 118/2005 in Italy and Act of 2011 in Slovenia), social cooperatives (Acts of 2006 in Poland and Portugal) and non-profit organisations of social utility (Decree 460/1997 in Italy), or the amendments to existing laws to reflect new forms (such as the cooperative societies of collective interest created in 2001 in France, or the social initiative cooperatives that have appeared in recent years in the different laws concerning Spanish

cooperatives), has been to provide a channel for the development of an emerging social reality. The legislation passed in the last few years in several of the new EU Member States is particularly significant. It is listed in Table 7.2.

**Table 7.2 Other legal forms of social economy company and organisation in Europe \***

<b>Country</b>	<b>Others (specify)</b>
Belgium	- Act on “Sociétés à finalité sociale” (Social-purpose enterprises), 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 on 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 (Cooperative Societies Act), 28.12.2001/1488
Greece	- Act 2190/1920 applies to “Popular Companies” - Acts 2810/2000 and 410/1995 for “Development Agencies” - Act 2716/1999 on Social Cooperatives - Act 4019/2011 on Social Enterprises
Czech Republic	- Association of Common Benefits (NNO), 1995 - Association of flat owners, 2000
Hungary	- Non-profit companies
Lithuania	- Credit Unions, 1995 - Social Enterprises, 2004
Slovenia	- Act on Social Entrepreneurship, 2011
Poland	- Social cooperatives, 24.04.2006 - Act on Social Employment for CIS - Social Integration Centres, 2003 - Act on Public Benefit Activity and Volunteering for Public Benefit Organisations, 24.04.2004 - ZAZ – Employment activation units, Ministry of Labour & Social Policy regulation, 2007
United Kingdom	- Community interest company (CIC)

\* Legal status differentiated from those of cooperatives, mutual societies, associations and foundations.

Note: Questionnaire question: Do the institutional forms of the social economy mentioned in section 5 have a clearly differentiated legal status, e.g. a specific law? If so, please specify.

Nonetheless, legal forms are not mutually exclusive categories or legislative settings without any sensitivity to the dynamism of society; rather, legal 'families' often overlap: for instance, cooperative groups, federations and umbrella organisations adopt the legal form of associations, and in countries like Sweden 'association with economic activity' status is used to operate as a cooperative. Moreover, as well as the four most widespread and internationally recognised forms of the SE – cooperatives, mutual societies, associations and foundations (which

in any case also present marked differences in the legislation of different countries<sup>64</sup>) – each country has built up its own additional legal framework covering other forms of enterprise within the SE. The wealth of legislation can be appreciated in the last column of Table 5.3 and in Table 7.2.

At European level, the aim of the *Statute for a European Cooperative Society* was to foster this form of the social economy, not only by improving European cooperatives' possibilities to conduct transnational activities, but also, above all, by developing the sector in countries that lack cooperative legislation of their own, such as the United Kingdom, or where this legal form had been losing social prestige by being seen as a vestige of the old regime, as in the new Member States of Central and Eastern Europe. Nevertheless, a few years since this regulation has come into force, the results are not as expected<sup>65</sup>.

Equally, the disappearance of proposals for a European Mutual Society Statute and a European Association Statute from the European Commission's agenda in the past few years has been a serious setback in terms of providing greater opportunities for these forms of the social economy in Europe. In contrast, the Statute for a European Foundation is now on the EU agenda (see section 9.3).

The specific nature of the organisations in the social economy is based on certain characteristic values and principles, as discussed in the initial chapters of this report. The purpose of the rules that govern these organisations is to reflect this specificity, laying down the principle of democratic decision-making and limitations on how profits and surpluses are distributed, for instance.

This specific *modus operandi* is not neutral, however. The use of these social economy legal forms can occasion relatively higher operating expenses for the founding groups and economic agents than in other forms of private company. The expenses entailed by the specific features of SE organisations reflect internalisation of their social costs, which are linked to the democratic decision-making process, the surplus allotment method and the nature of the goods and services produced, which are basically of social and/or general interest, compared to the externalisation of private costs by traditional for-profit private companies.

These costs can appear in different forms, such as restrictions in the way surpluses and reserves are assigned; the existence of control and review bodies that certain organisations (such as cooperatives in Austria and Germany) are obliged to join; limitations on carrying out large economic projects, as in the case of the Associative Statute in Italy; minimum numbers of members or initial capital requirements. Consequently, based on cost/benefit analyses assessing the possibilities, advantages and disadvantages, founding groups or members may be discouraged from adopting certain legal forms in favour of other forms (economists call this 'economies of choice' between legal status alternatives). These economies of choice are especially evident at times of legislative change: a paradigmatic case in this respect is that of the Spanish *sociedades laborales* or labour companies, where amendments to legislation since the beginning of the 1980s have had major consequences in terms of the creation and legal transformation of these social firms, particularly in relation to workers' cooperatives.

From the perspective of guaranteeing equal opportunities among different types of organisation, and given that unequal situations call for differences in treatment, the legal framework should institute measures to compensate for the operational difficulties suffered by

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<sup>64</sup> See the comparative analyses of CECOP (2006), "Social enterprises and worker cooperatives: comparison, models of corporate governance and social inclusion", European Seminar, 9 Nov., and of the French Higher Council for Cooperation (2001).

<sup>65</sup> See the European study on the implementation of Regulation 1435/2003 on the Statute for a European Cooperative Society (Cooperatives Europe, Euricse, Ezai, 2010).

legal forms that afford lesser opportunities. These measures could take the form of grants, but also of tax concessions. At the same time, lawmakers should set up suitable mechanisms to prevent certain economic agents from behaving opportunistically and taking advantage of the compensation for adopting these forms without shouldering the corresponding costs.

*Tax treatment.* In most Western EU Member States the four main legal forms taken by the social economy enjoy some specific tax treatment (see Table 7.3). Such special arrangements are more common for associations and foundations because of their non-profit nature and the way they assign resources and surpluses, which give priority to activities of social and/or general interest. Such legislation has been strengthened in recent years in a number of countries; examples include 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 non-profit organisations. As far as cooperatives are concerned, many countries that have a special tax system do not extend it to all cooperatives. In Ireland, for instance, it is only applicable to credit unions, in Greece only to agricultural cooperatives and in Poland only to social cooperatives.

In these same countries, there are different trends in tax treatment at national level. While some countries like Portugal, Italy and Spain apply consolidated special tax regimes backed by recognition of the social role of the social economy in their respective constitutions, other countries are scaling back their existing specific tax treatment.

Changes in the legislation on cooperatives in various countries are not unconnected with this trend, as they tend to reduce the restrictions imposed by the Cooperative Principles. These changes reduce the minimum number of persons required to create a cooperative; make it possible to give some members more than one vote; loosen the restrictions on activities and on trading with non-members; make it possible to issue specific bonds, representing risk or debt capital; allow third parties to participate in the share capital and allow cooperatives to transform themselves into joint-stock companies.

Quite apart from the reasons put forward for these changes in cooperative legislation – such as economic arguments concerning growth and improved competitiveness – what lawmakers undoubtedly see in these measures are lower operating costs for this legal status and, consequently, less need for special treatment, including compensatory policies and tax measures.

This is crucial because it is the main argument used by the opponents of specific treatment for cooperatives. If significant differences between different forms of enterprise are not taken into account, giving tax advantages selectively to some (such as cooperatives) can be seen as unequal treatment amounting to unlawful state aid in contravention of rules on free competition. This is how certain national courts have interpreted the matter, such as those in Italy, which referred the special tax regime for cooperatives to the EU. However, this situation was clarified recently, as on 8 September 2011 the Court of Justice of the European Union ruled on tax exemptions for producers' and workers' cooperatives in Italy. It justified their specific tax treatment on the grounds that cooperatives are different in nature from for-profit companies.

The tax situation is very different in the new EU Member States (see Table 7.3): given the short history of the SE, those fiscal and legislative measures that have been introduced to support it are also of recent date and are focused mainly on associations, foundations and social cooperatives.

Table 7.3 Specific tax treatment for social economy organisations in the EU

	Cooperatives	Mutuals	Associations	Foundations
Austria	YES	-	YES	YES
Belgium	YES	YES	YES	YES
Bulgaria	-	-	-	-
Cyprus	YES	n.a.	n.a.	n.a.
Czech Republic	-	-	YES	YES
Denmark	YES	-	YES	YES
Estonia	-	-	-	YES
Finland	YES	-	YES	YES
France	YES	YES	YES	YES
Germany	-	YES	YES	YES
Greece	Yes*	YES	YES	YES
Hungary	YES	YES	YES	YES
Ireland	Yes*	-	-	-
Italy	YES	YES	YES	YES
Latvia	YES	-	YES	YES
Lithuania	n.a.	n.a.	n.a.	n.a.
Luxembourg	-	-	-	YES
Malta	YES	n.a.	YES	YES
Netherlands	YES	YES	YES	YES
Poland	Yes*	-	-	-
Portugal	YES	YES	YES	YES
Romania	-	YES	YES	YES
Slovakia	-	YES	YES	YES
Slovenia	n.a.	n.a.	n.a.	n.a.
Spain	YES	YES	YES	YES
Sweden	-	-	-	-
United Kingdom	-	YES	YES	YES
<b>Acceding and Candidate Countries</b>				
Croatia	-	-	YES	YES
Iceland	n.a.	n.a.	YES	YES

Notes: Questionnaire question: Do the different institutional forms of the social economy mentioned in section 5 enjoy separate tax treatment from traditional private companies?

Yes\*: refers only to some forms of cooperatives

*Legal barriers to the development of social economy entities.* The institutional framework also defines the social economy's room for manoeuvre in the different sectors of social and economic activity. Although the statutory provisions for the different forms of the social economy recognise their right to operate freely in the market like any other private agent, sector regulations can raise barriers to certain fields of activity and to unfettered development therein.

In the case of mutual societies, three patterns of development according to economic sector are found: there are countries where mutuals can operate in numerous fields, as in the United Kingdom, where they can engage in activities ranging from water supply to sports; another group of countries confines their field of action to certain sectors, such as healthcare or health and safety cover; while the final group does not have this legal form. Additionally, where sector rules prevent risks being mutualised, insurance cooperatives and mutual insurance societies cannot be set up.

The situation is similar for cooperatives. The ban on consumer cooperatives' operating in the pharmaceutical sector in some EU countries is well-known. Another example is Spain, where

electricity supply cooperatives have for years been supplanted as power suppliers as a result of modifications in the regulations for the electricity sector, despite having been pioneers in satisfying this basic need in numerous regions. Legal barriers have also been raised in the petrol distribution and travel agency sectors.

