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Opinion of the European Economic and Social Committee on the proposal for a Council Recommendation on developing social economy framework conditions

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(for/against/abstentions)	

1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee (EESC) welcomes and fully supports the European Commission's proposal for a Recommendation to the Member States with regard to supporting national social economy ecosystems. It suggests that the Council approve it without delay so that it can be fully implemented in the Member States.

1.2. The EESC recommends that the Commission and the Member States make use of the expertise of national statistics offices and Eurostat to establish an authoritative and regularly updated database on the size and distribution of social economy entities.

1.3. The EESC points to the need to include study of the social economy in education and training programmes at all levels, and calls for measures to be taken to develop national competence centres for training in the social economy in the EU Member States.

1.4. Given the role played by social economy entities in Europe's economy, helping to generate around 8 % of GDP and 13 million jobs, the EESC proposes that the recommendation to the Member States take into account the provisions of the European industrial strategy relating to the 'proximity and social economy ecosystem', and call on the Member States to include the social economy in their industrial policies at national level.

1.5. The EESC considers social dialogue to be a fundamental element of EU policy and, given the importance of social economy enterprises in terms of employment, encourages the Member States and the European Commission to recognise the role of social economy organisations in social dialogue.

1.6. Given the growing importance of employment in social economy entities, the EESC recommends that all workers in the sector be protected by collective agreements entered into by trade unions; therefore calls for the social economy's representative organisations to be increasingly involved in social dialogue.

1.7. The EESC, reiterating the provisions of the social economy action plan, calls for the adoption of socially responsible and innovative solutions in the field of public procurement, with the aim of removing obstacles that make it difficult for social economy enterprises to participate in the public procurement market, and recommends introducing criteria that reward the social impact created, as well as territorial proximity criteria.

1.8. Given the growing importance of measuring the impacts created by social economy enterprises, the EESC recommends that the Commission and the Member States roll out support measures to enable social economy entities to equip themselves with appropriate tools to measure their social impact. An effective system for measuring the social impact of social economy enterprises can be a valuable tool in terms of more accurately assessing their effect on competition.

1.9. In order to improve cooperation between **local and regional authorities and social economy entities**, the EESC suggests introducing specific measures that provide guidance and support to public administrations to help them establish tools to nurture the social economy, particularly through their involvement in managing services of general interest.

1.10. The EESC recommends that the EU institutions and the Member States foster tax systems that support the social economy by simplifying the administrative requirements involved and by considering introducing appropriate tax measures that recognise its public interest function and its ability to pursue objectives geared to the common good, which deserve to be recognised in the taxation system.

2. **General comments**

2.1. The EESC welcomes the European Commission's Recommendation on developing framework conditions for the social economy, as announced in the action plan for the social economy published in December 2021. In line with the principles of the European Pillar of Social Rights, this recommendation aims to improve access to the labour market and social inclusion by supporting Member States in fostering policy and regulatory frameworks conducive to the social economy and measures that facilitate its development. The objectives of this recommendation should therefore be incorporated into the European Semester process.

2.2. The proposal for a Recommendation aims to stimulate fair and sustainable economic and industrial development and contribute to territorial cohesion in all Member States, as well as to foster the growth of economic democracy by promoting a culture of solidarity. The social economy is underpinned by solidarity, and operates and fosters economic development in a way that is suited to all areas of human activity. The social economy can also provide an answer to the question posed by the younger generations about the meaning that should be given to work.

2.3. The fact that the recommendation sets out a concept of the social economy has the merit of providing Member States with a useful reference framework that can be shared. It is in line with the Resolution concerning decent work and the social and solidarity economy, adopted at the 110th International Labour Conference of the International Labour Organization (ILO), the Recommendation of the Organisation for Economic Cooperation and Development (OECD) on the social and solidarity economy and social innovation, and the UN Resolution on promoting the social and solidarity economy for sustainable development. The social economy can contribute to achieving most of the Sustainable Development Goals (SDGs) and in particular: ending poverty (SDG 1) and ensuring decent work and economic growth (SDG 8).

2.4. The EESC appreciates the work that the EU has been doing to achieve a high level of convergence between the main international institutions. The EESC feels fully involved in this endeavour, having contributed, through the numerous opinions it has adopted, to the promotion of a kind of social economy 'diplomacy'. It is therefore important that the Member States undertake to do the same. The EU should incorporate the social economy into strategies on international development cooperation as it is a form of entrepreneurship that is suited to the pursuit of the SDGs.

2.5. The impact of the social economy goes well beyond employment and social inclusion, as many social economy entities are key players across a range of sectors of general interest: consider the role of mutual societies in social protection, foundations in supporting the culture of donation and the management of essential services, and associations in promoting voluntary work, the protection of rights, the management of cultural activities, and the protection of the environment and intangible assets. Given its cross-cutting dimension, the social economy should be seen as an ally of the institutions when it comes to driving forward a range of policies, such as implementing the European Pillar of Social Rights, the EU Gender Equality Strategy, accelerating the digital and environmental transitions, and supporting the EU's industrial strategy.

