



Centre international de recherches et d'information  
sur l'économie publique, sociale et coopérative

CIRIEC

## THE SOCIAL ECONOMY IN THE EUROPEAN UNION

N°. CESE/COMM/05/2005  
The European Economic and Social Committee (EESC)

Writers of the Report:	- Rafael Chaves Ávila - José Luis Monzón Campos
Committee of Experts:	- Danièle Demoustier - Roger Spear - Lisa Frobel

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## PREFACE

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The European Economic and Social Committee has commissioned this Report in order to take stock of the Social Economy in the 25 member states of the European Union. A precondition for this stocktaking is to identify a core identity that is shared by all the companies and organisations in this sphere. The purpose of this is highly practical: so that the Social Economy (SE) can be visualised and recognised. Which and how many, where they are, how they have developed, how large or important they are, how the public and governments see them, what problems they solve and how they contribute to the creation and equitable distribution of wealth and to social cohesion and welfare: these are the questions that the Report addresses.

The Report has been written by two experts from the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), the organisation that the European Economic and Social Committee selected for this task. The directors and writers, Rafael Chaves and José Luis Monzón, are both members of the Institute of the Social and Cooperative Economy of the University of Valencia (IUDESCOOP-UV) and of the CIRIEC International Scientific Committee for the Social Economy.

As the writers of the report, we have had the permanent support and advice of a Committee of Experts composed of Danièle Demoustier (Institut d'Études Politiques de Grenoble, France), Roger Spear (Open University, Milton Keynes, United Kingdom), and Lisa Frobél (Mid Sweden University Östersund, Sweden). The advice of every one of them has been very valuable at every stage: designing the work schedule, methodology, drawing up questionnaires and supervising the final Report. The comments of Apostolos Ioakimidis of the European Commission Enterprise and Industry Directorate-General have also been helpful.

We would like to express our gratitude to the members of the Social Economy Category of the European Economic and Social Committee, who very kindly discussed a Working Report containing the conceptual definitions of the SE and the methodological criteria for drawing up the Report with us during their meeting of 29 May 2006 in Brussels. Their information, observations and advice have been most useful in carrying out and concluding the work.

We have also been fortunate in receiving assistance from sector experts of recognised prestige from the organisations that represent the different families within the SE. In particular, we would like to mention Rainer Schluter and Agnes Mathis of Cooperatives Europe, Rita Kessler of the International Association of Mutual Societies (AIM), Lieve Lowet of the International Association of Mutual Insurance Companies (AISAM), Jean Claude Detilleux of the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF), Emmanuelle Faure of the European Foundation Centre (EFC), Enzo Pezzini of the Confederazione Cooperative Italiana (Confcooperative), Alberto Zevi of Italy's Lega Nazionale delle Cooperative e Mutue (LEGACCOOP) and Marcos de Castro of the Confederación Empresarial Española de la Economía Social (CEPES).

This Report would not have been possible without the support and involvement of the European network of national sections of CIRIEC and CIRIEC's Scientific Committee for the SE. Thanks to them we were able to set up a very large network of correspondents and co-workers in all the countries of the European Union and to benefit from CIRIEC's long record of research in decisive theoretical aspects. We are in debt to all their relevant works.

One of the central objectives of the Report, the comparative analysis of the current situation of the SE by countries, would not have been possible without the decisive help of 52 correspondents – academics, sector experts and highly-placed civil servants – in the 24 member countries and 2 candidates for EU membership (Bulgaria and Rumania). All of them answered a comprehensive questionnaire on the SE in their respective countries, carrying out this work with great professionalism and generosity. Fabienne Fecher (Belgium), Carmen Comos (Spain), Stefano Facciolini (Italy), Phillipe Kaminski (France), Günther Lorentz (Germany), Luca Jahier (Italy), Gurli Jakobsen (Denmark), Olive McCarthy (Ireland), Constantine Papageorgiou (Greece) and Madalena Huncova (Czech Republic) all became actively involved in the whole survey process, offering us extremely useful information and advice.

Margarita Sebastian of CIRIEC-España played a decisive role in setting up and coordinating the network of correspondents. José Juan Cabezuelo collated and organised the copious information received from the correspondents. We are very pleased to acknowledge the excellent work done by both.

Ana Ramón of CIRIEC-España's administrative services and Christine Dussart at the Liège office took good care of the administrative and secretarial work involved in preparing the Report, which was written in Spanish and translated into English by Gina Hardinge and the company B.I.Europa. Bernard Thiry, the Director of CIRIEC, placed the entire network of the organisation at our disposal and involved himself personally in finding useful information and improving the content of the Report.

We feel privileged to have been given the opportunity to direct the preparation of this Report which, we hope, will serve to boost awareness of the SE as one of the pillars of the construction of Europe, as the European Parliament recognised in 2006. The SE centres on people, on human beings, who are its reason for being and the goal of its activities. The SE is the economy of citizens who take charge of and are responsible for their own destinies. In the SE, men and women take the decisions equally. After all is said and done, it is they who make history.

Rafael Chaves and José Luis Monzón

# CHAPTER 1

## INTRODUCTION AND OBJECTIVES

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### 1.1. Objectives

The general objective of the Report is to conduct a conceptual and comparative study of the situation of the Social Economy (SE) in the European Union (UE) and its 25 member states.

To attain this final objective, the Report employs three intermediate objectives or tools that have been insufficiently defined until now. The first consists of establishing a clear, rigorous conceptual delimitation of the SE and of the different classes of company and organisation that form part of it.

The second intermediate objective aims to identify the different agents which, irrespective of their legal form, form part of the SE in each of the member states of the EU on the basis of the definition established in this Report and to compare the different national definitions that are related to the SE concept.

The third intermediate objective is to provide quantitative data of the quantitative data of the European SE, to identify the main public policies that address the Social Economy in Europe and the main organs for coordination and social dialogue between general government and the organisations that represent this sector, in order to provide references for the European Economic and Social Committee in relation to the part it can play as regards support for the Social Economy and, thereby, democracy and social dialogue, to identify a sample of outstanding cases of companies and organisations and review the contribution of the SE to the socio-economic development and construction of Europe.

### 1.2. Methods

The Report has been directed and written by Rafael Chaves and José Luis Monzón of CIRIEC, advised by a Committee of Experts composed of D. Demoustier (France), L. Frobøl (Sweden) and R. Spear (United Kingdom), who have discussed the entire work schedule, methodology and proposed final Report with the directors and helped them to identify the different classes of companies and organisations that form part of the SE in each of the European Union countries.

The Scientific Committee for the SE of CIRIEC and the national sections of CIRIEC have been of great importance for establishing the criteria to delimit the SE and finding correspondents and co-workers in the EU member states.

The information, advice and suggestions of the organisations that represent the co-operatives, mutual societies, associations and foundations made a very significant contribution to the suitability of the questionnaire that was applied in all the countries of the EU.

With regard to the methods themselves, the first part of the Report takes the definition of the business or market sector of the SE given in the European Commission Manual for drawing up the satellite accounts of co-operatives and mutual societies as the basis for establishing a definition of the SE as a whole that is intended to achieve wide political and scientific consensus. The second part has benefited from a previous study by CIRIEC (2000): *The*

*enterprises and organizations of the third system: A strategic challenge for employment*, CIRIEC, Brussels.

Concerning the second of the Report's objectives, a major field study was conducted in June, July and August 2006 by sending out a questionnaire to the 25 member states of the EU. It was sent to privileged witnesses with an expert knowledge of the SE concept and related areas and of the reality of the sector in their respective countries. These experts are university researchers, professionals working in the federations and structures that represent the SE and highly-placed national government civil servants with responsibilities in relation to the SE. The results have been highly satisfactory, as 50 completed questionnaires have been collected from 24 countries in the EU. Data from Slovakia has been gathered from other sources. 2 questionnaires have been collected from 2 candidates for EU membership (Bulgaria and Rumania).

**Table 1.1. Questionnaires received**

Country	Number of Questionnaires
Austria	2
Belgium	2
Denmark	2
Finland	2
France	4
Germany	3
Greece	1
Ireland	2
Italy	5
Luxembourg	1
Netherlands	1
Portugal	3
Spain	3
Sweden	1
United Kingdom	2
<b>New member states</b>	
Cyprus	1
Czech Republic	2
Estonia	2
Hungary	2
Latvia	2
Lithuania	1
Malta	1
Poland	3
Slovenia	2
<b>TOTAL</b>	<b>50</b>

As regards the third intermediate objective of the Report, identifying public policies and relevant cases of European SE companies and organisations and forecasting the contribution of the SE to the economic development and construction of Europe, this was done through consulting the Committee of Experts and sector experts, through information supplied in the questionnaires and through discussions with the Committee of Experts and within the CIRIEC Scientific Committee for the SE.

### **1.3. Structure and summary of the Report**

The Report has been structured as follows:

After this first chapter introducing the Report and its objectives, Chapter 2 presents the historical evolution of the concept of the Social Economy, including the most recent information on its recognition in the national accounts systems.

Chapter 3 begins by formulating a definition of the SE that fits in with the national accounts systems then identifies the major groups of agents in the SE on this basis.

Chapter 4 summarises the main theoretical approaches that are related to the SE concept, establishing the resemblances and differences between them.

Chapters 5, 6 and 7 present an overview of the current situation of the SE in the EU, providing a comparative analysis of the different definitions that are related to the SE concept in each country, the quantitative data available and the most salient aspects of the legal framework and public policies that each country has developed in relation to the SE, followed by a presentation of outstanding cases of SE companies and organisations.

Lastly, Chapters 9 and 10 analyse the contribution of the SE to the socio-economic development and construction of Europe, the challenges and trends and the Report's conclusions. The bibliographical references bring the Report to a close.

## CHAPTER 2

### HISTORICAL EVOLUTION OF THE SOCIAL ECONOMY CONCEPT

- 2.1. Popular associations and co-operatives at the historical origin of the Social Economy
  - 2.2. Present-day scope and field of activity of the Social Economy
  - 2.3. Present-day identification and institutional recognition of the Social Economy
  - 2.4. Towards recognition of the Social Economy in national accounts systems
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#### **2.1. Popular associations and co-operatives at the historical origin of the Social Economy**

As an activity, the *Social Economy* (SE) is historically linked to popular associations and co-operatives, which make up its backbone. The system of values and the principles of conduct of the popular associations, synthesised by the historical co-operative movement, are those which have served to formulate the modern concept of the SE, which is structured around three large families of organisations: co-operatives, mutual societies and associations, with the recent addition of foundations. In reality, at their historical roots these great families were intertwined expressions of a single associative impulse: the response of the most vulnerable and defenceless social groups, *through self-help organisations*, to the new conditions of life created by the development of industrial capitalism in the 18<sup>th</sup> and 19<sup>th</sup> centuries. Co-operatives, mutual assistance societies and resistance societies reflected the three directions that this associative impulse took (López Castellano, 2003).

Although charity (charity foundations, brotherhoods and hospitals) and mutual assistance organisations had seen considerable growth throughout the Middle Ages, it was in the 19<sup>th</sup> century that popular associations, co-operatives and mutual societies acquired extraordinary impetus through initiatives launched by the working classes. In Britain, for instance, the number of *Friendly Societies* multiplied in the 1790s. Throughout Europe, numerous mutual provident societies and mutual assistance societies were set up (Gueslin, 1987). In Latin American countries such as Uruguay and Argentina also, the mutualist movement grew considerably during the second half of the 19<sup>th</sup> century (Solà i Gussinyer, 2003).

The first stirrings of co-operative experiments flowered in Great Britain in the late 18th and early 19th centuries as a spontaneous reaction by industrial workers to overcome the difficulties of their harsh living conditions. However, the socialist thinking developed by Robert Owen and Ricardian anti-capitalists such as William Thompson, George Mudie, William King, Thomas Hodgskin, John Gray and John Francis Bray was soon to exert considerable influence on the co-operative movement<sup>1</sup> and from 1824 to 1835 a close connection was established between this movement and trade union associationism, as both were expressions of a single workers' movement and had the same objective: the emancipation of the working classes. The eight *Co-operative Congresses* held in Britain between 1831 and 1835 coordinated both the co-operatives and the trade union movement. Indeed, the *Grand*

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<sup>1</sup> In 1821 George Mudie published the first Owenian co-operativist newspaper, *The Economist*. From 1828 to 1830, in Brighton, William King published a monthly periodical, *The Co-operator*, which did much to spread co-operative ideas (Monzón, 1989).

*National Consolidated Trades Union* was formed at one of these congresses, uniting all the British trades unions (Monzón, 1989; Cole, 1945).

William King intervened directly and decisively in the development of the co-operative movement in Britain and influenced the well-known co-operative that was founded in Rochdale (England) in 1844 by 28 workers, 6 of whom were disciples of Owen (Monzón, 2003) The famous co-operative principles that governed the workings of the Rochdale Pioneers were adopted by all kinds of co-operatives, which created the International Co-operative Alliance (ICA) in 1895, in London, and have made a notable contribution to the development of the modern concept of the SE<sup>2</sup>.

Following the 1995 Congress of ICA, held in Manchester, these *Principles* identify co-operatives as democratic organisations in which the decisions are in the hands of a majority of *user members of the co-operativised activity*, so investor or capitalist members, if any, are not allowed to form a majority and surpluses are not allocated according to any criteria of proportionality to capital. Equal voting rights, limited compensation on the share capital obligatorily subscribed by the user members and the creation in many cases of indivisible reserves that cannot be distributed even if the organisation is dissolved are further aspects in which co-operatives differ from capitalist companies.

From Rochdale onwards, co-operatives have attracted the attention of different schools of thought. Indeed, crossing ideological boundaries and analytical pluralism are among the characteristics of the literature that has addressed this phenomenon. Utopian socialists, Ricardian socialists, social Christians (both Catholic and Protestant) and social liberals, as well as eminent classical, Marxist and neo-classical economists, have analysed this heterodox type of company profusely.

In the multi-faceted expression of popular associationism, Britain does not constitute an exception. In continental Europe, workers' associationism was manifest in the growth of mutualist and co-operative initiatives. In Germany, cooperativism boomed in rural and urban areas, together with mutual assistance societies. The ideas of the workers' industrial association movement were widely disseminated in Germany in the mid 19<sup>th</sup> century by Ludwig Gall, Friedrich Harkort and Stephan Born (Monzón, 1989; Bravo, 1976; Rubel, 1977)<sup>3</sup>. Although one of the first German co-operatives for which there are references was set up by a group of weavers and spinners<sup>4</sup>, cooperativism developed in urban areas through the work of Victor-Aimé Huber and Schulze-Delitzsch, and in rural areas, Friedrich Wilhelm Raiffeisen, who set up and spread the *Darlehenskassenvereine* credit unions. The first of these was founded in 1862 in Anhausen and its spectacular growth culminated in 1877 with the founding of the German Federation of Rural Co-operatives of the Raiffeisen type (Monzón, 1989). At the same time, both workers' mutual assistance societies and rural mutualism became established institutions in German society and were regulated by an imperial law of 1876 (Solà I Gussinyer, 2003).

In Spain, popular associationism, mutualism and cooperativism forged strong links as they expanded. They were often set up by the same groups, as is the case of the weavers of Barcelona. Their *Asociación de Tejedores* or Weavers' Association, the first trades union in Spain, was founded in 1840, at the same time as the *Asociación Mutua de Tejedores* mutual provident society, which in 1842 created the *Compañía Fabril de Tejedores*. This is considered

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<sup>2</sup> A detailed analysis of the Rochdale experience and its operating principles may be found in Monzón (1989).

<sup>3</sup> Bravo, G.M (1976): *Historia del socialismo, 1789-1848*, Ariel, Barcelona

Rubel, M (1977): "Allemagne et coopération", *Archives Internationales de Sociologie de la Coopération et du Développement* (AISC), N° 41-42.

<sup>4</sup> This was the *Ermunterung* consumers' co-operative, founded in Chemnitz in 1845 (Hesselbach, W. (1978): *Las empresas de la economía de interés general, Siglo XXI*).

the first production co-operative in Spain and was a mixture of "workers' production society and mutual assistance society" (Reventos, 1960).

In Italy, mutual assistance societies were very numerous in the middle third of the 19th century, preceding the first co-operatives. It was precisely a mutual assistance society, the *Società operaia di Torino*, that in 1853 set up the first consumers' co-operative in Italy, the *magazzino di previdenza di Torino*, to defend the purchasing power of its members' wages. Similar instances of friendly societies' creating consumers' co-operatives ensued in other Italian cities (De Jaco, 1979).

Nonetheless, of all the European countries, France is probably the one where the origins of the SE are most visibly a manifestation of popular associative movements and indissociable from these. Indeed, the emergence of co-operatives and mutual societies during the first half of the 19th century cannot be explained without considering the central role of popular associationism, which in its industrial associationism version found its driving force in Claude-Henri de Saint-Simon, an exponent of one of the French socialist currents.

Under the influence of the associationist ideas of Saint-Simon and his followers, numerous workers' associations were created in France from the 1830s onwards and although the term 'co-operation' was introduced into France in 1826<sup>5</sup> by Joseph Rey, an Owenite, during most of the 19th century production co-operatives were known as 'workers' production associations'<sup>6</sup>. The first significant workers' co-operative in France, for instance, the *Association Chrétienne des Bijoutiers en Doré*, founded in Paris in 1834<sup>7</sup>, was started by Jean-Phillipe Buchez, a disciple of Saint-Simon. Its founding date and the name of its 'father' have the advantage of immediately locating the *workers' production co-operatives* in the environment in which they originated: the first half of the 19th century, in the melting-pot of social experiments and socialist associationist doctrines that marked the birth of the workers' movement (Vienney, 1966).

Associationism also played a fundamental part in other socialist currents, such as those influenced by Charles Fourier, who called for society to organise itself through associations, mutual societies and phalanxes, multi-purpose communities of workers with a comprehensive network of multiple solidarities (Desroche, 1991). Workers' production associations also occupied a decisive place in the thinking of Louis Blanc, who proposed that production should be organised through the widespread establishment of state-supported, worker-controlled *social workshops* (Monzón, 1989).

Mutual assistance and mutual provident societies very quickly became widespread in 19th century France and although their origins and activities were highly diverse, workers' associationism was behind most of the 2500 mutual assistance societies, with 400,000 members and 1.6 million beneficiaries, that France numbered in 1847 (Gueslin, 1987).

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<sup>5</sup> Joseph Rey was the author of the "Lettres sur le système de la Coopération mutuelle et de la Communauté de tous les biens d'après le plan de M. Owen" The first of these letters was published in 1826 by the Saint-Simonian journal *Le Producteur* (Lion et Rocher, 1976).

<sup>6</sup> Even in 1884, when the French workers' production co-operatives federated they did so under the name of *Chambre consultative des associations ouvrières de production*. This was the forerunner of today's CG Scop (*Confédération générale des SCOP - société coopérative (ouvrière) de production* - or General Confederation of (Workers') Production Co-operatives).

<sup>7</sup> This was a significant co-operative, and not only because of its considerable expansion, opening as many as eight branches in Paris and operating for thirty-nine years, until 1873 (Monzón, 1989). It was significant above all because of its rules, as in many aspects Buchez was ahead of the Rochdale Pioneers in outlining the most important principles of the co-operative movement: a company based on people, not capital, democratic organisation (one person, one vote), distribution of surpluses in proportion to work, creation of an indivisible reserve, limits to the employment of salaried workers, etc. (Desroche, 1957).

The term *social economy* appeared in economics literature, probably for the first time, in 1830. In that year the French liberal economist Charles Dunoyer published a *Treatise on social economy* that advocated a moral approach to economics<sup>8</sup>. Over the 1820-1860 period, a heterogeneous current of thought which can collectively be termed the *social economists* developed in France. Most of them were influenced by the analyses of T.R. Malthus and S. de Sismondi, as regards both the existence of 'market failures' that can lead to imbalances and the delimitation of the true object of economics, which Sismondi considered to be *man* rather than *wealth*. However, most of the social economists must be placed within the sphere of liberal economic thinking and identified with laissez-faire principles and with the institutions, including capitalist companies and the markets, that the emerging capitalism was to consolidate.

As a result, the social economics of the period did not launch or promote any alternative or complementary initiative to capitalism. Rather, these economists developed a theoretical approach to society and what is social, pursuing the reconciliation of morality and economics through the moralisation of individual behaviour, as in the model of F. Le Play (Azam, 2003), for whom the goal that economists should strive for is not welfare or wealth but social peace (B. de Carbon, 1972).

Social economics underwent a profound reorientation during the second half of the 19th century, through the influence of two great economists, John Stuart Mill and Leon Walras.

J.S. Mill paid considerable attention to business associationism among workers, in both its co-operative and its mutualist aspect<sup>9</sup>. In his most influential work, *Principles of Political Economy*, he examined the advantages and drawbacks of workers' co-operatives in detail, calling for this type of company to be encouraged because of its economic and moral benefits<sup>10</sup>.

Like J.S. Mill, Leon Walras considered that co-operatives can fulfil an important function in solving social conflicts by playing a great "economic role, not by doing away with capital but by making the world less capitalist, and a moral role, no less considerable, which consists in introducing democracy into the workings of the production process" (Monzón, 1989).

Walras' *Études d'Économie Sociale: théorie de la répartition de la richesse sociale* (Studies in Social Economy: theory of the distribution of social wealth), published in Lausanne in 1896<sup>11</sup>, marks a major break from the original social economy approach identified with F. Le Play's model. With Walras, the social economy became both part of the science of Economics<sup>12</sup> and a field of economic activities that is prolific in co-operatives, mutual societies and associations, as we know them today. It was at the end of the 19th century that the principal features of the modern concept of the Social Economy took shape, inspired by the values of democratic associationism, mutualism and cooperativism.

## 2.2. Present-day scope and field of activity of the Social Economy

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<sup>8</sup> In Spain, too, *Lecciones de economía social* by Ramón de la Sagra was published in 1840.

<sup>9</sup> J.S. Mill made a decisive contribution to the passing of the Industrial and Provident Societies Act in Great Britain in 1852, the first law in the world to regulate the co-operative phenomenon.

<sup>10</sup> As well as their macroeconomic benefits, Mill sustained that workers' co-operatives would mean a "moral revolution" in society, as they would achieve "the healing of the standing feud between capital and labour, the transformation of human life, ... the elevation of the dignity of labour; a new sense of security and independence in the labouring class, and the conversion of each human being's daily occupation into a school of the social sympathies and the practical intelligence" (Mill, 1951:675; first published in 1848). A detailed analysis of Mills' ideas on co-operatives may be found in Monzón, 1989.

<sup>11</sup> A modern edition in French is *Études d'économie sociale: théorie de la répartition de la richesse sociale*, Leon Walras, Economica, París, 1990.

<sup>12</sup> "What I call social economy, as does J.S. Mill, is that part of the science of social wealth that addresses the distribution of this wealth between individuals and the State" (B. de Carbon, 1972).

Although the SE was relatively prominent in Europe during the first third of the 20th century<sup>13</sup>, the growth model in Western Europe during the 1945-1975 period mainly featured the traditional private capitalist sector and the public sector. This model was the basis of the Welfare State, which faced up to the known market failures and deployed a package of policies that proved highly effective for correcting them: income redistribution, resource allocation and anticyclical policies. All of these were based on the Keynesian model, in which the great social and economic actors are the employers' federations and trades unions, together with the public authorities.

In Central and Eastern European countries, linked to the Soviet system and with centrally-planned economies, the State was the only figure of economic activity, leaving no space for the SE agents to act. Co-operatives alone had a considerable presence in some Soviet bloc countries, although some of their traditional principles such as voluntary and open membership and democratic organisation were totally annihilated. In the last two centuries, Czech economists were coming up with social-economic approaches without always preferring only profitable market viewpoints. Large amount of non-profit organisations during the period of The First Czechoslovak Republic were following the tradition, which had been dating back to the 19th century<sup>14</sup>.

The consolidation of mixed economy systems did not prevent the development of a notable array of companies and organisations – co-operatives, mutual societies and associations – that helped to solve socially important and general interest issues concerning cyclical unemployment, imbalances between geographical areas and in the rural world and the skewing of power between retail distribution organisations and consumers, among others. However, during this period the SE practically disappeared as a significant force in the process of harmonising economic growth with social welfare, where the State occupied almost the entire stage. It was not until the crisis of the Welfare State and the mixed economy systems in the last quarter of the 20th century that some European countries saw a reawakening of interest in the typical organisations of the SE, whether business alternatives to the formats of the capitalist and public sectors, such as *co-operatives* and *mutual societies*, or non-market organisations, mostly *associations* and *foundations*<sup>15</sup>. This interest sprang from the difficulties that the market economies were encountering in finding satisfactory solutions to such major problems as massive long-term unemployment, social exclusion, welfare in the rural world and in run-down urban areas, health, education, the quality of life of pensioners, sustainable growth and other issues. These are social needs that are not being sufficiently or adequately supplied either by private capitalist agents or by the public sector and for which no easy solution is to be found through market self-adjustment mechanisms or traditional macroeconomic policies.

Although a series of demutualisations of major co-operatives and mutual societies has taken place in some European countries, in recent decades, overall, the business sector of the SE (co-operatives and mutual societies) has seen considerable growth, as recognised by the European Commission's *Manual for drawing up the Satellite Accounts of Companies in the Social Economy* (Barea and Monzón, 2006).

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<sup>13</sup> The zenith of its institutional recognition may be considered the Paris Exhibition of 1900, which included a Social Economy pavilion. In 1903 Charles Gide wrote a report on this pavilion in which he underlined the institutional importance of the SE for social progress.

<sup>14</sup> Information from Jirí Svoboda, Cooperative Association of Czech Republic (Czech Republic).

<sup>15</sup> In the European System of National and Regional Accounts (the 1995 ESA), *non-market output* is goods and services that certain organisations supply to other units (e.g. households or families) without charge or at prices that are not economically significant. *Non-market producers* are those that supply *the majority of their output* free or at insignificant prices. Most private non-market producers are associations and foundations, although many of these organisations are also *market producers* and, moreover, of considerable economic importance.

Major studies have highlighted the considerable growth of the SE as a whole in Europe. One of the most significant of these, carried out by CIRIEC for the European Commission within the framework of the "Third System and Employment" Pilot Scheme (CIRIEC, 2000), highlights the increasing importance of co-operatives, mutual societies and associations for creating and maintaining employment and correcting serious economic and social imbalances.

After the soviet bloc crumbled, many co-operatives in Eastern and Central Europe collapsed. Furthermore, they were severely discredited in the eyes of the public. Lately, however, a revival of citizens' initiatives to develop SE projects has been taking place and is being reflected by proposals for legislation to boost the organisations in this sector.

Spectacular growth in the SE has taken place in the field of organisations engaged in producing what are known as *social or merit goods*, mainly work and social integration and providing social services and community care. In this field, associationism and cooperativism seem to have reencountered a common path of understanding and co-working in many of their projects and activities, as in the case of *social enterprises*, many of them co-operatives, which are already legally recognised in various European countries such as Italy, Portugal, France, Belgium, Spain, Poland, Finland and the United Kingdom (CECOP, 2006). Their characteristics are summarised in section 3.2.D of this Report.

In the EU-25, over 240,000 co-operatives were economically active in 2005. They are well-established in every area of economic activity and are particularly prominent in agriculture, financial intermediation, retailing and housing and as workers' co-operatives in the industrial, building and service sectors. These co-operatives provide direct employment to 4.7 million people and have 143 million members<sup>16</sup>.

Health and social welfare mutuals provide assistance and cover to over 120 million people. Insurance mutuals have a 23.7% market share<sup>17</sup>.

In the EU-15, in 1997, associations employed 6.3 million people (CIRIEC, 2000) and in the UE-25, in 2005, they accounted for over 4% of GDP and a membership of 50% of the citizens of the European Union (Jeantet, 2006). In the year 2000 the EU-15 had over 75,000 foundations, which have seen strong growth since 1980 in the 25 member states, including the recent EU members in Central and Eastern Europe (Richardson, 2003).

In conclusion, over and beyond its quantitative importance, in recent decades the SE has not only asserted its ability to make an effective contribution to solving the new social problems, it has also strengthened its position as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activities serving social needs, correcting labour market imbalances and, in short, deepening and strengthening economic democracy

### **2.3. Present-day identification and institutional recognition of the Social Economy**

Identification of the SE as it is known today began in France, in the 1970s, when the organisations representing the cooperatives, mutual societies and associations created the *National Liaison Committee for Mutual, Cooperative and Associative Activities (CNLAMCA)*<sup>18</sup>. From the end of World War II to 1977, the term 'Social Economy' had fallen out of everyday

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<sup>16</sup> Cooperatives Europe (2006)

<sup>17</sup> ACME, Association des coopératives et mutuelles d'assurance, <http://www.acme-eu.org>.

<sup>18</sup> CNLAMCA was set up on 11 June 1970. On 30 October 2001 it became the present-day CEGES (*Conseil des entreprises, employeurs et groupements de l'économie sociale* or Council of Social Economy Companies and Institutions) (Davant, 2003).

use, even among the 'families' in this sector of economic activity<sup>19</sup>. European conferences of co-operatives, mutual societies and associations were held under the auspices of the European Economic and Social Committee in 1977 and 1979 (EESC, 1986). Coinciding with its 10<sup>th</sup> anniversary, in June 1980 the CNLAMCA published a document, the *Charte de l'économie sociale* or Social Economy Charter, which defines the SE as the set of organisations that do not belong to the public sector, operate democratically with the members having equal rights and duties and practise a particular regime of ownership and distribution of profits, employing the surpluses to expand the organisation and improve its services to its members and to society (Économie Sociale, 1981; Monzón, 1987).

These defining features have been widely disseminated in the economics literature and outline an SE sphere that hinges on three main families, co-operatives, mutual societies and associations, which have recently been joined by foundations. In Belgium, the 1990 report of the Walloon Social Economy Council (CWES)<sup>20</sup> saw the SE sector as being the part of the economy that is made up of private organisations that share four characteristic features: "a) the objective is to serve members or the community, not to make a profit; b) autonomous management; c) a democratic decision-making process; and d) the pre-eminence of individuals and labour over capital in the distribution of income".

The most recent conceptual delimitation of the SE, by its own organisations, is that of the *Charter of Principles of the Social Economy* promoted by the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF)<sup>21</sup>, the EU-level representative institution for these four families of social economy organisations. The principles in question are:

- The primacy of the individual and the social objective over capital
- Voluntary and open membership
- Democratic control by membership (does not concern foundations as they have no members)
- The combination of the interests of members/users and/or the general interest
- The defence and application of the principle of solidarity and responsibility
- Autonomous management and independence from public authorities
- Most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members or the general interest.

The rise of the SE has also been recognised in political and legal circles, both national and European. France was the first country to award political and legal recognition to the modern concept of the SE, through the December 1981 decree that created the Inter-Ministerial Delegation to the Social Economy (*Délégation interministérielle à l'Économie Sociale - DIES*). In other European countries, such as Spain, 'social economy' is a term that has entered the statute book. At European level, in 1989 the European Commission published a Communication entitled "*Businesses in the "Économie Sociale" sector: Europe's frontier-free*

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<sup>19</sup> The first time after World War II that the expression 'the Social Economy' was used in a similar sense to its present meaning was in 1974, when the journal *Annales de l'économie collective* changed its name to *Annales de l'Économie Sociale et Cooperative*, as did the organisation to which it belongs (CIRIEC: the International Centre of Research and Information on the Public, Social and Cooperative Economy). Justifying the change of name, Paul Lambert, the President of CIRIEC in 1974, pointed to "... important activities, with considerable economic repercussions, which are neither public nor cooperative: certain social security institutions, mutual societies, trades unions ..." (Annales, 1974). In 1977 Henri Desroche presented a *Rapport de synthèse ou quelques hypothèses pour une entreprise d'économie sociale* to the CNLAMCA (Jeantet, 2006).

<sup>20</sup> Conseil Wallon de l'Économie Sociale (1990): *Rapport à l'Exécutif Régional Wallon sur le secteur de l'Économie Sociale*, Liège.

<sup>21</sup> *Déclaration finale commune des organisations européennes de l'Économie Sociale*, CEP-CMAF, 20 juin 2002.

market". In that same year the Commission sponsored the 1st European Social Economy Conference (Paris) and created a Social Economy Unit within DG XXIII Enterprise Policy, Distributive Trades, Tourism and the Social Economy<sup>22</sup>. In 1990, 1992, 1993 and 1995 the Commission promoted European Social Economy Conferences in Rome, Lisbon, Brussels and Seville. In 1997, the Luxemburg summit recognised the role of social economy companies in local development and job creation and launched the "Third System and Employment" pilot action, taking the field of the social economy as its area of reference<sup>23</sup>.

In the European Parliament too, the European Parliament Social Economy Intergroup has been in operation since 1990. In 2006 the European Parliament called on the Commission "to respect the social economy and to present a communication on this cornerstone of the European social model"<sup>24</sup>.

The European Economic and Social Committee (EESC), for its part, has published numerous reports and opinions on the social economy companies' contribution to achieving different public policy objectives.

#### **2.4. Towards recognition of the Social Economy in national accounts systems**

The national accounts systems perform a very important function in providing periodic, accurate information on economic activity, as well as in working towards terminological and conceptual harmonisation in economic matters to enable consistent, meaningful international comparisons to be drawn. The two most important national accounts systems currently in force are the United Nations' *System of National Accounts* (1993 SNA) and the *European System of National and Regional Accounts* (1995 ESA or ESA 95). The 1993 SNA gives national accounting rules for all the countries in the world. The 1995 ESA applies to the member states of the European Union and is fully in line with the 1993 SNA, although there are minor differences.

The thousands upon thousands of entities (institutional units) that carry out productive activities (as defined in the 1993 SNA and 1995 ESA) in each country are grouped into the five mutually exclusive *institutional sectors* that make up each national economy: 1) non-financial corporations (S11); 2) financial corporations (S12); 3) general government (S13); 4) households (as consumers and as entrepreneurs) (S14); 5) non-profit institutions serving households (S15).