In areas such as social services of public benefit and insurance, certain EU directives introduced over the past decade have not paid sufficient attention to the specific features of social economy organisations, such as associations and foundations in the case of social services and mutual societies in the case of insurance, and have had damaging effects on them as a result.

One area where the European social economy's room for manoeuvre is most seriously affected is its business growth model. One key to the market success and growth of the social economy companies has been their capacity to form federations and cooperative groups. However, these forms of association have been queried by the European Court of Justice, being interpreted as illicit agreements contrary to free competition. Such an interpretation contrasts with the leniency shown towards concentrations of wealth and finance in private capitalist holdings (CIRIEC, 2000).

## **7.2. Public policies towards the social economy in European Union countries**

Over the last quarter of a century, a number of national and regional governments in the EU have implemented policies with explicit reference to parts or all of the social economy. In general they have formulated *sector policies* which have included explicit reference, albeit fragmentary and disjointed, to the institutional forms that make up the social economy. Examples include active employment policies involving workers' cooperatives and integration enterprises; social service policies in which associations, foundations and other non-profit organisations have played a key role; agricultural and rural development policies in which agricultural cooperatives have been involved; or references to mutual provident societies as an element of social security systems. More recently and uniquely, *policies specific to the social economy* have emerged, some centred on businesses that operate in the market and others aimed at non-profit organisations that operate outside the market, but seldom covering both.

Deployment of these policies in EU countries has been patchy in both extent and content. As pointed out in Chaves and Monzón (2000), this uneven deployment and diversity of policies is mainly explained by the political, economic, historical, social, cultural and institutional context particular to each national and regional situation in which they are conceived.

More specifically, the principal factors determining the scope and importance of the policies implemented, and the extent and way in which the social economy features in those policies, include the social and political recognition of the social economy as an institutional phenomenon; the visibility and image of the sector in the eyes of society and policy makers in terms of the role it plays in the multi-dimensional development (economic, social, cultural) of the nation; the economic weight and history of this phenomenon; and, finally, its capacity to be a credible representative in the various processes of drawing up and implementing public policies (Chaves and Monzon, 2012).

One of these factors – the role that the social economy can play in the multi-dimensional development of nations – refers to a conceptual model of society and constitutes the foundation for integrating the diverse social and economic forces that coexist in a country. In this respect, there are three prevailing models of society in which the role of the social economy is systematically antagonistic (Laville & Vaillancourt, 1998; Lévesque & Mendell, 1999 and Demoustier, 2001):

In the first model, *traditional social-democracy*, social needs are dealt with exclusively by the state through redistribution. The social economy is considered an inheritance from the past and occupies a residual position. Social issues, therefore, appear almost exclusively as problems demanding investment by the state. This is financed by taxes on capital, which is considered the primary instrument for the production of wealth.

In the second or *neoliberal model*, the economy is reduced to the market, which is exclusively occupied by traditional for-profit businesses, and the social refers only to those who do not participate in the market economy and so constitute an insolvent demand. Here the social economy not only remains excluded from determining the key challenges of the economy, it also contributes to social and economic dualisation in two areas: in market activities, encouraging dependence and instability in the labour and production relations of growing segments of the population; and in non-market and redistributive activities, encouraging questioning of the state as the chief regulator and redistributor and favouring philanthropy, voluntary work and the informal economy (Chaves, 2005).

In the third model, the *social and economic democracy* or *plural economy* model, social needs are simultaneously addressed by the state (redistribution) and by society, the state continues to be the main regulator and redistributor and the *social economy* engages in both market and non-market activities. Under this model, encouraging engagement by the social economy calls for adequate mechanisms to evaluate its potential and limits in generating social added value on the one hand, and for important socioeconomic and institutional changes on the other (Lévesque, 1997).

At any event, in countries where the social economy sector enjoys widespread social recognition (even explicit mention in national constitutions) and a long tradition, is economically dynamic and is capable of engaging in dialogue with the authorities, there have been numerous public policy plans in this domain for some time. However, in countries where the political 'discovery' of this institutional sector has only taken place recently (except for some of its components, such as cooperatives), specific measures aimed at the sector and/or employment in this sector are still rare and are often prompted by supranational systems, specifically those of the European Union (Chaves & Monzon, 2000).

Many countries in the EU have a high-level body within national government with explicit, acknowledged responsibility for matters relating to the social economy and a name that includes the designation (brand name) of this social sector. Far from contributing to the creation of a ghetto in this section of society, the existence of this type of body constitutes an important indicator of its level of recognition and its priority on the agenda of a country's *policy makers*. In effect, it implies not only institutional acknowledgement of the importance of this sector in society, but also a boost to its visibility and socio-political image, in addition to other effects on the political process such as communication, coordination, etc. Indeed, it also constitutes a way of institutionalising specific, cross-sector policies for the social economy.

The greatest public recognition awarded to the social economy in Europe is the recent ground-breaking appointment by the socialist government in France of a social economy minister: the Minister Delegate for the Social and Solidarity Economy within the Ministry of the Economy. This government also has a minister for sport, youth, community education and associations (Ministre des Sports, de la Jeunesse, de l'Education Populaire et de la Vie Associative). Public agencies of this type are often interministerial. However, their existence largely depends on changes and reshuffles in the governments of the respective countries.

The existence of such a body is not always a precondition for activating specific, cross-sector social economy policies. Several experiences confirm this, like those described in Chaves & Monzón (2000). Again, initiatives emerging in some of the new EU member countries are moving towards institutionalising specific social economy policies in spite of their lacking the



aforementioned specialised bodies. This is the case in Poland and the Czech Republic. In the former, the Polish government's National Development Plan for 2007-2013 makes repeated mention of the social economy as an effective instrument in the fight against poverty and social marginalisation. These mentions must be read in a context of consultation with social partners, including social enterprises and NGOs, and in the positive view the government takes of the social economy. The situation is analogous for the Czech Republic's National Development Plan for 2007-2013. Moreover, the SE often makes it possible to join up different types of sector policy, such as social issues, employment and local development – hence the interest in setting up interministerial administrative units in charge of SE matters.

Nevertheless, as has already been mentioned at the beginning of this section, when the social economy or its components are taken into account in the governments' political agenda, the predominant approach in Europe is the sector-based introduction of this social reality into the framework of various sector policies, for example the employment policy of the Ministry of Labour<sup>66</sup> or the social services and social action policies of the Ministry of Social Affairs. This is not surprising since these sector-based policies are the public sector's response to the multiple demands and major problems in the society in question, in the same way that the appearance of the many forms of social economy are the spontaneous response of organised civil society to analogous problems in the absence of efficient answers on the part of both the public sector and the traditional private sector. In many cases the initiatives of the social economy precede the actions of the public sector in resolving problems and proposing creative solutions, thus revealing a strong capacity for socio-institutional innovation.

The social economy and its components are frequently, but not always, considered in state policies. Depending on their inclusion or otherwise as a protagonist in the policies, a distinction should be drawn between specific policies, general policies and exclusive policies. *Specific policies* are those directed exclusively at the *social economy* sector, whether the broad concept or its internal families, excluding the rest of the businesses in the private sector from their field of action. *General policies* are public policies directed at any type of business or organisation, without distinction. *Exclusive policies* are those aimed at the private sector but which exclude, explicitly (in the regulations) or economically<sup>67</sup>, businesses and organisations in the social economy. An example of an exclusive policy was, until recently, the distribution aspect of Spanish energy policy, which excluded the possibility of cooperatives' being electricity distributors or distributing fuel in cooperative petrol stations. Another example from the same country was the exclusion of cooperatives from continuing training funds until 2005. The *concept of positive and negative discrimination towards the social economy*, in this context, is seen as depending on whether specific or exclusive policies are applied. Institutional changes in policy conception which alter the operational mode and/or the institutional nature of the beneficiaries are measures which could favour or impede the deployment of the social economy in the economy as a whole.

In Europe, policies aimed at the social economy come in many forms. Depending on the nature of their instruments, five main types of policy can be distinguished (Chaves, 2002): institutional policies, dissemination, training and research policies, financial policies, policies of support with real services and demand policies.

As we said in section 7.1., institutional policies allow the businesses in the social economy space in the system based on the institutional order in force, recognising them as players in both the economy and the social dialogue (Vaillancourt, 2009; CIRIEC-Thiry, 2007).

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<sup>66</sup> The study carried out by CIRIEC-International (Chaves and Demoustier (eds.) 2012) examined the role of the social economy in public policies from an international perspective.

<sup>67</sup> Economic exclusion is based on particular economic requirements such as company size or the ability to mobilise strategic human resources (project managers). Companies in the social sector usually find it difficult to meet the eligibility requirements for these policies.

Institutional policies also refer to recognition of the social economy as a protagonist in the process of drawing up and applying different public policies. In countries where the social economy enjoys greater recognition there are institutional bodies for participation and social dialogue with representatives from the social economy. These are the economic and social councils, analogous to the European Economic and Social Committee but at state and regional level, and the State Councils on the Social Economy in Spain and France. Incipient initiatives of this type can be found in the new EU Member States, such as Lithuania, whose economic strategy paper explicitly states that the social economy is a key actor; and Malta, where a white paper on “Strengthening the Voluntary sector” was published in July 2005.

Policies of dissemination, training and research are directed at providing visibility and social receptiveness on the one hand, and on the other at developing competences in training and research for the benefit of the sector as a whole. There are stable support channels for training and research that specialise in the social economy in several European countries.

The universities and federations are usually in charge of undertaking these functions. In some cases like Sweden, Portugal, Italy, Spain and France, specialised training and research centres organised into networks have appeared. The CIRIEC International network is one of the most active. Other networks have also made an appearance, such as the EMES network, the international network of the Johns Hopkins Comparative Non-Profit Sector Project and inter-university networks in individual countries (like the German network for cooperatives, the French social and solidarity economy inter-university network, the CIRIEC-Spain network of researchers into the social economy or the Portuguese network for the third sector, among others). All of these have helped to spread the concept of the social economy and information about it across Europe. On the teaching side as well, postgraduate courses in the social economy have emerged in recent years at well-established university centres – most of which are linked to these networks – within the framework of the Bologna reform to create a European Higher Education Area.

Public financial policies, such as budgetary policies, directly or indirectly assign funds for the promotion and development of the social economy. In some cases these are public funds, like the Portuguese Prodescoop programme for the promotion of cooperatives. Analogous subsidy programmes to promote cooperatives and employment in cooperatives also exist in Germany, Italy, Cyprus and Spain. In other cases they are mixed or joint funds, managed by the government and by social economy organisations: examples in France are the National Fund for the Development of Associative Life (FNDVA) and the National Fund for the Development of Sport (FNDS). In various funds the funding is off-budget. In some cases, such as RAY and Oy Veikkaus AB in Finland or the ONCE in Spain, the resources are obtained from the revenue from games of chance (lotteries, slot machines). In others the funds are related to legislative change, for example by linking passive employment policies to active ones, such as the possibility of receiving unemployment benefits as a lump-sum if the unemployed person decides to set up a cooperative or a *sociedad laboral* (labour company) in Spain, or the policies to assist employment in associations and the employment cheque system in France.

