

Another form of support should regard the **offer of legal consulting** for the institutional actors involved in the field of social economy (including providers of social services).

A **centre of information** that would provide also the access to financing opportunities, promote the relevant projects undergoing on county level or to facilitate the establishment of partnerships, could be a consistent form of support. On local level FES are considered as only source of external financing available, in spite of the fact that other sources of financing may be accessed.

It would be useful the establishment of a **module of training of social workers** for the elders. It is an opportunity ignored by the majority of the local councils, even if there are forms of support from the state budget. In the rural area could be created nets of support that would offer jobs for persons over 45 years, which are in impossibility to get hired. The nets developed by CL Alexandria or CL Talpa may be used as model

### *Perspectives of the social economy*

The evolution of the SE sector on the past years does not leave place for an optimistic evaluation. The sector of the consumer or trade cooperatives is represented almost symbolic, even though 20 years ago had the most important place in the economy of the county. The negligent, even fraudulent administration of the cooperatives and union in the first years after 1989 reduced the cooperative sector to a symbolic presence. No significant interferences in order to support the cooperative sector were registered, except for some legal stipulations. For instance, CC did not interfere for the cooperative sector and the Chamber of Commerce limited its support to (paid) invitations at festivities addressed to cooperatives and promises to include cooperative members in training courses of development of entrepreneurial culture.

The credit cooperatives and mutual hoses sector has the chance of a revival similar to that registered at the beginning of the six century. The prudence manifested in the credit activity, the use of social nets to accept new members or to solve a conflict with the debtors reduces the risks that may generate dysfunctions or even bankruptcy. Also the specialization of the credit activity, mainly on the level of credit cooperatives avoids direct competition with the commercial banks. But the restrictive measures imposed by the Central Bank for the credit cooperatives may generate difficulties due to reduced potential of credit and supplementary bureaucratic measures

The reduced presence of the ONG sector and the fact that no ONG accredited in social services represent a major disadvantage for the potential measures of support of the sector of social economy.

# RECOGNITION OF THE SOCIAL ECONOMY IN EUROPE

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*Abstract: Social economy points out the activities in which the gained resources are directed towards achieving a social goal and to the community's help in which they are implemented. Following public interest objectives determine the principles of organization. It is shown that, therefore, social economical structures which are different than profit organizations from at least four reasons: fundamental objective, the presence of the allocating principles based on solidarity and mutuality, participating management and taking part into the organization's decisional process, the plurality of the resources. The concept of social economy is obvious in the expansion from European Union. The degree of recognizing the concept by the public authorities, by social economical companies and by the academic/science world shows a variety of approaches from the EU-25 countries and allows the identification of three groups of states. Recognizing the social added value of social economy reflect in different domains with a high level of scientific, social, political consent, mainly referring to social cohesion, occupying labor force, generating and maintaining social and economical structures, developing democracy, social innovation and local development.*

*Key words: social economy, solidarity, participative management, occupation, social innovation.*

A working definition of the social economy, which is important to understand the way in which the social economy and its components are structured and understood in general, institutionally, in the EU, is the one given by CIRIEC (CIRIEC 2007, 20-21). CIRIEC Report proposes the following working definition for the social economy:

The set of private, formally organized 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

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one vote. The Social Economy also includes private, formally-organized organizations 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.

**Common features of the national economy sub-sectors (market or business sub-sector and non-market sub-sector)**

1. *They are private, in other words, they are not part of or controlled by the public sector;*
2. *They are formally-organized, 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 organize 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 organization;*
6. *They pursue an economic activity in its own right, to meet the needs of persons, households or families. For this reason, SE organizations are said to be organizations of people, not of capital. They work with capital and other nonmonetary resources, but not for capital;*
7. *They are democratic organizations. Except for some voluntary organizations that provide non-market services to households, SE primary level or first-tier organizations apply the principle of "one person, one vote" in their decision-making processes, irrespective of the capital or fees contributed by the members.*

*Organizations at other levels are also organized democratically. The members have majority or exclusive control of the decision-making power in the organization.*

This definition is absolutely consistent with the conceptual delimitation of the social economy reflected in the CEP-CMAF's *Charter of Principles of the Social Economy*. In national accounts terms, it comprises two major sub-sectors of the social

economy: a) the market or business subsector and b) the non-market producer subsector. This classification is very useful for drawing up reliable statistics and analyzing economic activities, 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 social economy, as a result of a characteristic that all social economy organizations share: they are organizations of people who conduct an activity with the main purpose of meeting the needs of persons rather than remunerating capitalist investors.

The public interest objectives determine the principles of organization and we can identify social economy structures which differentiate the institutions aiming profit from at least four points of view: the fundamental objective, allocation principles based on solidarity and reciprocity, modalities of participation and the democratic decision-making process within the organization plus the plurality of resources (Nona and Clarence, 2007).

