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REPORT #10:

THE SOCIAL BUSINESS SECTOR IN GREECE

Systemic Failures and Positive Action Potentials based on strengths of
the Hellenic Ministry of Development and Competitiveness

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DISCLAIMER

Opinions expressed and arguments employed herein are personal to the authors and do not necessarily reflect or represent the official views of the Greek Government, Hellenic Ministry of Development and Competitiveness or the European Commission.

A. THE SOCIAL BUSINESS SECTOR IN GREECE

	TYPES OF SOCIAL ENTERPRISES		
	“Koin.S.Ep.” Social Cooperative Enterprise	“Koi.S.P.E.” Limited Liability Social Cooperatives	Women’s Agro-Tourist Cooperatives
Legal Basis	Law 4019/2011	Law 2716/1999	Law 1541/1985
Population	≈300	≈15	≈140

Currently, there are about three hundred Social Cooperative Enterprises of Law 4019/2011 in Greece, about fifteen Limited Liability Social Cooperatives of Law 2716/1999 and roughly one hundred and forty Women’s Agro-Tourist Cooperatives, such as the one featured in the following EURONEWS Business Channel documentary we filmed in Syros Island, this summer in a project co-funded by the European Commission:



[Click to watch the video](#)

Women's Agro-Tourist Cooperatives have been around since the '80s and were considered typical social enterprises until Limited Liability Social Cooperatives entered the game in 1999. Limited Liability Social Cooperatives facilitate business activities of those suffering psychiatric problems and are established as cooperatives involving patients, doctors, and a vast array of stakeholders, thus providing for social (re) integration and decent employment for those in special need for support.

Lately, the palette of social enterprises in Greece was expanded to include newly-introduced Social Cooperative Enterprises of Law 4019/2011 on Social Entrepreneurship and Social Economy. These are types of cooperatives established by at least five people with practically any field of economic activity allowed to them. They do not distribute any surplus to their shareholders. Surpluses are distributed to employees and a reserve is maintained so as for new employment positions to be facilitated.

Amongst the roughly three hundred Social Cooperative Enterprises established so far, less than a handful is Work Integration, or Social Care social enterprises. The vast majority of existing Social Cooperative Enterprises are of the Collective and Productive Type which means that they more or less engage in conventional business activities providing services and products to the free market.

B. INSTITUTIONAL FAILURES

We have argued that Law 4019/2011 on Social Economy and Social Entrepreneurship introduces a definition of Social Economy which is full of deficiencies and does not at all cover the expanse of Social Economy as is approached by dominant academic and political discourse in Europe and Canada. Additionally, it does not introduce any definition of Social Enterprise; it just refers to the vague term “Social Economy Actors” (Greek: Φορείς Κοινωνικής Οικονομίας). As I put it on a recent report for the GECES Sub Group:

“So, there is a law introducing the legal type of Social Cooperative Enterprise, without defining per se or using the denomination of *social enterprise* in general. That gives us a regulatory environment into which Social Cooperative Enterprises are audited by a competent authority (Ministry of Employment, Social Economy General Registry) but social enterprises in general are not recognized by the state and its administration. Thus: any given type of corporation (cooperative or capital-based) could present a statute to an EUSEF pertaining social goals or articles relating to social redistribution of surpluses, but what is the regulatory rationale upon which the bank could judge on their validity? Who is to say when the equilibrium of social and capital-making goals is non-acceptable and on what grounds? Who is to monitor the commitment of this corporation to its social goals as time goes by”?

In fact, no articulated Social Economy agenda exists in Greece today and the failure to identify social enterprises amongst existing types of corporations will lead us directly to dead ends when EUSEFs enter the game or funding is asked by the Commission’s programme for Employment and Social Innovation (EaSI).

