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# **Social Economy and Entrepreneurship in Greece: Institutional Changes, Challenges and Complications**

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## **Abstract**

*The present paper discusses Social and Solidarity Economy (SSE) by focusing on the recent growth of social entrepreneurship in Greece. As the institutional framework is a major issue in terms of the size and promotion of social economy and entrepreneurship, the study attempts a discussion on the institutional changes involved in Greece, emphasizing on the new trends of the relevant legislation, and, in particular, of the new legislation voted in 2016. The discussion demonstrates that, despite the support measures, there are gaps in the legislative framework in relation to Social Funds. It also highlights the necessity of establishing social economy enterprises by expanding pertinent definitions and adapting the European experience to the Greek reality.*

**Keywords:** *social and solidarity economy, Social Cooperative Enterprises, institutional framework*

**JEL classification:** *K29,B55,P49*

## **Introduction**

Over the last decade, the increase in poverty, unemployment and social exclusion, both on a national and European level, and the inability to meet the multiple and increasing human needs both in the private and public sector, have preoccupied political leaders, economists, non-governmental organizations and concerned people worldwide. Their attention is re-focused on ideas or topics dealing with the social or solidarity economy (SSE) as an alternative to encountering the global financial - not merely- crisis. The main areas in which the social economy is active are local and sustainable development, social inclusion to prevent social inequalities, reinforcement of the social fabric and development of participatory structures. Social, solidarity or alternative economy, embraces a wide variety of business-type organizations, such as cooperatives, insurance co-operatives and mutual societies, savings-cooperative banks, and agricultural, marketing organizations, which are characterized by specific distinctive qualities making them "excellent providers of services and effective advocates of change" (Knight and Robson, 2007).

Although, historically, Greece has had a long-standing rural co-operative tradition, it focused on the social and solidarity economy especially after 2009-2010 during the economic depression and sovereign debt crisis

(Bank of Greece, 2014). As a result of the gradual collapse of the Greek economy in production potential during the crisis and the period of memoranda, many jobs were lost and production capital shrank. Social entrepreneurship, defined as a process which involves identifying social problems, finding solutions to address them, assessing business models in terms of sustainability and establishing entities for economic and social gain (Robinson J., 2006) can contribute to filling the gaps in the private or public sectors with a view to meeting social needs. The development of social entrepreneurship, collective attitudes, cooperation, solidarity, equality and democratic participation in decision-making as well as integrating alternative "new production models" in production, distribution and consumption enables strengthening the economic growth, the measures against unemployment and social exclusion (Fotiou, 2018).

### **Social entrepreneurship in Greece**

It has been demonstrated that in Europe "in periods of crisis, cooperatives are more resilient and stable than other forms of business as they are able to develop new business initiatives", as a result of their long-term approach, deep origins and protection of their members' vested interests, as stated by the European Economic and Social Committee in "Cooperatives and Restructuring" (Official Journal of the European Union, 2012).

The European Commission has defined 'social enterprise' as "an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities" (European Commission, 2011).

According to Social Business Initiative (SBI), in 2011 the Commission, incorporating three key dimensions (entrepreneurial, social, governance) applies the term 'social enterprise' to the following types of 'businesses' : a) Those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation, b) Those where profits are mainly reinvested with a view to achieving this social objective, c) The method of organization or ownership system reflects their mission using democratic or participatory principles or focusing on social justice" (European commission, 2015).

Apart from Law 2716/99 (article 12,) which enabled the establishment of Limited Liability Social Cooperatives (Koi.S.P.Es -in Greek), until 2011, the absence of a legal framework in Greece concerning Social Economy had inhibited organizing and developing entrepreneurial activities as well as new forms of social entrepreneurship, such as 'Social Enterprises', 'social cooperatives', etc., which had already emerged and operated in EU Member States since 2000.

In Greece after the enactment of the first Law 4019/2011 on Social Economy and Social Entrepreneurship, which sets out the defining characteristics of social economy entities mapped against the EU operational definition (KoiN.S.Eps and Koi.S.P.Es), in 2012, a number of 115 social economy enterprises were registered (table 1).

