



## THE SOCIAL ECONOMY AND DIACONIA

### A discussion document for Eurodiaconia members

The European Commission has recently given a high priority to supporting and developing the social economy in the framework of the European Platform Against Poverty and Social Exclusion, including a Social Business Initiative. The Eurodiaconia secretariat researched members' understanding and thinking on the concept and their activities that could be seen as social economy activities. In order to support this work Eurodiaconia prepared a briefing on the social economy for members<sup>1</sup>. This paper is the outcome of this research among members, and takes into account EU level developments since the research was made. It identifies key issues to be further explored: please share the paper in your organisation, consider the questions and feed back to the secretariat. The issues and questions identified below will also be discussed in a Eurodiaconia workshop on the social economy (26-27 June 2012). In addition the workshop will provide a space for sharing experiences for mutual learning for different models of carrying out diaconal work.

#### Defining the social economy

The understanding and use of the term social economy varies widely among countries in Europe and this diversity is clear among the membership of Eurodiaconia. Some Eurodiaconia members see the concept as analogous with the terms voluntary or third sector, for others their national governments have a specific definition and category of social economy organizations.

Despite this diversity Eurodiaconia members consulted see the need for a common understanding of the term social economy and call for the European Commission to work on one, in order to ensure that activities that take on this label truly are social. However, members do not want a detailed definition, but rather common principles. Members consulted feel that a social economy organisation must have social aims as their primary aim and principally reinvest any profit made. Members in the AGM workshop felt that an output could also be defined in terms of a public or general interest benefit generated, such as contributing to social cohesion or quality of life. Discussions also arose around how self-sufficient a social economy organisation or enterprise should be; most agreed that an activity should not necessarily be able to run unsupported.

In terms of democratic involvement, members pointed out that their structures are not usually run like cooperatives or mutual societies so this principle should be seen broadly. Members feel that diaconal organisations should have cooperation with their local community and develop the participation and empowerment of service users. Diaconal organisations usually have elected boards, but decision-making voting rights of a wider group of stakeholders and membership of individuals are not common.

#### Social business and social enterprise

The European Commission launched its Social Business Initiative (SBI) in October 2011<sup>2</sup>, containing an action plan to support social entrepreneurship in Europe. It states that social businesses are "businesses for which the social or societal objective of the common good is the reason for the COMMERCIAL activity" and where "profits are MAINLY reinvested to achieve this social objective". Under the Commission's definition,

<sup>1</sup> [http://eurodiaconia.org/files/Eurodiaconia\\_policy\\_papers\\_and\\_briefings/SERV\\_26\\_11\\_Briefing\\_for\\_members\\_on\\_the\\_Social\\_Economy.pdf](http://eurodiaconia.org/files/Eurodiaconia_policy_papers_and_briefings/SERV_26_11_Briefing_for_members_on_the_Social_Economy.pdf)

<sup>2</sup> More information about the Initiative and the actions proposed: <http://eurodiaconia.org/policy-areas/other-social-policies/1873-european-commission-launches-initiative-to-support-social-enterprises-social-innovation>



based on existing EU law on the meaning of the word “enterprise”, all diaconal organizations operating in a market with a social aim would be seen as social enterprises/businesses.

The Commission sees social enterprise and social business as synonyms; they state that because there is no definitive definition of either term they used their own definition, which they see as non-prescriptive:

*A social enterprise is an operator in the social economy whose **main objective is to have a social impact rather than make a profit for their owners or shareholders**. It operates by providing goods and services for the market in an **entrepreneurial and innovative** fashion and uses its profits primarily to achieve social objectives. It is **managed in an open and responsible manner** and, **in particular, involve employees, consumers and stakeholders** affected by its commercial activities.*

The SBI addresses concerns raised by Eurodiaconia members such as in relation to the ongoing revision of the state aid and public procurement rules; it aims to build capacity of social enterprises and entrepreneurs and to map social enterprises to build visibility. In terms of financing, the Commission has launched a Proposal for a Regulation on European Social Entrepreneurship Funds designed to provide a label for such funds<sup>3</sup>; will continue to develop microcredit and will set up a 90-million euro European instrument for the start-up, development and expansion of social enterprises. It has also proposed to prioritise investment in social enterprises in the European Social and Regional Development funds regulations for 2014-2020.

A report from the European Economic and Social Committee prefers the term social enterprise, proposing a description based on shared characteristics such as;

- being primarily not-for-profit, with **surpluses principally being reinvested** ...
- having a **variety of legal forms and models**: e.g. cooperatives, mutuals, voluntary associations, foundations, profit or non-profit companies...
- being economic operators that **produce goods and services** (often of general interest), often with a strong element of social innovation;
- operating as **independent entities**, with a strong element of **participation** and **co-decision** (staff, users, members), **governance and democracy** (either representative or open);
- often stemming from or being associated with a **civil society organisation**.

