

# THE SOCIAL ECONOMY IN THE EUROPEAN UNION<sup>1</sup>

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*The concept and term social economy is very broad, but it is generally understood to refer to all types of economic and social activities that take place in many legal forms between the boundaries of the private and public sector. Social economy is a term that is commonly used in continental Europe, and in the European Union institutions, while in the USA, and other countries, the dominant terms tend to be that of Non-Profit Organisations (NPOs) and Third Sector, which is also commonly used internationally. There are also other terminologies describing social economy, like solidarity economy. Here we adopt the use of the term social economy as the most appropriate one for the reasons analysed below. And we also make only a brief reference to the differences and similarities between the concepts of social economy and NPOs.*

*Furthermore, as the theoretical and the research areas covering the social economy/third sector are vast, complex and full of different interpretations, particularly on its various sub-components, it is beyond the limits of this paper to deal with these in detail.*

*The paper is divided into two sections. In the first section, we address theoretical and conceptual approaches of social economy, on its evolution, its definitions and on the NPO approach. In the second section, we discuss and describe the current main components of the social economy in the EU and how it is structured, in terms of definition, legal framework, range of activities and institutional representation.*

**Keywords:** *social economy, social enterprises, nonprofit organisations, social inclusion.*

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## THEORETICAL AND CONCEPTUAL APPROACHES ON SOCIAL ECONOMY EVOLUTION OF SOCIAL ECONOMY

Social economy is historically linked to popular associations and co-operatives which make up its backbone<sup>2</sup>. The system of values and the principles of the popular associations – associationism and associative democracy<sup>3</sup>, cooperativism, mutualism – are those which have served to formulate the modern concept of social economy, which is structured around three large families of organisations: co-operatives, mutual societies and associations, with the recent addition of foundations and social enterprises. Co-operatives, mutual assistance societies and associations manifested in their own ways 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 revolution and capitalism, in the 18<sup>th</sup> and 19<sup>th</sup> centuries.<sup>4</sup> These entities became popular in many European countries, especially mutual provident societies and mutual assistance societies, as well as cooperatives, in Britain (e.g. friendly societies, co-operatives, linked closely to the trade union movement), in Germany, France, Spain and Italy among others.

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>5</sup> Other important 19<sup>th</sup> century social economists were John Stuart Mill and Leon Walras.

During the period 1945–1975, the long period of economic growth in the western developed economy consolidated the socio-economic roles of the private and public sectors. The rise of the welfare state compensating and/or correcting the inherent weaknesses of the capitalist economy (income redistribution, resource allocation and anticyclical policies), meant that the social economy, although it continued to develop, it had a very limited role to play between the economy and the state as the welfare state dominated that area. In Central and Eastern European countries, the centrally-planned communist economies allowed only economic activity by the State, and where cooperatives operated they had been stripped of their traditional voluntary and democratic membership and organisation.

Over the past 25 years, the social economy sector has acquired greater significance, in terms of economic activity and in social policy planning, in the EU countries and internationally, due to a number of reasons. Mainly due to the rise of unemployment in the late 1970s – and hence, the need for alternative employment

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<sup>2</sup> CIRIEC (International Centre of Research and Information on the Public, Social and Co-operative Economy), *The Social Economy on the European Union*, p. 11, 2007. (Written for the European Economic and Social Committee (EESC) covering the 25 European Union countries (it was completed in 2006 so Romania and Bulgaria were not included).

<sup>3</sup> Smith, G., *Social Economy, Social Enterprise and the Theory of Associative Democracy*, 2005.

<sup>4</sup> CIRIEC, p. 11.

<sup>5</sup> CIRIEC, p. 14.

and sources of income for groups of people mostly affected by unemployment, de-skilling and social exclusion. Also due to the rise of neo-liberal ideology and economic policies and the accompanied reduction of the provision of the welfare state (e.g. health care, education, certain welfare services), which meant that certain goods and services that had to be provided at affordable cost to mainly vulnerable social groups were covered, at varying levels, by the social economy sector. In general, historically in capitalist economies, the rise of unemployment and/or the ascendancy of liberalism are accompanied by a rise in self-help activities and structures, which are both a spontaneous reactions of the civil society, and a conscious government policy, as it is now in the EU.

The re-emergence of the social economy sector as an important agent in employment, economic growth, social solidarity, and associationism and social servicing has taken various forms in European countries. In general, in the '80s and '90s there was a great deal of denationalizations of co-operatives and mutual societies, and simultaneous significant rise of social enterprises and other hybrid forms of social economy activities, all driven by the concept of social entrepreneurship.

For instance, in Italy, social co-operative societies are one of the most dominant forms of cooperativism where they form the core element of the delivery of social services together with the Municipalities<sup>6</sup>. In Sweden, the co-operative movement started in the '80s, partly as a response to the shrinking of the welfare state, where co-operatives employed young unemployed and other marginal groups, but the main aim of co-operatives is to benefit consumers and producers, rather than workers, as is the case in other European countries<sup>7</sup>. In Spain, in the '80s and '90s there was a great growth of social co-operatives and new social enterprises<sup>8</sup>.

### Definitions of Social Economy

Here we present a working definition of social economy, which is important to the process of understanding how the social economy sector and its various components are structured and generally understood institutionally, in the EU<sup>9</sup>.

The CIRIEC Report proposes as a working definition of social economy:

*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*

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<sup>6</sup> European Community Co-operative Observatory (ECCO), *Does social enterprise work? The lessons provided by policy and practice in five European countries, Report Number 1*, p. 15 2005. (These societies provide, social services, labour integration, supporting persons with disabilities).

<sup>7</sup> ECCO, pp. 21–5.

<sup>8</sup> ECCO, pp. 35–9.

<sup>9</sup> CIRIEC, p. 20.

*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>10</sup>.

The report also notes that, from a socioeconomic point of view, there is obviously a permeability between the two sub-sectors and close ties between market and non-market in the social economy, as a result of a characteristic that all social economy 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.*

So the plurality and diversity in organisational forms and modes of participation and accountability is precisely what is found within the social economy – co-operatives, mutual societies and voluntary organizations, associations foundations and social enterprises that engage in productive activity (traded or non-traded), with *a social remit*.