**Table 1. Social economy enterprises in the general social economy register until 1.11.2012**

Category	Number of enterprises	Number of members
Koin.S.Eps for Inclusion	3	30
Koi.S.P.Es	2	100
Koin.S.Eps for Social Care	21	166
Koin.S.EP of Collective and Productive Purpose	80	711
Special register of other social economy entities	9	182
<b>Total</b>	<b>115</b>	<b>1,189</b>

Source: Department for Social Economy Register, Directorate for Social Protection of the Ministry of Labour, Social Security and Social Solidarity.

From 2012 to 2016, despite an annual increase of active (not simply registered) social enterprises, the gap between the 374 active enterprises and the 1,151 registered SSE entities remains high.

**Table 2: Active SSE (K.AL.O) entities 2012-2016**

Year	2012	2015	2014	2015	2016
SSE enterprises	2	44	214	335	374

Source: K.AL.O annual report 2018.

Following Law 4430/2016 and the mandatory online registration of entities, according to the Annual Report of the Special Secretariat for Social Solidarity Economy (SSE) in 2018, it appears (Table 3) that the majority of the active SSEs are service providers. The largest number of active businesses is taken by the Food Services industry (41 enterprises) followed by the Educational sector (38 enterprises), which is second in terms of the number of employees (173.91 awu) among the total number of entities in all sectors of SSE (K.AL.O.) and in terms of the employment of people belonging to vulnerable social groups (51.40 awu).

The industry of Provision of services in buildings and outdoors, despite

ECONOMIC SECTOR ACTIVITY	Number of active entities	%	number of employees (awu)	vulnerable groups empl (awu)	Turnover (in €)
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its smaller number of enterprises (15 entities), also ranks first in terms of the number of employees (251.52 awu) and the employment of people belonging to vulnerable social groups (145.40awu).

With regard to the total turnover of SSE organizations, Building & landscape services are ranked first, the Food Service industry second and the Educational sector third.

**Table 3. Total assets of the active SSE organizations (2016)**

Food Services	41	11%	173.91	51,40	1,475,880.63
Education	38	10%	96.61	8.50	1,227,082.44
Organizational activities	30	8%	41.41	23.00	473,594.91
Retail trade	28	7%	22.00	4.00	873,870.86
Creative activities, arts and entertainment	21	6%	65.25	0.00	379,476.79
Wholesale	21	6%	14.50	1.00	220,485.66
Administrative office activities	18	5%	59.57	21.00	183,643.02
Human health activities	16	4%	4.00	0.00	236,914.94
services in buildings& outdoors	15	4%	251.52	145.40	1,936,803.49
Head office activities, counseling	13	3%	28,00	0.00	130,315.57
Social care (without accommodation)	11	3%	39.00	0.00	294,546.78
Public admin, and defense - Compulsory social security	11	3%	37.55	0.00	585,459.88
Publishing activities	9	2%	0.00	0.00	50,262.54
Advertising and market research	9	2%	12.00	8.00	153,523.47
Sports, entertainment, activities	8	2%	6.28	0.00	38,763.12
Waste Collection, treatment, disposal - Recovery of materials	8	2%	2.30	1.00	118,388.74
Computer Programming	7	2%	9.25	0.00	92,326.62
Plant-animal production, hunting, Forestry logging	7	2%	22.00	22.00	173,334.01
R and D	6	2%	5.00	0.00	125,902.80
Other personal service activities	6	2%	30.00	6.00	325,624.12
Food industry	5	1%	1.00	1.00	39,887.90
Travel agencies & related activities	5	1%	5.26	3.26	141,188
Information services	5	1%	1.00	0.00	32,911.67
Other manufacturing activities	5	1%	2.00	3.37	141,712.51
Movies production, recordings, etc.	4	1%	4.00	3.00	33,473.87
Other professional, scientific & art activities	3	1%	4.00	0.00	163,890.53
Inland transport and pipeline transport	3	1%	41.00	10.00	220,427.66
Other activities	21	6%	45.00	29.00	242,343.07
TOTAL	374	100%	1,023.41	340.93	10,112,036.24

Source: Special Secretariat for SSE, K.AL.O annual report 2018.

