



SOCIAL ECONOMY AND LABOUR. INVEST IN A MORE SOCIAL EUROPE FOR MORE INCLUSIVE GROWTH AND GREATER SOCIAL EQUITY

GIUSEPPE GUERINI

Spokesperson for the Social Economy Category of EESC and Chair of CECOP Cicopa Europa

The year 2021 may be remembered as the European year of social economy and, if so, important merits should be acknowledged to Portugal, who wished to include, among the priorities of the Presidency of the Council of the European Union, great attention to social issues. The Oporto Summit on May 7th was the most institutionally significant moment, with the adoption of an important statement that commits the European institutions and governments of Member States to achieving the 20 main objectives of the Action Plan for the implementation of the European Pillar of Social Rights.

Before the Oporto Summit, always as part of the initiatives of the Portuguese Presidency of the EU Council, a **high-level conference was held on March 29th, 2021** dedicated to *“The role of Social Economy in job creation and in the implementation of the European Pillar of Social Rights”*, broadcast from the Queluz National Palace in Sintra, where the network of 6 Portuguese cities that are European Capitals of Social Economy for 2021 was also presented.

In this paper, I will propose an in-depth analysis of the intervention presented on the occasion, which also takes up the issues addressed in the opinion¹ approved by EESC, which explored, at the request of the Portuguese Presidency, the role of social economy organisations in job creation.

¹ <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/role-social-economy-creation-jobs-and-implementation-european-pillar-social-rights>

Social economy is increasingly acknowledged internationally as a decisive and important economic actor, capable of expressing the transforming capacity of organised civil society, with its entrepreneurial dimension and propensity to generate economic values and produce increasingly consolidated services.

Many States have adopted legislative measures that acknowledge its objectives and functions of general interest, outlining the profile and legal form of organisations acknowledged as expressions of Social Economy. In this regard, an interesting and comparative analysis is available in a text² published by the European Confederation of Production and Services Cooperatives (<https://cecop.coop>) and edited by Prof Antonio Fici, the author in 2017 of research on behalf of the European Parliament, which deepened³ the legal notion of social economy companies.

The European Commission has also acknowledged, for many years, the role and importance of social economy organisations, in particular for their ability to promote social innovation and create increasingly significant employment opportunities, which have recently gained interest due to the potential role that companies in social economy in particular⁴ can play in favouring investments with positive environmental and social impact, to create sustainable and inclusive economic development, so that a regulation to favour the creation of investment funds (EuSEF) has been established⁵ to support social entrepreneurship. The creation of EuSEF Funds, however, did not live up to expectations, precisely because a univocal and consensual definition that formally identifies companies in social economy is still lacking and, therefore, financial institutions, investors and banks still adopt traditional attitudes.

² <https://cecop.coop/works/cecop-report-on-social-enterprises-laws-in-europe-a-worker-and-social-coops-perspective>

³ [https://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU\(2017\)583123](https://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU(2017)583123)

⁴ https://ec.europa.eu/growth/sectors/social-economy/enterprises_en

⁵ https://ec.europa.eu/info/law/european-social-entrepreneurship-funds-eusef-regulation-eu-no-346-2013_en

All this although the Council of the European Union had already acknowledged social economy enterprises as a key driver of development and growth in Europe in 2015⁶.

Among European organisations that have produced much work in the field of social economy, certainly EESC <https://www.eesc.europa.eu/en> it is one of the most active European bodies, considering the more than 15 opinions approved in the last 10 years. It follows that social economy is a system of organisations and companies that place social objectives above capital, promoting the active participation of people and local communities, thanks to democratic governance capable of including multiple stakeholders.

These definitions gradually clarified the much-discussed issue of lack of profit, which in too many situations is mistaken for an obligation to manage in a non-economic manner, which in some cases is interpreted as a prohibition on reaching budgets with a surplus, and likewise, clear legislative indications are lacking on how to measure and assess the specificity of economic values and the remuneration of investments in non-profit organisations.

