

CREATING A EUROPEAN ENABLING FRAMEWORK FOR SOCIAL AND SOLIDARITY ECONOMY SOLUTIONS¹

By Nicole Alix

“Malevitch’s White on White forced painters to reconsider the essence of their art... We need to change our glasses and decor, and head upstream to avoid systemic failings”.

The effects of the crisis-resolution strategies adopted by the European Union and the Member States in the coming months, whatever they may be, will not be felt immediately. The next 20 years will be tough. The theme of the 2012 Entretiens économiques européens (European Economic Debates) is *Better appropriation of the European market for a more united social market economy*. Bearing this in mind, Confrontations Europe has taken a closer look at ‘social economy’-specific contributions. For the last 40 years, we have continually used the term crisis to describe the endless periods of adjustment endured by our economy, whatever their cause, consequence, shape, or form. The social economy occupies a special role. And in the absence of a universal solution, it merits greater consideration. Of course, there can be no single and permanent definition of the social economy. What’s more, it has its weak points and must accept criticism.

However:

- The social economy has always provided answers in times of crisis;
- It provides specific solutions, not only over the short term in response to emergencies but also over the long term to pave the way for the economy of tomorrow;
- Although not a panacea, it should be encouraged on a European level.

WHAT SOCIAL ECONOMY CAN BRING TO EUROPE: A DIFFERENT, DECENTRALIZED, LONG-TERM VISION

The social economy can provide solutions, not just in terms of emergency measures and by rectifying the social exclusions created by the crisis, but also by acting as a lever for new development and social transformation. It can help reconcile citizens with Europe, which is beginning to be seen more as a threat than a promise. The social economy is in line with the development model of the future, i.e. renewed recognition of the value of local actions in globalisation, high-quality relationships (tangible and intangible), CSR and renewed concern for ethical behaviour (seeking the just AND the good, principles articulated and shared by social groups).

A specific role in social cohesion, beyond that of a repair function

Impoverished and debt-ridden States are no longer only seeking to pass on some of their former prerogatives to private parties, but are also encouraging private investors to become involved in a *social investments market*; *capitalism* is attempting to overcome the obstacles to its development through *corporate social responsibility* (viewing practices from an ethical perspective) and by attacking the market of the most underprivileged (so-called *Bottom of the Pyramid* strategy). The failure of socialist countries and bureaucratic administrations is leading to the adoption of *corporate management methods* in an attempt more effectively to solve *social issues*. Public goods and ‘general interest’ services, in particular social services, are now regulated within a competitive system controlled by national and European authorities and in the context of a global services market. Which raises the following issues, in order of priority:

- We need *social diversity* to avoid market exclusion;
- We need a *public, private and volunteer-based resource mix* to achieve fairness and “quality”; and
- We need to establish the place of *public and private freedom of initiative* (including not-for profit) in terms of ‘general interest’ services, besides services *mandated* by public authorities. This means that there should be proper consultation by agencies in Europe and Member States when making choices regarding ownership and management models. Europe is about to face austerity measures, and it will lose out if it looks only at the social economy’s repair capacity. Of course, as a “child of necessity”, the social economy implements

¹ Text summarising a presentation made at the “Brussels Think Tank Dialogue – Solidarity and Austerity: The 2012 State of the European Union”, at “Workshop 2. Beyond European Economic Governance: How to assess and to address the social impact of the crisis”.

emergency (food banks, maintenance of services in depopulated areas, etc.) and repair solutions (academic support, business integration, etc.). But it is also constantly inventing new forms of voluntary social protection, in the form of cooperatives (including in banking), mutual health insurance schemes, etc. It is important that we assess the pertinence of solutions (privatisation, public, social economy) whenever necessary. Complementary levels of economic development and development management exist (local, regional, national and international), which neither the States nor the market can do without. The social economy need not necessarily replace other systems in the fields of agriculture, savings and credit, health, and education. Instead, it must be given greater prominence alongside them, and the rules of the game must be changed to give these collectively run and owned companies their place.

