



Mutual Learning Programme

Peer Review on "Social economy and social enterprises in legislation and practice"

Bratislava (Slovakia), 20-21 June 2019

Executive Summary

The focus of the Peer Review was on current practices and experiences in the area of social economy and social entrepreneurship. The aim of the Peer Review was to explore how the social economy and social entrepreneurship can be supported and used to tackle long-term unemployment, as well as to support other economic, social and environmental objectives.

The Peer Review was hosted by the Slovak Ministry of Labour, Social Affairs and Family. It brought together government representatives and independent experts from the host country (Slovak Republic) and nine peer countries (Austria, Bulgaria, Estonia, Finland, Hungary, Ireland, Latvia, Lithuania and the Netherlands). Representatives of the European Commission were also present.

The host country has recently adopted a "Social Economy and Social Enterprise Act", which creates a new comprehensive regulation of the operation and support of social enterprises. This new Act expands the concept of social entrepreneurship, which was previously perceived as an active labour market policy instrument. It recognises the following forms of registered social enterprises: the integration enterprises, promoting the employability of unemployed and disadvantaged people; the social housing enterprises, focused on the provision of beneficial renting houses; and other registered social enterprises (i.e. community-based or public-benefit based) providing other types of socially beneficial services.

The new Slovak regulation offers direct and indirect forms of assistance to social enterprises, such as financial instruments, demand-support and compensatory forms of aid. The demand-support consists of service vouchers that can be used both by beneficiaries and services suppliers. The compensatory aid is provided in the form of repayable and non-repayable financial assistance and it is addressed to those enterprises that can show reduced productivity due to the employment of disadvantaged or vulnerable people. Moreover, registered social enterprises are allowed to receive income tax relief.

The topic of social enterprise is particularly important for the European Commission because it is linked to several EU policy objectives, such as inclusive job creation, entrepreneurial inclusive economy, civic participation and social cohesion. The European Commission has adopted several policy documents to support social enterprises, such as the [Social Business Initiative](#) (2011) and the [Start-up and Scale-up initiative](#) (2016). Moreover, the European Commission has carried out a mapping of the situation of social enterprises in Europe, identifying the legal situation and the support mechanisms available in the Member States and producing [country reports](#).

The OECD is working with the European Commission (DG Employment, Social Affairs and Inclusion) to assess the situation across Europe and provide tailored recommendations to national or regional administrations of the EU Member-States in the design and implementation of integrated policies and programmes for social enterprises. Moreover, the OECD and the European Commission (DG Employment, Social Affairs and Inclusion) developed the "[Better entrepreneurship Policy Tool](#)", a learning online tool designed for policy-makers and other interested parties at local, regional and national level. The tool includes a [self-assessment questionnaire on the ecosystem for social entrepreneurs](#), as well as policy guidance notes and inspiring case studies to support better policy design.

The key policy messages from the Peer Review can be summarised as follows:

Legal and regulatory framework

- Clarity on the types and forms of social enterprises remains a challenge. Some countries have legally or formally recognised the concept of social enterprise or are considering doing it. In general, there is no "one-size-fits-all": it is important to consider the specificities of the country and to make sure that the introduction of a specific legal framework represents an added value.
- Countries that introduced recently a legal framework for social enterprises (e.g. Slovakia, Bulgaria, Lithuania, Latvia) indicate that the most important advantage is the clarification about what social economy is in general and in particular a social enterprise. Bringing a clear definition and a specific legal framework provide opportunities to adopt targeted support measures for social enterprises and raise their profile with the public. It is also important to find the right balance between providing a clear definition and allowing for flexibility. Procedures for registration/accreditation should be simple and user-friendly. These objectives can also be achieved without legislation but with other tools, such as the introduction of a social label/mark or a registration-system.
- The legislation should be supported by a broad political consensus and stakeholder support. Social enterprises affect many policy areas; therefore the development of social entrepreneurship needs an integral policy approach. Personal involvement of political and business leaders, acting as 'champions' can contribute to prioritise this topic on the social and economic agenda.

The main types of direct and indirect support for social enterprises and other social economy enterprises

- Countries presented a range of types of direct and indirect support for social enterprises and other social economy enterprises:
 - Access to financial resources: loans, grants and subsidies, including (and significantly) EU funds (ESF, ERDF, EaSI);
 - Legal and fiscal frameworks: various forms of tax relief, preferential public procurement, systems of service vouchers, subsidies to offset costs and support employee engagement;
 - Increasing visibility of social enterprises: labels, registers and certifications, impact measurement, promoting;
 - Business support and development: training and mentoring in some cases, with a dedicated academy of social economy, networking, technical assistance.

The provision of measures depends on the national context and they are generally implemented at different levels from national to local. It is important that the support measures are well aligned and that they contribute to establish an entire eco-system for social enterprises.

Evidence of effectiveness of the support measures

- Evidence of the effectiveness of the measures to support social enterprises is not gathered in a systematic way but is rather anecdotal and based on case studies. A more systematic approach would lead to a better evidence of what works and why.
- Although there is no common systematic approach to gather data in relation to the effectiveness of social enterprises, few countries use satellite accounts to record relevant data (e.g. number of employees).

Success factors for implementation

- A comprehensive eco-system is key for the development of social entrepreneurship, to leverage other resources and be innovative. This includes school-based programmes building an entrepreneurial mindset from an early age, supporting sustainability of business models through mentoring, training, guidance and technical assistance, as well as reaching out to motivate private sector actors to invest in social enterprises and to purchase their goods and services.
- Social labels for social enterprises are effective when they have clear benefits for the certified party. It is important to ensure that the labels are advertised and promoted, to increase their visibility and effectiveness. Promotion needs to incorporate the goods and services associated with the label. Customer confidence (in the label) is crucial.

Public procurement and social enterprises

- Access to public procurement is important for social enterprises but it needs to be underpinned by key principles, including: the application of criteria other than price alone to avoid 'race to the bottom', aligning the tender specification to the capacity of social enterprises. It should be avoided that, because of the contract award to a social enterprise, false competition occurs and working conditions are affected. Guidance and training should be provided to encourage procurers to incorporate social objectives in their specifications or using reserved contracts for social enterprises.

Social enterprises and sustainable jobs for long-term unemployed

- Work integrated social enterprises can create sustainable jobs for some types of long-term unemployed. Financial support is needed to compensate the lesser productivity.
- Social enterprises can develop employability and entrepreneurship skills of long-term unemployed in order to integrate into the regular labour market.
- Service vouchers can also stimulate job creation for long term unemployed in social enterprises. Currently few countries have experience with a service voucher system. The systems differ in organisation and scale (local vs. national). Important for market development is to be clear about the objectives of the voucher system, raise awareness about it and to ensure the services / goods are available when customers need them.