This means that, rather than the companies and organisations that form part of the SE concept being recognised as a different institutional sector in the national accounts systems, co-operatives, mutual societies, associations and foundations are scattered among these five institutional sectors, making them difficult to perceive.

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<sup>22</sup> Now the Craft, Small Businesses, Co-operatives and Mutuals Unit in the Enterprise and Industry Directorate General.

<sup>23</sup> The proposed European Constitution of some years ago also mentioned the *market social economy*, which takes its inspiration from the German *Soziale Marktwirtschaft* (Social Market Economy) concept coined by Franz Oppenheimer and popularised in the 1960s by Ludwig Erhard. The *Soziale Marktwirtschaft* lay behind the development of the German Welfare State. It proposes a balance between free market rules and social protection for individuals, as workers and citizens (Jeantet, 2006). The *Soziale Marktwirtschaft* should not be confused with the concept of the SE expounded in this Report or with the market sector of the SE, which is made up of co-operatives, mutual societies and other similar companies whose output is mainly intended for sale on the market. In the consolidation of the market social economy and the European social model, however, greater importance is increasingly being placed on the SE pillar (Report on a European Social Model for the future, 2005).

<sup>24</sup> Report on a European Social Model for the future (2005/2248 (INI)).

Recently, the European Commission has developed a *Manual for drawing up the Satellite Accounts of Companies in the Social Economy* (co-operatives and mutual societies)<sup>25</sup> which will make it possible to obtain consistent, accurate and reliable data on a very significant part of the SE, made up of co-operatives, mutual societies and other similar companies.

As the SE company satellite accounts Manual says, the methods used by today's national accounts systems, rooted in the mid 20th century, have developed tools for collecting the major national economic aggregates in a mixed economy context with a strong private capitalist sector and a complementary and frequently interventionist public sector. Logically, in a national accounts system which revolves around a bipolar institutional reality there is little room for a third pole which is neither public nor capitalist, while the latter can be identified with practically the entirety of the private sector. This has been one important factor explaining the institutional invisibility of the social economy in present-day societies and, as the Commission's Manual recognises, it lies at odds with the increasing importance of the organisations that form part of the SE.

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<sup>25</sup> In 2003, the United Nations published a Handbook for drawing up consistent statistics on the Non-Profit sector, in accordance with the conceptual delimitation criteria established by the Non-Profit Organisation (NPO) approach described in Chapter 3 of this study. This sector includes an important group of social economy entities, largely made up of associations and foundations.

## CHAPTER 3

### IDENTIFICATION OF THE ACTORS OR GROUPS INCLUDED IN THE SOCIAL ECONOMY CONCEPT

- 3.1. A definition of the Social Economy that fits in with the national accounts systems
  - 3.2. The market or business sub-sector of the Social Economy
  - 3.3. The non-market sub-sector of the Social Economy
  - 3.4. The Social Economy: pluralism and shared core identity
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#### **3.1. A definition of the SE that fits in with the national accounts systems**

A further reason for the institutional invisibility of the Social Economy (SE) referred to in Chapter 2 is the lack of a clear, rigorous definition of the concept and scope of the SE that could usefully be employed by the national accounts systems. Such a definition needs to disregard legal and administrative criteria and to centre on analysing the behaviour of SE actors, identifying the resemblances and differences between them and between these and other economic agents. At the same time, it needs to combine the traditional principles and characteristic values of the SE and the methodology of the national accounts systems in force into a single concept that constitutes an operative definition and enjoys wide political and scientific consensus, allowing the main aggregates of the entities in the SE to be quantified and made visible in a homogeneous and internationally harmonised form.

Accordingly, this report proposes the following working definition of the SE:

*The set of private, formally-organised 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 one vote. The Social Economy also includes private, formally-organised organisations 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<sup>26</sup>.*

This definition is absolutely consistent with the conceptual delimitation of the SE reflected in the CEP-CMAF's *Charter of Principles of the Social Economy* (see section 2.3 of this report). In national accounts terms, it comprises two major sub-sectors of the SE: a) the market or business sub-sector<sup>27</sup> and b) the non-market producer sub-sector. This classification

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<sup>26</sup> This definition is based on the criteria established by the European Commission's Manual for drawing up the Satellite Accounts of Companies in the Social Economy and by Barea (1990 and 1991), Barea and Monzón (1995) and Chaves and Monzón (2000). It concurs both with the delimiting criteria established by the social economy organisations themselves (CNLAMCA charter, 1980; Conseil Wallon de l'Économie Sociale, 1990; CCCMAF and ESC-CMAF, 2000) and with the definitions formulated in the economics literature, including Desroche (1983), Defourny and Monzón (1992), Defourny et al (1999), Vienney (1994) and Demoustier (2001 and 2006).

<sup>27</sup> In this Report, the expression "company" is used exclusively to designate those microeconomic organisations that have the market as their main source of resources (most co-operatives, mutual societies and other companies). "Company" is not used to refer to other microeconomic organisations in the SE that

is very useful for drawing up reliable statistics and analysing 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 SE, as a result of a characteristic that all SE organisations share: they are *organisations of people who conduct an activity with the main purpose of meeting the needs of persons rather than remunerating capitalist investors*.

According to the above definition, the *shared features* of these two sub-sectors of the SE are:

- 1) They are private, in other words, they are not part of or controlled by the public sector;
- 2) They are formally-organised, 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 organise 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 organisation.
- 6) They pursue an economic activity in its own right, to meet the needs of persons, households or families. For this reason, SE organisations are said to be *organisations of people, not of capital*. They work *with* capital and other non-monetary resources, but *not for capital*.
- 7) They are democratic organisations. Except for some voluntary organisations that provide non-market services to households, SE primary level or first-tier organisations apply the principle of “one person, one vote” in their decision-making processes, irrespective of the capital or fees contributed by the members. Organisations at other levels are also organised democratically. The members have majority or exclusive control of the decision-making power in the organisation.

A very important feature of SE organisations that is deeply rooted in their history is democratic control, with equal voting rights (“one person, one vote”) in the decision-making process. Indeed, in the previously-mentioned Satellite Accounts Manual for companies in the Social Economy that are market producers (classed in the S.11 and S.12 institutional sectors of the National Accounts) the democratic criterion is considered essential for a company to be considered part of the Social Economy, as the *social utility* of these companies is not usually based on their economic activity, which is an instrument to a non-profit end, but on their purpose and on the democratic and participative values that they bring to the running of the company.

However, the working definition of the SE established in this Report also accepts the inclusion of voluntary non-profit organisations that are *producers of non-market services for households*, even if they do not possess a democratic structure, as this allows very prominent *social action Third Sector* organisations that produce *social or merit goods* of unquestionable social utility to be included in the Social Economy.

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mainly derive their monetary resources from non-market sources such as donations, membership dues, property income or subsidies (most associations and foundations).

### 3.2. The market or business sub-sector of the SE

The market sub-sector of the SE is made up, in essence, of co-operatives and mutual societies, business groups controlled by co-operatives, mutual societies and other SE organisations, other similar companies and certain non-profit institutions serving SE companies.

As well as all the features shared by all SE entities, the working definition in 3.1 above and in the European Commission Manual emphasises three essential characteristics of SE companies:

- a) *They are created to meet their members' needs through applying the principle of self-help, i.e. they are companies in which the members and the users of the activity in question are usually one and the same.*

The European Commission's Manual gives a detailed explanation of the scope and limitations of this characteristic. The central objective of these companies is to satisfy and solve the needs of their members, who are, basically, individuals or families.

In co-operatives and mutual societies, the members and the users of the activity in question are usually (but not always) one and the same. The principle of self-help is a traditional principle of the co-operative and mutual movement. The main objective of these companies is to carry out a co-operativised or mutualist activity to meet the needs of their typical members (co-operativist or mutualist members) who are mainly individuals, households or families.

It is the co-operativised or mutualist activity that determines the relationship between the user member and the SE company. In a workers' co-operative, the co-operativised activity is employment for its members, in a housing co-operative it is building homes for the members, in a farming co-operative it is marketing the goods produced by the members; in a mutual society, the mutualist activity is to insure the members, etc.

Naturally, in order to carry out the co-operativised or mutualist activity to serve the members an instrumental activity needs to be conducted with other, non-member parties on the market. For example, a workers' co-operative sells its goods and services on the market (instrumental activity) in order to create or maintain employment for its members (co-operativised activity).

In the case of mutual societies, there is an indissoluble, inseparable relationship between being a mutualist (member) and being a policy-holder (intended recipient of the mutual's activity).

In the case of co-operatives, the member and user relationship is usual but is not always indispensable. Some classes of 'ancillary members' may contribute to the company without being users of the co-operativised activity. The examples include capital investors or former user members who are no longer users for logical, justified reasons (retirement, among others); some public bodies may even be contributing members of the company. Provided that the SE company characteristics established in the working definition hold true, including democratic control by the user members, the companies that possess these other classes of non-user contributing members will form part of the business sub-sector of the SE.

There may also be other SE companies, as is the case of social enterprises, where some members may share their objectives without strictly speaking being permanent members, although a transitory association nonetheless exists. This may even include

certain volunteer activities. Nonetheless, what is usual and relevant is that in these companies there is always a reciprocal relationship, a stable bond between the company and those who participate in its activities with a certain continuity, sharing in its risks and offering some consideration in respect of membership.

The beneficiaries of the activities of SE companies also play a leading role in these companies, which constitute reciprocal solidarity initiatives set up by groups of citizens to meet their needs through the market.

This does not prevent SE companies from undertaking solidarity actions in much wider social environments, transcending their membership base. In the case of the co-operatives, their traditional rules of operation made them pioneers in applying the principle of the social responsibility of companies or corporate responsibility, as these rules stimulate and foster solidarity mechanisms (the principle of education and social action, the 'open membership' principle, the creation of reserves that cannot be divided among the members, etc.). However, all this does not alter the mutual basis of SE companies, which compete in the market, finance themselves largely through the market and conduct business entailing risks with results on which, in the final analysis, the provision of services to their members depend.

- b) *SE companies are market producers, which means that their output is mainly intended for sale on the market at economically significant prices.* The ESA 95 considers co-operatives, mutual societies, holding companies, other similar companies and non-profit institutions serving them to be market producers.
- c) *While they may distribute profits or surpluses among their user members, this is not proportional to the capital or to the fees contributed by the members but in accordance with the member's transactions with the organisation.*

The fact that they may distribute profits or surpluses to their members does not mean that they always do so. There are many cases in which co-operatives and mutual societies make it a rule or custom not to distribute surpluses to their members. Here the point is only to emphasise that the principle of not distributing surpluses to members is not an essential trait of social economy companies.

Although democratic organisation is a shared feature of all SE organisations, certain non-profit voluntary organisations that provide non-market services to families may be part of the SE despite not possessing a democratic structure, as will be seen further on.

For a company to be considered part of the SE, however, the democratic criterion is considered essential. As the European Commission's Manual says, SE companies are characterised by democratic decision-taking by the members, without ownership of the share capital determining the control of the decision-making process. In many co-operatives and mutual societies the principle of 'one person, one vote' may often be qualified, allowing some weighting of votes to reflect each member's participation in the activity. It may also happen that business groups set up by different SE companies weight the votes, not only to reflect the different degrees of activity of the members of the group but also in order to acknowledge the differences between them in terms of rank and file membership numbers. Other business groups may be set up and controlled by SE organisations to improve the delivery of their objectives for the benefit of their members, with the parent organisations controlling the decision-making processes. These groups also form part of the SE.

In some countries, certain social economy companies created by workers in order to create or maintain jobs for themselves take the form of limited or public limited companies. These too may be considered democratic organisations with democratic decision-making

processes, provided that the majority of their share capital is owned by the working partners and shared equally among them.

Other social economy companies which also adopt legal forms other than that of a co-operative have been created to encourage processes of social inclusion through work and other social utility purposes. These companies also employ participative decision-taking processes, none of which is based on the ownership of capital.

Accordingly, the different groups or families of agents in the market or business sub-sector of the social economy are as follows:

### **A. Co-operatives**

As mentioned in the European Commission's Manual, co-operatives in the European Union are subject to very different and varied bodies of law. Depending on the country, they may be considered commercial companies, a specific type of company, civil associations or organisations that are difficult to catalogue. There may even be a total lack of specific legal regulation, obliging them to follow the rules for companies in general, which normally means commercial companies. In such cases, it is the co-operative's members who include the operating rules in the articles of association which enable a company to be identified as a 'co-operative'.

In terms of the business they conduct, co-operatives are found in both the non-financial corporations sector and the financial corporations sector and in practically every kind of activity.

In general, it would be fair to say that the vast majority of co-operatives in the European Union share a common core identity based on the historical origins of the co-operative movement and on the acceptance, to varying degrees, of the operating principles detailed in the *Statute for a European Co-operative Society (SCE)*<sup>28</sup>.

As these operating principles adhere to each and every one of the characteristics of companies in the SE set out at the beginning of this chapter, *co-operatives are the first great business agent in the social economy*. Co-operatives are self-help organisations set up by citizens (they are private and are not part of the public sector) which are formally-organised and have autonomy of decision. In order to satisfy the needs of their members or conduct their business they operate on the market, from which they obtain their main source of funding. They are organised democratically and their profits are not distributed in proportion to the share capital contributed by their members. The 1995 ESA considers co-operatives to be market producer institutional units.

### **B. Mutual societies**

Like the co-operatives, mutual societies in the European Union are governed by very diverse bodies of law. Depending on their principal activity and the type of risk they insure, mutual societies are divided into two large classes or categories. One group comprises mutual provident societies. Their field of activity mainly consists of covering the health and social welfare risks of individuals. The second group is mutual insurance companies. Their principal activity usually centres on insuring goods (vehicles, fire, third party insurance, etc.), although they can also cover life insurance related areas.

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<sup>28</sup> 'Whereas' clauses 7 to 10 of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Co-operative Society (SCE).

The concept of mutual society employed in the European Commission's Manual is as follows: an autonomous association of persons (legal entities or natural persons), united voluntarily for the primary purpose of satisfying their common needs in the insurance (life and non-life), providence, health and banking sectors, which conducts activities that are subject to competition. It operates according to the principle of solidarity between the members, who participate in the governance of the business, and answers to the principles of the absence of shares, freedom of membership, not exclusively profit-making objectives, solidarity, democracy and independence<sup>29</sup>.

These operating principles, which are very similar to those of the co-operatives, again comply with all the characteristics of companies in the SE mentioned previously, so *mutual societies are the second great business agent in the social economy*.

However, following the European Commission's Manual, social security management bodies and, in general, mutual societies of which membership is obligatory and those controlled by companies that are not part of the Social Economy are excluded from the business sub-sector of the SE.

### **C. Social economy business groups**

The European Commission's Manual also considers certain business groups to be SE market agents. According to the Manual, when an SE company or coalition of companies or any other SE organisation sets up and controls a business group to improve the delivery of its objectives for the benefit of its rank and file members, this group is considered an SE group, regardless of the legal form it adopts. In the European Union, there are groups that engage in agri-food, industrial, distribution and retail, social welfare and other activities. There are also SE banking and mutual society groups. They are all incorporated under different legal forms.

### **D. Other social economy companies**

In addition, the European Commission's Manual considers that the market agents in the SE include a gamut of companies with legal forms other than those of co-operatives and mutual societies but which operate according to principles that, in essence, fit the definition of social economy companies established in this report.

Among the non-financial companies, the Manual cites a variety of cases such as integration and other social action organisations that operate on the market and adopt different legal forms, in many cases as co-operatives and in others as commercial or similar companies. Generally known as *social enterprises*, they are continuously engaged in producing goods and/or services, have a high degree of autonomy and a significant level of financial risk, use paid work and are market oriented, meaning that a significant proportion of the organisation's income is derived from the market (services sold directly to users) or from contractual transactions with the public authorities. It should also be noted that they are private companies set up by groups of citizens, there is direct participation by the persons affected by the activity, their decision-making power is not based on the ownership of capital, distribution of surpluses and profits is limited and they have the explicit object of benefiting the community (Borzaga and Santuari, 2003).

In other words, social enterprises are non-financial corporations which, irrespective of their legal status, possess the above-mentioned features of social economy companies.

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<sup>29</sup> <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/social-cmafagenda/social-cmaf-mutuas.htm> and consultation document "Mutual Societies in an enlarged Europe", 2003 <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/mutuals-consultation/index.htm>.

In some countries there are also certain non-financial corporations, set up in order to create or maintain stable employment for their members, in which the majority of shares are owned by the workers, these control the governing bodies and the company is organised on a workers' self-management basis. While these companies often take the form of public limited companies or limited companies, the workers' equity is equally divided among them, so these companies are, in fact, characterised by democratic decision-making processes and equitable distribution of profits. The best-known example of this type of company is the labour company (*sociedad laboral*) in Spain.

*Non-financial corporations with majority control vested in the workers, democratic decision-making processes and equitable distribution of profits should also be included in the market sub-sector of the SE.*

Lastly, in some countries the financial corporations sector includes savings and loans societies and savings banks which, in their essential aspects, fit the definition of social economy companies given in this report.

### **E. Non-profit institutions serving social economy entities**

The only non-profit institutions which are included in this group are those serving companies in the social economy. These organisations are funded by fees or subscriptions from the group of companies in question which are considered payments for the services performed, i.e. sales. Consequently, the non-profit institutions in question are market producers and are placed in the 'non-financial corporations' sector if they serve co-operatives or similar social economy companies in this sector, or in the 'financial institutions' sector if they are at the service of credit co-operatives, mutual societies or other social economy financial organisations.

### **3.3. The non-market sub-sector of the Social Economy**

The great majority of this sub-sector is composed of associations and foundations, although organisations with other legal forms may also be found. It is made up of all the SE organisations that the national accounts criteria consider non-market producers, i.e. those that supply the majority of their output free of charge or at prices that are not economically significant.

As mentioned in 3.1 above, they are *private, formally-organised entities with autonomy of decision and freedom of membership that produce non-market services for families and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them*. In other words, these are non-profit organisations in the strict sense of the term, since they apply the principle of non-distribution of profits or surpluses (the non-distribution constraint), and as in all social economy entities, individuals are the true beneficiaries of the services they produce.

The national accounts have a specific institutional sector, S.15, called 'non-profit institutions serving households' (NPISH), to differentiate them from other sectors. The ESA 95 defines this sector as consisting of non-profit institutions which are separate legal entities, which serve households and which are private other non-market producers. Their principal resources, apart from those derived from occasional sales, come from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general governments and from property income (ESA 95, 2.87).

The NPISH sector includes a variety of organisations, mostly associations, that perform non-market activities for their members (entities of a mutualist nature) or for groups of non-member citizens (general interest entities). Most of these entities operate democratically and possess the characteristic features of the SE. They include charities, relief and aid organisations, trades unions, professional or learned societies, consumers' associations, political parties, churches or religious societies and social, cultural, recreational and sports clubs.

As stated in section 3.1 above, certain voluntary non-profit organisations that are producers of non-market services for households are included in the SE under the name of *social action Third Sector* despite not possessing a democratic structure, because the services they provide free of charge are *social or merit goods* of unquestionable social utility.

NPISH that do not possess legal personality or are not very large, which the ESA 95 places in the Household sector, S.14 (ESA 95, 2.76), also form part of the SE.

Lastly, there may be other private, non-profit institutions (NPI), funded by non-financial corporations or financial corporations, that produce cultural, recreational, social etc. services which they supply free of charge to individuals. Although the 1995 ESA conventionally considers these to be serving the non-financial or financial corporations in question and therefore includes them in the respective (market) institutional sectors (ESA 95, 2.23 and 2.40), always providing that they meet the requirements set out in the definition they form part of the non-market sub-sector of the SE.

NPISH that are market producers engaged in producing non-financial market goods and services, financial intermediation, or auxiliary financial activities are excluded from this group, as are business associations funded by voluntary parafiscal fees paid by non-financial or financial corporations in return for the services they provide.

### **3.4. The Social Economy: pluralism and shared core identity**

The SE has positioned itself in European society as a *pole of social utility* between the capitalist sector and the public sector. It is certainly composed of a great plurality of actors. Old and new social needs all constitute the sphere of action of the SE. These needs can be met by the persons affected through a business operating on the market, where almost all the co-operatives and mutual societies obtain the majority of their resources, or by associations and foundations, almost all of which supply non-market services to individuals, households or families and usually obtain most of their resources from donations, membership fees, subsidies, etc.

It cannot be ignored that the diversity of the SE organisations' resources and agents leads to differences in the dynamics of their behaviour and of their relations with their surroundings. For instance, volunteers are mainly found in the organisations of the non-market sub-sector (mostly associations and foundations), while the market sub-sector of the SE (co-operatives, mutual societies and similar companies) has practically no volunteers except in social enterprises; these are an evident example of a hybrid of market and non-market with a wide diversity of resources (monetary from the market, public subsidies and voluntary work) and of agents within the organisation (members, employees, volunteers, companies and public bodies).

This plural SE which is asserting and consolidating its part in a plural society does not signify a hotchpotch with no identity or interpretative value. On the contrary, the shared core identity of the SE is fortified by a large and diverse group of free and voluntary microeconomic entities created by civil society to meet and solve the needs of individuals, households and families rather than to remunerate or provide cover for investors or capitalist companies, in other words, by not-for-profit organisations. Over the past 200 years, this varied spectrum

(market and non-market, of mutual interest or of general interest) has shaped the Third Sector, as identified here through the Social Economy approach.

## CHAPTER 4

### MAIN THEORETICAL APPROACHES RELATED TO THE SOCIAL ECONOMY CONCEPT

- 4.1. The Third Sector as a meeting point
  - 4.2. The Non-Profit Organisation approach
  - 4.3. The Solidary Economy approach
  - 4.4. Other approaches
  - 4.5. Resemblances and differences between these approaches and the Social Economy concept
- 

#### 4.1. The Third Sector as a meeting point

Although the term 'third sector' has mostly been used in the English-speaking world to describe the private non-profit sector that is largely composed of associations and foundations, 'third sector' is also used in Continental Europe and in other parts of the world as a synonym for the social economy (SE) described in the previous chapter.

In the United States of America, Levitt (1973)<sup>30</sup> was one of the first to use the expression *third sector*, identifying it with the non-profit sector<sup>31</sup>. In Europe, the same term began to be used a few years later to describe a sector located between the public sector and the capitalist sector, far closer to the concept of the SE<sup>32</sup>.

The Third Sector (TS) has become a meeting point for different concepts, fundamentally the 'non-profit sector' and the 'social economy' which, despite describing spheres with large overlapping areas, do not coincide exactly. Moreover, in the theoretical approaches that have been developed from these concepts, the TS is assigned different functions in the economies of today.

#### 4.2. The Non-Profit Organisation approach

##### 4.2.1. The Non-Profit Organisation (NPO) concept

The main theoretical approach that addresses the TS, apart from the SE approach, is of English-speaking origin, as mentioned above: literature on the Non-Profit Sector or Non-profit Organisations (NPO) first appeared 30 years ago in the United States. In essence, this approach

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<sup>30</sup> Levitt, T.: *The Third Sector – New Tactics for a Responsive Society*, Division of American Management Associations, New York, 1973.

<sup>31</sup> Coinciding with the start of research by the Commission on Private Philanthropy and Public Needs (the Filer Commission) on the economic, social and political importance of the non-profit sector, sponsored by the Rockefeller Foundation, which began in 1973.

<sup>32</sup> It was Jacques Delors who first used it in this sense, in 1979, at the University of Paris–Dauphine. Subsequently, a number of major studies on the SE (Jeantet, 2006) have been conducted under the name of the Third Sector (Defourny and Monzón, 1992) or Third System (CIRIEC, 2000).

only covers private organisations which have articles of association forbidding them to distribute surpluses to those who founded them or who control or finance them<sup>33</sup>.

The historical roots of this concept are linked to the philanthropic and charitable ideas that were deeply-rooted in 19th century Britain and in the countries it influenced. The renown of the British *charities* and US *philanthropic foundations* has given rise to terms such as the *charitable sector* and the *voluntary sector*, which are included in the wider concept of the Non-Profit Sector.

The modern concept of the Non-Profit Sector has been more precisely defined and disseminated widely throughout the world by an ambitious international research project which began in the early 1990s, spearheaded by Johns Hopkins University (Baltimore, USA), to discover and quantify its size and structure, analyse its development prospects and evaluate its impact on society.

The different phases of the project cover the non-profit sector in 36 countries of the five continents<sup>34</sup>.

The organisations that this project examines are those that met the five key criteria in the 'structural-operational definition'<sup>35</sup> of non-profit organisations. They are, therefore:

- a) *Organisations, i.e. they have an institutional structure and presence.* They are usually legal persons.
- b) *Private, i.e. institutionally separate from government, although they may receive public funding and may have public officials on their governing bodies.*
- c) *Self-governing, i.e. able to control their own activities and free to select and dismiss their governing bodies.*
- d) *Non-profit distributing, i.e. non-profit organisations may make profits but these must be ploughed back into the organisation's main mission and not distributed to the owners, members, founders or governing bodies of the organisation.*
- e) *Voluntary, which means two things: firstly, that membership is not compulsory or legally imposed and secondly, that they must have volunteers participating in their activities or management.*

#### 4.2.2. The NPO approach in the 1993 SNA

The United Nations has published a *Handbook on Non-Profit Institutions in the System of National Accounts*<sup>36</sup> (NPI Handbook). The Handbook's identification of the non-profit institutions is based on a definition of the non-profit sector drawn from Salamon and Anheier's NPO approach as described in the previous paragraph. On this basis, the NPI Handbook

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<sup>33</sup> Weisbrod, B.A. (1975): "Towards a theory of the voluntary nonprofit sector in a three sector economy", in Phelps, E. (Ed.): *Altruism, morality and economic theory*, New York, Russell Sage Foundation.

Weisbrod, B.A. (1977): *The Voluntary Nonprofit Sector*, Lexington Books, Lexington M.A.

<sup>34</sup> Salamon, L.M.; Anheier, H.K.; List, R.; Toepler, S.; Sokolowski, W. et al (1999): *Global Society. Dimensions of the Nonprofit Sector*. The Johns Hopkins Comparative nonprofit Project, Baltimore.

<sup>35</sup> Salamon, L.M. and Anheier, H.K. (1997): *Defining the Non-Profit Sector: A Cross-National Analysis*, Manchester and New York: Manchester University Press.

<sup>36</sup> Handbook on Non-profit Institutions in the System of National Accounts (United Nations, New York, 2003).

identifies a large, heterogeneous set of non-profit organisations which can belong to any of the five institutional sectors that make up the system of national accounts, including 'general government' (S.13)<sup>37</sup>. There are non-profit institutions in the 'non-financial corporations' sector (S.11), the 'financial corporations' sector (S.12) and the 'households' sector (S.14). Lastly, 'non-profit institutions serving households' or NPISH (S.15) have their own separate institutional sector in the national accounts system. These organisations take a great variety of legal forms, although the majority are associations and foundations, and are created for very different purposes: to provide services to the people or companies that control or finance them; to carry out charitable or philanthropic activities to benefit people in need; to supply non-profit market services such as health, education, leisure activities, etc.; to defend the interests of pressure groups or the political programmes of like-minded citizens, etc.

However, the NPI Handbook considers that such major groups as co-operatives, mutual societies, social enterprises and others do not belong within the non-profit sector.

As will be seen further on, not all the non-profit institutions that the NPI Handbook considers to lie within its scope form part of the SE concept.

### **4.3. The Solidary Economy approach**

The concept of the *solidary economy* developed in France and certain Latin American countries during the last quarter of the 20th century, associated to a large degree with the major growth that the TS has experienced in the area of organisations that produce and distribute some of what are known as *social goods or merit goods*. Merit goods are those on which there is a broad social and political consensus that they are essential to a decent life and must therefore be made available to the entire population, irrespective of income or purchasing power. Consequently, it is considered that government should provide for the production and distribution of these goods, whether ensuring that they are provided free of charge or subsidising them so that they may be obtained at well below market prices.

During the height and consolidation of the Welfare State, universal enjoyment of the most important of these merit goods, such as health services and education, has been guaranteed by the governments of most of the developed societies in Europe. In recent decades, however, *new social needs* have emerged that neither the public sector nor the traditional capitalist sector are solving and which affect numerous groups at risk of social exclusion. These problems are related to the living conditions of elderly people, mass long-term unemployment, immigrants, ethnic minorities, the handicapped, reintegration of ex-prisoners, abused women, the chronically ill, etc.

It is in these areas that the some organisations which are typical of the SE (co-operatives and, above all, associations) have seen considerable expansion. This sector simultaneously brings together a set of new organisations and new fields of action. Compared to the classic SE agents, it presents three distinctive features: a) the social demands it attempts to address, b) the actors behind these initiatives and c) the explicit desire for social change<sup>38</sup>.

Based around these three aspects, the concept of the *solidary economy* developed in France from the 1980s onwards. It corresponds to an economy in which the market is one component, possibly the most important, but not the only one. The economy revolves around three poles: the market, the State and reciprocity. These three poles correspond to market,

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<sup>37</sup> The NPI Handbook considers some organisations that the 1993 SNA includes in S.13, the 'general government' sector, to be 'quasi-non-governmental organisations', i.e. self-governing and institutionally separate from government (NPI Handbook paragraphs. 2.20 and 2.22).

<sup>38</sup> Favreau,L. and Vaillancourt,Y. (2001): "Le modèle québécois d'économie sociale et solidaire", *RECMA – Revue internationale de l'économie sociale*, n° 281.

redistribution and reciprocity principles<sup>39</sup>. The latter refer to a non-monetary exchange in the area of primary sociability that is identified, above all, in associationism<sup>40</sup>.

In short, the economy is plural in nature and cannot be reduced to strictly commercial and monetary terms. The solidary economy approach is an unprecedented attempt to hook up the three poles of the system, so specific solidary economy initiatives constitute forms that are hybrids between the market, non-market and non-monetary economies. They do not fit in with the market stereotype of orthodox economics<sup>41</sup> and their resources, too, have plural origins: market (sales of goods and services), non-market (government subsidies and donations) and non-monetary (volunteers).

As well as this concept of the solidary economy, which has its epicentre in France, another view of the solidary economy with a certain presence in some Latin American countries sees it as a force for social change, the bearer of a project for an alternative society to neo-liberal globalisation<sup>42</sup>. Unlike the European approach, which considers the solidary economy to be compatible with the market and the State, the Latin American perspective is developing this concept as a global alternative to capitalism.

#### 4.4. Other approaches

Related to the approach described in the previous paragraph, other theoretical developments directly propose replacing market economies where the means of production are privately-owned with other ways of organising the production system. They include: a) the *alternative economy*<sup>43</sup>, with roots in the anti-establishment movements that developed in France after May 1968; b) the *popular economy*, promoted in various South American countries since 1980 with very similar views to the Latin American version of the solidary economy, so much so that it is also termed the *solidary popular economy*. The popular economy excludes any type of employer/employee relationship and considers work the main factor of production<sup>44</sup>.

#### 4.5. Resemblances and differences between these approaches and the Social Economy concept

Section 3.4 explained how the SE concept established in this report not only sees the SE as being part of a plural economy and society but also as itself being composed of a great plurality of actors. From this point of view, the solidary economy approach not only presents important elements of convergence with the SE approach, from the practical point of view it may also be asserted that absolutely all the organisations that are considered part of the solidary economy are also unquestionably part of the SE. The same may be said of other theory developments such as the *social usefulness third sector* (Lipietz, 2001), *social enterprise* (Borzaga and Defourny, 2001) or *new social economy* (Spear, Defourny et al, 2001). In the same way as most of the associative experiences included in the *alternative economy* or the *popular economy*, all of these constitute partial elements of the same group, certainly multi-

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<sup>39</sup> Polanyi, K. (1983): *La Grande Transformation*, Gallimard, Paris.

<sup>40</sup> Laville, J.L. (1994).

<sup>41</sup> Eme, B.; Laville, J.L. (1999): "Pour une approche pluraliste du tiers secteur", *Nouvelles Pratiques Sociales*, Vol. 11-12, N° 1-2.

<sup>42</sup> Boulianne, M. et al (2003): "Économie solidaire et mondialisation", en *Revue du Mauss*, N° 21, Paris.

<sup>43</sup> Archimbaud, A. (1995): "L'Économie alternative, forme radicale de l'économie sociale", *Revue des études coopératives, mutualistes et associatives*, N° 256.

<sup>44</sup> Coraggio, J.L. (1995): *Desarrollo humano, economía popular y educación*, Instituto de Estudios y Acción Social, Buenos Aires; and Razeto, L. (1993): *Empresas de trabajadores y economía de mercado*, PET, Chile.

faceted but possessing a shared core identity and a personality that differentiates it from the other institutional sectors in the economic system.

Because of their importance, it is worth pausing to examine the main resemblances and differences between the SE approach and concept and that of the NPO approach.

As regards the resemblances between the SE and the NPO approaches, of the five criteria that the NPO approach establishes to distinguish the TS sphere (see 4.2.1) four are also required by the SE approach (section 3.1): *private, formally organised* organisations with autonomy of decision (self-governing) and *freedom of membership* (voluntary participation).

However, there are three TS delimitation criteria where the NPO and SE approaches clearly differ:

**a) the non-profit criterion**

In the NPO approach, all the organisations that distribute profits, in any way, to the persons or organisations that founded them or that control or fund them are excluded from the TS. In other words, TS organisations must apply the principle of non-distribution of profits or surpluses (the non-distribution constraint) strictly (see section 4.2.1. above). As well as not distributing profits, the NPO approach demands that TS organisations be not-for-profit, in other words, they may not be created primarily to generate profits or obtain financial returns (NPI handbook, paragraph 2.16).

In the SE approach, the non-profit criterion in this sense is not an essential requirement for TS organisations. Naturally, the SE approach considers that many organisations which apply the non-profit criterion strictly belong in the TS: a broad sector of associations, foundations, social enterprises and other non-profit organisations serving persons and families that meet the NPO non-profit criterion and all the SE organisation criteria established in this report (section 3.1). However, co-operatives and mutual societies, which form a decisive nucleus of the SE, are excluded from the TS by the NPO approach because most of them distribute part of their surpluses among their members<sup>45</sup>.