The current conceptual definition of the social economy by its own organisations is that of the *Charter of Principles of the Social Economy* promoted by Social Economy Europe, the EU-level representative institution for the social economy organisations<sup>11</sup>. 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 CIRIEC Report attempted to map out the components, the diversity, of the social economy in the EU-25 countries, through the use of correspondent national experts. The result was the identification of a significant diversity regarding the concept and levels of recognition of social economy, and, hence, a variety of institutional forms, at least 19 such forms were identified. The main conclusions are:

1. There are divergent concepts of the scope of the social economy, even within each country. Only in France and Spain there are legal recognitions of social economy.

2. Co-operatives, mutual societies, associations and foundations are more widespread in the group of countries where precisely the concept of social economy is most accepted, with the exception of Ireland and Finland from the old EU-15.

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<sup>10</sup> CIRIEC, pp. 20–21.

<sup>11</sup> [http://www.cedag-eu.org/index.php?page=social-economy&hl=en\\_US](http://www.cedag-eu.org/index.php?page=social-economy&hl=en_US).

3. Co-operatives, in particular, mutual societies, associations and foundations can be considered as the 'core' components of the social economy.

4. There are significant differences regarding the spread of social economy components between the old EU-15 countries and the new former communist EU members. The fundamental difference is the very low number of mutual societies (like friendly societies) from the sphere of the social economy, which may be found and the low level of recognition of the very concept of the social economy itself, together with the absence of a legal status establishing mutual societies in these countries. Nearly half of the new member states have the components of association and foundation.

### **The approach and concept of Non-Profit Organisations (NPOs)**

We make a reference to this approach for two reasons: to clarify conceptually the differences and similarities between the social economy and NPO approaches, and to draw attention to the assumptions on which the United Nations *Handbook on Non-Profit Institutions in the System of National Accounts*<sup>12</sup> (NPI Handbook) is based.

The main theoretical approach that addresses the Third Sector, apart from the social economy approach, is of English-speaking origin and it is known as the Non-Profit Sector or Non-profit Organisations (NPO)<sup>13</sup>. This approach first appeared 30 years ago in the United States, defined and disseminated widely throughout the world by an international research project which began in the early '90s, spearheaded by Johns Hopkins University (Baltimore, USA). In essence, this approach only covers private organisations (*charities* and *US philanthropic foundations*), which have articles of association forbidding them to distribute surpluses to those who founded them or who control or finance them.

The organisations that the above project examined are those that met the five key criteria in the 'structural-operational definition' of non-profit organisations. These are:

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.

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<sup>12</sup> *Handbook on Non-profit Institutions in the System of National Accounts*, United Nations, New York, 2003.

<sup>13</sup> CIRIEC, pp. 28–34.

The social economy approach shares four out of the five above NPO criteria: *private, formally organised*, organisations with autonomy of decision (self-governing), and *freedom of membership* (voluntary participation).

However, there are three criteria where the NPO and social economy approaches clearly differ. These are:

a) *The non-profit criterion*, in the NPO model the organisations must apply the principle of non-distribution of profits or surpluses (the non-distribution constraint). However, co-operatives and mutual societies, which form a decisive nucleus of the social economy, are excluded from the third sector by the NPO approach because most of them distribute part of their surpluses among their members.

b) *The democracy criterion*, in the NPO model the concept of democratic organisation of a third sector entity is not a criterion<sup>14</sup>. The social economy approach generally excludes from the third sector any non-profit entities that do not operate democratically, although 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 social economy. These non-profit institutions prove their *social usefulness* by providing merit goods or services free to individuals or families.

c) *The serving the people criterion*: in the NPO model there is 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. In the social economy approach, the main aim of all the organisations is to serve people or other social economy 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.

Finally, unlike the NPO approach, which only sees a charitable and philanthropic function in the Third Sector, developing unidirectional solidarity initiatives, the social economy 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 social economy 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.*

The UN *NPI Handbook* 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'. 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 in the benefit of people in need; to supply non-profit market

<sup>14</sup> Defourny, J. and Borzaga, C., *The Emergence of Social Enterprise in Europe*, Routledge, London, 2001.

services such as health, education, leisure activities, etc.; to defend the interests of pressure groups or the political programmes of like-minded citizens, etc. *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.*

## THE SOCIAL ECONOMY AND ITS MAIN COMPONENTS IN EUROPE

Following is a short description of the main structural characteristics – definitions, legal framework, range of activities and institutional representation – of the four major families of social economy organisations: co-operatives, mutual societies, associations and foundations. Also included are the characteristics of social enterprises, as they are now regarded as a major component of the social economy sector and there is too a short reference on the ‘hybrid’ social economy organisations. Under all these categories of the social economy we can find nearly all the multitude of economic and social sub-sectors active in the social economy.

### The Social Economy in Europe

**The social economy in figures:** Social economy enterprises represent two million enterprises (i.e. 10% of all European businesses) and employ over 11 million paid employees (the equivalent of 6% of the working population of the EU): out of these, 70% are employed in non-profit associations, 26% in cooperatives and 3% in mutual societies. Social economy entities are enterprises, in their majority micro, small and medium size enterprises (SMEs)<sup>15</sup>.

In contrast, social economy is invisible in the national accounts, a hurdle that constitutes another major challenge.<sup>16</sup> Current national accounting rules do not acknowledge the social economy 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 social economy makes to achieving major economic policy objectives. 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 concept of social economy is understood differently across EU countries. For instance, countries in which the concept of the Social Economy enjoys a medium level of acceptance 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

<sup>15</sup> [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index_en.htm).

<sup>16</sup> CIRIEC, p. 114.

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.<sup>17</sup>

Countries where the concept of the Social Economy is little known, incipient or unknown are: 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.

