



SSE Statement on the EC proposal for a Council Recommendation on developing social economy framework conditions (6 July 2023)

[Social Services Europe](#) (SSE) is a network of eight European umbrella organisations – comprising Caritas Europa, CEDAG, E.A.N., EASPD, EPR, Eurodiaconia, FEANTSA and the Red Cross EU Office. We represent over 200,000 not-for-profit social and health care organisations working in the general interest and are active in a sector employing over 11 million people, of which about half are employed by social economy organisations. This also means that more than a third of the (estimated) 13.6 million paid jobs in the social economy is in the sector of social services.

Social Services Europe welcomes and generally supports the newly launched EC proposal for a Council Recommendation on developing social economy framework conditions.

1. SSE comments on references to the (not-for-profit) social services sector

1.1 SSE is pleased to see more the references to the social services sector and to measures supporting it than in the Social Economy Action Plan (SEAP), e.g., in Recital 11. The recognition there reflects the actual economic weight and the share of employment, more than a third of the 13.6 million jobs (2015), the social services sector has in the social economy¹. **However, SSE would like to emphasise that the provision of social and care services does not imply that the provider is a social economy actor.** As such, only not-for-profit social service providers should be recognised as social economy actors. Other examples are Recital 15 (where “accessible prices” could be replaced by “affordable prices”), Article 5 (h) and Article 6 (a) to (c) (where “social dialogue and collective bargaining” could be specified by “sectoral”).

1.2 SSE regrets omissions as to the roles and potentials of not-for-profit social service providers

- Not-for-profit social service providers (also being important employers and job creators) are not specifically mentioned in the Council Recommendation (whereas it contains the many mentions of social enterprises and WISE). This can be exemplified by the lack of their mention in improving access to the labour market, despite the many employment-related services SSE members provide for persons from disadvantaged backgrounds, e.g., support as to the writing of a CV, skills for job interviews, job mentoring services, including in the context of supported employment for persons with disabilities. **Services of SSE members promote more inclusive labour markets, enterprises, workplaces and jobs and/or support transitions from sheltered employment to supported employment into the mainstream labour market. They thus correspond to the social economy entities mentioned in Recitals 7, 9, 11 and 12.**

¹ SSE appreciates that in the Explanatory Memorandum the particular strengths of, and the partnership model realised by not-for-profit providers are recognised: “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” (p. 3) SSE would like to add “complementary to the public services” that in some EU MS the not-for-profit/social economy sector is the dominant one.

- No specific references are made and no specific proposals for support measures have been developed to address major challenges of the not-for-profit social services sector, such as workforce shortages, low pay levels, or a low attractiveness of the sector.

1.3 On engagement with social economy stakeholders

- SSE is pleased to see several references on the need to involve social economy stakeholders in the development and implementation of social economy strategies, and to foster dialogue between public authorities and social economy entities (e.g., in Recital 16). Such an approach is also beneficial due to the particular challenges that the social services sector faces, such as workforce shortages, low pay, and the low attractiveness of the sector, that need to be addressed in strategies devised for the social economy, too, in order to ensure the sustainability of the sector and to maintain a high quality of social services.
- SSE thus **calls on the EU MS to foresee in their National Social Economy Strategies/Action Plans referring to/building on the Council Recommendation a vital role for not-for-profit social service providers in the implementation of such strategies**, also as part of capacity building actions for all social economy organisations.
- SSE also welcomes the reference to better and fair working conditions and the instrumental role social dialogue and collective bargaining can play in this regard (Recital 10).

1.4 On public procurement

- SSE welcomes and fully supports the encouragement addressed towards contracting authorities a) to use social criteria - including compliance with labour law and collective agreements - and environmental criteria in their public procurement tenders (Article 14 (d)), b) to make full use of reserved markets to boost employment for disadvantaged workers (Article 15 (a)) and c) to move away from the logic of the lowest price by using social award criteria in line with the “most economically advantageous tender” (MEAT) rule and social contract clauses and setting performance or functional requirements at different stages of procurement procedures, including in technical specification (Article 15. (d)).
- More in general, SSE does not believe that public procurement is often the right funding mechanism through which to finance quality social service provision. **SSE has serious doubts regarding the concrete benefits of using public procurement to contract out quality social services within the social economy². SSE would thus like to obtain legal and political recognition for alternative instruments to public procurement (respecting the general principles of EU law such as transparency, non-discrimination/equal treatment and proportionality)³.**

1.5 On state aid

- SSE fully shares the acknowledgement that public authorities do not make full use of state aid options as mentioned in Recital 20 and Article 17 (b), “particularly for social services in the field of work integration of vulnerable persons”.
- SSE strongly supports the recommendations to the EU Member States to a) **fully use the provisions of the General Block Exemption Regulation (GBER)** - Regulation (EU) No. 651/2014 - to invest “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” GBER (Article 17, (a), iv.) and to facilitate “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 “ GBER (Article 17, (a), v.)

² SSE provides evidence on this point and explains the reasons for its concerns in detail in its [Statement on the EC Guide “Buying Social”](#) (6 December 2021).