The objective of support policies based on real services is to offer the sector an array of real (rather than financial) services like technical information, advice, marketing capacity, networking, restructuring and fostering the creation of second level structures, etc. These services tend to be provided by the sector federations with public funding.

General government is known to be a major consumer of goods and services offered by the private sector. In this context, the public authorities can foster social economy companies by facilitating their access to public sector supplier status, as the authorities can be the end consumer or the intermediate consumer (in the case of social welfare services such as social, educational or health services, in which citizens are the end users). In these *demand policies*, the different modes of service provision have a direct bearing on development opportunities for the social economy.

The services can be contracted annually between the government and the sector organisations, as in the annual contract for the type and volume of state aid subsidies covering child care, pre-school and the elderly in Portugal. They can enter into a quasi-market situation and be open to competition, where social economy operators have to compete with traditional for-profit private companies.

*Social clauses* can be established in government contracts in order to provide for social and general interest objectives. This type of clause used to be seen as a questionable distortion of competition, but has finally been accepted by the EU as shown by Directive 2004/18/CE of the European Parliament and Council regarding the procedures for awarding public contracts. The Member States are obliged to adapt their laws to comply with this directive which accepts and explicitly regulates the inclusion of social criteria in these contracts.

### 7.3. New national legislation on the social economy

Over the past ten years, various European countries have paid particular attention to law-making concerning the social economy. It is during this period that debates over concept and definition, the subject of the legislation and policies to support this social sector have raged most fiercely. Some of the most recent cases are Romania, Poland and France, where bills to regulate the SE have either failed or are being hotly debated.

The central point is the very definition of the field of the social economy, whether under that name or that of social enterprises. Its borders are delineated very differently in the three social economy laws in existence, two national (Spain and Greece) and three regional (Wallonia, Brussels and Flanders in Belgium). The differences are even more evident when defining the field of social enterprises, for which a greater number of laws have been enacted (see Table 7.1).

**Table 7.4. Legal recognition of the social economy or of Social Enterprise status**

Country	Law	Name of the Law / Project of Law
Spain	YES	Social economy (2011)
Greece	YES	Social economy and social enterprises (2011)
Belgium (Wallonia, Brussels, Flanders)	YES	Social economy (2008, 2012, Décret régional)
Finland	YES	Social enterprise (2003)
Lithuania	YES	Social enterprise (2004)
Italy	YES	Social enterprise (2005)
Slovenia	YES	Social enterprise (2011)
Portugal	Bill	Social economy (2012)
Poland	Bill	Social economy (2012)
Netherlands	Bill	Social enterprises (2012)
Romania	Bill	Social enterprises (2012)
France	Bill	Solidary economy (failed)

The two national social economy laws currently in existence are from the two countries that are experiencing the crisis most deeply: Spain and Greece. The first is Spain's Law 5/2011 of 29 March 2011 on the Social Economy, and the second is Greece's Law 4019/2011 on the Social Economy, Social Entrepreneurship and other provisions. In Belgium, the Walloon Parliament's decree of 20.11.2008<sup>68</sup> on the Social Economy is similar to the Spanish law.

<sup>68</sup> See Coutiez et al (2012): "Economie sociale et politiques publiques en région wallone », in Chaves & Demoustier (2012).

*A paradigmatic case: the Spanish Social Economy Act (see Chaves et al, 2011)*

When the Spanish parliament passed the Social Economy Act in March 2001, Spain was confirmed worldwide as an example of national recognition and official policy in support of this social and economic sector. The historical roots of this policy include the two democratic constitutions of the 20th century: that of the Spanish Republic in 1931 and the Constitution of 1978 that followed the Franco dictatorship.

The Social Economy Act is a framework law, and a very short one: barely nine sections.

It pursues three overriding objectives:

- To establish a common legal framework for all the organisations that make up the social economy by specifying the *principles that define the field of the social economy*.
- To acknowledge the social economy as a *political operator* in the country, through its inter-sector representative organisations, including the leading federation CEPES (*Confederación Empresarial Española de la Economía Social* – the Spanish Business Confederation of the Social Economy). As a political operator it is a major *social interlocutor*, taking part in the process of drawing up public policies which may concern the activities of social economy enterprises.
- To introduce policies in support of the SE sector.

This Act is a public policy measure of a clearly institutional nature (see Monzón, 2009). Its main aim is to put an end to the institutional invisibility that was hindering the sector's growth. As a precondition, it also aims to end the fragmentation and atomisation of the concepts (including social economy, third sector, solidarity economy and non-profit sector) and movements involved. The Act crystallises their grouping around a concept that enjoys political, academic and social consensus: the social economy. This concept embraces an inclusive collective identity which makes it possible to bring the organisations that represent it into the institutional sphere, so they can finally be social interlocutors in their own right in the public policy making process.

It should be noted that Spain has a neo-corporatist type system in which institutional recognition of the operators is a key factor in policy shaping processes.

Three dynamic processes emerging from Spain's three policy-activation levels have led to the Social Economy Act becoming law: one is supranational (European), the second national and the third sub-national (regional).

At the European level, the European Parliament's Resolution of 19 February 2009 on the social economy (OJ 25.3.2010) is worth highlighting. The social economy may well consider it the most important text to be issued from the European Parliament and the European Economic and Social Committee in the past three decades. This resolution takes the view “*that the European Union and the Member States should recognise the social economy and its stakeholders – cooperatives, mutual societies, associations and foundations – in their legislation and policies[...]*” as well as calling for other forms of institutional recognition.

A similar logic of priority action to implement institutional policies developed in Spain during the 2000s, at both regional and national level.

The different regions, called *Autonomous Communities*, enjoy wide powers and have introduced important institutional policies in support of the social economy in the past ten years. Firstly, the *Estatutos de autonomía*, or statutes of autonomy – the constitutions of these regions – that have been reformed between 2006 and 2008 include specific references to the social economy and to regional government support for it. This is the case in Andalusia, Valencia, Catalonia, Castile-Leon and Aragon. Secondly, there have been *far-reaching policy agreements* between governments and the sector, and sometimes also trade unions, in a number of regions: Andalusia (2002, 2006), Murcia (2009), and the Balearic Islands (2002, 2007), for example. These events have given the sector legal substance and evidenced the political will of the regional governments to take action in this sphere.

At national level, the social economy movement, through its federation (CEPES), has followed a simple political strategy: first, to persuade the political parties in Parliament to explicitly recognise the social utility of the social economy and the families it comprises, and second, to persuade them of the need for a specific law to regulate, define and demarcate the sector and recognise it as a major operator in the mainstream political life of the country.

## CHAPTER 8

### THE SOCIAL ECONOMY IN A EUROPE AMID GLOBAL CRISIS

- 8.1. The social economy amid cyclical and structural crisis
  - 8.2. The social economy amid financial crisis
  - 8.3. The social economy amid an economic and employment crisis
  - 8.4. The social economy amid a public sector and welfare state crisis
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#### 8.1. The social economy amid cyclical and structural crisis<sup>69</sup>

The roots of the crisis besetting Europe in recent years lie in very profound political, social and economic processes, such as the effects of globalisation on national models of capitalism and welfare state models, the governability of Europe, and intellectual paradigms of models of society. These elements provide the context of the crisis and simultaneously make it conjunctural, linked more to financial and economic problems and the public funding crisis, and more structural in nature. From either point of view, the social economy plays and can play an important role.

Distinguishing between a structural analysis of the economic crisis which sees it as the result of the exhaustion of Fordism at the end of the 1970s, and a conjunctural analysis which shows a series of shock periods that national governments have not managed to curb, it is possible both to show that the SE, alongside public intervention, directly or through the social welfare system, has provided a short-term buffer against crisis, and to envisage that the SE could be part of a structural way out of the crisis if features of it that seem to be suitable for renewing Europe's production system are put to good use.

*The SE as a buffer against the crisis.* This role is envisaged for two reasons, both of which are related to the specific features of its organisations: its particular rules and its social commitments.

First, because of their non-profit motive, their surplus allocation rules and the dual nature of their members, SE enterprises cannot be bought out because there is no market for their shares; it is difficult to relocate them because they are anchored by people empowerment; they are able to hold out because of their financial reserves, which cannot be distributed to shareholders; they are financially more flexible because of the arbitrage between immediate income and distribution of the surpluses (e.g. to shares in a workers' cooperative, to refunds in insurance cooperatives and mutual societies); and, finally, because they pursue longer-term strategies.

Second, their social commitments are a result of their mode of governance. Over and above functioning with representative democracy, it allows a certain consensus in times of crisis. This consensus allows SE enterprises internally to enjoy flexibility in working hours and salaries, a less hierarchical salary structure and a certain job stability (with less turnover, keeping older people at work, integrating women). Externally, because people trust them, it also allows them to continue to receive donations and voluntary work, providing a buffer against market recession (cooperatives have lost less ground than for-profit companies) and against cuts in public funding.

These arguments go back to the Share Economy theory developed by Weitzman (1984). According to this theory, profit-sharing companies are defined as those in which the employees

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<sup>69</sup> We are grateful for D. Demoustier's direct assistance in drafting this section.

(and, by extension, worker-members), share in the profits, in the decision-making processes and in setting objectives, as in SE enterprises. Thanks to these microeconomic foundations, during economic crises they favour wage adjustment mechanisms rather than reducing their employment levels. This corrects two major classic market failures: first, by assigning their production resources better they achieve lower unemployment levels and, second, by maintaining greater business stability they manage to offset economic cycles. At a microeconomic level, these same microeconomic foundations and the group incentives they generate tend to stimulate the efforts, involvement and cooperation of employees and worker-members, the exchange of information and ideas and a willingness to make sacrifices (wages, working hours, commitment), all of which bring increased productivity, output and quality (Chaves and Monzon, 2012).

*The SE as an agent of structural exit from crisis.* As well as the non-financialisation of SE enterprises, the SE could be considered well suited to showing a way out of economic crisis based on a new relationship – between individuals and society, autonomy and interdependence and individual and collective responsibility –which is a feature of a higher level of knowledge and innovation (in keeping with the Lisbon strategy).

It is a knowledge economy because of its emphasis on collective learning and on competences and its internalisation of life-long learning within the economic activity (beyond formal training).