**Institutional representation:** The CEP-CMAF (Permanent European Conference of Co-operatives, Mutual Societies, Associations and Foundations) was set up in November 2000, after that the Tours European conference on social economy decided to improve the co-operation between the different families of social economy. In 2007, it changed its name in Social Economy Europe, in order to improve visibility of the sector<sup>18</sup>.

Social Economy Europe ([www.socialeconomy.eu.org](http://www.socialeconomy.eu.org)) is the EU level representative institution for the social economy. Social Economy Europe aims to promote the social and economic input of the social economy enterprises and organisations, to promote the role and values of social economy actors in Europe, and to reinforce the political and legal recognition of the social economy and of co-operatives, mutual societies, associations and foundations, at EU level<sup>19</sup>.

The members of Social Economy Europe are:

**International and European organisations**

- AMICE – Association of Mutual Insurers and Insurance Co-operatives in Europe.
- AIM – International Association of Mutual Health Funds.
- CEDAG – European Council of Associations of General Interest.
- CO-OPERATIVES EUROPE – Common platform of the co-operatives within Europe.
- EFC – European Foundation Centre.

**National organisations**

- CEGES – Conseil des Entreprises, Employeurs et Groupements d'Economie Sociale.

- CEPES – Spanish Business Confederation of Social Economy.

**Network organisations**

- FEDES – European Federation of Social Employers.
- REVES – European Networks for Cities and Regions for Social Economy.
- ENSIE – The European Network for Social Integration Enterprises.

<sup>17</sup> CIRIEC, p. 36. In 2001 the British government created the Social Enterprise Unit within the Department of Trade and Industry.

<sup>18</sup> *Map of European and National Social Economy Institutions and Organisations*, p. 22.

<sup>19</sup> <http://www.socialeconomy.eu.org/?lang=en>.



## Co-operatives

**Brief historical background:** Co-operatives emerged strongly during the rise of industrialisation and the need to address employment, economic and social needs for individuals and groups, that were either not satisfied through the new labour market or chose alternative modes employment and association. While some types of co-operatives, such as agricultural co-operatives, emerged almost everywhere, others were more country specific, such as consumer co-operatives in England, and housing co-operatives in Germany, Great Britain and Sweden. In countries where the pace of industrialisation was less rapid, such as in France and Italy, workers' production co-operatives developed and promoted, in Italy by the industrial districts of Italy. While co-operatives were able to benefit from certain arrangements negotiated with the State, for the most part they were subject to competition. In general, the logical consequence was to concentrate the means of production, which prompted them to specialise in major activities linked to the identities of their members.

**Definition:** A co-operative can be defined as an enterprise freely established that is owned and controlled by a group of legal persons for the purpose of equitably providing themselves with mutual benefits that arise from the activities of the enterprise and not primarily from investment in it<sup>20</sup>.

Another definition, more descriptive as to its principles and operations, is the one provided by *Cooperatives Europe* where co-operative enterprises are defined as: *Established with the dual aims of realising economic success and that of answering social objectives*<sup>21</sup>. *They are based on the following principles:*

- *voluntary and open membership;*
- *democratic member's control;*
- *member's economic participation;*
- *autonomy and independence;*
- *co-operation among co-operatives, and;*
- *concern for the community.*

**Legal framework** – Briefly, co-operatives are explicitly recognised 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, 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.

In certain countries, there is a lack of general laws on co-operatives, although they have some laws for specific types of co-operative (Denmark, UK), or, in the other extreme, there is over-legalisation (Spain, Italy, France), with different laws according to the type of co-operative and the level of government (national and regional)<sup>22</sup>.

<sup>20</sup> Parnell, Edgar, *A New Look at Co-operatives and Their Role in Developing Countries*, in "Small Enterprise Development", Volume 13, No 1, March 1992.

<sup>21</sup> <http://www.co-opseurope.co-op/spip.php?rubrique19>.

<sup>22</sup> CIRIEC, Summary of the Report *The Social Economy on the European Union*, p. 33, 2007, [http://www.eesc.europa.eu/groups/3/categories/soceco/booklets/EN\\_Web.pdf](http://www.eesc.europa.eu/groups/3/categories/soceco/booklets/EN_Web.pdf).

Depending on the country, co-operatives may be considered commercial companies, a specific type of company, civil associations or organisations that are difficult to classify. There may be even a total lack of specific legal regulation, forcing them to follow the general rules for companies, 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'.

**Range of economic activities:** The two most significant agents in the social economy sector are the co-operatives and mutual societies. In the EU, co-operatives are well-established in every area of economic activity as the co-operative principles can be applied to any form of economic activity. They can be set up by individuals and their size can range from a small enterprise (e.g., a shop) to large and complex ones. The most prominent types of co-operatives found in the EU are: agricultural, financial intermediation (banks, insurance), retailing, housing, worker's (craftsmen, tradesmen, land workers, etc), while other significant ones are consumer, pharmaceutical, production, social, women's, fishing, health, education, credit unions, banking, tourism and, in Spain, Labour Societies, labour special entities and labour insertion companies and other.

In 2004, the new eight EU member-states and former communist EU members, particularly Poland and the Czech Republic, have most of the main types of co-operatives found in the old EU-15 member-states, such as agricultural, consumer, banks, housing, worker's and social.

The social and economic importance of co-operatives is very significant, if we consider only the membership of the peak co-operatives representative body, *Cooperatives Europe*<sup>23</sup>. That is, 171 individual co-operative organisations from 37 countries out of 42 countries of the European Region, and from six European Sector Organisations out of seven, representing 250,000 co-operative enterprises, 160 million members, and providing 5.4 million Jobs.

**Institutional representation:** Cooperatives Europe (<http://www.co-opseurope.co-op/>) is the biggest membership organisation in Europe promoting the cooperative model of enterprise for sustainable economic progress with social objectives. It was established in 2003, and in 2006, through the merger of the ICA-Europe (the European branch of the International Co-operative Alliance) and the CCACCE (Coordination committee of European Co-operative Associations), Co-operatives Europe becomes a non-profit organisation with a juridical personality<sup>24</sup>.

