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2023/0179 (NLE)

Proposal for a  
**COUNCIL RECOMMENDATION**  
**on developing social economy framework conditions**

{SWD(2023) 208 final}

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

#### • Reasons for and objectives of the proposal

The **European Pillar of Social Rights** acts as a compass setting the direction to achieve a **strong social Europe** that is **fair, inclusive** and **where everyone has the opportunity to thrive**. Completing the specific actions set out in the European Pillar of Social Rights action plan requires a joint effort by EU institutions, national, regional, and local authorities, social partners and civil society.

Challenges such as climate change, digitalisation, growing inequalities, and demographic change have prompted the European Union (EU) to develop policies aimed at pioneering a **fair, sustainable and inclusive transition**, with the European Green Deal<sup>1</sup> at its heart. The **far-reaching consequences** of the COVID-19 pandemic and of Russia's war of aggression against Ukraine have emphasised the urgent need for this transition.

**Social economy entities**, which employ around 13.6 million people in the EU<sup>2</sup>, are at the forefront of this transition. They have demonstrated a remarkable ability to foster **resilient and inclusive communities** and **business models, democratic participation** and **an economy that works for all**. They also make an important contribution to GDP in countries with the most developed social economy structures<sup>3</sup>.

The **social economy** is an umbrella term covering a wide range of private entities that prioritise people, social, and environmental causes over profit. While the scope and the terms used to describe the social economy concept can vary depending on national traditions, it typically comprises **cooperatives, mutual benefit societies, associations** (including charities), **foundations**, and **social enterprises**. In addition to putting people and the planet first, these entities share other key principles, including reinvesting profits in activities that serve the collective interest or society, and democratic and/or participatory governance.

The proposal for a Council Recommendation on developing social economy framework conditions was announced in the European Commission's **action plan for the social economy**<sup>4</sup> in 2021. In the action plan, the Commission proposed specific steps to take by 2030 to boost social innovation, foster the social economy and its business and organisational models, and increase its transformative power for the economy and society. The focus is on enabling the social economy to grow by **creating favourable conditions, facilitating start-up and scaling**, and **raising awareness** of its potential.

The action plan has been welcomed by the European Parliament in a resolution<sup>5</sup>. It is in line with the 2015 Council Conclusions on the promotion of the social economy as a key driver of

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<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'The European Green Deal', COM(2019) 640 final.

<sup>2</sup> Figure covering the EU-28. See European Economic and Social Committee, Monzon, J. L., Chaves, R., *Recent evolutions of the Social Economy in the European Union*, 2017, p. 66.

<sup>3</sup> For example, 10% of GDP in France, <https://www.economie.gouv.fr/leconomie-sociale-et-solidaire>.

<sup>4</sup> Communication from the Commission, 'Building an economy that works for people: an action plan for the social economy', COM(2021) 778 final.

<sup>5</sup> European Parliament resolution of 6 July 2022 on the EU action plan for the social economy (2021/2179(INI)).

economic and social development in Europe<sup>6</sup>, which agreed on the importance of promoting the social economy and invited the European Commission to take action to boost the development of the sector.

### The added value of the social economy

The social economy can play an important role in tackling a wide range of societal challenges. By leveraging its strengths, such as **creating quality jobs**, **fostering social and labour-market inclusion**, and **promoting sustainable development**, the social economy has the potential to help achieve the [European Pillar of Social Rights](#) and its core principles of **equal opportunities and access to the labour market**, **fair working conditions**, and **social protection and inclusion**. Specifically, the social economy can play a strong role in reaching the European Pillar of Social Rights action plan's ambitious **EU headline 2030 targets** of having at least 78% of the population aged 20 to 64 in employment and at least 60% of all adults participating in training every year, and reducing the number of people at risk of poverty or social exclusion by at least 15 million, contributing to the national commitments made by Member States to achieve these targets<sup>7</sup>.

It does so by creating jobs and economic opportunities that help **young and older people and disadvantaged groups** (such as the long-term unemployed, people suffering from mental or physical ill-health, the inactive, the low-skilled, people with disabilities and people with a migrant, minority racial or ethnic background, including Roma) **integrate into the labour market** and into society. At the same time, it fosters **fair working conditions** by involving employees in governance and decision-making. This is especially important as these groups often face a particularly high risk of poverty or social exclusion. The opportunities offered by the social economy, especially when in cooperation with mainstream businesses, can also be a **stepping stone to other sectors of the job market**. The social economy also employs a high proportion of women<sup>8</sup> and provides services that help women join the labour market, such as childcare. The proposal therefore contributes to the **gender equality strategy 2020-2025**<sup>9</sup>, which aims to close gender gaps in the labour market and achieve equality across different sectors of the economy.

By providing employment opportunities that are tailored to the needs of individuals and the local economy and by offering training and reskilling opportunities, social economy entities can help workers **develop the skills and knowledge needed to respond to the changes in the labour market**. This is particularly relevant in the context of the twin transition. Skills development can potentially alleviate labour shortages and contribute to overall economic growth. For instance, social economy entities often provide on-the-job training and work-based learning programmes, which benefit from the knowledge sharing culture that stems from the collective and collaborative ethos in the sector. Some social economy entities offer

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<sup>6</sup> Council Conclusions on the promotion of the social economy as a key driver of economic and social development (15071/15).

<sup>7</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Pillar of Social Rights Action Plan, COM/2021/102 final.

<sup>8</sup> In some countries, the percentage is significantly higher than in the mainstream private sector or even the public sector. For example, in France, 40% of people working in the private sector (excluding the social economy) and 63% in the public sector are women, against 68% in the social economy. CNCRESS, *État des lieux de l'égalité femmes-hommes dans l'Économie Sociale et Solidaire*, 2019, p. 6.

<sup>9</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'A Union of Equality: Gender Equality Strategy 2020-2025', COM(2020) 152 final.

training courses on digital and green skills that are accessible to disadvantaged groups, and by doing so make a contribution to a fairer transition.

Thanks to the bottom-up way these entities tend to operate, being close to communities, citizens and the problems they face, social economy entities have great potential to act as **social innovators** and find solutions that can be scaled up and/or replicated and contribute to systemic social change. The social economy can find innovative ways to provide essential social services, complementary to the public services offered at national level, by striving to **deliver quality and person-centred social services in a joined up and cost-effective manner**. For example, social economy entities can be important partners for public authorities in providing high-quality care services, as recognised by the European care strategy<sup>10</sup>.

The social economy can also support the EU's industrial strategy<sup>11</sup>. The strategy presents the challenges faced by the 14 industrial ecosystems, among which the 'proximity and social economy' ecosystem to achieve the twin transition and increase its resilience. Social economy entities have a strong potential to **develop sustainable products and services and operate inclusive business models**. Pioneering examples include energy communities and cooperatives, organic agriculture, sustainable tourism and circular products and services. Social economy entities and innovators are often seen as frontrunners in the green transition, helping to make it a fairer and inclusive transition by anchoring it in solidarity values.

Social economy business models bring **value to local economies and societies** by fostering inclusiveness, resilience and sustainability. They are strongly rooted in the local economy and aim to serve the community where they are based, applying the notion of place-based innovation that both makes the most of local resources and assets and feeds economic gains and revenues back into the local economy. This helps stimulate the local economy and regeneration by boosting new businesses and job creation in sectors specifically relevant to those areas. This includes agriculture and organic food production in rural and remote areas, in the EU Outermost Regions<sup>12</sup>, in areas in need of economic regeneration, and in the blue economy. Social economy entities can also benefit the circular economy by boosting action on sustainable product design, scaling up repair and reuse, and increasing the collection and recycling of waste, thus promoting a functioning market for secondary raw materials. In addition, as they help revitalise rural and remote areas, social economy entities have the potential to help alleviate the demographic trends in these regions.

## Challenges

The visibility and recognition of the social economy at national and regional levels has improved in recent years<sup>13</sup>. Over half of the Member States have put in place targeted legal

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<sup>10</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the European care strategy, COM(2022) 440 final.

<sup>11</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery', COM(2021) 350 final.

<sup>12</sup> The EU counts nine outermost regions – French Guiana, Guadeloupe, Martinique, Mayotte, Reunion Island and Saint-Martin (France), Azores and Madeira (Portugal), and the Canary Islands (Spain) – located in the western Atlantic Ocean, the Caribbean basin, the Amazonian forest and the Indian Ocean. In total, they are home to 4.8 million citizens.

<sup>13</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.

frameworks and policies for social enterprises and/or the social economy. However, evidence suggests that the measures taken by Member States have **not always led to effective results**. This can be attributed to:

- a **lack of clarity and understanding** around the **principles and scope** of the social economy;
- an insufficient recognition of the **social economy's added value** for society and the economy, particularly as a response to emerging trends;
- support measures that lack consistency over time and/or unnecessarily restrict social economy entities to specific activities or types of business models<sup>14</sup>;
- the fragmentation of legal frameworks;
- the limited administrative and policy capacity of Member States;
- the **lack of accurate data and statistics** on the sector, which limits the understanding of its size and impact; and
- a lack of **tailored funding** for the different stages in the life cycle of social economy entities<sup>15</sup>.

These shortcomings lead to an **untapped potential** of the sector in many EU countries. For instance, in 2017 the share of paid employment the sector accounted for ranged between 0.6% and 9.9% across Member States, with an EU average of 6.3%<sup>16</sup>. This illustrates the different levels of development of the sector across the EU.

Adapting policies and laws to the needs of the social economy is a complex task due to the range of different entities and alternative business models that compose it, and the range of sectors in which they operate. For example, social entities operate in agriculture, construction, reuse and repair, waste management, energy and climate, financial and insurance activities, real estate, education, care, arts, and more besides.

