

The social economy

A driver for resilience and the green and digital transition in the EU



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You may ask five experts in a room about what the social economy is and you may probably receive five different answers. One element, however, will be common in all replies: that the social economy is motivated by a sense of mission to address challenges in our societies and achieve impacts going beyond profit. This is why social economy and social entrepreneurship are models fitting in a world with diminishing resources and widening social divides and why our education systems and policies could do more to make young people - the entrepreneurs of tomorrow - aware that the social economy offers a third way of creating value, next to the public authorities and mainstream corporations.

What is the social economy

The concept of the social economy, as well as social enterprise and social entrepreneurship, has emerged in European public policies since more than two decades. This said, policy and legal approaches among EU Member States have been different and, despite some common characteristics traditionally attributed to the social economy

and social enterprises, the understanding of these concepts and their operationalisation in policy implementation (i.e. taxation, funding, business support) remains dynamic.

In the European Union, the social economy traditionally encompasses four types of legal entities providing goods and services to their members or the society at large - cooperatives, mutual benefit societies, associations (including charities), and foundations – and social enterprises are also generally understood as part of the social economy. The latter operate in an entrepreneurial and often innovative fashion, with social and/or environmental objectives as the reasons for their commercial activity, mainly reinvesting profits to achieve societal objectives and, often, having a method of organization following democratic or participatory principles.¹

Any business venture can come from identifying a social need, but the difference between a traditional business and a social enterprise is the motivation of the entrepreneur. The classic values of social entrepreneurship are often described as: the primacy of individual and social goals over the interests of capital, democratic governance by members, the conjunction of the interests of members and users and the general interest, the safeguarding and application of the principles of solidarity and responsibility, the reinvestment of profit in long-term development objectives or in the provision of services that

are of interest to members or of general interest.

The degree of recognition of the social economy varies across EU Member States, depending on historic and cultural reasons, as well as on the make-up of their economies and legal traditions.²

What the social economy means for the EU economy

While the social economy is developed unevenly across EU Member States, its contribution to national GDP can range up to 10% in some Member States³ and it provides jobs to 13.6 million people, representing 6,3% of the EU workforce.⁴ Social economy business models are present in different economic sectors: work integration of people with disabilities and unemployed people, services of general interest (social, health, childcare, housing), but also in circular economy, energy, tourism, agriculture and food, transport, culture, sport.

Filling gaps on the market, the social economy provides alternative and tailor-made solutions to local needs and is a driver for local growth and the resilience of EU regions and territories.⁵ This is particularly relevant in remote or rural areas or areas in need of economic regeneration.

Looking at the challenges of the twin green and digital transition, social economy business models are showing agility and potential to tap into. Close to 2000 citizens' cooperatives exist in the EU producing renewable energy locally. Tourism initiatives based on local offer and community drive, social infrastructure projects such as affordable housing, local food markets are examples of the innovation potential of social start-ups.

An EU policy framework for the social economy

EU policies in the last fifteen years have incrementally recognised the potential of the social economy.

From the Social Business Initiative (2011),⁶ setting out the first measures for a favourable environment with a focus on improving access to finance, optimising the legal environment and give more visibility to social enterprises, to the Start-up and Scale-up Initiative (2016),⁷ which underlined the potential of social start-ups driven by increasing demand for social innovation and the rise of collaborative platforms, the European Commission presented two milestone initiatives in 2021: the European Action Plan for the Social Economy, setting out the broad EU policy vision for the social economy until 2030, and the updated EU Industrial Strategy, which included, for the first time, proximity and social economy as a distinct industrial ecosystem. Pulling together more than sixty actions by 2030, the Action Plan for the social economy⁸ aims to enhance support social economy actors to start-up, scale-up, innovate and create jobs, through initiatives in three areas: creating the right framework conditions for the social economy to thrive; opening up opportunities (including access to finance) and support for capacity building; and enhancing recognition of the social economy and its potential. Updated in the aftermath of

the COVID-19 pandemic, the EU industrial strategy⁹ zooms in fourteen industrial ecosystems critical for recovery, resilience and the twin green and digital transition of EU industry and businesses, among them the proximity and social economy.