## Mutual Societies

**Brief historical background:** Historically, the mutual societies preceded the rise of the welfare state. In the early 19<sup>th</sup>, Europe numerous initiatives had been taken to respond to problems of work disability, illness and old age with solidarity,

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<sup>23</sup> <http://www.coopseurope.coop/spip.php?rubrique18>.

<sup>24</sup> *Map of European and National Social Economy Institutions and Organisations*, p. 24.

bringing together members of a profession, an industry or a geographical area. Seen as instruments of worker emancipation, by socialists, as barriers against social unrest, by liberals and conservatives, these mutual societies were tolerated and controlled by government, as in Belgium and France, beginning with the middle of the century.

The risk inherent in the benefits provided by mutual societies could, in fact, be managed better thanks to the participation of a large number of members throughout the country and the support provided by statistical techniques. The security of the system was assured by instituting compulsory insurance schemes (illness, old age). The nature of the economic activities involved created a dependency on social security systems after the Second World War, and mutual societies became social protection organisations complementary to compulsory schemes. They became subject to State-prescribed standards in order to supplement social transfers, even if it meant altering the principle of voluntary membership, to be able to provide contingent and complementary support. In Denmark, Spain, France and Italy, mutual societies pooled their health insurance activities with those of administering health care and social welfare institutions.

**Definition:** 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>25</sup>.

A self-definition of mutual societies, as given by the Association Internationale de la Mutualité (AIM)<sup>26</sup>, supplements further the EC Manual's definition: *Mutual societies grouped together within AIM are groupings of persons with social-welfare objectives and without a profit motive, whose goal is to provide protection against the consequences of various social risks to their members and members' families. They generally furnish social welfare coverage and access to social services financed on the basis of solidarity, whose scope is defined democratically by the members. The mutual society functions essentially according to the principle of autonomous management, absence of shareholders and independence from public authorities. Although mutual societies are required to comply with national legislation and are consequently subject to supervision by these same authorities, democratic control of their functioning is exercised primarily by their statutory bodies. Their autonomy and democratic structure serve as a guarantee of dynamism and constant adaptation of their services to respond to actual needs*<sup>27</sup>.

<sup>25</sup> CIRIEC, pp. 24–5.

<sup>26</sup> Is a grouping of autonomous health insurance and social protection bodies operating according to the principles of solidarity and non-profit-making orientation?

<sup>27</sup> <http://www.aim-mutual.org/index.php?page=13>.

**Legal framework** – Briefly, like the co-operatives, mutual societies in the EU are governed by very diverse bodies of law. Traditionally, all clients (policyholders) of a mutual insurer are members; in some jurisdictions, however, mutual insurers also have policyholders who are not members. Typically, every member of the mutual has an equal vote in members' meetings.

**Range of activities:** 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 comprises mutual insurance companies<sup>28</sup>.

- In the European Union (EU-25, 2004), there were 7,180 licensed insurers, of which 70% were mutual and co-operative insurers.

- Of these 7,180 insurers, the vast majority (68%) is mutual, with a presence in the life sector as well as in the non-life sector.

- In terms of total (life and non-life insurance) gross direct domestic premiums written, the mutual and co-operative insurance sector accounts, in its broadest definition, for €247 billion or 27% of the total European market.

- This €247 billion, or 27% of the total EU25 insurance market, is close to the size of the largest national insurance market, the UK, which domestically in 2004 accounts for €269 billion. Measured this way, one could argue that the mutual insurance sector is the second largest European insurance market.

- In non-life insurance, the mutual insurance sector is even the largest 'country', with a €106 billion market (close to the UK and France together), whereas in life insurance, the mutual insurers account for the third largest market or a market equivalent to Germany<sup>29</sup>.

- Health and social welfare: mutual societies provide assistance and cover to over 120 million people.

- Insurance mutual societies have a 23.7% market share<sup>30</sup>.

**Institutional representation:** There are two large umbrella organisations, or platforms as they are usually called, that represent mutual provident societies and the mutual insurance companies, (AIM) Association Internationale de la Mutualité (<http://www.aim-mutual.org/>), and (AMICE) the Association of Mutual Insurers and Insurance Co-operatives in Europe (<http://www.amice-eu.org/>).

## Associations

**Brief historical background:** Associations have been closely linked to different welfare states, corresponding with the three models of welfare state regimes identified by Esping-Andersen (1990). In the first model, that corresponds

<sup>28</sup> CIRIEC, p. 24.

<sup>29</sup> [http://www.amice-eu.org/Facts\\_and\\_figures.aspx](http://www.amice-eu.org/Facts_and_figures.aspx).

<sup>30</sup> CIRIEC, Summary of the Report *The Social Economy on the European Union*, p. 7.

with social democratic systems of Scandinavian countries, such as Sweden and Denmark, the broad reliance on the State as the organiser of society considers social services as a “collectivisation of needs” (Leira, 1992), giving priority to social integration and gender equality. In this framework, the role of associations has been to exert social pressure by giving voice to demands, and they have mobilised networks to press for the delivery of benefits by the public service.

In the second configuration, corresponding to liberal and dual systems, services are largely absent. Under the liberal welfare state system, characteristic of the United Kingdom, government intervention is concentrated on the most disadvantaged sectors of the population. Neutrality in the area of service delivery has been maintained. The corollary of this is a lack of child care, which causes a great number of women to have to work only part-time (Lewis, 1992). A scarcity of government-regulated non-market services is also characteristic of the dual systems specific to southern Europe and exemplified by Spain, Italy and Portugal. Focussed on cash transfers, such systems eschew services and give protection to people well integrated into the labour market, at the expense of persons trapped in insecure jobs or in the underground or informal economy; here, “access to rights is neither universal nor egalitarian, but operates on the basis of personal knowledge, privilege and patronage” (Ferrara, 1996).

In both of the above configurations, the role of associations as producers of goods or services is very limited, but for opposite reasons: in the universalist model, the creation of many new services, with tasks previously performed by the private sector are shifted to government; and in the liberal and dual models, with weak externalisation of services, the tasks remain largely performed by women and are maintained in the private sector.