The fundamental objective is a response to an increasing need of the society. Thus, over the past two decades, many forms of organization appeared in response to new social needs and to the insufficient response of the social work institutions to some of these needs.

The presence of the allocation principles based on solidarity and reciprocity is a basic feature of the social economy structures, unlike the profit-generating enterprises which, on the contrary, are thus structured as to prevent third parties to get net advantages and to ensure the allocation of the residual gain towards the owners. The social economy initiatives establish social relations relying on the non-contractual principle of the economic action. The exchange resulting from this allocation system also generates benefits for beneficiaries other than the owners (concept of the indirect beneficiaries).

The inclusion of the modalities of participation and the democratic decision-making process within the organizational structures shows the democratic control, with equal voting rights "one person, one vote", against "one share, one vote", proving that the employees and consumers are more important than the capital. Only the foundations don't adhere to this principle.

Because of the concept of plurality of resources, social economy structures must rely on different sources of income from the market, nonmarket and non-monetary economy. In other words, they generally rely on a combination between voluntary and paid work and on a combination of financial resources generated from the sales of goods and services, public financing (as contracts, fiscal advantages and direct

subsidies) and private donations. Observing these principles, social economy structures have shown that they can contribute to innovation in service provision, to social cohesion and to the promotion of new forms of democratic local participation, to the advancement of self-assertion and influence and to solving the social problems that affect a large number of vulnerable social categories.

The concept of social economy is obviously expanding in the European Union, but the term has different scientific connotations in all member states; there even are cases when different interpretations of the concept of social economy coexist in the same country. The level of recognition by the public authorities, by the social economy companies and by the academic/scientific world shows a variety of approaches among EU25 countries, as shown in *Table 1* (CIRIEC, 2007, 36-37).

Table 1

*National acceptance of the concept of “social economy”*

*Question: Could you tell us whether the concept of “social economy” is recognized in your country?*

<b>Country</b>	<b>By public authorities</b>	<b>By social economy companies</b>	<b>By academic/scientific world</b>
Belgium	**	**	***
France	***	***	**
Ireland	**	***	**
Italy	**	**	***
Portugal	***	***	***
Spain	***	***	***
Sweden	**	***	**
Austria	*	**	**
Denmark	*	**	**
Finland	**	**	**
Germany	*	*	**
Greece	**	**	**
Luxemburg	**	**	**
Netherlands	*	*	*
United Kingdom	*	*	**
<i>The new Member States</i>			
Cyprus	**	**	**
Czech	*	**	*
Estonia	**	*	*
Hungary	*	*	*

Country	By public authorities	By social economy companies	By academic/scientific world
Latvia	*	***	**
Lithuania	**	*	*
Malta	**	***	**
Poland	**	**	**
Slovakia	n/a	n/a	n/a
Slovenia	*	**	**

Note: (\*) scant or no acceptance of this concept; (\*\*) medium level of acceptance; (\*\*\*) high level, denoting an institutionalized acceptance in the country of reference

Source: CIRIEC, 2007, 37.

Three groups of countries have been identified, from the aggregate answers of the EU25 member states, using the level of recognition and acceptance of the concept social economy:

1. *Countries in which the concept of the social economy is widely accepted:* in France, Italy, Portugal, Spain, Belgium, Ireland and Sweden, the concept enjoys greater recognition by the public administrations and by the academic and scientific world, as well as the social economy sector itself in these countries.
2. *Countries in which the concept of the social economy enjoys a medium level of acceptance:* Cyprus, Denmark, Finland, Greece, Luxembourg, Latvia, Malta, Poland and the United Kingdom. In these countries the concept coexists alongside other concepts, such as the nonprofit sector, the voluntary sector and social enterprises or social firms. In the United Kingdom, the low level of awareness of the social economy contrasts with the Governments policy of support for social enterprises, while in Poland it is quite a new concept but it has become popular, fostered particularly by the structuring effect of the European Union;
3. *Countries with scant or no recognition of the concept of the social economy:* Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands and Slovenia. The related terms nonprofit sector, voluntary sector and non-governmental organizations sector enjoy a greater level of relative recognition.

Even though the term of “third sector” is much more used in the Anglo-Saxon area to describe the non-profit sector which consists largely of foundations and associations, several overlapping situations can be observed in the use of this term in relation to the social economy. The expression “third sector” was used by Levitt (1973) in the United States of America, while in Europe it has started to be use several years later

to describe a sector existing between the public sector and the capitalist sector, close to the domain of social economy<sup>1</sup>.