Some Eurodiaconia members have said that the distinction between social enterprise and social business is not relevant for them as one of the terms does not exist or they are synonyms in their language. The approach currently being taken by Eurodiaconia through the Social Platform is to ensure actions taken by the Commission take into account that some social enterprises cannot be financially independent from funding authorities and that work is also undertaken to support such activities.

## The place of Work Integrating Social Enterprises (WISE), including sheltered workshops

Many Eurodiaconia members run such enterprises, where excluded or disadvantaged people are employed in a mainstream business environment, such as a café or gallery. They are often trained either to re-enter the labour market or the focus may be socialisation. WISE are seen to be an effective way of combating the social exclusion of disadvantaged groups, avoiding segregation.

However, there is a risk that those who are most easily re-integrated into the labour market are favoured for participation in projects and services over those who are more marginalized, and such “creaming” must be avoided to avoid exacerbating exclusion.

Sheltered workshops are a more controversial topic, by some seen as unnecessarily segregating or re-institutionalising. People who work in these workshops are not usually there with a view to alternative employment arrangements at a later stage and are usually persons with disabilities. One perspective is that sheltered workshops should be eventually phased out; instead there should be better support in the

<sup>3</sup> [http://ec.europa.eu/internal\\_market/investment/social\\_investment\\_funds\\_en.htm](http://ec.europa.eu/internal_market/investment/social_investment_funds_en.htm)



mainstream labour market. A report commissioned by the UK government in 2011 made this proposal. Research in Austria has also shown that it is not more expensive to support people with disabilities in mainstream organizations than in sheltered workshops. Perhaps only the most disabled need sheltered work places and this more for a social inclusion perspective.

Others would say that in reality this is not currently feasible. To integrate all people successfully in the mainstream labour market, employers' perceptions and prejudices of persons with disabilities must be changed, no small task, and there must be investment in strategies to do this. It is not just a matter of financial support in a workplace. Persons with disabilities may also not want to enter the more risky mainstream labour market if the support or benefits should a job be lost is not sufficient.

In many sheltered workshops, workers do not receive a regular wage and may not be covered by social insurance. There is a move in some countries towards ensuring a regular/minimum wage but funding of organisations must be sufficient to enable this.

## Challenges for the social economy

Challenges for the social economy identified by diaconal organisations ranged from the low value given to the social care sector and social services to the fact that profits made by not-for-profit organisations are treated in the same way fiscally as for-profit organisations. That our societies define success on levels of economic output sets up barriers for valuing activities that bring a low or no direct economic benefit. Funding cuts in the social sector were seen in part as a result of the low value attributed to social care.

## How can the EU support the social economy?

Eurodiaconia's current proposals to the European Commission are the following.

- In the revision of the state aid and public procurement rules
  - Ensure that the disadvantages of being a not-for profit organisation operating in a market environment are taken into account (such as not counting tax breaks as subsidies)
  - Ensure a proportionate administrative burden for small scale social economy initiatives
  - Highlight the conditions for other options for commissioning of services than procurement
- Promoting/funding projects/transnational mutual learning that reintegrate persons with disabilities into the regular labour market (including through the ESF)
- Commission research into the methods of successful mainstream workplace integration of people with disabilities. Support evidence-based innovative approaches in this regard.
- Build understanding of the methodologies of measuring social value or economic returns on social investment through research bringing together existing actors in the field
- Facilitate best practice sharing in the area of measures to support the social economy
- Support the creation of centres to advise and assist social enterprises
- Promote the value of the social care sector and facilitate the sharing of good practice in recruitment to and good working conditions in the sector
- Ensure that through the Europe 2020 strategy Member States effectively report on and are held to account on their targets to decrease the number of people living at risk of poverty
- Monitor the social impact of the crisis and ensure the social impact of austerity is taken into account

## Some other questions to consider

Does the SBI identify the main barriers to investment in and the promotion of social enterprises? What is missing? (see the Eurodiaconia article referenced on page 1 for an overview of the initiative)

Do you agree that sheltered workshops should be phased out and replaced with supported employment in the regular workplace environment? What actions are needed to work towards this? Main challenges?

Do you think workers in a sheltered workshop should receive a wage and have social security coverage? Should a diaconal social enterprise have a strong element of participation? How?

Members are encouraged to suggest additional proposals or actions to be taken. Any feedback should be sent to [laura.jones@eurodiaconia.org](mailto:laura.jones@eurodiaconia.org)

January 2012