For its part, the third configuration corresponds to a corporatist system. In contrast to the other two, this configuration gives associations a major role as service providers. Hierarchical regulation governs relations between associations and government, associative services being considered an integral part of social policies financed by taxes or social security contributions. The State establishes the rules for how services are delivered and for the wage-earning occupations that provide them. If the rules are complied with, funding is provided through redistribution. In Germany, Austria, France and Belgium, associations were pioneers in social services, identifying emerging social requirements which were subsequently kept in the associative sector, albeit under control of the State. State regulation has brought associations closer to the government and prompted them to form major nation-wide federations (affiliated with political parties, churches, the Red Cross and non-aligned organisations in Germany; lay and Catholic in France; socialist and Christian in Belgium).

In practice, this sub-group encompasses together all other forms of individual freedom of association that aim to produce goods or services but whose primary objective is not profit. It comes as no surprise that these forms too have a broad variety of names. Among the designations we find not-for-profit organisations and associations, voluntary organisations, and non-governmental organisations.

Furthermore, country-specific foundations and organisations, such as the English charities, are frequently associated with this category.

**Definition:** *Associations are social economy actors. Associations share the values of democracy, the primacy of the individual and of social objectives over capital, and are dedicated to their members and the general interest. Therefore, they distinguish themselves from commercial enterprises by the fact that they are not for profit orientated and that they aim at contributing to the general interest.*

*Associations are a place for expression and information. They do play different societal functions, such as provision of services, militant activities, assistance, integration and training. They answer needs expressed at all level thanks to their role as social actors; partners in the definition, implementation and follow up of public policies; partners of public authorities in their mission of services of general interest.*

*Therefore, associations assume a social role and are involved in the development of collective action, of local development, of sustainable development for the people, ensuring a real social productivity.*

*Associations are important players in the development of the European Union and no progress can occur without the construction of a social and political project for Europe without the participation of its citizens and social actors*<sup>31</sup>.

**Legal framework** – Briefly, Associations of General Interest, including Services of General Interest (SGIs), Social Services of General Interest (SSGIs), and generally non-profit organisations are considered as an essential characteristic of the European social model. They insure the fundamental rights to European citizens. These associations are recognised in the European Treaties, since the Amsterdam treaty (1997), the Nice treaty (2001) and in the Charter of Fundamental Rights. Many legislative texts are still under debate in the European Parliament and the European Council. The European Commission has published, in May 2004, a white paper on SGIs and a communication on SGIs in 2007, released in the framework of the internal market review<sup>32</sup>.

**Range of activities:** Associations are active in the non-market sub-sector. Associations, with Non Government Organisations (NGOs) being one of the most recognisable organisational forms, include charities, relief and aid organisations, trades unions, professional or learned societies, consumers' associations, political parties, churches or religious societies, cultural, recreational, educational, citizenship, social and health issues, environmental issues, and sports clubs, uniting a big number of organizations with millions individual members. These associations rely to a very large extent on volunteers, while the market sub-sector of the social economy (co-operatives, mutual societies and similar companies) has, practically, no volunteers except, in social enterprises<sup>33</sup>.

<sup>31</sup> Social Economy Europe, <http://www.socialeconomy.eu.org/spip.php?rubrique201&lang=en>.

<sup>32</sup> [http://www.cedag-eu.org/index.php?page=services-of-general-interest&hl=en\\_US](http://www.cedag-eu.org/index.php?page=services-of-general-interest&hl=en_US).

<sup>33</sup> CIRIEC, p. 27.

The non-profit sector is about its particular contribution to society for a fair, tolerant, diversified, equitable and inclusive society promoting human dignity, solidarity, sustainable development, citizen's participation and this on the basis of a modern and open humanism and a strong and committed civil society<sup>34</sup>.

Given the proliferation of NGOs in Romania, where the most active usually rely on donor or government funding, it's important to list what are normally their shared characteristics:

- NGOs are not created to generate personal profit. Although they may have paid employees and engage in revenue-generating activities, they do not distribute profits or surpluses to members or management;

- NGOs are voluntary. This means that they are formed voluntarily and that there is usually an element of voluntary participation in the organisation;

- NGOs are distinguished from informal or *ad hoc* groups by having some degree of formal or institutional existence. Usually, NGOs have formal statutes or other governing document setting out their mission, objectives and scope. They are accountable to their members and donors;

- NGOs are independent, in particular of government and other public authorities and of political parties or commercial organisations;

- NGOs are not self-serving in aims and related values. Their aim is to act in the public arena at large, on concerns and issues related to the well being of people, specific groups of people or society as a whole. They are not pursuing the commercial or professional interests of their members.

In the EU-15, in 1997, associations employed 6.3 million people, and in the EU-25, in 2005, they accounted for over 4% of GDP and a membership of 50% of the citizens of the European Union.

Institutional representation: (CEDAG) The European Council for Non-profit Organizations (<http://www.cedag-eu.org/>) is a network of non-profit organisations from across the EU member states (associations, civil society organizations and national and regional umbrella organizations) that provide a voice for the non-profit sector at the European level, on specific issues which are common to all non-profit organizations and associations.

## Foundations

Across Europe, foundations are receiving increased attention and are taking up a more central role in policy discussions on the future of economic, social, and environmental issues, as well as research and innovation, among others, as they try to improve the living conditions and quality of life of the general public and specific disadvantaged individuals.

**Definition:** A generic definition of "foundation" throughout Europe as a whole is difficult, due to the many languages and cultures in Europe and the

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<sup>34</sup> <http://www.cedag-eu.org/uploads/File/Presentation%202008%20CEDAG%20-%20EN.pdf>.

different legal/fiscal environments from one country to the next. Thus, the British refer primarily to a *trust*, the Dutch to a *stichting*, the Finnish to a *saatio*, the French to a *fondation*, the German to a *stiftung*, the Italians to a *fondazione*, the Spanish to a *fundación*, the Swedish to a *stiftelse*, etc.