It is a relational service economy because of the co-production of services between producers and users, its mobilisation of stakeholders, and the importance it places on the relationship in the transaction.

It is an economy of functionality, owing to the "open doors" favoured by its collective ownership alongside access associated with individual ownership, to its accent not being on the product but on the function (housing, transport, food, etc.), to the greater value added to goods by services ("bunch of solutions") and to the transverse nature of its approach.

It is a sustainable circular economy: the SE was a forerunner in recycling and reusing goods (paper, cardboard, textiles, etc.) and increasingly invests in energy saving, renewable energies (e.g. cooperative wind farms in Denmark, Enercoop in France), eco building and rehabilitation with a decentralised production perspective.

It is evident, therefore, that the SE plays a counter-cyclical and innovative role at the present time of economic and social disruption. However, it is also showing that it can take an active part in a new, more cooperative form of socio-economic regulation (alongside administrative and competition regulations) if the authorities recognise its particular way of combining economic development and social development rather than treating them as a hierarchy, in the sense of conceiving social development as a by-product of economic development.

## **8.2. The social economy amid financial crisis<sup>70</sup>**

The key features of the financial crisis are well known: first, as capital has globalised, the power and mobility of international capital has grown, with sovereign investment funds (e.g. Kuwait's) playing a key role. This international financial setting presents regulatory challenges at the local and national level. Second, the increasing complexity of financial instruments and interlinking of financial institutions has demonstrated the growing importance of regulation and certification systems (e.g. rating agencies) and peer-to-peer financial organisations, but, paradoxically, the prevailing policy has been to scale back regulation of the financial sector at national and international level. When the financial crisis exploded in 2008 it was too late.

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<sup>70</sup> With thanks for comments from R. Spear.

The social economy's relationship with the crisis has been different, particularly in its financial sector (see also Birchall & Hammond, 2009).

- First and foremost, it was not the social economy or its financial institutions that caused the crisis: its roots lie in social values like greed and competition, both between individuals and between social groups, that are alien to the SE.

- Second, the social economy's financial institutions have borne less of the impact of the financial crisis, at least initially, as they were less exposed to the financial asset classes that caused the crisis and are more connected with economic activities that are tied to the local level. What has finally affected the financial sector of the social economy has been the length of the crisis and the credit crunch (see Palomo, 2010).

- Third, in the current climate of credit rationing and increasing financial exclusion, the SE has demonstrated its capacity for social innovation and for responding to social demands by deploying its own alternative forms of solidarity funding, such as ethical banking, social currencies or credit unions, which are not only providing credit but also generating trust in the SE's financial services.

The function of regulating the capital market is shown by the social economy's ability to achieve financial inclusion for large segments of the population who are excluded from the traditional banking sector, by its being a prime path to public funding and subsidies for people with few resources, and by its collective control of the financial flows generated by the work and organisations of the SE – including, salary and pension funds, ethical and social banks, credit cooperatives and the reserves and other funds from the profitable operations of cooperatives and mutuals. Examples of organisations that provide small loans to women and vulnerable social groups, or that are more conscious of ethical objectives, are ethical banks like Triodos Bank or the Italian Banca Etica, the French CIGALES (*Clubs d'Investisseurs pour une Gestion Alternative et Locale de l'Épargne Solidaire* or Investors' Clubs for Alternative Local Management of Solidarity Savings) or the CDFI (Community Development Financial Institutions), many of which are members of the INAISE network. Another shining example of a response to the breakdown of trust and the credit crunch has been given by credit unions in the United Kingdom. Their user membership, traditionally drawn from low-income groups, has risen during the recession (Jones, 2008). Governments have not been blind to the trend and have developed new initiatives to encourage this type of social banking institution. The UK Department for Work and Pensions, for instance, has announced £38 million of investment and passed improved legislation for this purpose.

Ferri (2006), cited in Birchall and Hammond (2009), offers three reasons why credit cooperatives may be beneficial during a credit crunch. In comparison to banks, this kind of SE enterprise tends not to freeze credit, increases interest rates less and is generally more stable due to different capitalisation and lending practices.

In short, SE entities were not responsible for this international financial crisis and have not felt its impact as strongly as other financial institutions, but have instead maintained healthier balance sheets and continued to fulfil their function of providing credit and financial inclusion.

### **8.3. The social economy amid an economic and employment crisis**

Historically, from an international perspective, it has been in times of crisis that SE organisations, particularly cooperatives, have shown most clearly the many social functions that they fulfil (Birchall & Hammond, 2009). Where they have had government backing, these functions have multiplied.

*The Social economy amid an employment crisis.* The social added value of the social economy is probably shown most clearly and explicitly in its regulation of the numerous



imbalances in the labour market, especially in periods of crisis: unemployment, job instability and the unemployability and social and labour market exclusion of the unemployed.

Historically, the social economy has contributed to creating new jobs, retaining jobs in sectors and businesses in crisis and/or threatened by closure, increasing job stability, shifting jobs from the black economy to the official one, keeping skills alive (e.g. crafts), exploring new occupations (e.g. social educator) and developing routes into work, especially for disadvantaged groups and the socially excluded (see Demoustier in CIRIEC, 2000). In times of crisis, faced with the critical economic situation of the industrial enterprises in which they work, countless groups of workers have opted for transforming or reactivating these companies in the form of cooperatives in order to keep their jobs. Over the last few decades, statistical data have shown that the SE is a powerful job-creating sector in Europe and is more sensitive to employment than the other sectors of the economy.

The impact of the 2008-12 crisis on employment in Europe has generally been more moderate in the social economy than in traditional private companies, according to reports from the national correspondents of this study, although they show large disparities between different countries and sectors. In general, employment in the social economy withstood the first stage of the crisis (2008-2010) better than traditional private sector employment, although later, as a result of the depth of the depression, social economy enterprises have also suffered net job losses.

In Italy, employment levels in the SE as a whole continued to rise in 2010 and 2011. This has been especially significant in the largest companies: the 106 biggest Italian social cooperatives grew from 75,828 employees in 2008 to 81,156 in 2009 and 84,243 in 2010.

In Spain, the European country with the highest unemployment rate, employment in cooperatives fell by 9% between 2008 and 2012 while salaried employment in the private sector as a whole fell by 19%, or over twice as much.

The picture is similar in France: in 2010 and 2011, employment in cooperatives showed greater resilience than in the traditional private sector. Overall, their job losses amounted to 1.7%, although it varied in different types of cooperatives. Employment fell in farm cooperatives (-3%) and workers cooperatives (-2%), but continued to rise in retail and artisans' cooperatives (+1.7% and +1.5% respectively). Mutuals are also continuing to grow (employment up by 3%), though sub-sector concentration is accelerating. Mutual insurance societies have therefore seen a slight rise in their market share.

New social economy organisations such as social cooperatives and other voluntary organisations working in the so-called new employment fields like health and social services and educational, cultural and research services, play a very dynamic role as job creators in Europe. These organisations show an important creative capacity in the labour market, establishing routes from voluntary work into paid employment, grouping working hours, exploring new services and regulating them from an employment standpoint (e.g. recognising new professions, taking the lead in setting up collective bargaining agreements, etc.), and creating new direct employment. No less important is the role of the social economy – especially the so-called integration enterprises, special employment centres and social cooperatives – in integrating groups with special employability difficulties, such as physical or mental handicaps or 'social handicaps', and who have been excluded from the labour market for long periods and find themselves in a vicious circle in terms of social and workplace integration, often ending up marginalised and poor.

One of the main challenges that European society has had to face has been the struggle against social and labour-market exclusion in a society in which social integration is principally achieved through paid employment. The latter not only gives people economic independence but also dignity, participation in society and access to services and facilities. For this reason, those chiefly excluded have been the social groups within the population that are less competitive, for

reasons of ability, qualifications or culture, such as the physically or mentally handicapped, the long-term unemployed and certain minority groups (e.g. ethnic minorities, immigrants).

In this situation, complementing and, above all, paving the way for public action in the struggle against social exclusion, the social economy has demonstrated a great capacity for achieving social and labour integration for clearly disadvantaged people. This has been especially evident in the case of associations, foundations, integration enterprises and other social firms, which have reduced levels of poverty and exclusion (CIRIEC, 2000; Spear et al., 2001).

*Resilience and bankruptcy.* The study by Zevi et al (2011) shows with international examples (mostly from France, Italy and Spain) how cooperatives have generally avoided the short-term effects of the crisis more efficiently than most traditional private companies, and have been better at maintaining employment levels. CICOPA (2009) shows that the job and economic *resilience* of worker and social cooperatives has been better than that of traditional companies in Europe. However, the situation varies in different countries. In Germany, according to figures from Creditreform-Datenbank, in 2010 only 0.1% of insolvencies involved cooperative enterprises, the lowest figure of any form of enterprise (information provided by Papstein, 2012).

### ***The Social Economy as a way out of the crisis and as a pillar of a new model of sustained economic development***

*Endogenous development processes.* In an international context of increasing globalisation and territorial vulnerability, the capacity to mobilise endogenous economic potential, attract foreign companies, embed the business fabric and collectively build up new synergies for the general revitalisation of local areas takes on strategic importance. In these conditions, the various kinds of cooperative (such as agricultural, worker, credit and integration cooperatives), association and other social enterprise have proved to be basic assets.

The social economy has great potential for activating endogenous development in rural areas, regenerating industrial areas in decline and rehabilitating and revitalising degraded urban areas; in short, for contributing to endogenous economic development<sup>71</sup>, restoring competitiveness to large areas, facilitating their integration at national and international level and rectifying significant territorial imbalances (Comeau et al, 2001, Demoustier, 2005).

This capacity is supported by arguments that fit the conceptual framework of Swedish Nobel prize winner Gunnar Myrdal's economic development theory: the SE fosters development and accumulation processes at local level (*spread effects*) and minimises the *backwash effects* or regression effects:

- given their true profit and surplus distribution logic, they are more likely to reinvest profits in the areas where they were generated;
- they are able to mobilise not only the players with the best knowledge of their environment and in the best position to set suitable initiatives in motion, but also existing resources at local level;
  - they are able to create and expand an entrepreneurial culture and a business fabric;
  - they can link the generation and/or spread of economic activity to local needs (neighbourhood services) and/or to local manufacturing infrastructure;
  - they can maintain economic activities at risk of dying out through unprofitability (e.g. crafts) or strong competition (traditional industries);
  - and they generate *social capital* in Putnam's sense, the basic institutional foundation for the creation of favourable conditions for sustained economic development.

