

## ENSIE Position on the European Commission Communication

### ‘Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation’.

#### *Introduction*

ENSIE asbl, the European Network of Social Integration Enterprises, unites national and regional networks of the work integration social enterprises (WISEs).

These networks are made up of work integration social enterprises which whose identifying principles are:

- The social and professional integration of individuals who, due to their exclusion and their relegation to a marginal role in society, have fallen victim to increasing social and professional handicaps.
- Enterprises at the core of the economic system: social integration enterprises have decided to carry on their activities at the very core of what is most frequently a major factor in contributing to exclusion: the economic system.
- Enterprises of a strong pedagogical dimension. The social integration enterprises initiate training and educational programs designed on the basis of existing potential and develop this individual potential within the enterprise.

The work social integration enterprises play an important role in the social market economy.

**Their social objective instead of profit** brings them a significant added-value in the building of a sustainable and inclusive growth. **They favour the employment of vulnerable groups** and fight against social exclusion and poverty by proposing perennial employment or social and professional training with a strong citizenship dimension as a springboard to the traditional labour market.

They are also **constant sources of innovation** through the economic niches they develop as well as through their will to associate social, environmental and economic pillars in the implementation of their activities.

**The way of governance of the work integration social enterprises** is also original as it **ensures transparency and democratic management** within the enterprise, where the workers are considered as essential actors for the social and economic life of the structure.

**The WISEs are also defined by a mix of their financial resources coming from both their economic activity and their social mission.** Indeed, they are full economic actors providing goods and services linked or not to their social objective and for which the possible profits are directly reinvested. While they are recognized by a national legal framework, they usually benefit from different types of financial resources justified by their mission of community service: **the social and professional integration of vulnerable groups.**

Despite these common characteristics, a **variety of models** linked to the work integration social enterprises exists in Europe, depending of the cultural particularities of the countries. This diversity is shown **both in the chosen schemes of integration (permanent or springboard) as in the legal statutes adopted by this type of enterprises or even by their recognition in the different Member States.** Indeed, in some States, as for example in Spain or France, where social economy is recognized and translated into national legislation, WISEs benefit of some legitimacy because of

their importance for the social and professional integration of disadvantaged people. In others, as in Romania or in the United Kingdom, there is no legal framework favouring WISEs or the social economy.

ENSIE thus welcomes very positively the European Commission Communication on social entrepreneurship. ENSIE finds it vital to highlight the importance of this type of entrepreneurship in the building of an economy answering to the Europe 2020 Strategy requirements. ENSIE is delighted to read on page 3 of the Communication the recognition of work integration social enterprises. Thus:

- businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or
- **businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the real aim of the provision of social goods or services.**

Moreover, this Communication supports the Single Market Act and the creation of a real social market economy in Europe.

### **General remarks**

The present crisis framework in Europe shows the need of an economy that would not even be 'highly competitive' but above all more responsible at social and ethical levels: a more sustainable economy for all.

The European Commission Social Business Initiative reflects this as it is based on the capacity of social economy enterprises '*[...] to provide innovative responses to the current economic, social and, in some cases, environmental challenges by developing sustainable, largely non-exportable jobs, social inclusion, improvement of local social services, territorial cohesion, etc. [...]*'. ENSIE encourages this recent interest of European Commission for the social economy sector, convinced of the necessity to support the third sector more effectively in all the Member countries of the European Union.

In its Communication, the Commission decided to adopt a large definition of the 'social enterprise concept' in order to respect the different national cultures in this matter. The Commission will thus have to ensure that this broad definition will not mean that traditional enterprises pursuing a social aim only are not considered equivalent to those achieving other social economy criteria. The objective is indeed to reinforce the sector and not to open it to enterprises that do not respect, or by far, its historical specificities. The democratic and solidarity principles, the primacy of the individual and the reinvestment of profits into the social objective of the enterprise are fundamental values of the social economy.

