Social entrepreneurship and social innovation in combatting unemployment

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The Committee on Employment and Social Affairs adopted a report by Verónica LOPE FONTAGNÉ (EPP, ES) on Social Entrepreneurship and Social Innovation in combating unemployment.

Members recalled that the social **and solidarity-based economy provides employment for more than 14 million people**, representing around 6.5% of workers in the EU and that there are 2 million social and solidarity-based economy enterprises in the EU, representing **10% of undertakings in the Union**.

Definition of social economy enterprises: Members noted that that social and solidarity-based economy enterprises, **which do not necessarily have to be non-profit organisations**, are enterprises whose purpose is to achieve their **social goal**, which may be to create jobs for vulnerable groups, provide services for their members, or more generally create a positive social and environmental impact, and which **reinvest their profits primarily in order to achieve those objectives**.

The social and solidarity-based economy enterprises are characterised by their commitment to upholding the following values:

- the primacy of individual and social goals over the interests of capital;
- democratic governance by members;
- the conjunction of the interests of members and users with the general interest;
- the safeguarding and application of the principles of solidarity and responsibility;
- the reinvestment of surplus funds in long-term development objectives, or in the provision of services of interest to members or of services of general interest;
- voluntary and open membership;
- autonomous management independent of the public authorities.

In this context, Members considered that the Commission should:

- recognise the diversity of social enterprises and ensure that actions are taken at EU level to support social and solidarity-based enterprises of all types;
- implement all the measures set out in the 2012 Social Business Initiative so as to broaden and deepen its scope to the key players in the social and solidarity-based economy;
- recognise and support the role of not-for-profit social service providers, both politically and financially.

Members noted that the social and solidarity-based economy **cannot replace the welfare state and public services**. They welcomed the fact that four EU Member States (Spain, France, Portugal and Belgium) have national legislation concerning the social and solidarity-based economy, while Poland has launched a strategy to develop the social and solidarity-based economy and Romania is discussing the adoption of legislation to regulate the social and solidarity-based economy.

Europe 2020strategy: Members recognised that the EU remains far from achieving the targets set in the Europe 2020 strategy, particularly those relating to employment, innovation and the reduction of poverty and social exclusion. They emphasised that, given its social and inclusive nature, the social and solidarity-

based economy offers jobs to the **groups most often excluded from the open labour market**. They called therefore on the Member States to better integrate social and solidarity-based economy enterprises into action plans for employment and social integration.

Public procurement: Members pointed out that social and solidarity-based economy enterprises face difficulties in accessing public procurement, such as barriers related to size and financial capability. calls for the swift and effective implementation of the new public procurement and concession directives (Directives 2014/24/EU, 2014/25/EU and 2014/23/EU) in order to achieve greater participation by social and solidarity-based economy enterprises in tendering procedures for public contracts. The Member States are also called on to implement these procurement principles properly in all tendering and selection procedures, with wide use of the **Most Economically Advantageous Tender** (MEAT), in compliance with environmental, social and labour law obligations.

Members also regretted that the Commission Digital Single Market strategy for Europe fails to mention social and solidarity-based economy enterprises and their potential contribution to the achievement of the Union's goals.

Financing: Members regretted that social and solidarity-based economy enterprises encounter even more difficulties than traditional enterprises in securing financing, whether through public or private channels. They therefore called for public authorities and financial service providers to develop a wide range of appropriate financial instruments. They also called on the Commission to review the ceiling for loans to social enterprises laid down under EaSI, and to determine whether this reflects market conditions.

In general, they highlighted the need to support social and solidarity-based economy enterprises with sufficient financial resources at local, regional, national and EU level, creating synergies among the various types of enterprises. They considered it necessary, therefore, to improve access to financing for the social and solidarity-based economy by various means, such as European funds, risk capital funds, microcredit and crowdfunding.

Members called on the Commission to propose a new exception to the legal definition of ‘SME’, similar to those which already apply to public investment corporations, venture capital firms and non-profit-making universities and research centres, so **that a training and placement enterprise can be classified as an autonomous enterprise**, even if another enterprise holds, alone or jointly with other enterprises, more than 25% of its capital or of the voting rights on its administrative board.

Training: Members pointed out that the social and solidarity-based economy could help considerably to reduce youth unemployment in the EU. They called on the Member States to develop training programmes targeted on and specifically tailored to entrepreneurs in the social sector, with particular reference to groups with lower employment rates such as women, young or disadvantaged workers. They pointed out that sectors with a wide margin for growth and job creation, such as the ‘white’ and ‘green’ sectors, are those in which the social and solidarity-based economy is very much present. They urged the Member States, accordingly, to promote education and training in those sectors.

Support and promotion: Members deeply regretted the **low level of recognition of the social and solidarity-based economy at European level**. They are in favour of creating a multilingual digital platform for exchanging information aimed at social enterprises, business incubators, business clusters and investors in social enterprises.

They call on the Commission to:

- carry out a comparative analysis of national certification and labelling systems for the social and solidarity-based economy;

- to promote the creation of business incubators for social and solidarity-based economy enterprises, and to implement and effectively promote the internet platform for data exchange between social investors and social entrepreneurs (the Social Innovation Europe Platform), details of which have been agreed on.

They equally supported the idea that social and solidarity-based economy enterprises could form a specific company category **with its own legal status**, defined as having other objectives than simply profit for shareholders.

Lastly, Members called on the Commission to come forward with a legal framework for such enterprises, to be achieved by means of the **European statute for cooperative societies, associations, foundations and mutual societies**.