It is remarkable that the enterprises are disproportionately distributed in the various regions of Greece, but the overwhelming majority (65%)

includes three regions: Attica (44%), Central Macedonia (13%) and Thessaly (8%). Their distribution seems to be closely related to the population characteristics of the regions. Concerning the resources allocated to the SSE Sector, according to K.A.L.O annual report 2018, these come mainly from the NSRF 2014-2020 and in particular from the Sectoral Operational Programs Competitiveness and Human Resources Development and the thirteen Regional Operational Programs (ROPs). The study of the above data shows that the ecosystem of KALO is at an early stage of development and highlights the imperative need to improve the viability of its operators and to finance new ventures in targeted regions of Greece.

#### **A brief reference to the institutional framework of the social / cooperative economy in Greece**

Greece is definitely one of the European countries where, historically, co-operatives have been the backbone of social economy since the establishment of "The Red Yarn", the first cooperative in Ambelakia, Thessaly, in 1780(Shaffer, 1999).

The social economy in Greece has been associated with the establishment of various types of agricultural cooperatives, consumers, credit and other, which were collectively formed by groups of people in response to the various problems they were facing due to deep changes in the economic system. They were commonly named company, union, association, cooperative, mutual shareholders' fund, partnership, etc., which did not necessarily involve legal terms.

The first cooperative law which introduced the establishment of agricultural cooperatives, Law 602/1915, was passed in 1915, (Sfiris, 2001) and enabled the establishment of credit cooperatives without a detailed description of their operation.

The cooperative movement in Greece had not been consistent; the operation of cooperatives was based on legislative amendments in specific periods of time

(from 1914 to 1920, the inter-war period from 1921 to 1939, the post-war period from 1950 to 1973; (Patronis, 1999), depending on the influence that the State wished to exercise for political and electoral purposes. The fragmentation of cooperative legislation, with a focus mainly on agricultural cooperatives, is particularly evident after 1973. The fact that there was a multidisciplinary institutional framework, due to the many and usually unsuccessful amendments to Law 602/1915, or, in some cases, the absence of an institutional framework, prevented the development of the social-cooperative economy and the various relevant entities. Remarkably, only in 1986 Law 1667/1986 (Government Gazette A 196), "Urban Cooperatives and Other Provisions", enabled special considerations in the legislation about the establishment and operation of Urban Cooperatives, and, much later in 1992, Law 2076 introduced the institution of the Cooperative Bank. The most recent law established for Cooperatives, regulating their operation to date is 4015/2011, which, however, has already been amended by Law 4171/2013 and Law 4277/2014, as a result of various problems and failures which, in the case of the establishment of Societes Anonymes among Cooperative Societies and the fact that it does not allow cooperative organizations to form

cooperatives with each other, contradicts fundamental principles of Cooperatives (Klimi-Kaminari, 2015).

For social economy and social cooperative enterprises there was no legislative framework until 2011, apart from Law 2716/99 "Development and modernization of mental health services", which involved Limited Liability Social Cooperatives. The specific law (article 12) enables establishing Limited Liability Social Cooperatives (Koi.S.P.E. - in Greek), which are entitled to various financial, tax and business incentives: i) Financial incentives e.g. mental health patients who are members and employees of a Koi.S.P.E. can maintain their social benefits in addition to their salary from Koi.S.P.E. ii) Tax incentives e.g. exemption from income, municipal and corporate taxes (except VAT). iii) Business incentives, such as employment subsidies to employ mental health professionals without imposing Koi.S.P.Es with additional charges, trilateral program contracts, favorable conditions for contracts by public entities and local authorities (No. 12 Presidential Decree PD 60/2007)(European commission,2015).

It is worth noting that Social economy, inconsistently with the European conceptual tradition, only recently (2011) has been institutionally recognized.

### **The Greek Institutional Framework for the Social and Solidarity Economy (SSE)**

As a concept, the third sector of the economy, which is called social economy, solidarity economy or alternative economy, non-profit sector, not-for-profit sector, etc., is a set of practices of organizing the social and economic life, which cannot be strictly included in the public or private sectors, and embraces a wide variety of business-type organizations, such as cooperatives, insurance co-operatives and mutual societies, savings-cooperative banks, and agricultural marketing organizations.

