

**Opinion of the European Economic and Social Committee on social impact measurement (own-initiative opinion)**

(2014/C 170/03)

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On 19 September 2013, the European Economic and Social Committee, acting under Article 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*Social impact measurement*

(own-initiative opinion).

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 November 2013.

At its 494th plenary session held on 10 and 11 December 2013 (meeting of 10 December), the European Economic and Social Committee adopted the following opinion by 146 votes to five with three abstentions.

## **1. Conclusions and recommendations**

1.1 The EESC welcomes the debate on social impact measurements for social enterprises but stresses the importance to give more time to this complex topic. A first step is for the Commission to initiate data collection for a comparable analysis of social impact measurement in the Member States, but also explore this subject further in the context of the social dimension of Europe.

1.2 The EESC feels that an incorrect or rushed approach may counter-act the EU Institutions' aim to support the development and growth of the social enterprise sector. With low awareness of this sector in many Member States, the EESC urges the Commission to prioritise further awareness raising and full implementation of the Social Business Initiative agenda.

1.3 Social impact measurement aims to measure the social outcomes and impact created by specified activities of a social enterprise and not the enterprises itself, even if the structures of social economy enterprises themselves contribute to social value creation. It is an on-going process and integral part of the enterprise's activity and an important strategic planning tool.

1.4 It is difficult to advocate one single method, which is why the EESC recommends that, rather than developing a new method, the Commission build awareness of the most commonly used principles. What these have in common is that they are bottom-up initiatives designed to capture the social change based on a real need and real activities.

1.5 Any measurement method must be developed from the core outcomes of the social enterprise, be supportive of its activities, proportionate and not stifle social innovation. The method should seek a balance between qualitative and quantitative data, realising that the 'story' is central to measuring success. It must also be noted that the difficulties in translating the results of measuring social impact at micro level to macro level (within the EU) needs to be explored further.

1.6 Realising the need for social impact measurement methods specifically for the EuSEF<sup>(1)</sup> and PESI<sup>(2)</sup> regulations, the EESC recommends that the methods developed for these regulations be piloted, closely monitored and revised if needed. This to ensure they do not hinder social enterprises' access to finance through these instruments. This would allow the Commission to draw up common guidelines and principles of what to measure rather than how to measure.

1.7 The EESC will continue to explore this subject and will closely follow the Commission's work in implementing a method to ensure it does not stifle social enterprise development in Europe. In addition it will continue to engage in a wider discussion on how social impact in time may be considered for other spheres.

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<sup>(1)</sup> European Funds for Social Entrepreneurship, COM(2011) 862 final.

<sup>(2)</sup> Programme for Employment and Social Innovation, COM(2011) 609 final.

## 2. Introduction

2.1 The Commission Communication on the Single Market Act II — Together for new growth<sup>(3)</sup> highlights the need to develop methods for measuring the social and economic benefits generated by social enterprises in the implementation of the EuSEF and the PESI.

2.2 In response, a subgroup<sup>(4)</sup> of the Commission's consultative multi-stakeholder group on social enterprise (GECES) has been tasked with giving the Commission guidelines on how social enterprise can measure their social impact.

2.3 This opinion describes the perspective of social enterprises in the development of a EU social impact measurement method primarily in the context of the EuSEF and PESI. However, since this is an important subject the EESC underlines that, ideally, measuring social impact should subsequently be considered for other spheres, to avoid a piecemeal approach.

2.4 Social enterprise is highlighted in several recent EU initiatives. In addition the EESC has done significant work on this topic<sup>(5)</sup> such as touching on the challenges with EuSEF and social enterprises<sup>(6)</sup>. One central element is the launch of the Commission's Social Business Initiative (SBI)<sup>(7)</sup>, which aims to promote the development and growth of social entrepreneurship and social enterprise in the EU.

2.5 Social enterprises are created for a social purpose and operate in the social economy. To safeguard this model, the EESC stresses that the SBI description of social enterprises should be the basis for any derived regulation, standard or programmes, since it captures social enterprises in a wide context that fits the various models in the Member States.

2.6 It is important to point out that the intention of this opinion is not to put forward arguments for measuring the social impact of businesses generally. Nor should the issue be confused with initiatives relating to corporate social responsibility (CSR) or the obligation, as for all employers, to provide decent working conditions and to comply with any collective agreements that exist. Further it should be noted that effective social performance and infrastructure remain Member State responsibilities.

2.7 Even if this opinion only considers the social impact of the outcomes of social enterprises' activities and not the social enterprises themselves, their structure and operating models themselves are key components in creating social impact, through internalising social costs and generating positive externalities.

## 3. Social impact in a societal context

3.1 Economic outcomes have for a long time been the main indicator to measure the development of organisations and countries, regardless of whether economic or social progress is the main motivation. For a sustainable world, a more holistic perspective considering social, environmental and economic consequences must come to the fore.

