



## Briefing 3.3

# The role of social economy in delivering social outcomes. A social investment perspective



This project has received funding from the European Commission Horizon 2020 Programme Societal challenges: European societies after the crisis under grant agreement no. 649189

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## 1. Overview

The purpose of this report is to analyse and understand whether and how, in the last twenty years, the EU member countries have adopted welfare systems which incorporate aspects of social investment.

The quantitative and comparative study is focused on social investment strategies across 28 European member states. The aim is to map out and explore the effectiveness of different social investment strategies. An overview of macro-level welfare performance indicators consist of a review of available macro-indicators to assess welfare performance in the light of social investment decisions.

## 2. Key policy implications

The report highlights particularly the four policy fields in which we have found social economy and its organisations to be most relevant: Early childhood development and child care, reconciliation policies (particularly those aiming to improve the reconciliation of parenthood and occupation), long-term care policies, and active labour market policies.

It is important to understand the role the social economy has played in these welfare policy areas that are investigated in the innosi project and whether and to what extent the social economy is relevant for the development, implementation and financing of social investments. It also assesses the impact or the potential influence of social investment in European countries on the social economy.

The report looks at the tradition of social economy in welfare production in regards to financing, regulation, and implementation in the four policy fields and highlights the development of the social economy and its importance for welfare policies after the beginning of the financial crisis in the eleven countries under study since 2008.

## 3. Context

In the context of the innosi project, the social economy is defined as a specific part of the economy that primarily pursues social aims and is characterised by participative governance systems (Moulaert/Nussbaumer 2005: 2071). The social economy is usually referred to as a ‘third’ economy alongside market (private companies) and state (public organisations). It comprises a set of organisations which are usually grouped into four major categories: co-operatives, mutual societies, associations, and foundations. There are three subsectors of the social economy (European Commission 2013): (1) The community sector includes organisations that are active on a local or community level. Usually they are small, modestly funded and to a large degree dependent on voluntary, rather than paid, effort. (2) The voluntary sector includes organisations which are usually formal (as they have a constitution); independent from government and self-governing as well as non-profit-oriented and they operate with a meaningful degree of volunteer involvement. (3) Finally, the social enterprises sector includes organisations which “are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners”. Examples include co-operatives, mutual building societies, development trusts, and credit unions.

## 4. Methodology

The primary data basis of this report is firstly a template, prepared by the project's research partners located in 10 European countries<sup>1</sup> and secondly, expert interviews in the same countries plus France. In the template, the participants were asked to define the concepts of social investment, social innovation, and social economy in their national understanding, which were then as a frame for the analysis together with secondary data and scientific literature.

- Expert interviews have been conducted for each of the three policy fields in each of the ten countries plus France. 33 experts in the policy fields (most academics, but also experts from social or public organisations such as trade unions or think tanks) were recommended by the research partners in the template and were interviewed by phone in English.

- The ESPN report, the template and the expert interviews provide an underpinned data basis for the role of social economy organisations in a changing welfare state. The transcribed expert interviews, the templates and the ESPN data have been structured with the computer assisted qualitative data analysis software MaxQDA and analysed thematically with the methodology of content analysis.

## 5. Main findings

All countries under observation invest in the reconciliation of work and family for mothers, but to a different extent and with heterogeneous developments. Historic changes in policies towards the reconciliation of work and family occurred in Germany and Poland. In Poland maternity leave was extended and parental leave for the usage of both parents was introduced with comparatively high benefits. Employers are made more and more aware of the importance of family-friendly company policies.

Comprehensive, coherent reconciliation policies for parents, which are already well established, exist in France, Sweden and Finland. Since these policies are defined as effective, they are less subject to reforms. Leave schemes are very long and generously paid in the Scandinavian countries whereas in France mothers stay at home an average of 4 months, because parental leave is not well paid. On the other hand, family benefits in France are very high and the supply of child care facilities and subsidies for alternative care schemes are widely provided, as is the case for Sweden and Finland. Part-time work ensures the connection to the labour market for mothers and, partly for fathers in Sweden and France - to a lesser extent in Finland. The Netherlands similarly has a comparatively high employment rate of women through the long-term investment in part-time contracts. Part-time workers do not perceive discrimination compared to full time employees. However, the part-time track seems to be very persistent and a barrier for female careers. The Dutch government is investing in childcare and education facilities, but the leave policies are not on the agenda.