In this regard, one must emphasise that, to achieve the important goals of social innovation and create good employment, one must also have efficient and effective economic management, capable of generating the necessary resources to pursue social goals.

The distinguishing element, therefore, should not be identified in the absence of profit, but in the inevitable destination of economic resources, putting social objectives ahead of capital thanks also to democratic governance in which different stakeholders take part.

Another common thread in the different opinions that define a substantial acknowledgment of Social Economy, by international institutions and bodies such as the OECD, the United Nations, the ILO and institutions of the European Union, is found in the identification of Social Economy of 4 large organisational families: cooperatives,

⁶ <https://data.consilium.europa.eu/doc/document/ST-15071-2015-INIT/en/pdf>



associations, mutual societies and foundations, with the recent addition of social enterprises.

However, it has not yet been possible to reach agreement on a homogeneous legal definition at European level to allow social economy organisations, with a productive and entrepreneurial vocation guided towards the general interest and the creation or management of common goods, to have a position and full and clear acknowledgment in legal terms.

In 2018, Parliament proposed the introduction of a label/certification for social economy organisations based on Article 50 of the TFEU. That is why I believe that an operational definition acknowledged and formally accepted and valid for the EU institutions is now increasingly needed, especially to allow access to the many opportunities for growth and development, and to promote better understanding of Social Economy by public institutions and, in particular, financial institutions, investors and credit institutions.

It is worth remembering that in many countries, banks and credit institutions apply to many social economy organisations criteria for assessing the creditworthiness of borrowers similar to those applied to families or private citizens, for example, preventing access to guarantee measures planned for companies. This happens even though the percentages of unproductive or impaired loans caused by social economy organisations is statistically insignificant. It means that many social economy organisations obtain financing on worse terms than companies, despite proving that they repay their loans more often and better than all other creditors.

It is time, therefore, to increase the level and quality of acknowledgment of Social Economy and insist that the Action Plan for Social Economy that the European Commission announced for late 2021 is also an opportunity to work on a common definition, at least for social economy companies, that can be useful for full accessibility to markets, in particular the capital market, which demonstrates growing interest in investments with social impact.



It has been proven that people and local communities are the driving force of Social Economy; not capital, not profit, not accumulation as an end, but the creation of generative and shared value, whose specificity and economic weight cannot be neglected.

Furthermore, the economic value generated by social economy organisations is very significant due to their size (representing 8% of European GDP)⁷, and for its quality and persistence as far as the services provided to citizens and the jobs created and maintained, including during the years of financial crisis between 2008 and 2014 and in these last months of the pandemic, with extraordinary examples of commitment and solidarity.

Even more relevant is its role in creating and maintaining employment, with more than 13.6 million paid jobs in Europe, representing around 6.3% of the working population of the European Union. Among these workers, about 2.6 million are employed by social enterprises that meet the requirements outlined by the 2011 Social Business Initiative.

A heritage of social and civil commitment, as well as an economic one, which also feeds a fabric of widespread participation with 232 million members of cooperatives and mutual societies.

There are certainly big differences between different social economy organisations, also in terms of size, but a relevant component of workers in social economy organisations and companies is found in small organisations, with an average of less than 10 workers, but there are cases in many European countries where social economy enterprises are large, with a number of employees that sometimes exceed hundreds or thousands of regularly employed workers.

A large proportion of employees are in organisations characterised by democratic participatory governance, which shows a correlation between broad stakeholder participation in governance and a propensity to maintain high levels of employment, and

⁷Data from the EESC report <https://www.eesc.europa.eu/sites/default/files/files/qe-04-17-875-it-n.pdf>.

better ability to withstand shocks, as demonstrated by research carried out on “resilience”⁸ of workers’ cooperatives.