³ See for more detailed information [SSE Proposals for the Social Economy Action Plan – From Ambition to Implementation](#) (28 April 2022), p. 4.

b) “explore which services provided by social economy entities could be defined and financed as services of general economic interest (...)”⁴.” (Article 17 (b))

- More generally, SSE would like to recall that **if one juxtaposes the specific societal roles and the specific funding needs of SSGI providers to the low “risk” of a significant impact on cross-border competition and trade, the first objective and the specificities of the SSGI sector must be given much greater weight and thus could justify a substantial increase of the SGEI de minimis ceiling.**

1.6 On social economy financing and taxation

- SSE welcomes the reference to ensuring that social economy entities have access to financing “at the right stage of their development and tailored to their needs, including grants” (art. 13, p. 27).
- SSE, however, regrets the lack of specific proposals to improve the access to finance of not-for-profit social service providers.
- SSE welcomes the wording of art. 18 (b), “Taxation”, encouraging EU MS to **consider an extension of the tax advantages for not-for-profit social service providers granted “in line with their social policy objectives”**. SSE would like to underline that **possible future initiatives in the field of taxation should abstain from touching on the national regulations on public-benefit/good-related tax advantages.**

1.7 On social impact measurement

- For SSE, the social impact measurement (approaches and methodologies) focusses on adopting simple standard methodologies to assess and demonstrate the social impact of measures and services provided by social economy entities.
- **SSE cautions against the intention of the Action Plan to develop “simple standard methodologies for assessing social impact” (p. 16) for the social economy**, for reasons explained in the [SSE Proposals for the Social Economy Action Plan – From Ambition to Implementation](#)⁵.

2. SSE proposals for improvements

SSE would welcome to **see reflected in the final version** of the Council Recommendation, planned for adoption in early October under the Spanish EU Council Presidency, in particular the following **six points**:

- **Funding: Improve the text around access to funding for not-for-profit social service providers.**
 - Whereas most of the specific recommendations on access to public and private funding, public procurement, and taxation are aimed at social enterprises, **SSE would like them to also address the specific challenges for not-for-profit social service providers.**
 - **Proposals for amendments in art. 13 “Access to public and private funding”:**
 - The text element in bold should be added in point (g) “There is therefore still ample room for improvement in providing tailored funding for different stages of the life cycle **and for the diverse business models of a social economy entities entity**, and (...)”.
 - In point (k) a reference to the [Social Services Helpdesk and its services](#), to facilitate access to quality social services in partnership with managing authorities, intermediate bodies and social economy entities, already partly operational since April 2023 and currently further built up with the financial support by DG EMPL with the intention to operate beyond 2024, should be added.

⁴ (...) “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.”

⁵ Due to the inherent complexity of measuring social impact in social services and work and damaging consequences of oversimplifying measurement regarding the methods and tools used for the delivery of social services.

- **Workforce:** A **recommendation to the EU MS on how to better address the workforce-related challenges of the not-for-profit social services sector**, as part of the social economy. Article 5 (h) could mention that social economy entities are already recognised as social partners and employer organisations, making them key participants in the social dialogue at the national level.
- **Public procurement:**
 - A **recommendation for the EU MS to ensure legal and political recognition for alternative instruments to public procurement.**
 - **Article 15 b), could be reworded:** “reserving contracts for work integration social enterprises or for **other social economy** 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 (...)”.
- **State aid:** A **recommendation to the EU MS on State Aid to give more weight to the specificities of the SSGI sector** - including the very dominantly local and regional nature of the services - **in the ongoing revision of the SGEI de minimis Regulation and any future revisions of the GBER.** The same holds for the non-distribution constraint under which the not-for-profit providers operate and that in addition the “reasonable profit margin” in the field of SSGI is fixed in relevant (sub-)sectoral legislation and regulation within the EU MS.
- **Access to the labour market and related services:** Two **recommendations**
 - Recital 4: **The role of not-for-profit social service providers and the fact that the social economy offers employment opportunities in local and regional labour market and jobs which cannot be relocated could be easily added.**
 - Article 5 “Access to the labour market” could be reworded as follows:
 - Add in (b) i.: “work integration social enterprises **and other social economy operators** that provide employment and tailored support to such groups”;
 - add at the end of (b) ii.: “(...) **and for job creation within the social economy.**”
 - Add in d): “promoting social entrepreneurship **and the work creation and integration potential of social economy entities** as a means to foster self-employment and (...)”.
- **Social impact assessment and methodologies:** A **change in the text on “simple standard social impact methodologies”** to include the call for the development of **evaluation tools and methods that take into account the specific features of the diversity of social economy entities, their social goals, practices** (how they carry out their actions), **values** (solidarity, human-centeredness, limited profitability)⁶ **and principles** (participative management, democratic governance)⁷.

SSE and its members would like to **work in partnership with governments and public authorities to implement the initiatives of the Social Economy Action Plan**⁸, recognised therein as “important partners (...) in the provision of social, health and care services”. SSE awaits the EC legislative proposal on cross-border activities of association as a complementary tool to this Council Recommendation.

⁶ Rather than measuring social impact solely in terms of profitability, performance, and access to public funding (development of "impact finance"), the aim is to **develop a culture of social impact assessment with a view to continuous improvement and the development of long-term strategy, not just control.** This means **supporting an approach to internal and/or external evaluation that is not confined to quantitative and performance criteria, but also takes into account the qualitative aspects that are at the heart of social economy entities.**

⁷ The aim thus is to support and disseminate initiatives and systems/tools/guidance/training that enable enterprises and social economy organisations to question the social needs they intend to meet, the missions they have set themselves and the activities and practices implemented to achieve them, as well as the effects and changes generated among their stakeholders, with a view to improving or enhancing them. It is also important to **encourage a social impact assessment that is adapted to the enterprise from the outset**, and that is co-constructed and participative, involving as many relevant stakeholders as possible.

⁸ Cf. SSE (2022): [SSE Proposals for the Social Economy Action Plan – From Ambition to Implementation](#) (28 April 2022), SSE and its members see the joint aim of delivering rights-based accessible, affordable, and quality social services across the life cycle in the format of “co-creation processes.