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## **FRENCH, SPANISH AND ITALIAN MODEL OF FUNCTIONING OF A SOCIAL OR A SOLIDARY ECONOMY**

### **Abstract:**

Advanced EU economies support and develop the social economy and social entrepreneurship, which contributes to building competitiveness and performance of the country. The concept of the social economy is not viewed uniformly in all Member States. France is considered the cradle of the development of the social economy, where the concept of the social economy is embodied in national legislation. As well as in Italy and Spain, this business area was accepted in full in the public administration, the academic and scientific community, and we include them among the leaders in this field. Another group consists of recognizing the concept of social economy, along with other concepts, such as the economy. the non-profit sector, the voluntary sector and in the other countries, the development of this area is at an early stage, or is little known.

### **Keywords:**

unemployment, social exclusion, social economy, social entrepreneurship, social enterprise

**JEL Classification:** J08, L31, I30

## Introduction

There are discussions currently underway around the world on the concept of social economy in the lay as well as professional public. The social economy in Europe began to develop in close association to the cooperative movement and the concept of social economy was first embodied in the legislation of France in the 1980s of the 20th century. Since then, it has been implemented in a number of countries and the European Union recognized in 1989 the social economy as the theoretical background of social enterprises and other entities of the social economy.

## France

France can be regarded as the cradle of the development of the social economy, as the concept has a long tradition and at the same time is also the legislative background is secured. The sector of the social economy is made up of more than 165 000 businesses with 2.3 million workers, which constitutes 10% of employment in the economy). These are associations, mutual societies, associations and foundations. They offer a variety of products and services and create social ties.

Most of the French social initiatives (Économie sociale) can be divided into two groups:

- creating jobs for those entities that are excluded from the labour market due to low education,
- entities providing services directly at home or in the vicinity of the housing.

Jobs are often on a part-time basis, which occupy, in particular women (70% of all jobs). The main employers are associations, which make up 80% of the job opportunities in the social economy sector. The most successful initiatives operate in rural areas, especially in western France. In these regions have associations a high representation.

Entities of the social economy are active in the field of financial services, (associations and and mutuals), personal services, education, health and social work (in particular the associations).

A very important factor is that services are affordable for individuals and households, therefore, the main objective is the reduction of prices, in particular

through the use of public resources or other support (reducing the cost of labour, promotion of social economy organizations, tax incentives, etc.). Another condition for success is the quality and efficiency of the services offered, which contributed to the introduction of bills and cheques for services, registration marks and training in this area.

In France, the social economy is defined as an association of economic structures that share common basic principles:

- democratic decision-making,
- free membership,
- non-for-profit
- human dimension in business decisions and
- solidarity.

Cooperatives are groups of people that are pursuing common economic and social goals. They are controlled by their own members, on the basis of equal rights and obligations of other members.

Mutual societies are people who have decided to share the cost of preventing and eliminating risks to which they are subject. Their basic principle is solidarity. Key sources of funding are membership fees to these companies.

Cooperatives or associations are legally defined as an agreement between two or more people on their knowledge and activities for purposes other than the pursuit of profit. Associations form majority of entities of the social economy.

It was founded in 1970 by the national platform of the social economy in France, CEGES (Conseil des Employeurs et Groupements de l' Economie, entreprise Sociale), which brings together the organisations with special status (associations, cooperatives, mutual societies, foundations). Their common goal is to build a sustainable business model designed to address important social issues, while respecting the principles of a democratic and fair distribution of surpluses.

**Table 1: Existing estimates of the economic weight of social economy entities (SEE) in France**

Year	Number of SEE	Number of people employed by SEE	Total business population	Total number of people employed	SEE as a % of the total business population
2008	214,944	2,259,656	2,361,827	25,885,123	9.1
2009	217,225	2,298,835	2,193,030	25,639,500	9.9
2010	235,531	2,229,981	2,513,679	25,694,011	9.4
2011	220,000	2,327,175	2,381,963	25,777,823	9.2
2012	222,912	2,341,346	2,340,000	25,798,400	9.5

Source: INSEE, Observatoire de l'Economie Sociale et Solidaire, estimates of Conseil des Entreprises, Employers et Groupements de l'Economie Social, R. Spear: Peer Review on Social Economy, France 2012, Eurostat, European Commission – SBA Fact Sheet In: European Commission: A map of social enterprises and their eco-system in Europe. Country Report: France. European Union, 2014.