Very significant for social economy is the large proportion of female workers, in many cases exceeding 70% of the labour force, but generally above 50%. While further progress towards parity is needed, the presence of women in management and senior positions in many Social Economy organisations is also very significant. Therefore, among these organisations and companies, there is significant salary equity – both between the different positions in the organisational hierarchy and in salaries, which do not have excessive gender imbalances, as shown in a study by the Spanish Confederation of Associated Labour Cooperatives in 2019⁹.

A total 2.8 million companies and organisations constitute the driving and productive force of Social Economy in Europe, which also develops strong **propensity for innovation and, in particular, social innovation.**

Social economy knows how to interpret and monitor changes in society without losing sight of the solidarity dimension essential to ensure that development is inclusive and does not increase inequalities, deploying the active and solidary participation of local communities, as demonstrated by more than 82.8 million volunteers active in social economy organisations.

In many cases, social economy enterprises are the main provider of essential services to the population – such as educational, social and health services, care services or training and labour market introduction services for disadvantaged people. Social economy organisations also play a very important role in facilitating the integration of migrant workers, refugees and asylum seekers in many countries of the European Union¹⁰.

⁸ The resilience of the cooperative model, CECOP, 2012 <https://www.cecop.coop/works/the-resilience-of-the-cooperative-model>.

⁹ Las mujeres en las cooperativas de trabajo, COCETA, 2019 <https://www.coceta.coop/publicaciones/estudio-mujer-cooperativismo-coceta-2019.pdf>.

¹⁰ La respuesta solidaria de la economía social a las migraciones en el Mediterráneo <https://publicacionescajamar.es/publicaciones-periodicas/mediterraneo-economico/mediterraneo-economico-32-la-economia-social-en-el-mediterraneo/823>

In many cases, the services provided by social economy organisations are developed with the direct participation of the beneficiaries themselves and are rooted in the territory that is part of their mission.

Many social economy companies are developing new jobs and social innovation initiatives also in the context of the green economy and aimed at promoting sustainable development. Similarly, circular economy experiments carried out by social economy organisations that create new jobs in the reuse sector or in social agriculture are growing, favouring socially oriented development in rural areas.

Cooperatives are one of the most common forms of organised social economy in providing these services. They follow a very specific and well-defined business model, based on seven principles: voluntary and open membership, democratic control of members, economic participation of members, autonomy and independence, education, training and information, cooperation between cooperatives and interest and concern for the community.

Among the different types of cooperatives, in particular those dedicated to promoting local development, are workers' cooperatives, social cooperatives (a form of cooperative that originated in Italy in the 80s and has since been introduced in Poland, Portugal and Spain, which today employs 350,000 people in Italy); collective and community interest cooperatives (SCIC in France) and community cooperatives (present in Italy and the United Kingdom).

Due to their characteristics, cooperatives represent a particularly interesting economic model for rural areas. Farmers' cooperatives are well known for their role in the development and promotion of rural activities and have demonstrated their ability to provide innovative digital solutions to specific challenges such as precision farming. In addition to agricultural cooperatives, other forms of cooperative enterprises, such as workers' cooperatives and social cooperatives (e.g. in the areas of mobility, welfare and



promotion of tourism and cultural activities), help promote local development, create, maintain or improve services and employment and reduce the phenomenon of emigration of young people from decentralised territories.

In addition to agriculture, digital technologies are key to making rural communities more attractive, smart and sustainable, and to reducing remoteness-related problems and improving access to services. Based on our experience, the role of cooperatives is particularly important in four areas: health, education and sense of community, mobility, and access to digital infrastructure. Many cooperatives, including those listed as examples on the following pages, have demonstrated their unique ability to anticipate, listen to and respond to the needs of the communities in which they operate.

No less important is the role of social economy organisations in access to healthcare; therefore, initiatives by social economy organisations experimenting with new digital technologies to facilitate access to healthcare services are growing, but also for access to education, in particular for adults with difficulties in participating in lifelong learning programmes.