2.6. The EESC is aware of the difficulty of addressing the multiple dimensions of the social economy, which affects all areas of activity and almost all sectors of the economy, and therefore considers it essential that the recommendation be adopted by the Council and implemented in the EU Member States.

2.7. The recommendation recognises the supportive function and key role that the social economy fulfils in fair, inclusive and sustainable economic and industrial development, as well as its contribution to territorial cohesion and the promotion of social innovation. The social economy is an economy based on solidarity and cooperation, for which a level playing field should be established with traditional businesses, in order to help meet the specific social and environmental challenges facing the EU. The EESC considers that the definition of social economy entities put forward in paragraph 4 of the proposal for a Recommendation should also include social economy enterprises that have the characteristics set out therein, including when they are contractually linked to the management and coordination of a lead company (provided that this company has the typical characteristics of a social economy enterprise), where the obligations of that company include the duty to contribute to supporting and safeguarding their social characteristics and responsibilities.

2.8. The traditions across the Member States vary greatly, and they use different terminology for the organisations that make up the social economy. This diversity of starting points means that supporting the social economy will require a variety of approaches. The EESC hopes that the concept of the social economy set out in the recommendation will help to increase the level of convergence of countries' national legal frameworks.

2.9. Given that the national frameworks vary greatly, the European Commission should provide special support to Member States that have not yet put in place a national legislative framework.

2.10. In order for Member States to be able to adopt and implement the recommendation as effectively as possible, better knowledge of the social economy and the contribution it makes needs to be cultivated, including through research and the collection of consistent and up-to-date data. Here, the EESC recommends that the European Commission work closely with the Member States, Eurostat and social economy networks. It advocates consolidating the regular censuses that are carried out of the social economy with a view to aggregating the data and statistics from individual Member States' research institutes and ensuring their accuracy and comparability, and thus paving the way to the creation of a European social economy observatory.

2.11. The EESC agrees on the need to include study of the social economy in education programmes at all levels of education and training, to support the development of national competence centres for training in the social economy and to promote the dissemination of learning and entrepreneurship also within social economy enterprises. Course programmes should always include an element of cross-over and transition between traditional and social economy enterprises. In this respect, the Youth Entrepreneurship Policy Academy, set up by the EU and the OECD, and the Social Economy Gateway are two interesting initiatives.

2.12. In the case of the Social Economy Gateway, the EESC encourages the Commission and the Member States to complete and update the data entered on this platform in order to reflect the real situation in the different countries. In addition to these initiatives, the Committee also proposes that consideration be given to establishing a European Erasmus scheme for the social economy to encourage collective entrepreneurship among young people.

2.13. The EESC considers it essential to stress the importance of the social economy in facilitating access to the labour market for disadvantaged and under-represented groups. However, its role is not limited to disadvantaged workers: the social economy also helps to support workers in forms of employment that are not 'traditional', by promoting collective entrepreneurship through cooperatives and other forms of social economy enterprise.

2.14. The European industrial strategy published by the Commission recognises the social economy as a specific entity for the first time, including it as one of the 14 ecosystems of European industrial policy. However, the productive and industrial dimension of the social economy is not sufficiently taken into account in the recommendation, which seems to be much better structured from a social point of view. In this regard, the EESC considers that more attention should be paid to the role played by cooperatives and social economy enterprises in the industrial sector, not only because of their capacity to protect jobs, through the worker buyout mechanism, but also because they have helped to promote productive, efficient and competitive industrial companies with participatory governance, an inclusive model that enables a high degree of redistribution of the value created.

2.15. The EESC believes that social-economy entrepreneurship is an effective way of promoting entrepreneurship and self-employment and of combating informal work, preventing the fragmentation and dispersion that sometimes accompany certain forms of self-employment. In this regard, the Member States must promote social dialogue and collective bargaining in social economy enterprises, as in any enterprise, in order to continue to improve and ensure fair working conditions for workers, including fair wages, while respecting the autonomy of the social partners.

2.16. In the EESC's view, it is crucial to involve social economy players in the digital transition in order to increase access to digital tools and new technologies for all European citizens and especially for disadvantaged people, particularly through digital tools developed by or with free and open source operators, mainly because the EU is seeking to consolidate a European digital world based on democratic participation and truly transparent ownership of data.

3. **Proposals for public policies on the social economy**

3.1. The EESC encourages the Member States to put greater emphasis on measuring social impact, as a necessary tool for developing good economic practices that are evidence-based. However, it should be borne in mind that it is important to design the measures and evaluations in collaboration with social economy players, in order to ensure that the criteria specific to the social economy are not bypassed using the standard econometrics designed for 'traditional' enterprises.

3.2. Given the increasing importance of assessing and measuring social impacts, the Member States need to recognise the significant costs involved in carrying out appropriate and authoritative impact assessments and measurement processes. It is therefore essential that the costs borne by social economy entities are recognised in order to measure their impact. This is particularly the case when they receive public funding or where they are responsible for the implementation of operations assigned under public procurement, where evaluation activities must be explicitly provided for and financed.