*Social innovation.* No less important is the role of the social economy in the processes of change in European society. This social sector's direct contact with society endows it with a

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<sup>71</sup> See also the studies published by OECD's LEED programme ([www.oecd.org/cfe/leed](http://www.oecd.org/cfe/leed)).

special capacity for identifying new needs, channelling them to the authorities and traditional profit-making private enterprises and, where appropriate, creatively structuring responses.

In the nineteenth century, mutual aid and mutual provident societies were pioneers in responding to the needs of the new industrial society by covering health risks, and were associated with access to income for large sections of the population, shaping far-reaching social and institutional innovations which were the forerunners to the creation of public social security systems in Europe. The many ways in which these social economy organisations were linked to this process led to a profusion of social security models. (AIM, 2003). This example doubtless constitutes a reference paradigm for several of the new Member States of the EU, whose societies are in the process of developing their own welfare states (Swenner & Etheve, 2006).

More recently, innovative initiatives by what has been termed the New Social Economy have emerged: for example, as a result of the employment crisis in Europe, integration enterprises in their many legal forms (such as the Italian social cooperatives) have responded imaginatively to the labour market integration problems facing large groups of workers in advance of active public employment policies (such as the CIS and ZAZ in Poland and the CEE and EI in Spain).

Other examples of social innovation are the citizens' economic initiatives that have arisen with the aim of correcting the unequal terms of international trade between rich and poor countries, such as the organisations that specialise in fair trade.

However, the social economy's potential for innovation is not exhausted by the above. In the sphere of technological innovation, especially in situations where *social economy innovation* systems are structured, the generation and dissemination of new ideas and innovation has had a higher rate of success. A key factor of these systems is the stable alliance between the different agents of a region involved in fostering the social economy, such as the authorities in charge of this area, universities, associations, and the business sector of the social economy itself. Some examples are Quebec, the Mondragon Cooperative Corporation and the CEPES-Andalusia system in the south of Spain. In short, the social economy is capable of deploying different types of innovation which Schumpeter identifies as: product, process, market and organisational (Levesque, 2005).

This capacity for innovation has also been seen in the field of products, particularly in social welfare services such as support services for dependent persons and social and cultural services. Neoclassical economic theory recognises the advantages of the social economy compared to the public economy and the for-profit economy in its offering of this type of product, using arguments based on trust in a context of asymmetrical information among agents and on the satisfaction of heterogeneous demands and the large amount of relational goods. However, this corresponds not only to its ability to structure offers that are suitable for these new unsatisfied demands, but also to its ability to change values and cultures, reorienting the kind of development pursued (in the sense of consumer, production and organisational patterns).

Nevertheless, public authorities' and private institutions' funding for innovation has not been balanced. Preference has been given to financing technological innovation rather than other forms of innovation where the social economy has a greater presence.

#### **8.4. The social economy amid a public sector and welfare state crisis**

The crisis has had a particularly severe impact on public finances and therefore also on welfare services and the most vulnerable population groups, which have been the worst affected by the drastic cutbacks in the levels of cover for preferential goods and service needs like health, education and social services.

In a context of sharp public spending adjustment, the social economy enterprises closest to the public sector, because of their involvement in public markets or their being beneficiaries of grants and subsidies, have felt public funding cuts most acutely. A similar situation was experienced in the 1980s in the United States (Salamon, 1986) and the United Kingdom, leading to a substantial reduction in the size of the non-profit sector due to these organisations' heavy dependence on public funding.

In this era of retrenchment, in the United Kingdom, employment in the voluntary sector rose from 642,000 jobs in 2007, 2.3% of the UK workforce, to 765,000 in 2010, 2.7% of the workforce. The 40% growth in the number of jobs in this sector since 2001 shows its capacity for creating employment. Nevertheless, the financial crisis in Britain has led to drastic cutbacks in public funds for the voluntary sector in 2011 and 2012, directly affecting employment levels in these organisations (see section 8.4 below).

In France, since the end of 2010, associations have felt the effects of budget cuts (job losses of around 0.6% between Q4 2010 and Q2 2011). While social activity in the area of accommodation continued to increase (mainly obligatory expenditure by the authorities), home help, sports and cultural associations (often small) have seen their workforce begin to fall after rising rapidly for the past 20 years. The case of home help is illustrative: after strong growth (including 18,000 jobs added in 2007-2008), this sub-sector lost 5,800 jobs between the end of 2009 and June 2011, falling to the same level as at the end of 2008 (a 3.3% drop, while the private sector excluding the SSE lost 10%).

In contrast, a new social economy is currently emerging, offering social welfare in the face of the withdrawal of welfare state provision. It includes the new phenomenon of social entrepreneurship, social innovation and socially responsible enterprises. It is a reminder of the key role that mutualist organisations have historically played in the provision of social and health services and social security, generally preceding public initiatives. It may be noted that since the 1990s the welfare state systems of various European countries have been remodelled with the intention of lifting quality and access to these services. One of the aims has been to increase the presence of the private sector, particularly social economy agents, in order to achieve these goals. In the new EU Member States in Central and Eastern Europe, mutual provident societies can play an important role in this respect, as they do in Western Europe (Swenner & Etheve, 2006).

*Transforming the policy process.* The introduction of the social economy into the political and economic process allows the state to benefit from the properties of the former, redounding not only to an increase in effective democracy, but also to the efficiency of economic policy for several reasons (see also Enjolras, 2010):

- owing to its greater proximity and, consequently, knowledge of social problems and needs and possible solutions, involving the social economy in the design stage of economic policy increases the possibility of 'getting it right' when choosing objectives and instruments;
- owing to its greater sensitivity towards the interests and needs of society, the social economy is capable of detecting new social demands more swiftly as well as devising immediate satisfactory responses. The state can benefit from this pioneering endeavour;
- owing to its private nature and social sensitivity, it can broaden the scope of public action wherever this presents limitations for different reasons. Two examples illustrate this phenomenon. The first is that of health and education services targeted at illegal immigrants: these services cannot be undertaken by public authorities until the rules are changed, even if society approves of them. The second is the case of economic actions by the state which, although statutory, are not accepted by society (or by groups within that society) because the power is deemed unlawful (e.g. the British government in areas of Northern Ireland). In both examples the mediation of the social economy enables the state's limits to be surpassed;
- owing to its capacity to foster involvement and joint responsibility in society, involving the social economy in the political and economic process makes it possible to increase the degree of acceptance of economic policy measures, as these are accepted as the social economy's own

when it has participated in their drafting and application; it enables the state to marshal more resources than it would be able to by itself, and makes it possible to open up new possibilities for implementing efficient policies to re-launch demand in open economies, especially when they are carried out at local level with neighbourhood services at their centre;

- finally, cooperation of the state with the social economy, given the way the latter allocates and distributes resources, can assure the former that public funds earmarked for various policies, especially social policies, will not be diverted and appropriated by private interests (Vienney, 1994).

The SE could play an even more important role in future, bearing in mind the limitations that the state encounters in providing social welfare related goods and services, and the limitations and imbalances of private sector provision.

## **CHAPTER 9**

### **EUROPEAN UNION POLICIES AND THE SOCIAL ECONOMY, WITH A FOCUS ON THE EUROPE 2020 STRATEGY: FACTS AND IMPACT**

- 9.1. The social economy in European Union policies: facts and perception
  - 9.2. The social economy in the Europe 2020 Strategy
  - 9.3. Recent European Union initiatives towards the social economy
- 

#### **9.1. The social economy in European Union policies: facts and perception**

The attention paid to the social economy by the different EU authorities has been growing over the last three decades, albeit intermittently and with differences between institutions. The important role of the social economy in the social and economic development of Europe, including its position as a cornerstone of the European Social Model, has progressively been gaining recognition.

The long march towards institutional recognition of the social economy and the formulation of specific European policies started in the 1980s<sup>72</sup>. It culminated in 1989 with the Communication from the Commission to the Council on "Businesses in the 'Économie Sociale' sector: Europe's frontier-free market", which proposed the establishment through statutes of a European legal basis for cooperatives, associations and mutual societies, and with the creation of the Social Economy Unit in European Commission Directorate-General XXIII. During that decade, two community institutions, the Parliament and the European Economic and Social Committee (EESC), released a succession of reports, proposals and resolutions highlighting the social value added by the social economy, and in both cases culminating in a landmark report (Hypsman, 2003). The Parliament released reports on such topics as the contribution of the cooperatives to regional development (Avgerinos), the role of cooperatives in building Europe (Mihr), and cooperatives and cooperation for development (Trivelli), while the resolution proposed by Eyraud, Jospin and Vayssade (1984) invited the Council and the Commission to examine the possibility of establishing a European Law of Associations. For its part, in 1986 the EESC sponsored a European Social Economy Conference, together with the Coordinating Committee of the Cooperative Associations of the Community (CCACC), and published the first European study on cooperatives, mutual societies and associations (see EESC, 1986).

From 1989 there were successive advances and certain setbacks in the recognition and implementation of policies concerning the social economy. As mentioned above, the first civil service body to specialise in the social economy was the Social Economy Unit in Directorate-General XXIII, created by the European Commission in 1989 during the Presidency of Jacques Delors<sup>73</sup>. Its brief was very ambitious, given the meagre financial and human resources available:

- take initiatives to strengthen the cooperatives, mutual societies, associations and foundations sector;
- prepare European legislation for cooperatives, mutual societies and associations;
- analyse the sector;

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<sup>72</sup> See also Pezzini (2012): "L'Économie sociale dans les politiques européennes", in Chaves and Demoustier (2012).

<sup>73</sup> See <http://ec.europa.eu/enterprise/entrepreneurship/coop/social-history/social-history.htm>

- ensure the coherence of EU policy affecting the sector;
- liaise with existing representative federations;
- establish relations with parts of the sector that are unorganised;
- raise awareness of the cooperatives, mutual societies, associations and foundations sector among decision-makers;
- assess the problems the sector faces;
- represent the Commission on relevant matters to the other EU institutions.

The Unit was restructured in 2000, when its responsibilities were divided between two Directorates-General: DG Enterprise and Industry, where DG Enterprise Unit B3 – "Crafts, Small Enterprises, Cooperatives and Mutuals" was created, concentrating particularly on the "business aspects" of cooperatives, mutuals, associations and foundations; and DG Social Affairs, with responsibility for associations and foundations.

Together with the aforementioned units, two EU institutions have been important champions of the social economy:

- the European Economic and Social Committee (EESC), a European Union consultative body. Its Group III includes representatives of the social economy who have created a 'social economy category'. The EESC has been especially active in recent years and has issued several Opinions<sup>74</sup>. The two most recent Opinions are on "Diversity of forms of enterprises" and "Social entrepreneurship".