**b) the democracy criterion**

A second difference between the NPO approach and the SE approach is the application of the *democracy criterion*. The NPO approach's requirements for considering that an organisation belongs to the TS do not include such a characteristic element of the SE concept as democratic organisation. Consequently, in the NPO approach the TS includes many, and very important, non-profit organisations that do not meet the democracy criterion and which, therefore, the SE approach excludes from the TS. In effect, many non-profit institutions in the non-financial

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<sup>45</sup> The SE approach includes an important current (Chaves and Monzón, 2001) that considers co-operatives and mutual societies to be non-profit in both senses, that of applying the non-distribution constraint among their members and that of being not-for-profit, i.e. set up primarily to provide a particular service to their members rather than to obtain financial returns. As regards the application of the non-distribution constraint, it considers that the members receive only a part of the surpluses in the form of 'co-operative returns' and these constitute returns generated by the members themselves by conducting the co-operativised transactions with the co-operative, so these surpluses are not considered profits. Nor do members receive any profit when their contributions to the share capital are liquidated, as they are repaid at nominal value, possibly updated to maintain their purchasing power. If the co-operative is dissolved, the net assets after settling up the debts, including the members' contributions to the share capital, cannot be distributed among the members. As regards the second meaning of the non-profit criterion, it is generally accepted in the SE approach that co-operatives and mutual societies, together with other TS organisations, are not-for-profit bodies, i.e. they are set up to solve needs and offer services to individuals, households or families rather than to remunerate or provide cover for investors or capitalist companies.

corporations and financial corporations sectors sell their services at market prices and do not meet the democratic organisation principle. These non-profit organisations that are considered part of the TS by the NPO approach and not by the SE approach include certain hospitals, universities, schools, cultural and art bodies and other institutions which do not meet the democracy criterion, sell their services on the market and meet all the requirements established by the NPO approach.

The SE approach generally excludes from the TS any non-profit entities that do not operate democratically although, as pointed out in section 3.1 of this report, it is accepted that voluntary non-profit organisations which provide non-market services to persons or families free of charge or at prices which are not economically significant can be included in the SE. These non-profit institutions prove their *social usefulness* by providing merit goods or services free to individuals or families.

### c) the criterion of serving people

Finally, a third difference lies in the intended recipients of the services provided by the TS organisations, as their scope and priorities differ between the NPO and the SE approaches.

In the SE approach, the main aim of all the organisations is to serve people or other SE organisations. In first-tier organisations, most of the beneficiaries of their activities are individuals, households or families, whether as consumers or as individual entrepreneurs or producers. Many of these organisations only accept individuals for membership. On occasion they may also allow legal persons of any type to become members, but in all cases the SE's concerns centre on human beings, who are its reason for being and the goal of its activities.

The NPO approach, on the other hand, has no criterion of considering service to people as a priority objective. Non-profit organisations can be set up both to provide services to persons and to provide them to corporations that control or fund them (NPI Handbook, paragraph 2.21). There may even be first-tier non-profit organisations composed exclusively of capital-based companies, whether financial or non-financial. As a result, the field analysed by the NPO approach is very heterogeneously defined.

In conclusion, the above resemblances and differences between the NPO and SE approaches, together with the existence of a shared space composed of organisations included by both, make it possible to appreciate important conceptual and methodological divergences which do not allow the TS to be configured by simply adding together the groups of organisations considered by the two approaches.

Concerning the differences between the two approaches as regards the functions that the TS can perform in developed economies, so far as the NPO approach is concerned *the TS lies between the State and the market*<sup>46</sup> and the mission of its most characteristic nucleus (the social third sector) consists in satisfying a considerable quantity of social needs that are not being met either by the market (due to a lack of solvent demand with purchasing power) or by the public sector (as public funding is incapable of doing so), making it essential to turn to a third type of resources and motivations. The Anglo-Saxon concept, based on *volunteers, charities* (in Britain) and *foundations* (United States), insists on the values of philanthropy and the non-profit criterion.

The lack of profitability of the work carried out demonstrates the purity and rectitude of the motives that underlie it and confirms membership of the TS, which thereby shows its *charitable* and *welfare* nature, with its mission being to palliate the shortcomings of an

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<sup>46</sup> Salamon, L.M. and Anheier, H.K. (1997), Powell (1987).

ungenerous public social protection system and the excesses of a market system that is more dynamic but also more implacable than any other system<sup>47</sup> towards less solvent social sectors.

For the SE approach, the TS is not located between the market and the state but *between the capitalist market and the public sector*<sup>48</sup>. From this point of view, in developed societies the TS is positioned as a *pole of social utility* made up of a broad set of private organisations that are created to meet social needs rather than to remunerate capitalist investors.

At all events, the concept of the TS developed by the SE does not consider it a residual sector but an institutional pole of the system which, together with the public sector and the capitalist private sector, is a key factor for consolidating welfare in developed societies by helping to solve some of their most prominent problems, such as social exclusion, large-scale long-term unemployment, geographical imbalances, local self-government and fairer income and wealth distribution, among others.

Unlike the NPO approach, which only sees a charitable and philanthropic function in the TS, developing uni-directional solidarity initiatives, the SE promotes business initiatives with reciprocal solidarity among its initiators, based on a system of values where democratic decision making and the priority of people over capital in the distribution of surpluses prevail.

*The SE does not just see people in need as the passive beneficiaries of social philanthropy, it also raises citizens to the status of active protagonists of their own destiny.*

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<sup>47</sup> Caille (2003): “Sur les concepts d’Économie en général et d’Économie Solidaire en particulier”, *Revue du Mauss*, N° 21, p. 215-236.

<sup>48</sup> Defourny, J. and Monzón, J.L. (1992): *Économie Sociale. Entre économie capitaliste et économie publique*, De Boeck-Wesmael, Bruxelles.

## CHAPTER 5

### COMPARATIVE ANALYSIS OF THE PREVAILING DEFINITIONS RELATING TO THE CONCEPT OF THE SOCIAL ECONOMY IN EACH EUROPEAN UNION MEMBER STATE

#### 5.1. Concepts prevailing in each country

#### 5.2. The Social Economy actors in the member states of the European Union

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##### 5.1. Concepts prevailing in each country

The social and economic reality which in this work we refer to as the ‘Social Economy’ is widespread and in evident expansion throughout the European Union. However, this term as well as its scientific concept is not unambiguous across all the different countries of the Union, in some cases, not even within a single country, usually coexisting with other terms and similar concepts. The purpose of this section of the work is precisely to shed light on the diversity of concepts and terms existing in Europe to refer to this reality.

In the previous context, part of this research has been directed, on the one hand, to assessing the level of recognition of the Social Economy in three important spheres, that is, that of the public administrations, the academic and scientific world and the Social Economy sector itself in each country, and on the other hand, to identify and assess other similar concepts. This work has been carried out in accordance with the methodology used in chapter 1 or the work *The enterprises and organizations of the third system. A strategic challenge for employment* (Vivet and Thiry in CIRIEC, 2000) in which the third system was assimilated into the Social Economy.

The gathering of information from primary sources has been based on the semi-open question targeted at our correspondents (see appendix), all of whom are privileged witnesses and have expert knowledge of the concept of Social Economy and similar ones and of the reality of this sector in their countries. The questionnaire contained semi-closed questions concerning the Social Economy and similar notions in the different countries of the Union. The correspondents are university researchers, professionals from the federative and representative structures of the sector in the countries and top officials from the national public administrations with powers in the field of the Social Economy. The degree of recognition has been divided into three relative levels across the different countries: (\*) when there is scant or no acceptance of this concept; (\*\*) when there is a medium level of acceptance; and (\*\*\*) when there is a high level, denoting in this latter case an institutionalized acceptance of the concept of the Social Economy in the country of reference.

The results appear in tables 5.1. and 5.2. relating respectively to the level of recognition of the concept (and its term), the Social Economy; to the recognition of similar concepts ‘Social Enterprises’, ‘Non-profit sector’ and ‘Third sector’ and finally to the recognition of other concepts.

**Table 5.1. National acceptance of the concept of “Social Economy”**

Country	By Public Authorities	By Social Economy companies	By academic / scientific world
Belgium	**	**	***
France	***	***	**
Ireland	**	***	**
Italy	**	**	***
Portugal	***	***	***
Spain	***	***	***
Sweden	**	***	**
Austria	*	**	**
Denmark	*	**	**
Finland	**	**	**
Germany	*	*	**
Greece	**	**	**
Luxembourg	**	**	**
Netherlands	*	*	*
United Kingdom	*	*	**
<i>New Member States</i>			
Cyprus	**	**	**
Czech Republic	*	**	*
Estonia	**	*	*
Hungary	*	*	*
Latvia	*	***	**
Lithuania	**	*	*
Malta	**	***	**
Poland	**	**	**
Slovakia	n/a	n/a	n/a
Slovenia	*	**	**

Note : Questionnaire question : Could you tell us whether the concept of “Social Economy” is recognized in your country?

Even assuming the existence of national realities and theoretical ideas for the same term ‘Social Economy’, markedly different, hardly comparable, from the data obtained in the field work, three groups of countries have been identified using the level of recognition and acceptance of the concept Social Economy (see table 5.1.):

- *countries in which the concept of the Social Economy is widely accepted:* In France, Italy, Portugal, Spain, Belgium, Ireland and Sweden, the concept of Social Economy 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. The first four countries stand out, all of which are Latin, especially France, which is the birthplace of this concept.

- *countries in which the concept of the Social Economy enjoys a medium level of acceptance:* These are Cyprus, Denmark, Finland, Greece, Luxembourg, Latvia, Malta, Poland and the United Kingdom. In these countries the concept of the Social Economy coexists alongside other concepts, such as the Non-profit 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 Government's policy of support for social enterprises. In Poland it is quite a new concept but it has become popular in these spheres, fostered particularly by the structuring effect of the European Union.

- *countries with scant or no recognition of the concept of the Social Economy:* The concept of the Social Economy is little known, incipient or unknown by a group of countries composed of

Austria, the Czech Republic, Estonia, Germany, Hungary, Lithuania, the Netherlands and Slovenia, a group which mainly comprises Germanic countries and those which joined the European Union from the latest enlargement. The related terms Non-Profit Sector, Voluntary Sector and Non-Governmental Organisations sector enjoy a greater level of relative recognition.

In the rest of the tables in this work the presentation of information by country follows two criteria: firstly, the criterion of differentiating the reality of the 10 new countries of the European Union, a central goal of this work; secondly, that of differentiating the reality of the 15 older member states. Amongst those 15 member states, the countries which present a greater level of acceptance of the concept of Social Economy are Belgium, France, Ireland, Italy, Portugal, Spain and Sweden and those with a lower level of recognition are Austria, Denmark, Finland, Germany, Greece, Luxembourg, the Netherlands and United Kingdom.

**Table 5.2. National acceptance of other recognised concepts related to “Social Economy”**

Country	Social enterprises	Non-profit Sector	Third Sector
Belgium	***	***	*
France	**	*	**
Ireland	**	**	**
Italy	**	**	**
Portugal	**	**	***
Spain	*	*	**
Sweden	**	***	**
Austria	**	***	*
Denmark	**	**	**
Finland	***	**	***
Germany	**	**	**
Greece	**	**	*
Luxembourg	*	*	*
Netherlands	***	***	*
United Kingdom	***	**	***
<i>New member states</i>			
Czech Republic	*	***	**
Estonia	*	**	**
Hungary	*	**	*
Latvia	**	***	n/a
Lithuania	*	**	**
Malta	**	**	**
Poland	*	**	**
Slovenia	*	**	*

Note: Questionnaire question: Which other concepts related to “Social Economy” enjoy scientific, political or social recognition in your country?

In addition to the concepts of the Social Economy, Non-profit Sector, Social Enterprises and Third Sector, other widely accepted notions coexist in several countries of the Union. In countries such as the United Kingdom, Denmark, Malta and Slovenia, the concepts of Voluntary Sector and Non-Governmental Organisations, more closely related to the idea of Non-profit Organisations, would appear to enjoy wide scientific, social and political recognition. Confined to the Frenchspeaking European countries (France, the Walloon Region

of Belgium, and Luxembourg<sup>49</sup>) the concepts 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.

It is important to point out that in several countries certain components of the broad sense of the term Social Economy are not recognized as integral parts of this broad social sector, stating, on the contrary, their idiosyncrasy and isolation. This is the case of cooperatives in countries such as Germany, United Kingdom, Latvia and partly in Portugal.

It is not easy to find countries where the broad sense of the Social Economy is clearly rooted. The norm, wherever it is accepted, is to find it biased either towards the market-enterprises of the Social Economy (which is the case in Spain) or towards the non-market organisations of the Social Economy (the idea of Non-Profit Sector - Voluntary Sector)

## **5.2. The Social Economy actors in the member states of the European Union**

In the light of the situation outlined in the previous section of this same chapter, in which the marked diversity of national realities concerning the concepts and the level of recognition of the concept Social Economy and its related concepts have been highlighted, it is plain to see that it is no easy task to identify the components of the Social Economy in each country. The undertaking is to identify what institutional forms make up the field of the Social Economy or the related term which each country deems most recognized.

The result of the study, having consulted the correspondent national experts, is shown in Table 5.3.

Three main conclusions may be drawn by way of summary. The first and basic one is that the components vary significantly from one country to another, there being genuine national forms which the experts have considered to be integral to the Social Economy in their countries (see X1, X2, etc.). In some countries, such as Italy and Spain<sup>50</sup>, there are divergent concepts of the scope of the social economy: a business concept of the social economy that sees it as consisting mainly of the co-operatives coexists with a non-market concept that sees it as largely comprising associations, social co-operatives and other non-profit organisations.

A second conclusion to be drawn is that the well-known notion of the Social Economy, the one that brings together Cooperatives, Mutuals, Associations and Foundations, is widest spread in the group of countries where precisely the concept of the Social Economy is most accepted, with the exception of Ireland. In two of these countries, France and Spain, there are legal recognitions of the Social Economy<sup>51</sup>.

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<sup>49</sup> In Luxembourg, at the request of the Government, the statistical office STATEC (Central Service for Statistics and Economic Studies) has carried out a study into the Social and Solidarity economy in the Grand Duchy in 2005 where there exists a *Plateforme de l'économie sociale et solidaire* [Social Economy Platform]; in France there are social and university networks of the Social Economy, and its *Délégation Interministérielle à l'innovation sociale et à l'économie sociale* [Interministerial Delegation for social innovation and the Social Economy] does not hesitate in referring to the Social and Solidarity economy in its *appels d'offre officiels* [official invitations to tender], besides from 1997 to 2002 there was *un secrétariat d'Etat à l'économie solidaire dépendant du ministère de l'économie* [State Secretariat for the Social Economy under the Ministry for the Economy];

<sup>50</sup> Comment by Luca Jahier, Italy. See also the chapter on Spain in Perez de Uralde (2005).

<sup>51</sup> In France, the *Délégation Interministérielle à l'économie sociale* (now DIIEES – see note 1), set up in 1981 by Decree no. 81-1125, defines the social economy as "co-operatives, mutual societies and associations that resemble these organisations in their activity and output" (Demoustier et al, 2006). In Spain, Royal Decree 1836 of 1991 setting up the INFES or *Instituto Nacional de Fomento de la Economía Social* [National Institute to foster the Social Economy], an autonomous organisation with independent legal status attached to the Ministry of Labour and Social Security which no longer exists, ruled that "Entities in the Social Economy are those that have as their objects the provision of goods and

A third conclusion is the general consensus that considers cooperatives as components of the Social Economy. This fact corroborates the fairly widespread belief that considers cooperatives and mutuals to be the prototype enterprise of the Social Economy. Associations, Foundations and Social Enterprises are also considered components. The explanation for the exclusion of Friendly Societies (mutuals) from the sphere of the Social Economy in the new Member States of the European Union may be found in the low level of recognition of the very concept of the Social Economy itself together with the absence of a legal status establishing mutuals in these countries.

**Table 5.3. The components of the “Social Economy”**

Country	Cooperative	Mutual	Association	Foundation	Others
Belgium	X	X	X	n/a	
France	X	X	X	X	X1
Ireland	X	n/a	n/a	n/a	X2
Italy	X	X	X	X	X3
Portugal	X	X	X	X	X4
Spain	X	X	X	X	X5
Sweden	X	X	X	X	
Austria	X	X	X	X	X6
Denmark	X	X	X	X	X7
Finland	X	n/a	n/a	n/a	X8
Germany	X	X	X	X	X9
Greece	X	X	X	X	X10
Luxembourg	X	X	X	X	
Netherlands	X	X	X	X	
United Kingdom	X	X	X	X	
<i>New member states</i>					
Cyprus	X	n/a	n/a	n/a	
Czech Republic	X	--	n/a	n/a	X11
Estonia	X	n/a	X	X	
Hungary	X	--	n/a	X	X12
Latvia	X	n/a	X	X	
Lithuania	X	--	n/a	n/a	X13
Malta	X	n/a	X	X	
Poland	X	n/a	X	X	X14
Slovenia	X	X	X	X	X15

Note: Questionnaire question: Which of the following institutional forms do you consider to belong to the field of the “Social Economy” in your country or, if applicable, to a related concept that you consider more widely accepted?

X1: Comités d’entreprises (work councils) ; Organisations paritaires sans adhésion obligatoire (non compulsory organisations with worker’s participation); Entreprises d’insertion

X2: Social enterprises

X3: Volunteering Organisations; Specific types of associations as Associations of Social Promotion and Family Associations; Community Foundations; Non-Governmental Organisations; Confederazione delle

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services to their members, who participate directly and democratically in decision-making, and those in which the workers hold the majority of the share capital. Individuals or legal persons that conduct a socio-economic activity through any self-employment formula are also considered to be included. Specifically, the concept of the Social Economy is composed of Co-operatives of any type, *Sociedades Anónimas Laborales* [Labour plcs] and any other entity that fulfils the requisites or meets the conditions statutorily specified" (Section 2.2.). This definition remains in force for Spanish Ministry of Labour and regional government 'Social Economy Development' subsidies.

Misericordie IPAB: Istituzioni di Pubblica Assistenza e Beneficenza which are changing into associations and foundations

X4: Misericórdias; IPSS (Instituições Particulares de Solidariedade Social);

X5: Sociedades Laborales, Empresas de Inserción, Centros Especiales de Empleo, specific groups such as ONCE, Sociedades Agrarias de Transformación

X6: Social enterprises

X7: Social Enterprises, enterprises and organisations whose actual way of functioning is like a Social Economy one even though formally it is not.

X8: Social Enterprises

X9: Quangos; Social enterprises

X10: Hybrid forms between the conventional CMAF and private firms or public or professional organisations or local authorities (e.g. Development Agencies, “popular companies”)

X11: Association of Common Benefits;

X12: Non profit companies

X13: Credit Unions / Social Enterprises

X14: Centres for Social Integration

X15: Public and Private institutions; Public enterprises

### *The platforms and networks of the Social Economy in Europe*

Social organisations have a natural tendency to form groups based on shared economic and political affinities and interests. Some of the social economy business groups and networks that have been built up in the interests of competitiveness are veritable European corporate giants<sup>52</sup>. Groups have also been formed in the political sphere.

The social economy in Europe has set up many organisations that act as its representatives. Through these, it has taken part in drawing up and implementing national and European Union policies when these processes have made space for participation by this type of social interlocutor.

In the different European countries, the associations that represent social economy companies and organisations have mainly arisen from a sector perspective, giving rise to organisations, associations and platforms that represent credit, workers' and agricultural co-operatives, among others, mutual insurance companies and provident societies and associations and other social action non-governmental organisations.

This process has also taken place at European level, where the social economy (whether the 'families' within it or as a whole) has historically had a part in the different Community policies. This has been evident since the year that the Treaty of Rome was signed, when Eurocoop, the organisation that represents the consumers' cooperatives of Europe, was founded, and in the development of the Common Agricultural Policy with the assistance of the General Confederation of Agricultural Co-operatives in the European Union (COGECA)

Nowadays, the organisations that represent the social economy in Europe are:

#### *1. Co-operative family:*

- EUROCOOP: European Community of Consumer Co-operatives
- ACME: Association of European Cooperative and Mutual Insurers
- CECODHAS: European Liaison Committee for Social Housing — co-operative section
- CECOP: European Confederation of Workers' Co-operatives, Social Cooperatives and Participative Enterprises
- COGECA: General Confederation of Agricultural Co-operatives
- GEBC: European Co-operative Banking Group
- UEPS: European Union of Social Pharmacies

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<sup>52</sup> See the world's major co-operatives and mutual businesses in: <http://global300.coop>.

In turn, these are members of a recently founded umbrella organisation: Cooperatives Europe<sup>53</sup>, the result of a merger between CCACE (Coordinating Committee of European Cooperative Organisations) and the European section of the ICA (International Co-operative Alliance). Two national social economy platforms, CEPES and CEGES (see below) are also members of Cooperatives Europe.

*2. Mutual society family:*

- AIM: International Association of Mutual Societies
- ACME: see 'Co-operative family'
- AISAM: International Association of Mutual Insurance Companies

*3. Association and social action organisation family:*

- CEDAG: European Council for Voluntary Organisations
- EFC: European Foundation Centre
- European Platform of Social NGOs
- CEFEC: Confederation of European Social Firms, Employment Initiatives and Social Co-operatives

Most of these European-level representation organisations<sup>54</sup> are in turn members of CEP-CMAF<sup>55</sup>, the European Standing Conference on Co-operatives, Mutual societies, Associations and Foundations, which is currently the highest-level European social economy interlocutor for the European institutions.

In some countries the representative associations have surpassed the sector level and created intersectorial organisations that explicitly refer to the social economy. Examples of these are CEPES, the Spanish Business Confederation of the Social Economy; its counterpart in France, CEGES, the Council of Social Economy Companies and Institutions; in Belgium the Flemish VOSEC and the Walloon CONCERTES organisations; the Social Economy Platform in Luxembourg, the Social Economy Standing Conference in Poland and the Greek Panko, the Panhellenic Union of Social Economy, which is no longer active. Table 5.4 provides information on the degree of structuring of the Social Economy and its components by country.

**Table 5.4. Platforms and Federations that represent the social economy sector in Europe**

Country	Are there any platforms that represent sub-sectors?*	Cross-sector platforms**
Belgium	Yes	VOSEC (Vlaams Overleg Sociale Economie) & CONCERTES <a href="http://concertes.be">http://concertes.be</a>
France	Yes	CEGES (Conseil des entreprises et Groupements de l'Économie Sociale) <a href="http://www.ceges.org">www.ceges.org</a>
Ireland	Yes	
Italy	Yes	
Portugal	Yes	
Spain	Yes	CEPES (Confederación Empresarial Española de Economía Social) <a href="http://www.cepes.es">www.cepes.es</a>
Sweden	Yes	
Denmark	Yes	
Finland	Yes	
Germany	Yes	
Greece	Yes	(1)
Luxembourg	Yes	Plateforme de l'économie sociale et solidaire

<sup>53</sup> <http://www.coopseurope.coop>

<sup>54</sup> The exceptions are AISAM, CEFEC and the Platform of Social NGOs

<sup>55</sup> <http://www.cepcmaf.org/>

Country	Are there any platforms that represent sub-sectors?*	Cross-sector platforms**
United Kingdom	Yes	
Cyprus	Yes	
Czech Republic	Yes	
Estonia	Yes	
Malta	Yes	
Poland	Yes	SKES (Stala Konferencja Ekonomii Społecznej in Polsce) (2) <a href="http://www.sk.es.pl">http://www.sk.es.pl</a>

Notes:

\* the platform represents part of the social economy: the market sub-sector or the non-market sub-sector.

\*\* the platform represents the whole social economy.

(1) PANKO, the Panhellenic Union of Social Economy, had a short life a few years ago.

(2) Standing Social Economy Conference in Poland.

Groupings have also followed other criteria: for instance, the past ten years have seen the appearance of joint networks of platforms that represent the social economy, government bodies (such as town councils) and/or companies and other social organisations. This is the case of ESMED, the Euro-Mediterranean Social Economy Network, made up of the national social economy or co-operative platforms of Portugal, France, Spain, Italy, Morocco and Tunisia, and of the REVES network of local authorities that are actively encouraging the social economy. CIRIEC-International, in turn, is an unusual case of an organisation with a membership that brings organisations which represent companies from the public sector and the social and cooperative economy of many European countries together with researchers who specialise in this field.

## CHAPTER 6

### THE SOCIAL ECONOMY IN THE EUROPEAN UNION IN FIGURES

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The purpose of this chapter is to give an overview of the main figures for the social economy in the European Union, by country and globally, differentiating three groups of organisations: co-operatives and similar accepted forms, mutual societies and similar forms and, finally, associations, foundations and other related non-profit forms.

Drawing up statistics from field studies and verifiable accounts is an essential task. However, for reasons of cost and time it exceeds the scope of this study and must be tackled at a later stage.

The statistical information provided in this study has been drawn up from secondary data supplied by our correspondents in each country (see Appendix). The reference period is 2002-2003. However, for reasons of availability and of the quality of statistical reporting, the information for some countries is more recent (2004-2005) while for others it goes back to 1995-1997, particularly in the case of associations, foundations and similar organisations. The figures sought were the number of persons employed and, where possible, the full-time equivalent, number of members, number of volunteers and number of organisations or companies. For purposes of comparability with the data of the previous study by CIRIEC (2000) on the situation of the social economy in the European Union, particular attention has been paid to the 'employment' variable.

In the course of this work, serious statistical gaps have appeared in various countries, particularly in the new EU member countries, but not exclusively in these. The gaps have been remedied, where possible, on the basis of the information available from other studies, mainly that of CIRIEC-International (2000), the Johns Hopkins international project (several years), the Cooperatives Europe organisation's study (2006) and studies by other sector organisations. These sources have been cited systematically in the tables for the different countries.

Given the method employed, particularly as regards the difficulties of comparing certain variables internationally, the questionable reliability of the data for certain countries, the risks of double accounting among 'families' within a single country and the different years to which they refer, linked in the latter case to the availability or otherwise of data, this statistical information should be treated with caution.

The tables here below are self-explanatory concerning the reality of the social economy in the countries of the European Union.

*The main conclusion to be drawn is that the social economy in Europe is very important in both human and economic terms, over 11 million paid employees, equivalent to about 6% of the working population of the EU. These aggregates underline the fact that this is a reality which cannot and should not be ignored by society and its institutions.*

The second conclusion of note is that the social economy is relatively small in the new European Union member countries, with certain exceptions. As Chapter 9 of this Report will highlight, if the social economy is to develop its full potential in these countries it needs to reach at least the same levels as in other European Union countries.

**Table 6.1. Paid employment in cooperatives, mutual societies and associations. European Union (2002-2003)**

<i>Country</i>	<i>Cooperatives</i>	<i>Mutual societies</i>	<i>Associations</i>	<i>TOTAL</i>
Belgium	17.047	12.864	249.700	279.611
France	439.720	110.100	1.435.330	1.985.150
Ireland	35.992	650	118.664	155.306
Italy	837.024	p.m.**	499.389	1.336.413
Portugal	51.000	p.m.**	159.950	210.950
Spain	488.606	3.548	380.060	872.214
Sweden	99.500	11.000	95.197	205.697
Austria	62.145	8.000	190.000	260.145
Denmark	39.107	1.000	120.657	160.764
Finland	95.000	5.405	74.992	175.397
Germany	466.900	150.000	1.414.937	2.031.837
Greece	12.345	489	57.000	69.834
Luxembourg	748	n/a	6.500	7.248
Netherlands	110.710	n/a	661.400	772.110
United Kingdom	190.458	47.818	1.473.000	1.711.276
Cyprus	4.491	n/a	n/a	4.491
Czech Republic	90.874	147	74.200	165.221
Estonia	15.250	n/a	8.000	23.250
Hungary	42.787	n/a	32.882	75.669
Latvia	300	n/a	n/a	300
Lithuania	7.700	0	n/a	7.700
Malta	238	n/a	n/a	238
Poland	469.179	n/a	60.000	529.179
Slovakia	82.012	n/a	16.200	98.212
Slovenia	4.401	270	n/a	4.671
<b>TOTAL</b>	<b>3.663.534</b>	<b>351.291</b>	<b>7.128.058</b>	<b>11.142.883</b>

\* The data of Mutual societies are integrated in those of cooperatives for Italy and in those of Associations for Portugal.

**Table 6.2. Paid employment in Social Economy compared to total Paid employment.  
European Union (2002-2003)**

<i>Country</i>	<i>Employment in Social Economy</i>	<i>Total Employment*</i>	<i>%</i>
Belgium	279.611	4.048.499	6,9
France	1.985.150	23.859.402	8,3
Ireland	155.306	1.730.381	9,0
Italy	1.336.413	21.477.906	6,2
Portugal	210.950	4.783.988	4,4
Spain	872.214	16.155.305	5,4
Sweden	205.697	4.252.211	4,8
Austria	260.145	3.786.969	6,9
Denmark	160.764	2.684.311	6,0
Finland	175.397	2.354.265	7,5
Germany	2.031.837	35.850.878	5,7
Greece	69.834	3.832.994	1,8
Luxembourg	7.248	187.809	3,9
Netherlands	772.110	8.089.071	9,5
United Kingdom	1.711.276	27.960.649	6,1
Cyprus	4.491	307.305	1,5
Czech Republic	165.221	4.707.477	3,5
Estonia	23.250	565.567	4,1
Hungary	75.669	3.831.391	2,0
Latvia	300	960.304	0,0
Lithuania	7.700	1.378.900	0,6
Malta	238	146.500	0,2
Poland	529.179	13.470.375	3,9
Slovakia	98.212	2.118.029	4,6
Slovenia	4.671	888.949	0,5
TOTAL	11.142.883	189.429.435	5,9
<i>Europe-15</i>	10.233.952	161.054.638	6,4
<i>New members-10</i>	908.931	28.374.797	3,2

\* Working population aged between 16 and 65 years, Eurostat, 2002.

**Table 6.3. Paid employment in Social Economy compared to wage-earning employment. European Union (2002-2003)**

<i>Country</i>	<i>Employment in Social Economy</i>	<i>Wage-earning employment*</i>	<i>Employment in SE / wage-earning employment (%)</i>
Belgium	279.611	3.505.908	8,0
France	1.985.150	22.725.763	8,7
Ireland	155.306	1.460.230	10,6
Italy	1.336.413	17.725.710	7,5
Portugal	210.950	3.807.255	5,5
Spain	872.214	14.708.984	5,9
Sweden	205.697	4.138.561	5,0
Austria	260.145	3.292.572	7,9
Denmark	160.764	2.599.789	6,2
Finland	175.397	2.074.993	8,5
Germany	2.031.837	35.103.987	5,8
Greece	69.834	2.380.206	2,9
Luxembourg	7.248	266.731	2,7
Netherlands	772.110	7.200.519	10,7
United Kingdom	1.711.276	24.568.280	7,0
Cyprus	4.491	255.184	1,8
Czech Republic	165.221	3.997.309	4,1
Estonia	23.250	536.787	4,3
Hungary	75.669	3.323.441	2,3
Latvia	300	850.794	0,0
Lithuania	7.700	1.128.720	0,7
Malta	238	133.022	0,2
Poland	529.179	8.682.597	6,1
Slovakia	98.212	1.717.749	5,7
Slovenia	4.671	751.900	0,6
<b>TOTAL</b>	<b>11.142.883</b>	<b>166.936.991</b>	<b>6,7</b>
<i>Europe-15</i>	<i>10.233.952</i>	<i>145.559.488</i>	<i>7,0</i>
<i>New members-10</i>	<i>908.931</i>	<i>21.377.503</i>	<i>4,3</i>

\* Source: Eurostat, 2002.

**Table 6.4. Volunteers as a percentage of economically active population (EAP) and of the adult population (AP). European Union**

<i>Country</i>	<i>Volunteers / EAP % (1)</i>	<i>Volunteers / AP % (2)</i>	<i>Volunteers (,000)</i>
Belgium	2,3	32	99,1
France	3,7	23	1.021,7
Ireland	2,1	28	31,7
Italy	1,5	25	381,6
Portugal	n/a	15	67,3
Spain	1,5	15	253,6
Sweden	5,1	54	260,3
Austria	1,1	28	40,7
Denmark	n/a	33	n/a
Finland	2,8	37	74,8
Germany	2,3	21	978,1
Greece	n/a	31	n/a
Netherlands	5,1	31	390,1
United Kingdom	3,6	43	1.120,3
Czech Republic	0,7	30	40,9
Estonia	n/a	16	n/a
Hungary	0,2	14	9,9
Latvia	n/a	18	n/a
Lithuania	n/a	12	n/a
Poland	0,2	12	32,1
Slovakia	0,2	49	6,9

(1) Full Time Equivalent Volunteers as percentage of economically active population, data from the Johns Hopkins Comparative Nonprofit Sector Project (for 1995).

(2) Total Volunteers as a percentage of adult population, data from EVS/WWS European Values Survey (for 1999-2001).

## THE SOCIAL ECONOMY IN BELGIUM

**Table 6.5. (\*)**

<b>Co-operatives and other similar accepted forms</b>	<b>Mutual Companies and other similar accepted forms</b>	<b>Associations and other similar accepted forms</b>
- Co-operatives (2005: 17.047 jobs 1.413.851 members 267 enterprises)(1) - Cooperative banks (2) (2005: 1.000 jobs) - Agricultural Cooperatives (2) (2005: 7.500 jobs) - Consumer & pharmacy coop. (2) (2005: 3.500 jobs) - Insurance Cooperatives (2) (2005: 1.700 jobs)	- Mutual companies (1998: 12.864 jobs)	- All Associations and other similar accepted forms (2003: 249.700 jobs)
17.047 jobs 1.413.851 members 267 enterprises	12.864 jobs	249.700 jobs

(\*) Source : J.Defourny (Centre d'Economie Sociale, Univ. Liège)

(1) Source: Cooperatives Europe, 2005. The information refers only to those which are affiliated to Cooperatives Europe.