The social economy: a driver for EU competitiveness, resilience and the twin transition

Social enterprises can serve as the missing link for consumers and the industry in the development of new value chains. While the digital maturity within the social economy ecosystem is uneven and overall low, there is great potential in the case of renewable energy, circular economy and sustainable production processes.¹⁰ For example, in refurbishment activities (electronic equipment, computers), in recycling, upcycling and waste management (i.e. textiles, food), in offering sustainable products (agri-food) and services (mobility, tourism, retail).

More public-private partnerships at all levels are needed to integrate the social economy business models in industrial ecosystems and economic sectors (mobility, energy, agri-food, tourism, textiles, waste management) and capture emerging mega trends, such as the convergence of proximity and social economy ('buy local', 'buy social'), the cross-fertilisation between mainstream businesses and social enterprises and the development of the green and social impact investment market.

The Transition Pathway for the proximity and social economy¹¹, co-created in 2022 with more than 400 social economy stakeholders, pulls together fourteen action areas and thirty actions to respond to the green and digital needs of the social economy and enable its full potential to drive the twin transition in different sectors of the economy. The Transition Pathway is an open process – driven by pledges by stakeholders – who submitted 173 pledges thus far.¹²

In parallel, EUR 22 million were mobilised under the Single Market Programme in 2022-2024 to support the green and digital transition and step-up business capacity of social economy SMEs. This is in addition to business support provided under the Enterprise Europe Network - the world's largest network for SMEs - tailor-made financial products under the Invest EU programme and EU funds available under cohesion policy and the Recovery and Resilience Facility, which lie in the hand of the Member States.

Creating enabling conditions for social entrepreneurship is key and requires action at all levels, from the European to the local level. The recent Council Recommendation on developing framework conditions for the social economy¹³ is one more step in this direction. Adopted last November, it recommends EU governments to tap the full potential of the social economy in tackling some of the biggest challenges facing our society, notably on labour and social integration and social cohesion, and provide improved access to markets and public procurement, efficient use of state aid rules and an enabling taxation framework.

Coming back to the beginning, even if different approaches and perceptions exist about the social economy, there is a wealth of opportunities¹⁴ for social entrepreneurs and social economy actors to seize and grow in their pursuit of a more sustainable, innovative and inclusive Europe.

¹ Building an economy that works for people: an action plan for the social economy, COM(2021) 778 <https://ec.europa.eu/social/main.jsp?catId=1537&langId=en>

² SWD(2021) 373 final, accompanying COM(2021) 778 final

³ Transition Pathway for the Proximity and Social Economy Ecosystem, <https://ec.europa.eu/docsroom/documents/52015>

⁴ SWD (2021) 982 Scenarios towards co-creation of a transition pathway for a more resilient, sustainable and digital Proximity and Social Economy industrial ecosystem

⁵ idem

⁶ Social Business Initiative Creating a favourable climate for social

enterprises, key stakeholders in the social economy and innovation COM (2011) 682

⁷ The Start-up and Scale-up Initiative, COM (2016) 733

⁸ Building an economy that works for people: an action plan for the social economy COM (2021) 778

⁹ Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery COM (2021) 350

¹⁰ First annual report on key findings from the European Monitor of Industrial Ecosystems (EMI), SWD (2024) 77

¹¹ <https://ec.europa.eu/docsroom/documents/52015>

¹² Next deadline for submission of pledges: 1 June 2024 https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/transition-pathway_en

¹³ <https://www.consilium.europa.eu/en/press/press-releases/2023/10/09/social-economy-council-recommends-member-states-tap-its-full-potential/>

¹⁴ https://social-economy-gateway.ec.europa.eu/index_en