The social economy is therefore affected by several **horizontal and sectoral policies and provisions** such as the provisions governing labour market policy, healthcare and care services, education, skills and training, taxation, public procurement, competition, industry, local and regional development, and territorial cooperation. As a result, effectively supporting the social economy requires an all-encompassing approach that takes account of all the interconnected aspects that have an impact on the sector.

### Objective of the proposal

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<sup>14</sup> For example, the legal status in some countries suitable for certain categories of social enterprises, e.g. Work Integration Social Enterprises (WISEs), may be too restrictive in the social needs that these organisations must pursue. In addition, an over-restrictive transposition of EU rules, such as public procurement rules, may end up penalising social economy entities.

<sup>15</sup> The funding gap for social enterprises in Europe was estimated at nearly EUR 1 billion per year, while the gap for microfinance was estimated at EUR 12.9 billion per year across the EU. To support the social economy, it is estimated that at least EUR 2.5 billion were mobilised from the EU budget over the 2014-2020 programming period, and the Commission's ambition is to increase the level of support for the 2021-2027 period.

<sup>16</sup> Figure covering the EU-28. See European Economic and Social Committee, Monzon, J. L., Chaves, R., *Recent evolutions of the Social Economy in the European Union*, 2017, p. 69.

To tap the potential of the social economy effectively requires both **adapting the legal frameworks** and **targeted policies** by public authorities<sup>17</sup>. In addition, an effective organisation of **administrative and institutional structures** is key to understanding the specific needs of the sector and to facilitating communication with its stakeholders.

To tackle the complexity of this task, the Commission has developed guidance and resources for public authorities on a range of topics over the years. Examples include the [Buying Social guide](#), the report [Making socially responsible public procurement work](#), the [manual for legal frameworks for social enterprises](#), policy briefs on [social impact measurement](#) and [circular economy](#), [studies on digitisation](#) and [cooperation between social economy and traditional enterprises](#), and a report on [clusters of social and ecological innovation](#).

We can therefore draw on these resources and tools, and on the extensive experience of Member States and non-EU partner countries, to create **comprehensive, coherent, and up-to-date recommendations** on how to promote the social economy across policy fields and legal frameworks.

The proposed initiative aims to improve **access to the labour market** and **social inclusion** by supporting Member States in **integrating the social economy into their socio-economic policies** and **creating support measures and a favourable environment for the sector**. By supporting the social economy, the proposal also aims to stimulate sustainable economic and industrial development, contribute to territorial cohesion in the Member States and support social innovation. This will be achieved by drawing on research, experience and stakeholder feedback to formulate recommendations on **how to tailor public policies and legal frameworks** to support the social economy, particularly in areas where it is less developed. It will also formulate recommendations on how to **adapt administrative and institutional structures** to support these entities and engage with stakeholders in the sector.

The proposed initiative has synergies with other actions announced in the action plan for the social economy. Above all, it is closely linked to the **social economy gateway**, launched in parallel with this proposal, which aims to raise awareness and facilitate access to information and resources to support the social economy. The gateway will provide information on EU policy and funding programmes, guidance, facts and figures, and examples of best practice.

Two Commission staff working documents on taxation matters accompany this Recommendation provide factual information on the state of play of legal frameworks for taxation in Member States and the jurisprudence and case law on these matters:

- [SWD(2023) xyzx] on ‘**Relevant taxation frameworks for social economy entities**’, which is based on analyses and input provided by Member States’ authorities and social economy stakeholders, and
- [SWD(2023) xyzx] on ‘**Non-discriminatory taxation of charitable organisations and their donors: principles drawn from EU case-law**’, which provides a description of this key principle as interpreted by the Court of Justice of the European Union.

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<sup>17</sup> For example, the [report](#) on the Buying for social impact project highlights that socially responsible public procurement is easier to implement in countries where legal frameworks or legal forms for social enterprises are in place.



As announced in the **Commission work programme for 2023**<sup>18</sup>, the Commission will also table an initiative on cross-border activities of associations in the single market, which aims to remove regulatory and administrative barriers in the single market for associations operating in more than one Member State. The initiative will help strengthen the economic and societal impact of associations in the EU. The goal of the legislative initiative ties in with the aim of the Council recommendation to foster social inclusion and access to the labour market by promoting an enabling environment for the social economy that improves regulatory and administrative conditions for social economy entities.

- **Consistency with existing policy provisions in the policy area**

The action plan for the social economy follows the **Social Business Initiative**<sup>19</sup> (2011), a short-term action plan that aimed to support social enterprise growth and spur discussion on medium/long-term strategies for the sector. It builds on the **Start-up and Scale-up initiative**<sup>20</sup> (2016), which had the wider aim of providing innovative start-ups with opportunities to become world-leading companies by improving partnerships, developing skills, accessing finance, and removing barriers for start-up entrepreneurs (including social economy entities) to scale up their business in the single market.

Together with the action plan for the social economy, this proposal further advances the implementation of the recommendations outlined in the 2015 Council Conclusions on the promotion of the social economy as a key driver of economic and social development in Europe.

In addition to contributing to the targets set under the **European Pillar of Social Rights** and its action plan, as mentioned above, this proposal is linked to other initiatives in **employment** and **social inclusion** policy areas.

To successfully implement the **European care strategy** and improve the situation for both care receivers and caregivers across the EU, it is essential to secure the shared commitment of all stakeholders. Social economy entities bring an added value to the provision of high-quality care services as they take a people-centred approach and reinvest their profits into their mission and local communities. Creating a supportive environment for the social economy, including greater access to funding, can help reach the goal of providing quality, affordable, and accessible care services across the EU. It can also lead to fairer working conditions for its workers, especially through the promotion of social dialogue in line with the **proposal for a Council recommendation on strengthening social dialogue in the European Union**<sup>21</sup>. This also applies to the goals set under the **European Child Guarantee**<sup>22</sup>, as social economy entities can play a role in designing and delivering quality services for children, especially

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<sup>18</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Commission work programme 2023: A Union standing firm and united, COM(2022) 548 final).

<sup>19</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation’, COM(2011) 0682 final.

<sup>20</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘Europe’s next leaders: the Start-up and Scale-up Initiative’, COM(2016) 0733 final.

<sup>21</sup> Proposal for a Council recommendation on strengthening social dialogue in the European Union, COM(2023) 38 final.

<sup>22</sup> Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee.

children in need, such as inclusive education, after-school care, leisure and cultural activities. The **EU strategy on the rights of the child**<sup>23</sup> notably strengthens the EU's commitment to combating child poverty and protecting children and adolescents from violence. Promoting measures to tackle violence and discrimination, in particular against vulnerable children, would benefit from support from all parts of society, including social economy entities.

The proposal also has links to the **Union of Equality** and related strategies, including the **gender equality strategy 2020-2025**, the **strategy for the rights of persons with disabilities 2021-2030**<sup>24</sup>, the **LGBTIQ equality strategy**<sup>25</sup>, the **EU anti-racism action plan**<sup>26</sup> and the **EU Roma strategic framework 2020-2030**<sup>27</sup>. By addressing the challenges experienced by disadvantaged and underrepresented groups, the social economy can help people integrate into the labour market and combat social exclusion.

The proposal also contributes to the **action plan on integration and inclusion for 2021-2027**<sup>28</sup>, aimed at supporting successful integration and inclusion of migrants and EU citizens with a migrant background into EU societies. The social economy integrates migrants, for instance by offering work opportunities through work integration social enterprises that are adapted to their needs.

By supporting the social economy in integrating young people into the labour market through training, apprenticeships, and jobs (including the promotion of social entrepreneurship), Member States can increase the number of quality opportunities available to young people, paving the way to the implementation of the **Reinforced Youth Guarantee**<sup>29</sup>.

The social economy can also contribute to reducing the skills gap by reskilling and upskilling individuals through on-the-job training and other forms of training. This proposal therefore has ties with the **European Skills Agenda**<sup>30</sup> and its goals of strengthening sustainable competitiveness, ensuring social fairness, and building resilience. In May 2022, the Commission launched a Pact for Skills partnership to bolster the skills of people working in the proximity and social economy sector. An alliance is implementing the Blueprint for

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<sup>23</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*EU Strategy on the rights of the child*' (COM(2021) 142 final).

<sup>24</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*Union of Equality: Strategy for the Rights of Persons with Disabilities 2021-2030*', COM(2021) 101 final.

<sup>25</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*Union of Equality: LGBTIQ Equality Strategy 2020-2025*', COM(2020) 698 final.

<sup>26</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*A Union of equality: EU anti-racism action plan 2020-2025*', COM(2020) 565 final.

<sup>27</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*A Union of Equality: EU Roma strategic framework for equality, inclusion and participation*', COM(2020) 620 final.

<sup>28</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*Action plan on Integration and Inclusion 2021-2027*', COM(2020) 758 final.

<sup>29</sup> Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee 2020/C 372/01 (OJ C 372, 4.11.2020, p. 1–9).

<sup>30</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions '*European Skills Agenda for sustainable competitiveness, social fairness and resilience*', COM(2020) 274 final.



sectoral cooperation on skills with a focus on social enterprises active in job market integration<sup>31</sup>.

- **Consistency with other Union policies**

The proposal is complementary to and consistent with a number of other EU initiatives.

It is in line with the European Commission's **European Green Deal**, a plan to make the EU climate neutral and resource efficient by 2050, and the **Digital Decade policy programme**<sup>32</sup>, a vision for digital sovereignty in Europe based on clear objectives and principles. Specifically, the social economy can contribute to and benefit from ongoing action under the **Long-term competitiveness strategy**<sup>33</sup>, the **Green Deal industrial plan**<sup>34</sup>, the **Net Zero Industry Act**<sup>35</sup> and **REPowerEU**<sup>36</sup> to boost the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality. To highlight and reinforce this role, the European Commission released in November 2022 a **Transition Pathway for the 'Proximity and Social Economy' industrial ecosystem**<sup>37</sup>, co-created with stakeholders, which identifies fourteen action areas under the EU industrial strategy. The **Council recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality**<sup>38</sup> also recognises that social economy entities can help ensure this transition is socially fair and just.