New paths made available by innovations in energy production and the digital revolution

A *New Mix* is taking shape here too thanks to digital technologies and new forms of energy production, one that is both centralised and decentralised: we will be both local consumers and producers of energy, as well as connected to the main networks: a renewed *double qualité cooperative* [dual-capacity cooperative] and potential partnerships between the businesses managing the grid and the social economy. *Open source and the management of collective and public goods* (free software, free seeds, collective housing, local currencies, etc.) are leading to the emergence of new collective enterprises. The internet has made it possible for local entrepreneurs grouped into cooperative or associative networks to share equipment “at home”.

Multinationals are seeking innovative *partnerships* with *local actors*, NGOs, social enterprises and SMEs. *Local authorities* are seeking to encourage these new activities so that citizens can live in their catchment areas and avoid exclusion. Citizens who have become “consumers” want to take action for a more sustainable world. Short distribution channels are being set up (fair trade, ethical finance and co-operative banking, local currencies, online project co-financing platforms, etc.). These new avenues in the social economy, in which technology and economic and social challenges meet, are essential to *prepare our economy and society for tomorrow*.

WHILE NOT A PANACEA, SOCIAL ECONOMY SHOULD BE ENCOURAGED AT EUROPEAN LEVEL

Europe must take the social economy seriously. It is an integral part of the “social market economy”, a Lisbon Treaty objective. In the Declaration made at the 2012 European Conference of Bishops, it is presented as being one of their four pillars, an arena for exchange and reciprocity, alongside their other pillars of sustainable development, which are the market economy, social policy and environmental policy.

A positive trend within the Commission

The positive trend initiated by the European Commission and championed by Commissioner Barnier must be seen as an opportunity. The Single Market Act aims to make the EU more effective in terms of competitiveness and necessary social cohesion. One of the 12 levers relates to social entrepreneurship and, on 25 October 2011, three types of action were announced:

- *The Communication on corporate social responsibility*, raising the fundamental question of the role of corporations within society, in particular given the externalities they produce;
- *The Social Business Initiative*, aimed at companies whose objective is to produce added social value, which serves the ‘general interest’; and
- *An approach focusing more on the statutes for a social economy* (associations, foundations, cooperatives and mutuals). These statutes must be reviewed so that the companies operating under such structures can function to their fullest. The European Commission’s 2011 Social Business Initiative proposes:
 - easier access to *funding, private and EU funds*;
 - greater visibility; and
 - an *improved legal environment*, particularly regarding:
 - *public procurements*: inclusion of social and environmental clauses, criteria other than the lowest price;
 - *general economic interest services*: improvements for local and social services; and
 - *statutes*: discussions are underway to improve the European Cooperative Statute, which is currently relatively little-used. Regarding the statute for mutuals, given that expectations vary from country to country,

the Commission will refer back to the Parliament's report on the subject. Finally, a European Foundation Statute is currently being prepared.

Visibility. Defining the role and place of the social economy in a regulated market economy.

The social economy should be promoted not as a niche "third sector", but as a form of market economy in which added value is distributed before benefit is calculated, and not only through tax redistribution and philanthropy. This raises the issues of how added value should be distributed, benefits to "communities" and public goods contributions. Beyond *social enterprises*, whose contours are still ill defined, the specific role of legal groups of individuals, who have for decades provoked the economic mobilization of stakeholders, should be promoted. There can be no results without a process. The specific processes of non-capitalist forms of enterprise, including those in the social and solidarity economy, should be recognized and encouraged.

Social innovation, encouraged by President Barroso, should not be limited to innovation in social services, to fight poverty, but should also be placed at the service of investment – including in the workplace, in industries and services, and in the social economy. Social economy should be considered in terms of the exchange of ideas and projects as a source of future innovation. This is an almost alien land and one in contradiction with the single market approach, which is aimed at product standardisation whereas here we are talking about co-production, collaboration, and cooperation.

Legal environment.