C. INCENTIVE FAILURES

People in Greece tend to establish Social Cooperative Enterprises due to several visible incentives:

They are CHEAP

Social Cooperative Enterprises are quite cheap to establish. Additionally, there is no obligation for social insurance contributions of shareholders (owners). Social insurance contributions are widely considered as COSTS acting as negative incentives for (re) entrance in the business market. Currently self-employed or owners of enterprises (both capital-based and civil cooperatives) are obliged to pay roughly 220-550 euro per month to the dedicated public insurance fund. This is considerable inelastic cost, directly affecting business decisions to start-up and sustain very-small or small enterprises.

They are SUBSIDIES-ORIENTED

The word on the street is that the Greek Ministry of Labor is going to SUBSIDIZE their establishment and operating costs through its Strategic Planning for Social Entrepreneurship co-developed with the European Commission, DG Employment (ANDOR Package of ≈62million euro). It is expected that once a subsidization programme is announced, the overall population of Social Cooperative Enterprises will multiply considerably. We have argued that unless accompanied by a strict Social Impact Measurement scheme, any subsidization programme will just lead to a superficial boost on the volume of an already deficient sector.

There is raising PUBLIC DEMAND and OUTSOURCING

Many former municipal public enterprises were shut down due to downsizing of the wider public sector in Greece and political pressure pushes towards substituting the former with new Social Cooperative Enterprises bidding for local public contracts and being benefited by the SOCIAL CLAUSE also introduced by Law 4019/2011. Nevertheless, a solid framework governing the Social Clause is not yet deployed and there exists much disarray about negative potentialities already emerging in the local level, visibly distorting competition and creating innuendos for preferential treatment.

D. MARKET FAILURES

No visible social business PUBLIC DEMAND exists in Greece yet. (Local) Public budgets are a total loss with Local Self Government Organizations having already entered a long tunnel of fiscal consolidation, cutting down public expenditure, re-profiling their debts and practically minimizing their annual deficits. Thus public sector demand is only scarce, ergo-variable, non sustainable in the medium term and driven by the fierce political necessities of the electoral cycle ending with local elections coming May 2014.

PRIVATE DEMAND for conventional services and products might be the only passing left for Greek Social Cooperative Enterprises, inevitably leading to isomorphism with regular enterprises and traditional rural or civic cooperatives. Nevertheless, national economy has been in deep recession for almost six consecutive years now and GDP has plunged by almost 30% since 2009. Of course, this is a very eloquent way to state that available family income is diminished: statistical agglomerations of GDP loss are not elucidating enough for the grave situation Greece has been facing; it would be most practical to consider:

- the 60 billion (and rising) of non-performing loans,
- the almost 1.5 million unemployed ($\approx 27\%$ general unemployment rate)
- the almost 70% youth unemployment rate

Additionally to demand failures, Social Cooperative Enterprises face already well-documented SUPPLY FAILURES:

- they are widely preferred as a kind of light-weight, conventional type of family enterprise, which allows for re-establishing market activity with low operating costs,
- they suffer dramatic lack of committed capital widespread in Greek small-enterprises market; capitalization of the majority of Social Cooperative Enterprises is in most cases virtual or just inadequate (usually a ceiling of some thousand euro of committed capital)
- their business orientation is necessity-driven, in many cases resembling charitable, non-profit-making clubs having no solid mid-term entrepreneurial vision or action plan and directly targeting grants in a very short-sighted manner
- no visible synergies exist yet between domestic Social Cooperative Enterprises and the European social business value chain

E. SOCIAL FAILURES

The general picture is that Social Cooperative Enterprises are:

1. FAIRLY ENTERPRISES

Empirical insights lead us to the conclusion that most Social Cooperative Enterprises established so far are suffering intense isomorphism to NGOs and more frustratingly to those illegitimate, grants-oriented ones which have overcrowded and distorted the Greek voluntary sector in the past decade or so. Taking a look into their statutes, all sorts of primary aims can be found and especially those that do not entail considerable mobilization of capital or equipment, in a “catch-all” attempt so as to be ready for eventual subsidization programmes or grants allocated by local public authorities. Their virtual business architecture is made evident by the very weak action plans announced and their very low economic turnover in market terms.