In France, there are many successful initiatives of social or solidarity-based economy. An example of good practice is an SOS GROUPE organization, which we consider to be the leading social company in Europe. It provides assistance to different social groups, disadvantaged children and young people, the unemployed, the elderly and others. The company was founded in 1984, now it has 10,000 employees, works in 19 regions of the country, and helps more than 1 million clients to overcome their unfavourable social situation.

The mission of the GROUPE daughter organization "YOUTH" is to ensure the same level of conditions for all children. Each year, more than 100 thousand young people use services in the centers of care for children, providing sports and educational activities, mentoring for youth, counseling for adolescents in emergency situations and support for children with disabilities.

Favourable conditions for their reintegration in the labour market with an objective to become useful members of society again are created in the framework of the GROUPE initiative "EMPLOYMENT" Job seekers may make use of the various forms of social support (housing, health care services, etc.), they shall be given the opportunity to engage and participate in training with a view to the development of abilities and skills. The company operates in a variety of areas, providing alimentary services, corporate events, activities in the fields of construction, graphic design, etc.

GROUPE SOS "SOLIDARITY" aims to fight against social exclusion. Looking for a solution for the homeless and those who have inadequate housing, creating decent conditions for them through social housing, rehabilitation centres or temporary housing. Each year they manage to meet the requirements in the area of housing for approximately 5,000 disadvantaged people.

As a matter of fact that the SOS GROUPE "HEALTH" is non-for-profit focused, its programs in the field of health care are offered to anyone free of charge. Their services are used, in particular by the homeless, drug addicts, HIV/AIDS infected and other groups with social unstable environment (more than 400 000 people per year). They provide health care in hospitals, at home or in temporary accommodation.

## **Social Business in Spain**

As a result of the global economic crisis in Spain has increased unemployment rate (especially among young people), as well as increased the number of groups at risk of poverty and social exclusion. „Over the last decades the Spanish labour market showed clear signs of its malfunction. Unemployment rate was one of the highest among all EU Member States, but it also experienced extraordinary fluctuations.“<sup>1</sup> They introduced a number of measures to alleviate these problems, inter alia, to strengthen support for the bodies of the social economy.

Spain belongs to the countries, where the concept of the social economy is fully accepted in the public sector as well as in the academic and scientific community. Conditions of operation of social enterprises are provided for in national legislation, which provide diverse support.

Since 1992, the national cross-sector platform CEPES (Confederación Empresarial Española de la Economía Social) works in Spain representing the various economic activities in the framework of the concept of the social economy. Its goal is to influence the shaping of public policy and legislation, support research, educational and other activities, organization of conferences and workshops with a view to the development of the social economy. The Confederation is made up of 28

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<sup>1</sup> Klimko, R.: Reforming labour market in Spain. In Knowledge of Market Use 2014: Media and Communication in the 21st Century: International Scientific Conference Proceedings. Olomouc: Societas Scientiarum Olomucensis II., 2014. ISBN 978-80-87533-07-9.

organizations that represent the interests of national and regional associations, and business groups.

According to the data of the UNESCO-CEPES social enterprises make up 10% of GDP in Spain, with a turnover of EUR 150.978 , involving more than 44.500 businesses, created 2.215.000 jobs and currently have 16.528.000 members.

The legal background of the social economy in Spain ensures the Act No. 5/2011 which is effective from 2011. It represents the business activities of organizations focused on general economic or social interests.

Organizations of the social economy in Spain have the option to choose various legal forms, such as a cooperative company owned by employees, organization of disabled persons and other forms of business.

The main characteristic of a cooperative is democratic structure and form of operation. All activities shall be governed by the principles which are recognised at regional, national and international level. Among these principles, we include the activity of the members of the education, training and other community interests.

In case of companies owned by the staff is the capital concentrated in the hands of employees or workers, thus stepping up their interest in and motivation. In this form, there is a high likelihood of creating successful businesses.

Mutual companies focus on profitability, provide their own insurance on a voluntary basis as a complementary system to the existing membership of social insurance.

**Table 2: Top 10 Spanish Sheltered employment centres in 2012**

Number	Name	Turnover (EUR million)	Number of employees
1	Siro Venta De Baños	149,13	420
2	Talleres Gureak	86,83	3.200
3	Fundosa Lavanderias Industriales, S.A.	59,00	1.455
4	Fundosa Galenas, S.A.	37,00	371

5	Flisa Cataluña, S.A.U.	22,00	534
6	Cee Pilsa (Cee Proyectos Integrales Limpieza)	17,12	1.533
7	Servicios De Telemarketing, S.A.	17,00	41
8	Fund.Control Datos Y Servicios	17,00	416
9	Tasubinsa	13,82	711
10	Tasubin, Sa	13,80	712

Source: CEPES Statistics, available at [http://www.cepes.es/Ranking\\_en](http://www.cepes.es/Ranking_en)

In: European Commission: A map of social enterprises and their eco-system in Europe. Country Report: Spain. European Union, 2014.