In the early 90, an international research project headed by Johns Hopkins University (Baltimore, SUA) aimed to discover and quantify the size and structure of the non-profit sector, to analyze its development and impact on the society. The various stages of the project pictured the significant coordinates of the third sector in 36 countries on five continents (Salamon, Anheier, List, Toepler, Sokolowski et al., 1999).

The organizations analyzed during the project were those meeting five key criteria of the structural-operational definition of the non-profit organizations (Salamon and Anheier (1997). These are:

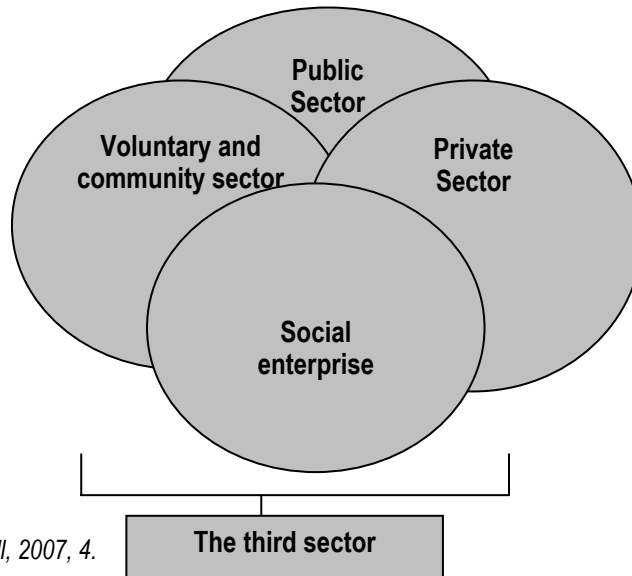
- a) Organizations, meaning they have an institutional structure and presence. They usually are legal persons.
- b) Private, meaning they are separated institutionally from the government, although they can receive public financing and may have public officials in their governance bodies.
- c) Self-management, meaning they can control own activities and are free to fire their governance bodies.
- d) Non-profit distribution, meaning they can make profit, but it has to be reintroduced in the main mission of the organization, rather than being distributed to the owners, members, founders or governance bodies of the organization.
- e) Voluntary, meaning two things: first, membership is not legally compulsory; second, they must have volunteers involved in their activity or administration.

The current changes in the products, services and processes correlate with the new social conditions, specific aspects of the third sector which exists at the interference of three distinct sectors (public sector, voluntary sector and social enterprise), as shown in *Figure 1*.

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<sup>1</sup> The year of publishing coincides with the start of the research by the Commission on Private Philanthropy and Public Needs (Filer Commission) regarding the economic, social and political importance of the non-profit sector, sponsored by the Rockefeller Foundation.

Figure 1. Overlapping of sectors and diversity of the organizational types



Source: Westall, 2007, 4.

The approaches to the non-profit organizations differ clearly from the social economy too, mainly in relation to three criteria: *the non-profit criterion; the democracy criterion; the criterion of serving people*. Table 2 shows synthetically the main differences between the two domains.

Table 2  
Difference between the non-profit organizations and social economy

Criterion	Non-profit organizations	Social economy
<i>Non-profit criterion</i>	the organizations must apply the principle of non-distribution of the profit or surpluses (constraints of nondistribution)	the cooperatives and mutual societies, which are the decision-making nucleus of the social economy, are excluded from the third sector by the ONP approach, because most of them distribute the profit among the members
<i>Democracy criterion</i>	the concept of democratic organization of an entity from the third Sector is not a criterion <sup>3,1</sup>	• the approach of the social economy generally excludes from the third sector any entity which doesn't operate on democratic bases, although it accepts

<sup>1</sup> Defourny, .J and Borzaga, C., The Emergence of Social Enterprise in Europe, Routledge, London, 2001.



Criterion	Non-profit organizations	Social economy
	<ul style="list-style-type: none"> <li>the non-profit institutions prove their <i>social usefulness</i> by the free supply of goods and services deserved by the individuals or families</li> </ul>	that the non-profit voluntary organizations which provide free or very cheap, economically non-significant, non-market services to persons or families, can be included within the social economy
<i>Criterion of serving people</i>	<ul style="list-style-type: none"> <li>there is no criterion which to consider the services provided to the people as a major goal</li> <li>the non-profit institutions can be organized to supply services both to the individual persons and to the corporations which control or finance them</li> </ul>	<p>the main purpose of all organizations is to serve people or other social economy organizations</p> <ul style="list-style-type: none"> <li>most beneficiaries of their activity are individual persons, households or families, either as private entrepreneurs, or as producers or consumers; many of these organizations only accept individual persons as members</li> </ul>

Another concept associated to social economy development refers to the economy of solidarity which developed in France and in some Latin American countries. New social need emerged during the past decades which were not solved by the public sector or by the capitalist one, and this affects numerous groups in danger of social exclusion. These problems regard the living conditions of the elder, long-term mass unemployment, immigrants, ethnic minorities, the disabled, reintegration of former convicts, abused women, people with chronic diseases etc. Within this context, this sector brought simultaneously a novel set of organizations and areas of action. The sector of the solidarity economy has three distinctive features compared to the classical agents of the social economy: a) the social demands it endeavors to solve; b) the actors behind these initiatives; c) the explicit wish for social change (Favreau and Vaillancourt, 2001). The solidarity economy doesn't fit within the market stereotype of the classical economy (Eme and Laville, 1999), rather, it has plural origins: market (sales of goods and services), non-market (managing subsidies and allocations) and non-monetary (voluntaries).