Member States must be encouraged to adopt legislation that promotes socio-economic models to create new growth. There are obstacles that prevent cooperatives, associations and mutuals from existing and developing in some Member States, and these *obstacles must be removed.* The hybrid forms of social enterprise must be recognised, along with their right to hybrid funding. Our *European Competition Law*, which is supposed to protect consumers, but which sometimes does so at the expense of workers or citizens, should be reviewed to serve a long term vision. Until now, Community law has been based on a fundamental principle, i.e. that the way to create a strong market ensuring peace and prosperity in Europe is to limit the role of States. The EU may only intervene in the rules of society when Competition Law, which is the exclusive remit of the EU, is at stake. In certain Member States if a collective organisation is acting in the 'general interest' it can take part in community life, whatever its scope of powers. This is why a *European positive law for 'general interest' services must be nurtured and public goods and common promoted.* A European definition of the term "general interest" would facilitate the distinction between competitive and non-competitive business activities (which the Commission invites the Member States to treat differently), the establishment of standards for assessing quality and prices (based on long-term criteria) and - why not? - the recognition of citizens' general-interest initiatives, thereby incorporating the principle of subsidiarity into EU fundamental rights.

Funding.

We need to develop funding mechanisms for long-term social investment. The special investment funds for entrepreneurship (EuSEF) promoted by the Internal Market and Services DG constitute a first step but are a partial answer. On the one hand, we need to see things from a wider perspective, one that meets the needs of social enterprises having greater capital requirements, such as hospitals, social housing bodies, and homes for the elderly and the disabled. On the other, we must not content ourselves with invested capital, as if public funding or social protection were no longer needed, neither for investment nor for functioning. The change represented by the possibility of using the ERDF for social infrastructure should be encouraged: European funds financing not only investment in economic growth but also public goods will be a breeding ground for more sustainable growth.

Assessment and regulation methods:

We need a range of solutions to protect investors and consumers, in particular the most vulnerable (e.g. services for people, social protection, access to banking services) and according to the type of company or organisation: ad hoc statutes (legal, national or European regulations defining the place of different investors) and/or labels (regulated by the market, a brand trusted by consumers and attractive to investors). At a time when remote control by experts is becoming more common, we must also remain attentive to the actors on the ground, who know their business, their customers, their shareholders, their strengths and their

weaknesses, the conditions under which “real projects with real people” have a chance to work. Although useful, we must put an end to the systematic substitution of field expertise with indicator tables.

Financial assistance for SSE players: changing scale in a realistic manner.

The social and solidarity economy has been invited to move on to a bigger scale. There is a huge pool of local funding and savings to help it achieve this, which is just asking to be poured into local projects because the fund holders believe in projects they can relate to and in which they are willing to invest their family’s money. Yet there are complaints that it is hard to “find new project leaders”. Why? Because we cannot oblige people to act like wholesalers in order to boost the development of new business projects. We need to work upwards from the stakeholders on the ground, rather than through institutional bodies. Local entrepreneurs’ clubs, clusters that facilitate cooperation and competitiveness clusters dedicated to cooperation between different types of players work the best. We need to set up workshops to identify new opportunities; instead of just waiting for new entrepreneurs to turn up, we should bring together different players, entrepreneurs, local authorities, local banks, etc. Initiatives that have their roots in the local community but would benefit from competing, networking and cooperating with each other. For example, we have come to realise that what works for a company is not meeting its counterpart in another country, but meeting players of “a different kind” in other countries. Innovation is driven by difference; that’s when development occurs. Monopolising strategies should also be avoided. To this end, objectives and values should be identified right from the start, on the basis of a common approach to the collaborative project. Entrepreneurs need to see what they stand to gain from taking part in a collaborative project; local authorities need to learn how to help people without holding their hands all the time. Right now, such practices are marginal. We should move away from development aid to the creation of partnerships. We need intelligent financing organisations that really understand what is needed and help to set up projects. The SSE should pay less attention to its articles of association and its models and more attention to citizens. It should try to step outside of its traditional boundaries. It has an appointment with history.