**Again, ENSIE highlights the necessity of a stronger recognition of the sector, in particular of work integration social enterprises in Europe, especially in the several Member States where it is still not the case,** because of the role they play in the fight against social exclusion and poverty and in the

building of a sustainable and inclusive growth. It is thus inevitable to associate the WISEs in the discussions linked to the issues of fight against poverty, innovation, small and medium enterprises, employment or sustainable development in the European Union.

***Recommendations on the action plan proposed by the European Commission to support social entrepreneurship in Europe***

***1. Access to funding to social enterprises***

Although the objective of work integration social enterprises is precisely not to compete with multinationals in terms of development, the lack of financial possibilities for WISEs drive them in general to a marginal place in the economy. WISEs are actually facing several recurrent problems.

**As the self-financing capacity of work integration social enterprises is above all for the social objective of the enterprise, WISEs usually need external support.** Furthermore, in their efforts to search for financial partners, work integration social enterprises often have to face **additional communication work on their particularities, usually unknown.** The promotion of the sector is thus linked to a better understanding of its specificities.

The creation of a European legal framework on social investment funds is of course supported by ENSIE, as it was expressed during the public consultation relative to this financial tool. Some precise points have to be underlined in this framework.

It is important **not to restrict access to solidarity investment funds to small and medium enterprises (SMEs) as many qualified social enterprises exceed the size criterion for SMEs.** In fact, you cannot “punish” the enterprises which invest in order to create new employments (incurring the risk to exceed the SME criteria) and of which the growth is the key to success in their goals.

The implementation of a European financial tool of which Key Action n°3 of the Communication defined the objective would also allow solving some peculiar difficulties of the work integration social enterprises. A harmonization of this fund at the national policies level would be furthermore beneficial due to the difficulties encountered in the field. For example, some States (as Belgium) limit the distribution of profits to 6%. They don’t consider the fact that, at the beginning (about 3 years), social enterprises rarely make a profit so shareholders will receive nothing. It would be important to offset these losses by increasing the possibility of redistribution of profits (e.g. 10%) during the first 3 years in which the company will finally make a profit. **FEDER and FSE tools would bring themselves more potential to develop the sector if they include a ‘social enterprise’ priority.**

Other recommendations on financing work integration social enterprises are available in the [ENSIE answer](#) to the consultation on the promotion of a social investment Funds in the framework of the social business initiative.

## **2. Visibility of social entrepreneurship**

**Increasing the visibility** of work integration social enterprises and of the social economy in general is an absolute priority at the European level and in particular in the different Member States of the European Union. ENSIE welcomes thus the Commission initiative aiming to develop the recognition of the sector.

Exchanges of good practices are a real tradition in the field; ENSIE and its members constantly develop knowledge and experience exchanges between European countries through different projects or events in order to increase each other's knowledge on issues related to work integration social enterprises. **It would thus be appropriate for the Commission to benefit from the several existent practices.**

A mapping of work integration social enterprises is currently ongoing in the framework of the Progress project of ENSIE. This database will allow a better visibility of WISEs, will facilitate the contacts and collaborations between enterprises and could be also useful for public authorities willing to contribute to an economic and social development more sustainable in the European Union. It would be thus beneficial for the Commission to coordinate its Key Action n°5 of the present Communication with the directly concerned actors.

Furthermore, this mapping of the sector ordered by the Commission could participate to the achievement of the Key Action n°8 concerning the networking of the different concerned actors.

In the same direction, **studies analyzing the 'social return on investment' (SROI) or using qualitative criteria (as well-being criteria: SPIRAL methodology elaborated by the Council of Europe)** and implemented on work integration social enterprises proved the social added-value of this type of entrepreneurship. A larger use of this kind of analyses would be beneficial in order to further promote the WISEs in the Member States and to reinforce the national and regional authorities and administrations' knowledge.