Despite the various definitions of the third sector of the economy as a concept and practice, depending on specific historical, institutional and local conditions, Social and Solidarity Economy (SSE)in the USA and Britain is defined as a non-profit sector of economy, which reflects the historical dimensions involved in the tradition of charity and voluntary work. In addition, in Latin America, they use the term 'solidarity-based economy', whereas in Central Europe, under the strong influence of the Cooperative Movement, the term 'social economy' is more common (Adam & Papatheodorou, 2010).

Social enterprises in the EU Member States are extremely diverse in terms of their legal status and legislative framework, depending on legislation, public policies, the welfare state, and civil society.

In Greece, social economy was institutionalized mainly in 2011. The first law 4019/2011 introduced the concept of 'social economy', whereas the second relevant law 4430/2016 was extended to include 'social and solidarity economy'.



**LAW 4019/2011**

In Greece, the first law on Social Economy and Social Entrepreneurship, Law 4019/2011, sets out the defining characteristics of social economy entities. According to Law 4019/2011 "Social Economy and Social Entrepreneurship", Social Economy is defined as "all economic, business, production and social activities undertaken by legal entities or associations whose statutory purpose is pursuing collective benefits and serving the general interests of society". The main objective of the new law is to increase employment opportunities for people belonging to vulnerable groups of the population.

The Greek law 4019/2011 has complemented the legal recognition of traditional social enterprises by introducing three different types of social cooperatives -"Kinoniki Sineteristiki Epihirisi" (Koin.S.E.P)-categorized, depending on their specific purpose, as follows :

a) *social cooperative societies for social inclusion*, the purpose of which is to integrate persons belonging to vulnerable groups of the population in the social and economic life. At least 40% of the people employed in a cooperative must belong to vulnerable groups of the population. Limited liability social cooperative societies (Koi.S.P.Es - in Greek) automatically qualify for cooperative societies for inclusion and are subject to the provisions of the present law, the provisions of Article 12 of Law 2716/1999, the provisions of the present law and Law 1667/1986 and the provisions of Article 12 of Law 3842/2010;

b) *social cooperative societies for social care*, the purpose of which is to produce and provide social welfare goods and services to specific groups of the population, such as the elderly, infants, children, disabled persons and persons with chronic diseases;

c) *collective production social cooperative societies*, the purpose of which is to produce goods and provide services for the collective needs of people (culture, environment, ecology, education, social benefits, use of local products, preserving tradition and craftsmanship etc.), and which promote local and collective interests and employment, enhance social cohesion and support local and regional growth.

Apart from the above mentioned legally recognized social enterprises, other *de facto* social enterprises can be found among Non-profit organizations (associations and foundations) engaging in commercial activities, and conventional enterprises pursuing an explicit and primary social goal, as cited in the European Commission Report (2015).

Article 14 of the Law at issue enabled the establishment of the basic institutional infrastructure for Social Enterprise start-ups. Within the specific institutional framework, the percentage of legal persons allowed to participate in a Social Cooperative Enterprise comes to up to one

third of its members, whereas the participation of local authorities and legal entities is prohibited. Each participating legal entity has only one vote. Returns in a Social Cooperative Enterprise are not allocated to members, unless the members are also employees. Returns are allocated yearly: 5% to be reinvested, 35% to employees as productivity incentive payment, in accordance with their statutes, and the balance is allocated to creating new job positions. Article 9 also defines the financial tools. In particular, it establishes the Social Economy Fund, which is sanctioned to provide funding to social enterprises registered in the Social Entrepreneurship Register, without, however, specifying the type of funding.