Newcomers in reconciliation policies - with incoherent policies and attempts to reform family policies to a social investment perspective with low effectiveness - are Hungary, Spain, Italy, Greece, and the UK. Spain showed efforts to reform the framework for parents' labour market participation until the crisis took its toll. Greece introduced flexible work arrangements, which started with the ESF programme "reconciliation of work and family" and are barely used. Hungary is also promoting part-time work after maternity leave. Reforms in Italy mainly focus on company subsidies to hire women and financial support to found one's own business. However, these reforms do not have an impact on the employment rate of women, which is still very low in Hungary, Spain, Italy, and Greece since reconciliation policies are not comprehensive, do not follow a strategy and are subject to fiscal consolidation measures. The most important threat to a coherent reconciliation policy is the lack of a long-term perspective in the integration of different policies and funding. Thus, even though incoherencies in the countries have different characteristics as visible in Italy, Spain, and Greece the short effective leave is followed by a wide childcare gap. In Hungary, even though the long leave leads to an exclusion of mothers from the labour market, the need for action is the same. The UK provides generous family benefits, but few effective reconciliation

## 6. Interpretation/Limitations

Regional variation resulting from differences in regulation and implementation at local municipal level as well as in the cause of opening the welfare market have been criticised for all countries under observation. Hence, in some regions none or just a few ECEC services are available, while in the big cities different offers are available (IT, PL, EL, HU, DE, ES). Experts in FI, FR, SE, UK and NL criticise the different structure and quality of, for example ECEC services, which discriminates for social background, resources, habitat or disabilities.

## 7. Impact & Implications

The results of our interview analysis show that, although in all countries under study social economy organisations are involved in welfare production we do not notice a general increasing importance of these players in the welfare mix. Quite the contrary: In Finland, Italy, Hungary, The Netherlands and the United Kingdom, interview partners even stated a decreasing importance of the social economy in welfare production. There are different reasons for this development: while countries like the Netherlands and the United Kingdom embarked upon a rigorous budgetary policy which affected the financing of social economy activities, other countries like Finland and Italy rather expanded state activities instead of developing the cooperation between state and social economy.

The greatest growth of importance of social economy organisations can be observed in most of the countries under study in the context of child care policies. In almost all member countries of the European Union the expanding of the child care sector has been the most important concern of welfare policies in recent years. And in contrast to reconciliation policies which are typically based on transfer payments (like parental allowances) from the public budget to the beneficiaries, child care is a generic person based service that requires facilities and human resources.

Organisations of social economy are involved in long-term care policies in all countries of observation to a highly differing extent. Where social associations, foundations or co-operations have a traditional role in the long-term care market of Germany, Hungary, Poland or the UK and are strongly present in France, Italy, Spain and the Netherlands, those organisations are rarely involved in the policy field in Finland, Sweden and Greece. Although social economy organisations have a tradition or are governmentally or municipally favoured for their social approach and profit limit in most of the countries, the prospects of the third sector in LTC are not promising.

Interestingly, the interviewed experts in many countries do not see an increasing importance of social economy in the field of active labour market policies (FI, FR, GR, HU, IT, PL). In some of the countries the importance of social economy has not increased in recent years or the policy field remains mainly in the responsibility of the public employment bureaus although we recognise a trend of communalisation in some countries.






## 8. Further information

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For further information on INNOSI: Innovation in Social Investment: Strengthening Communities in Europe visit our website at <http://innosi.eu/>

Authors:

-  **Matthias Freise** is Program Coordinator at the Institute of Political Science at the University of Münster
  -  **Annette Zimmer** is Professor Of German and European Social Policy and Comparative Politics at the University of Münster
  -  **Carolin Schönert** is a Research Associate at the Institute of Political Science at the University of Münster
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[www.innosi.eu](http://www.innosi.eu)