Similarly, concerning labels and certifications, ENSIE's members, national and regional networks of work integration social enterprises, have already such an experience. **It would be thus interesting to emphasize the existing labels in the framework of this public data base foreseen in the Key Action n°6 of the Communication.**

Work integration social enterprises are full enterprises, competitive on the traditional market and providing goods and services as well as any other capitalistic enterprise. Their specificity exclusively lies in the vision they have about profit: a mean to achieve the social goal of the enterprise and not a goal it-self. It is thus pertinent to work together to the **training of entrepreneurs, in particular in the countries where WISEs are less known and developed.** The training of young people is evidently a decisive factor for the future development of the social economy sector and to counteract the present challenges of the employment market. Specific tools should be offered to young people coming from disadvantaged groups.

### **3. Legal framework**

The development of European legal framework concerning the statutes of cooperatives, foundations and mutual societies should facilitate the action of these organizations. It would be also essential to promote the legal frameworks within the European Union Members countries themselves.

**The creation of a European statute for associations would also be an asset for their development in Europe.**

Finally, ENSIE would be in favour for the creation of a European social enterprise statute. A European statute would bring a strong recognition of the sector. Nevertheless, the definition of the concept and the implementation modalities of social entrepreneurship are different by the cultural traditions of Member States. It would be thus very complex to implement.

Regarding public procurement, it is really vital **to include social considerations into all the phases of the procurement** in order to contribute to the Union strategy aiming a smart, sustainable and inclusive growth.

Given the differences existing in the recognition of work integration social enterprises in Europe, national policies of public procurement are very different themselves. A harmonization of the framework at the European level would be very beneficial.

The enlargement of the article 17 field in the new proposition of the European Commission Directive on public procurement to the disadvantaged workers, as defined in the General Block Exemption Regulation of the 6 August 2008, and the possibility for the Member States to choose WISEs in the public procurement are welcome by ENSIE and its members. **The possibility of contract reservation to work integration social enterprises is actually crucial to favour their participation to public procurement in the countries where the legislative framework of WISEs is less or not developed.**

Other specific considerations are available in [ENSIE answer](#) to the public consultation relative to the 'Green Paper on the modernization of EU public procurement policy –Towards a more efficient European procurement market'.

Concerning State Aids, ENSIE welcomes the Commission proposition foreseen at Key Action n°11 to simplify the application of regulations in social and local services.

#### ***Other ideas to debate in the framework of this social entrepreneurship Communication***

The Commission also proposes other propositions beside the priority actions that were discussed here above. ENSIE welcomes these additional ideas.

In particular, the proposition to include new aids categories for the revision of the General Block Exemption Regulation<sup>1</sup> could include ENSIE's different inputs in the field of State Aids.

**ENSIE recommends other amendments to the definition of 'disadvantaged worker'.**

It would be from one side, to complete the general definition of 'disadvantaged worker' by a –g- category that would stipulate *'any person in situation of social exclusion certified by the public social services'*.

On the other hand, the creation of a new category in the definition, the one of 'several disadvantaged worker' as *'worker that cumulates two categories of the disadvantaged worker definition'* would better reflect reality. This new category, 'several disadvantaged worker' would be treated the same as the one reserved to the disabled worker. Indeed, within the work integration social enterprises, most of the workers actually cumulate several social and/or professional handicaps. Their situation requires thus a particular attention, as it is already the case for disabled people at European level.

Finally, **ENSIE proposes an amendment to the definition of Small and Medium Enterprises (SME)** foreseen in the Annex I on the definition of SMEs of the General Block Exemption Regulation. In this article 3, it would be important to add a –'e'- category at point 2 concerning partner enterprises, that would be the definition of the present Communication *'businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the real aim of the provision of social goods or services'* in order to avoid the systematic eviction of work integration social enterprises that would not fulfill the SME criteria but ensure, in the sense of this Regulation, a precious support to the disadvantaged workers.

**ENSIE also thanks the Commission for the implementation of a consultative multi-stakeholders group specific to social entrepreneurship in which it will be represented by its coordinator Patrizia Bussi.**

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<sup>1</sup> COMMISSION REGULATION (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation).