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Market v. Society Human principles and economic rationale in changing times

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1. Let me start by thanking the University of Peloponnesus for the kind invitation to address this important conference. I would like also to express to the authorities of the city my pleasure for being in this place, the beauty of which confirms the proverb “Only privileged people can sail to Corinth”
2. My task today is to present the broad lines of the European Union policy in the area of social and solidarity economy. This policy received a new impetus after the economic crisis which confirmed the need for new measures, able to meet social challenges and contribute to sustainable development.
3. For European authorities the basis for the new trends is to be found within the context of the Treaty on the European Union which refers to Europe’s development based on a highly competitive social market economy¹.
4. This provision generated particular attention from academics, practitioners, the general public and policy makers. For the services of the Commission the most important way to reply to this challenge is to try to insert to the largest possible extent social considerations and considerations which take into account the general public interest in all Community policies.
5. The promotion of enterprises aiming at offering social services to people in need or of which the internal business model is based on the principle of solidarity and mutuality amongst members are the instruments necessary to develop this policy.
6. We are talking about entities that are doing business differently from the traditional profit driven capital companies. Social economy enterprises take various legal forms such as non profit

organisations, civil law associations, charities, community interest companies, provident societies, cooperatives, mutual insurance societies, credit unions, foundations and other similar forms.

7. Their objective is to serve members and the overall community and not to generate as much profit as possible to distribute to shareholders. They combine profitability with solidarity, social or societal objectives with economic performance and sustainability with innovation. These enterprises have a very high degree of CSR

8. They range from small scale businesses to large companies, although many are micro entities. However, figures show that they achieve good economic records in markets where the competition is strong (like banking, social and health services, food distribution, telephony networks, hospital services, housing, ethical commerce, environmental protection, and energy provision).

9. These enterprises suffer from a lack of awareness and visibility among young entrepreneurs. We believe that the role of academics and scholars in this area is very important; in fact any change to the dogma that social and solidarity economy as a source of innovation and production cannot stand on an equal footing with the private market economy, requires first a change to this prevailing assumption. In fact behavioural changes may come in principle with education.

10. The role of policy makers in this area is to try to implement the basic principles and values relevant to these enterprises to recognize them as enterprises with specific advantages² through binding legal instruments, financial support, political resolutions, technical assistance, promotion of training etc.

11. The huge interest in the promotion of these enterprises is that because of their specific business characteristics, they are well placed to contribute to key objectives particularly in the fields of employment, social cohesion, regional and rural development, environmental and consumer protection, social security, education, human rights, volunteer activities.

12. The key goal of the Commission policy is to create a legal and administrative environment at EU level and in every Member State in which social economy enterprises can grow and prosper alongside other business forms and create economic, social and environmental value. The aim is

therefore to guarantee to social economy enterprises a level playing field, so they can compete effectively in their markets, on equal terms with other forms of enterprise³.

13. Therefore the Commission pays particular attention to ensuring that, in all areas where Community policies are designed and where provisions are laid down –for example in State aids⁴, accounting⁵ and company law, public procurement and social services of general interest⁶, taxation⁷ etc.- the particular principles, modus operandi, specific needs, particular goals, ethos and working style⁸, of these kind of enterprises are taken into account and respected.

14. Regarding the promotion of specific business forms, I would like to mention the work done so far for the promotion of cooperatives with the adoption of a Regulation in 2003⁹ enabling the creation of European Cooperatives and the adoption in 2004¹⁰ of a Communication for the promotion of cooperatives, a policy paper addressed mostly to the new member States where despite extensive reforms the development of modern cooperatives is not fully exploited, since they suffer suffered from their identification with the old central planning regime. Furthermore there has been a Communication on non profit and voluntary organisations¹¹, and there will soon be a proposal for a European Foundation Statute¹² and a study on mutual benefit societies operating in EU and sharing a variety of risks in the area of social security. The European Parliament and the European Economic and Social Committee also adopted various resolutions for the promotion of enterprises of the s.e.¹³

15. Very recently the EU Commission adopted a new policy line in the context of a Communication called Single Market Act¹⁴, approved by Member States and the EP, in which it proposes a specific Social Business Initiative to support the development of socially innovative enterprises. The program contains actions addressing specifically to social enterprises, which offer to people in need social services of general interest at prices covering their cost.

16. Some of the ideas, which of course need to be further developed, are the setting up of social rating and ethical labeling for those enterprises which merit support, the more frequent use by awarding authorities of social clauses in the public procurement rules, the establishment of a new

scheme for social investment funds for the leverage of silent savings, and the promotion of a policy for the acquisition of ethical goods and services by the private sector.

17. I would like to finish with the question of corporate social responsibility, an issue of great importance in the wake of the financial and economic crisis as it helps strengthen trust in business. In this context enterprises will be called to explain their attitude for a large number of issues relevant for the welfare of the society including human rights, to disclose social and environmental information, and give details on the remuneration of directors.

¹ Art 3 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:083:0013:0046:EN:PDF>

² Some advantages of the authorities' recognition a) Participation in the design and implementation of a policy e.g. employment etc. b) Grant of special financial advantages: subsidies, credit facilities, securities, seed capital, tax allowances, specific grants c) Other economic advantages: special treatment concerning public procurement, concessions for the provision of social services, easier public private partnerships for services of general interest d) Technical support through dedicated consultancy services, training and higher education programmes

³ http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/index_en.htm

⁴ http://ec.europa.eu/competition/state_aid/legislation/legislation.html

⁵ The European Commission has adopted the opinion of the International Financial Reporting Interpretations Committee - IFRIC 2 on Members' Shares in Co-operative Entities and Similar Instruments for use in Europe following the European Commission Regulation (EC) No. 1073/2005 of 7 July 2005 was published in the Official Journal of the European Union on 8 July 2005. see <http://www.iasplus.com/restruct/euro2005.htm>

⁶ http://ec.europa.eu/internal_market/top_layer/index_41_en.htm
http://ec.europa.eu/employment_social/spsi/docs/social_protection/com_2006_177_en.pdf
<http://ec.europa.eu/social/main.jsp?catId=794&langId=en>

⁷ VAT Directive <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:347:0001:0118:EN:PDF>

⁸ E.g. International Cooperative Alliance principles endorsed by Recommendation 193 of the International Labour Office of the UN. See <http://www.ilo.org/ilolex/cgi-lex/convde.pl?R193>

⁹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:207:0001:0024:EN:PDF>

¹⁰ http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index_en.htm#h2-2

¹¹ http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/associations-foundations/index_en.htm

¹² http://ec.europa.eu/internal_market/company/eufoundation/index_en.htm

¹³ <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0062&language=EN>
<http://www.socialeconomy.eu.org/spip.php?article1059&lang=en>

¹⁴ http://ec.europa.eu/internal_market/smact/index_en.htm