- the European Parliament. It first set up a 'European Parliament Social Economy Intergroup' in 1990. This intergroup was made up of members of the European Parliament and the organisations that represent the social economy in Europe<sup>75</sup>. Prompted by the intergroup, in 2009 the European Parliament approved a key report on the social economy, known as the Toia report.

In 2002 the Committee of the Regions also adopted an Opinion on "Partnerships between local and regional authorities and social economy organisations: contribution to employment, local development and social cohesion", in which it called for recognition of the social economy in regional policy.

Another body was the Consultative Committee of Cooperatives, Mutuals, Associations and Foundations (CMAF). Set up in 1998, its function was to give its opinion on the different matters concerning the promotion of the social economy at EU level. This Committee was abolished in a Commission restructuring in 2000, but at the initiative of the sector organisations the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF) was immediately set up as a European platform to liaise with the European institutions. It has recently changed its name to 'Social Economy Europe'.

When implementing measures, the EU institutions keep encountering a two-pronged problem with regard to the social economy: its inadequate legal base and its insufficient and generalised conceptual definition, contending between a lack of explicit references in the basic EU texts (Treaty of Rome and Treaty of Maastricht) and a definition (if any) based on legal form rather than the activities being conducted, and a multiplicity of terms (the third sector, civil society, etc.) that hinder consensus on the term to be employed.

In terms of legal recognition and visibility for the social economy, the main advances have been as follows:

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<sup>74</sup> EESC Opinions on "The social economy and the single market (2000); Ability of SMEs and social economy enterprises to adapt to changes imposed by economic growth" (2004), and "Economic diversification in the accession countries – role of SMEs and social economy enterprises" (2004).

<sup>75</sup> An important initiative by the Parliament is the "Report on a European Social Model for the Future" (2006), which explicitly states that the social economy is the 'third pillar' of this model.

- European Conferences organised by presidencies of the Council of the European Union or within the framework of a presidency;
- successive EESC Opinions<sup>76</sup>, initiatives and opinions of the European Parliament Social Economy Intergroup, and in some cases also those of the Committee of the Regions or even the Commission itself<sup>77</sup>, have contributed to the visibility of the social sector and its components<sup>78</sup>;
- the European Observatory for SMEs focused its sixth report (2000) on associations and foundations;
- the Statute for a European Cooperative Society (2003);
- the recent approval of the regulation on social clauses;
- an increasingly favourable policy towards social enterprises (see section 9.3).

The objectives to which the social economy is linked are essentially employment, social services and social cohesion, and therefore appear above all in two major lines of public policy: social and work integration policies, and local development and job creation policies. The EU institutions' interest in involving the social economy in these objectives constitutes a fundamental step forward, although it does reveal a narrow view of the SE's potential and the benefits that it could bring to the European economy and society.

A European budgetary policy specifically for the social economy has not gotten off the ground. Both of the two attempts so far have been unsuccessful. The first 'multi-annual programme of work for cooperatives, mutual societies, associations and foundations in the Community' (1994-1996) was intended to promote the European social economy through specific transnational projects and by taking it into account in EU policies (statistics, training, research and development). Approved by the European Parliament with a budget of EUR 5.6 million, it was rejected by the Council. The second proposal for a multi-annual programme for the social economy met the same fate. The discord between the Council and the Parliament can be seen in the 'Social Economy budget'.

Participation of the social economy in EU budgetary policy has taken place within the framework of employment and social cohesion policy, specifically the pluriannual budgets to promote SMEs and employment, such as the ADAPT initiative, the EQUAL initiative for social and work integration and the Local Action for Employment and Local Social Capital programmes; this participation has also taken place through the European Social Fund (ESF) in the form of measures to support local initiatives (sub-measure 10b), which make explicit reference to the role of the social economy. These explicit references are part of how the social economy is recognised within the Lisbon Strategy framework for employment and local development.

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<sup>76</sup> In 2000 the European Economic and Social Council (EESC) issued Opinion CES242/2000 DO C117 of 26 April 2000 on "The social economy and the single market." This Opinion stresses that the social economy plays an essential role in business plurality and diversification of the economy, and consequently suggests a battery of public support policies. Subsequently, at the request of the European Commission (14 October 2004), this same consultative body issued an Opinion on the ability of SMEs and social economy enterprises to adapt to changes imposed by economic growth, in which it considers that the social economy plays an important role and that specific support measures need to be implemented (e.g. setting up a European Observatory for the social economy and extending the measures proposed by the OECD to the SE, among others).

<sup>77</sup> In 2004 the Commission of the European Communities issued a significant Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on the promotion of cooperative societies (23 February 2004, COM(2003)18).

<sup>78</sup> In a different international sphere – although important for Europe because it was approved by the 25 countries of the European Union, among others, as well as by most of the national employer organisations and trade unions – is the Promotion of Cooperatives Recommendation (Recommendation R193 of 2002) of the International Labour Organization (ILO).



These programmes have had a wide-ranging structuring effect, both nationally and internationally, in joining up and strengthening the European social economy in terms of federations, networks, research, culture and policies. The EQUAL programme is particularly important: it supports projects involving social economy entities, such as strengthening the national social economy (third sector), especially services for local communities, and improving the quality of employment. Its projects also include lectures and debates, which are crucial for disseminating the concept. It is having a decisive impact in countries like Poland, Ireland and Austria.

At the initiative of the European Parliament, in 1997 the Commission set in motion an important pilot scheme entitled The Third System and Employment – the only substantial one specifically directed at the social economy – with a view to exploring and promoting the potential of the third sector in terms of employment. Put into operation by the Directorate-General for Employment and Social Affairs through to 2001, it initiated 81 projects amounting to almost EUR 20 million. It was not continued.

After years of European policy deployment, our interest has centred on assessing the impact of these policies on the development of the social economy in Europe. Our method has been to identify key measures (the European Social Fund, the European Regional Development Fund, the LEADER initiative, European rules – directives and legislation) and trans-European congresses and networks, which our correspondents (see Appendix 1) have rated from 1 star (\*) for least important to 3 stars (\*\*\*) for most important, in relation to the country on which they were reporting. The results are shown in table 9.1. The main conclusion is the importance of the main financial instrument, the ESF. Other highlights have been international congresses and networks, with the clear aim of raising the profile of the concept and generating structuring effects, such as coordination of the civil society of Europe's social economy. Finally, directed more at the rural world, the LEADER initiative has proved to be a key measure.

It is hoped that these positive effects will also be seen in the new EU Member States. In this way, the social economy will contribute to building Europe and to the European project.

**Table 9.1. Impact of European Policies**

	ESF	FEDER	LEADER	Directives and Legislation	Conferences and networks	Others
AUSTRIA	*	*		**	*	* EQUAL
BELGIUM	***	*	*	**	**	
BULGARIA	**	**	*	**	**	
CYPRUS						
CZECH REPUBLIC	**	**	***	*	**	
DENMARK						
ESTONIA						
FINLAND	***		***		***	
FRANCE	**	**	**	**	**	
GERMANY	**	*	***	**	**	
GREECE	***	*	***	**	**	*** *
HUNGARY	***	**	*		***	
IRELAND	***	**	**	*	*	
ITALY	**	**	**	**	**	
LATVIA	**	*	**	**	**	
LITHUANIA						
LUXEMBOURG						
MALTA	**			**	**	
NETHERLANDS						
POLAND	***	*	**	*	**	***
PORTUGAL	*	*	*	**	**	
ROMANIA	***	**	*	**	*	**
SLOVAKIA	**	*	*	***	**	
SLOVENIA						
SPAIN	**	*	**	**	***	*
SWEDEN	***	**	***	**	*	
UNITED KINGDOM	***		**			
<b>Acceding and Candidate Countries</b>						
CROATIA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TURKEY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MACEDONIA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MONTENEGRO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ICELAND	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes: Questionnaire question: Which EU policies do you think have had the most impact on your country's social economy over the last decade?

\*: Little/Not at all; \*\*: Moderate; \*\*\*: A lot; --: Negative

Within the architecture of European policy, it is important to underline the central role of national governments in transposing EU policy within the Member States.

*Competition policy and the social economy in Europe.* The timid advances in terms of recognition and policy implementation at EU level contrast with two issues that occupy a central position in the EU agenda and policies and which are directly related to competition policy (Vosec, 2010).

These issues are:

- barriers created by antitrust policies, under which cooperative activities are viewed as 'agreements', or practices that restrict competition, therefore requiring prohibition;
- the application of competition policy in the service sector as a result of the Bolkenstein directive, which distinguishes between services of general economic interest, services of general interest that are not of an economic nature, and social services of public interest. Interpretations of its rules to date have been seriously damaging to social enterprises and organisations;
- the tax treatment of cooperatives (see also section 7.1. of this report), a matter that some courts have considered subject to the rules on state aid, although this has recently been clarified.

## **9.2. The social economy in the Europe 2020 Strategy**

In the first half of 2010, when it looked as though the worst of the current economic crisis was over, the European Commission launched the Europe 2020 Strategy to achieve sustainable recovery by energetically and resolutely tapping all of society's strength and potential. Europe 2020 sets out three core priorities: smart growth (developing an economy based on knowledge and innovation); sustainable growth (promoting a more resource efficient, greener and more competitive economy); and inclusive growth (fostering a high-employment economy delivering economic, social and territorial cohesion). Five specific targets were set as indicators of these priorities: increasing the employment rate from 69% to 75%; investing 3% of GDP in R&D; reducing the greenhouse effect, developing renewable energies and increasing energy efficiency; reducing the school drop-out rate; and reducing the number of people living in poverty by 25%. Two years on, in mid-2012, these targets are further off than they were in 2010. Poverty and unemployment in the EU have risen (25 million unemployed) and social and territorial cohesion have not advanced.

Moreover, government policies to balance the budget at all costs are reducing social transfers and income redistribution and seriously threatening the welfare state. Naturally, they also make it more difficult to return to the path of smart, sustainable growth.

What part can the social economy play in achieving the Europe 2020 targets? The most recent studies and research, as well as empirical evidence, demonstrate the social economy's potential for achieving these objectives<sup>79</sup>. The organisational structure of social economy enterprises and their value system explain the fact that their objective functions are a plural matrix integrating economic and social objectives, and rendering them compatible with each other, so all social economy enterprises generate important macroeconomic and social benefits for society.

In terms of smart growth, it has been shown that the social economy contributes to the development of an economy based on knowledge and innovation. The potential of the social economy is evident in all its organisational forms and economic activities. There are many examples of organisational or social innovation by cooperatives and other similar enterprises in

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<sup>79</sup> See, for instance, the European Parliament's Toia Report (2009), Coen (2010), VOSEC (2010), Cooperatives Europe (2010) and Social Economy Europe (2010).

industry, agriculture, services and the financial sector. In the latter, ethical banking and microcredit have proliferated and have had an extraordinarily positive social impact.