2. ONLY TYPICALLY COOPERATIVE

In many cases, shareholders are members of the same family or people just virtually engaged so as to present the minimum of five asked by Law 4019/2011. This form of family business allows for the unemployed to establish a legally operating enterprise without losing their unemployment subsidies or being obliged to pay for public insurance as detailed above. Indicative of the situation is that there currently exist very few Social Cooperative Enterprises with a wide, genuinely democratic, membership basis.

3. BARELY SOCIAL

Amongst social failures of Greek Social Cooperative Enterprises employment-generation failures are the most alarming. Due to the overall discrepancies and the initial architecture of the social business sector, existing SCEs have not shown any considerable value-added for employment. Of course, there have been some ex-public enterprises that are now run as SCEs but this should not be an example at all for various political and market reasons. Time will judge if they will keep going. Raw, empirical documentation shows that the majority of existing SCEs may engage paid employees in an even lower average than that featured by their peer very small or small enterprises in the conventional market sector. Of course this is a devastating blow to the theory of employment-

generating social businesses; nevertheless it is so, since most of the existing SCEs are just waiting for the subsidization programmes in order to officially employ personnel.

Along, social impact evaluation of organizations is an intricate task. Currently, there exists no operational Social Impact Measurement context officially deployed by state or regulating authorities and assessment of the value generated by the social business sector is left to approached in terms of publicity exaggerations or politically-driven ones in favor of the overall idea. Law 4019/2011, Art. 2 § 7 holds: *“Annual programming of Social Cooperative Enterprises, along with the reporting of its implementation are compulsory published in internet, in the electronic page of the Registry”*. This provision refers to Social Cooperative Enterprises under Law 4019/2011 alone, and not to other Social Economy Operators, or social enterprises in general. For the time being, Social Economy General Registry is kept in hand-written form. No electronic version or application is available. In toto, nor Law 4019/2011 neither any other regulatory framework provide for an evaluation of the social or economic performance of Social Cooperative Enterprises.

H. Positive Action Potentials based on strengths of the Hellenic Ministry of Development and Competitiveness

Social innovation is present in a whole range of policy initiatives of the European Commission: the European platform against poverty and social exclusion, the Innovation Union, the Social Business Initiative, the Employment and Social Investment packages, the Digital Agenda, the new industrial policy, the Innovation Partnership for Active and Healthy Ageing, and Cohesion Policy.

For 2014-2020, social innovation has been explicitly integrated in the Structural Funds Regulations, offering further possibilities to Member States and regions to invest in social innovation both through the ERDF and the ESF. Stimulating innovation, entrepreneurship and the knowledge-based society is at the core of the Europe 2020 Strategy. The European Social Investment Package (SIP) emphasizes the importance of embedding social policy innovation in policy making and connecting social innovation policies to priorities, giving particular attention to the appropriate use of EU Funds to support the implementation of successful policy innovation.

In Greece, among other Public Authorities which might have an impact in the current European demand of the Social Business Initiative is the Hellenic Ministry of Development and Competitiveness.

Hellenic Ministry of Development and Competitiveness is consisted of six General Secretariats, as follows:

1. Development and Competitiveness;
2. Strategic Public and Private Investments (NSRF);
3. Trade;
4. Industry;
5. Consumer;
6. Public and Private Partnerships (PPPs)

The General Secretariat of Industry (GSI) as stated in its mission, aims to economic growth and competitiveness in private sector in Greece by reinforcing sustainable entrepreneurship, competitiveness and applied industrial innovation.