The Commission has issued guidance to the Member States<sup>39</sup> that encourages them to tackle labour and skill shortages in the update of their **national energy and climate plans** to ensure the supply of a skilled workforce for the clean energy transition. Social economy entities can be included in these strategic planning instruments.

The proposal supports the implementation of the **circular economy action plan**<sup>40</sup> adopted in March 2020. To address the triple crises of climate, biodiversity loss and pollution, the action plan aims to mainstream action on the circular economy to achieve a climate-neutral, resource-efficient and competitive economy. The cross-sectoral nature of the social economy and its pioneer role in creating jobs linked to the circular economy can contribute to the

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<sup>31</sup> B-WISE is a project funded by the Erasmus+ programme, which aims to develop a European strategy to address the skills needs, in particular digital skills, in the Work Integration Social Enterprises sector.

<sup>32</sup> Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030 (OJ L 323, 19.12.2022, p. 4–26).

<sup>33</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Long-term competitiveness of the EU: looking beyond 2030', COM(2023) 168 final.

<sup>34</sup> Communication from the Commission to the European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of the Regions, 'A Green Deal Industrial Plan for the Net-Zero Age', COM(2023) 62 final.

<sup>35</sup> COM(2023) 161 - Proposal for a regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act).

<sup>36</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'REpowerEU Plan', COM(2022) 230 final.

<sup>37</sup> Report, [Transition pathway for Proximity and Social Economy](#).

<sup>38</sup> In line with the Council Recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality (OJ C 243, 27.6.2022, p. 35–51).

<sup>39</sup> Commission Notice on the Guidance to Member States for the update of the 2021-2030 national energy and climate plans (OJ C 495, 29.12.2022, p. 24–55).

<sup>40</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A new Circular Economy Action Plan For a cleaner and more competitive Europe', COM(2020) 98 final.

development of the sector. In particular it can contribute to the Commission's push to boost sustainable products driven by the **proposal on establishing a framework for setting ecodesign requirements for sustainable products**<sup>41</sup> and to promote the repair and reuse of goods as stated in the circular economy action plan. The proposal is also relevant to the **SME strategy**<sup>42</sup>, which supports small and medium enterprises in all sectors by reducing regulatory burden and improving access to markets and funding.

Lastly, the proposal contributes to reaching the **Sustainable Development Goals (SDGs)** adopted in 2015 under the United Nation's 2030 Agenda for Sustainable Development. The social economy contributes to most SDGs in some form, particularly to the goal to end poverty (SDG 1) and to ensure decent work and economic growth (SDG 8). The international political momentum for the social economy is growing, following the adoption of the **Resolution concerning decent work and the social and solidarity economy** at the 110th International Labour Conference of the International Labour Organisation on 10 June 2022<sup>43</sup>, the **OECD Recommendation on the social and solidarity economy and social innovation** also on 10 June 2022<sup>44</sup>, and the adoption of the **United Nations Resolution on promoting the social and solidarity economy for sustainable development**<sup>45</sup> on 18th April 2023.

## 2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

### • Legal basis

The proposal will be based on Article 292 of the Treaty on the Functioning of the European Union, in conjunction with Article 149 TFEU and Article 153 TFEU points (h) and (j).

### • Subsidiarity (for non-exclusive competence)

The proposal provides recommendations to Member States on strategies and policies that recognise, support and build on the contributions that the social economy makes to help people access the labour market and social inclusion. It includes recommendations on action to support an even development of the social economy across the EU and on promoting innovative approaches to employment in collaboration with the sector. It fulfils the subsidiarity principle as it sets out key principles, which are particularly useful for Member States where the sector is less developed, while giving flexibility to the Member States in how they will implement the recommendations.

In particular, the proposal takes account of the wide range in traditions, scope and terms used in the social economy in the Member States. It does not significantly affect Member States' financial equilibrium or their ability to maintain or bring in more ambitious policies.

### • Proportionality

The proposal supports and complements Member States' action to improve access to the labour market and social inclusion through measures that help create a supportive environment for the social economy. It acknowledges the wide range in national practices and systems and recognises that different national, regional or local circumstances could lead to

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<sup>41</sup> Proposal for a Regulation on establishing a framework for setting ecodesign requirements for sustainable products and repealing Directive 2009/125/EC (2022/0095 (COD)).

<sup>42</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'An SME Strategy for a sustainable and digital Europe' (COM/2020/103 final).

<sup>43</sup> [https://www.ilo.org/ilc/ILCSessions/110/reports/texts-adopted/WCMS\\_848633/lang--en/index.htm](https://www.ilo.org/ilc/ILCSessions/110/reports/texts-adopted/WCMS_848633/lang--en/index.htm).

<sup>44</sup> <https://www.oecd.org/cfe/leed/social-economy/social-economy-recommendation/>.

<sup>45</sup> <https://unsse.org/wp-content/uploads/2023/04/A-77-L60.pdf>.

differences in how the recommendations are implemented. As a result, Member States have the flexibility to tailor implementation of the proposal to their unique circumstances.

The proportionality principle was central to selecting the right instrument for the proposal.

- **Choice of the instrument**

The instrument is a proposal for a Council recommendation. It builds on the existing body of EU law and policy and is in line with the type of instruments available for EU action on employment and social policy. As a non-binding legal instrument, a recommendation reflects the premise that the Member States have legal competence on social policy. It also reflects the range in traditions, scope, terms, and levels of development of the social economy throughout the EU. A recommendation signals the Member States' commitment to the objectives and measures in the text and provides a strong basis for cooperation at EU level in this area.

### 3. RESULTS OF *EX POST* EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- ***Ex post* evaluations/fitness checks of existing legislation**

Not applicable.

- **Stakeholder consultations**

The Commission carried out an extensive consultation process involving the general public and a wide range of stakeholders on this initiative. The process included publishing a '**call for evidence**', an outlook opinion from the **European Committee of the Regions**, and meetings with **social partners**, **civil society organisations**, the **Employment** and the **Social Protection Committees**, and the **Expert Group on social economy and social enterprises**. The **European Parliament Social Economy Intergroup** and the **European Economic and Social Committee** (through the Social Economy Category) also provided input into the expected scope of the proposal.

The aim of these consultations was to achieve a balanced overview of all the types of stakeholders concerned – Member States, social economy entities, funding intermediaries and academics. The consultation process provided insights that fed into the preparatory work and brought in additional perspectives to the proposal. Details on the consultation process are analysed in the **staff working document** accompanying this proposal.

- **Collection and use of expertise**

In addition to the input received during the stakeholder consultation process, the proposal is underpinned by extensive evidence collected over recent years on policy and legal frameworks for the social economy. The key sources of evidence were:

- the 2020 [mapping of social enterprise ecosystems in all EU countries](#), for which researchers consulted over 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](#), the [in-depth reviews on social entrepreneurship policy](#) in several Member States, and the international guides on [Social Impact Measurement for the Social and Solidarity Economy](#) and on [Legal Frameworks for the Social and Solidarity Economy](#) developed in cooperation with the OECD;

- the OECD Recommendation on the social and solidarity economy and social innovation adopted on 10 June 2022 and the [Policy Guide on Social Impact Measurement for the Social and Solidarity Economy](#);
- the 2017 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;
- the 2020 [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; and
- the [Transition pathway Proximity & Social Economy](#) and the inputs received during the co-creation process.

- **Impact assessment**

The instrument proposed – a Council recommendation – offers guidance on how to adapt policy and legal frameworks to support social economy entities and gives Member States the flexibility to design and implement measures in line with their national practices and depending on the nature of its social economy ecosystems. Therefore, no impact assessment is needed.

The proposal has the potential to improve the enabling environment for the social economy, especially in Member States where the social economy is less developed. This will help achieve a more even development of the sector throughout the EU.

- **Regulatory fitness and simplification**

Not applicable.

- **Fundamental rights**

This Recommendation respects the fundamental rights and observes the principles recognised by the Charter of Fundamental Rights of the European Union. The social economy prioritises social and environmental responsibility, participation, and democratic governance, which aligns with the Charter’s focus on promoting equality and solidarity.

#### **4. BUDGETARY IMPLICATIONS**

This proposal has no financial implications for the EU budget.

#### **5. OTHER ELEMENTS**

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Paragraph (23) recommends Member States to adopt or update their social economy strategies within 18 months of adoption of the proposal.

Paragraph (24) recommends Member States to review and improve their administrative and institutional set-ups at all levels of governance.

Paragraph (25) recommends Member States to monitor and evaluate their implementation of the Council recommendation at national level and to involve regional and local authorities and stakeholders in the process. The Commission will track implementation through regular consultations with Member States via the [Employment Committee](#) and the [Social Protection Committee](#).

Under Paragraph (26), Member States are asked to formally report on their progress in implementing the Recommendation no later than four years following its adoption and again five years after that.

To minimise the reporting burden on EU governments, 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. On that basis, the Commission will prepare a report on implementation of this Recommendation and will submit it to the Employment Committee and the Social Protection Committee for discussion.

- **Explanatory documents (for directives)**

Not applicable.

- **Detailed explanation of the specific provisions of the proposal**

§ 1-3 indicate the objectives and scope of this Recommendation.

§ 4 provides definitions of social economy and social enterprise.

§ 5-8 recommend Member States put in place measures that **foster access to the labour market and social inclusion** through the social economy. More specifically:

§ 5 recommends Member States put in place **labour market policies** to support employees in social enterprises and their reintegration in the labour market, to support collaboration between public employment services, social economy entities and mainstream businesses to better reach out to young people not in education, employment, or training, promote social entrepreneurship as a means to create self-employment and employment at large, enable more people with disabilities to join the labour market, and promote social dialogue and collective bargaining to ensure fair working conditions.

§ 6 recommends Member States acknowledge and support the contribution of social economy entities to **social inclusion** and include them in the design and delivery of social and care services, housing as well as education and activities for children and young people.

§ 7 recommends Member States support **training and skills development** for the social economy by building skills intelligence related to market needs, working together with the social economy to facilitate training for employees, aiming at bridging the skills gap and facilitating their transition to the labour market, and creating national or transnational competence centres on the social economy in cooperation with vocational education and training providers.

§ 8 recommends Member States to reinforce the role of social economy entities to support **social innovation** and in key sectors of local development and employment, and to build on the social economy's contribution to a **fair twin transition**, while advancing sustainable economic and industrial development and territorial cohesion.

§ 9-21 recommend Member States develop enabling frameworks for the social economy by designing and implementing comprehensive strategies for the sector. More specifically:

§ 13 recommends Member States improve **access to public and private funding** for the social economy by enabling social finance ecosystems and using the funding available, such as EU funds.



§ 14-16 recommends Member States **improve social economy entities' access to markets** by fostering the use of socially responsible public procurement in line with the possibilities offered by the current European legal framework on public procurement and supporting cooperation between social economy entities and mainstream businesses.

§ 17 recommends Member States make the most of the current scope of the **State aid rules** under EU law to support the social economy.

§ 18 recommends Member States ensure that **taxation systems** do not hinder the development of the social economy, assess whether tax systems sufficiently encourage its development, and enhance cross-border philanthropy.

§ 19 recommends Member States support the uptake by social economy entities of **social impact measurement and management processes** used to measure and assess the social impact of a particular project or organisation.

§ 20-21 recommend Member States **raise awareness** about the social economy and its contributions, including by monitoring the development and performance of the social economy through **research, data and statistics**.

§ 22 welcomes the Commission's intention to support implementation of the Council recommendation, including through follow-up action.

§ 23-26 refer to the implementation, monitoring and evaluation process.

Proposal for a

## COUNCIL RECOMMENDATION

### on developing social economy framework conditions

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 in conjunction with Article 149 and Article 153, points (h) and (j) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the Committee of the Regions<sup>46</sup>,

Whereas:

- (1) The European Pillar of Social Rights<sup>47</sup> proclaimed on 17 November 2017 sets out a number of principles to support fair and well-functioning labour markets and welfare systems. They include Principle 1 on the right to quality and inclusive education, training and lifelong learning, Principle 2 on gender equality, Principle 3 on equal opportunities, Principle 4 on active support to employment, Principle 5 on secure and adaptable employment, and Principles 11 and 16-20 on social protection and inclusion of children, people with disabilities and the homeless, and access to essential services, health care and long-term care.
- (2) In June 2021, the European Council, in line with the Porto Declaration<sup>48</sup>, welcomed the Union's headline targets for 2030, set out in the European Pillar of Social Rights action plan<sup>49</sup>. These targets aim to achieve an employment rate of at least 78%, at least 60% of all adults participating in training annually, and at least 15 million fewer people at risk of poverty or social exclusion (of which at least 5 million children). The Member States then set national targets in all three areas to help achieve these shared aims.
- (3) Despite the progress made over the past decade to reduce poverty and social exclusion, 95.4 million people remained at risk in 2021. The poverty risk has increased for people living in (quasi)jobless households, and the depth and duration of poverty has worsened in many Member States. Quality and sustainable employment is key to alleviating this problem. Thanks to the way the social economy works, its actions and

<sup>46</sup> Opinion from the Committee of the Regions on 'Creating an enabling environment for the social economy – the local and regional perspective' (CDR 5492/2022).

<sup>47</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'The European Pillar of Social Rights Action Plan', COM(2021) 102 final.

<sup>48</sup> <https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/>.

<sup>49</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Pillar of Social Rights Action Plan, COM/2021/102 final.

the aims it pursues, the social economy has a key role to play in improving social inclusion and equal access to the labour market. It therefore contributes to the successful implementation of the European Pillar of Social Rights.

- (4) Social economy entities can create and retain quality jobs; they contribute to the social and labour-market inclusion of disadvantaged groups and to equal opportunities for all. This is in line with the framework of an inclusive recovery, as highlighted in the Guidelines for the employment policies of the Member States laid down by Council Decision (EU) 2022/2296<sup>50</sup>. They can stimulate sustainable economic and industrial development and promote the active participation of citizens in society. Social economy entities also make a significant contribution to Europe's welfare systems by complementing public services, revitalising Europe's rural and depopulated areas and playing an important role in international development policy.
- (5) On 9 December 2021, the European Commission adopted an action plan for the social economy<sup>51</sup>. The action plan contributes to the European Commission's priority of building 'an economy that works for people' and is aligned with the 2015 Council Conclusions on the promotion of the social economy as a key driver of economic and social development in Europe<sup>52</sup>. In the action plan, the Commission put forward concrete measures to be implemented both at Union and national level. The measures aim to boost social innovation, support the development of the social economy and unlock its social and economic transformative power. The measures focus on creating the right conditions for the social economy to thrive, creating opportunities for social economy entities to start up and scale up, and ensuring that the social economy and its potential are more visible. The European Parliament welcomed the action plan in its resolution issued on 6 July 2022<sup>53</sup>.
- (6) The social economy, also referred to in some Member States as the solidarity economy and/or social and solidarity economy, encompasses a diverse range of entities with different business and organisational models that prioritise social and/or environmental purpose over profit. These entities can take various legal forms, such as cooperatives, mutual benefit societies, associations and foundations, and also encompass social enterprises, which are recognised as a specific legal form in some Member States. They share the common principles of reinvesting most of their profits to pursue their social and/or environmental purposes and practicing democratic and/or participatory governance. The specific form of governance and management adopted by social economy entities varies according to their nature, scale, and context of operation. The principle of democratic or participatory governance thus takes different forms, ranging from the direct engagement of members in the governance processes to the representative involvement of members or partners in separate governance and management functions. For example, in cooperatives, mutual benefit societies, and associations, this principle often takes the form of "one person, one vote". The decision-making processes in social economy entities is characterised by a set of

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<sup>50</sup> Council Decision (EU) 2022/2296 of 21 November 2022 on guidelines for the employment policies of the Member States (OJ L 304, 24.11.2022, p. 67–77).

<sup>51</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*Building an economy that works for people: an action plan for the social economy*', COM(2021) 778 final.

<sup>52</sup> Council Conclusions on the promotion of the social economy as a key driver of economic and social development (15071/15).

<sup>53</sup> European Parliament resolution of 6 July 2022 on the EU action plan for the social economy (2021/2179(INI)).

control systems and relationships between the different agents participating in the entity, including managers, partners, employees and beneficiaries. By bringing together these different agents, social economy entities promote a multi-stakeholder effort centred around a culture of participation, accountability, and transparency and aimed at achieving a common goal.

- (7) Social economy entities often strive to create economic opportunities that promote social inclusion and the integration of disadvantaged groups, including people with disabilities and people with mental health issues, into the labour market. Work integration social enterprises are a type of social enterprise that focus on helping these groups of people integrate in society and in work by providing jobs at various skills levels with inclusive and flexible working conditions. For example, providing linguistic support to migrant workers and adapted tasks and working environments for people with disabilities can offer them a route out of poverty and social exclusion. These job opportunities can serve as stepping stones to other sectors of the labour market, helping to overcome barriers to employment for the long-term unemployed and other people experiencing difficulties in accessing the job market.
- (8) New social businesses can be a powerful vehicle for job creation and positive social change. Social economy can provide opportunities for some underrepresented groups, such as women and young people to enter the labour market or set up social businesses. According to the Global Entrepreneurship Monitor, an estimated 55% of the world's social entrepreneurs are men and 45% are women, while in general self-employment women are outnumbered by two-to-one by men. According to a recent Eurobarometer on young people's attitudes to social entrepreneurship, young people value the importance of social and environmental goals and participatory leadership. Member States could consider ways to minimise disincentives for potential entrepreneurs, such as ensuring they maintain access to proper social safety protection. Some Member States have reduced social security contributions as an incentive for social economy entities to hire staff. Ensuring there is an enabling framework for business transfers to employees to form worker cooperatives can also be a way to ensure continuation of small and family businesses and to avoid job losses, for instance in case of restructuring.
- (9) Social economy entities also promote the inclusion of young people, particularly young people not in employment, education or training. They provide training and skills development programmes and apprenticeships referred to in the Council Recommendation of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships<sup>54</sup>, and employment opportunities. They therefore contribute to the goals set by the Youth Guarantee referred to in Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee<sup>55</sup> and the Council Recommendation of 16 June 2022 on a European approach to micro-credentials for lifelong learning and employability<sup>56</sup>. Union funding such as the

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<sup>54</sup> Council Recommendation of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships (OJ C 153, 2.5.2018, p. 1–6).

<sup>55</sup> Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (OJ C 372, 4.11.2020, p. 1–9).

<sup>56</sup> Council Recommendation of 16 June 2022 on a European approach to micro-credentials for lifelong learning and employability (OJ C 243, 27.6.2022, p. 10–25).

European Social Fund Plus programme established by Regulation (EU) 2021/1057<sup>57</sup> can support social economy entities in this role. To this end, successful collaborative initiatives between public employment services and social economy entities have taken place in Member States<sup>58</sup>. Under these initiatives, social economy entities play an important role in identifying people in need of assistance and in developing tailored plans to help them achieve social and occupational integration, including training and work opportunities.