There are remarkable innovation systems linked to specific geographical areas that fuel their own innovation chains, as in the Italian cooperative consortia, cooperative agri-food chains in a number of European countries or the well known example of the Mondragón cooperative group in Spain. The latter's innovative governance model – more participative and democratic – and its workers' greater commitment to the company as a result of shared ownership have been shown to create competitive advantages in the marketplace that help it to better withstand the economic crisis.

In terms of sustainable growth, social economy enterprises have value systems that translate into solidarity with their surroundings, internalising social costs and generating positive externalities. In the case of cooperatives, which accumulate indivisible assets and apply the 'open doors' principle, solidarity is also exercised over time, down the years, as these funds provide future generations with productive wealth that enables them to follow a path of sustainable growth. The Mondragón group is a good example. Unlike capital-based companies that often relocate their production, impoverishing the areas they leave, in the past four years the Mondragón cooperatives that have internationalised, employing multi-location production strategies, have seen net employment in their factories in the Mondragón area itself rise by 10%.

As regards employment targets, the empirical evidence proves that the social economy contributes effectively to combating unemployment, job instability and social and work exclusion among vulnerable groups. In countries such as Italy, worker cooperatives have maintained high employment levels – far higher than in traditional private companies – during the recent years of crisis.

In the specific area of combating poverty and social exclusion, the rise of social enterprises has been remarkable, not only in Northern and Southern Europe but also in the new EU member states in Central and Eastern Europe. It should be remembered, however, that it is not only social enterprises but all social economy enterprises, whatever their line of business, that make an effective contribution to inclusive growth. The social usefulness of social economy enterprises does not stem from their specific production activity, but from their organisational system and values, in that the rights of the person prevail over those of capital, and mechanisms are in place to ensure the equitable distribution of the income and wealth they generate.

It is evident that the social economy as a whole is performing an indispensable role in building Europe and can contribute to the priorities of smart, sustainable and inclusive growth. However, the measures that the European Commission has taken so far to support it have been minimal, limited to social enterprises. Ignoring the enormous potential of the social economy as a whole, they have excluded most SE enterprises from official initiatives to promote the collective entrepreneurship that is typical of this sector.

### **9.3. Recent European Union initiatives concerning the social economy**

2011 saw an important shift in the European Commission's political agenda regarding the social economy – or more precisely, social enterprises.

There are a number of reasons why this happened: first, the depth of the economic crisis and increasing questioning of the European institutions helped prompt the Commission to seek alternative solutions; second, a new wave of social and institutional demands – such as the position paper on European civil society and the social economy and those of Social Economy Europe and Cooperatives Europe; the European academic world's open letter of October 2010: "From words to action: supporting cooperative and social enterprises to achieve a more inclusive,

sustainable and prosperous Europe"; the European Parliament's 2009 resolution on the social economy (the Toia report); and the European Economic and Social Committee Opinion on "Diverse forms of enterprise" – forced the Commission to pay greater attention to the social economy in its policies; thirdly, the application of the Small Business Act passed in 2008 (which explicitly cited the social economy) needed to be reviewed, leading to interest in social businesses; and finally, but no less importantly, there were circumstantial factors such as certain European policy makers' noticing the exceedingly high profile of social enterprises.

The Small Business Act and the Single Market Act were central in this respect:

*The Social Business Initiative.* On 23 February 2011 the Commission issued a Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions reviewing the "Small Business Act" – SBA – for Europe (COM(2011) 78 final). Its general aim was to take stock of the application of the SBA and assess the new needs of European SMEs in the current economic climate. This Communication specifically refers to the "social economy" and pledges that the Commission will "adopt, by the end of 2011, a Social Business Initiative focusing on enterprises pursuing social objectives."

As a result, on 25 October 2011 the Commission issued a new Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: the "Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation" (COM(2011) 682 final). At the same time, on 26 October, the European Economic and Social Committee issued an Opinion on "Social entrepreneurship and social enterprise"<sup>80</sup>.

The Social Business Initiative listed 11 key actions:

- 1: Proposal for a regulation on European social investment funds (7.12.2011)
- 2: Microfinance
- 3: A European financial instrument (6.10.2011)
- 4: Investment priority for social enterprises in the structural funds (6.10.2011); Common Strategic Framework (14.03.2012)
- 5: Mapping of social enterprises; business models, economic weight, tax regimes, identification of best practices; (action 9:) study on the situation of mutual societies
- 6: Data base of labels and certifications
- 7: National and Regional Administrations: promotion of mutual learning and capacity building
- 8: Electronic data exchange platform for social investors and entrepreneurs; access to EU education and training programs
- 9: Simplification of the Statute for a European Cooperative Society regulation, and a regulation for a European Foundation statute (8.02.2012)
- 10: Greater priority given to considerations of quality in awarding contracts in the context of public procurement reform
- 11: Simplification of the implementation of rules concerning state aid to social and local services

Other actions mentioned in the SBI

- Proposal for a Regulation on European Venture Capital Funds
- Reliable statistics on social enterprises
- Communication on EU State Aid Modernisation
- Public Consultation on the General Block Exemption Regulation
- SMEs: Consultation on the "Europe 2020" action plan

*Social Entrepreneurship – Social Economy.* On 13 April 2011 the Commission issued a new Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: the "Single Market Act", Twelve levers to boost

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<sup>80</sup> See [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

growth and strengthen confidence, "Working together to create new growth". Number eight of these levers is social entrepreneurship, identified with the social economy. Its aim is "to promote the development of businesses that have chosen – above and beyond the legitimate quest for financial gain – to pursue objectives of general interest or relating to social, ethical or environmental development".

It sets out the following action plan:

- “1. Legislation setting up a European framework facilitating the development of social investment funds.
2. In order to ensure a level playing field, the Commission will present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors.
3. In order to overcome these difficulties [for foundations to grow], the Commission will present a proposal for a Regulation establishing a European Foundation Statute.
4. Within the framework of the European Platform against Poverty and Social Exclusion, the Commission will support the development of the social economy as an instrument for active inclusion by proposing, in 2011, a "Social Business Initiative" and by facilitating access to the Union's financial programmes for use in this area.
5. In 2011 the Commission will also adopt a Communication on corporate social responsibility (CSR) – a wider concept than social business – which encourages all businesses to pursue actions with social or environmental objectives as part of their daily activities.”

## CHAPTER 10

### CHALLENGES AND CONCLUSIONS

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#### **10.1. The social economy: an emerging sector in a plural society**

The main and most important trend that can be observed in the recent evolution of the social economy is its consolidation in European society as a *pole of social utility* between the capitalist sector and the public sector, made up of a great plurality of actors: cooperatives, mutual societies, associations, foundations and other similar companies and organisations.

The citizens' associative movement is experiencing considerable growth by promoting solidarity business initiatives directed towards producing and distributing merit or social goods. Steadily greater collaboration between the associative and cooperative movements is discernable in the development of many of their projects and activities, as in the case of social enterprises. The capacity of these initiatives to solve the *new social needs* that have appeared in recent decades has re-emphasised the importance of the SE.

The SE has not only asserted its ability to make an effective contribution to solving new social problems, however, it has also strengthened its position in traditional sectors such as agriculture, industry, services, retailing, banking and mutual insurance. In other words, the SE is also establishing a reputation as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activities serving social needs, correcting labour market imbalances and deepening and strengthening economic democracy.

The new SE is taking shape as an emerging sector which is increasingly indispensable if an adequate response to the new challenges of the global economy and society is to be provided. These challenges lie at the root of the increasing interest in the role that the new SE can play in the welfare society.

#### **10.2. The necessary conceptual identification of the social economy**

A challenge that the SE needs to urgently address is its *institutional invisibility*. This invisibility is explained not only by the emerging nature of the SE as a new sector in the economic system, but also by the lack of a conceptual identity, i.e. a clear, rigorous definition of the features that the different types of companies and organisations that make up the SE share and the specific traits that enable them to be distinguished from others.

On this point, a gradual process of conceptual identification of the SE has been discernible in recent years, drawing in both the players themselves, through their representative organisations, and scientific and political bodies. This report presents a concept of the SE developed from the criteria set out in the *European Commission Manual for drawing up Satellite Accounts of Companies in the Social Economy*, which, in turn, corresponds with the definitions formulated in the recent economics literature and by SE organisations themselves.

#### **10.3. Legal identification of the social economy and recognition in national accounts**

Conceptual identification of the SE will make it possible to tackle the challenge of its identification in the legal systems of the EU and EU Member States. Although some European countries and the EU itself recognise the SE as such in a number of legal texts, along with some of its constituents, progress needs to be made on statutory definition of the scope of the SE and the requirements that its parts must fulfil in order to prevent an overly vague definition of its characteristic features and the loss of its social utility.

A *Legal Statute of the SE* and effective legal barriers to entry need to be introduced so that no non-SE organisation can benefit from economies of legal form of organisation or from public policies to encourage the SE.

This report has also demonstrated the increasing size of the SE, which directly provides over 14.5 million jobs, accounting for 6.5% of total EU employment. In contrast, it is invisible in the national accounts – a hurdle that constitutes another major challenge.

Current national accounting rules, drawn up at the height of mixed economy systems, do not acknowledge the SE as a differentiated institutional sector, making it difficult to draw up regular, accurate and reliable economic statistics on the agents of which it is composed. Internationally, the heterogeneous criteria employed in drawing up statistics prevent comparative analyses and detract from the authority of approaches that draw attention to the SE's evident contribution to achieving major economic policy objectives.

The *Manual for drawing up the Satellite Accounts of Companies in the Social Economy* recently released by the European Commission is an important step towards institutional recognition of one part of the SE in national accounts systems. The manual explains the methodology by which reliable, harmonised statistics can be drawn up across the EU within the National Accounts framework (the 1995 ESA) for five major groups of SE companies: a) cooperatives, b) mutual societies, c) SE business groups, d) other similar companies in the SE and e) non-profit institutions serving SE companies.

The SE in Europe faces a dual challenge in this field. First, the organisations that represent the SE need to make their voice heard in the European Commission and in each of the Member States to ensure that the manual's proposals are put into effect. Specifically, they need to get each EU Member State to set up a *Statistical Register of Companies in the Social Economy*, based on the delimitation criteria laid down in the manual, so that satellite accounts covering the companies in these registers can be drawn up.