(2) CIRIEC-Belgium estimations

## THE SOCIAL ECONOMY IN FRANCE

**Table 6.6. (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual Societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
- Cooperative Banks (2003: 206.700 jobs 5 cooperative groups) - Agricultural Cooperatives (2003: 150.000 jobs 3.600 enterprises (13.300 CUMA) - Production Cooperatives (2003: 35.200 jobs 1.580 enterprises) - Consumer Cooperatives (2003: 17.050 jobs 70 enterprises) - Others (craftsmen, trademen) (2003: 33.000 jobs 1.046 enterprises)	- Health Mutuals (2003: 58.000 jobs 750 enterprises) -Mutual Insurance companies (2003: 27.700 jobs 34 enterprises) (with 15.000 FTE volunteers) GROUPAMA (MI+bank) 29.400 jobs 1 enterprise	- Social Action Associations (2002: 746.910 jobs 139.000 FTE.volunteers -health 33.078 entities) - Health Associations (2002: 151.840 jobs 2.223 entities) - Research and Education Associations (2002: 194.230 jobs 50.000 FTEvolunteers 15.233 entities) - Grant-making Foundations (2002: 10.100 jobs 72 entities) - Others (p.e. culture & sport) (2002: 331.920 jobs 531.000 FTE volunteers 77.585 entities)
439.720 jobs 6.301 enterprises	110.100 jobs 785 enterprises	1.435.330 jobs 720.000 FTE volunteers 128.191 enterprises

(\*) Source: Edith Archambault and Philippe Kaminski

THE SOCIAL ECONOMY IN IRELAND

Table 6.7. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Agricultural Cooperatives (2003: 31.345 jobs 59 enterprises) - Wholesale Cooperatives (2003: 2.634 jobs 2 enterprises) - Cooperative Banks (2005: ca. 2.000 jobs ca. 600 enterprises) - Others (2003.: 13 jobs 336 enterprises)  <i>(Cooperatives Europe: 2004:                      38.800 jobs                      2.254.259 members                      689 enterprises)</i>	- Mutual Benefit Societies (2005: ca 650 jobs ca 100 enterprises)	- Nonprofit sector (1995: 118.664 jobs FTE) (1)  Among them: - Social enterprises (2005: ca 1.500 enterprises) - Foundations: (2001: 112 entities) (3)
35.992 jobs 2.254.259 members 997 enterprises	650 jobs 100 enterprises	118.664 jobs

(\*) Source: O McCarthy (University College Cork) + P Hermann (ESOSC)

(1) CIRIEC-TSE (2000)

(2) Performance Report of Cooperatives Europe, 2004. Refer only to those cooperatives affiliated to Cooperatives Europe.

(3) Anheier (2001)

## THE SOCIAL ECONOMY IN ITALY

**Table 6.8.**

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<ul style="list-style-type: none"> <li>- Agricultural Cooperatives (2005: 89.139 jobs)</li> <li>- Worker Cooperatives (2005: 364.378 jobs)</li> <li>- Social Cooperatives (2005: 189.550 jobs)</li> <li>- Consumer Cooperatives (2005: 60.890 jobs)</li> <li>- Otros (2005: 133.067 jobs)</li> </ul> <p><i>(All forms of cooperatives: 2006 1.020.400 jobs 11.830.000 members 70.397 enterprises)(1)</i></p> <p><i>(Mutual Societies: 989 jobs 421.229 members 324 enterprises)</i></p>	p.m.	<ul style="list-style-type: none"> <li>- Incorporated Associations (1999: 142.821 jobs 1.107.498 volunteers 61.309 entities)</li> <li>- Unincorporated Associations (1999: 151.739 jobs 1.931.590 volunteers 140.752 entities)</li> <li>- Foundations (1999: 56.145 jobs 63.226 volunteers 3.008 entities)</li> <li>- Committee: (1999: 1.813 jobs 38.783 volunteers 3.832 entities)</li> <li>- Other forms: (1999: 146.571 jobs 61.009 volunteers 7.861 entities)</li> </ul> <p>Among them:</p> <ul style="list-style-type: none"> <li>- Health Associations (1999: 8.821 entities)</li> <li>- Research and Education Associations (1999: 8.307 entities)</li> <li>- Volunteering organisations (1999: 670.826 volunteers 15.071 entities)</li> </ul>
837.024 jobs 10.410.839 members	p.m.	499.389 jobs

(\*) Source: S.Facciolini & A.Zevi; G. Perra ; L.Jahier ; G. Rossi. Legacoop and Confcooperative, data on cooperatives and mutual societies only for the ones affiliated to these confederations; Censimento ISTAT [www.istat.it](http://www.istat.it)

The data of Mutual societies are integrated into those of cooperatives.

(1) Estimates for all co-operatives in Italy, including those affiliated to Legacoop, Confcooperative and AGCI. Source: G.Perra (Confcooperative).

THE SOCIAL ECONOMY IN PORTUGAL

Table 6.9. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Agricultural Cooperatives (2005: 13.300 jobs 897 enterprises) - Cooperative Banks (2005: 4.200 jobs 128 enterprises) - Production Cooperatives (2005: 6.200 jobs 582 enterprises) - Consumer Cooperatives (2005: 2.460 jobs 192 enterprises) - Co-ops. Insurances (2005: 50 jobs 1 enterprises) - Others (2005: 24.790 jobs 1.384 enterprises)	- Associations, Mutuals, Misericordias and other similar accepted forms (2000: 45.000 jobs 20.000 volunteers 35.724 entities)  ( <i>Johns Hopkins: 2002:</i> 159.950 jobs ETC 62.342 FTEV**)	
51.000 jobs 3.184 enterprises	159.950 jobs 20.000 volunteers 35.724 entities	

(\*) Source: M Canaveira de Campos & M Carneiro (INSCOOP)

(\*\*) FTEV: fulltime equivalent volunteers. The figure includes social cooperatives and housing. The data of Mutual societies are integrated in those of Associations.

## THE SOCIAL ECONOMY IN SPAIN

**Table 6.10. (\*)**

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
<ul style="list-style-type: none"> <li>- All cooperatives (2005: 313.972 jobs 26.146 enterprises)</li> <li>- Production Cooperatives (2005: 108.867 jobs 10.192 enterprises)</li> <li>- Cooperative Banks (2005 : 16.831 jobs 86 enterprises)</li> <li>- Agricultural Cooperatives (2005 : 68.413 jobs 3.659 enterprises)</li> <li>- Consumer Cooperatives (2005 : 12.344 jobs 327 enterprises)</li> <li>- Land workers Cooperatives (2005: 2009 jobs 356 enterprises)</li> <li>- Services Cooperatives (2005: 8.207 jobs 416 enterprises)</li> <li>- Fishing Cooperatives (2005: 154 jobs 16 enterprises)</li> <li>- Transport Cooperatives: (2005: 854 jobs 214 enterprises)</li> <li>- Health Cooperatives (2005: 997 jobs 1 enterprises)</li> <li>- Education Cooperatives (2005: 10147 jobs 273 enterprises)</li> <li><i>Other accepted forms:</i></li> <li>- Labour Societies (2005 : 125.646 jobs 20.279 enterprises)</li> <li>- Labour special entities (2005: 47.370 jobs 1573 enterprises)</li> <li>- Labour insertion companies (2005: 1.618 jobs 60 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>- Mutual Societies (2001 : 3.548 jobs ** 487 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary Associations (2001 : 233.123 jobs ** 123.228 entities)</li> <li>-Public Utility declared Associations (2001 : 22.992 jobs ** 1.277 entities)</li> <li>-Singular entities (ONCE, Cruz Roja and Cáritas) (2001 : 49.011 jobs ** 3 entities)</li> <li>- Foundations (2001 : 74.934 jobs ** 2.490 entities)</li> </ul>
488.606 jobs 48.058 enterprises	3.548 jobs ** 487 enterprises	380.060 jobs ** 126.998 entities

\*\* Equivalent Full time Jobs

(\*) Source: Ministerio de Trabajo y Asuntos Sociales, CEPES, García Delgado (2005) y CIRIEC-España (Observatorio español de la economía social).

THE SOCIAL ECONOMY IN SWEDEN

Tabla 6.11. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Agricultural Cooperatives (2005: 23.500 jobs 200 enterprises) - Consumer Cooperatives (2005: 33.000 jobs 500 enterprises) - Housing Cooperatives (2005: 7.000 jobs 14.070 enterprises) - Others (p.e. Tourism, Education) (2005: 36.000 jobs 4.000 enterprises)	Mutual Societies (2005: 11.000 jobs 230 enterprises)	- Foundations (2004: 23.135 jobs 4.218 entities) - Associations: (2004: 72.062 jobs 27.194 entities)
99.500 jobs 18.770 enterprises	11.000 jobs	95.197 jobs 31.412 entities

(\*) Source: Jan Olsson (for cooperatives and Mutuals) & Lisa Frobel (Serus)

## THE SOCIAL ECONOMY IN AUSTRIA

**Table 6.12. (\*)**

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Cooperative Banks (2005: 35.718 jobs 642 enterprises) - Agricultural Cooperatives (2005: 21.802 jobs 97 enterprises) - Housing Cooperatives (2005: 4.275 jobs 101 enterprises) - Other Cooperatives (2005: 350 jobs 18 enterprises)	- Mutual companies (1990: 8.000 jobs) (1)	- All Nonprofit sector (1996/97: 190.000 jobs) (1)  - Health Associations (1995: 248 entities) - Research and Education Associations (1997: 1.729 entities) - Foundations (1998: 598 entities) - Others (p.e. culture & sport) (1998: 5.862 entities)
62.145 jobs 858 enterprises	8.000 jobs	190.000 jobs 8.437 entities

(\*) Source: Brazda & Schediwy (University of Wien)

(1) CIRIEC-TSE

## THE SOCIAL ECONOMY IN DENMARK

**Table 6.13. (\*)**

Co-operatives and other similar accepted forms	Mutual Companies and other similar accepted forms	Associations and other similar accepted forms
- Cooperatives: (2004 : 39.107 jobs FTE 2.184 enterprises) -Agricultural cooperatives: 52.273 jobs 82.828 members  - Consumer cooperatives: some 500 cooperatives about 25.000 jobs 1.577.00 members  <i>(Cooperatives Europe : 2006                          70.152 jobs                          1.961.600 members                          1.291 enterprises)(1)</i>	Mutual Insurance companies (2005: 1.000 jobs 2 enterprises)	- Associations and foundations (2004: 120.657 jobs FTE 12.877 entities)  <i>(Johns Hopkins:                      2004: 140.620 jobs FTE                          36,2% in education and                          28,3% in social services)</i>
39.107 jobs FTE 2.184 enterprises	1.000 jobs 2 enterprises	120.657 jobs FTE 12.877 entities

(\*) Source: Gurli Jakobsen based on "Nyt fra Danmarks Statistik", Danmarks Statistik (2006), Danske Andelskaber and www.fdb.dk.

(1) Fuente : Cooperatives Europe, Intermediary Report, 2007.

THE SOCIAL ECONOMY IN FINLAND

Table 6.14. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Agricultural Cooperatives (2004: 44.552 jobs 45 enterprises) - Consumer Cooperatives (2004: 31.736 jobs 43 enterprises) - Cooperative Banks (2004: 9.848 jobs 281 enterprises) - Worker Cooperatives (2004: 3.500 jobs 750 enterprises) - Housing Cooperatives (2004: 125 enterprises) - Others (2004: 2.221 enterprises)  <i>(Cooperatives Europe:2005                      112.146 jobs                      4.945.492 members                      4.469 enterprises)(1)</i>	-Mutual Insurance companies (2004: 5.405 jobs 100 enterprises)	-Social & Health Action Associations (2003: 19.857 jobs 1.364 entities) -Research and Education Associations (2003: 5.969 jobs 250 entities) - Foundations (2003: 21.522 jobs 665 entities) - Others, mainly education (2003: 27.644 jobs 5.259 entities)  - All associations: 123.000 entities)
95.000 jobs 3.670 enterprises	5.405 jobs 100 enterprises	74.992 jobs 7.538 entities

(\*) Source: Pekka Pättiniemi (Coops & Mutuals), T Köppä (Assoc. & Found.)

(1) Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

**THE SOCIAL ECONOMY IN GERMANY**

**Table 6.15. (\*)**

<b>Co-operatives and other similar accepted forms</b>	<b>Mutual Companies and other similar accepted forms</b>	<b>Associations and other similar accepted forms</b>
<ul style="list-style-type: none"> <li>- Cooperative Banks (2001: 199.706 jobs 1.813 enterprises)</li> <li>- Agricultural Cooperatives (2001: 113.300 jobs 3.815 enterprises)</li> <li>- Worker Cooperatives (2001: 107.100 jobs 1.422 enterprises)</li> <li>- Consumer Cooperatives (2001: 16.300 jobs 47.enterprises)</li> <li>- Housing Cooperatives (2001: 21.229 jobs 1.991 enterprises)</li> </ul> <p><i>(Cooperatives Europe:2006 531.000 jobs 21.730.409 members 10.236 enterprises)(3)</i></p>	<ul style="list-style-type: none"> <li>- Health and Social Care Insurance (1999: 150.000 jobs) (1)</li> </ul>	<ul style="list-style-type: none"> <li>- Non-statutory Welfare Associations (2004: 1.414.937 jobs -751.250 full-time; 663.687 part-time) 98.837 entities) (2)</li> <li>- Other entities:</li> <li>- Social Action Associations (incl. Selfhelp-Groups and civic engagement) (2001: 72.530 entities)</li> <li>- Environmental Associations (2001: 5.614 entities)</li> <li>- Profession, Economy, Politics Associations (2001: 51.581 entities)</li> <li>- Sport Associations (2001: 215.439 entities)</li> <li>- Culture Associations (2001: 61.983 entities)</li> </ul>
<p style="text-align: center;">466.900 jobs 9.088 enterprises</p>	<p style="text-align: center;">150.000 jobs</p>	<p style="text-align: center;">1.414.937 jobs 505.984 entities</p>

(\*) Source: Birkhoelzer, Lorenz & Tiburcy.

(1) CIRIEC-TSE

(2) Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e. V. ([www.bagfw.de](http://www.bagfw.de))

(3) Source : Cooperatives Europe, Intermediary Report, 2007

THE SOCIAL ECONOMY IN GREECE

Table 6.16. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<p>- Cooperatives (2006: 12.345 jobs) (1)</p> <p>Among them:</p> <p>- Agricultural Co-operatives (2000: 9.782 jobs 746.812 members 6.464 enterprises)</p> <p>- Cooperative Banks (2004: 762 jobs 16 enterprises)</p> <p>- Co-op. Insurances (2003: 73 jobs 1 enterprise)</p> <p>- Housing Co-operatives (1992: 143.382 members 450 enterprises)</p> <p>Pharmacy Co-ops (2002: 800 jobs 30 enterprises)</p> <p>Co-ops of Plumbers (2001: 890 jobs 31 enterprises)</p> <p>Co-ops of Electricians (2002: 1.500 jobs 69 enterprises)</p> <p>Women co-ops (2005: 108 jobs 1.792 members 104 enterprises)</p> <p>Social co-ops (2000: 571 jobs 68 enterprises)</p>	<p>- Mutual Insurance companies (2000: 489 jobs 1enterprise)</p>	<p>- Associations (1998: 57.000 jobs) (2)</p> <p>- Foundations (2001 : ca. 500 entities) (3)</p>
<p>12.345 jobs 974.304 members 7.233 enterprises</p>	<p>489 jobs</p>	<p>57.000 jobs</p>

(\*) Source: C L Papageorgiou + O Kaminari + Y Alexopoulos

(1) Source: Cooperatives Europe, Intermediary Report, 2007.

(2) CIRIEC-TSE (2000)

(3) Anheier (2001)

## THE SOCIAL ECONOMY IN LUXEMBOURG

**Table 6.17.**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual Societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
- Cooperatives (2005: 748 jobs 4.724 members 67 enterprises) (2)	- n/a	- Non Profit Associations (2004: 6.500 jobs 130 entities, most are social services associations) (1) - Foundations: (2001: 143 entities) (3)
748 jobs 4.724 members 67 enterprises	- n/a	6.500 jobs 273 entities

(1) STATEC (2005).

(2) Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(3) Anheier (2001).

## THE SOCIAL ECONOMY IN THE NETHERLANDS

**Table 6.18. (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual Societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
- Cooperatives (2005: 110.710 jobs 1.694.682 members 1.630 enterprises)(1)	- Mutuals Benefit Societies - n/a	- Nonprofit sector: 1995: 661.700 jobs ETC; 42% in health and 27% in education and (2)  All Associations, foundations and other similar accepted forms (with alt least 1 employee) (2002: 5.500.000 volunteers 60.000 entities)
110.710 jobs 1.694.682 members 1.630 enterprises	n/a	661.700 FTE jobs 5.500.000 volunteers 60.000 entities

(\*) Source: P. Ruys

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(2) Source: Johns Hopkins study

THE SOCIAL ECONOMY IN THE UNITED KINGDOM

Table 6.19. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Cooperatives: (2005: 190.458 jobs 18.895.862 members 609 enterprises)(1)  Among them: - Consumer Cooperatives (2004: 14.000 jobs 9.898.000 members 42 enterprises) (2) - Cooperative Banks and Insurance (2004: 12.938 jobs) - Agricultural Cooperatives (2000: 1 2.600 jobs 583 enterprises) - Credit Unions (2005: ca. 900 jobs 564 enterprises) - Worker Cooperatives (2005: 1.340 jobs 397 enterprises)	- Building Societies (2005: 35.615 FT jobs 12.203 PT jobs 63 enterprises) - Mutual Societies (Mutual Insurance) (1997: ca. 267 enterprises)	- All nonprofit sector (1995: 1.473.000 jobs ETC) (4) Among them: -Educational and Research Voluntary Organisations (1995: 587.000 jobs*) -Cultural Voluntary Organisations (1995: 347.000 jobs*) -Social Services Voluntary Organisations (1995: 185.000 jobs *) -Development and Housing Voluntary Organisations (1995: 108.000 jobs *) - Other voluntary organisations (1995: 247.000 jobs *)
190.458 jobs 18.895.862 members 609 enterprises	47.818 jobs 330 enterprises	1.473.000 jobs

(\*) Source: Roger Spear (Open University)

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(2) Source: Eurocoop (2005)

(3) Source: Johns Hopkins study (1995)

## THE SOCIAL ECONOMY IN CYPRUS

**Table 6.20. (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual Societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
- Cooperatives (2005: 4.491 jobs 976.000 members 1.040 enterprises) (1)  Among them: - Cooperative Banks (2006: 2.180 jobs 316 enterprises) - Agricultural Cooperatives (2006: 31 enterprises) - Consumer Cooperatives (2005: 240 jobs 30.000 members 1 enterprises) (2)	- n/a	- n/a
4.491 jobs 976.000 members 1.040 enterprises	- n/a	- n/a

(\*) Source: P Theodotou (Pancyprian Coop Conf Ltd)

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(2) Source: Eurocoop

THE SOCIAL ECONOMY IN THE CZECH REPUBLIC

Table 6.21. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<ul style="list-style-type: none"> <li>- Agricultural Cooperatives (2003: 44.000 jobs 686 enterprises)</li> <li>- Production Cooperatives (2003: 25.700 jobs 12.700 members 314 enterprises)</li> <li>- Consumer Cooperatives (2003: 16.777 jobs 379.623 members 62 enterprises)</li> <li>- Housing coops (2003: 4.397 jobs 716.651 members 726 enterprises)</li> <li>- Saving and loaning coops (2005: 20 enterprises 43.153 socios)</li> <li>- Other cooperatives (2005: 93 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>Mutual Insurance companies (2005: 147 jobs 1 enterprises)</li> </ul>	<ul style="list-style-type: none"> <li>- All Nonprofit sector (1995: 74.200 jobs ETC) (1)</li> <li>- Association of Common Benefits (2003: 1.877 volunteers 884 entities)</li> <li>- Legal bodies of church (2003: 24.341 volunteers 4.946 entities)</li> <li>- Foundations (2003: 7.402 volunteers 1.293 entities)</li> <li>- Association of citizens, incl. active for advocacy, culture &amp; sport, etc. (2003: 299.354 volunteers 54.963 entities)</li> <li>- Association of flat owners, caring about their houses (2003: 12.585 houses)</li> </ul>
<p>90.874 jobs 1.901 enterprises</p>	<p>147 jobs 1 enterprises</p>	<p>74.200 jobs 332.974 volunteers 75.176 entities</p>

(\*) Source: Magdalena Huncova (University J.E. Purkyne, Czech Republic) & Jiri Svoboda

(1) Source: Johns Hopkins study

**THE SOCIAL ECONOMY IN ESTONIA**

**Table 6.22. (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual Societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
- Housing Cooperatives (2003: ca 15.000 jobs 8.020 enterprises) - Cooperative Banks (2003:          2 enterprises) - Agricultural Cooperatives (1995: ca 120 enterprises) - Worker Cooperatives (2003: ca 5 enterprises) - Consumer Cooperativas (2005: 4.500 jobs 60.000 members 30 enterprises) (1)	- (n/a)	- Foundations (2001: 533 entities) (2)
15.250 jobs 8.148 enterprises	- (n/a)	8.000 jobs ca 15.000 entities

(\*) Source: M Ostig & M Hellam

(1) Source: Eurocoop

(2) Anheier (2001)

THE SOCIAL ECONOMY IN HUNGARY

Tabla 6.23.

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms (*)
- Cooperatives (2005: 42.787 jobs 632.465 members 3.830 enterprises) (1)  Among them: - Consumer cooperatives (2004: 24.000 jobs 160.000 members 320 enterprises) (2)	- n/a	- Health Associations (2002: 6.062 jobs - Research and Education Associations (2002: 7.889 jobs - Foundations (2003: 11.500 jobs 90.300 volunteers Others (p.e. culture & sport) (2002: 7.431 jobs
42.787 jobs 632.465 members 3.830 enterprises		32.882 jobs

(\*) Source: N Bullaín (European C Non-profit Law)

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(2) Source: Eurocoop

THE SOCIAL ECONOMY IN LATVIA

Table 6.24.

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Cooperatives ( 2005: 300 jobs 15.000 members 34 enterprises (1) - (Agricultural Cooperatives 510 jobs 8.390 members 72 enterprises) (2)	- n/a	- n/a
300 jobs 15.000 members 34 enterprises	- n/a	- n/a

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(2) Source: COGECA

## THE SOCIAL ECONOMY IN LITHUANIA

**Table 6.25. (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual Societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
- Consumer Cooperatives (2005: 5.000 jobs 41 enterprises) - Agricultural Cooperatives (2005: 2.350 jobs 198 enterprises) - Credit Unions (2005: 350 jobs 65 enterprises)	- none	- n/a
7.700 jobs 304 enterprises	NONE	- n/a

(\*) Source: D Kaupelyte (Vytautas Magnus University)

## THE SOCIAL ECONOMY IN MALTA

**Table 6.26. (\*)**

<b>Cooperatives and other similar accepted forms</b>	<b>Mutual Societies and other similar accepted forms</b>	<b>Associations, foundations and other similar accepted forms</b>
- Cooperatives (2005: 238 jobs 1.952 members 59 enterprises) (1)	- n/a	- n/a
238 jobs 1.952 members 59 enterprises		

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

THE SOCIAL ECONOMY IN POLAND

Table 6.27. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
<p>- Cooperatives: (2005: 469.179 jobs 10.394.784 members)(1) 12.852 enterprises (2)</p> <p>Among them:</p> <p>- Cooperative Banks (2005: 610 enterprises)</p> <p>- Agricultural Cooperatives (2005: 4.849 enterprises)</p> <p>- Worker Cooperatives (2005: 1.659 enterprises)</p> <p>- Consumer Cooperatives (2005: ab. 50.000 jobs 409 enterprises)</p> <p>- Housing Cooperatives (2005: ab. 3.550 jobs 4.331 enterprises)</p> <p>- Others (p.e. Tourism, Education) (2005: 892 enterprises)</p> <p>- Social cooperatives 50 enterprises</p>	<p>- Mutual Insurance companies (2005: 10 enterprises) (2) ca. 500 jobs</p>	<p>- Foundations and Associations (2005: 45.891 entities) (2) ca. 60.000 jobs ca. 1.000.000 volunteers</p> <p>- <i>Non profit sector</i> (1997: 122.944 jobs FTE) (3)</p>
<p>469.179 jobs 10.394.784 members 12.852 enterprises</p>	<p>10 enterprises</p>	<p>60.000 jobs 45.891 entities</p>

(\*) Source: A Piechowski (Coop Council) & Z Chyra-Rolicz (University Podlasie Siedlce) & Kamila Hernik (Institute of Public Affairs), M Mierzwa (for Mutual Societies, Associations, foundations and other similar accepted forms, based on Klon/Jawor Association Report –2006).

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(2) Source : Conference Permanente de l'économie sociale

(3) Source: Johns Hopkins study (1997)

THE SOCIAL ECONOMY IN SLOVAKIA

Tabla 6.28.

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Cooperatives (2005: 82.012 jobs 895.824 members 892 enterprises) (1)  - Among them: Consumer Cooperatives (2005: 13.012 jobs, 261.000 members 32 enterprises) (2)	- 1 mutual found (57 000 members) (4)	- Non profit sector (1996: 16.200 jobs ETC) (3)
82.012 jobs 895.824 members 892 enterprises	1 enterprise 57.000 members	16.200 jobs

(1) Source: Performance Report of Cooperatives Europe, 2005. Refer only to those cooperatives affiliated to Cooperatives Europe.

(2) Source : Eurocoop

(3) Source: Johns Hopkins study

(4) Magdalena Huncova (University J.E. Purkyne, Czech Republic)

THE SOCIAL ECONOMY IN SLOVENIA

Table 6.29. (\*)

Cooperatives and other similar accepted forms	Mutual Societies and other similar accepted forms	Associations, foundations and other similar accepted forms
- Cooperative Banks (2005: 401 jobs 1 enterprise) - Agricultural Cooperatives (2005: 4.000 jobs, 28.000 members 82 enterprises)	- Mutual Insurance companies (2003: 270 jobs 1 enterprises)	- Foundations (2003: 155 entities) - Private Associations, (2003: 18.872 entities)
4.401 jobs 28.401 members 83 enterprises	270 jobs 1 enterprises	ca. 19.000 entities

(\*) Source: Dr R Bohinc (University of Ljubljana)

## CHAPTER 7

### THE LEGAL FRAMEWORK OF THE SOCIAL ECONOMY ACTORS IN EUROPEAN UNION COUNTRIES AND THE PUBLIC POLICIES IN PLACE

- 7.1. Legislation governing the Social Economy actors in the European Union
  - 7.2. Public policies towards the Social Economy in European Union countries
  - 7.3. Public policies towards the Social Economy at European Union level
- 

#### 7.1. Legislation governing the Social Economy actors in the European Union

The institutional framework is a key factor in the size and visibility of the social economy. The statutory provisions defining this framework establish three types of recognition of this sector (Chaves & Monzón in CIRIEC, 2000):

- 1) Explicit recognition by the public authorities of the different identity of these organisations, which require special treatment. In this respect the objective of the legal system is to institutionalize them as private agents;
- 2) Recognition of the these organisations' capacity and freedom to act in any area of social and economic activity;
- 3) Recognition of their negotiating role in the process of drawing up<sup>56</sup> and applying the various public policies, viewing them as co-decision makers and co-executors of the policies.

In Europe, the different forms of the social economy do not always enjoy an adequate level of institutionalization in these three areas.

As far as the first point is concerned, not all forms of the social economy are recognised to the same extent in the legal systems of the different countries of the European Union.

In the case of the cooperatives, which are explicitly recognized in Article or Section 48 of the Treaty of Rome as a specific type of company, and also in the constitutions of various member states, like Greece, Italy<sup>57</sup>, Portugal and Spain, although they have a regulatory framework within which they can operate and which guarantees the rights of members and third parties there is not always a specific law at national level that regulates all co-operatives. Indeed, some countries like Denmark, the Czech Republic or the United Kingdom lack general co-operative laws, although there are some laws for specific types of cooperative, such as housing cooperatives in the case of Denmark, or credit cooperatives or credit unions in the United Kingdom and the Czech Republic. This contrasts with the situation in other countries like Spain, Italy or France, which suffer from legislative inflation in this area, with different laws according to the type of cooperative and level of government (state and regional)<sup>58</sup>.

An analogous situation is found in the differences in legal status of the forms taken by the social economy in Europe, as can be seen in tables 7.1 and 7.2. Three groups of country may be identified: The first has specific legislation for the SE forms, the second has some statutory provisions covering SE organisations scattered among various laws and the third lacks any trace of legislation governing certain forms of the SE.

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<sup>56</sup> Generally known as 'participation in social and civic dialogue'. This point will be addressed in sections 7.2 and 7.3.

<sup>57</sup> Section 45 of the Italian Constitution explicitly recognises the social role of co-operatives.

<sup>58</sup> The case of Spain is a good example, with a national Cooperatives Act (1999 is the latest) and over a dozen regional ones in the different autonomous regions.

**Table 7.1. Legal recognition of certain forms of Social Economy organization**

Country	Co-operatives	Mutual societies	Associations	Foundations
Belgium	Yes	Yes	Yes	Yes
France	Yes	Yes	Yes	Yes
Ireland	R	Yes	NO	NO
Italy	Yes	Yes	Yes	Yes
Portugal	Yes	Yes	Yes	Yes
Spain	Yes	Yes	Yes	Yes
Sweden	Yes	Yes	NO	Yes
Austria	Yes	NO	Yes	Yes
Denmark	NO	Yes	Yes	Yes
Finland	Yes	Yes	Yes	Yes
Germany	Yes	Yes	Yes	Yes
Greece	Yes	n/a	Yes	Yes
Luxembourg	Yes	Yes	Yes	Yes
Netherlands	Yes	Yes	Yes	Yes
United Kingdom	R	R	Yes	Yes
Cyprus	Yes	n/a	n/a	n/a
Czech Republic	R	NO	Yes	Yes
Estonia	NO	NO	Yes	Yes
Hungary	Yes	n/a	Yes	Yes
Latvia	Yes	NO	Yes	Yes
Lithuania	Yes	NO	Yes	Yes
Malta	Yes	n/a	NO	NO
Poland	Yes	Yes	Yes	Yes
Slovenia	Yes	NO	Yes	Yes

Notes: Questionnaire question: Do the different institutional forms of the Social Economy mentioned in section 5 have a clearly differentiated legal status; for example, a specific Law?

Yes: indicates that the country has general or comprehensive legislation for the legal form in question.

R: indicates that this country has some statutory provisions regulating these forms of SE, although dispersed among various laws.

Shortfalls in the legislation can have serious implications as regards the legal position of groups that wish to set up social economy organisations: the legal framework can act as a brake on the deployment of new forms if the existing ones cannot be adapted to new necessities. In this respect, the objective of the new legislation that has appeared in recent years in different countries, like the specific laws concerning social companies (Act of 2003 in Finland, Act of 2004 in Lithuania and Act 118/2005 in Italy), social cooperatives (Acts of 2006 in Poland and Portugal) and non-profit organisations of social utility (Decree 460/1997 in Italy) or the modifications to existing laws to reflect new forms (like the cooperative societies of collective interest created in 2001 in France, or the social initiative cooperatives that have appeared in recent years in the different laws concerning Spanish Co-operatives), has been to provide a channel for the development of an emerging social reality. The recent legislation passed in the last few years in several of the new European Union member states is particularly significant. All these are listed in Table 7.2.

**Table 7.2 Other legal forms for social economy companies and organisations in Europe \***

Country	Others (specify)
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<b>Country</b>	<b>Others (specify)</b>
Belgium	- Act on “Sociétés à finalité sociale” (Social-purpose enterprises), 13.04.1995.
Ireland	- Credit Union Act, 1997.
Italy	- D.Legs. 155/2006 “Disciplina dell’impresa sociale” (Social Enterprise regulations), - Onlus (Non-Profit Organization of Social Utility), D. Lgs. n.460/1997 - Development NGO Act 49/1987 - Act 266/1991 “Legge Quadro sul volontariato” (Framework Law of Voluntary Work)
Portugal	- Misericordias DL 119/83, 25.02.83
Spain	- Sociedades laborales (Labour companies) Act 1997, - Centros Especiales de Empleo para minusválidos (special employment centre for handicapped people), RD 2273/1985), - Empresas de Inserción (Integration Enterprises): Act 12/2001 additional provision nine, regional laws.
Sweden	- Housing associations (economic associations), 30/05/1991
Finland	- Social Enterprises, 30.12.2003 - Osuuskuntalaki (Co-operative Societies Act), 28.12.2001/1488
Greece	- Act 2190/1920 applies to “Popular companies” - Acts 2810/2000 and 410/1995 for “Development Agencies”
Netherlands	- Civil Law book 2 (legal persons) dates from 1850; updated in 1992
Denmark	- Act on Housing Cooperatives and other Collective Housing Societies, updated in 2006.
Czech Republic	- Association of Common Benefits (NNO), 1995 - Association of flat owners, 2000
Hungary	- Non profit companies
Latvia	- Credit Cooperative, 15.07.1993
Lithuania	- Credit Unions, 1995 - Social Enterprises, 2004
Poland	- Social cooperatives, 2006 - Act on Social employment for Centres for social integration, 13.06.2003 - Act on Public benefit activity and volunteerism for public benefit organisations, 24.04.2004
United Kingdom	- Community interest company (CIC)

\* Legal status differentiated from those of co-operatives, mutual societies, associations and foundations.

Note: Questionnaire question: Do the institutional forms of the Social Economy mentioned in section 5 have a clearly differentiated legal status; for example, a specific Law? If so, please specify.