- (10) Social economy entities can promote fair working conditions by involving employees in their governance and decision-making. Promoting social dialogue and collective bargaining in the social economy, can improve the working conditions of employees. Member States can foster and build on this aspect of the social economy and make use of its know-how by involving social economy entities in the design and implementation of active labour market policies<sup>59</sup>.
- (11) The social economy contributes to the Union of Equality by promoting the social inclusion of disadvantaged and underrepresented groups through the provision of social and care services (including childcare, health care and long-term care), social housing and support for children and young people with special needs. They help reduce inequalities, such as the gender employment gap, both by directly employing a large proportion of women and by providing care services that enable caregivers, the majority of whom are women, to join the labour market. As an important partner for the public sector, the social economy can make a valuable contribution to the design and delivery of residential, home and community-based care services. Through partnership initiatives, public authorities and social economy entities can provide high-quality, accessible and affordable care services.
- (12) Vocational education and training systems play a crucial role in equipping people with the skills needed for the workplace, for personal development and for citizenship. They also help ensure a skilled workforce that can contribute towards a fair twin green and digital transition. Social economy entities provide job opportunities, on-the-job training, and work-based learning programmes tailored to the needs of individuals and the local economy. They have the potential to help roll out individual learning accounts referred to in Council Recommendation of 16 June 2022 on Individual Learning Accounts<sup>60</sup>. Therefore, they can contribute to achieving a skilled and adaptable workforce able to respond to changes in the labour market, potentially easing job-to-job transition and alleviating labour shortages, therefore contributing to overall economic growth. The Member States can tap this potential when building skills intelligence, facilitating training, and designing education curricula.

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<sup>57</sup> Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 (OJ L 231, 30.6.2021, p. 21–59).

<sup>58</sup> One example is the Belgian support provided to ‘*collectief maatwerk*’, which includes financial support to work-integration social enterprises.

<sup>59</sup> One example is the French initiative, *Territoires Zéro Chômeurs de Longue Durée*, which aims to combat long-term unemployment by setting up non-profit organisations in areas with high long-term unemployment rates to employ local residents on permanent contracts to carry out useful activities for the community, such as recycling, childcare and community gardening. Similar initiatives have been introduced in Groenningen in the Netherlands and Marientaal in Austria.

<sup>60</sup> Council Recommendation of 16 June 2022 on individual learning accounts 2022/C 243/03 (OJ C 243, 27.6.2022, p. 26–34).



- (13) The challenges posed by the twin transition and demographic change need to be tackled at regional and local levels to achieve economic, social and territorial cohesion. Social economy entities generally operate in a bottom-up way, close to communities, citizens, and the problems they face, often acting as social innovators and finding solutions that can be scaled up and/or replicated and that contribute to systemic social change. For example, the social economy could offer upskilling opportunities to low-skilled workers from sectors that are undergoing major changes and provide affordable basic goods to low-income groups. In remote and rural areas with fewer employment and educational offers, social economy entities can provide much-needed opportunities, rendering these regions more attractive. Developing the EU's social economy ecosystems therefore contributes to alleviating the consequences of ageing, depopulation, and other demographic trends, and to promoting local economic and industrial development, notably in rural and remote areas and in the EU's outermost regions, such as in agriculture, organic food production, and in the blue economy.
- (14) Promoting community-led local development and favourable ecosystems for social innovation reinforces the social economy and drives change to a climate-neutral economy in line with the European Green Deal<sup>61</sup> and the Green Deal industrial plan<sup>62</sup>. Given the important role of the social economy in the development of the circular economy, designing cross-cutting and coherent industrial policy measures on reuse, repair, and recycling could promote a functioning market for secondary raw materials, optimising the social economy's contribution to the objectives set by the circular economy action plan<sup>63</sup>, and boost the competitiveness of Europe's net-zero industry. Social economy entities operating in the digital field have demonstrated the potential to empower citizens and businesses to participate in an inclusive and human-centred digital transition and play an active role in reaching the objectives and targets of the Digital Decade 2030 policy programme established by Decision (EU) 2022/2481<sup>64</sup> and the European Declaration on Digital Rights and Principles for the Digital Decade<sup>65</sup>. To boost the resilience of this twin transition to a green and digital society, the Commission updated its Union industrial strategy in May 2021. The strategy sets out the challenges faced by the 14 industrial ecosystems, including the 'proximity and social economy' ecosystem.
- (15) To enable the social economy to fulfil its potential in supporting labour market access, social inclusion, skills development, territorial cohesion and sustainable economic development, it needs an enabling framework. Since the social economy is influenced by horizontal and sectoral policies and provisions, an enabling framework needs to factor in the specific features of the social economy and the additional barriers that social economy entities face in their development that limit their scope to operate

<sup>61</sup> Communication from the Commission to the European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of the Regions, 'The European Green Deal', COM(2019) 640 final.

<sup>62</sup> Communication from the Commission to the European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of the Regions, 'A Green Deal Industrial Plan for the Net-Zero Age', COM(2023) 62 final.

<sup>63</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A new Circular Economy Action Plan For a cleaner and more competitive Europe', COM(2020) 98 final.

<sup>64</sup> Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030 (OJ L 323, 19.12.2022, p. 4–26).

<sup>65</sup> European Declaration on Digital Rights and Principles for the Digital Decade, COM(2022) 28 final.

alongside mainstream businesses. Social economy entities do not seek to maximise efficiency gains and profits but to create positive societal outcomes. They need support measures and favourable financial, administrative and legal environments that take account of the specific features of their business models in terms of governance, profit allocation, working conditions and impact. These measures enable them to, for example, employ workers that are less productive or provide social services at accessible prices. Comprehensive strategies are needed to set enabling frameworks. This may involve adopting regulatory measures or implementing or adjusting policies and initiatives to support the social economy's contributions to social and environmental goals and enhance their economic and industrial value. These strategies should track progress and measure the effectiveness of initiatives, make adjustments and improvements as needed, and ultimately result in more efficient and impactful outcomes from the sector. Strategies may need to be adopted at different levels of government (national, regional and local) depending on the institutional organisation and context in each Member State. Regions and other subnational levels could adopt social economy strategies that are clearly linked to regional development objectives and priorities, maximising the mutual benefits.

- (16) It is essential to involve social economy stakeholders for the successful development and implementation of social economy strategies. Several Member States have already set up high-level groups that foster dialogue between public authorities and social economy entities<sup>66</sup>. Social economy representative networks can also be a platform for collective action, they can facilitate collaboration and information sharing, and create opportunities for capacity building and peer learning.
- (17) Public financial support plays an important role in enabling the start-up and development of social economy entities. In general, social economy entities have greater difficulties in accessing financial resources than other enterprises. For instance, despite some improvements, an analysis of social enterprise finance markets has revealed a persistent mismatch between supply and demand for finance for social enterprises in Europe, in terms of access to debt and equity. Since social economy entities aim to generate positive social and/or environmental impacts and can only distribute profits to their funders and owners to a limited extent, if at all, they are generally not well suited for investors that seek significant financial returns. The support measures available to tackle this issue tend to be patchy and differ considerably in their effectiveness. Measures vary from grants and subsidies to consultancy and capacity-building services and are often provided by incubators. There is therefore still ample room for improvement in providing tailored funding for different stages of the life cycle of a social economy entity, and further support to mobilise private funding and other complementary measures to improve access to funding for social economy entities could be helpful. One such approach involves providing the choice for individual savers or employees who participate in employer-funded retirement or savings plans with the option to select a savings plan that invests a portion of their savings into a social enterprise<sup>67</sup>.
- (18) The Union provides many funding opportunities to support the social economy. The European Social Fund Plus, the European Regional Development Fund established by

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<sup>66</sup> For instance, the French High Council of Social and Solidarity Economy, the Spanish Council for the Development of the Social Economy, and the Portuguese National Council for Social Economy.

<sup>67</sup> For example « Les Fonds Communs de Placement d'Entreprise solidaires » in France.

Regulation (EU) 2021/1058<sup>68</sup>, the Just Transition Fund established by Regulation (EU) 2021/1056<sup>69</sup>, the European Agricultural Fund for Rural Development established by Regulation (EU) No 1305/2013<sup>70</sup>, the single market programme established by Regulation (EU) 2021/690<sup>71</sup>, the InvestEU programme established by Regulation (EU) 2021/523<sup>72</sup>, and, where relevant, the Recovery and Resilience Facility established by Regulation (EU) 2021/241<sup>73</sup>, all provide funding. The Union also provides advisory support through the fi-compass platform to design financial instruments under Cohesion Policy Funds. Member States, including regional and local authorities, could make better use of these opportunities by adopting specific measures for the social economy. Technical support<sup>74</sup> is another Union instrument available to improve the capacity of Member States to design and implement policies to strengthen the social economy.

- (19) Providing goods and services and working with both public authorities and mainstream businesses is critical for the development of the social economy, for generating revenue and to help social economy entities become financially self-sufficient. Thanks to the scope for flexibility under the Union public procurement rules, contracting authorities can use public procurement in a more strategic manner by setting innovative, green and social criteria, ultimately contributing to a more sustainable, inclusive and competitive economy. However, most tenders are still awarded solely on the basis of price. Since social economy entities aim to provide societal and collective benefits rather than to provide services at the lowest price, they struggle to compete in regular public procurement processes, despite the fact that they can provide broader added value to the procurement process. There is also room to increase the capacity of social economy entities to do business, including through a more systematic integration into mainstream business value chains and partnering with them to bid jointly for public procurement and create new market opportunities.
- (20) Public authorities often do not make the most of the current scope under State aid rules to support the social economy, where the market alone is unable to achieve satisfactory access to the labour market and social inclusion, limiting themselves to measures under the general *de minimis* threshold and not using the option to establish

<sup>68</sup> Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231, 30.6.2021, p. 60–93).

<sup>69</sup> Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231, 30.6.2021, p. 1–20).

<sup>70</sup> Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487–548).

<sup>71</sup> Regulation (EU) 2021/690 of the European Parliament and of the Council of 28 April 2021 establishing a programme for the internal market, competitiveness of enterprises, including small and medium-sized enterprises, the area of plants, animals, food and feed, and European statistics (Single Market Programme) and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014 and (EU) No 652/2014 (OJ L 153, 3.5.2021, p. 1–47).

<sup>72</sup> Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30–89).

<sup>73</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17–75).

<sup>74</sup> Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021, establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1–16).

measures under Commission Regulation (EU) No 651/2014<sup>75</sup> (the General Block Exemption Regulation) such as regional aid, risk-finance aid, and aid to recruit disadvantaged workers. With regards to de minimis aid, it is currently limited to EUR 200,000 over three years, but the current rules will expire on 31 December 2023 and are in the process of being revised. Union rules governing services of general economic interest also offer scope to authorise State aid, but public authorities often do not make full use of these options, particularly for social services in the field of work integration of vulnerable persons.

- (21) Taxation policy can also have a significant role in fostering the social economy and ensuring that social economy entities can afford to operate alongside mainstream businesses, creating a more equitable business environment while contributing to social inclusion and improved access to employment. Few Member States have established a consistent taxation framework that encourages the development of the sector, including tax incentives tailored to the needs of the social economy, while recognising its diversity and preventing fragmentation. Setting well-designed tax incentives for donations to public-benefit social economy entities can stimulate their financing, also across Union borders in line with the Treaty principle of non-discrimination. Administrative barriers remain in several Member States regarding public-benefit donations across Member States borders, and a lack of transparency on the documents needed to qualify for public-benefit status. Issuing standardised forms of the recipient entity established in another Member State could lessen the administrative barriers. As a first step, Member States could provide translations of the national forms in the languages used by other Member States. As a second step, Member States could explore developing standard forms on direct tax for cross-border donations.
- (22) Social impact measurement and management processes are particularly important for social economy entities as they enable them to understand and communicate their impact and access impact-driven funding. Social impact measurement involves using metrics and tools to gauge the social impact of a particular intervention or initiative. Social impact management involves building the systems, processes and capabilities that an organisation needs to proactively manage and increase its impact. But the wide range of frameworks and tools available can be a challenge, particularly for entities with fewer resources. Monitoring the social outcomes of public investments enables public scrutiny, can support the rationale for using taxpayer money to support social economy entities or activities, and can help to prevent ‘impact washing’ (overstating or falsely claiming impact). Social impact measurement and management approaches that are well-considered, proportionate and adapted to the needs of individual entities could be helpful in this regard. They should be based on standard methods and indicators, as well as on factors such as size, stage of development, and diversity of entities.
- (23) The visibility and recognition of the social economy at national and regional levels in the Union has improved over the last decade. However, the potential of the sector in many Union countries remains untapped. A lack of coordination and exchange across countries perpetuates the differences in the development of the social economy, therefore there is a clear opportunity for Member States to gain by learning and

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<sup>75</sup> Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1–78).

sharing best practices. There is also limited awareness among the general public about the social economy and the positive contributions it makes. This can hinder the development of support policies and market opportunities for the social economy. Regulating while ensuring new legislation meets the needs of social economy entities can raise awareness and give them greater legitimacy, facilitating access to finance and markets. National public authorities and stakeholders have launched several initiatives, such as specific legal forms, labels and statuses<sup>76</sup> for the social economy, and large-scale communication campaigns, to increase understanding and visibility of the social economy. Other successful reforms include the creation of specific ministerial units for the social economy and enhanced dialogue between stakeholders and public authorities. Boosting the visibility of the social economy is crucial to fully recognise its positive impact on society, as emphasised in the social economy action plan with the launch of a social economy gateway.

- (24) Having accurate data and statistics is key to improving understanding of social economy business models and making evidence-based policy decisions. However, there is a shortage of reliable data on the social economy, including data on its economic added value and performance. Existing data is often incomplete and difficult to compare. For instance, only a few Member States have expanded their national accounting systems to collect supplementary data (such as in satellite accounts) on the social economy, despite financial support available under the Union budget. The social economy is usually not included in structural business statistics, for instance when the statistics are built on economic data generated by for-profit businesses and traditional social economy entities are only included in residual categories. By making available essential statistics on the size, workforce, development and challenges of the social economy, the strategies and measures put in place would be more efficient and adjusted to the different situations in the sector.

HAS ADOPTED THIS RECOMMENDATION:

## OBJECTIVE

1. In line with the principles of the European Pillar of Social Rights, the aim of this Recommendation is to foster access to the labour market and social inclusion by guiding Member States on promoting enabling policy and regulatory frameworks for the social economy and/or measures that facilitate its development.  
  
To achieve these objectives, Member States are recommended to work together with stakeholders to acknowledge, support and build on the contributions made by the social economy.
2. This Recommendation seeks to support the implementation of the European Pillar of Social Rights action plan and to help achieve the three Union headline targets for employment, skills, and poverty reduction by 2030.
3. By promoting the social economy, this Recommendation also seeks to stimulate fair and sustainable economic and industrial development and to contribute to territorial cohesion across the Member States.

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<sup>76</sup> Legal statuses/qualifications, sometimes also referred to as labels, are distinct from legal forms as they can be adopted by a variety of legal forms, including profit and non-profit organisations.



## DEFINITION

4. For the purpose of this Recommendation, the following definitions apply:
- (a) ‘social economy’ means private entities, independent of public authorities, providing goods and services to their members or to society, encompassing cooperatives, mutual benefit societies, associations (including charities), foundations and social enterprises that operate in accordance with the following key principles and features:
    - the primacy of people as well as social and/or environmental purpose over profit;
    - the reinvestment of most of the profits and surpluses to further pursue their social and/or environmental purposes and carry out activities in the interest of members/users (‘collective interest’) and/or society at large (‘general interest’); and
    - democratic and/or participatory governance.
  - (b) ‘social enterprise’ means an entity that provides goods and services for the market in an entrepreneurial way and in accordance with the principles and features of the social economy, having social and/or environmental objectives as the reason for its commercial activity.

## FOSTERING ACCESS TO THE LABOUR MARKET AND SOCIAL INCLUSION THROUGH THE SOCIAL ECONOMY

### Access to the labour market

5. Member States are recommended to acknowledge and support the specific added value of the social economy by easing access to the labour market and promoting quality jobs for all, while also enhancing fair working conditions. This should be done within the framework of inclusive growth, as highlighted in the Guidelines for the employment policies of the Member States, in particular by:
- (a) establishing or encouraging partnership initiatives that involve social economy entities in the design and implementation of active labour market policies;
  - (b) ensuring public authorities provide sufficient support to social economy entities with a view to better integrating into the labour market women, disadvantaged and underrepresented groups (such as the long-term unemployed, people suffering from mental ill-health, the inactive, the low-skilled, people with disabilities, people with a migrant, minority racial or ethnic background (including Roma), young and older people) through:
    - i. work integration social enterprises that provide employment and tailored support to such groups;
    - ii. action to help these groups of people prepare for employment through working experience in social enterprises for their integration in the open labour market.
  - (c) supporting collaborative projects between public employment services, local authorities, social economy entities and mainstream businesses to offer tailored career guidance and learning and training opportunities to young people not in education, employment, or training (NEETs). These opportunities can include

apprenticeships, professional immersion programmes, personal coaching and meetings with role models, and aim to facilitate integration in the labour market, in line with the Reinforced Youth Guarantee;

- (d) promoting social entrepreneurship as a means to foster self-employment and other forms of employment, develop economic activity locally and tackle social and environmental challenges through innovative and inclusive business models; whereas to achieve this, Member States can, for instance:
  - i. ensure that social entrepreneurs have access to social protection;
  - ii. consider reducing social security contributions to hire new employees;
  - iii. identify, assess and address potential administrative disadvantages or barriers to starting a social business.
- (e) designing policies and adopting measures that promote and mainstream gender equality in the social economy, for example by:
  - i. challenging discriminatory social norms and stereotypes about women's and men's skills, and the undervaluation of women's work;
  - ii. providing tailored support to empower women by reducing gender gaps in employment and pay and ensuring equal leadership;
  - iii. providing access to coaching and mentoring programmes for women aspiring to be social entrepreneurs and leaders.
- (f) ensuring an enabling framework for business transfers to employees to form worker cooperatives to avoid job losses and safeguard economic activity;
- (g) collaborating with social economy entities to enable more people with disabilities to join the labour market, for example by developing assistive technologies;
- (h) promoting social dialogue and collective bargaining in the social economy to ensure that workers have fair working conditions, including fair wages, respecting the autonomy of social partners.

### **Social inclusion**

- 6. Member States are recommended to acknowledge and support the role of the social economy in providing accessible and high-quality social and care services and housing, particularly for disadvantaged groups, alongside publicly available social services. For example, this could include:
  - (a) collaborating with social economy entities within their respective areas of action when establishing and providing services of general interest;
  - (b) involving social economy entities in the design and delivery of people-centred social and care services, as emphasised by the European care strategy;
  - (c) working together with social economy entities to design and deliver care and support for children and young people, including children from disadvantaged groups, in line with the European Child Guarantee established by Council

Recommendation (EU) 2021/1004<sup>77</sup> and the Union strategy on the rights of the child<sup>78</sup>.

## Skills

7. Member States are recommended to support training and skills development for the social economy, in particular by:
- (a) drawing on existing skills intelligence tracking the needs of the economy and the mainstream labour market to understand how the social economy can contribute to the supply of a skilled labour force and mitigate labour shortages;
  - (b) facilitating training and skills in the social economy by:
    - i. running learning exchanges between social economy entities, training organisations and mainstream companies, with the aim of improving management, entrepreneurial, and job-related skills needed for the digital and green transitions (including circular, repair, and digital skills);
    - ii. reskilling and upskilling lifelong learners, including disadvantaged groups of people, and helping them transition to the open labour market, in line with the European approach to micro-credentials for lifelong learning and employability;
    - iii. including training on or provided by the social economy in the list of training eligible to be covered by the individual learning accounts<sup>79</sup>.
  - (c) creating specific apprenticeship schemes in social economy that support young people, particularly people not in employment, education or training, to upskill and prepare them for the labour market and enable the social economy to develop talent in the sector, in line with the European Framework for Quality and Effective Apprenticeships;
  - (d) fostering the inclusion of social economy and social entrepreneurship skills in education and training at all levels of education, especially in entrepreneurship and business courses, and providing access to coaching and mentoring programmes for social economy entities and social entrepreneurs;
  - (e) creating national competence centres for training on the social economy and taking part in transnational initiatives that facilitate access to specialist education and training programmes for the social economy, for example through cooperation with vocational education and training providers working within the framework of established bodies, such as the Centres of Vocational Excellence referred to in Council Recommendation of 24 November 2020 on

<sup>77</sup> Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee (OJ L 223/14 22.6.2021).