Ultimately, social economy companies can create important opportunities for work and local development by organising the widespread participation of citizens in the implementation of services such as supply of renewable energy or organisation of services in decentralised and rural areas, as in the French experiments of the Territorial Poles of Economic Cooperation (PTCE)¹¹ that bring together associations, cooperatives, local authorities, traditional companies and universities around a project, and promote experiences in social agriculture, sustainable tourism and the enhancement of environmental or cultural goods.

Of particular interest is the role that social economy enterprises, especially labour cooperatives, can play in making new forms of entrepreneurship created through digital platforms more inclusive¹², to make the participation of workers and users more

¹¹ <https://www.llelabo-ess.org/poles-territoriaux-de-cooperation-economique>

¹² <http://www.ciriec.uliege.be/wp-content/uploads/2020/02/WP2019-27.pdf>



sustainable and shared, in order to develop new forms of mutuality and solidarity, through digital technologies, capable of promoting widespread participation, or to give greater protection to self-employed workers¹³ in sectors such as cultural and artistic production or activities linked to the digital economy chain.

In light of the above, the potential of Social Economy is evident. That is why I believe that, to give new impetus to the contribution of these organisations to building a more social, resilient and inclusive Europe, one must adopt specific support and promotion policies in at least four areas: taxation, investment, business policies and innovation.

- A tax regime that acknowledges the function of general interest performed by social economy companies, with particular attention to those operating in sectors of primary public interest, such as social, health, education and social inclusion services;
- Policies to promote public and private investment that favour the development of a financial system with social impact – with greater accessibility to the market of public contracts and awards;
- Policies to support stable employment and the economic role of workers in social economy companies, especially in their democratic governance;
- Policies and support to implement new skills and foster the diffusion of innovation and new technologies in civil society.

In substance, the proposals on the tax plan should provide for interventions to strengthen measures to support employment in social enterprises whose mission is to integrate people with disabilities or severely disadvantaged people. These measures should act to reduce the tax burden and social security contributions on labour costs, public authorities bearing the contributions needed to ensure coverage in terms of insurance and social security protection for these workers. It is also important that these incentives should not be seen

¹³ All for one – Worker-owned cooperatives' response to non-standard employment, CECOP 2019: <https://cecop.coop/works/cecop-report-all-for-one-reponse-of-worker-owned-cooperatives-to-non-standard-employment>

as state aid to social economy enterprises, as they are intended to support the inclusion of severely disadvantaged people in the labour market.

It is also necessary to provide for forms of taxation of profits reinvested in activities of general interest carried out by social economy companies. To support investments with social impact, it is useful to provide tax breaks to investors who finance and capitalise social enterprises.

In this sense, interesting experiments were carried out with the so-called solidarity bonds, which can take the form of bonds or shares in social economy activities, linked to the pursuit of specific social aims of general interest.

Applying easy taxation on these financial instruments, and providing for forms of deduction or deterrence, would allow creating very relevant growth factors for the investor in light of the fact that historical data confirms that, even with limited investments, social economy organisations have managed to generate many jobs and social benefits for the users of the services provided by these organisations.

As far as public policies, it is equally important to proceed in the direction outlined by the European Union in the field of public markets, for which it has already proposed significant instruments¹⁴, such as social clauses and public contracts reserved for companies entering the labour market, where many good practices were developed¹⁵ but more efforts are needed to make these instruments more homogeneous and widespread in all European countries.

In terms of policies that support the creation and preservation of jobs, one of the practices that has yielded the best results is that which concerns the conversion and transfer of business activities in crisis or from entrepreneurs at the end of their careers to workers organised cooperatively.

¹⁴ https://ec.europa.eu/info/policies/public-procurement/support-tools-public-buyers/social-procurement_en

¹⁵ https://ec.europa.eu/info/policies/public-procurement/tools-public-buyers/social-procurement_en



Many of these experiences, identified as Worker Buy Out, were carried out mainly in Spain, France and Italy; while in the past they were used for recovery of industrial activities in crisis, nowadays there are more and more cases in which a social enterprise owned by workers is used for the transfer and succession of small businesses, in some cases also safeguarding an important wealth of experiences in the case of craft work or small service activities. Particularly among young people who do not have adequate capital to start a business activity, but often find obstacles in loneliness and in the concern to individually face the difficulties of the market.