3.2 Awareness of this has increased in recent years. In 2008 the EESC adopted an own-initiative opinion entitled *Beyond GDP — measurements for sustainable development*<sup>(8)</sup>, which highlighted the need for new methods of measuring sustainability and wellbeing to meet social challenges. The Commission followed up on this with a report in 2009 entitled *GDP and beyond — Measuring progress in a changing world*<sup>(9)</sup>, which drew attention to the need for new instruments to monitor and measure social development. In addition, other actors have also taken steps to introduce new instruments, e.g. the OECD with its *Better Life Index*<sup>(10)</sup>.

3.3 For Europe, in the midst of a crisis with changing welfare models, it is now more important than ever to focus on real value creation. Most recently this has been stressed in the initiatives promoting a social dimension of the EMU<sup>(11)</sup>, proposing social indicators and actions to complement the economic reporting. This line of reasoning now appears in many EU documents, where measurement and monitoring of social added value, change and impact are prerequisites for the effective implementation of directives, programmes or activities.

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<sup>(3)</sup> COM(2012) 573 final.

<sup>(4)</sup> [http://ec.europa.eu/internal\\_market/social\\_business/expert-group/social\\_impact/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/expert-group/social_impact/index_en.htm).

<sup>(5)</sup> OJ C 318, 23.12.2009, p. 22; OJ C 24, 28.1.2012, p. 1; OJ C 229, 31.7.2012, p. 44.

<sup>(6)</sup> OJ C 229, 31.07.2012, p. 55.

<sup>(7)</sup> COM(2011) 682 final.

<sup>(8)</sup> OJ C 100, 30.4.2009, p. 53.

<sup>(9)</sup> COM(2009) 433 final.

<sup>(10)</sup> [www.betterlifeindex.org](http://www.betterlifeindex.org).

<sup>(11)</sup> [http://ec.europa.eu/commission\\_2010-2014/president/news/archives/2013/10/pdf/20131002\\_1-emu\\_en.pdf](http://ec.europa.eu/commission_2010-2014/president/news/archives/2013/10/pdf/20131002_1-emu_en.pdf).

3.4 Social impact measurement is an important topic and central for re-building the social dimension in Europe. The EESC therefore questions the Commission's very rushed approach in this area and urges that more time be allowed to thoroughly discuss the wider topic to ensure the most suitable forms of methodologies. In this context it must be mentioned that since the overarching objective is to support social enterprises to fulfil their mission, the Commission must tread carefully in developing instruments that may result in an opposite effect.

3.5 This is further supported by the very low awareness and recognition of social enterprise and the social economy in many Member States. Starting the debate from the perspective of social impact rather than fostering an enabling environment for the development of social enterprises may be detrimental to developing this sector. The EESC therefore urges the Commission to prioritise the full implementation of the SBI to ensure fair and transparent conditions for social enterprises in all Member States prior to launching a social impact measurement initiative.

#### 4. Describing social impact

4.1 Measuring social impact is beneficial to all sectors in society. For a social enterprise, achieving a positive social impact is its core purpose and is often an on-going and integral part of the enterprise's activity. It is important to separate social results from business results; it is the social impact that is to be measured, not the organisation.

4.2 There are similarities in how stakeholders describe social impact, but there are also differences. The EESC stresses the importance of a common understanding and suggests that it be described as the social outcomes and impact created by specified activities of a social enterprise.

4.3 It is also important to note that impact measurement is about measuring not only the intended outcomes, but also the overall outcomes (intended and unintended) and their impact.

4.4 Assessing social impact is challenging since the links between the activity and outcome can be hard to demonstrate. Positive effects are often qualitative and are sometimes only evident over longer timeframes. Trying to capture an activity in figures carries a considerable risk that the information yielded will not measure what was intended, or in the right way. Social enterprises must therefore not be pressured to equate measurement with quantification by only focusing on activities that are easily measured, quantified or externally recognised.

4.5 Quantification should rather be seen as one way of measuring, alongside qualitative approaches such as narrative methods. This alternative, or complementary, approach of gathering information-rich stories from the beneficiary's perspective is crucial in evaluating the 'added value' of the social enterprise's activities. In addition it should be pointed out that measuring value creation does not necessarily have to result in a final figure but could rather be a combination of figures and text.

4.6 To explore this complexity further the EESC recommends the Commission to initiate data collection of existing methods as a starting point for comparable analysis between Member States.

#### 5. Key players and concepts

5.1 A pre-requisite for an EU method of measuring social impact in the current EU context (EuSEF and PESI), is stakeholder participation which primarily include social enterprises, users, policy-makers, finance providers as well as social service providers, public authorities and social partners where appropriate. This stakeholder approach provides a trust-building process to share a common view of the desired impact.

5.2 A pre-condition for this stakeholder approach is a common understanding of the basic concepts for social impact measurements. Terms such as *input*, *output*, *outcome* and *impact* are often defined differently in different contexts. It is important that the stakeholders share the same view of these terms.

5.3 Only looking at the output (e.g. the number of people taking part in training), neglects measuring the real impact of the activity. It is therefore important to recognise that social impact measurement is a move from measuring outputs to measuring impact. This way real added value can be captured, still bearing in mind the complexity and multidisciplinary state of measuring social impact.