Special employment centres provide assistance to those disadvantaged, who can not enter the labour market.

The economic interests of the Spanish producers of ships, fishing boats and fishing landlords are represented by the fishing guilds as advisory bodies. Their main focus is regional development, social cohesion and sustainability.

An Association of persons with disabilities provides such services, which are missing on the labour market and are not offered by the public or private sector. At the same time it defends the fundamental rights of people, particularly of vulnerable groups and focuses on disabled.

The most common form of social enterprises in Spain are cooperatives (almost 24.600), a company owned by the employees (over 11.300) and the least used form is a Social Fund (64).

Mondragon cooperative operating in the Spanish Basque country, is the tenth biggest trading company in Spain. It was created by a group of five young engineers in 1956, who implemented the vision of Catholic monk José María Arizmendiarieta. The mission of this initiative is the creation of jobs for the owners and employees, promote professional development and social environment. They managed to create such employment concept which represents a fair and careful business that respects freedom, dignity and development of the individual and the community. Profit is

considered to be a means for achieving public good, with 10% of them supported by the charity and 40% will be reinvested in the business.

A group of enterprises gradually expanded into a credit institution (Caja Laboral), health and pension insurance, commercial chain (Eroski), technical school - later the Mondragon University. In the 1980s of the 20th century the society were linked together and created a cooperation of 980 cooperatives with the name "Mondragon Cooperative Corporation" which are mutually supporting themselves. It is an alternative economic model, which focuses primarily on a man and represents a fair and democratic form of business.

## Italy

A cooperative as a type of social economy enterprise first appeared in Italy, where there are approximately 4500 social cooperatives. They provide services in the areas of health, social service, (up to 70%), education or are aimed at the integration of disadvantaged persons in the labour market, while the beneficiaries do not have to be members of the cooperative. There are 2 types of social activities according to the subject of cooperatives:

- providing educational, health and social services in cooperation with local authorities and often with the participation of volunteers,
- to promote the integration of disadvantaged job seekers to the labour market.

In addition to the cooperatives, there are associations, foundations and so-called ONLUS organizations successfully operating in Italy. The ONLUS organizations (organizzazione non lucrativa di utilità sociale) acquired legislative framework in 1997 and include nonprofit organizations, social associations and voluntary organizations. They provide services in the field of protection of the environment, sport, culture, art, education, research, health care, etc.

With all the entities of the social economy there are 3 characteristic elements highlighted: purpose, nature and property. The purpose is to create jobs, provide services in the area of social education and meet the local needs. The essence are the ethical values – they are responsible to their members and the society for their

actions. The property is a social ownership-any profit is reinvested into development or divided by the owners to development of the enterprise.

**Table 3: Estimated number of social enterprises (SE) in relation to total business population in Italy**

Year	Estimated number of SE	Number of people employed by SE	Total business population	Total number of people employed	SE as a % of the total business population
2011	35 162	459 989	4 425 950	16 424 086	0,8%

Source: European Commission: A map of social enterprises and their eco-system in Europe. Country Report: Italy. European Union, 2014.

## Conclusion

The European Union has set itself the goal to become the most dynamic and competitive knowledge-based economy in the world. The Lisbon strategy is focused on a balanced development of three main elements: economic growth, social cohesion and environmental sustainability. The Europe 2020 strategy calls for new growth, which is a smart, sustainable and inclusive growth, employment growth, reducing poverty and social exclusion, increasing the level of education and support for innovation.

Unemployment has already spread to the social and economic area. It is a natural consequence of the development of market economies in connection with the globalization of the world economy.<sup>2</sup>

In the process of promoting social inclusion the social economy also plays an important role, as well as its tools, and it is therefore appropriate to support its activities. France, Spain and Italy are among the leaders in this field as they have a long tradition and can serve as an example for other countries.

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<sup>2</sup> Rievajová, E.-Klimko, R.: Employment transformations in the context of the economic development. In *Nová ekonomika : vedecký časopis Národohospodárskej fakulty Ekonomickej univerzity v Bratislave*. - Bratislava : Národohospodárska fakulta EU, 2014. ISSN 1336-1732, 2014, roč. 7, č. 4, s. 7-18.

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