

## CALL FOR EVIDENCE FOR AN INITIATIVE (without an impact assessment)

<b>TITLE OF THE INITIATIVE</b>	<b>Social economy – developing framework conditions</b>
<b>LEAD DG – RESPONSIBLE UNIT</b>	Directorate-General for Employment, Social Affairs and Inclusion – Social and Inclusive Entrepreneurship Unit (G3)
<b>LIKELY TYPE OF INITIATIVE</b>	Proposal for a Council recommendation
<b>INDICATIVE TIMING</b>	Q2-2023
<b>ADDITIONAL INFORMATION</b>	<a href="#">Social Economy Action Plan – Employment, Social Affairs &amp; Inclusion</a>

*This document is for information purposes only. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by this document, including its timing, are subject to change.*

### A. Political context, problem definition and subsidiarity check

#### Political context

Challenges such as climate change, digitalisation, growing inequalities and demographic change have led the European Union (EU) to develop a set of policies aimed at pioneering a **fair, sustainable and inclusive transition**, with the [European Green Deal](#) at its heart. The **far-reaching consequences** of the COVID-19 crisis and of the Russian war of aggression against Ukraine have made a transition towards a **just and resilient society** even more pressing, both within the EU and beyond.

**Social economy entities**, which employ 13.6 million people in the EU<sup>1</sup>, are at the forefront of this movement, demonstrating a remarkable ability to foster **resilient communities and business models**, democratic participation and **an economy that works for all**.

By creating jobs while addressing key societal challenges in a wide range of sectors, social economy entities also help deliver on:

- the [European Pillar of Social Rights](#) and its key principles of **equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion**; and
- the [EU industrial strategy](#) and its aim to achieve a fair twin green and digital transition and strategic autonomy of the EU.

On 9 December 2021, the European Commission adopted a new [action plan for the social economy](#)<sup>2</sup>. It puts forward specific measures to help mobilise the full potential of the social economy, building on the results of previous initiatives such as the [2011 social business initiative](#) and the [2016 start-up and scale-up initiative](#).

Despite the progress made under previous initiatives and the strengths demonstrated by social economy organisations, the full potential of the social economy remains untapped, and needs persist in several areas. At the same time, new possibilities arise as new forms of social engagement appear in areas such as renewable energy or platform cooperatives. Evidence shows that **policy and legal frameworks** form an essential part of the **enabling environment** for the social economy, but adapting them to the reality of social economy entities requires further work. To address this issue, the action plan proposes a Council recommendation on developing social economy framework conditions, to be adopted in 2023.

On 17 February 2022, the European Parliament adopted a [resolution](#) with recommendations to the Commission on a statute for European cross-border associations and non-profit organisations, aiming to harmonise cross-border activities of European associations and other non-profit organisations. On 6 July 2022, the European

<sup>1</sup> European Economic and Social Committee, Monzon, J. L., Chaves, R., *Recent evolutions of the Social Economy in the European Union*, 2017.

<sup>2</sup> The action plan was accompanied by a staff working document highlighting the role of the proximity and social economy industrial ecosystem in achieving the twin transition and increasing the resilience of the economy.

Parliament also adopted a resolution on the action plan for the social economy, including provisions on the scope of the Council recommendation.

## Problem the initiative aims to tackle

While the visibility and recognition of the social economy and of social enterprises at national and regional levels has improved over the last decade<sup>3</sup>, evidence shows that measures taken by Member States have **not always resulted in effective developments**. This can be explained by:

- a **lack of conceptual clarity around the social economy**;
- support measures with an **unnecessarily restricted scope or insufficient stability over time**;
- the **fragmentation of legal frameworks**; and
- the **limited administrative and policy capacity of Member States**.

This current **suboptimal policy and regulatory framework for the social economy** results in an **untapped potential** of the sector in many EU countries. For example, its share in all paid employment varies between 0.6% and 9.9% across Member States, with an EU average of 6.3%.

Evidence gathered prior to the action plan demonstrated the importance of improving the enabling environment for the social economy. According to the [Better Entrepreneurship Policy Tool](#), developed jointly by the Commission and the Organisation for Economic Co-operation and Development (OECD), the institutional framework and the legal and regulatory framework are two of the seven essential components of supporting ecosystems for social enterprises.