5.4 It must be noted that specifically the difficulties in translating the results of measuring social impact at micro level to macro level (within the EU) needs to be explored further, as does how measurement methods respect the rights and needs of the individuals and the enterprises.

## 6. Methods and instruments

6.1 Social impact is measured in many different ways, which makes it difficult to advocate a single method or even to compare different methods<sup>(12)</sup>. A multitude of methods have been developed, many initiated through different EQUAL projects<sup>(13)</sup>. What they have in common is that they are bottom-up initiatives designed to achieve a desired social change and based on a real need and real activities.

6.2 The best-known methods are *social return on investment (SROI)*, which is an outcome-based concept designed to show an organisation's social, environmental and economic value creation, and *social accounting*, which is a method for planning, measuring and evaluating the social goals of an organisation<sup>(14)</sup>. An example of a more general method for establishing social added value is the *Global Reporting Index (GRI)*, a sustainability reporting system that provides a framework for social, environmental and economic reporting. But many other methods are also available<sup>(15)</sup>.

6.3 What these methods have in common is that they are designed from the perspective of the social enterprise's purpose in its activities, rather than models from other sectors. Rather than only measuring outputs between two points in time, these approaches often embrace a wider non-linear process such as Theory of Change<sup>(16)</sup> which, in simplified terms, involves defining, quantifying and tracking. By using such approaches, the measuring process is itself incorporated into the enterprise's business planning and an important tool for internal improvement.

6.4 When designing social impact methods they must be kept proportional and be designed to support the social enterprise. Many social enterprises are small and new, with limited resources to apply complicated methods. Therefore the EESC recommends that, to ensure that bureaucratic burdens are limited and proportionate, other stakeholders (EU, fund managers) rather than the social enterprises should bear the cost of impact measurement.

6.5 If considering indicators the EESC suggests that they are chosen by the social enterprises through interviews with users and stakeholders. For example indicators could be 'avoided costs for society' or 'caused impact' of the social enterprise but also consider the enterprise's advocacy work and their structure and operating models.

6.6 On the basis of the existing methods the Commission should consider developing an EU framework in accordance with the EESC recommendations that fits in with the specific regulations that exist in some Member States and their models of welfare organizations and social enterprises themselves.

## 7. Other comments

7.1 Since it is extremely difficult to advocate a single method or standard indicators for measuring social impact, the Commission's first step is to build awareness of the most commonly used principles and methods that exist and encourage the enterprises to use them. From these experiences the Commission can draw up common guidelines for measuring social outcomes rather than outputs to establish a framework of principles of what to measure instead of trying to define how to measure social impact.

7.2 Due to the complexity of this subject, the EESC recommends that the methods developed for the EuSEF and PESI as a first step are piloted. This would allow for the Commission to closely monitor the impact of applying these methods and allow for revision if necessary. All data collection should be gender disaggregated so that the role of women in social entrepreneurship can be acknowledged and so as to ensure transparency in the allocation of funding. This helps to ensure that the methods used do not limit access to funding for the intended targets.

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<sup>(12)</sup> Bouchard, M (ed) (2009): *The worth of social economy*, Peterlang, Bruxelles.

<sup>(13)</sup> [http://ec.europa.eu/employment\\_social/equal\\_consolidated](http://ec.europa.eu/employment_social/equal_consolidated).

<sup>(14)</sup> <http://www.thesroinetwork.org/what-is-sroi>, <http://www.socialauditnetwork.org.uk/getting-started/what-is-social-accounting-and-audit>.

<sup>(15)</sup> e.g. PQASSO (Practical Quality Assurance System for Small Organisations), SIMPLE (Simple Impact Measurement for Local Economies), Volunteering Impact Assessment Toolkit, The Big Picture, Impact Framework, Logic Model Builder, Measuring Impact Framework, Outcome Mapping, Outcome-Based Evaluation, Social Impact Assessment (SIA), the Shujog Impact Framework and Assessment.

<sup>(16)</sup> <http://www.theoryofchange.org>.

7.3 When structuring these pilot projects the Commission also needs to consider aspects such as the competence and objective of the 'audit' function/stakeholder. This is closely related to added costs and motives of these actors. The EESC urges the Commission to make efforts in minimising these costs when designing the measurement requirements as well, to avoid creating unnecessary red tape or distort social development.

7.4 There is a risk that the measurement method designed specifically for EuSEF and PESI will take precedence when implementing other instruments and rules relating to social enterprise at national, regional and local level. Inadequate or incorrect application of social impact measurement may hamper social innovation and experimentation. To limit this risk the Commission should offer awareness raising and training programmes in the Member States.

7.5 This opinion is a first step in the EESC work on social impact measurement. It is a response to the current Commission work on the subject. However, the EESC deems it vital to continue and expand this discussion and will therefore monitor the Commission's work and continue to work on this subject within other areas of its policy work.

Brussels, 10 December 2013.

*The President*  
*of the European Economic and Social Committee*  
Henri MALOSSE

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