Other forms which try to replace the market economy and to get affiliated to the social economy current are:

- a) **the alternative economy**, with roots in the movements which developed in France after May 1968 (Archimbaud, 1995);
- b) **the popular economy**, promoted in South America countries, which excludes any type of relation employee/employer and which consider the work as the main production factor (Coraggio, 1995).

The research also revealed a variety of answers regarding other widely accepted notions that coexist in the European Union. (CIRIEC 2007, 38-39) (Table 3).

**Table 3**

*National acceptance of other recognised concepts related to “social economy”*

*Question: Which other concepts related to “social economy” enjoy scientific, political or social recognition in your country?*

<b>Country</b>	<b>Social Enterprises</b>	<b>Non-Profit Sector</b>	<b>Third Sector</b>
Belgium	***	***	*
France	**	*	**
Ireland	**	**	**
Italy	**	**	**
Portugal	**	**	***
Spain	*	*	**
Sweden	**	***	**
Austria	**	***	*
Denmark	**	**	**
Finland	***	**	***
Germany	**	**	**
Greece	**	**	*
Luxemburg	*	*	*
Netherlands	***	***	*
United Kingdom	***	**	***
<i>The new Member States</i>			
Cyprus	*	***	**
Czech	*	**	**
Estonia	*	**	*
Hungary	**	***	n/a
Latvia	*	**	**
Lithuania	**	**	**
Malta	*	**	**
Poland	*	**	*

*Note: (\*) scant or no acceptance of this concept; (\*\*) medium level of acceptance; (\*\*\*) high level, denoting an institutionalized acceptance in the country of reference.*

*Source: CIRIEC, 2007, 37.*

In countries such as the United Kingdom, Denmark, Malta and Slovenia, the concepts of voluntary sector and non-governmental organizations, more closely related to the idea of non-profit organizations, would appear to enjoy wide scientific, social and political recognition. In the French speaking European countries (France, the Walloon Region of Belgium, Luxembourg) the concepts of solidarity economy and social and solidarity economy are also recognized, while the notion of *Gemeinwirtschaft* (general interest economy) is known in Germanic countries such

as Germany and Austria. Also in several countries (Germany, United Kingdom, Latvia and partly in Portugal) certain components of the term social economy, such as the cooperatives, are not recognized as integral parts of this social sector, stating, on the contrary, their isolation. Currently, social economy enterprises reached 2 million units (10% of the total business in Europe) and use 11 million paid employees (equivalent to 6% of the EU working population): 70% of them work in non-profit associations, 26% in cooperatives and 3% in mutual societies.

The recognition of the social added value of the social economy is reflected in different domains with a high level of scientific, social and political consensus, regarding mainly the social cohesion, employment, generation and maintenance of the social and economic structure, development of democracy, social innovation and local development. The importance given to the new economic alternatives is also reflected in the report of the articles published in the *Annals of Public and Cooperative Economics*, during 1975-2007 (Table 4). Thus, over a period of three decades, 57.6% of the published papers referred to the public sector, 42.4% referred to the third sector (cooperatives, mutual societies, associations, non-profit organizations etc.). However, if in the first surveyed decade, there was a clear dominance of the public sector, with 75.4% of the published articles, in the last surveyed decade, the third sector was predominant, with 55.9% of the published articles (Fecher and Lévesque, 2008, 681).

**Table 4**

*Articles on the public sector and on the third sector (social economy and non-profit organizations)*

	<b>Public sector (%)</b>	<b>The third sector (%)</b>	<b>Total (%)</b>
1975-1985	75,4	24,6	100 (207)
1986-1996	55,9	44,1	100 (267)
1997-2007	44,1	55,9	100 (254)
Total	57,6	42,4	100 (728)

Source: Fecher and Lévesque, 2008, 680-681.

An important aspect that was signaled from the emergence of the very first forms of social economy, is that this innovative form of economy also contributes in a significant manner to the more equitable distribution of the incomes and wealth, to the creation and provision of social assistance services (such as social, health care and social security services), to the sustainable development, to a higher level of