To increase the potential of these initiatives, investment and monitoring are needed to help start up business activities with a capital share supported by a specific European agency that could be assisted with funds dedicated to unemployment, following the model of the experience carried out in Italy by the Ministry of Economic Development with the creation of a company held and supervised by the Ministry of Economic Development, with the aim of promoting the birth and development of cooperative production and labour enterprises and social cooperatives. The agency is now managed by the three main associations representing Italian cooperatives and is called Cooperazione Finanza Impresa¹⁶.

The main mechanism involves the provision of a share of capital to finance workers from companies in crisis, who choose to resume the activity by investing the money allocated by the State for unemployment in the cooperative created among the same workers. In its 35 years of activity, CFI has supported 520 cooperatives, saving more than 22,000 jobs and allowing considerable savings in public resources for unemployment benefits, transforming economic assistance instruments into generative investment.

The fourth area of assistance is innovation and training, with particular attention to the digital transition, so that social economy organisations can play the role of recomposing the disparities that make European societies increasingly unequal, especially through their role of redistribution of power to citizens and local communities.

¹⁶ https://www.cfi.it/download/cfi_eng_04_2019.pdf



For this reason, social economy organisations need to acquire skills and abilities to exploit the potential of digital technologies that have the potential to facilitate the horizontal distribution of power, and allow for accessible, decentralised and transparent forms of collective participation.

To face this challenge, Social Economy entities must take full responsibility for training and informing their members and workers, because without adequate skills and significant investment in education on the cooperative form of digital transformation, we risk simply “adapting” our organisations or workers to an instrumental use of new technologies.

One must know that it is not a matter of “computerising” work, but of radically transforming the culture and organisation of work so that they adopt a “digital” way of thinking, to be able to achieve and manage, in accordance with the typical modes of Social Economy, the main driver of digital transformation, namely, data!

Owning, processing and exchanging data becomes strategic, which is why we should be able to seize the opportunity offered by the recent European Commission initiative “Data Governance ACT”¹⁷, which specifically mentions “data cooperatives” as well as non-profit organisations for “altruistic” data management as an exceptional way of working for social economy organisations, so that we can continue to play our role in the democratisation of the digital economy.

There are, therefore, many reasons to insist that European institutions should quickly adopt the action plan that will truly acknowledge the role of Social Economy as a key actor to requalify and make the European single market and its development model ever more fair and sustainable, but also to protect and qualify the very nature of European political democracy.

¹⁷ <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/regulation-european-data-governance>



The growth of inequalities in recent decades is impressive, further accelerated by the digitisation of the economy and the so-called “surveillance capitalism”, of which the “gig economy platforms” are just the best-known representation.

In such contexts mass individualisation causes loss of “unity of the human personality”, as defined by economist Wilhelm Röpke in the middle of last century as a dangerous drift made from the shattering of the work experience. He asked for a response with “humanisation of economy” within the framework of a sustainable ecosystem, in which participation, also in the strategic choices of companies, becomes part of a different model of sustainable and inclusive development.

Social Economy organisations are a transformative force that proposes a vision and project for Europe, taking responsibility for opposing the deterioration resulting from an economic model based on inequalities.

We want to be a “voice of proposal”: faithful to the European project, but ready to desert a heartless economy, active in solidarity organisation to break down barriers to the full participation of people and local communities in a single market where the free movement of goods, services, capital and people is achieved with a rediscovered alliance between “capital and labour”.

That is why I am persuaded that with their presence in the European communities and productive fabric, social economy organisations remind us every day that it is possible to remove the divergences between capital and work, between development and human progress, between innovation and inclusion, in order to put the well-being of people back at the centre of the institutional and political architecture of the European Union.