3.3. The EESC welcomes the recommendations on State aid and the links between social economy entities, services of general interest and the State aid rules, as also highlighted in opinion INT/1016 ([1]). Indeed, given that their main objective is not to maximise the profits to be distributed to investors and that surpluses are generally reinvested in the activity itself, social economy enterprises have a positive social impact in terms of employment, territorial development and social cohesion.

3.4. The issue of access to public procurement is crucial. The EESC stresses the importance of establishing innovative criteria with real, non-market value such as the commons, social (employment, inclusion and integration of vulnerable people) and ecological added value (environmental impact) and territorial proximity. With regard to public procurement, criteria such as 'lowest price' and the insufficient focus on the social impact of suppliers have complicated the participation of social economy enterprises in calls for tender to date. While the EESC appreciates and acknowledges the work that the European Commission has done in recent years to improve the public procurement directives, in certain Member States the implementation of provisions regarding, for example, reserved contracts and social clauses remains unsatisfactory.

3.5. The EESC encourages the uptake of socially responsible and innovative solutions in public procurement. Currently, the 'lowest price' criterion remains the general rule in many countries, putting negative pressure on social economy entities and jeopardising wages, working conditions and the quality of the service provided.

3.6. Given that many social economy activities take place at local community level, it is imperative to invest in the continuous improvement of cooperation between regional and municipal administrations and social economy entities. A specific paragraph on local and decentralised administrations should therefore be included in the recommendation.

4. **Access to finance and tax policies for social economy entities**

4.1. In this regard, the EESC welcomes the Commission's working document on the tax frameworks adopted in different countries for social economy entities, which makes it possible to compare the different approaches. The Committee encourages the Commission to continue this in-depth work, by promoting research to assess the effects of the support measures, comparing the tax advantages granted to social economy entities with the benefits that the exempted activities generate for the public finances.

4.2. The EESC stresses the importance of ensuring that tax systems support the social economy by simplifying the administrative procedures involved and by considering introducing appropriate tax measures that recognise its public interest function and its ability to pursue objectives geared to the common good, which deserve to be recognised in the taxation system.

4.3. The EESC is aware that when it comes to taxation, the primary competence lies with the Member States, to the extent that every measure put in place by the Member States must be notified to the European Commission in order to ensure consistency with the State aid and competition rules. However, the EESC points to the need to apply different rules to social economy entities, taking into account the general interest objectives they pursue. Efforts to design tax measures to recognise the general interest function of social economy enterprises, in particular those providing services of general interest such as social assistance, education and combating poverty, should focus on three main dimensions: i) the taxes imposed on the revenue generated by the activities; ii) reducing the contributions deducted from the wages of disadvantaged workers employed by the entity; and iii) the VAT applicable to social and educational services.

4.4. The EESC recognises the importance for social economy enterprises of benefiting from tax exemptions on operating surpluses generated, where these are reinvested in order to achieve their statutory objectives, and stresses that these tax advantages are in fact a necessary measure to restore a level playing field.

([1]) Opinion of the European Economic and Social Committee on the Commission Staff Working Document — Evaluation of the State subsidy rules for health and social services of general economic interest ('SGEIs') and of the SGEI *de minimis* Regulation (SWD(2022) 388 final) (OJ C 228, 29.6.2023, p. 155).

4.5. The recommendation's proposals, and in particular the two staff working documents on taxation, should be taken into account by the Commission in the implementation of its BEFIT initiative (Business in Europe: Framework for Income Taxation) — which aims to propose a common legislative framework for business taxation in the EU — so that particular attention is given to social economy enterprises and the calculation of their taxable base, while ensuring a level playing field and appropriate conditions, and taking into account public interest objectives.

4.6. The EESC believes that a level playing field for access to finance, be it public or private, must be created at all levels; social economy initiatives should be able to benefit from different sources of funding, as is the case for traditional businesses. Long-term investment and patient capital must therefore be promoted, as previously proposed by the EESC in its opinion INT/965 ([2]). It would also be useful to introduce specific support — similar to the 'SME support factor' in the Capital Requirements Regulation (CRR) — to reduce the percentage of capital that has to be set aside in the case of loans to social economy entities.

4.7. The EESC calls for the Recommendation to be an opportunity to recognise the unique nature of the 'biodiversity' of Europe's financial and banking ecosystem, acknowledging and safeguarding the crucial role that banks which qualify as social economy entities play at local level, their overall relevance at national level and the added value such banks create for local communities, as well as the benefit for the society as a whole of greater competence in the banking sector. The role of cooperative credit banks, mutual banks and ethical banks for social economy entities is decisive in this respect and in line with the social market economy principle enshrined in the EU Treaties.

Brussels, 25 October 2023.

The President
of the European Economic and Social Committee

Oliver RÖPKE

([2]) Opinion of the European Economic and Social Committee on 'Innovative financial instruments as part of the development of social impact companies' (exploratory opinion) (OJ C 194, 12.5.2022, p. 39).