However, adapting policies and laws to the needs of the social economy is complex due to the **variety of entities** this alternative business model gathers, including social enterprises, cooperatives, mutual-benefit societies, associations including charities, and foundations. The social economy is also affected by several **horizontal and sectoral policies and provisions** such as those on social and labour-market policy, healthcare and care services, including childcare and care for other dependents, education, skills and training, taxation, public procurement, competition, industry, small to medium-sized enterprises, circular economy, local and regional development, etc. Therefore, supporting the social economy requires a **holistic approach**.

Experience also demonstrates that public authorities could better harness the potential of the social economy by applying specific policies. For example, the [report on the Buying for social impact project](#) mentions that socially responsible public procurement is easier to implement in countries where legal frameworks or legal forms for social enterprises exist.

To address this complexity, the Commission has developed guidance and resources for public authorities on a variety of topics over the last years. Examples include the [Buying Social guide](#), the [manual for legal frameworks for social enterprises](#), policy briefs on [social impact measurement](#) and on [circular economy](#), and [studies on digitisation](#) and on [cooperation between social economy and traditional enterprises](#).

There is a need to draw from the extensive experience of Member States and non-EU partner countries, resources and tools developed over recent years to build **comprehensive, coherent, and up-to-date recommendations** on how to promote the development of the social economy across policy fields.

## Basis for EU action (legal basis and subsidiarity check)

The legal basis for this initiative is Articles 153 and 292 of the Treaty on the Functioning of the European Union. Article 292 covers Council recommendations and Article 153 refers to the EU's role in supporting Member States' activities in relation to the promotion of employment, improved living and working conditions, the development of human resources and the combating of exclusion.

While the social economy plays a key role in pursuing these objectives in many Member States, its capacity remains relatively underdeveloped in others. A lack of coordination across countries perpetuating the differences in the social economy's development.

The Council recommendation will set out guidelines on the policies and legal frameworks to be put in place in Member States, where relevant at regional and local level, to support the development of the social economy. It will respect the subsidiarity principle given that it will set out key principles, leaving flexibility to Member States for implementation. In particular, the Council recommendation will take into account the various traditions, scopes and denominations of the social economy in the Member States and will not significantly affect Member

<sup>3</sup> European Commission, Directorate-General for Employment, Social Affairs and Inclusion, Carini, C., Borzaga, C., Chiomento, S., et al., *Social enterprises and their ecosystems in Europe – Comparative synthesis report*, Publications Office, 2019.

States' financial equilibrium or their ability to maintain or introduce more ambitious policies.

## B. What does the initiative aim to achieve and how

Harnessing the **full potential of the social economy** is key to meeting a number of societal and economic challenges, such as:

- delivering on the green and digital transitions;
- retaining and creating quality jobs;
- helping to ensure social and labour-market inclusion of disadvantaged groups, and equal opportunities for all;
- driving sustainable economic and industrial development;
- promoting gender equality and the active participation of all people in our society; and
- revitalising the EU's rural and depopulated areas and its cross-border and most remote regions.

Policy and legal frameworks are key in creating the **right environment** for the social economy to thrive. In fact, more than half of the Member States have put in place targeted legal frameworks and policies in relation to social enterprises and/or the social economy in recent years, but those have not always been as successful as expected.

Social economy entities operate in a large variety of sectors and take diverse legal forms. With the proposed initiative, the Commission aims to support Member States in managing this complexity by **gathering all relevant guidance** in a single document and encouraging them to:

- adopt more **consistent and comprehensive measures** in several policy domains (e.g. social services, education and skills, State aid, public procurement, taxation, social innovation);
- develop **cross-government approaches**; and
- build the **capacity of public authorities**.

The aim is also to encourage public authorities at national, regional and local level, especially in those Member States where the social economy is less developed, to adopt targeted policies and measures.

The main issues to be addressed by the initiative are as follows.