Proposition for 6 priorities Toward s a European framework in favour of the social and solidarity economy²

- 1. Research and social innovation:** we should promote the study of public and common goods as productive capital, which, when used by people, creates new social capital; we should also promote research into the governance and association of stakeholders, and remember that processes play an important role in producing results.
- 2. Promotion of various forms of enterprise,** social enterprises “of all kinds”, to groups of people sharing a collective heritage and with asset locks.
- 3. Funding for social investments having greater capital requirements:** we need to raise European funds and private funding for social enterprises that have greater capital requirements, such as hospitals, social housing, and homes for the elderly and the disabled, and education.
- 4. ‘Services of general interest’, European public goods, common goods:** we need to recognise the right of the social economy to initiate and govern projects that should be unconstrained by ‘public procurement’ rules. And recognise the need to hybridise resources, through simpler State aid systems.
- 5. Introduction of new long-term and ‘commons’ criteria into investment rating and selection processes and investor compensation systems:** we have to promote systems which enable the emergence and the spreading of collective knowledge, in the industry and services sectors, be they economic, social or cultural.
- 6. Collective voluntary social protection:** we need to promote the mutual sector to empower groups of people who want to organise collective life insurance schemes, in addition to State run social protection and private sector.
- 7. Promote a change of scale on the ground, not through institutions:** for example, create local entrepreneurs’ clubs, organise international meetings between people from different backgrounds, encourage difference-driven innovation and avoid monopolising strategies; and bear in mind that local knowledge is a vital factor in social and economic decision-making.

In conclusion, some questions for the short and medium term: Who will take action? Who will implement the policies? Where are the allies for this policy? Can this lead to some States or regions taking a stance? Could think-tank make joint proposals? Malevitch’s White on White forced painters to reconsider the essence of their art, and Stravinsky drew inspiration from Russian folk songs to find a second wind after receiving a bashing

² For a series of detailed proposals, see also (Laville, 2012).

from critics. We need to change our glasses and decor, and to head upstream to avoid systemic failings. There is no point separating economic from non-economic, economic from social, and economic from political since these aspects of our social lives are far too closely intertwined and their definitions evolve over time. For several decades, market expansion has destroyed free and local solidarity without being able to compensate with long-term “social protection” systems. There is no obvious consensus on the diagnosis of the recent crises. “Real liberalism” is proving its limits just as “real” communism has done in the past. The economy is inherently unstable, and we need to give consideration to its economic AND social AND environmental AND cultural AND political dimensions. In political terms, transforming the European internal market into an arena for both market and non-market transactions is both risky and difficult, since the stakeholders have little faith in the idea. The social economy with its specific logic has a role to play here, not only in terms of its ability to repair (a generally acknowledged attribute), but also in terms of developing another form of production, based on the organisation of collective efforts. Local distribution networks between producers and consumers, free software and seeds, collective housing, local currencies, decentralised energy: these new “social economy markets” are linking major technological innovations (the internet, energy) with actual needs to prepare our economy and society for tomorrow. Far from being fringe phenomena, they are also attracting interest from local authorities, who are looking to “re-localise” their industrial and service economy. The time has come to show that *diversity in company types*, be they private, public, or collective, stabilises and regulates the economic system. Mutuals, cooperatives, and associations mobilising collective action and generosity are not temporary solutions, or if they are, they will last at least between 20 and 100 years. The time has come to show that *public goods and voluntary community actions* are useful and do not run counter to the market economy; that they contribute to setting fair prices. The time has come to show that there are *other ways of valuing transactions than fixing prices*, be it in health or in finance. (“Whether in transparent or opaque markets [...] financial prices are not good indicators. There are no opposing forces to limit excesses, unlike in ordinary goods markets” (Orléan, 2011). Our strategy has much in common with the ideas of K. Polanyi; we need to re-embed the economy in the society from which it has been severed. The self-regulating market utopia carries ruinous social and environmental costs, liable to fuel the rise of protectionism and extremism. The realms of production and distribution must be reappropriated, under the political and social control of citizens and not merely in the hands of private interests. This also ties in with Nobel Prize winner in Economics Elinor Ostrom’s theory on common goods. “Non-cooperative models tell us what individuals do when they are in a situation that they cannot alter, not when they are sufficiently independent to create their own institutions and influence practices and profits.” By repeatedly communicating and acting together to manage the resources upon which they depend, collectives can act more efficiently than the market or central government. “Applying models outside of their scope can do more harm than good.”

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