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Briefing for Members – The Social Economy Action Plan

1. What is this Briefing about?

An Action Plan for the Social Economy

Responding to the potential of the social economy, the European Commission launched the European Action Plan for the Social Economy (SEAP) on the 9th of December 2021. Building on the previous 2011 Social Business Initiative, the Action Plan centres the development and growth of the social economy through proposed actions for the period of 2021-2030. A strong ally of the Action Plan for the Social Economy has been the current European Commissioners for Jobs, Skills and Social Inclusion making it a key part of their mandate.

The Action Plan places the significance of the social economy in its ability to supply quality jobs, support more inclusive and equitable labour markets, and active participation of people in society, as well as advancing the green and digital transitions. Additionally, as the social economy contributes towards elevated employment rates while minimizing those experiencing poverty and social exclusion, it directly influences the implementation of the European Pillar of Social Rights, and the UN Sustainable Development Goals.

- **How does the Action Plan affect our members?**

The vastness of our members within the Social Economy is illustrated throughout the Action Plan. For instance, some are providers of social and health care services using the model of social enterprises to structure and deliver their work. Some members run and organise work integrating social enterprises (WISE) that support entry into the labour market and others run catering companies, factories, clothes shops, up-cycling workshops, and many other businesses as social enterprises. Due to the experience of our members, Eurodiaconia was able to submit proposals for this Action Plan in 2021.

Furthermore, the Action Plan for the Social Economy offers a starting point in the deserved recognition of non-for-profits and social service providers (our members) as vital to the EU realizing its social and environmental objectives. Due to this correlation between the social economy and achieving social objectives, the Action Plan aims to support "an enabling environment for the social economy to thrive", in other words, it proposes actions to allow for the expansion and growth of the social economy and its entities. For our members this can translate into a continued effort to heighten awareness of social economy entities, provide legal and policy frameworks that acknowledge the unique traits of their social enterprises, and address funding challenges. If accompanied by concrete actions, this can offer our members a pathway to expand and maintain delivery of quality, affordable and accessible services, contribute towards the

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reduction of unemployment, poverty and social exclusion, address staffing challenges and increase the workforce.

2. What is the social economy?

A first, and welcomed step, was the European Commission's broad definition permitting the varying terminology, organizational models, sectors, and legal forms across Member States to be incorporated. In the context of the Action Plan, the Commission identified three shared values as a commonality, these consist of prioritizing a social or environmental purpose over profits, a reinvestment of profits to fund social or environmental activities, and democratic governance. According to these points, the Commission recognized four main entities including: cooperatives, mutual benefit societies, associations (including charities) and foundations. Generally speaking, Eurodiaconia members would fall under the category of associations.

Notably, the Commission classified social enterprises as placed within the social economy. These entities provide goods and services for the market in an entrepreneurial and innovative fashion, with the intention of reinvesting the profits into funding social or environmental projects.

According to these definitions, the social economy encompasses some 2.8 million entities in Europe, accounting for 13 million paid jobs or 6.3 percent of the workforce. These numbers give recognition to the strength and magnitude of the social economy workforce. It signifies that our members not only achieve social and environmental objectives but must dually be taken seriously due to their employment capacity. If we were to assume that nearly all Eurodiaconia members are in some shape or form active in the social economy, then we could imagine that nearly 1 million people are employed in the social economy – a high percentage of the estimated total.

3. What is in the Action Plan?

Creating the Right Framework for the Social Economy to Thrive

To enable continued development of the social economy, the Action Plan identifies key components that require reforms. First, the Action Plan recognizes that although the social economy entities share commonalities, their distinct organizational, cross-sectoral nature and legal differences can limit their exchanges with, and recognition by, public authorities which in effect limits their potential and contributes towards uneven development across Member States. To counter this, the Action Plan aims to establish coherent policy and legal frameworks to encourage clear approaches to managing the social economy.

Moreover, the Action Plan acknowledges the need for state aid and public procurement reforms to allow financial support and investment to build-up the social economy. Relating to state aid, the Action Plan focuses on inadequate financial thresholds placed on de minimis and General Block Exemption Regulations (GBER) which hinder social economy entities from accessing full funding amounts. The Action Plan also concedes that public authorities must expand their definitions of Services of General Economic Interest (SGEI) to include entities within the social economy. As for public procurement, the Action Plan points to the 2014 reforms that created opportunities for public authorities to use these funds to achieve social and environmental policy objectives.

However, the Action Plan presents the tension of public tenders which often prioritize price criterion over quality which can obstruct social economy entities from being awarded the funds. Last, the Action Plan details the social benefits achieved through the social economy in rural and the international community and commits to further support to expand the social economy's reach in these communities.

Concretely, the Commission will:

- Propose a Council Recommendation on developing social economy framework conditions in 2023
- Encourage mutual-learning and provide guidance and support to Member States through organized webinars and workshops in fields such as state aid, taxation, social investment, and public procurement
- Consider easing the rules for aid during the revisions for GBER in 2023

Member States should:

- Make better use of their discretion in classifying SGEI
- Investing in training for public officials in the field of state aid rules
- Foster and monitor socially responsible public procurement
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Opening up Opportunities for the Social Economy Entities to Develop

Realizing the impact, the social economy plays into fair and inclusive digital and green transitions, capacity to find innovative solutions, as well as implementing social and environmental objectives, the Action Plan pinpoints actions to facilitate additional development. To begin, The Action Plan outlines the barrier social economy entities face when attempting to expand as they are often removed from business development initiatives and networks due to their unique features in terms of governance, profit allocation, and working conditions. Instead, the Action Plan proposes for the social economy to lean into their entrepreneurial spirit and offers support in the form of business development and scaling-up. Additionally, the Action Plan commits to enhancing development through increased funding in the 2021-2027 period. Listed financial instruments at the European level include InvestEU, Horizon Europe, Erasmus+, and the Employment and Social Innovation strand of the European Social Fund Plus, while at the national level through the Cohesion Policy Funds and the Recovery and Resiliency Facility.