Nonetheless, legal forms do not constitute mutually watertight compartments or legislative situations lacking any sensitivity to the dynamism of society. Indeed, the legal 'families' often overlap: for instance, co-operative groups, federations and umbrella organisations adopt the legal form of associations and 'association with economic activity' status is used in order to operate as a co-operative in countries such as Sweden. Additionally, as well as the four most widespread and internationally recognised forms of the SE, namely co-operatives, mutual societies, associations and foundations (which, in any case, also present marked differences in the legislation of different countries<sup>59</sup>), each country has built up its own additional legal context

<sup>59</sup> See the comparative analyses of CECOP (2006), “Social enterprises and worker cooperatives: comparison, models of corporate governance and social inclusion”, European Seminar, 9 Nov., and of the French Higher Council for Co-operation (2001).

covering other forms of enterprise within the SE. The wealth of legislation can be appreciated in the last column of Table 5.3 and in Table 7.2.

At the European level, the new European Cooperative Society Statute is already favouring this form of the social economy, not only improving the possibilities of the European co-operatives' conducting transnational activities but also, above all, developing the sector in countries which lack their own statute, as in the case of the United Kingdom, or where these legal forms had been increasingly losing social prestige through being considered vestiges of the old regime, as in the new members in Central and Eastern Europe.

Equally, the removal of the proposals for a European Mutual Society Statute and a European Association from the European Commission agenda in the past few years has been a serious setback to providing greater opportunities for the deployment of these forms of the social economy in Europe.

The specificity of the organisations in the social economy is based on certain characteristic values and principles, as discussed in the initial chapters of this Report. The purpose of the rules that govern these organisations is to reflect this specificity, laying down the principle of democratic decision-making and limitations on how profits and surpluses are distributed, for instance.

However, this specific *modus operandi* is not neutral. The use of these social economy legal forms can occasion the founding groups and economic agents relatively higher operating expenses than other forms of private company. The expenses entailed by the specific features of the SE organisations respond to their internalisation of their social costs, which are linked to the democratic decision-making process, the surplus allotment method and the nature of the goods and services produced, which are basically of social and/or general interest, compared to the externalisation of private costs by traditional for-profit private companies.

These costs can appear in different forms, such as restrictions in the way surpluses and reserves are assigned, the existence of control and review bodies that certain organisations (such as cooperatives in Austria and in Germany) are obliged to join, limitations on carrying out large economic projects, as in the case of the Associative Statute in Italy, or minimum numbers of members or initial capital requirements. Consequently, based on cost/benefit analyses assessing the possibilities, advantages and disadvantages, founding groups or members may be discouraged from adopting certain legal forms in favour of other forms (economists call this 'economies of choice' between legal status alternatives). These economies of choice are especially evident at times of changes in the legislation: A paradigmatic case in this respect is that of the Spanish *sociedades laborales* or labour companies, where modifications in the legislation since the beginning of the 1980s have had major consequences in terms of the creation and legal transformation of these social firms, particularly in relation to workers' cooperatives.

From the perspective of guaranteeing equal opportunities among different types of organization, and given that unequal situations call for differences in treatment, the legal framework should institute measures to compensate for the operational difficulties suffered by legal forms that afford poorer opportunities. These measures may be grants but they can also take the form of tax concessions. At the same time, however, lawmakers should set up suitable mechanisms to prevent certain economic agents from behaving opportunistically and taking advantage of the compensations for adopting these forms without shouldering their respective costs.

In most of the Western countries of the European Union the four main legal forms taken by the social economy enjoy some specific tax treatment (see Table 7.3). Such special fiscal measures are more abundant for associations and foundations, on the grounds of their non-profit nature and the way they assign resources and surpluses, which give priority to activities of social and/or general interest. Such legislation has been strengthened in recent years in a number of

countries, such as Spain's NPO taxation system, passed in Act 43/2002, Italy's Act 460/1997 on the ONLUS or non-profit organisations of social utility and Germany's 'Social Law Code' (*Sozialgesetzbuch*) governing the non-profit organisations. As regards co-operatives, many countries that have a special tax system do not extend it to all co-operatives. In Ireland, for instance, it is only applicable to credit unions and in Greece only to agricultural cooperatives.

In these same countries, the special co-operative tax regimes show opposing trends but the predominant tendency is for tax benefits to be eroded; this erosion has recently been creeping in at European Community level also. While some countries such as Portugal, Italy and Spain possess consolidated special tax regimes backed by recognition of the social role of the social economy in their respective constitutions, in other countries existing tax specific treatments are being reduced.

Changes in the legislation concerning co-operatives in various countries are not unconnected with this trend, as they tend to reduce the restrictions imposed by the Co-operative Principles. The changes are as follows: reducing the minimum number of persons required to create a co-operative; the possibility of giving some members more than one vote; broadening the limits on activities and on trading with non-members; the possibility of issuing specific bonds, representing risk or dept capital; allowing third parties to participate in share capital and permitting the transformation of co-operatives into joint-stock companies.

Quite apart from the reasons put forward for these changes in co-operative legislation, such as economic arguments concerning growth and improved competitiveness, what lawmakers undoubtedly see in these measures is lower operating costs for this legal status and, consequently, less need for special treatment, including compensatory policies and tax measures.

The tax situation is very different in the new European Union member states (see Table 7.3): given the youth of the SE, the fiscal and legislative measures accompanying it are also of recent date, if they have even been passed, and concentrate above all on associations and foundations.

**Table 7.3 Specific tax treatment for Social Economy organisations in the European Union**

Country	Co-operatives	Mutual societies	Associations	Foundations
Belgium	--	--	--	--
France	Yes	Yes	Yes	Yes
Ireland	Yes	--	--	--
Italy	Yes	Yes	Yes	Yes
Portugal	Yes	Yes	Yes	Yes
Spain	Yes	Yes	Yes	Yes
Sweden	--	--	--	--
Austria	--	--	Yes	Yes
Denmark	--	Yes	--	--
Finland	Yes	--	Yes	Yes
Germany	--	Yes	Yes	Yes
Greece	Yes	n/a	Yes	n/a
Luxembourg	--	--	--	Yes
Netherlands	Yes	Yes	Yes	Yes
United Kingdom	--	--	Yes	Yes
Cyprus	Yes	n/a	n/a	n/a
Czech Republic	--	--	Yes	Yes
Estonia	--	--	--	Yes
Hungary	--	--	Yes	Yes

Country	Co-operatives	Mutual societies	Associations	Foundations
Latvia	Yes	--	Yes	Yes
Lithuania	n/a	n/a	n/a	n/a
Malta	Yes	n/a	Yes	Yes
Poland	--	--	--	--
Slovenia	--	--	--	--

Note: Questionnaire question: Do the different institutional forms of the Social Economy mentioned in section 5 enjoy a more specific tax treatment than traditional private companies?

The institutional framework also defines the social economy's margin for action in the different sectors of social and economic activity. Although the statutory provisions for the forms of the social economy recognise their right to operate freely in the market like any other private agent, sector regulations can raise barriers to their entering certain fields of activity and developing freely within them.

In the case of mutual societies, three patterns of development according to economic sector are found<sup>60</sup>: there are countries where mutuals can operate in numerous fields, as in the United Kingdom, where they can engage in activities ranging from water supply to sports; another group of countries confines their field of action to certain sectors, such as healthcare or health and safety cover; while the final group does not possess this legal form. Additionally, where sector rules prevent risks being mutualised, insurance co-operatives and mutual insurance societies cannot be set up.

The situation is similar for co-operatives. The ban on consumer co-operatives' operating in the pharmaceutical sector in some European Union countries is well-known. Another example is Spain, where electricity supply cooperatives have for years been supplanted as power suppliers as a result of modifications in the regulations for the electricity sector, despite having been pioneers in satisfying this basic need in numerous regions. Legal barriers have also been raised in the petrol distribution and travel agency sectors.

One area where the European social economy's margin for action is most seriously affected is its business growth model. One key to the market success and growth of the social economy companies has been their capacity to form federations and cooperative groups. However, these forms of association have been queried by the European Court of Justice, being interpreted as illicit agreements contrary to free competition. Such an interpretation contrasts with the permissiveness accorded to the phenomenon of the concentration of wealth and finance in private capitalist holdings (CIRIEC, 2000).

## **7.2. Public policies towards the Social Economy in European Union countries**

Over the last quarter of a century there have been numerous national and regional governments within the European Union which have deployed public policies with explicit references to the social economy in its entirety or to its components. In general, they have formulated *sector policies* which have included explicit references, albeit fragmentary and disjointed, to the institutional forms that make up the *social economy*. The examples include active employment policies involving workers' co-operatives and integration enterprises, social services policies where associations, foundations and other non-profit organisations have played a key role, agricultural and rural development policies in which the agricultural co-operatives have been involved, or references to mutual provident societies in the framework of social security systems. More recently, and singularly, *policies specific to the Social Economy* have

<sup>60</sup> Information provided by L. Lowet of AISAM.

emerged, some centred on businesses which operate in the market place and others aimed at non-profit organisations that operate outside the market, but seldom covering both.

The deployment of these policies in the countries of the European Union has been patchy in both its extent and its content. As pointed out in Chaves and Monzón (2000), this uneven deployment and this diversity of policies are mainly explained by the political, economic, historical, social, cultural and institutional context which is particular to each national and regional situation in which they were conceived.

More concretely, the principal elements which explain the extent and the importance of the policies really deployed as well as the intensity and the manner of inserting the Social Economy into these policies include the social and political recognition of this institutional reality (the Social Economy), the visibility and the image that the sector projects towards society and the policy makers in relation to the role that they play in the multi-dimensional development (economic, social, cultural) of the nation, the economic weight and the tradition of this reality, and finally, its capacity to be a worthy representative in the different processes of drawing up and applying public policies.

One of these factors, the role that the *social economy* can play in the multidimensional development of nations, refers back to a model of society in its ideological dimension and constitutes the cornerstone for involving the diverse social and economic forces that coexist in a country. In this respect, three principle models of society have been introduced in which the role of the Social Economy is systematically antagonistic (Laville & Vaillancourt, 1998; Lévesque & Mendell, 1999 and Demoustier, 2001):

In the first model, *traditional social-democracy*, social aspects are covered exclusively by the State and the redistribution function. The *social economy* is considered an inheritance from the past and occupies a residual position. The social aspect, therefore, appears almost exclusively as a social problem demanding investment by the State. This is financed by taxes on capital, which is considered the prime instrument for the production of wealth.

In the second or *neoliberal model*, the economy is reduced to the market, occupied exclusively by traditional for-profit businesses, and the social aspect only refers to those who do not participate in the market economy and so constitute an insolvent demand. Here, the *social economy* not only remains excluded from the agreement on the key challenges of the economy, it also contributes to social and economic dualisation in two areas: in market activities, encouraging dependence and instability in the labour and production relations of growing segments of the population, and in non-market and redistributive activities, encouraging questioning of the State as the top regulator and redistributor and favouring philanthropy, voluntary work and the informal economy (Chaves, 2005).

In the third model, the *social and economic democracy* or *plural economy* model, the social aspect is simultaneously included in the State (redistribution) and in society, the State continues to be the main regulator and redistributor and the *social economy* operates in both market and non-market activities. In this model, encouraging the deployment of the social economy calls for adequate mechanisms to evaluate its potential to generate social added value and its limits, on the one hand, and on the other, for important socioeconomic and institutional transformations (Lévesque, 1997).

At all events, in countries where the Social Economy sector enjoys widespread social recognition (even being explicitly mentioned in national Constitutions) and a long tradition, is economically dynamic and is capable of dialoguing with the authorities, there have been numerous public policy plans in this domain for a long time. However, in countries where the political 'discovery' of this institutional sector has only been taking place recently (except for some of its components, such as cooperatives), specific measures aimed at the sector and/or

employment in this sector are still rare and are often prompted by supranational systems, specifically those of the European Union (Chaves & Monzon, 2000).

Many countries in the EU have a high-level body within the national government with explicit, acknowledged responsibility for matters relating to the social economy and a name that includes the designation (brand name) of this social sector. Far from contributing to the creation of a ghetto in this section of society, the existence of this type of body constitutes an important indicator of its level of recognition and its priority on the agenda of a country's *policy makers*. In effect, it implies not only an institutional acknowledgement of the importance of this sector in society, but also a boost to its visibility and socio-political image, in addition to other effects on the political process such as information, coordination, etc. In fact, it also constitutes a way to institutionalise specific, cross-sector policies for the social economy.

In Europe, this type of public body is interministerial in some cases, as in countries like France, which has a Minister of Youth, sport and associations as well as an Interministerial Delegation on Social Innovation and the Social Economy; Belgium, where the Government previously included a Secretary of State for Sustainable Development and the Social Economy and now has a Secretary of State for the Plural Economy; or Spain, which for part of the nineteen-nineties had an interministerial National Institute for the Promotion of the Social Economy. The existence of these public bodies depends, however, in large measure, on changes and reshuffles in the governments of the respective countries. For example, the Czech governmental Commission for cooperatives, being established in the beginning of the 2006, was abandoned by new politicians' team immediately after the voting process in the middle of this year<sup>61</sup>.

The following table shows the public administration bodies of the member countries of the Union which respond to the criteria indicated above and were active at the beginning of 2006, as identified in the fieldwork for this study. France again stands out, as does the strong relationship between a high level of social recognition of the concept of Social Economy in a country and the existence of this type of government body.

#### 7.4. Government body with competence in Social Economy matters

<i>Country</i>	<i>Name of the Authority</i>
BELGIUM (BE)	<b>Secrétariat d'Etat au Développement Durable et à l'Economie Sociale</b> (Secretary of State for Sustainable Development and the Social Economy)
CYPRUS (CY)	Cooperative Societies' Supervision and Development Authority
SPAIN (ES)	<b>DGES - Dirección General de Economía Social, del trabajador autónomo y del fondo social europeo</b> (Directorate-General for the Social Economy, the self-employed and the European social fund), one in the Ministry of Labour and Social Affairs and one in the Ministry of Agriculture These bodies are repeated in most of the regional governments
FRANCE (FR)	<b>DIIEES - Délégation Interministérielle à l'Innovation, à l'expérimentation sociale et à l'économie sociale</b> du Ministère de l'emploi, de la cohésion sociale et du logement (Interministerial delegation for innovation, social experimentation and the social

<sup>61</sup> Information provided by Magdalena Huncova, University of J.E. Purkyně (Czech Republic).

<i>Country</i>	<i>Name of the Authority</i>
	economy of the Ministry of employment, social cohesion and housing), Ministère de la jeunesse, des sports et de la vie associative Regionally, Services Économie sociale et solidaire (social et solidarity economy services) in the regional councils At municipal or district level, councillors and technical staff.
IRELAND (IE)	<b>Social Economy Unit, FAS.</b>
ITALY (IT)	Direzione generale per gli enti cooperative, Ministero dello sviluppo economico (Directorate general for co-operative entities, Ministry of economic development) <i>Agenzia per le Onlus (Agency for Socially Responsible Non-Profit Organisations).</i>
MALTA (MT)	NGO Liaison Unit, Department for Social Welfare Standards, Ministry for the Family and Social Solidarity.
PORTUGAL (PT)	Instituto António Sérgio do Sector Cooperativo (INSCOOP).
UNITED KINGDOM (UK)	Social Enterprise Unit, previously within the DTI, now within the Cabinet Office, and Charity and Third Sector Finance Unit within HM Treasury

The existence of such a body is not always a precondition for activating specific, cross-sector social economy policies. Several experiences confirm this, like those described in Chaves & Monzón (2000). Again, initiatives emerging in some of the new member countries of the Union are moving towards institutionalising specific social economy policies in spite of their lacking the above-mentioned specialized bodies. This is the case in Poland and the Czech Republic. In the former, the Polish government's National Development Plan for 2007-2013 makes repeated mention of the Social Economy as an effective instrument in the fight against poverty and social marginalisation. These mentions must be read in a context of consultation of social partners, including social enterprises and NGOs, and in the positive view the Government takes of the social economy. The situation is analogous for the Czech Republic's National Development Plan for 2007-2013. Also, the SE often makes it possible to join up different types of sector policy, such as social issues, employment and local development, hence the interest in setting up interministerial administrative units in charge of SE matters.

Nevertheless, as has already been mentioned at the beginning of this section, when the Social Economy or its components are taken into account in the governments' political agenda the reality that predominates in Europe is the sectorialised introduction of this social reality into the framework of the different sector policies, for example the employment policy of the Ministry of Labour<sup>62</sup> or the social services and social action policies of the Ministry of Social Affairs. This is not surprising, after all, since these sector-based policies are the public sector's response to the multiple demands and major problems in the society in question, in the same way that the appearance of the many forms of social economy are the spontaneous response of organized civil society to analogous problems in the absence of efficient answers on the part of both the public sector and the traditional private sector. In many cases the initiatives of the Social Economy precede the actions of the public sector in resolving problems and proposing creative solutions, thus revealing a potent capacity for socio-institutional innovation.

The social economy and its components are frequently, but not always, considered in State policies. Depending on their inclusion or otherwise as a protagonist in the policies, a distinction should be made between specific policies, general policies and exclusive policies.

<sup>62</sup> The study by CIRIEC-International (2000) examined the role of the social economy in European employment policies in depth.

*Specific policies* are those directed exclusively at the *social economy* sector, whether the broad concept or its internal families, excluding the rest of the businesses in the private sector from their field of action. *General policies* are public policies directed at any type of business or organisation, without distinction. *Exclusive policies* are those aimed at the private sector but which exclude, explicitly (in the regulations) or economically<sup>63</sup>, the businesses and organisations in the Social Economy. An example of an exclusive policy was, until recently, the distribution aspect of Spanish energy policy, which excluded the possibility of the cooperatives' being electricity distributors or distributing fuel in cooperative petrol stations. Another example from the same country was the exclusion of cooperatives from continuing training funds until 2005. The *concept of positive and negative discrimination towards the social economy*, in this context, is conceived as depending on whether specific or exclusive policies are applied. Institutional changes in policy conception which alter the operational mode and/or the institutional nature of the beneficiaries are measures which could favour or impede the deployment of the Social Economy in the economy as a whole.

In Europe, policies aimed at the Social Economy come in many forms. Depending on the nature of their instruments, five main types of policy can be distinguished (Chaves, 2002): institutional policies, dissemination, training and research policies, financial policies, policies of support with real services and demand policies.

As we said in section 7.1., institutional policies allow the businesses in the social economy space in the system, based on the institutional order in force, recognising them as players both in the economy and in the social dialogue.

Institutional policies refer also to the recognition of the Social Economy as a protagonist in the process of drawing up and applying the different public policies. In the countries where the Social Economy enjoys greater recognition there are institutional bodies for participation and social dialogue with representatives from the Social Economy. These are the economic and social councils, analogous to the European Economic and Social Committee but at State and regional level, and the State Councils on the Social Economy in Spain and France. Incipient initiatives of this type can be found in the new EU member States, like Lithuania, where the economic strategy paper explicitly points out that the social economy is a key actor, and Malta, where a White paper on "Strengthening the Voluntary sector" was published in July 2005.

Policies of dissemination, training and research are directed, on the one hand, at providing visibility and social receptiveness, and on the other hand, at developing competences in matters of training and research for the benefit of the sector as a whole. There are stable support channels for training and research that specialise in the social economy in several European countries.

The universities and federations are usually in charge of undertaking these functions. In some cases, like Sweden, Portugal, Italy, Spain and France, specialised training and research centres organised into networks have appeared. The CIRIEC International network is one of the most active. Other networks have also made an appearance, such as the EMES network, the international network of the Johns Hopkins Comparative Non-Profit Sector Project and inter-university networks in individual countries (like the German network for co-operatives, the French social and solidarity economy inter-university network, the CIRIEC-Spain network of researchers into the social economy or the Portuguese network for the third sector, among others)<sup>64</sup>. All of these have helped to spread the concept of the social economy and information about it throughout Europe. On the teaching side as well, post-graduate courses in the social economy have emerged in recent years at well-established university centres, most of which are

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<sup>63</sup> Economic exclusion is based on particular economic requirements such as company size or the ability to mobilise strategic human resources (project managers). Companies in the social sector usually find it difficult to meet the eligibility requirements for these policies.

<sup>64</sup> For further information see CIRIEC (2000), Chapter 3.

linked to these networks, within the framework of the Bologna reform to create a European Higher Education Area.

Public financial policies, such as budgetary policies, directly or indirectly assign funds for the promotion and development of the Social Economy. In some cases these are public funds, like the Portuguese Prodescoop program for the promotion of co-operatives. Analogous subsidy programs to promote co-operatives and employment in co-operatives also exist in Germany, Italy, Cyprus and Spain. In other cases they are mixed or joint funds, managed by the government and by social economy organisations: examples in France are the National Fund for the Development of Associative Life (FNDVA) and the National Fund for the Development of Sport (FNDS). In various funds the funding is off-budget. In some cases, such as RAY and Oy Veikkaus AB in Finland or the ONCE in Spain, the resources are obtained from the revenue from games of chance (lotteries, slot machines). In others the funds are related to legislative change, for example by linking passive employment policies to active ones, such as the possibility of receiving unemployment benefits as a lump-sum if the unemployed person decides to set up a co-operative or a *sociedad laboral* (worker-owned company) in Spain, or the policies to assist employment in associations and the employment cheque system in France.

The objective of support policies based on real services is to offer the sector an array of real (rather than financial) services like technical information, advice, marketing capacities, networking, restructuring and fostering the creation of second level structures, etc. These services tend to be provided by the sector federations with public funding.

As is known, general government is a major consumer of goods and services offered by the private sector. As the economist J.M. Keynes argued in the 1930's, this public expenditure determines the level of activity of the private sector. In this context, the public authorities can foster Social Economy companies by facilitating their access to public sector supplier status, as the authorities can be the end consumer or the intermediate consumer (in the case of social welfare services such as social, educational or health services, in which citizens are the end users). In these *demand policies*, the different modes of service provision have a direct bearing on development opportunities for the Social Economy. The services can be contracted annually between the government and the sector organisations, as in the annual contract for the type and volume of state aid subsidies covering child care, pre-school and the elderly in Portugal. They can enter into a quasi-market situation, open to competition, where the Social Economy operators have to compete with traditional for-profit private companies. This latter scenario, currently seeing expansion, is in the process of being regulated at European level. Social clauses can be established in government contracts in order to provide for social and general interest objectives. This type of clause, until recently considered questionable for distorting competition, has finally been accepted by the European Union, as shown by the passing of Directive 2004/18/CE of the European Parliament and Council regarding the procedures for awarding public contracts. The member States are obliged to adapt their laws to comply with this Directive, which accepts and explicitly regulates the inclusion of social criteria in these contracts.

### **7.3. Public policies towards the SE at European Union level**

The attention paid to the Social Economy by the different EU authorities has been growing over the last three decades, albeit intermittently and with differences between institutions. The important role of the social economy in the social and economic development of Europe has progressively been gaining recognition and with this, its position as a cornerstone of the Social European Model.

The long march towards institutional recognition of the Social Economy and the structuring of specific European policies started in the nineteen-eighties. It culminated in 1989 with the Communication from the Commission to the Council on "Businesses in the 'Économie Sociale' sector: Europe's frontier-free market", which proposed the establishment, through

Statutes, of a European legal basis for co-operatives, associations and mutual societies, and with the creation of the Social Economy Unit in European Commission Directorate-General XXIII. During that decade, two community institutions, the Parliament and the European Economic and Social Committee (EESC), released a succession of reports, suggestions and resolutions which highlight the social value added of the Social Economy and in both cases culminate in a landmark (Hypsman, 2003). The Parliament released reports such as those of Avgerinos on the contribution of the co-operatives to regional development, of Mihr on the role of co-operatives in building Europe and of Trivelli on co-operatives and co-operation for development, while the resolution proposed by Eyraud, Jospin and Vayssade (1984) invited the Council and the Commission to examine the possibilities of establishing a European Law of Associations. For its part, in 1986 the EESC sponsored a European Social Economy Conference, together with the Coordinating Committee of the Co-operative Associations of the Community (CCACC), and published the first European study on cooperatives, mutual societies and associations (see EESC, 1986).

From 1989 there were successive advances and certain setbacks in the recognition and deployment of policies concerning the social economy. As mentioned above, the first civil service body to specialise in the social economy was the Social Economy Unit in Directorate-General XXIII, created by the European Commission in 1989 during the Presidency of Jacques Delors<sup>65</sup>. Its brief was very ambitious, given the scant financial and human resources available:

- take initiatives to strengthen the cooperatives, mutual societies, associations and foundations sector
- prepare a European legislation for cooperatives, mutual societies and associations
- analyse the sector
- ensure the coherence of EU policy as it affects the sector
- liaise with those representative federations which exist
- establish relations with those parts of the sector which are unorganised
- raise awareness of the cooperatives, mutual societies, associations and foundations sector among decision-makers
- assess the problems the sector faces
- represent the Commission on relevant matters to the other EU institutions

The Unit was restructured in 2000, when its responsibilities were divided between two Directorates-General: the DG of Enterprise and Industry, where DG Enterprise Unit B3 – "Crafts Small Enterprises, Co-operatives and Mutuals" was created, concentrating particularly on the "enterprise aspects" of co-operatives, mutuals, associations and foundations, and the DG of Social Affairs, with responsibilities for associations and foundations.

Together with the above Unit, two community institutions have been important champions of the social economy:

- the European Economic and Social Committee (EESC), a European Union consultative body. In its Group III it has representatives of the social economy, who have created a 'Social Economy Category'. The EESC has been especially active in recent years and has issued several Opinions<sup>66</sup>.

- the European Parliament. It first set up a 'European Parliament Social Economy Intergroup' in 1990, which was disbanded and then revived in 2005<sup>67</sup>.

Another body was the Consultative Committee of Cooperatives, Mutuals, Associations and Foundations (CMAF). Set up in 1998, its function was to give its opinion on the different matters concerning the promotion of the social economy at European Union level. This

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<sup>65</sup> See <http://ec.europa.eu/enterprise/entrepreneurship/coop/social-history/social-history.htm>

<sup>66</sup> EESC Opinions on The social economy and the single market (2000); Ability of SMEs and social economy enterprises to adapt to changes imposed by economic growth (2004) and Economic diversification in the accession countries – role of SMEs and social economy enterprises (2004).

<sup>67</sup> An important initiative by the Parliament is the Report on a European Social Model for the Future (2006), which explicitly states that the social economy is the 'third pillar' of this model.

Committee was abolished in a Commission restructuring in 2000, but at the initiative of the sector organisations the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF)<sup>68</sup> was immediately set up as a European platform to liaise with the European institutions.

When implementing measures, the EU institutions keep meeting a two-pronged problem in relation to the social economy: its scanty legal base and its insufficient and generalized conceptual definition, contending between an absence of explicit references in the basic European Union texts (Treaty of Rome and Treaty of Maastricht) and a definition (if any) based on the legal form rather than on the activities being conducted, and between a multiplicity of terms (the Third system, civil society, etc) that hinder consensus on the designation to be employed.

From the perspective of the legal recognition and visibility of the social economy, the principle advances have been as follows:

- European Conferences (Paris, Lisbon, Brussels, Rome, Seville, Gavle, Ghent, Athens, Luxembourg, Salamanca and Tours, among others<sup>69</sup>) organized by Presidencies of the Council of the European Union or within the framework of a Presidency.

- Successive EESC Opinions<sup>70</sup>, the initiatives and opinions of the European Parliament Social Economy Intergroup and in some cases also those of the Committee of the Regions, or even the Commission itself<sup>71</sup>, have contributed to the visibility of the social sector and its components<sup>72</sup>;

- The European Observatory for SMEs focused its 6th report (2000) on associations and foundations.

- The Statute for a European Co-operative Society, which aims to harmonise and favour transnationality, as well as giving institutional support to certain European business initiatives, is generating a positive illustrative effect both in the new European Union member States and in countries which lack special legislation for co-operatives, such as the United Kingdom and Denmark<sup>73</sup>.

- The recent approval of the regulation on social clauses

- An increasingly favorable policy towards social enterprises.

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<sup>68</sup> The current agenda of CEP-CMAF is:

- the Lisbon strategy (to try to reconcile economic aspects with social and environmental ones) – cohesion policy – Competitiveness and Innovation Programme – services of general interest – state aid – corporate social responsibility.

<sup>69</sup> As well as these conferences, organised in the framework of an EU Presidency, the sector itself has organised other important conferences such as those in Prague, Cracow and Manchester.

<sup>70</sup> In 2000 the European Economic and Social Council (EESC) issued Opinion CES242/2000 DO C117 of 26.04.2000 on The social economy and the single market. This Opinion highlights that the social economy plays an essential role in business plurality and the diversification of the economy and, in consequence, suggests a battery of public support policies. Subsequently, at the request of the European Commission (14 October 2004), this same consultative body issued an Opinion on the Ability of SMEs and social economy enterprises to adapt to changes imposed by economic growth, in which it considers that the social economy plays an important role and that specific support measures need to be implemented (e.g. setting up a European Observatory for the social economy and extending the measures proposed by the OECD to the SE, among others).

<sup>71</sup> In 2004 the Commission of the European Communities released a significant Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on the Promotion of Co-operative Societies (23 February 2004, COM(2003)18).

<sup>72</sup> In a different international sphere, although important for Europe because it was approved by the 25 countries of the European Union, among others, as well as by most of the national employer organisations and trade unions, is the Promotion of Cooperatives Recommendation (Recommendation R193 of 2002) of the International Labour Organization (ILO).

<sup>73</sup> On the other hand, the withdrawal from the European agenda of the Statutes for a European Association and a European Mutual Society has resulted in the loss of an opportunity to give institutional support to these forms of the social economy.

The objectives to which the social economy is linked are essentially employment, social services and social cohesion and therefore appear above all in two major lines of public policy: social and social and work integration policies and local development and job creation policies. The EU institutions' interest in involving the social economy in these objectives constitutes a fundamental advance, although it does reveal a narrow view of the SE's potential and the properties that it could generate in the economy and society of Europe, as shown in Chapter 9 of the current report.

A European budgetary policy specifically for the social economy did not get off the ground. The two attempts were unsuccessful. The first 'multi-annual programme of work for cooperatives, mutual societies, associations and foundations in the Community' (1994-1996) was intended to promote the European social economy through specific transnational projects and through taking it into account in community policies (statistics, training, research and development). Approved by the European Parliament with a budget of 5.6 million Ecus, it was rejected by the Council. The second proposal of a multi-annual programme for the social economy met the same fate. The dissension between the Council and Parliament can be seen in the selfsame 'Social Economy' budget, which was eliminated in 1977 by the former and reinstated by the latter.

The participation of the Social Economy in the budgetary policy of the European Union has been achieved through the framework of employment and social cohesion policies, specifically the pluriannual budgets to promote the SMEs and employment, like the ADAPT initiative, the EQUAL initiative for social and work integration and the Local Action for Employment and Local Social Capital programmes, and the European Social Fund (ESF) in the framework of measures to support local initiatives (sub-measure 10b), which make explicit reference to the role of the Social Economy. These explicit references are part of the recognition of the Social Economy within the Lisbon Strategy framework for employment and local development.

These programmes have had a wide-ranging structuring effect, both nationally and internationally, in joining up and strengthening the European social economy in terms of federations, networks, research, culture and policies. The EQUAL programme is particularly important. It supports projects involving social economy entities, such as strengthening the national social economy (third sector), especially services for local communities and improving the quality of employment. Its projects also include lectures and debates, which are key factors for spreading the concept. It is having a decisive impact in countries such as Poland, Ireland and Austria.

At the initiative of the European Parliament, in 1997 the Commission set in motion an important pilot scheme entitled The Third System and Employment, the only substantial one specifically directed at the Social Economy, with a view to exploring and promoting the potential of the Third Sector in terms of employment. Put into operation by the Directorate-General for Employment and Social Affairs up to 2001, it established 81 projects to a value of almost 20 million Euros. It has not been continued.

It is hoped that these positive effects will also be seen in the new European Union member states. In this way, the Social Economy will contribute to building European and to the European project.

Within the architecture of European policies, it is important to underline the central role of national governments in transferring the European Union policies to the member States.

Some initiatives have also been set in motion by the Enterprise Directorate-General (Hypsman, 2003): in 2000 the Commission set up an enterprise policy group in the Enterprise Directorate General to advise the Commission on all questions concerning this area. This institution, a think-tank and debate and consultation body composed of high level specialists from

the business sector and representatives of the member states, is responsible for examining general enterprise policy questions and helping the Commission to publicise good practice. It includes representatives of the social economy. Green Papers on entrepreneurship and the social responsibility of businesses have been on its agenda, as well as a Report on business competitiveness factors.

The timid advances regarding recognition and the deployment of policies at European Community level contrast with two issues that occupy a central position in the European Union agenda and policies. These issues are, on the one hand, the barriers emanating from antitrust policies (Pezzini, 2000) that consider the activity of the cooperatives to be 'agreements', so practices that restrict competition and must be prohibited, and on the other hand, the current review of State support policies and funding for services of general interest: the only beneficiaries that are not called into question are social clauses and non-profit associations.

## CHAPTER 8

### OUTSTANDING CASES OF COMPANIES AND ORGANISATIONS IN THE SOCIAL ECONOMY

#### 8.1. Co-operatives

#### 8.2. Mutual societies

#### 8.3. Associations, Foundations and other Social Economy organisations

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One of the main aims of this study is to identify and present a series of cases of companies and organisations in the European social economy that testify to the plurality of specific responses which the social economy offers to the multiple needs and aspirations of European society, reveal the wealth of forms that these organisations adopt and make it clear that despite the diversity of specific dynamics it is possible to identify a shared thread: that of their membership of a socio-economic sector located between the traditional capitalist private economy and the public economy.

The cases were selected by asking correspondents in the different countries and sector organisations for information and advice in order to identify a significant number of cases of good practice, on the one hand, and on the other, by bearing in mind the criterion of reflecting the greatest possible diversity of EU countries, of institutional forms and of sectors of economic activity. An attempt was also made to include some unique but significant examples of the forms the social economy takes in certain countries. The cases finally selected are presented on the basis of information provided directly by the organisation in question, information available on its website and information supplied by the correspondent(s) in each country.