#### **Law 4430/2016**

In 2016, a new institutional framework for the Social and Solidarity Economy (Law 4430/2016, Government Gazette 205 / A / 31-10-2016) and the relevant Ministerial Order 61621 / D5.2643 / 30-12-2016 (GG) attempts to promote the growth of Social and Solidarity Economy. According to Article 2 "Social and Solidarity Economy" is defined "as all economic activities based on an alternative way of organizing production relations, distribution, consumption and reinvestment, based on the principles of democracy, equality, solidarity, cooperation, as well as the respect for people and the environment ... "

The new Law 4430/2016 "Social and Solidarity Economy, entities and other provisions" Social Cooperative Enterprises (Koin.S.Eps - in Greek) are classified, depending on their specific purpose, in:

a) Social Cooperative Enterprises for Inclusion, which are distinguished in: i) SCEs for Inclusion of Vulnerable Groups, ii) SCEs for Inclusion of Special Groups, iii) Limited Liability Social Cooperatives (Koi.S.P.Es - in Greek), which, under Article 12 of Law 2716/1999, are automatically qualified as Social Cooperative Enterprises for Inclusion.

b) Social Cooperative Enterprises for Collective and Social Benefits, engaging in "sustainable development" activities, or providing "general social services".

When Law 4430/2016 (Government Gazette 205 / A / 31-10-2016) was introduced, the existing SCEs for Inclusion were defined as Social Cooperative Enterprises for Inclusion of Vulnerable Groups or Social Cooperative Enterprises for Inclusion of Special Groups. Social Cooperative Enterprises for Collective and Production Purposes and the Social Cooperative Enterprises for Social Care were defined as SCEs of Collective and Social Benefits or Employee Associations, requiring a relevant amendment of statutes. In addition, the law enabled any other non-single legal entities to be able to become members, provided that: i) they engage in collective and social benefit activities; ii) they provide information and ensure participation of its members and implement democratic decision-making processes, in accordance to the 'one member, one vote' principle, whether or not they contribute; (iii) their statute provides for limitations in returns allocation; (iv) they implement a system of remuneration convergence; (v) they aim at enhancing economic

activities and maximizing the social benefits generated through horizontal and equal networking with other SSE entities; vi) they have not been established and are not directly or indirectly governed by 1<sup>st</sup> or 2<sup>nd</sup> degree Public Legal Entities or Local Authority Organizations or any other public-sector legal entity.

The inclusion of each entity in the specific law is valid with registration in the Social and Solidarity Economy Register, which examines the conditions for inclusion and recognition of applicants as Social and Solidarity Economy entities (K.A.L.O entities). According to these applicants are entitled to: a) engage in collective and social benefit activities; b) implement a democratic decision-making system in accordance to the 'one member, one vote' principle, whether or not they contribute; c) accept limitations of returns allocation in accordance with their statute (either during establishment or after amendments) (5% to reinvest, 35% paid to employees as a productivity incentive payment;) (d) accept limitations in the employee remuneration method, i.e. for employees under an employment contract, nominal wages cannot be less than 33% of the highest wages; (e) include in their statute provisions for networking with other registered entities, and impose a limitation according to which they must not be established or run directly or indirectly by Public Legal Entities or 1<sup>st</sup> or 2<sup>nd</sup> degree Local Authority Organizations or any other public-sector legal entity.

#### **Institutional amendments**

Law 4430/2016 and the various ministerial decisions and amendments which followed have introduced major innovations [Implementing Ministerial Decision 61621 / D5.2643 / 30-12-2016 (Government Gazette No 56 / B / 18-01-2017) Ministerial Decision 61986 /3269 / (Government Gazette 4757 / B / 29-12-2017), Law 4554/2018]. In detail, they:

- a) Broadened the scope of Social Economy entities and diversified the criteria for inclusion in the different categories of Social Economy entities
- b) Disseminated the Social Economy practices in various fields of the economy contributing to 'sustainable development'
- c) Established a legal basis to provide financial and other incentives and simplified the procedures for statute amendments. In addition, they institutionalized the Social Economy Fund as a Private Legal Entity for the promotion of funding programs and actions of Social and Solidarity Economy, the National Committee for Social and Solidarity Economy, 'the Special Secretariat for Social and Solidarity Economy in the Ministry of Labour, Social Security and Social Solidarity, focusing mainly on designing and implementing governmental policies in relation to the Social and Solidarity Economy, as well as the Coordinating Committee for the Social and Solidarity Economy.
- d) Established tax and social security regulations: i) SCEs are totally exempted from advance payment of income taxes; ii) SCEs and Employees' Cooperatives are exempted from business taxes for the first five years

after start-up, whereas after they have paid for five years the business tax is EUR 500 per annum; iii) Vulnerable group members working in SCEs or Employees' Cooperatives continue to be entitled to all benefits and bonuses as before.

e) Established Employee Cooperatives, and enabled the establishment of associations of Social and Solidarity Economy entities.