Nevertheless, there exists, across Europe, a generally understood and accepted concept of what public-benefit foundations are. They are *public-benefit foundations asset-based and purpose-driven. They have no members or shareholders and are separately constituted non-profit bodies. Foundations focus on areas ranging from the environment, social services, health and education, to science, research, arts and culture. They each have an established and reliable income source, which allows them to plan and carry out work over a longer term than many other institutions, such as governments and companies*<sup>35</sup>.

A self-definition of foundations, as given by the European Foundation Centre (EFC)<sup>36</sup>, supplements further the above definition:

- *are separately-constituted non-profit bodies with their own reliable source of income, usually, but not exclusively, from an endowment or capital;*
- *have their own governing board;*
- *use their financial resources for educational, health-related, social, research-oriented, cultural, or other public benefit purposes, either by making grants to third parties or operating their own programmes and projects*<sup>37</sup>.

**Legal framework:** Currently, in every EU country there are different legal frameworks affecting the operation of foundations. However, foundations and their funders are increasingly working across borders and a number of civil and tax law barriers are hampering foundations' current work. The lack of appropriate legal tools means that new European initiatives by foundations are delayed or abandoned.

The European Commission is currently assessing the need for and the impact of a European Foundation Statute (EFS), as such a Statute will offer the Foundations opportunities, facilitate and increase their cross-border work and co-operation, help the movement of donors assets across Europe and support citizen action at the EU level and beyond. A Statute would allow a foundation to register as a "European Foundation" in one Member State, and, at the same time, be recognised and operational throughout the European Union. This new legal form would exist in parallel to the national legal forms and its use would be optional<sup>38</sup>.

**Range of activities:**<sup>39</sup> Foundations are an important part of the independent funding community, representing a valuable source of income for associations, and/or they operate key programmes and services in the benefit of the public in a

<sup>35</sup> <http://www.socialeconomy.eu.org/spip.php?rubrique202&lang=en>.

<sup>36</sup> EFC, [http://www.efc.be/Legal/Documents/Facts\\_Figs\\_publication.pdf](http://www.efc.be/Legal/Documents/Facts_Figs_publication.pdf).

<sup>37</sup> EFC, p. 1. [http://www.efc.be/Legal/Documents/Facts\\_Figs\\_publication.pdf](http://www.efc.be/Legal/Documents/Facts_Figs_publication.pdf).

<sup>38</sup> <http://www.efc.be/EuropeanFoundationStatute/Pages/EuropeanFoundationStatute.aspx>.

<sup>39</sup> All of the following information is from the EFC report *Foundations in the European Union – Facts & Figures Across, 2008* [http://www.efc.be/Legal/Documents/EFC-RTF\\_EU%20Foundations-Facts%20and%20Figures\\_2008.pdf](http://www.efc.be/Legal/Documents/EFC-RTF_EU%20Foundations-Facts%20and%20Figures_2008.pdf).



variety of fields. The range of activities of foundations is closely linked to their type. Foundations can be grouped into the following broad categories:

- Independent foundations, which form the largest part of the sector.
- Corporate foundations.
- Government-supported foundations.
- Community foundations, with a local/community focus and other fundraising foundations.

**Number of Foundations in the EU** – In 24 EU Member States (information not available for Lithuania, Malta and Romania) some 273,000 organisations are termed ‘foundations’, of which over a third (some 95,000+), are public benefit foundations. This represents an average of over 27 foundations per 100,000 inhabitants. This corresponds to an increase of more than 54% of public benefit foundations over four years (2001–2005): the 39% figure is due to EU enlargement (data from 9 of 12 new Member States included). In the same period, in the original 15 EU countries alone, there is an actual increase of 15% of public benefit foundations.

**Foundations’ fields of activity** – Foundations are active in a broad range of activities, primarily in the areas of health, social services, international development and relations (E.g. Soros Foundation), arts and culture, science, environment, religion, philanthropy/volunteerism, and community development.

**Sources of income** – Increasingly, foundations in Europe receive their income from various sources, sometimes in addition to their initial endowment (cash, shares, bonds, works of art, authorial rights, research licences or ‘immovable’ property: real estate). These sources include: bequests and gifts from individuals, *ad hoc* or regular gifts from companies, regular appeals to public generosity, self-generated income from goods and services, public procurement, contracts from public authorities, and gambling or lottery proceeds. Some foundations also act as brokers for other donors and collect and pool funds to benefit a place (community foundation) or a specific field (contributions from religious bodies).

**Asset size** – The economic weight of foundations is significant. A sample of 55,552 foundations in 15 countries found combined assets of some €237bn, an average of €4m per foundation.

**Expenditure size** – The 58,588 public benefit foundations surveyed in 14 EU countries reported total spending of €46bn, an average of €1m per foundation.

**Employment and volunteering** – In ten EU countries (Belgium, The Czech Republic, Estonia, Finland, France, Germany, Hungary, Italy, The Netherlands and Spain), some 34,400 foundations employ a total of 311,600 staff, which makes an average of nine employees per foundation. Italian foundations employ the highest absolute number of workers, 106,137 staff in 4,053 foundations; in both France and Spain the average number of employees per foundation is considerably higher than the average (45 and 41 employees per foundation). Though the average number of employees per foundation in the seven ‘old’ Member States is 28, the new EU

countries have a strong statistical impact. Hungary, for instance, has an average of one employee and four volunteers per foundation.

The 31,800 foundations sampled in seven EU countries (Belgium, Finland, France, Germany, Hungary, Italy and Spain), have 231,600 volunteers, an average of seven volunteers each. Spain has the highest average number of volunteers, closely followed by Belgium, with respectively 46 and 45 volunteers per foundation. By contrast, Hungary and Germany have an average of four volunteers per foundation, and the Finnish average is seven.