Concretely the Commission will:

- Launch the EU Social Economy Gateway 2023 as tool for social economy stakeholders to gain information on relevant EU funding, policies, networks, platforms, and initiatives
- Support the development of social economy representative networks
- Launch a Youth Entrepreneurship Policy Academy in 2022 under ESF+ to foster youth entrepreneurship

Enhancing the Recognition of the Social Economy and its Potential

The Action Plan identifies the visibility and recognition of the social economy as vital to its development. However, evidence demonstrates that the general public, including young and disadvantaged people, social partners and funders still do not have sufficient awareness about the positive impact of the social economy. As a result, the Action Plan targets boosting the visibility of the social economy as a priority. The Action plan aims to meet this priority by engaging with relevant stakeholders as well as collecting data and statistics to enact evidence-based policies.

Concretely the Commission will:

- Carry out regular communication activities emphasizing the roles and specificities of the social economy
- Launch a new study to collect quantitative and qualitative information on the social economy covering all Member States

4. The Way Forward

Although the timeframe of the Action Plan is presented as leading into 2030, most actions are proposed within the next coming years, with the evaluation report indicating progress scheduled for 2025. The Action Plan is viewed as complimentary to the European Pillar of Social Rights Action Plan, and the European Semester as it aims to prioritize job creation and social cohesion.

The Commission notes the necessity of collaborating with Member States and encourages each to adopt or update their social economy strategies and measures in cooperation with social economy stakeholders. To accomplish this task, the Commission has requested that each Member State designates a social economy coordinator to lead these strategies and ensure consistent policymaking across government departments, and for facilitating access to EU and national funding.

5. Eurodiaconia's Assessment

At Eurodiaconia we welcome the Action Plan for the Social Economy and the recognition it gives to our members for their impact on obtaining social and environmental objectives. We are also pleased with the visibility placed upon the social economy in shaping the digital and green transitions, innovative solutions, employment, inclusive labour markets and the strong role it partakes in the care and health sectors. Although it is a great starting point, we do recognize there is some room for improvement to best meet the needs of the social economy and allow our members to reach their full potential.

First, we welcome the Commission's proposal for a Council Recommendation to offer guidance to Member States in formulating policy and legal frameworks. However, as it is non-binding it will require Member state buy-in to be successful. This will demand ongoing advocacy and monitoring from Eurodiaconia and our members to ensure progress. It will be important that Eurodiaconia and members seek to influence the content of the Council Recommendation.

Secondly, Eurodiaconia is happy to see the connection between the significance of the social economy and the need to increase access to funding. However, the funding gap and administrative burdens could be better alleviated through a direct budget allocated uniquely for the social economy. Regarding public procurement, the Commission was correct in acknowledging the tension between price and quality as criteria for tenders and this was something we stressed in our contribution to the consultation on the Action Plan. To remove this tension, as we recommended, the Commission should initiate clear quality criteria to promote more socially responsible spending. Moreover, we are excited the Commission has proposed a revision of the GBER in 2023, but we invite the Commission to extend this revision to include the de minimus Regulation and the SGEI to best ensure access to full funding in line with our previous recommendations.

Thirdly, as it is the European Year of Youth, we are pleased with the Commission's commitment to promoting youth entrepreneurship through the academy. Nevertheless, initiatives targeting other underrepresented entrepreneurs such as Roma, migrants and other socially disadvantaged groups can ensure this Action Plan uplifts a more inclusive and fair labour market.

Fourthly, at Eurodiaconia we view the Action Plan as a start on maximizing the visibility and significance of the social economy and we agree with the Commission that more awareness of the social economy is key to its development. Thus, we are pleased with the Commission's proposals to carry out continued communication activities and conduct a study to collect missing information on this sector. However, the Commission has not outlined concrete communication activities, nor has it presented a permanent and structured dialogue between the EU institutions and the social economy stakeholders to regularly assess the barriers.

Fifthly, we would raise a note of caution about social impact measurement. There is a lot that is positive about this approach, but this must be evidence based. It is also the case that measuring impact in social services is very complex and needs to cover more than financial returns or basic indicators. We need to ensure that such measurement is neither oversimplified nor overburdensome on providers of services.

Finally, we hope that the European Commission will extend the number of proposed actions in coming years and will bring out more concrete ways to ensure that the social economy is a sustainable mark of our social market economies.

6. What Can Our Members Do?

As the Action Plan lacks strong concrete actions there is not much work for our members. We encourage our members to connect with their national coordinators to sustain an open dialogue about their respective Member State's national strategy. At Eurodiaconia we will continue to monitor the implementation of the Action Plan for the Social Economy and prepare for the evaluation in 2025.

We also encourage our members to prepare to provide input and feedback on the scheduled revision of the GBER in 2023 as it nears its expiry. The revision, led by the Commission, will look into reforming aid rules for social enterprises to access financing and hiring disadvantaged or severely disadvantaged workers.

To continue the momentum on expanding and recognizing the Social Economy we invite our members to attend the European Social Economy Conference, Social Economy: The Future of Europe, in Strasbourg from the 5-6 of May 2022. This conference will address the unique realities, strengths and challenges not-for-profit and social service providers encounter as part of the social economy.

7. Further Information and Links

- For more information on the Social Economy in Europe you can visit the Commission's dedicated websites [here](#) or [here](#).
- To access the Action Plan on the Social Economy in its entirety, you can download it [here](#).
- For the Programme of the European Social Economy Conference, [click here](#).
- You can also contact heather.roy@eurodiaconia.org