GSI supports entrepreneurship and competitiveness through the NSRF (2007-2013) and the forthcoming (2014 – 2020) with certain investment / funding tools, such as ETEAN, TEPIX, JEREMIE, JESSICA. It is worthwhile to mention the new programme of EC, COSME, which builds upon the success of the current Competitiveness and Innovation Programme (CIP), and aims to ease the access to credit problems that small businesses currently face. With a € 2.3 billion-budget over the period 2014-2020 the Programme for the Competitiveness of Small and Medium-sized Enterprises (COSME) will for instance provide a guarantee facility for loans to small and medium sized enterprises (SMEs). COSME will assist businesses and citizens in the following ways: 1) entrepreneurs will benefit from easier access to markets in the EU and beyond, 2) citizens who wish to become self-employed but currently face difficulties in

setting up or developing their own business will receive tailored services and assistance, and 3) Member States' authorities will be better assisted in their efforts to elaborate and implement effective SME related policy reform.

COSME aims at strengthening the competitiveness and sustainability of the EU's enterprises, at encouraging an entrepreneurial culture and promoting the creation and growth of SMEs. These objectives will be met by improving:

- Access to finance for SMEs;
- Access to markets, inside the Union but also at global level;
- Framework conditions for businesses, and
- Entrepreneurship and entrepreneurial culture.

In addition, the forthcoming NSRF II (2014-2020) will be based in five pillars, namely:

1. Specialized Entrepreneurship,
2. Social Cohesion, Training and Employment,
3. Environmental protection and green entrepreneurship
4. New Technologies
5. Integrated Infrastructures








Social Entrepreneurship is already documented within new NSRF II pillars as a tool to achieve:

- New, more efficient answers to meet growing social needs;
- Local answers to complex social and societal challenges mobilising local actors;
- Integration of various stakeholders

Concluding with a few positive ideas built on strengths of Hellenic Ministry of Development and Competitiveness, considering the new NSRF II as well as previous successful national initiatives, private organizations and public authorities might be involved in the:

A/A	Ideas	Aim	Based on
1	Development of a web platform of Social Innovation	Support networking and scoreboard of social enterprises	Successful “Startup Greece” initiative by the Hellenic Ministry of Development and Competitiveness
2	Development of a new funding programme about “Social Entrepreneurship”	Support funding of new and current social enterprises	-NSRF II, pillar 1 -Successful entrepreneurship programmes already implemented by the General Secretariat of Industry, such as innovation entrepreneurship, women and youth entrepreneurship, etc
3	Contribution of Standardization to Social Innovation	Support a health framework of innovative social entrepreneurship and rewarding mechanism of best practices in <u>European basis</u>	- National and European trends of Standardization in Innovation
4	COSME Programme exploitation	Include COSME to funding tools of Social Entrepreneurship	Current funding tools such as (ETEAN, TEPIX, Jeremie, Jessica, etc)
5	Development of a new funding programme about “Civil Servants Entrepreneurship” considering both Greece and other EU Member states under Public Administration Reform	Support this new category of civil servants who are released by public authorities in their country’s programme of reform or respond further to social changes and challenges	-NSRF II, pillar 2 -Country Public Administration Reform

I. THERE IS WIDE POLITICAL CONSENSUS ON SOCIAL ECONOMY

	POLITICAL PARTIES IN THE GREEK PARLIAMENT						
Political Party	 "Nea Dimokratia" New Democracy	 "SYRIZA" Coalition of the Radical Left	 "Pa.So.K." All-Greek Socialist Movement	 "Anexartitoi Ellines" Independent Greeks	 "Chrysi Avgi" Golder Dawn	 "Dimokratiki Aristera" Democratic Left	 "ΚΚΕ" Greek Communist Party
Percentage in June 2012 Elections ³	29.66%	26.89%	12.28%	7.51%	6.92%	6.25%	4.5%
Institutional Role	Leading Party in Government Coalition	Main Opposition Party	Partner in Government Coalition	Represented in Parliament			
Social Business Agenda	Pro	Pro	Pro	Pro	N/A	Pro	Against

³ Source: [Greek Ministry of Interior](#)