Second, they need to promote initiatives that will make it possible to prepare reliable, harmonised statistics on the large segment of the SE that is not covered by the European Commission's manual. This segment is largely made up of associations and foundations, which are covered by the United Nations' Handbook on Non-Profit Institutions in the System of National Accounts. This NPI Handbook covers many non-profit organisations that are not part of the SE, but it would be possible to disaggregate the statistics for non-profit organisations that meet the SE identity criteria, as defined in this report, from non-profit sector statistics drawn up in accordance with the handbook.

#### **10.4. Coordination between social economy federations**

Being plural and multiform, the SE needs strong organisations to represent the different groups of companies and organisations of which it is composed. However, the identity which they all share and the nucleus of common interests that binds the SE suggest the necessity and advisability of wholehearted efforts to achieve associative coordination of the entire SE, both at national level and internationally throughout Europe. The more visible and powerful the collective image transmitted by the SE, the greater the chances of effective action and development for each and every one of the groups of agents that make up this sector.

#### **10.5. The social economy and social dialogue**

Achieving recognition of the SE as a specific interlocutor in the social dialogue is a considerable challenge.

The SE has become a major institution of civil society that contributes significantly to the organisation of its associative fabric and the development of participatory democracy. At the same time, however, the SE is a powerful economic and social actor with specific characteristics that do



not align with the classic employer/employee dichotomy, and demand that the SE be expressly recognised as a social interlocutor.

During the second half of the 20th century, at the height of mixed economy systems, the major figures at the negotiating tables that agreed public policies (particularly income policies) were government, employers' organisations and trade unions. Nowadays, however, the economy has become more plural, requiring direct participation in the social dialogue by all sectors involved: employers' federations, trade unions, government and this other great group of social and economic players, entrepreneurs and employers that comprises the new SE and is playing an increasingly prominent role in the developed world.

Together with the classic *collective bargaining tables*, *social dialogue tables* that include the *SE agents* should be proposed, as these would be more in accordance with the new economic reality at the start of this century.

#### **10.6. The social economy and public policies**

For over two decades, the European institutions (Parliament, Commission and Economic and Social Committee) have recognised the SE's capacity for correcting significant social and economic imbalances and helping to achieve various objectives of general interest. Recently, the European Parliament identified the SE as a fundamental pillar and keystone of the European social model (*clé de voûte du modèle social européen*).

As a result, even more than before, the Member States and the European Commission must make concrete commitments to making the SE not just an effective instrument for achieving particular policy objectives in the general interest, but also an objective in its own right (i.e. cooperativism, mutualism, associationism and general interest initiatives by civil society), indispensable for the consolidation of a developed society and the values associated with the European Social Model. At this point, the organisations that represent the SE have an important part to play by presenting initiatives and proposals to the EU institutions, political parties, trade unions, universities and other organisations that represent civil society.

#### ***European Commission Social Enterprise Initiatives since 2011***

#### **10.7. The social economy amid an economic and welfare state crisis**

Over the 2008-2012 period, the SE has shown a remarkable capacity to face up to the negative consequences of the current cycle of depression and make a significant contribution to the three main priorities of the Europe 2020 strategy: smart, sustainable and inclusive growth.

In terms of innovation, the SE is pioneering the launch of new products and initiatives that fight social exclusion effectively, as social enterprises have shown through their experiences in many European countries. The force of innovation systems with strong ties to particular areas that combine and reconcile efficient responses to the challenges of globalisation with a commitment to maintaining local employment (Mondragon's multi-location production, cooperative agri-food chains, etc.) is also worth noting.

The SE enterprises' organisational and social innovation are among the basic reasons for their greater resistance to job destruction and insecurity. Because they have a more participative and democratic governance model and the workers are more committed to the company as a result of sharing ownership and risk, companies that are self-managed by their workers are withstanding the economic crisis better than others.

In terms of sustainable and inclusive growth, the SE's value system translates into solidarity with the community and the environment, internalising social costs and generating positive

externalities. For example, cooperatives accumulate indivisible assets and apply the 'open doors' principle. Over time, this creates a historical solidarity mechanism that provides future generations with productive wealth, making it easier for them to follow a path of sustained and sustainable growth.

#### **10.8. The social economy, the new enlarged European Union and the development of an integrated Euro-Mediterranean space**

The EU places great importance on the objective of forging an integrated European space where social and economic inequalities between the EU-15 and the 12 new Member States in Eastern and Southern Europe are diminished and eliminated as soon as possible. Among other consequences, these inequalities have triggered large-scale migratory flows from East to West within the EU. Together with stronger social cohesion in the EU, another challenge is to foster an integrated Euro-Mediterranean space that will become an area of prosperity and stability. For this, all the countries bordering the Mediterranean need to consolidate strong democratic states, and the productive fabric of civil society in the southern rim countries needs to be strengthened.

In these countries, high population growth and other structural factors are preventing economic growth from leading to a higher standard of living for the majority of the population, which is why the Euro-Mediterranean region and the EU have become one of the geographical areas with the greatest migratory movements, in terms of both size and intensity. These are further compounded by large population groups from Latin America, Sub-Saharan Africa and South-East Asian countries.

Owing to their specific characteristics, SE actors can play a major role in both integrating the immigrant population and developing trade flows within the EU and between Europe and the southern shores of the Mediterranean.

#### **10.9. The educational system, research and networks, universities and the social economy**

The EU's education systems are set to play an important role in fostering an entrepreneurial culture and democratising the economy through training projects that stimulate entrepreneurial initiatives based on the values that characterise the SE. In turn, the development of new products and innovative processes by SE companies require them to boost cooperation with university centres that generate and transmit knowledge. Research networks and information exchange networks between these centres and SE professionals will contribute, as they have been doing in recent years, to broadening the necessary SE-specific knowledge bases and disseminating this knowledge throughout Europe.

#### **10.10. Social economy identity and values**

The new SE is taking shape in the EU as a *pole of social utility* in a plural economy system, alongside a public sector and a profit-driven private sector. The challenge that the SE must face is to surmount the dangers of dilution or trivialisation of its identifying features, which are what give it its specific social utility. Because of this, SE actors need to deepen their understanding of the values that make up their shared core of reference, use all the social and cultural levers that are attuned to these values to reaffirm their own institutional profile, and achieve an effect that multiplies their economic and social potential.

The challenges and trends outlined above are not a conclusive list but a proposal that is open to debate, a starting point for reflection in the new phase that has opened up in Europe with the recent enlargements of the EU.

In this new phase and new social economy, all the prominence and the responsibility for defining its specific profile and the strategic objectives it should adopt in order to play a leading part in building Europe, rightfully fall to actors in the social economy themselves.

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## **APPENDIX II GLOSSARY**

ACME – Association of Insurance Mutuals and Cooperatives

ADAPT - European Community program for employment  
 AIM - International Association of Mutual Societies  
 AISAM - International Association of Mutual Insurance Companies  
 AMICE – Association of Mutual Insurers and Insurance Cooperatives in Europe  
 BAGFW – Bundesarbeitsgemeinschaft der freien Wohlfahrtspflege (Germany)  
 CASES – Cooperativa Antonio Sergio da Economia Social (Portugal)  
 CCACE - European Co-ordination Committee of Cooperative Associations  
 CECOP – European Confederation of Workers’ cooperatives, Social cooperatives and Social and participative enterprises,  
 CEDAG - European Council for Non-Profit Organisations  
 CEGES – Conseil des Entreprises, Employeurs et Groupements de l’Economie Social (France)  
 CEP-CMAF - European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations  
 CEPES - Spanish Business Confederation of the Social Economy (Spain)  
 CEPES-Andalusia – Entities Confederation of the Social Economy in Andalusia (Spain)  
 CIC – Community Interest Company (United Kingdom)  
 CIRIEC - Centre of Research and Information on the Public, Social and Cooperative Economy  
 CMAF - Cooperatives, Mutual Societies, Associations and Foundations  
 CN-CNRS – Conseil National des Chambres Régionales de l’Economie Sociale et Solidaire (France)  
 CNLAMCA - National Liaison Committee for Mutual, Cooperative and Associative Activities (France)  
 COFAC - Training and Cultural Activities Cooperative (Portugal)  
 COGECA – Agricultural cooperatives in Europe  
 CONCERTES – Walloon Confederation of Social Economy (Belgium)  
 Confcooperative - Italian Cooperative Confederation  
 CRISES - Centre de recherche sur les innovations sociales (Canada)  
 CWES - Walloon Social Economy Council (Belgium)  
 DGES - Directorate-General of Social Economy, autonomous workers and European social found (Spain)  
 DIIEES - Délégation Interministérielle à l’Innovation, à l’expérimentation sociale et à l’économie sociale (France)  
 EKL - Estonian Union of Cooperative Housing Associations  
 EMES – European research network on social enterprises  
 ESA - European System of National and Regional Accounts  
 ESOSC - Institute for Independent Social Research and Consultancy  
 EESC - European Economic and Social Committee  
 EQUAL - European Community program for social and labor integration  
 Euro Coop - European Community of Consumer Cooperatives  
 ESF - European Social Fund  
 EU – European Unión  
 EURICSE - European Research Institute on Cooperative and Social Enterprises (Italy)  
 FEBECOOP - Fédération Belge de l’économie sociale et coopérative  
 FNDS - National Fund for the Development of Sport (France)  
 FNDVA - French National Funds for the Development of Associated Life  
 FTEV – Full-time equivalent volunteers  
 ICA - International Co-operative Alliance  
 ICMIF – International Cooperative and Mutual Insurance Federation  
 ILO - International Labour Organization  
 INAISE – network – International Association of Investors in the Social Economy  
 IPAB - Istituzioni di Pubblica Assistenza e Beneficenza (Italy)  
 IPSS - Instituições Particulares de Solidariedade Social (Portugal)  
 IUDESCOOP-UV - Institute of the Social and Cooperative Economy of the University of

Valencia (Spain)  
LEGACOOP - Lega Nazionale delle Cooperative e Mutue (Italy)  
MCC – Mondragón Corporación Cooperativa (Spain)  
NCVO – National Council for Voluntary Organizations (United Kingdom)  
NNO - Association of Common Benefits (Czech Republic)  
NPI / NPO - Non-profit institutions / organisations  
NPISH - Non-profit institutions serving households  
OECD – Organisation for Economic Cooperation and Development  
ONCE – National Organization of Spanish blind people  
ONLUS - Non Profit Organisation of Social Interest (Italy)  
RedEsmed – Euro-Mediterranean Network of Social Economy  
SBA – Small Business Act  
SBI – Small Business Initiative  
SCE - Statute of the European Cooperative Society  
SE - Social Economy  
SERUS – Social economy and civil society in Scandinavia  
SKES - Standing Social Economy Conference (Poland)  
SNA - United Nations' System of National Accounts  
TS - Third Sector  
VOSEC – Flemish Confederation of Social Economy (Belgium)

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