**Institutional representation:** (EFC) The European Foundation Centre (<http://www.efc.be/>) is an international association of foundations and corporate funders dedicated to creating an enabling legal and fiscal environment for foundations, documenting the foundation landscape, strengthening the infrastructure of the sector, and promoting collaboration, both among foundations and between foundations and other actors, to advance the public good in Europe and beyond. Established in 1989 by seven European foundations, the EFC today serves a core membership of more than 200 organisations, (173 in EU countries), with annual expenditures amounting to some €7 billion.

### Social Enterprises

The best way to understand social enterprises is that they are the group of organisations that are on or near the boundary of the private for-profit sector, and hence achieve their social purposes by, at least in part, engaging in trade in the marketplace.<sup>40</sup> The term *social enterprise* is American in origin and distinguishes from non-profits by having move away from reliance on more traditional forms of income, such as grants, towards a more entrepreneurial and business-like approach to raising revenue.

**Definition:** There are numerous definitions about social enterprises, reflecting both theoretical and institutional understandings of it. Perhaps one of the most appropriate definitions is the one proposed by the European Research Network (EMES) ([www.emes.net](http://www.emes.net)), which has proposed a set of common economic and social criteria to identify organisations likely to be called “social enterprises”<sup>41</sup>. These are:

#### Economic criteria:

**a) A continuous activity producing goods and/or selling services** – Social enterprises are directly and continuously involved in the production of goods and/or services and this represents one of the main reasons for their existence. Social enterprises, unlike the traditional non-profit organisations, are normally not engaged in advisory activities as a major goal or in the redistribution of financial flows (as, for example, grant-giving foundations). Instead, they are directly involved in the production of goods and the provision of services to people, on a

<sup>40</sup> Smith, G., p. 8. [http://www.crida-fr.org/03\\_actualites/streams/stream%203/1%20-%20ISTR-EMES\\_paper\\_SmithG.rtf](http://www.crida-fr.org/03_actualites/streams/stream%203/1%20-%20ISTR-EMES_paper_SmithG.rtf).

<sup>41</sup> *Map of European and National Economy Institutions and Organisations*, p. 9.

continuous basis. The provision of services represents, therefore, the reason, or one of the main reasons, for the existence of social enterprises.

**b) A high degree of autonomy** – Social enterprises are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Although they may depend on public subsidies, public authorities or other organisations (federations, private firms, etc.) do not manage them, directly or indirectly. They also have the right of "voice and exit" (the right to take up their own position as well as to terminate their activity).

**c) A significant level of economic risk** – The development group that constitutes a social enterprise assumes, wholly or partially, the risk for the initiative. Its financial viability depends on the efforts of its members and workers to guarantee sufficient resources.

**d) A minimum amount of paid work (high reliance on volunteers)** – As in the case of most traditional non-profit associations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid worker.

**Social criteria:**

**e) An explicit aim to benefit the community** – One of the principal aims of social enterprises is to serve the community or a specific group of people. To the same end, a feature of social enterprises is their desire to promote a sense of responsibility at local level.

**f) An initiative launched by a group of citizens** – Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a certain need or aim. They must maintain this dimension in one form or another.

**g) A decision-making power not based on capital ownership** – This generally means the principle of "one member, one vote", or at least a voting power not distributed according to capital shares on the governing body, which has the ultimate decision-making rights. The owners of the capital are obviously important, but the decision-making rights are shared with the other stakeholders.

**h) A participatory nature, which involves the various parties affected by the activity** – Representation and participation of customers, stakeholder orientation and a democratic management style are important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.

**i) A limited profit distribution** – Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations like co-operatives, in some countries, which may distribute profits only to a limited extent, thus avoiding a profit-maximising behaviour.

Carlos Borzaga and Jacques Defourny (both well known for their work on the social economy, e.g. *The Emergence of Social Enterprises* (2001)), argue that social enterprises exhibit more innovative behaviour in creating new organisational forms

and new services; they rely on a more varied mix of resources, in particular they rely more on income generated through trading rather than funding from public authorities; and they are more entrepreneurial – they have a stronger inclination towards risk-taking characteristics. The concept of social entrepreneurship is linked to the rise of the social enterprises.

For Defourny, ‘a participatory nature, which involves the persons affected by the activity’ is one of the social criteria implicit within the very definition of social enterprises: *‘Representation and participation of customers, stakeholder orientation and a democratic management style are important characteristics of social enterprises’*<sup>42</sup>.

In the case of the UK, which has shown a great interest in social enterprises due to their entrepreneurial character and ambition to be self-financing, in the policy discourse of the UK government there is a distinct lack of attention to the internal structure of organisations. There is, for example, no mention of participation in social enterprises (no systematic attention given to principles of democratic organisation) in the much quoted UK government definition of a social enterprise: *A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners*<sup>43</sup>.

By valorising a sub-sector of the social economy on the grounds that it engages in entrepreneurial business activity and risk taking, the significance of democratic forms of organisation has been overlooked. The British government’s definition of ‘social enterprise’ stands out from accepted usage in continental Europe, in that it is very outcome-oriented and permissive.

**Legal framework:** Social enterprises are diverse as they can be co-operatives, mutual societies, associations, local small or large-scale organisations operating nationally or internationally, and, therefore, there is no single legal model for social enterprise.

**Range of activities:** The range of activities of social enterprises is very diverse as there are many types of them active in most spheres of economic and social activity. Some examples of social enterprise sub-sectors are: Building societies, charities, company limited by guarantee, consumer retail society, employee owned business, Fair trade company, industrial and provident society, intermediate labour market company, local exchange trading scheme, mutual co-operative society, public interest company, social business, work integration social enterprises (WISEs) or social enterprises for integration (SEIs) (e.g. for disabled persons), social co-operatives with limited liability, community business, community interest company, development trust, credit union, etc. These many types of enterprises form part of a social economy that was officially recognised by the European Commission, in 1989.

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<sup>42</sup> Smith, Graham, p. 9.

<sup>43</sup> Ibid.