<sup>78</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'EU Strategy on the rights of the child', COM(2021) 142 final.

<sup>79</sup> Council Recommendation of 16 June 2022 on individual learning accounts 2022/C 243/03 (OJ C 243, 27.6.2022, p. 26–34).

vocational education and training for sustainable competitiveness, social fairness and resilience<sup>80</sup>.

### **Social innovation, sustainable economic development and territorial cohesion**

8. Member States are recommended to strengthen the support role played by social economy entities in promoting social innovation and key sectors of local development and employment. This can be achieved by:
- (a) promoting a favourable ecosystem for social and place-based innovation by facilitating cooperation and partnership initiatives between social and circular economy entities, mainstream businesses, finance providers, local governments and other stakeholders. For instance, this can be done by:
    - i. creating or fostering social innovation hubs or clusters of social and ecological innovation designed to meet local needs and test joint solutions;
    - ii. involving social economy entities in community-led local development, including by making use of the Union funding instruments available;
    - iii. engaging with national and regional competence centres for social innovation to build networks, boost capacities and synergies, highlight efficiencies and develop essential tools and methods to stimulate social innovation.
  - (b) ensuring that policy on the social economy is linked to industrial policy and the transition to a digital and circular economy;
  - (c) adapting regulatory frameworks to support social economy entities in the circular economy, for instance ensuring that the right incentives are in place for businesses to donate unsold and returned goods to social economy entities for repair and reuse instead of destroying the goods and for individuals to donate second-hand goods, ensuring social economy entities have access to the waste stream, involving them in waste prevention strategies, and authorising food banks to collect food surpluses;
  - (d) fostering the development of social economy community-based initiatives and ecosystems, for example, energy communities, shared mobility solutions, digital platform cooperatives, care provision, agriculture cooperatives and local short food chains and markets, for citizens to access local-based products and services;
  - (e) boosting the access of social economy entities to digital tools and new technologies such as open source, big data or artificial intelligence.

### **DEVELOPING ENABLING FRAMEWORKS FOR THE SOCIAL ECONOMY**

9. Member States are recommended to develop policy and regulatory frameworks that enable and support the social economy. To this end, they are encouraged to design and roll out comprehensive strategies that recognise and stimulate the social economy, in line with the Union action plan for the social economy and other Union

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<sup>80</sup> Council Recommendation of 24 November 2020 on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience 2020/C 417/01 (OJ C 417, 2.12.2020, p. 1-16).

policy guidance. Member States should follow the recommendations outlined in points 13 to 21 while formulating these strategies.

10. Member States are recommended to put in place mechanisms for consultation and dialogue between the public authorities and organisations representing the social economy. This can involve setting up high-level groups and supporting the emergence and development of social economy representative networks.
11. In the strategies referred to in point 9, Member States should acknowledge the core principles, features, and scope of the social economy, and recognise that they can take a range of different legal forms and statuses and are specific to different national, regional and local laws and practices.
12. Member States are recommended to invest in the development of their public officials' and authorities' understanding of the social economy through training programmes and transnational and/or interregional capacity-building initiatives, including initiatives under the Interreg Europe programme set out by Regulation (EU) 2021/1059 of the European Parliament and of the Council<sup>81</sup>. The initiatives should focus on peer learning and on sharing best practices, with a particular emphasis on fostering collaboration between regional and local authorities, as well as social economy stakeholders. The Commission will support this work as described under point 22(a)iii.

#### **Access to public and private funding**

13. Member States are recommended to create an enabling environment for social finance at national, regional and local levels, in particular by:
  - (a) mapping the financing structures for social economy entities, financial intermediaries and support organisations, and assessing their needs and the effectiveness of existing support schemes;
  - (b) ensuring that social economy entities have access to financing at the right stage of their development and tailored to their needs, including grants and other subsidies, equity or quasi-equity financing for the seed and start-up phases, or debt, equity financing, quasi-equity, or mezzanine finance during the scale-up phase, and innovative financing schemes, such as public-private partnerships, crowdfunding platforms, and combinations of different types of financial instruments or grants and financial instruments;
  - (c) promoting retail investors' access to sustainable business models, sectors, products and services driven or supported by the social economy;
  - (d) evaluating the criteria to access public funding programmes, including those aimed at mainstream businesses, to ensure they do not create undue barriers for social economy entities;
  - (e) mobilising private financing by making available public guarantee schemes, where necessary, to encourage specialised and mainstream funders to finance social economy entities;

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<sup>81</sup> Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (OJ L 231, 30.6.2021, p. 94–158).



- (f) raising awareness about the specific characteristics and needs of social economy entities to improve the capacity of mainstream private funders to offer tailored financial support;
- (g) facilitating access to business development and investment readiness support for social economy entities throughout their lifecycle, for example through awareness raising support schemes for mainstream business incubators, accelerators, and other support organisations to extend their support to social economy entities, including capacity building opportunities for managers of social economy entities;
- (h) offering dedicated financial support and capacity building to facilitate business transfers to worker cooperatives;
- (i) offering schemes that increase the availability of finance for social economy entities, for instance providing the choice to individual savers, or employees who participate in employer-funded retirement or savings plans, with the option to select a plan that invests a portion into a social enterprise;
- (j) making the best use of the funding available under the Cohesion Policy Funds, the InvestEU programme Member State compartment, the Recovery and Resilience Facility, similar programmes and other national and regional resources, by running measures and initiatives designed specifically for social economy entities;
- (k) using the fi-compass advisory services on financial instruments under Union shared management to develop repayable finance instruments under the Cohesion Policy Funds.

#### **Access to markets and public procurement**

14. Member States are recommended to encourage their contracting authorities to purchase goods and services strategically and to pursue social impact and support social innovation. To that end, they should make full use of the tools available under Union public procurement rules. Fostering the uptake of socially responsible and innovative solutions in public procurement may involve different types of policy tools, including:
- (a) adopting policy guidance and procurement strategies, including possible official targets, backed by the leadership and with a commitment from the political level through to key decision-makers and budget managers;
  - (b) providing guidance at the appropriate administrative level(s);
  - (c) raising awareness of the added value of socially responsible public procurement among contracting authorities and enterprises and making expertise available to contracting authorities and social economy entities;
  - (d) encouraging contracting authorities to refer in tender documents to specific obligations under social and labour law and collective agreements that apply to the procurement<sup>82</sup>, ask bidders to confirm compliance, and set up monitoring measures;

<sup>82</sup> Article 30(3) of Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 094 28.3.2014, p. 1), Article 18(2) of Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement

- (e) encouraging a structured, transparent and non-discriminatory dialogue with the social economy and other stakeholders to design a socially responsible public procurement strategy.
15. On substance, contracting authorities should make better use of the flexible provisions under the existing legal framework of the Union to help social economy entities access the market by, for example:
- (a) fostering market dialogue, in particular by conducting transparent and inclusive preliminary market consultations with a targeted range of potential suppliers;
  - (b) reserving contracts for work integration social enterprises or for operators that employ at least 30% of people with disabilities or disadvantaged workers in compliance with Article 24 of Directive 2014/23/EU, Articles 20 and 77 of Directive 2014/24/EU and Articles 38 and 94 of Directive 2014/25/EU;
  - (c) setting proportionate and inclusive selection criteria to enable small and innovative social businesses to bid for contracts;
  - (d) moving away from the logic of the lowest price by using social award criteria in line with the ‘most economically advantageous tender’ rule and social contract clauses, and setting performance or functional requirements at different stages of procurement procedures, including in technical specifications;
  - (e) dividing contracts into lots, in compliance with Article 46 of Directive 2014/24/EU and Article 65 of Directive 2014/25/EU, also in view of facilitating cooperation between mainstream business and social economy entities, and using simplified regimes, in particular for social and other specific services to make the process more accessible to social economy entities;
  - (f) requiring specific labels in the technical specifications, the award criteria or the contract performance conditions, when they intend to purchase works, supplies or services with specific social or environmental characteristics, in compliance with Article 43 of Directive 2014/24/EU and Article 61 of Directive 2014/25/EU.
16. To help social economy entities expand their reach, Member States are recommended to foster cooperation between social economy entities and mainstream businesses, in particular by:
- (a) raising awareness about social added value by promoting best practices that encourage mainstream businesses to involve social enterprises in their long-term supply and value chains and consumers to buy goods and/or services produced by social economy entities, also known as the ‘buy social’ movement;
  - (b) stepping up the provision of mentoring, matchmaking, and facilitation services to help social economy entities develop long-term partnerships with the wider business community;

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and repealing Directive 2004/18/EC (OJ L 094 28.3.2014, p. 65) and Article 36(2) of Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 094 28.3.2014, p. 243).

- (c) promote and support work integration social enterprise employees in working with mainstream businesses to gain experience on the open labour market;
- (d) helping social economy entities and entrepreneurs to make the best use of new technologies to access private markets through social economy-driven online platforms, collaborative spaces and the digital commons.