(f) Strengthened collective social entrepreneurship by promoting co-operation between entities and institutions and governmental agencies, and also fostered collective consultation.

g) Provided for wages convergence.

h) Provided for employee remuneration with part of the enterprise returns and, in terms of taxation, treated them as natural persons.

i) Provided a definition of voluntary work.

j) Provided for establishing and activating a measuring tool of the social impact of entities to evaluate efficiency, control and exploitation of good practices.

k) Enabled adults to participate in SCEs without full legal capacity. People who have lost their self-representation are now allowed to become members of SCEs for Inclusion in Vulnerable Groups.

l) Reduced the threshold for imposition of fines on SCE entities. The threshold of EUR 1,000 was considered to be too high, and agreement on a reduction to EUR 200 was made.

m) Revised the social security liabilities of the Employee Cooperative members.

### **Challenges and complications**

As stated in the 'European Social Innovation Research' (2012), "Today, there is a great need for Greece to reinforce its social economy. The high rates of unemployment, the austerity measures, and the reductions in wages, pensions and social services have created the need for the enhancement of social economy and social innovation that can offer alternative solutions to the Greek society." On the other hand the bureaucracy, the immature legal framework and the very limited financial resources available to the SSE entities have been inhibitory factors to the growth of social enterprises in Greece.

The new law established a new framework for various types of entities or enterprises including two distinct categories of social enterprises, and, thus, enabling a better categorization: 1) for the inclusion of vulnerable groups and 2) for social and collective purposes. The law also legitimized a new category, Employee Cooperatives, which basically involves self-employed people cooperating under a different business tax.

Members have to contribute for security tax -already from start-up- to the Social Security Organization for the Self-Employed (OAEE - in Greek) or to the employee fund they belong to (engineers, etc.). However, the specific regulation seems to make employee cooperatives equal to self-employed rather than employee associations, and, in addition, levies a huge social security charge on cooperatives.

Despite the fact that the law has already established a new framework for various SSE entities, which are now defined by their legal form rather than status, it has, nevertheless, demonstrated that the concept of social entrepreneurship and social enterprises are not defined or specified in line with the definition of the European Commission.

Although it clarifies and provides definitions of 'Social and Solidarity Economy', 'collective benefit', 'social benefit', 'social innovation', 'sustainable development', 'Social Services of general interest', 'social inclusion', 'vulnerable' groups, 'social impact' and 'Social Impact Measurement Tool', it makes poor reference to social enterprises and does not provide a clear definition, but only specifies that any legal form can be acceptable to qualify for a SCE entity, if it meets the criteria set by the law.

In order to develop and strengthen the ecosystem of the social and solidarity economy in Greece, it is vital that a common regulatory and development framework for all social economy organizations be established: associations, foundations, cooperatives, common funds and social enterprises. The framework will control basic issues concerning operation and organization under a single monitoring and inspection body.

The SCE Fund can be an active supporter of SCE projects, but as the access - of mainly small-sized social enterprises in Greece- to external financing is very difficult, special emphasis should be placed on categorizing and specializing in financial support tools for both start-up and operation of new social enterprises.

Given that the establishment of a legislative framework is essential, but not a sufficient condition for the development of the social economy in Greece, it becomes evident that, based on relevant experience in Europe, real political will is required in order to focus on and adapt social economy to the Greek reality. In order to encourage or strengthen the implementation of social entrepreneurship initiatives, it is vital that structural barriers be removed and a comprehensive program for the social and solidarity economy be designed, which will combine support policies with diversified and intervention programs.

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