1. The recommendation will invite policymakers to **better adapt policy and legal frameworks to the needs of social economy entities**, and provide guidance on related measures.
2. The recommendation will tackle how Member States may adapt their **administrative and institutional set-up** to better support social economy entities, as well as how the competent public national, regional and local authorities can engage with social economy stakeholders.

## Likely impacts

A Council recommendation has the potential to improve the enabling environment for the social economy, especially in those Member States where it is less developed, ultimately helping to achieve a more even development of the sector throughout the EU.

Specific impacts cannot be clearly identified from the outset due to the nature of the guidance that will be proposed to Member States as part of the recommendation. The chosen instrument is non-legislative and non-binding, thus it will be up to each country to design and implement relevant measures, depending on the nature of its social economy ecosystems. As explained in the [action plan](#) and demonstrated by available evidence, the social economy is unevenly developed across Member States, which further complicates assessing country-specific impacts.

## Future monitoring

The Commission will consult Member States regularly on the implementation of the Council recommendation on developing social economy framework conditions. This will be done in the Employment Committee, the Social Protection Committee and/or the Commission's [expert group on social economy and social enterprises](#).

Member States will also be asked to formally report on their progress in implementing the recommendation no later than [3] years following its adoption and every 5 years after that. The exact timing of the first report should coincide with the reporting framework envisaged by the **OECD Recommendation on the social and solidarity economy and social innovation**, to minimise the administrative burden on EU governments.

## C. Better regulation

## Impact assessment

An impact assessment is not planned for various reasons.

Firstly, as mentioned above, specific impacts cannot be clearly identified from the outset due to the nature of the guidance that will be proposed to Member States as part of the recommendation.

Secondly, the proposal for a Council recommendation will be underpinned by the extensive evidence gathered over recent years on policy and legal frameworks on social economy and social enterprises. The key sources of evidence will be:

- a [mapping of social enterprise ecosystems in all EU countries](#), for which researchers have consulted more than 750 stakeholders, including policymakers, representatives of social enterprises, social enterprise networks and other support organisations, academics and experts from across all Member States and beyond;
- the [Better Entrepreneurship Policy Tool](#) and the [in-depth reviews on social entrepreneurship policy](#) in several Member States developed in cooperation with the OECD;
- the study [Recent evolutions of the social economy in the European Union](#) carried out by the International Centre of Research and Information on the Public, Social and Cooperative Economy for the European Economic and Social Committee; and
- a [study on the impact of the Commission's 2011 social business initiative](#) and its follow-up actions, based on more than 300 interviews conducted with a large variety of stakeholders from across all EU Member States.

Thirdly, as mentioned in the [staff working document](#) accompanying the Commission's action plan for the social economy, significant input was collected during the preparation of the action plan. This material will be relevant for the development of the recommendation and will be supplemented by the evidence gathered from new targeted consultations (see details below) and the results of this call for evidence. The Commission will prepare a staff working document accompanying the recommendation to provide an overview of the feedback received during this new consultation.

## Consultation strategy

A public consultation is not planned as the action plan for the social economy benefited from extensive input from stakeholders and the general public on all general topics likely to be covered by the Council recommendation.

However, a set of targeted consultations is envisaged to collect the necessary evidence on specific technical topics. These consultations will aim to be balanced across the various types of stakeholders concerned – Member States, EU, national, and local networks of social economy organisations, funding intermediaries, academics – and to cover a representative geographical area of the EU including remote and less developed regions. The planned consultations include:

- meetings of the [expert group on social economy and social enterprises](#), which has more than 70 members (including all Member States), and its subgroup gathering 15 Member States to specifically discuss the recommendation [2022-2023];
- a targeted hearing with civil society organisations as part of the strategic dialogue set up by the Directorate-General for Employment, Social Affairs and Inclusion [September-October 2022];
- a dedicated hearing with social partners [October/November 2022];
- dedicated sessions of the [Social Protection Committee](#) and the [Employment Committee](#) [February 2023];
- an opinion of the European Committee of the Regions; and
- a dedicated session at the [Direct Taxes Working Party IV](#).

The evidence collected during these consultations will be presented and analysed in a staff working document accompanying the recommendation.