## State aid

17. Whenever an intended support measure for the social economy constitutes State aid and without prejudice to the applicable rules, Member States are recommended to make full use of the scope under State aid rules to support the social economy, as provided for by Regulation (EU) No 651/2014, the rules on services of general economic interest, and the *de minimis* rule by:
  - (a) using the Regulation (EU) No 651/2014 provisions, in particular:
    - i. considering investment aid to small and medium-sized enterprises (SMEs), for example for the purchase of assets in social infrastructure in compliance with Article 17 of Regulation (EU) No 651/2014;
    - ii. making best use of the provisions allowing risk-finance aid to SMEs SMEs in compliance with Articles 21 and 21a of Regulation (EU) No 651/2014 for example by setting up investment funds with the participation of private investors to specifically support social enterprises and providing tax incentives to independent private investors who are natural persons providing risk finance directly or indirectly to the eligible enterprises;
    - iii. considering start-up aid enabling small, unlisted, young enterprises to receive a variety of aid instruments such as soft loans, guarantees with soft premiums, or grants in compliance with Article 22 of Regulation (EU) No 651/2014;
    - iv. investing in people by adopting aid schemes for the reintegration on the labour market of disadvantaged or severely disadvantaged workers in compliance with Articles 32 and 35 of Regulation (EU) No 651/2014;
    - v. facilitating the full inclusion of workers with disabilities in all types of businesses with the support of specific subsidies, including wage subsidies, to enterprises in compliance with Articles 33 and 34 of Regulation (EU) No 651/2014;
    - vi. supporting the construction or upgrade of local infrastructure, which may include local social infrastructure, by granting aid to cover the difference between the investment costs and the operating profit of the investment in compliance with Article 56 of Regulation (EU) No 651/2014.
  - (b) In line with the applicable State aid rules, Member States are recommended to explore which services provided by social economy entities could be defined and financed as services of general economic interest, for instance in the field of work integration of vulnerable persons, in social housing or in health and social services such as childcare, care for the elderly or people with disabilities; compensation for services that meet social needs can even be, under certain conditions, exempt from the notification obligation, regardless of the amount of

the compensation received, under Commission Decision of 20.12.2011 (2012/21/EU)<sup>83</sup>;

- (c) using the scope available to grant transparent amounts of *de minimis* aid.

## **Taxation**

18. Without prejudice to State aid rules, Member States are recommended to:

- (a) ensure that taxation systems do not hinder the development of the social economy and assess whether tax systems sufficiently encourage its development;
- (b) consider tax incentives for the sector, if not already granted, in line with their social policy objectives and the current practices across Member States and in accordance with Union law, which may include:
  - i. corporate tax exemptions on profits retained by social economy entities;
  - ii. income tax incentives in the form of deductions or tax credits granted to private and/or institutional donors or a designation scheme according to which taxpayers can indicate to their tax authority the set percentage of their income tax liability to be allocated to public-benefit entities;
  - iii. tax exemptions on unemployment benefits received as a lump sum payment to facilitate business transfers to worker cooperatives.
- (c) review the tax compliance burden for social economy entities and where possible reduce it;
- (d) facilitate compliance on a practical level for public-benefit cross-border donations for taxation purposes, for instance by issuing a standardised form of the recipient entity established in another Member State on the amount of the donation, identifying both the recipient and the donor;
- (e) make sure that social economy entities are not used for tax evasion, tax avoidance, aggressive tax planning or money laundering purposes, while ensuring the related administrative procedures are effective and proportionate.

## **Social impact measurement and management**

19. In line with the Commission's actions referred to in point 22(a)v, Member States are recommended to support the uptake of impact measurement and impact management practices, in particular by:

- (a) incorporating social impact measurement and management practices and methodologies in national policy frameworks and programmes linked to the social economy;
- (b) providing tailored support based on good practices to help social economy entities adopt simple and practical impact measurement and management methodologies that improve their outcomes, demonstrate their social impact, and facilitate access to impact-driven finance;

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<sup>83</sup> Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (OJ L 7, 11.1.2012, p. 3–10).

- (c) encouraging social economy entities to measure their impact by building capacity through dedicated funding, and to use part of the public money they receive (grants or contracts) to measure their social impact.

### **Visibility and recognition**

20. Member States are recommended to raise awareness about the social economy and how it contributes to achieving social and environmental goals, in particular by:
  - (a) setting up or adapting specific legal forms, legal statuses, labels and/or certification schemes for the social economy, based on assessments of their potential added value, and considering a potential voluntary mutual recognition of labels and certifications used in other Member States. Such assessments should look at the extent to which they can improve understanding of the sector and support its development by providing access to specific advantages (such as tax incentives or flexibility in specific tendering/procurement procedures). The Commission will support this work as described under point 22(a)vi;
  - (b) organising and financing communication campaigns and awareness raising events on the social economy, including for younger generations, in cooperation with the relevant levels of government and other institutions (e.g. universities);
  - (c) disseminating successful pilot initiatives and good practices led by social economy entities, promoting action to replicate and scale up this good practice through social economy networks and through public communication.
21. Member States are recommended to monitor the development and performance of the social economy by stimulating research and collecting statistics and quantitative and qualitative data, in particular by:
  - (a) making the most of the available support from the European Commission to expand their national accounting systems to collect supplementary and comparable data (satellite accounts) and key household surveys (such as the Labour Force Survey and the surveys that feed into the EU-SILC) to collect information on participation in the social economy, including disaggregated data on sex and age (and where feasible other breakdowns) to understand the impact on employment creation;
  - (b) encouraging cooperation on developing statistics among public authorities, research organisations and the social economy, while extending the range of sources of information such as registers, administrative data, surveys and census to collect accurate data;
  - (c) supporting academic and independent research on social economy topics.

### **UNION SUPPORT**

22. The Council welcomes the Commission's intention to support implementation of this Recommendation by working together with Member States to develop enabling policy and regulatory frameworks for the social economy. In particular this includes:
  - (a) carrying out the initiatives announced in the action plan for the social economy, which include:
    - i. launching and maintaining the EU Social Economy Gateway, a clear entry point for social economy stakeholders to find information on Union



funding, policies, networks/platforms and initiatives, including capacity building;

- ii. publishing analysis on the existing taxation frameworks for the social economy and on the tax treatment of cross-border public-benefit donations and on the principle of non-discrimination;
- iii. facilitating peer learning opportunities for public officials on topics related to the social economy by organising webinars and workshops. Those events could be based on mapping exercises and the collection and exchange of good practice in a range of policy fields relevant to the sector, enabling participants to share knowledge and identify successful strategies. Those events could also serve as an opportunity for regular exchanges of best practices and peer learning between social economy coordinators from Member States;
- iv. collecting qualitative and quantitative evidence on the operation of the social economy in the Member States, including by supporting research under the Horizon Europe work programme for 2023-2024<sup>84</sup>;
- v. supporting the development of social impact measurement and management by mapping and reviewing existing practices, including how they meet the needs and capacities of social economy entities, to improve understanding and facilitate their uptake<sup>85</sup>. This work will be conducted in close consultation with stakeholders and will aim to develop simple standard methodologies for social economy entities to assess and demonstrate their social impact;
- vi. launching a study on national social economy labels and certification schemes mapping current initiatives, identifying good practices, common features and criteria, and providing Member States with a common approach and guidance, with a view to voluntary mutual recognition;
- vii. offering Member States technical support for reforms aiming at boosting the social economy both on a bilateral and multi-country basis;
- viii. boosting transnational cooperation in social innovation through the European Competence Centre for Social Innovation, the European Social Innovation Competition and the future network of social entrepreneurs and innovators supported under the single market programme;
- ix. supporting co-implementation of the Transition Pathway of the 'Proximity and Social Economy' industrial ecosystem<sup>86</sup> by collecting stakeholder pledges and facilitating cooperation among ecosystem stakeholders on the green and digital transition;

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<sup>84</sup> Commission Implementing Decision on the adoption of the work programme for 2023-2024 within the framework of the specific programme implementing Horizon Europe – the Framework Programme for Research and Innovation and on its financing, COM/2022) 7550.

<sup>85</sup> The Commission, together with the OECD, shall publish a report that will identify and unpack tailored approaches that are already vetted by social economy entities in Europe, looking at their purpose, scope and main features, illustrating good practices.

<sup>86</sup> Report '[Transition pathway for Proximity and Social Economy](#)'.

- x. continuing to improve access to funding for social enterprises and other social economy entities, for example through the financial products under the InvestEU programme;
  - xi. the use of socially responsible procurement practices in the Commission's tendering procedures;
  - xii. taking stock of the implementation of the plan.
- (b) monitoring and assessing the implementation of this Recommendation;
  - (c) based on Member States' reports referred to in point 26, preparing a report on the evaluation of the actions taken in response to this Recommendation, to be submitted to the **Employment Committee** and the **Social Protection Committee** for discussion.

## **IMPLEMENTATION, MONITORING AND EVALUATION**

- 23. Member States are recommended to adopt or update their social economy strategies within 18 months of the adoption of this Recommendation.
- 24. To ensure a successful implementation of this Recommendation, Member States are recommended to review and improve their administrative and institutional set-ups at all levels of governance, for example by:
  - (a) creating a 'one-stop shop' to provide streamlined and convenient support to social economy entities in areas such as access to finance and other support;
  - (b) setting up local and/or regional social economy contact points that play the role of social economy ambassadors and promote the sector, provide peer-to-peer support, facilitate access to Union and national funding, and liaise with national and regional authorities managing Union funds;
  - (c) designating social economy coordinators in national public institutions. These coordinators should have a clear mandate and responsibilities and sufficient resources to enable effective coordination and monitoring of the Recommendation and to ensure consistency in policymaking across government departments and with Union institutions.
- 25. Member States are recommended to monitor and evaluate at national level their implementation of this Recommendation, including through regular dialogue with regional and local authorities and social economy entities to inform, advise and accompany the evaluation, monitoring and implementation of their social economy strategies.
- 26. Member States are recommended to report to the Commission on their progress in implementing the Recommendation no later than four years following its adoption and again five years after that.

Done at Strasbourg,

*For the Council  
The President*