### 8.1. CO-OPERATIVES

#### WORKERS' CO-OPERATIVES

##### **1. Cooperativa Sociale Prospettiva: integrating the disadvantaged into the job market, making artistic pottery**

- <http://www.prospettivacoop.it/>
- Workers' co-operative
- Italy
- Founded in 1984
- 350 clients all over Italy

The Cooperativa Prospettiva is a limited liability co-operative organisation. In 1995 it became a body whose aim is integrating the disadvantaged into the job market. The organisation is legally recognised as a Non Profit Organisation of Social Interest (ONLUS in Italian).

The co-operative was launched in 1984, when it fostered the creation of crafts workshops for the disabled and the production of artistic pottery was started. This activity has carried on over these years and has developed and improved since its birth.

The pottery is mainly intended for herbalist's shops. At present, the workshops have about 350 clients all over Italy and plan to increase sales in the future. Today the co-operative has its own catalogue.

Training is of paramount importance for the pottery sector for various reasons which are closely linked to the life and development of the co-operative. Training courses can be seen as a way to improve its market position, a way to increase sales and find already skilled workers who can join the board. Moreover, the courses can also act like a therapy.

The co-operative offers a very wide range of courses. There are private courses open to everyone; courses for the young handicapped and courses sponsored by the European Social Fund for those who have difficulty in integrating themselves into the job market.

## **2. Chèque Déjeuner Co-operative: job creation with values**

- <http://www.cheque-dejeuner.com>
- Workers' co-operative
- France
- Founded in 1964
- 1,000 employees
- Issues 380 million vouchers annually

Chèque Déjeuner is a value-based company launched in 1964 when meal tickets were introduced in France. Its originality lies in its structure as a workers' production co-operative. The choice of this legal structure embodies the founder's commitment regarding social and human values.

Issuing vouchers of a social or cultural nature is Chèque Déjeuner's original trade. The vouchers allow significant discounts in food products, schools, books, tickets, gifts, computer products or holidays. They can be used for instance in a wide range of restaurants, pizzerias or coffee shops. Chèque Déjeuner has the largest network of affiliated members. Though mainly intended for companies and workers, these vouchers can easily be adjusted to any company or state organization regardless of its size or activity.

The company's expertise has been proved for 40 years as well as its guarantee of a reliable and efficient service. The production line, business network all over France, partnership services and customer service have been certified ISO9001 version 2000. The employees' commitment ensures a continuously optimized process. Groupe Chèque Déjeuner has been the first to obtain certification of all its services in this sector.

This experience has allowed the company to export its service idea to Spain, Italy and Eastern Europe (Hungary, Czech Republic, Slovakia, Poland, Romania, and Bulgaria). The company issues more than 380 million vouchers annually, a 2,000 million Euro sales figure. Around 1,000 people work for the company.

## **3. Irizar Group, Europe's second biggest producer of luxury coaches**

- <http://www.irizar.com> <http://www.mcc.coop>
- Workers' co-operative
- Spain
- Founded in 1998
- 2,900 workers in all the group

Irizar is one of the 100 autonomous co-operatives that make up the Mondragón Corporación Cooperativa (MCC) Group, a business group based on worker-members divided into three large

groups: Financial, Industrial and Distribution. Today it is the leading business group in the Basque Country and 8th in the ranking in Spain as a whole. It has a turnover of 11,859 million euros in its Industrial and Distribution activities, administers resources totalling 11,036 million euros in its financial activities (Caja Laboral) and has a workforce of more than 78,455 people.

Irizar is built on a system of self-management and participation, with the goal of achieving Business Excellence through the continuous satisfaction of its customers, its people, external collaborators and society at large, thus generating social wealth and employment.

Irizar is a luxury coach maker. It is Europe's second biggest producer by volume and is commercially active in 71 countries. The number of people involved in the Ormaiztegi operation in Gipuzkoa, a province within Spain's Basque Country, currently stands at 731.

The Irizar Group, founded in 1998 as a consequence of the Irizar partnership strategy, includes Irizar Tianjin (China 1995), Irizar Maghreb (Morocco 1997), Irizar Brazil (1998), Irizar México (1999), International Hispacold (Spain 1997), Irizar Tvs Ltd. (India 2001), Masats S.A. (Spain 2002) and Irizar Southern Africa (South Africa 2004), totalling more than 2.900 people in the Irizar Group.

The luxury coach-building sector in Europe serves a market of 9,000 units per year. There are currently 7 manufacturers of more than 400 coaches/year in Europe, among which Irizar has held the second position in the market since 1998 (currently Irizar produces more than 1,605 coaches per year). A total of 13 coach-builders supply the Spanish market, where Irizar is a clear leader with more than a 40% market share (2005). Unlike most of its competitors in the European market, Irizar has followed a strategy of market diversification since 1993 and has focussed its efforts solely on producing one product: long- and medium-distance luxury coaches.

Irizar has won international recognition, with prizes for its quality and its business excellence such as the Gold Worldwide Transport prize in the coach section (1998), ICIL Awards Logistics excellence (2006) and European Prize for Business Excellence (European Quality Prize - 2000), as well as obtaining ISO 14001 Environmental Management System Quality Certification and ISO 9001 Quality Certification.

## **CONSUMERS' CO-OPERATIVES**

### **4. Multipharma**

- <http://www.multipharma.be>
- Consumers' Co-operative
- Belgium
- Founded in 1921
- 173 pharmacies
- 1,200 associates

Founded in 1921 under the name of "La Maison des Mutualistes", the limited co-operative society Groupe Multipharma has experienced a period of strong expansion over the last twenty-five years. With more than 1,200 associates, Groupe Multipharma is the top pharmaceutical distribution network in Belgium.

The acquisition of several pharmaceutical companies as well as the buy-out of a large number of individual pharmacies has enabled the group to be what it is today, namely a leader within the pharmaceutical distribution sector. By 31.12.2004, the company, which has developed an integrated distribution network, was running 173 pharmacies in Belgium under the trade name Multipharma and 65 via its subsidiary "Les Pharmacies Populaires Liegeoises".

In order to expand its activities, in 1995 Groupe Multipharma created the Equiform chain of

stores. This new entity aims to assert the presence of the group in sectors other than pharmacy, in distribution networks for skin care, hygiene and cosmetic products which are not considered drugs. By 31.12.2004, 13 retail outlets had this shop sign.

Groupe Multipharma aims to enable the whole population to have access to health and care products in the best economical conditions; to guarantee the high quality of pharmaceutical services, especially on drug efficiency and security (receiving, listening, informing and counselling patients, tests, compliance follow-up); to play a privileged role in the implementation by public authorities of a health policy based on the accessibility and quality of drugs and their dispensing.

Efficiency of the supply chain, large supplies in pharmacies, adapting to local needs in terms of the pharmacies' opening hours, offering a fast service... these are the ongoing concerns of the company.

Besides, Multipharma supports its quality policy by implementing a set of actions in various areas such as the training of associates, renewing pharmacies and careful product selection, as well as a large number of initiatives aiming to usefully inform and advise its clients.

## **CREDIT UNIONS**

### **5. Association of Lithuanian Credit Unions, an organization for financial inclusion**

- <http://www.lku.lt>
- Credit Union
- Lithuania
- Founded in 1997
- Members: 53 credit unions

Association of Lithuanian Credit Unions (ALCU) was founded in 1997 by 11 credit unions. The main aims of the association were to strengthen cooperation between credit unions, to be a representative body to Government institutions and to perform training, computerization and marketing activities.

It is interesting to note that credit co-operatives first started in Lithuania in 1871. By 1939, at the start of World War II, there were 310 such 'people's banks' with 119,000 members and some 85 million Litass in assets (2.65 Litass=\$1CAD), representing 37% of the market share of deposits and 37.5% of all loans in the country.

The Soviet regime terminated this very strong movement, nationalizing it and replacing it in some small part with savings&loans programs for factory workers and other unionized employees. These "savisalpos kasos" (self-help entities) were usually based on small mandatory payroll deductions, which were pooled and lent to employees on a rotating basis. No interest was paid or charged, so that, in effect, this was a forced savings scheme that resulted in periodic access to accumulated personal savings.

After the Communist domination, it was project officer Yves Boily who was looking at the possibilities of a new project of credit co-operatives in Lithuania when he met a former Canadian of Lithuanian origin, Vytas Gruodis. Mr. Gruodis had been working as the director of the (Soros Foundation) Open Society Fund of Lithuania and was interested in the possibilities of credit co-operative development in this country. He proposed a project, asking for a technical, pre-feasibility mission, which he received and assisted in late 1993. When the project was drafted, the Open Society Fund was one of the major financial contributors and Mr. Gruodis remained one of its main supporters and enthusiasts.

Member credit unions (53) of the Association of Lithuanian Credit Unions have reported firm growth as in previous years. During 2004, ALCU credit unions assets grew by 50% to 179.5 million Litass (52 M). Four new credit unions started their operations.

Membership growth rate resulted in 12,000 new citizens and more than 120 enterprises. As of December 31, 2004 the total number of members is 43,732 (annual growth 38%).

Credit unions continue to support the principle of offering their members the most favorable interest rates for deposits compared with commercial banks. Proactive savings campaigns have led to a 55% annual increase in deposits to 144 million litas (41.71 M). Most of these (110 million Litass) are deposits by individuals.

## **AGRICULTURAL CO-OPERATIVES**

### **7. Dairygold Agricultural Co-operative Society: supporting farmers**

- <http://www.dairygold.ie>
- Agricultural co-operative
- Ireland
- Founded in 1990
- More than 10.000 members

Dairygold Co-Operative Society Ltd was established in 1990, on the merger of Ballyclough Co-Operative Creamery Limited and Mitchelstown Co-Operative Agricultural Society Limited. The co-operative is owned by over 10,000 shareholders.

Dairygold Co-Operative Society Ltd has two main divisions: Dairygold's Agri-Trading and Dairygold Food Ingredients.

Dairygold's Agri-Trading operations are delivering real value to supporting farmers, supplying high quality competitive priced farm inputs and supplies.

In response to the ongoing reduction in farmer numbers and the widespread use of bulk feed and fertilizer deliveries, Dairygold has rationalised its branch network and reduced excessive overheads while continuing to provide a sustainable service to farmers.

Dairygold Food Ingredients (DFI) is Ireland's second largest milk purchaser, processing c. 850 million litres annually. It is in the business of providing top quality cheeses and dairy ingredients to selected customers and markets globally.

At facilities based in both Ireland and the UK, DFI manufactures and markets a growing and diverse range of cheeses, powders, whey and milk protein ingredients for use within the nutrition, pharmaceutical and general food sectors.

Based in the heart of Ireland's fertile milk producing region, DFI is ideally positioned to maximise the natural competitive advantage afforded by geographic location and a dedicated milk supply structure.

In May, 2006, certain businesses including the Consumer Foods (Breeo), DIY (4Home) and Property (Alchemy Properties) divisions were transferred into a new company: Reox Holdings plc. 75% of the shares of that company were spun out to the members of Dairygold Co-Operative Society Ltd. The remaining 25% is held by the Co-Op.

### **8. Anecoop: an agricultural co-operative group that harmonizes local development, agricultural development and technological innovation**

- <http://www.anecoop.com>

- Agricultural co-operative group
- Founded in 1975
- Spain
- 98 co-operative members
- 615,000 tonnes of produce marketed

Anecoop is a second-tier agricultural co-operative organisation made up of 98 co-operatives located in Spain's main agricultural areas, especially along the Mediterranean Coast. The origins of Anecoop date back to 1975, when a group of 31 citrus fruit co-operatives from the region of Valencia decided to join forces to face the difficulties of a changing market. Its headquarters continue to be in the city of Valencia.

Anecoop's core business is the citrus fruit market - oranges, mandarins, lemons and grapefruit. The variety of fruit, vegetables and salad stuffs it offers sets standards wherever they are sold and the production calendar lasts virtually the whole year round. Anecoop also markets processed products such as wine, grape juice, fruit juice and preserved fruit and vegetables. This season Anecoop has marketed 615,000 tonnes of produce in over 50 countries, 50% being citrus fruit. The co-operative has a turnover of more than 400 million euros.

The key to Anecoop's relationship with its co-operatives is marketing and the development of quality systems adapted to their needs. These systems comply with the strictest quality standards established by the different internationally recognised organisations. In accordance with its quality policy, Anecoop has developed the Naturane label, given to all the products treated in compliance with Anecoop's Integrated Crop Management System. Naturane has 18 different protocols, developed and standardised by Eurep Gap in the case of several of the products.

Since its foundation 30 years ago, Anecoop has been an internationally oriented company. With the incipient globalisation trend of the market, Anecoop turned from an export company into an international company; from just selling the produce of the member co-operatives abroad to creating a sales network with permanent bases in the main destinations for its products. This strategy has helped Anecoop to strengthen its own presence as well as its products in these markets.

Anecoop has eight subsidiaries in areas of strategic importance to the international fresh fruit and vegetable market. They are located in France, the United Kingdom, Holland, Germany, the Czech Republic and Poland.

All this has led Anecoop to occupy a privileged position within the sector. Anecoop is the top Spanish exporter of fresh fruit and vegetables and one of the leading European suppliers of fresh produce. In addition, Anecoop is the world's second most important company marketing fresh citrus fruit.

## **OTHER CO-OPERATIVES**

### **9. Estonian Union of Co-operative Housing Associations, more than 100,000 persons living in co-operative flats**

- <http://www.ekyl.ee>
- Federation of co-operatives
- Founded in 1996
- Estonia
- 800 co-operative members
- 100.000 persons living in co-operative flats (6.5% of population)

Estonian Union of Co-operative Housing Associations (EKL) is an organisation uniting Estonian

housing co-operatives and associations, which defends and develops the interests of its members on the local, state and international authority levels.

Estonian Union of Co-operative Housing Associations was established on 17th of April, 1996 in Rakvere. The federation was founded to comprehend, assist and protect the interests of flat-owners' associations and housing co-operatives. The Union has 9 bureaus in various towns all over Estonia, where it is possible to obtain versatile information on the issues of organisation of activities of flat-owners associations and housing co-operatives.

EKL has experienced considerable growth and currently numbers 800 co-operative members. The main goals behind the activity of the Union are:

- To develop and advertise the flat-owners' and housing associations movement.
- To assist the members in connection with fulfilment of the tasks they are facing, such as management and administration of their housing, among others.
- To gather and forward current information to its members and to publish relevant leaflets and materials.
- To influence and participate in legislation; observe and contribute to the development of legislative and other acts of law.
- To provide help with the establishment of associations and other management and administration structures.
- Compilation and implementation of development projects and training programs dealing with joint housing management, of nationwide as well as local and regional importance.
- To offer its members a universal professional, high-quality service.

The Union is lead by a 16-member Council, which is elected at the Union Day and appoints the board. The latter's task is to supervise and implement everyday activities of the Union in accordance with decisions approved at the Union Day and by the Council.

EKL provides training, seminars and information days for the boards, bookkeepers and executive directors of housing co-operatives and associations throughout Estonia. In addition to short training courses, EKL also organises 160-hour supplementary training for executive directors based on the Licence from the Ministry of Education, with the official certificate for the graduates.

This Association has initiated several projects to promote the conditions co-operative housing must have. In 2001 it launched a project called "Low interest loans for co-operative housing". With government assistance the city of Tallinn managed to raise 1m Estonian Kroon (EEK) by way of a loan for refurbishing co-operative housing. In 2002 a new project was set up enabling co-operative housing to benefit from a good insurance system.

## **10. Training and Cultural Activities Cooperative (COFAC), the biggest University cooperative generating knowledge and human capital**

- <http://www.ulusofona.pt>
- Educational Co-operative
- Portugal
- Founded in 1986
- More than 15,000 students
- 1,000 teachers

COFAC – Training and Cultural Activities Cooperative - This is actually the biggest private cooperative institution of Higher Education in Portugal. Its educational institutions receive nearly 15,000 students and there work more than 1,000 teachers and 300 administrative officers.

COFAC was founded in 1986. Nowadays the cooperative owns the following institutions of Higher Education:

- ULHT - Universidade Lusófona de Humanidades e Tecnologias;
- ULP - Universidade Lusófona do Porto;

- ISHT - Instituto Superior de Humanidades e Tecnologias de Lisboa;
- ESEAG - Escola Superior de Educação Almeida Garrett;
- ISDOM - Institutos Superiores D. Dinis;
- ISPO - Instituto Superior Politécnico do Oeste;
- ISMAT – Instituto Superior Manuel Teixeira Gomes

Consequently, the administrative and financial management is always assured by the Cooperative, as are the scientific and teaching activities by the academic departments, particularly the Vice-Chancellors and the Scientific and Teaching Councils. The functions and competencies of each one of the departments are stated in their specific Statutes and are also in accordance with the applicable general law.

The Grupo Lusófona represents this group of establishments and in particular those which, in and out of Portugal, share the same principles and strategic guidelines, with a total of 22,000 students throughout all levels of learning.

A Higher Education Health College (ERISA - Escola Superior de Saúde Ribeiro Sanches), a Preschool and Primary Education establishment (RCP - Real Colégio de Portugal), a Secondary Education establishment (EPA-Escola Pré-Universitária Autónoma) and a Professional School (EPAD - Escola Profissional de Artes, Tecnologias e Desporto) are part of the group in Portugal.

The following establishments are integrated in the structure outside Portugal:

- Universidade Amilcar Cabral - Guinea-Bissau;
- ISPU - Instituto Superior Politécnico Universitário - Mozambique;
- Faculdade e Colégio Paraíso - Brazil.
- Universidade Lusófona de Cabo Verde – starting activities next January

The start of activities in Angola is expected shortly.

## **11. Cooperation and development in Bonares: local development and cooperation**

- Joint co-operative
- Spain
- Founded in 2000

This is a *joint cooperative* comprising four cooperatives from different sectors: dry farming, retail, transport and fruit and vegetables; together with Bonares Town Council, in Andalucía, a region in the south of Spain.

The aim of this cooperative is to promote, coordinate, integrate and defend the economic interests of its members. The activities it carries out include: defending and making known to administrative bodies the common economic interests of its members; setting up common interest services which contribute to the economic advancement of the members; promoting analysis of and research into potential resources which may be exploited by the members, and providing training and information for the member cooperatives' members in those matters which directly affect them in their respective activities.

The cooperative intends to set up a Credit Section, which will not constitute a separate legal entity from the cooperative and will restrict its loan operations to the cooperative itself and to the members of the member organisations.

When analysing the repercussions on the business development of the member cooperatives, one pointer is the signing of an agreement for the common management of the economic resources with the “El Monte” credit Company, which provides considerable economic benefits to the member cooperatives; the signing of an agreement for an across-the-board reduction in insurance

premiums with the “Vitalicio Seguros” insurance company, which involves a considerable saving on premiums for the members and a cost reduction agreement for both land lines and mobile phones, with the knock-on effect of cost savings for the members.

“Cooperación y Desarrollo de Bonares, S. Coop. And.” cannot lose sight of its aim of providing a service to the members, carrying out those activities which they cannot tackle on their own and offering cover in those others they undertake. To achieve this, the members work together in a collective effort, putting common interests before individual ones and investing in the near future, developing activities whenever necessary.

Looking to the future, the joint cooperative will strive to consolidate and improve the projects in progress, rolling them out as far as possible to cooperative members and to the rest of the population, seeking in this way to reduce people's spending in these the areas.

## **12. Co-operative Society of Cyprus Marine Services (COMARINE) Ltd**

- <http://www.comarine.com.cy>
- Services co-operative
- Cyprus
- Founded in 1965

Comarine was founded in 1965 by the long-established Co-operative movement of Cyprus. It was conceived as the shipping arm of the Cyprus Co-operative for its considerable exports and exclusive imports of seed potatoes and fertilisers.

The co-operative provides transport services in land, marine and air and undertakes activities in the tourist and hotel industry sector. It is considered one of the most important and dynamic co-operative societies.

Comarine's primary operation is Shipping and Chartering, an area in which it is firmly established and one in which it has built up an unrivalled reputation. With more than 30 years of experience in this field, its workers are acknowledged as forming one of the Island's leading shipping companies. A number of world-wide organisations have entrusted Comarine with their representation and the cooperative scope covers container ships, conventional cargo ships and Roll on Roll off Vessels

The majority of important exports of the agricultural produce of Cyprus, both of the Co-operative movement and of private individuals, are being carried by ships represented or chartered by Comarine.

The co-operative is an approved IATA office and Comarine's Air Freight services handle exports of large quantities annually. Specialised cargoes and crops of a highly perishable nature are dispatched on aircraft specially chartered by the company. Amongst many other services, the Air Freight Division undertakes the daily despatch of various goods worldwide.

Comarine has Travel and Tourism Departments in all of its offices on the Island. Drawing on the wealth of experience in the related airline and shipping fields, the Company has expanded and diversified its activities to embrace all aspects of tourism, both on the Island and overseas.

Comarine's broad financial base encompasses a diverse cross-section of local business interests and activities, all of which serve to illustrate the Company's flexibility. The business interests and activities cover Plaza Hotels Enterprises Ltd., owner and manager of the popular 4-star Miramare Hotel in Limassol.

### **13. Consorzio Beni Culturali Italia, The first service to culture is to make culture**

- <http://www.consorziobeniculturali.it/>
- 13 member co-operatives
- Italy
- Founded in 1993
- cultural productions (research, design and events), training operators and unemployed

Consorzio Beni Culturali Italia was established in 1993 in Rome, promoted by the Tourism, Culture and Sport Federation of Confcooperative. This federation unites more than 1,000 co-operatives spread all over Italy and has adopted this tool for the implementation of an efficient capillary network for sharing know-how, methodologies and skills.

The Consortium's registered office is in Rome c/o Confcooperative, in order to foster a consistent relationship with the state, church and private cultural institutions. Since 1999 the premises have been in Turin.

The Consortium currently has thirteen member cooperatives distributed throughout the country. The activity of the consortium deals with various fields: specific cultural productions (research, design and events), training operators and unemployed, advice and supply of high-quality services. The Consortium offers its services to its members and to all the enterprises working in the tourism, culture and environment industry.

#### *Activities*

Among its activities, the Consortium researchs the history of the arts and architecture, archeology, literature, music, landscape, psychology, regulations, the economics of culture and strategic policies for local authorities, regional and national governments and public administration.

The consortium designs interventions (preliminary feasibility, feasibility studies and project design) for the appreciation and management both of sites and of cultural and environmental assets, including drawing up applications for contributions and funding.

Other activities of the Consortium are post-diploma and post-graduate training of young people seeking employment and/or updating for operators in the sector (cultural heritage and cultural tourism) and producing and organizing cultural events (devising, designing and implementing exhibitions, theatre productions, conventions and cultural events in general). These have included the "*Inuit e Popoli del Ghiaccio*" exhibition during the Winter Olympic Games of Turin 2006 in cooperation with the Regional Administration of Piedmont and the Canadian authorities and the "*Viaggio sentimentale*" (Sentimental Journey) in the Cesare Pavese Literary Park.

### **14. Britannia building society: the second largest building society in the UK**

- <http://www.britannia.co.uk>
- Building society
- United Kingdom
- Founded in 1856
- 3 million members
- 6.9 £ billion of gross lending per annum
- 32 £ billion of group assets
- 4,600 staff

Britannia uses the profits from its subsidiary companies to give their members extra cash in their

pocket each year. With that, the Britannia Membership Reward was born. To date, its members have received a share of a staggering £420 million profit.

If that's not enough, they feel it's only fair to give something back to the community. So through their Community Fund and the Britannia Building Society Foundation, they have distributed more than £3 million to local charities and voluntary organisations over the last 6 years.

Obviously there's more to it than just offering great products. They continually invest in staff training programmes to make sure the 4,600 staff can provide the service the customers need. That's one of the reasons that Britannia's debt counsellors have made sure it has one of the lowest arrears and repossession rates of any financial institution in the UK. These training programmes earned 'Investors in People' accreditation in 1996 and in 1999.

All in all, Britannia is there for its members and the community. If it wasn't for them, Britannia would not be where it is today.

There are all kinds of things to consider, like rates, service and the reputation of the company.

Britannia is proud of its ethical and environmental conscience and is continually after new ways to incorporate diversity into its business. Customers come from all walks of life and so should the employees. People, reflecting the community the company serves, are what make Britannia so successful.

Being an active member of Business in the Community (a unique movement of companies across the UK committed to continually improving their positive impact on society) keeps Britannia on its toes. It's won awards and regularly improves its approach to diversity, specifically gender, race and disability through benchmarking against leading companies.

Balancing the needs of the business with the needs of employees, Britannia provides flexibility, adaptable working patterns and an employee assistance programme so that people can fulfil their potential outside work as well as in. Ethical, honest and socially responsible business practices are not barriers to Britannia's success, they are its bedrock.

## **8.2. MUTUAL SOCIETIES AND INSURANCE CO-OPERATIVES**

### **15. Vzajemna, health insurance and medical assistance**

- <http://www.vzajemna.si>
- Mutual Health Insurance Company
- Slovenia
- Founded in 1999
- 1.2 million citizens insured
- 240 full-time employees (2004)
- More than 80% of the market share

Vzajemna is the Slovenia's first voluntary health insurance company, established as a result of legislation separating voluntary and compulsory health insurance. In 2003, it had over 1.1 million members with supplementary health insurance and more than 80% of the market share in this area.

Vzajemna has an annual income from premiums of approximately EUR 230 million. Its name is the word for its basic operating principle, mutuality - Vzajemna is a mutual insurance company and financial profit is thus not its main business or organisational goal. The total surplus accumulated by Vzajemna is intended for the benefit of its subscribers in the form of periodic bonus distributions and for creating reserve funds to ensure Vzajemna's stable business

operations and solvency on a long-term basis.

The voluntary health insurance provided by Vzajemna includes:

- complementary health insurance, ensuring full coverage of 'co-payments';
- supplementary health insurance schemes (A and B); medical assistance abroad; and a scheme to integrate foreign people into the compulsory health insurance scheme.

No. of all-level business units: 71

No. of top-level business units: 9 + headquarters

Gross premium written 2004: EUR 233 million

Structure of portfolio: 100 % Voluntary Health Insurance

## **16. MACIF, the biggest mutual society in France**

- [www.macif.fr](http://www.macif.fr)
- Mutuelle d'assurance
- France
- Founded in 1960
- 7,800 staff
- 4.3 million members
- 14 million contracts managed

The top family insurance company in France, with 4.3 million members and 14 million contracts managed, Macif has the very particular status of 'mutual benefit insurance without intermediaries'. The aim of Macif is not profit, it is not a joint stock company but a partnership belonging to the Social Economy.

This membership entails a major consequence: the riches which Macif creates are directly intended for the improvement of the service which it returns to its members and the quality of the work of its staff.

In 1960 a group of retailers and industrialists from Niort in western France created Macif with the support of a union of non-sedentary traders. They were quickly joined by workers and management from these sectors, then by the major employee trade unions and finally by the unions and professional bodies for the self-employed. At the core of the Social Economy built on the mutualist movement, Macif is an insurer with a difference: previously open only to those working in trade and industry, Macif has since built on its outstanding reputation by broadening its statutes to include other professions and the self-employed.

Little by little, the company has grown into one of the leading insurance companies in France. It has faced a few hardships and celebrated many successes without losing sight of its initial commitment. Its identity is firmly anchored around mutualist values and ideology. The Social Economy is the core around which the company has developed its heritage and its company culture. It is Macif's trademark and the company is proud of it.

By becoming a group, Macif had to face a new challenge. This was a sign of the times: Macif followed the flow and adapted to the needs of today's society; however, while other companies may have lost their soul in the process, Macif was able to remain on track.

Nowadays, the Macif Group is an impressive company which is capable of combining economic and social performance while remaining financially sound and maintaining its innovative edge. Both the headquarters and the branch offices work hand in hand to ensure the transparency of the product offers and management approach.

The Foundation Macif, whose purpose is to prolong the social intentions of its founder, Macif, promotes solidarity between people and supports their access to autonomy and responsibility, both in France and in Europe. Created in 1993, the objects of the Macif Foundation are to develop the Social Economy on the French and European territory by supporting the initiatives which take part in it. The Macif foundation is a founder member of the European Pole of the Foundations of the Social Economy.

### **17. Tapiola Group, insurance, bank, savings and investment services**

- <http://www.tapiola.fi>
- Mutual group
- Finland
- 2,700 employees

Tapiola Group is a customer-owned group consisting of four insurance companies: Tapiola General Mutual Insurance Company, Tapiola Mutual Life Assurance Company, Tapiola Corporate Life Insurance Ltd and Tapiola Mutual Pension Insurance Company. It also includes Tapiola Asset Management Ltd, Tapiola Fund Management Company Ltd and Tapiola Bank Ltd. The group's registered address is in Espoo and it employs about 2,700 people.

Tapiola Group insurance and financial companies operate on the basis of mutuality. The customers own the mutual insurance companies who in their turn own the rest of the companies in the group. The group is not obliged to take external investors into consideration and therefore the profit can be used to develop customer benefits and services.

All customers are equal in their role as owners. They are customers in Tapiola to gain economic security, not to pursue profit. In a mutual company the policyholders exercise the owner's power. The right to vote is based on premiums or savings, and hereby the ownership and customer benefits form an aggregate.

Since Tapiola is a mutual group, the surplus from Tapiola's business is distributed to the customer-owners as bonuses and rebates. A part of the result is used to strengthen solvency, ensuring future bonuses. Other benefits offered to the customer-owners are cost-free mappings of insurance cover and economic security and the emergency phone service.

During recent years, Tapiola has consequently worked to improve the quality of its customer service. As a result of this, Tapiola was awarded the Finnish Quality Award 2000. In addition, the Group has been honoured for its exceptional work on environmental issues. Since the mid 1990's Tapiola has introduced consumer policy aspects into its development. The Group continues to work on its development.

#### *Vast global co-operation network*

Tapiola has co-operation partners in each of the Nordic countries and a vast global co-operation network. In Finland Tapiola co-operates for example with the insurance company Turva. Tapiola is also engaged in co-operation with Finnish and international insurance organisations and other similar institutions.

In Finland Tapiola also co-operates with the S-group, the Central Union of Agricultural Producers and Forest Owners MTK and ProAgria.

### **18. The Benenden Healthcare Society**

Incorporated Friendly Society  
United Kingdom

1 million people covered  
Discretionary healthcare benefits

The Society was formed in 1905 to help Post Office workers suffering from tuberculosis (TB). At that time TB was rife, especially among sorting clerks. It was killing many thousands of people a year. Only the very wealthy could afford medical help or a trip to a Swiss Sanatorium to recuperate in the fresh air.

One man had a radical idea to overcome the problem. Charles Garland, a Post Office clerk himself, decided to create a mutual self-help organisation so that the less well off could get access to the healthcare they so desperately needed. Everyone would contribute a small weekly amount into a fund. It would be used to help their colleagues or themselves if they were unlucky enough to contract TB. In the early days, it was known as The Post Office Sanatorium Society.

The Society acquired its own sanatorium in the South East of England and this started a process of continuous development of services in line with changing member needs. Today that sanatorium is a modern hospital with a wide range of clinical services. These, and other healthcare services provided throughout the UK, are provided for members when they experience difficulty in obtaining care from the national health system, the NHS.

The Society operates in a business like manner underpinned by strong mutual values. All members pay the same contribution rate, there is no selection of risks and there is a healthy democratic structure to represent the members' interests.

### **8.3. ASSOCIATIONS, FOUNDATIONS AND OTHER SOCIAL ECONOMY ORGANISATIONS**

#### **19. Shelter, a large charity for the homelessness**

- <http://england.shelter.org.uk>
- Charity
- United Kingdom
- Founded in 1966
- More than 170,000 beneficiaries per year

Shelter understands the damage that bad housing causes. Every day it deals with the effects it has on people's lives. This is why Shelter is working hard to ensure that everyone has a suitable, decent and affordable home

In 1966, Shelter was set up to do what the Government, housing bodies, and local agencies were failing to do: prevent bad housing and homelessness.

The public, the media, and the Government itself recognised that this was an emergency. Families were being forced apart, children and vulnerable people were suffering - simply because of a lack of decent, affordable housing.

Over the past 40 years, Britain has become increasingly affluent, but also more complacent, and we have allowed housing to slip down the public and political agendas.

This year marks 40 years of Shelter's pioneering campaigning to wake people up to the human cost of bad housing. Forty years of bringing hope of a brighter future to those it has helped.

Constant lobbying has pressured government into making key changes to policy and legislation, the legacy of which will continue to be felt for generations to come.

Shelter's ground-breaking advice and support services on the front line of the housing crisis have been helping families and individuals find and keep homes.

Shelter helps more than 170,000 people a year fight for their rights, get back on their feet, and find and keep a home.

Shelter also tackles the root causes of Britain's housing crisis by campaigning for new laws, policies and solutions.

## **20. Alte Feuerwache Köln, a self-governing sociocultural centre**

- <http://www.altefeuerwachekoeln.de>
- Sociocultural centre
- Germany
- Founded in 1977
- Daily up to 700 visitors, on special days a few thousand
- Ca. 70 user groups

Since 1978, the buildings of the old main fire station of Cologne have been being used as a centre of communication and culture. Once captured by citizens and users, the “Alte Feuerwache” developed into a self-administered centre for the Agnesviertel neighbourhood as a result of the help and interaction of many people with different backgrounds and professions.

The “Alte Feuerwache” became a central place of cultural and sociopolitical discussion and production in Cologne and grew into a model project in Germany.

While Beuys created the theoretical cover in the 70's with his considerations on 'social plastics', users fought for their communication centre by practical action as experts in their own life as a public area and developed it further in arguments with the social challenges.

This center is still a living proof for social, cultural and political practice. The aims of the Alte Feuerwache are also its programme:

-Aiding the meeting of humans from all kinds of work, age groups, social backgrounds and cultures in Cologne and motivating critical thinking. It also aids social and democratic behaviour.

-The basic principle of cross-linking all areas (art, handicraft, pedagogics, culture and politics) determines the quality of the work on the one hand and on the other hand makes it possible for the users to find and enter into political, social and cultural topics and aspects of our society with which they are usually not confronted in their normal lives.

-As a self-administered centre and promoter it empowers people to take the initiative and act responsibly. Individuals and groups in working groups, committees and concrete operational sequences are marked out by its organization and decision structure; the Alte Feuerwache expressly offers bases for citizens' commitment through the possibilities of co-operation.

-The “Alte Feuerwache” is central meeting place, meeting and experimentation place for a multiplicity of political and cultural groups, which compile and structure alternative concepts for society, politics and culture and carry them 'outside'.

## **21. Artisans du Monde, the first fair trade association: fair trade for the Third World**

- <http://www.artisansdumonde.org>
- Union of associations

- France
- Founded in 1974
- 5,000 voluntary workers
- 70 employees
- 140 local associations
- Sales figure: 10.2 million €(2005)

Artisans du Monde was at the start of the French *fair trade* movement (*commerce équitable*). This emerged as early as 1970-1971, closely linked to the actions led by l'Abbé Pierre to provide help to Bangladesh through the creation of twin-town cooperation (U.CO.JU.CO) and 'Third World shops'. In 1971, after coming back from Bangladesh, l'Abbé Pierre started his 'call to the French communities'. Dozens of committees were created.

1972: The Union des COmités de JUmelages COopération (U.CO.JU.CO) acted in various ways: 1% voluntary tax, collection of objects rejected by consumer society, sales of Third World products to finance projects.

1974: U.CO.JU.CO. opened the first Artisans du Monde shop in Paris.

For 30 years Artisans du Monde has been carrying on a supportive trade with its partners from the South in favor of sustainable development. In this context, development must be understood as self-control of economic, political, social, cultural and environmental choices by peoples and societies in the perspective of democracy.

As an activist distribution network association, Artisans du Monde supports the idea of three-dimensional fair trade based on economy, education and politics. Its means of action are fair-trade product sales, consumer education, public opinion campaigns and advocacy actions. With more than 160 retail outlets in France, Artisans du Monde is today's first fair-trade specialist network. The different structures are grouped together into a national association.

1000 handicraft items (tableware, decoration, toys, textiles...) and 120 food products are imported by the Solidar' Monde trading group. Their distribution is combined with information about the producers' living and working conditions and about North-South trade mechanisms. Artisans du Monde works with 115 producer organisations in 42 countries from Africa, Asia and Latin America and develops trade networks that are independent of the large distribution chains. Working all over France, the retail outlets are also a meeting place where awareness campaigns can be launched and where a new type of solidarity is forged between North and South.

Growth has been continuous from the very first day. Artisans du Monde's development has been particularly noticeable in the last few years.

## **22. Motivacio foundation for helping disabled people: integrating disabled people into society**

- [www.motivacio.hu](http://www.motivacio.hu)
- Foundation
- Hungary
- Founded in 1991
- Staff: 59 persons, of whom 19 are disabled

The aims of Motivacio Foundation for Helping Disabled People is to offer various services for disabled people and to carry out projects and take part in activities which promote the integration of disabled people into society. The Foundation exercises its activities in the territory of Budapest and its surroundings.

During its 15 years of existence, Motivacio has carried out various initiatives to help disabled people to be accepted as equal citizens with the same personal rights and claims for human dignity as other people.

The personal assistance service began its activity in 1993 in the area of Budapest. Its work was supported by Budapest Municipal Government on the basis of a public service contract. Since 1998, the Ministry of Health and Welfare has also supported its activities on a contract basis.

Motivacio operates a complex range of services with the aim of helping the integration of its disabled clients into society. It provides services on the basis of meeting the individual demands of the clients on the one hand and, on the other hand, asking for their fullest activity and cooperation. The activities are realized through an equal partnership between the service and its clients.

All of the services are considered a model, the first of its kind in Hungary. The methodology elaborated, the administrative and documentation system and the evaluation methods needed for financial support also serve as a model for others.

The aim of the labour market services is to advise and help disabled people in solving their employment, life style and social integration problems. Based on a cooperation agreement and contract with the Budapest Municipal Employment Center, it is the Foundation that offers labour market services for all registered unemployed people sent to Motivacio by BMK, either disabled or with a changed ability to work.

### **23. Fondazione Cariplo: A resource for helping the civil and social institutions to serve their community better**

- <http://www.fondazione-cariplo.it>
- Private foundation
- Italy
- Founded in the nineteenth century
- 144.1 million €equity

Fondazione Cariplo is one of the world's major philanthropic institutions, the first and most important private foundation in Italy and the fifth in Europe. Its mission is to pursue charitable and economic development goals in the fields of scientific research, education, arts, culture, environment, health care, and helping people in need. It works with 15 community foundations. It comes from the splitting off of the social work division of the Cariplo savings bank (Lombardy) as a result of the reform in Italian legislation on savings banks.

There are no owners as the Committee members are appointed at parity by the local authorities and scientific, economic, cultural and civil society organisations, in accordance with the articles of association. They hold office on the Committee (board of governors) in their personal capacity and each has one vote. This board defines the Foundation's strategic policy, approves the budget and appoints the members of the Foundation's other bodies.

The Cariplo Foundation provides funds (endowment funding, challenge grants, flow-through), technical assistance (site visits, manuals, training), assistance to the management of Community Foundations and periodic meetings among CEOs.

The Cariplo Foundation follows the American model of 'Community Foundations', which constitute one of the ways to promote local development by getting the local communities involved as voluntary workers and/or local donors.

Thus, it has contributed to the setting up of 15 foundations in Italy, in Lombardy essentially. The first of them is the LECCO Foundation, created in 1999.

The boards of directors of the Community Foundations decide the assignment of grants to finance short-term and low-amount local projects.

The Cariplo Foundation only intervenes as a donor (provision of half of capital endowment, grants for the operating costs and for projects) and as a 'tutor' (technical assistance).

The other half of the capital endowment of these Community Foundations must, in theory, be contributed by the local community in order to favor local philanthropy. The local authorities also support the development of these foundations by offering premises and providing hardware.

The Cariplo Foundation, through its foundations acting in the field, promotes the financing of projects that meet very local requirements.

The LECCO Foundation, for instance, contributed to the creation of a center for environmental or waste recycling education.

The Cariplo Foundation, for example, finances the current expenditure of the Scala in Milan.

## **24. Trångsviksbolaget AB, a community business in the north of Sweden**

[www.trangsviken.se](http://www.trangsviken.se)

- Joint-stock company
- Sweden
- Founded in 2000

Trångsviken, a village of 700 inhabitants and 70 businesses, is located on a slight incline down towards lake Storsjön. The geographical situation between Åre and Östersund is ideal – near to both mountain and town. The community has developed ideas that are unique for the inland area of Norrland. Through innovative solutions, the local development company has created an environment that stimulates population growth as well as giving small businesses the support to risk new investment.

Trångsviken is a relatively fortunate community regarding available employment but in the past there was a deficiency of community development. Without a strong entrepreneurial spirit as well as a strong community spirit both will expire. The trade association took steps to avoid a downward spiral caused by moving out which would start with the closing of the school and thereafter closing of, for example, shop, post office and bank. In the year 2000 they made a decision of importance for the community. The trade association was dissolved and Trångsviksbolaget AB was formed instead. A joint-stock company is a stronger member in negotiations with both banks and public authorities, but has a goal of working for the maintenance and development of the infrastructure and important community functions.

The shareholders in the company are enterprises, associations and private individuals who are prepared to venture money in community development. The company was formed with a share-capital of 1.5 M crowns. The money came solely from individuals, businesses and organisations with ties to Trångsviken. Three years later a new issue of shares gave an additional 1.2 M crowns and this time significant amounts came from external financiers.

A ten-year development plan was approved that among other things maintained that Trångsviken, which in 2003 had 600 inhabitants and 60 businesses, should in 2013 have 1000 inhabitants and 100 businesses. The goal for 2006, of 700 inhabitants and 70 companies, has already been reached.

*Examples of Trångsviksbolagets activities*

Trångsviken's local bakery began to grow out of its premises and wished to build but the bank refused any help. They contacted Trångsviksbolaget, which arranged a solution. Trångsviksbolaget built a new 1.200 square meter industrial building, after Krokoms local authority and some local businesses provided the security that the bank required. The bakery itself invested close to 5 million crowns in improved machine capacity and the dough started rising. At present their bread is sold in large areas of southern Norrland. Their annual turnover has increased from seven to twenty millions. The number of employees has increased by ten. Without Trångsviksbolaget the village would be minus a bakery today.

Trångsviken doesn't satisfy itself with a plain no from the bank. The business leaders take their expansion plans to Trångsviksbolaget which when necessary supplies risk capital. The company has supported other industrial development projects in the village in the same way that it helped the bakery.

## **25. ONCE, Spanish National Organization for the Blind, integrating disadvantaged people into the labour market and offering them social services.**

<http://www.once.es>

- Public law corporation of an associative and social nature
- Founded in 1938
- Spain
- 64,000 members

The Spanish National Organization for the Blind (ONCE) is a public law corporation of an associative and social nature which was founded in 1938 for mobilizing social services and employment-generating activities for the blind and partially sighted in Spain. A state regulation authorized it to sell lottery tickets called "for the blind" so that its members could earn a living. In May 1939 the first draw was held. Until 1983 the head of ONCE was appointed by the Government and his title was national head.

From the outset the lottery tickets provided employment for virtually all blind people, but there was a desire to diversify their employment possibilities. In the forties and fifties there were some workshops not related to the sale of these tickets, such as a sweet factory and craft workshops. However, it was mainly in the seventies when its scope was broadened by setting up training and employment facilities such as a Telephony School, a Vocational Training Centre and the University College of Physiotherapy, which subsequently has turned out to be the most successful venture, since students can easily find employment both in the public and the private sectors. Similarly, educational establishments, social rehabilitation services, Braille and audio libraries were also set up.

On 19 January 1982, ONCE members elected their leaders by direct secret ballot for the first time, thus incorporating ONCE into the democratic system which Spain had adopted five years earlier. Following its democratization it underwent a radical modernization.

At the close of 2006 ONCE and the ONCE Foundation had attained a total of 102,000 direct and indirect jobs and over 5% growth compared to the previous year, in other words, over 5,000 new jobs and a turnover in excess of 3,000 million euros. Of the total employment, employees with some form of disability comprise 78%, in other words, nearly 80,000 of the workforce.

### ONCE foundation

Within ONCE, solidarity is an ever-present value, a real commitment. Proof of this was the creation in 1988 of the ONCE Foundation for Cooperation and Social Integration of the Disabled, an initiative whose aim is to integrate those with other handicaps into society via employment

and training, breaking down all barriers. To undertake its work, ONCE devotes 3% of its gross income from the sale of lottery tickets to financing its Foundation, an amount which accounts for 20% of the Organization's overall operating margin.

Job creation for the disabled is the top priority of the ONCE Foundation. Between 1988 and December 2001 the total number of jobs created and occupational places reached 42,800. With a view to fostering this aim, in 1989 the Fundosa Group was set up, which currently encompasses more than 115 wholly-owned and share equity companies, 147 workshops and a workforce of 11,500, of whom almost 8,000 are disabled (68.6%).

## **26. Association for Mutual Help Flandria, acces to complementary health services**

- <http://www.flandria.pl>
- Non-profit association
- Founded in 1996
- Poland, cities of Inowroclaw, Torun, Bydgoszcz, Wloclawek, Poznan
- 6,000 members; 35 employees, 150 volunteers

SWP Flandria is a non-profit association based on the voluntary participation of its members that complements the national health insurance scheme (national health fund). The idea of the organization is to organise a social movement, representing the interests of the patients in relation with public and private health providers and the authorities, as well as guaranteeing general access to good quality health care for all the population.

The members of SWP Flandria pay a membership fee (10 €/ year) and get advantages like price reductions in several medical services (medicines, dental care, specialist care) realised through contracts with public and private health providers and through the setting up of its own medical services.

Members also have access to health services not offered in the private and public health sectors (home care, renting rehabilitation material, ...) and to complementary services offered by the volunteer movement (target groups: elderly, youth, handicapped, ...) guaranteeing quality control of health services in public and private sector contracts.

Members participate in the association structures, guaranteeing its democratic decision making and its role as a defender of the patients' interests.

### *Partnership of the public and private sectors*

The strategy of the association is to develop model projects on a limited geographical scale and based on the results, to expand these services to other cities and regions of the country.

These models promote a partnership of the public and private sector and the financial involvement of the public authorities. Some services are later partially integrated into the compulsory health insurance scheme.

The financing of SWP Flandria is guaranteed through a combination of different funds: Polish public health insurance, local authorities (prevention), patients/consumers and external funds (related to particular projects).

The association is also promoting the idea of the mutual movement in Poland to regional and national health authorities, the media and regional and national social platforms.

## CHAPTER 9

### THE SOCIAL ECONOMY, THE SOCIO-ECONOMIC DEVELOPMENT AND THE CONSTRUCTION OF EUROPE

- 9.1. The Social Economy and social cohesion
  - 9.2. The Social Economy and local and regional development
  - 9.3. The Social Economy and innovation
  - 9.4. The Social Economy, competitiveness and democratisation of the entrepreneurial role
  - 9.5. The Social Economy, employment and correcting imbalances in the labour market
  - 9.6. Other roles of the Social Economy
  - 9.7. Weaknesses of the Social Economy
  - 9.8. The Social Economy and the construction of Europe
- 

#### Introduction

The concept of the social economy is closely linked to the concepts of progress and social cohesion. The contribution to European society made by co-operatives, mutual societies, associations, foundations and other social enterprises goes well beyond the contribution which the GDP is capable of reflecting in strictly economic terms, which is already quite considerable. The potential of this social sector to generate *social added value* is great and its realisation is multi-dimensional and markedly qualitative, which is why it is not always easy to perceive and quantify. In fact, it continues to defy the methods for evaluating wealth and well-being<sup>74</sup>.

The net contribution of social added value has been shown and studied over the last two decades in countless scientific studies and official reports, including those emanating from the institutions of the European Union<sup>75</sup>. These studies have not only compared the capacity of the social economy to generate new opportunities for society, to regulate significant social and economic inequalities, thus improving the workings of the system by relieving tensions and problems, and to contribute to the achievement of many general interest objectives, they have also recognised the social sector as being one which brings a style of development that puts people first. This contribution, not always well recognised, contrasts with that of the traditional for-profit private sector, the institutional sector which, although economically efficient, generates what the economists call *market failures*, including negative externalities (such as activities that pollute the environment), an increasing inequality in the distribution of income, regional

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<sup>74</sup> CIRIEC-International will shortly publish an international study with contributions by more than twenty researchers, coordinated by Marie Bouchard, on 'Evaluation methods and indicators of the Social Economy'. See also Chopart et al (2006).

<sup>75</sup> One of the latest reports published is that of the European Parliament (Parliament, Employment and Social Affairs (2006): *Report on a European social model for the future*) in which the Social Economy is explicitly recognised as the third pillar in the European Social Model. It was preceded by a host of reports by this and other European institutions (See bibliography, official publications section).

inequalities and imbalances in the labour and the service sector markets, especially in social welfare services.

Indeed, the role of the social economy in the modern world is not confined to palliating the shortcomings of the other two institutional sectors (the public sector and the traditional private sector) or to generating sectorialised social added value: the social economy also forms a space that evens out the imbalances in the system<sup>76</sup> in order to achieve a more balanced model of social and economic development (Demoustier, 2001)<sup>77</sup>.

From the orthodox economic theory approach, proper recognition of the positive external factors that the social economy generates for society (Fraisie et al, 2001), in the sense of social benefits enjoyed by society but whose costs are borne by small groups of individuals, would justify setting up compensatory mechanisms for the sector, in particular public policy measures.

The spheres in which there is the greatest scientific, social and political consensus on recognising the social economy's contribution of social added value are employment, social cohesion, development of democracy, entrepreneurship, social innovation and local development. The following sections aim to address these contributions to the Social Economy in greater detail.

### **9.1. The Social Economy and social cohesion**

One of the most visible and important roles of the social economy in Europe has probably been that of contributing to social inclusion in a context of growing exclusion. This role will tend to increase in the coming years.

One of the main challenges that European society has had to face has been the struggle against social and employment exclusion in a society in which social integration is principally achieved through paid employment. The latter not only confers on people economic independence but also dignity, participation in society and access to services and facilities. For this reason, those chiefly excluded have been the social groups within the population that are less competitive, for reasons of ability, qualifications or culture, such as the physically or mentally handicapped, the long-term unemployed and certain minority groups (e.g. ethnic minorities, immigrants).

In this situation, complementing and, above all, paving the way for public action in the struggle against social exclusion, the Social Economy has demonstrated a great capacity for social and labour integration of clearly disadvantaged people and geographical areas. This has been especially evident in the case of associations, foundations, integration enterprises and other social firms<sup>78</sup>, which have reduced the levels of poverty and exclusion (CIRIEC, 2000; Spear et al., 2001).

In a context of great social and economic transformations, the social economy is also providing answers to the new forms of exclusion related to access to services and activities, such as financial exclusion and consumer exclusion. It also constitutes a channel whereby social groups who are having difficulty in getting their needs attended to can participate in public life.

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<sup>76</sup> The regulatory role of the social economy is seen on several planes: in the definition of its activities, in the accessibility of its services (geographically, socially, financially and culturally), in its ability to fit services to needs and in its ability to generate stability in a context of eminently cyclical economies (remarks made by Demoustier, 2006).

<sup>77</sup> The social economy sector's ability to perform this balancing function depends on the nature and extent of the space in the social and economic system granted to the social economy by the public authorities, through public policies, as discussed in section 7.2 above.

<sup>78</sup> In the present study, see the cases of Motivacio (Hungary), ONCE (Spain), Shelter (United Kingdom) and Prospetiva (Italy)

Via the Social Economy, therefore, society has increased its level of democratic culture, boosted its degree of social participation (RedESMED, 2004) and managed to give a voice and negotiating capacity to social groups that had previously been excluded from the economic process and from the process of drafting and applying public policies, especially those formulated at local and regional levels.

The microcredit banks devised by the Bangladeshi economist Mohammed Yunus, winner of the 2006 Nobel Peace Prize, are a classic example: as well as facilitating financial inclusion, these organisations have given women a voice, purchasing power and negotiating capacity in countries where their social and financial position was marginal.

This role of the social economy is fully convergent with the European Social Model. Historically, this Model has been characterised by its aim of guaranteeing high levels of welfare and social, economic and political integration for all Europeans through both public and private mechanisms. It is a concern that continues to feature in the agenda of the enlarged European Union, as shown by the Strategy for Social Cohesion, approved by the Council of Europe Committee of Ministers in 2000 and revised in 2004. It defines social cohesion as the capacity of society to ensure the welfare of all its members, minimising disparities and avoiding polarisation. It distinguishes four dimensions of welfare: equity in access, dignity and recognition, freedom and personal development, participation and involvement. The social economy helps to make social cohesion a competitive factor.

## **9.2. The Social Economy and local and regional development**

In an international context of increasing globalisation and territorial vulnerability, the capacity for mobilising endogenous economic potential, for attracting foreign companies, for anchoring the business fabric and for collectively building up new synergies for the global revitalisation of local areas becomes strategic. In this scenario, the different kinds of co-operatives (such as agricultural, worker, credit and integration cooperatives), associations and other social enterprises have proved to be basic assets.

Indeed, as some of the cases studied in the preceding section of this report and many other studies<sup>79</sup> have illustrated (Comeau et al, 2001, Demoustier, 2005), the social economy has great potential for activating endogenous development processes in rural areas, reactivating industrial areas in decline and rehabilitating and revitalising degraded urban areas, in short, for contributing to endogenous economic development, restoring competitiveness to extensive areas, facilitating their integration at national and international level and rectifying significant territorial imbalances.

This capacity is supported by arguments that can be located within the conceptual parameters of the Swedish Nobel prize winner Gunnar Myrdal's economic development theory, fostering development and accumulation processes at local level (*spread effects*) and minimising the *backwash effects* or regression effects: a) given their true logic concerning the distribution of profits and surpluses, they are more likely to reinvest profits in the areas where they were generated, b) they are able to mobilise not only the players with the best knowledge of their environment and in the best position to set suitable initiatives in motion but also existing resources at local level, c) they are able to create and expand an entrepreneurial culture and a business fabric, d) to link the generation and/or spread of economic activity to local needs (neighbourhood services) and/or to the local manufacturing infrastructure, e) to maintain economic activities at risk of dying out through unprofitability (e.g. crafts) or strong competition (traditional industries), f) to generate social capital in Putnam's sense, the basic institutional foundation for the creation of favourable conditions for sustained economic development.

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<sup>79</sup> See also the studies published under the aegis of the OECD's LEED programme ([www.oecd.org/cfe/leed](http://www.oecd.org/cfe/leed)).

The above does not exhaust the social added value of the social economy from the spatial point of view. Within the context of globalisation, where the processes of off shoring manufacturing activities are constantly challenging the regions, the Social Economy offers a special property: its true form of decision-making and governance, based on democratic principles and citizen participation, tends to locate the reins of the economic process within the civil society of the territory in question (in contrast to capital investors), anchoring enterprises better within their communities and giving these greater independence to define their own model of development.

### **9.3. The Social Economy and innovation**

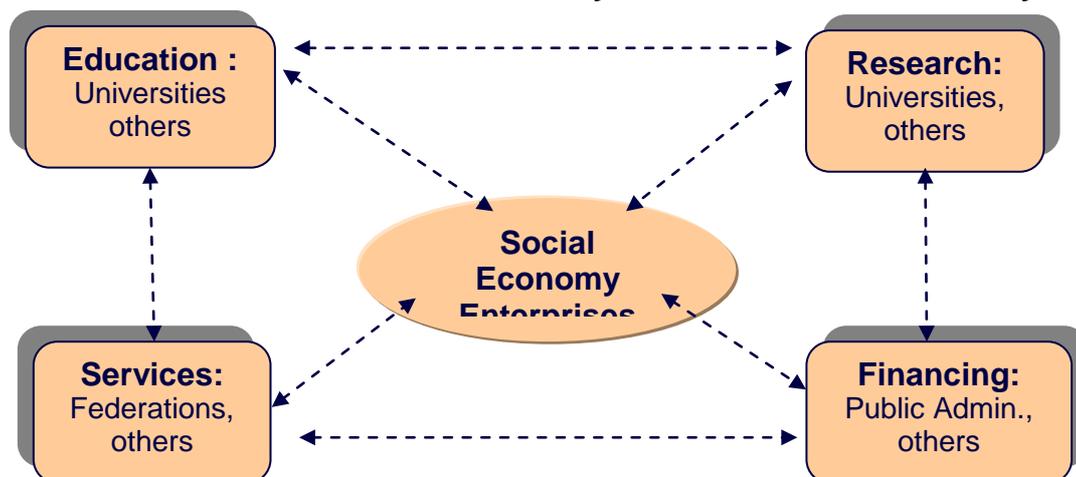
No less important is the role of the social economy in the processes of change in European society. This social sector's direct contact with society endows it with a special capacity for detecting new needs, channelling them to the authorities and traditional profit-making private enterprises and, where appropriate, creatively structuring innovatory responses.

In the nineteenth century, mutual aid and mutual provident societies were pioneers in responding to the needs of the new industrial society by covering health risks and were associated with the achievement of income for substantial sections of the population, shaping far-reaching social and institutional innovations which were the forerunners to the creation of public social security systems in Europe. The many ways in which these social economy organisations were linked to this process led to a profusion of social security models. (AIM, 2003). This example doubtless constitutes a reference paradigm for several of the new member states of the EU, whose societies are in the process of improving their own Welfare States (Swenner & Etheve, 2006).

More recently, innovative initiatives by what has been termed the New Social Economy have emerged: for example, as a result of the employment crisis in Europe integration enterprises in their many legal forms (such as the Italian social co-operatives) have responded imaginatively to the labour market integration problems of large groups of workers in advance of active public employment policies. Economic initiatives by citizens that aim to correct the unequal terms of international trade between rich and poor countries have arisen, such as the organisations which specialise in fair trade. In the financial sector, too, there are new initiatives marked by values and operating principles that are more open to those excluded from traditional banks, e.g. organisations that provide small loans to women and vulnerable social groups, or are more sensitive to ethical behaviour, such as ethical banks (Triodos Bank or the Italian Banca Etica), the French CIGALES (*Clubs d'Investisseurs pour une Gestion Alternative et Locale de l'Épargne Solidaire* or Investors' Clubs for Alternative Local Management of Solidarity Savings) or the CDFI (Community Development Financial Institutions), many of which are members of the INAISE network.

However, the social economy's potential for innovation is not exhausted by the above. In the sphere of technological innovation, especially in situations where social economy innovation systems are structured (see illustration 9.1.), the generation and dissemination of new ideas and innovation has had higher success rates. A key factor of these systems is the stable alliance between the different agents of a region involved in fostering the Social Economy, such as the agencies in charge of these matters, universities, federations and the business sector of the Social Economy itself. Some examples are Quebec, the Mondragon Cooperative Corporation and the CEPES-Andalusia system in the South of Spain. In short, the social economy is capable of deploying different types of innovation which Schumpeter identifies as: product, process, market and organisational, especially the latter, also known as social innovation (Levesque, 2005).

**Illustration 9.1. Innovation system in the Social Economy**



Source: Adapted from Levesque, 2005.

This capacity for innovation has also been revealed in the field of products, particularly in social welfare services such as support services for dependent persons and social and cultural services. Neoclassical economic theory has justified advantages of the social economy by its offering this type of product compared to the public economy and the for-profit economy, using arguments based on trust in a context of asymmetrical information among agents and on the satisfaction of heterogeneous demands and the high component of relational goods. But this not only corresponds to its ability to structure offers that are suitable for these new unsatisfied demands but also to its ability to change values and cultures, reorientating the kind of development (in the sense of consumer, production and organisational patterns).

However, innovation has not received balanced funding from public authorities and private institutions. Preference has been given to financing technological innovation rather than other forms of innovation, where the social economy has a greater presence.

#### **9.4. The Social Economy, competitiveness and democratisation of the entrepreneurial role**

The acceleration of the degree of competition on the markets combined with the growing globalisation of the economy and mergers of businesses is transforming the operation of the European business scene significantly. The need to set up and maintain a competitive edge, to undertake the technological and organisational remodelling of companies and whole sectors and to broaden the entrepreneurial base are pre-eminent challenges for the European economies.

In this context, social economy enterprises have shown a great capacity for adapting to new market conditions. Not only have they generally displayed similar rates of competitiveness to traditional private profit-making businesses, but in many cases they have also surpassed their competitors and succeeded in prevailing in substantial markets, displacing the traditional private players. One successful strategy has been that of putting together groups and networks (such as the examples of the Mondragon Cooperative Corporation, the Italian Consortia, or the Anecoop food and agriculture group, to cite some successful cases). Doubtless these latter examples have contributed to expanding the competitive capacity of the regions where they are situated, but in many others what the social economy has achieved is to maintain the business infrastructure in declining areas, which has not been unrelated to its dual economic role of recycling companies on the scrapheap and solving the problem of the transition between generations in family businesses.

The social economy is also a business incubator for new social and economic initiatives, fostered by new social players with no previous managerial or organisational experience who have contributed to broadening and diversifying the business fabric, particularly strikingly in

regions characterised by a poverty of traditional business initiatives, and to broadening the managerial / entrepreneurial base, even giving birth to the figure of the 'social entrepreneur' whose economic and decision-making logic is not guided by the parameter of capital and of maximising profit. This phenomenon has contributed to *democratising the entrepreneurial role*, acting as a counterbalance to the age-old trends of concentrating entrepreneurship in the traditional profit-making private sector and concentration in the decision-making process.

However, the competitiveness of the social economy is not limited to the marketplace. It can also be discerned in the quasi-markets of the social welfare services and in the strict non-market sector. In contrast to the capitalist sector, they offer comparative efficiency advantages in the allocation and production of significant groups of services directly linked to the needs of society. These are services which have experienced strong expansion over the last few years and will continue to grow in the future, such as services to care for the elderly, the disabled or children and new educational, health and social and cultural services, besides other social services such as assistance for refugees and other disadvantaged groups.

In some cases the allocational failure of the capitalist sector is due to the existence of asymmetrical information situations between supply and demand, situations which confer on the capital supplier an incentive to exploit this informational advantage (Powell, 1987). This incentive is reduced or disappears when the supplier is the social economy, for reasons such as the existence of supply-demand identity in the case of user organisations, or the ban on profit distribution in the case of not-for-profit organisations. In other cases the failure occurs because the demand side is insolvent or has scant economic capacity, which discourages the capitalist supplier who sees difficulties in maximising profits. The social economy's aim of serving the partners and/or the group (rather than for profit), on the one hand, and its ability to mobilise volunteers and collect donations, on the other, are, in this field, factors which enable it to sidestep this failure. Finally, in other cases these goods come in the form of relational goods, that is, goods in which the intangible aspect, defined in social terms, is central for determining the quality level of the output. Those organisations, such as the Social Economy, which are capable of involving the demand side will be the ones to present advantages in the supply of these outputs.

#### **9.5. The Social Economy, employment and correcting the imbalances of the labour market**

The social added value of the social economy is probably shown most visibly and explicitly in the regulation of the numerous imbalances in the labour market. Not for nothing are the European governments' work and social affairs ministers usually in charge of fostering the social economy. The European Union's Lisbon Strategy itself expressly recognises the social economy as a basic pillar of its employment policy.

In particular, the social economy has contributed to creating new jobs, retaining jobs in sectors and businesses in crisis and/or threatened by closure, increasing job stability levels, bringing jobs out of the black economy into the official one, keeping skills alive (e.g. crafts), exploring new occupations (e.g. social educator) and developing routes into work, especially for disadvantaged groups and those who are socially excluded (see Demoustier in CIRIEC, 2000). Over the last few decades statistical data have shown that it is a powerful job-creating sector in Europe and more sensitive to employment than the other sectors of the economy, as can be seen from the tables here below.

The social economy helps to rectify three major labour market imbalances: unemployment, job instability and the unemployability and social and labour exclusion of the unemployed. Traditionally, workers' cooperatives and other worker-controlled or worker-owned enterprises have been the ones that have taken a more active role in this field. In times of crisis, faced with the critical economic situation of the industrial enterprises in which they work, countless groups of workers have opted for transforming or reactivating these companies in the shape of

cooperatives in order to keep their jobs. At these times, in the context of job destruction, workers' enterprises have increased direct employment. It has been pointed out (Tomás-Carpi 1997) that employment in the social economy shows considerably less sensitivity to fluctuations in global and sector output and demand (what the economists call income elasticity of employment) than the for-profit private sector during downturns in the economic cycle and product maturity stages. However, the social economy has also created significantly higher proportions of direct employment than the rest of the Spanish economy during upturns in the economic cycle, such as the second half of the nineteen-nineties.

The SE's greater sensitivity to employment in Italy and Spain during the 1990s can be seen in Tables 9.1 and 9.2. In both of these Mediterranean countries overall employment in the SE grew proportionately more than in the rest of the national economy, not only during periods of recession (1990-1995) but also when the economy was expanding (1995-2000).

**Table 9.1. Employment growth in social economy enterprises (co-operatives and labour companies) and in the Spanish economy as a whole**

Professional situation	Employees (thousands)			Job variation (%)		
	1990	1995	2000	1995/1990	2000/1995	2000/1990
Self-employed	3,305.20	3,103.50	2,964.80	-6.10	-4.47	-10.30
Wage earners	9,273.50	8,942.70	11,508.90	-3.57	+28.69	+24.10
Public sector	2,106.10	2,121.60	2,339.80	+0.07	+10.28	+11.10
Private sector	7,167.40	6,821.10	9,169.20	-4.83	+34.42	+27.93
Total employment in the Spanish economy	12,578.70	12,046.20	14,473.70	-4.23	+20.15	+15.06
Total employment in Social Economy enterprises	224.07	254.24	353.93	+13.46	+39.21	+57.95

Source: *White Paper on the Social Economy in Spain* (J. Barea & J.L. Monzón, Eds.), Labour Ministry, Madrid, 1992; and INE: Working Population Survey. Spain.

**Table 9.2. Employment growth in co-operatives, non-profit institutions and Italian companies as a whole**

Cooperative and non profit institution jobs. Years 1991 and 2001					
	Jobs 1991	%	Jobs 2001	%	Variation 01/91 %
<b>Cooperatives</b>	584.322	3,3	935.239	4,8	60,1
Social cooperatives	27.510	0,2	149.147	0,8	442,2
<b>Non profit institution</b>	250.386	1,4	339.376	1,7	35,5
<b>Total Italy enterprises</b>	17.976.421	100	19.410.556	100	8

Source: Istat, Censimenti Industria e Servizi, 1991 & 2001. Italy.

New Social Economy organisations such as social cooperatives and other voluntary organisations, working in the so-called new employment fields such as health and social services and educational, cultural and research services, are playing a very dynamic role in job creation in Europe (see Table 9.3). These organisations are displaying an important creative capacity in the labour market, developing employment routes from voluntary work to paid employment, grouping working hours, exploring new services and regulating them from an employment standpoint (e.g. recognising new professions, taking the lead in setting up collective bargaining agreements, etc.), besides creating new direct employment.

No less important is the capacity of the Social Economy, especially the so-called integration enterprises, the special employment centres and the social cooperatives (see Table 9.2. for the case of Italy) to achieve work integration for groups with special employability

difficulties, such as physically or mentally handicapped or 'socially handicapped' people who have been excluded from the labour market for long periods and have experienced downwards social and work spirals, tending to find themselves marginalised and in poverty. Finally, the SE has also contributed to the tertiarisation and feminisation of employment in Europe.

**Table 9.3. Indicators of employment evolution in some European countries and some social economy organisations**

Social and Health Associations		
Country	Jobs	Employment growth
Germany	1 120 000	+ 3% per year
Denmark	59 198	+ 0.7% per year
France	690 726	+ 5.5% per year
Portugal	44 213	+ 6.5% per year
United Kingdom	245 000	+ 5% per year
Sweden	22 000	+ 8 % per year
Education and Research Associations		
Country	Jobs	Employment growth
Germany	168 000	+ 4.5 % (1990 - 1995)
Denmark	63 494	+ 4.5 % per year (+ 15% 1994 - 1997)
France	104 623	
United Kingdom	587 000	+ 10% per year (+ 78% 1990 - 1995)

Source: CIRIEC (2000)

## 9.6. Other roles of the Social Economy

The above roles of the SE are not a complete list. Other notable functions are the contribution it makes to the fair distribution of income and wealth, to creating and providing welfare services (such as social, health and social security services), to sustainable development, to the development of civic initiatives and citizen involvement, to deepening democracy and to increasing the efficiency of public policies.

The social economy has specific mechanisms which give it a great ability to distribute income and wealth more equitably than traditional capitalist enterprises do. These mechanisms are closely linked to the forms of profit and surplus distribution that these enterprises and organisations generate and to some types of economic resource, proper to this institutional sector, which they manage to mobilise: in co-operatives, the rules for profit distribution in which people, the use of services and the work factor take precedence over capital; in altruistic organisations, voluntary work and private donations which they succeed in attracting, which become transfers from higher income social strata to those with lower incomes.

Historically, mutualist organisations have played a key role in the provision of social and health services and social security, generally preceding public initiatives. In recent years, the Welfare State systems of various European countries have been remodelled with the intention of raising the levels of quality and access to these services, aiming to increase the presence of the private sector, particularly the social economy agents, in order to achieve these goals. In the new European Union member states in Central and Eastern Europe, mutual provident societies can perform an important role in this respect, as they do in 'Western' Europe (Swenner & Etheve, 2006). The Slovenian mutual society Vzajemna (see case 15 in chapter 8 of this Report) is an example, providing health services to 80% of the country's users.

The lifestyle and development of a society is a determining factor in defining the human being / environment pairing. In this respect, the prevailing pattern in the most developed countries has been shown to be incompatible with the natural ecosystems' self-reproduction requirements. A new kind of development is called for, one which respects the environment. This element reassesses the role of cultural and value change and with it the role of education. In this field, the Social Economy, particularly the associative fabric, is a key vector because of the values which shape it, its democratic and more equitable methods and its educational capacity.

Civic initiatives and citizen involvement also develop with the social economy. Because of the way it works and its day-to-day decision-making logic, the social economy is itself an efficient mechanism for consolidating and galvanising *deliberative democracy*. It is a true practical school in the exercise of democracy and political life which generates experience in the participation and joint responsibility of citizens in economic activities which are not strictly private, spreads a culture of participation, enriches debate and creates public opinion. This function of the social economy is particularly relevant in the new member countries in Central and Eastern Europe.

The social economy is functional with the development of participative democracy: it defines a representation and decision-making logic more in accord with democratising aims than that of the traditional pressure groups (*lobbies*). Unlike the latter, where power asymmetry reigns between the economic agents which embody the germ of political and economic inequality, in the social economy the rules lie in democracy (the democratic principle of one man = one vote in co-operatives) and in *empowerment* in the Canadian sense, which is based on defending the interests of the weakest in society (which is the case in countless NGOs).

The agents in the beneficiary and dominant categories (in the Gui's sense) in the social economy come from or are in direct contact with civil society and its interests and needs, at least when the social economy maintains its untainted sense of self. The strong bond between society and the social economy makes the latter especially *knowledgeable* about and *sensitive* to the interests and needs of the former and capable of fostering *involvement* and *joint responsibility*, which are very important properties for the State, to which must be added its characteristic *way of allocating resources and distributing profits*, which favours people and reinvestment in economic activities of social interest.

The introduction of the social economy into the political and economic process enables the State to benefit from the properties of the former, redounding not only to the increase of effective democracy but also to the efficiency of economic policy for several reasons:

(a) owing to its greater proximity and, consequently, knowledge of social problems and needs and possible solutions, involving the social economy in the design stage of economic policy makes it more possible to 'get it right' when choosing objectives and instruments,

(b) owing to its greater sensitivity towards the interests and needs of Society, the Social Economy is capable of detecting new social demands more swiftly as well as devising immediate satisfactory responses. The State can benefit from this pioneering endeavour,

(c) owing to its private nature and social sensitivity, it can broaden the scope of public action wherever this presents limitations, for different reasons. Two examples illustrate this phenomenon. The first is that of health and education services targeted at illegal immigrants: these services cannot be undertaken by the Administration until the rules are changed, although society approves of them. The second is the case of economic actions by the State which, although statutory, are not accepted by society (or by groups within that society) because the power is deemed unlawful (e.g. the British government in areas of Northern Ireland). In both examples the mediation of the social economy enables the State's limits to be surpassed.

(d) Owing to its capacity to foster involvement and joint responsibility in society, involving the social economy in the political and economic process makes it possible to increase the degree of acceptance of economic policy measures, as these are accepted as its own when it has participated in their drafting and application; it enables the State to marshal more resources than it is able to marshal by itself and makes it possible to open up new possibilities for

implementing efficient policies to re-launch demand in open economies, especially when they are carried out at local level with neighbourhood services at their centre.

(e) Finally, cooperation of the State with the Social Economy, given the way the latter allocates and distributes resources, can assure the former that public funds earmarked for various policies, especially social policies, are not diverted and appropriated by private interests (Vienney, 1994).

### **9.7. Weaknesses of the Social Economy**

The Social Economy, on its own, does not constitute a panacea for Europe. Major specific problems, both macroeconomic and microeconomic, limit its potential.

From a macroeconomic viewpoint, the first problem is found in the exaggerated atomisation of the sector and its initiatives and in structural resistances to forming groups. The marked variety of origins, cultures, backgrounds and problems that the companies and organisations in the SE have to deal with tends to give greater importance to the view of the sector of economic activity, and consequently fragmentation, than to the collective view of this social reality in its entirety, so limiting its capacity to undertake and develop development strategies for the sector as a whole on the national and European levels.

A second problem is the structural tendency in the SE organisations to find their specific features being watered down, or even to become traditional for-profit companies, in the case of the social economy companies that are most involved in the market, or to become instrumentalised by government bodies, or even dependant (particularly financially) on them, when their habitual relations are with the authorities. This phenomenon is known as *organisational isomorphism*. If it really wants to develop its full potential, the SE needs to create mechanisms to resist this dilution or degeneration and organise self-sustaining development mechanisms that will prevent its becoming dependent on the other two sectors, and/or to forge alliances.

From the microeconomic point of view, the problems that tend to appear are of different types and affect the SE 'families' to differing degrees. A first problem, probably the most important, is strictly economic and financial: the unfavourable treatment of capital. Capital is placed on the back seat in both the decision-making and profit-distribution processes so investors do not feel attracted to this type of company and organisation, aggravating the financing problems. The SE has had to innovate and think up financial instruments to try to get around this problem.

A second problem has to do with decision-making: from one angle, different forces tend to defy and blur the democratic, participative model of governance (Chaves et al, 2004); from another, failures in participation can generate inefficient decision-making or even the leader's dilemma or leadership dilemma, leading to the risk of having insufficient strategic human resources. A further problem is the risk of rent seekers' joining the SE organisations (Tomás Carpi, 1992).

One section of SE organisations, the voluntary organisations, exhibits some additional failures that the theory of non-profit organisations (see Powell, 1987) has classed as failures of the non-profit sector. In addition to the above-mentioned general financial weakness or inadequacy that afflicts this sector, these particular problems are the characteristic philanthropic amateurism of the volunteer human resources, philanthropic paternalism and philanthropic individualism.

### **9.8. The Social Economy and the construction of Europe**

Historically, the SE has not been unconnected with the project of building Europe, from the Treaty of Rome, which explicitly acknowledged the cooperatives as forms of entrepreneurship, to the proposed European Constitution, which refers to the market social economy<sup>80</sup>. To reach the levels of welfare and progress that the 'Western' countries of the European Union enjoy, the European social and economic model has needed the contribution of the SE, which has proved capable of occupying a space that balances economic and social aspects, mediates between public institutions and civil society and evens out social and economic imbalances in a plural society and economy<sup>81</sup>. The new member states are interested in developing this 'third pillar' if they wish to follow the European model of development.

The economies and societies of the new member states are going through lengthy processes of transition from Communist planning systems to regulated market economies. The adjustments they have made in recent years have had serious consequences for their respective SEs, particularly in the co-operative sector, which was instrumentalised for many decades and even during the transition to a market system. Nonetheless, contrary to the predictions of some, this sector has not been dismantled on a large scale. However, the dynamics have been very different by business sector and country and in many cases an active process of revival and development can be seen to be underway (Jeantet, 2004; Borzaga & Spear, 2004). As regards the sectors of mutual societies, associations and foundations, the situation is diametrically opposed: as they were practically non-existent, unlike the co-operatives, in the past fifty years they have been seeing a gradual rediscovery and expansion (they currently enjoy a good image), in tandem with the development of the civil society of those countries, of their social movements and trade unions.

In this context, the European SE has created its own initiatives, apart from those activated by the public authorities, to encourage the SE in the new member countries and links with the more mature SE movements of the 'Western' European countries. One example of this is the CoopEst initiative, a financial corporation set up by seven SE institutions from Belgium, France, Italy, Poland and France, on the initiative of Crédit Coopératif and IDES (Institute for the Development of the Social Economy, France), to partner local credit institutions in co-financing the development of SE companies in Central and Eastern Europe. Another is the Belgian mutual societies' initiative to set up mutual societies to provide medical and pharmaceutical services in Lithuania and Poland<sup>82</sup>.

The above-mentioned adjustment processes in these countries are joined, in the case of their SE sectors, by the challenges of the sweeping transformations taking place in the world's social and economic environment: changes in the markets, increasingly globalised and characterised by intensified competition and decentralisation and delocalisation of production, changes in the way governments act, characterised by progressive deregulation and privatisation of public services<sup>83</sup>, and the appearance of new social needs (the challenges of an ageing population, migratory flows, the environment, etc.). This scenario opens up opportunities for the social economy to expand, but also serious threats to its very survival in some sectors.

In short, even bearing in mind the above-mentioned problems, from a European perspective and thanks to its regulatory and integrating role the Social Economy can contribute to the future social and economic development of Europe and to appropriate and rapid integration of the new Member States into the Union.

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<sup>80</sup> Although the concept of the market social economy found in the draft Constitution is not the same as the concept of the social economy in this Report.

<sup>81</sup> A plural economy in the sense of one where multiple institutional forms coexist: public, private capitalist and private social economy.

<sup>82</sup> See the case of Flandria in Chapter 8.

<sup>83</sup> The social economy is an institutional sector that is highly sensitive to changes in modes of regulation and public funding.

## CHAPTER 10

### TRENDS AND CHALLENGES

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#### 10.1. The Social Economy: an emerging sector in a plural society

The main and most important trend that can be observed in the recent evolution of the Social Economy is its consolidation in European society as a *pole of social utility*, between the capitalist sector and the public sector, made up of a great plurality of actors: co-operatives, mutual societies, associations, foundations and other similar companies and organisations.

The citizens' associative movement is experiencing considerable growth through promoting solidarity business initiatives directed towards producing and distributing merit or social goods. Steadily greater collaboration between the associative and cooperative movements is discernable in the development of many of their projects and activities, as in the case of social enterprises. The capacity of these initiatives to solve the *new social needs* that have appeared in recent decades has revitalised the importance of the SE.

The SE has not only asserted its ability to make an effective contribution to solving new social problems, however, it has also strengthened its position in traditional sectors such as agriculture, industry, services, retailing, banking and mutual insurance. In other words, the SE is also making itself seen as a necessary institution for stable and sustainable economic growth, fairer income and wealth distribution, matching services to needs, increasing the value of economic activities serving social needs, correcting labour market imbalances and deepening and strengthening economic democracy.

The new SE is taking shape as an emerging sector which is increasingly indispensable if an adequate response to the new challenges of the global economy and society is to be provided. These challenges lie at the root of the increasing interest in the role that the new SE can play in the welfare society.

#### 10.2. The necessary conceptual identification of the SE

A challenge that the SE needs to address without delay is that of ending its *institutional invisibility*. This invisibility is explained not only by the emerging nature of the SE as a new sector in the economic system but also by the lack of a conceptual identification, i.e. a clear, rigorous definition of the features that the different types of companies and organisations that make up the SE share and the specific traits that enable them to be distinguished from the rest.

On this point, a gradual process of conceptual identification of the SE has been discernible in recent years, drawing in both the players themselves, through their representative organisations, and scientific and political bodies. This Report presents a concept of the SE developed from the criteria set out in the *European Commission Manual for drawing up Satellite Accounts of Companies in the Social Economy*, which, in turn, concurs with the definitions formulated in the recent economics literature and by the SE organisations themselves.

#### 10.3. Legal identification of the SE and recognition in the national accounts

Conceptual identification of the SE will make it possible to tackle the challenge of its identification in the legal systems of the EU and EU member states. Although some European countries and the EU itself recognise the SE as such in a number of legal texts, together with

some of its constituents, progress needs to be made on statutory definition of the extent of the SE and the requisites that its components must fulfil in order to prevent dilution of its identifying features and the loss of its social utility.

A *Legal Statute of the SE* and effective legal barriers to entry need to be introduced so that no non-SE organisation can benefit from economies of legal form of organisation or from public policies to encourage the SE.

This Report has also shown the increasing size of the SE, which directly provides over 11 million jobs, accounting for 6% of total EU employment. In contrast, it is invisible in the national accounts, a hurdle that constitutes another major challenge.

Current national accounting rules, drawn up at the height of mixed economy systems, do not acknowledge the SE as a differentiated institutional sector, making it difficult to draw up regular, accurate and reliable economic statistics on the agents of which it is composed. Internationally, the heterogeneous criteria employed in drawing up statistics prevent comparative analyses and detract from the authority of approaches which draw attention to the evident contribution that the SE makes to achieving major economic policy objectives.

The recent preparation of the European Commission's *Manual for drawing up the Satellite Accounts of Companies in the Social Economy* is an important step towards institutional recognition of one part of the SE in the national accounts systems. The Manual explains the methodology by which reliable, harmonised statistics can be drawn up throughout the EU, within the National Accounts framework (the 1995 ESA), for five major groups of SE companies: a) co-operatives, b) mutual societies, c) SE business groups, d) other similar companies in the SE and e) non-profit institutions serving SE companies.

The SE in Europe has to meet a double challenge in this field. Firstly, the organisations that represent the SE need to make their voice heard in the European Commission and in each of the Member States to ensure that the Manual's proposals are put into effect. Specifically, they need to get each EU member state to set up a *Statistical Register of Companies in the Social Economy*, based on the delimitation criteria laid down in the Manual, so that satellite accounts covering the companies in these registers can be drawn up.

Secondly, they need to promote initiatives that will make it possible to prepare reliable, harmonised statistics on the large segment of the SE that is not covered by the European Commission's Manual. This segment is largely made up of associations and foundations, which are covered by the United Nations' *Handbook on Non-Profit Institutions in the System of National Accounts*. This NPI Handbook includes many non-profit organisations that are not part of the SE, but it would be possible to disaggregate the statistics for non-profit organisations that meet the SE identity criteria, as defined in this Report, from non-profit sector statistics drawn up in accordance with the Handbook.

#### **10.4. Coordination between SE federations**

Being plural and multiform, the SE needs strong organisations to represent the different groups of companies and organisations of which it is composed. However, the identity which they all share and the nucleus of common interests that agglutinates the SE suggest the necessity and advisability of wholeheartedly undertaking processes to achieve associative coordination of the entire SE, both at each of the national levels and transnationally throughout Europe. The more visible and powerful the collective image transmitted by the SE, the greater the chances of effective action and development will be for each and every one of the groups of agents that make up this sector.

#### **10.5. The SE and social dialogue**

Achieving recognition of the SE as a specific interlocutor in the social dialogue is a very considerable challenge.

The SE has become a major institution of civil society which contributes significantly to the organisation of its associative fabric and the development of participative democracy. At the same time, nonetheless, the SE is a potent economic and social actor with specific characteristics that escape the classic scheme of employers/employees and demand that the SE be expressly recognised as a social interlocutor.

During the second half of the 20<sup>th</sup> century, at the height of the mixed economy systems, the major figures at the negotiating tables which agreed public policies (particularly income policies) were governments, employers' organisations and trades unions. Nowadays, however, the economy has become more plural and this demands direct participation in the social dialogue by all the sectors involved: employers' federations, trades unions, governments and this other great group of social and economic players, entrepreneurs and employers that comprises the new SE and is playing an increasingly prominent role in the developed world.

Together with the classic *collective bargaining tables*, *social dialogue tables* that include the *SE agents* should be proposed, as these would be more in accordance with the new economic scenario at the start of the century.

#### **10.6. The SE and public policies**

For over two decades, the European institutions (Parliament, Commission and Economic and Social Committee) have recognised the SE's capacity for correcting significant social and economic imbalances and helping to achieve various objectives of general interest. Recently, the European Parliament identified the SE as a fundamental pillar and keystone of the European social model (*clé de voûte du modèle social européen*).

As a result, even more than before, the member countries and the European Commission must undertake concrete commitments to make the SE not only an effective instrument to achieve particular public policy objectives in the general interest but also, in itself (i.e. cooperativism, mutualism, associationism and general interest initiatives by civil society), an objective in its own right, indispensable for the consolidation of a developed society and the values associated with the European social model. At this point, the organisations that represent the ES have an important part to play by presenting initiatives and proposals to the EU institutions, political parties, trades unions, universities and other organisations that represent civil society.

#### **10.7. The SE and the markets: competitiveness and social cohesion**

The recent and future evolution of the SE in Europe has been and will be strongly influenced by changes in the environment in which it operates, particularly in the markets, which are increasingly globalised and more and more characterised by intensified competition, decentralisation and delocalisation of production and changes in the way governments act, with a clear trend towards the progressive deregulation and privatisation of public services. Together with the emergence of new social problems (ageing population, mass migration, etc.), these changes not only give rise to growth opportunities for the SE but also to challenges and threats to some of its spheres of action.

The different companies and organisations that make up the SE face the challenge of integrating efficient production processes and social welfare objectives in the conduct of their affairs. Without delay, the SE actors must tackle the development of competitive strategies in accordance with the new demands of steadily more competitive markets in order to make themselves useful instruments for their members' welfare and for strengthening social cohesion.

Entering into business networks and alliances, creating new ways to finance companies, innovating in products and processes and giving impetus to training and knowledge development policies must feature prominently among their competitive strategies.

#### **10.8. The SE, the new enlarged European Union and the development of an integrated Euro-Mediterranean space**

The EU places great importance on the objective of consolidating an integrated European space where social and economic inequalities between the EU-15 and the 12 new member countries in Eastern and Southern Europe will be diminished and eliminated as soon as possible. Among other consequences, these inequalities have caused considerable migratory flows from East to West within the EU. Together with stronger social cohesion in the EU, another challenge is to foster an integrated Euro-Mediterranean space that will become an area of prosperity and stability. For this, all the countries bordering on the Mediterranean need to consolidate strong democratic states and the productive fabric of civil society in the southern rim countries needs to be expanded.

In these countries, high population growth and other structural reasons are preventing their economic growth from leading to a higher standard of living for the majority of the population, which is why the Euro-Mediterranean region and the EU have become one of the geographical areas with the greatest migratory movements, in terms of both size and intensity. These are further compounded by large population groups from Latin America, Sub-Saharan Africa and South-East Asian countries.

Owing to their specific characteristics, the SE actors can play a major role both in integrating the immigrant population and in developing trade flows within the EU and between Europe and the southern shores of the Mediterranean.

#### **10.9. The educational system, research and exchange networks, the university and the SE**

The European Union's education systems are destined to perform an important function in fostering entrepreneurial culture and democratising the economy through training projects that stimulate entrepreneurial initiatives based on the values which characterise the SE. In turn, the development of new products and innovative processes in SE companies require these to boost initiatives for cooperation with the university centres that generate and transmit knowledge. Research networks and information exchange networks between these centres and SE professionals will contribute, as they have been doing in recent years, to broadening the necessary SE-specific knowledge bases and disseminating this knowledge throughout Europe.

#### **10.10. SE identity and values**

The new SE is taking shape in the European Union as a *pole of social utility* in a plural economy system, alongside a public economy sector and a capitalist economy sector.

The challenge that the SE must face is to surmount the dangers of dilution or trivialisation of its identifying features, which are what give it its specific social utility. Because of this, the SE actors need to deepen their awareness of the values that make up their shared core of reference, use all the social and cultural levers that are attuned to these values to reaffirm their own institutional profile and achieve an effect that multiplies their economic and social potential.

The challenges and trends outlined above are not a conclusive decalogue but a proposal that is open to debate, a starting point for reflection in the new phase that has opened up in Europe with the recent expansions of the European Union.

In this new phase and new social economy, all the prominence and all the responsibility for defining its specific profiles and the strategic objectives it should adopt in order to play a leading part in building Europe rightfully fall to the actors in the social economy itself.

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- *Journal for Public and Nonprofit Services (German)*
- *Pensamento cooperativo (Portuguese)*
- *Revue internationale d'économie sociale (French)* : <http://www.recma.org/>
- *Rivista della Cooperazione (Italian)*: <http://www.luzzatti.it>
- *International Consortium of Co-operative and Social Economy Journals* :  
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## APPENDIX 1 CORRESPONDENTS OF THE STUDY.

**Bernard Thiry**, CIRIEC-International, (Belgium); [apce.ciriec@guest.ulg.ac.be](mailto:apce.ciriec@guest.ulg.ac.be)  
**Jean-Pierre Pollénius**, FEBECOOP (Belgium);  
**Jacques Defourny**, Centre d’Economie Sociale, Univ. Liège (Belgium); [J.Defourny@ulg.ac.be](mailto:J.Defourny@ulg.ac.be)  
**Edith Archambault**, ADDES, Paris-Sorbonne University and INSEE (France);  
[edith.archambault@univ-paris1.fr](mailto:edith.archambault@univ-paris1.fr)  
**Danièle Demoustier**, Institut d’Etudes Politiques de Grenoble (France),  
[Daniele.Demoustier@iep.upmf-grenoble.fr](mailto:Daniele.Demoustier@iep.upmf-grenoble.fr)  
**Marie-Helene Gillig**, CEGES (France),  
**Philippe Kaminski**, ADDES, Paris-Sorbonne University and INSEE (France)  
**Christophe Morvan**, CEGES (France)  
**Claude Oréja**, Foundation MACIF (France),  
**Peter Hermann**, ESOSC (Ireland); [hermann@esosc.org](mailto:hermann@esosc.org)  
**Olive McCarthy**, Centre for Co-operative Studies, University College Cork (Ireland);  
[o.mccarthy@ucc.ie](mailto:o.mccarthy@ucc.ie)  
**Stefano Facciolini**, Lega Nazionale delle Cooperative e Mutue (Italy); [s.facciolini@libero.it](mailto:s.facciolini@libero.it);  
**Roberto Furlan**, ITAS (Italy); [roberto.furlan@gruppoitas.it](mailto:roberto.furlan@gruppoitas.it)  
**Luca Jahier**, ACLI (Italian Association of Christian Workers) (Italy); [luca.jahier@acli.it](mailto:luca.jahier@acli.it)  
**Alessandro Molinari**, ITAS (Italy);  
**Fausto Pasqualitti**, Confcooperative (Italy);  
**Giovanna Perra**, Confcooperative (Italy); [perra.g@confcooperative.it](mailto:perra.g@confcooperative.it)  
**Giovanna Rossi**, Catholic University of Milan (Italy); [giovanna.rossi@unicatt.it](mailto:giovanna.rossi@unicatt.it)  
**Alberto Zevi**, Lega Nazionale delle Cooperative e Mutue, (Italy)  
**Manuel Canaveira de Campos**, Instituto António Sérgio do Sector Cooperativo (INSCOOP)  
(Portugal); [ccampos@inscoop.pt](mailto:ccampos@inscoop.pt)  
**Jose Custodio Leiriao**, Confederação Nacional Instituições Solidariedade (Portugal);  
[jleiriao@mail.telepac.pt](mailto:jleiriao@mail.telepac.pt)  
**José Manuel Jerónimo Teixeira**, Mútua dos Pescadores, Mútua de Seguros, C.R.L. (Portugal);  
[jeronimoteixeira@mutuap.pt](mailto:jeronimoteixeira@mutuap.pt)  
**Carmen Comos**, CEPES (Spain), [c.comos@cepes.es](mailto:c.comos@cepes.es)  
**Joaquín Serrano**, AMIC (Spain), [joaquin.serrano@amic.es](mailto:joaquin.serrano@amic.es)  
**Lisa Fröbel**, SERUS (Sweden), [lisa@serus.se](mailto:lisa@serus.se)  
**Johann Brazda**, University of Vienna (Austria); [johann.brazda@univie.ac.at](mailto:johann.brazda@univie.ac.at)  
**Robert Schediwy**, (Austria); [robert.schediwy@chello.at](mailto:robert.schediwy@chello.at)  
**Christiana Weidel**, The World of NGOs (Austria); [office@ngo.at](mailto:office@ngo.at)  
**Gurli Jakobsen**, Center for Corporate Values and Responsibility. Copenhagen Business School  
(Denmark); [gj.ikl@cbs.dk](mailto:gj.ikl@cbs.dk)  
**Hans Thorsoe**, ALKA Insurance (Denmark); [hanst@alka.dk](mailto:hanst@alka.dk)  
**Tapani Köppä**, University of Helsinki, Ruralia Institute Mikkeli (Finland); [tapani.koppa@uku.fi](mailto:tapani.koppa@uku.fi)  
**Pekka Pättiniemi**, Coop Finland (Finland); [pekka.pattiniemi@ksl.fi](mailto:pekka.pattiniemi@ksl.fi)  
**Michal Mierzwa**, (Poland); [Michal\\_Mierzwa@yahoo.fr](mailto:Michal_Mierzwa@yahoo.fr)  
**Jost W. Kramer**, Hochschule Wismar (Germany); [j.kramer@wi.hs-wismar.de](mailto:j.kramer@wi.hs-wismar.de)  
**Günther Lorenz**, Technologie-Netzwerk Berlin e.V. (Germany); [g.lorenz@technet-berlin.de](mailto:g.lorenz@technet-berlin.de)  
**Frank Schulz-Nieswandt**, University of Cologne (Germany); [shulz-nieswandt@wiso.uni-koeln.de](mailto:shulz-nieswandt@wiso.uni-koeln.de)  
**Ulrich Tiburecy**, Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e.V. (BAGFW);  
[euvertretung@bag-wohlfahrt.de](mailto:euvertretung@bag-wohlfahrt.de)  
**Constantine L. Papageorgiou**, Institute of Co-operation (Greece); [c.papageorgiou@aua.gr](mailto:c.papageorgiou@aua.gr)  
**Romain Bieber**, Institut Européen de l’Economie Solidaire (INEES) & Réseau Objectif Plein  
Emploi (OPE) (Luxembourg);

**Eric Lavilluniere**, Institut Européen de l'Economie Solidaire (INEES) & Réseau Objectif Plein Emploi (OPE) (Luxembourg); [lavilluniere@inees.org](mailto:lavilluniere@inees.org)  
**Pieter Ruys**, Tilburg University (Netherlands); [p.h.m.ruys@uvt.nl](mailto:p.h.m.ruys@uvt.nl)  
**Paul Bater**, IBFD (United Kingdom); [paulbater@lycos.com](mailto:paulbater@lycos.com)  
**Roger Spear**, Co-ops Research Unit, Open University (United Kingdom); [R.G.Spear@open.ac.uk](mailto:R.G.Spear@open.ac.uk)  
**Pavlos Theodotou**, Pancyprian Cooperative Confederation Ltd (Cyprus) [coop.confeder@cytanet.com.cy](mailto:coop.confeder@cytanet.com.cy)  
**Magdalena Huncova**, University J.E.Purkyne in Ustinad Labem (Czech Republic); [huncova@fse.ujep.cz](mailto:huncova@fse.ujep.cz)  
**Jirí Svoboda**, Cooperative Association of Czech Republic (Czech Republic); [svoboda@dacr.cz](mailto:svoboda@dacr.cz)  
**Mall Hellam**, Open Estonia Foundation (Estonia); [ekl@elky.ee](mailto:ekl@elky.ee)  
**Marit Otsing**, Estcoop (Estonia); [mall@oef.org.ee](mailto:mall@oef.org.ee)  
**Barta István**, Ministry of Agriculture and Rural Development (Hungary); [istvan.barta@fvm.hu](mailto:istvan.barta@fvm.hu)  
**Nilda Bullain**, European Centre for Not-For-Profit Law (Hungary); [nilda@icnl.org.hu](mailto:nilda@icnl.org.hu)  
**Sergej Sidorko**, Association Flat Owners Adviser Centre, Association of Flat Owners Cooperatives (Latvia); [baka-2@delfi.lv](mailto:baka-2@delfi.lv)  
**Marija Zeltina**, (Latvia); [zeltaklubs@one.lv](mailto:zeltaklubs@one.lv)  
**Dalia Kaupelyte**, Vytautas Magnus University (Lithuania); [dalia\\_kaupelyte@one.lt](mailto:dalia_kaupelyte@one.lt)  
**Manwel Debono**, Centre for Labour Studies (Malta); [manwel.debono@um.edu.mt](mailto:manwel.debono@um.edu.mt)  
**Zofia Chyra-Rolicz**, University Podlasie, Siedlce (Poland), [chryrol@op.pl](mailto:chryrol@op.pl)  
**Kamila Hernik**, Institute of Public Affairs, Social Policy Programme (Poland); [kamila.hernik@isp.org.pl](mailto:kamila.hernik@isp.org.pl)  
**Adam Piechowski**, National Co-operative Council (Poland); [piechowskia@krs.com.pl](mailto:piechowskia@krs.com.pl)  
**Rado Bohinc**, University of Ljubljana (Slovenia); [rado.bohinc@fdv.uni-lj.si](mailto:rado.bohinc@fdv.uni-lj.si)  
**Edvard Kobal**, The Slovenian Science Foundation (Slovenia); [edvard.kobal@ustanova-szf.si](mailto:edvard.kobal@ustanova-szf.si)  
**Dimitar Burnev**, Bulgarian Center for Not-for-Profit Law (Bulgaria);  
**Mihai Lisetchi**, Agency for Information and Development of Nongovernmental (Romania).

## **APPENDIX 2 GLOSSARY.**

ACLI - Associazioni cristiane lavoratori italiani  
ADDES – Association pour le Développement de la Documentation sur l'Économie Sociale  
ADAPT - European Community program for employment  
AIM - International Association of Mutual Societies  
AISAM - International Association of Mutual Insurance Companies  
ALCU - Association of Lithuanian Credit Unions  
AMIC – Asociación Mutualista de la Ingeniería Civil (Spain)  
CCACE - European Co-ordination Committee of Co-operative Associations  
CEDAG - European Council for Non-Profit Organisations  
CEGES – Conseil des Entreprises, Employeurs et Groupements de l'Economie Social (France)  
CEP-CMAF - European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations  
CEPES - Spanish Business Confederation of the Social Economy (Spain)  
CEPES-Andalusia – Entities Confederation of the Social Economy in Andalusia  
CIRIEC - Centre of Research and Information on the Public, Social and Cooperative Economy  
CMAF - Co-operatives, Mutual Societies, Associations and Foundations  
CNLAMCA - National Liaison Committee for Mutual, Cooperative and Associative Activities (France)  
COFAC - Training and Cultural Activities Cooperative (Portugal)

CONCERTES – Walloon Confederation of Social Economy (Belgium)  
 Confcooperative - Italian Cooperative Confederation  
 CRISES - Centre de recherche sur les innovations sociales (Canada)  
 CWES - Walloon Social Economy Council (Belgium)  
 DGES - Directorate-General of Social Economy, autonomous workers and European social found (Spain)  
 DIIIES - Délégation Interministérielle à l’Innovation, à l’expérimentation sociale et à l’économie sociale (France)  
 EKL - Estonian Union of Co-operative Housing Associations  
 EMES – European research network on social enterprises  
 ESA - European System of National and Regional Accounts  
 ESOSC - Institute for Independent Social Research and Consultancy  
 EESC - European Economic and Social Committee  
 EQUAL - European Community program for social and labor integration  
 Euro Coop - European Community of Consumer Cooperatives  
 ESF - European Social Funds  
 EU – European Unión  
 EVS - European Values Survey  
 FEBECOOP - Fédération Belge de l'économie sociale et coopérative  
 FNDS - National Fund for the Development of Sport (France)  
 FNDVA - French National Funds for the Development of Associated Life  
 FTEV – Full-time equivalent volunteers  
 GNPO - Governmental Service Agency (Czech Republic)  
 ICA - International Co-operative Alliance  
 ILO - International Labour Organization  
 INSCOOP - Instituto António Sérgio do Sector Cooperativo (Portugal)  
 IPAB - Istituzioni di Pubblica Assistenza e Beneficenza (Italy)  
 IPSS - Instituições Particulares de Solidariedade Social (Portugal)  
 ITAS – Italian Mutual Society  
 IUDESCOOP-UV - Institute of the Social and Cooperative Economy of the University of Valencia (Spain)  
 LEGACOOP - Lega Nazionale delle Cooperative e Mutue (Italy)  
 MCC – Mondragón Corporación Cooperativa (Spain)  
 NNO - Association of Common Benefits (Czech Republic)  
 NPI - Non-profit institutions  
 NPISH - Non-profit institutions serving households  
 NPO - Non-Profit Organisation  
 OECD – Organisation for Economic Co-Operation and Development  
 ONCE – National Organization of Spanish blind people  
 ONLUS - Non Profit Organisation of Social Interest (Italy)  
 PANKO - Panhellenic Union of Social Economy  
 RECMA – Revue internationale de l’économie sociale  
 RedEsmed – Euro-Mediterranean Network of Social Economy  
 SCE - Statute for a European Co-operative Society  
 SE - Social Economy  
 SERUS – Social economy and civil society in Scandinavia  
 SKES - Standing Social Economy Conference (Poland)  
 SNA - United Nations' System of National Accounts  
 TS - Third Sector  
 U.CO.JU.CO - Union des COMités de JUmelages Coopération (France)  
 UQAM – University of Québec in Montréal (Canada)  
 VOSEC – Flemish Confederation of Social Economy (Belgium)