In countries such as Spain, Italy, France and Greece, social enterprises provide a mechanism for bringing excluded groups into the labour market, raising skills levels and increasing future employability. Locally based, not-for-profit businesses are generally described as community enterprises, but it is impossible to define exactly what is, or what is not a social or community enterprise. There is a very appropriate English expression: "If the cap fits, wear it". The value of the impact on society, by all the large and small organisations within the social economy, is more important than trying to categorise them with labels. However below are recorded some examples of potential social enterprises that are specifically concerned with employment for vulnerable groups.

#### **Examples of Potential Social Enterprise Sub-Sectors**

- *Work integration social enterprises (WISE)*

In the UK, the social economy also plays an important direct role in work integration, through social enterprises that are specifically concerned with training and employment for people with disadvantages and disabilities. There are six different types of work integration social enterprises (WISEs) or social enterprises for integration (SEIs) that operate in the UK: worker co-operatives (including social co-ops), community businesses, social firms, intermediate labour market organisations, quasi-state social enterprise and voluntary organisations with employment initiatives.

- *Community business*

A trading organisation which is set up, owned and controlled by the local community and which aims to create self-supporting employment for local people and also acts as a focus for local development. The terms *community business* or *community enterprise* are often used by social enterprises that focus on local markets and services.

- *Social firm*

Is a business created for the employment of people with a disability or other disadvantage, who have been excluded from the labour market. It is a business which uses its market-oriented production of goods and services to pursue its social mission. These firms are tackling new sectors such as ICT and Tourism, instead of the traditional sectors for disabled people (assembly, furniture work etc.) One of the core objectives is to enable disabled people to become economically independent. Paying wages at market rate is an important aspect of social firms.

- *Worker co-operative*

The diversity of social enterprises is reflected in their different histories. More evidence is needed on how different models perform in different circumstances, but the ways in which social enterprises start up can include the following<sup>44</sup>: new start-ups, led by individuals or communities; transformation of an existing voluntary or community organisation; spin-offs from voluntary or

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<sup>44</sup> List adapted from Bates, Wells & Braithwaite and Social Enterprise London (2003) *Keeping it Legal: Legal Forms for Social Enterprises*. London, Social Enterprise London.

community organisations; employee or community buy-outs of private sector businesses, which then adopt social aims; and spin-offs from public sector bodies.

- *Social Co-operatives with Limited liability*

In Greece, Social Co-operatives with Limited liability (**Koi.S.P.E.**) represents a new pathway to social inclusion for persons with psychosocial disabilities and serves both therapeutic and entrepreneurial purposes. In 1999, the Greek government established, as a part of general mental health reform program, a legal framework (Law 2716/99, Article 12) that supports the setting up of social Co-operatives with Limited liability for the target group of mentally ill persons. Koi.S.P.E. is under of the supervision of Ministry of Health and the Department of Mental Health.

Members can be:

1. Persons with psychosocial problems at a percentage of 35%.
2. Employees at a percentage of 45%.
3. Other legal persons governed by public private law or other natural persons at a percentage of 20%.
4. A balance must be established between enterprising strategy and social targets, to ensure the future growth and success of this new venture.

**Institutional representation:** There are at least three important networks representing social enterprises: (ENSIE) – European Network for Social Integration Enterprises ([www.ensie.org](http://www.ensie.org)), established in 2001; it has members from 9 EU countries, (CEFEC) – Confederation of European Social Firms, Employment Initiatives and Social Co-operatives ([www.cefec.de](http://www.cefec.de)), established in 1986; it has members from 14 EU countries, and (ESFN) – European Social Franchising Network ([www.vagenut.coop/esfn/index.html](http://www.vagenut.coop/esfn/index.html)), established in 2008, and it has members from 6 EU countries.

### Hybrid Social Economy Entities

One of the main trends to emerge in the past 20 years or so, in the social economy sector in the EU and globally too, is the appearance of a large number of hybrid social economy entities (sometimes are called *blended value organisations*), a hybrid of market and non-market, with a wide diversity of resources and of agents within the organisation<sup>45</sup>. Hybrids operate and are resourced between the market, non-market and non-monetary economies. As such, they do not fit in with the market stereotype of orthodox economics and their resources, too, have plural origins: market (sales of goods and services), non-market (government subsidies and donations) and non-monetary (volunteers, members).

In summary, hybrid entities (which can be social enterprises or belong to any of the other four families of the social economy) operating in the social economy sphere try to generate both profit and social value, *they are something akin to*

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<sup>45</sup> CIRIEC, p. 27.

*for-profit/non-profit organisations*, thus blurring even further the once distinct borders between the social economy sector and both the private and public sectors of the economy as a whole.

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Conceptul și termenul de economie socială este cuprinzător, dar este acceptat, în general, a se referi la toate tipurile de activități economice și sociale care au loc în multe forme legale, în cadrul sectorului privat și al celui public. Economia socială este un termen folosit în mod obișnuit în Europa continentală și în instituțiile Uniunii Europene, în timp ce în SUA și în alte țări, termenii dominanți tind să fie cei de organizație non-profit (ONP) și de al treilea sector, termen care este, de asemenea, folosit la nivel internațional. Mai există și alte terminologii care descriu economia socială, cum este economia de solidaritate. Noi vom folosi termenul de economie socială ca fiind cel mai potrivit, din motivele analizate mai jos și vom face numai referiri pe scurt la diferențele și asemănările dintre conceptul de economie socială și cel de ONP.

Mai mult, întrucât domeniul teoretic și cel de cercetare care acoperă economia socială/al treilea sector sunt vaste, complexe și pline de interpretări diferite, mai ales referitoare la diferitele subcomponente ale sale, tratarea acestora în detaliu depășește limitele acestui studiu.

Studiul este împărțit în două secțiuni. În prima secțiune ne ocupăm de abordările teoretice și conceptuale ale economiei sociale, de evoluția sa, de definiții și de abordarea ONP. În a doua parte discutăm și descriem principalele componente actuale ale economiei sociale în Uniunea Europeană și modul de structurare, în termeni de definire, cadru legal, domeniu de activitate și reprezentare instituțională.

**Cuvinte-cheie:** economie socială, întreprinderi sociale, organizații non-profit, incluziune socială.