A Plan for a Fair and Inclusive Circular Transition led by Social Enterprises.

Analysis of the EU Social Economy Action Plan from RREUSE and its members.

June 2022
About RREUSE

RREUSE is an independent non-profit organisation representing social enterprises active in the field of reuse, repair and recycling, with 33 members across Europe and the USA.

Our main vision is for Europe to support the role of social enterprise in a circular economy, providing meaningful work opportunities to thousands of vulnerable members of our community through innovative economic, social and environmentally beneficial activities.

RREUSE’s primary mission is to help tackle poverty, social exclusion and a throwaway culture by promoting policies, best practices and partnerships that support the professionalism and development of social enterprises working in environmental services with high potential for local and inclusive job creation, notably re-use and repair.

Executive Summary

Announced on 9 December 2021, the Social Economy Action Plan (SEAP) puts forward a set of measures until 2030 to mobilise the full potential of the social economy actors, among which, are social enterprises running inclusive circular activities. After careful consideration, RREUSE puts forward the following recommendations for the effective implementation of the plan:

1. Mainstream the social economy within circular policies and beyond.
   - Ensure holistic targets encompassing social and employment sectors when designing EU circular policies.
   - Mainstream the circular and social economy within the European Semester Process and Recovery and Resilience Facility, where possible.
   - Enhance institutional cooperation of social enterprises across all levels and ensure the Council Recommendation on Developing Social Economy Framework Conditions (2023) acknowledges the role of the circular economy.

REUSE is grateful for the support of the EU Commission’s Programme for Employment and Social Innovation “EaSI”. The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.
A Plan for a Fair and Inclusive Circular Transition led by Social Enterprises.
Analysis of the EU Social Economy Action Plan from RREUSE and its members.

2. Recognise the intrinsic value of social enterprises active in the circular economy.

- Ensure effective implementation of social clauses and reserved contracts in public procurement procedures, for the employment of disadvantaged workers and the creation of local green jobs.
- Ensure the implementation of Social Label schemes that provide accessible and flexible criteria for social enterprises involved in the circular economy.
- Broaden the visibility of social economy opportunities for effective and inclusive participation of the youth and recognition of female entrepreneurs.
- Ensure data collection capacities and social measurement methodologies are proportionate and adapted to the diversity of social economy actors.

3. Improve access to funding for social enterprises.

- Boost the availability of funding avenues specifically intended to incorporate the social and circular economy, especially at local levels.
- Earmark 10% of relevant EU funding to social enterprises involved in circular activities and other social economy actors.
- Set flexible labour market integration policies to create more synergies with circular business models and support social innovation.
- Provide arrangements for adequate financial support for disadvantaged workers within the revision of the General Block Exemption Regulation (GBER) set for 2023.
- Provide guidance on taxation to Member States ensuring support for the activities of social enterprises in line with the newly amended EU VAT Directive.

4. Acknowledge social enterprises’ role in upskilling and reskilling to meet changing market needs.

- Ensuring close cooperation with social economy stakeholders active in the circular economy under the European Skills Agenda.
- Ensuring an inclusive digital transition by emphasising digital education and skills among the capacity building measures proposed.
- Provide more business support to scale up social enterprises and their partnership with the private sector.
A Plan for a Fair and Inclusive Circular Transition led by Social Enterprises.

Analysis of the EU Social Economy Action Plan from RREUSE and its members.

Introduction

On December 9th, 2021, the European Commission announced the European Social Economy Action Plan (SEAP), a policy framework that will run until 2030 aimed to support and mobilize the full potential of the social economy. The Action Plan also allows the implementation of the European Pillar of Social Rights (EPSR) as well as the achievement of all three 2030 social targets, which aim at achieving the employment rate of 78% of people aged 20 to 64, involving at least 60% of all adults in training every year, and finally, reducing the number of people at risk of poverty or exclusion by at least 15 million. Specifically, the SEAP acts as a crucial bridge to create stronger synergies between the social and circular economies by providing a more coherent framework to support social enterprises running circular activities, in line with the EU’s Circular Agenda. The new EU’s Strategy for Sustainable and Circular Textiles is one prime example of the cross-sectoral impact of the SEAP, which emphasizes the inclusive and innovative role social enterprises play in the textile sector.

Building upon its first paper highlighting the key demands for the upcoming Action Plan, this new RREUSE position paper comes after the plan’s announcement with key messages for effective implementation in support of social enterprises active in the circular economy and other social economy actors. RREUSE reiterates its overall positive response to the announcement of the Action Plan, calling for effective implementation of the Social Economy Action Plan that provides concrete measures aimed at enhancing synergies between the social and circular economies for the sake of enabling a green, fair, and circular transition. Furthermore, RREUSE calls for a forward-looking policy framework to support and expand the positive impact of the sector.

Defined by the Action Plan as [actors which] operate by providing goods and services for the market in an entrepreneurial and often innovative fashion, having social and/or environmental objectives as the reason for their commercial activity, social enterprises active in reuse, repair, and recycling are uniquely positioned to foster an inclusive and fair green transition, delivering cross-cutting social, circular as well as digital objectives for an inclusive twin transition and the sake of both people and the environment.

To maximise the opportunities envisioned under the Social Economy Action Plan’s potential, RREUSE puts forward the following recommendations related to four priority areas:


RREUSE is grateful for the support of the EU Commission’s Programme for Employment and Social Innovation “EaSI”. The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.
1. MAINSTREAM THE SOCIAL ECONOMY WITHIN EU CIRCULAR POLICIES AND BEYOND

RREUSE strongly advocates for the measures envisioned under the SEAP to reinforce the actions under the Circular Economy Action Plan (CEAP), such as the EU Strategy for Sustainable and Circular Textiles [5], for stronger synergies between the social and circular economy and for the effective implementation of concrete measures to unleash the potential of social enterprises in creating local, green, and inclusive jobs and businesses in the EU. RREUSE believes a coherent framework in support of their transversal nature is thus crucial for social enterprises to receive adequate support and thrive, calling on the following actions to be implemented:


1.1 Guarantee equal footing of environmental, social, and employment sectors when setting ambitious EU-level targets for the circular economy.

When designing environmental policy, Member States can illustrate good models for multidimensional targets or reservation of contracts that ensure different target groups such as migrants, long-term unemployed, elderly, etc., are not left behind during the green transition. Although not envisioned under the Action Plan, RREUSE would welcome this to be further addressed. In Spain, the new Law on Waste and Contaminated Land for Circular Economy[6] passed on 31 March 2022 presents a major step forward by involving social economy actors as promoters of inclusive employment within the circular economy. The newly amended law provides for the reservation of 50% of contracts for social economy actors authorised to manage textiles and bulky waste. As a consequence, its effective application would allow for the creation of hundreds of new jobs primarily destined for people at risk of poverty or social exclusion. When setting targets in EU environmental policy,

RREUSE calls on the European Commission to ensure environmental policy designs follow holistic targets on both environmental and social impacts to allow for the creation and fostering of a fair and inclusive circular economy. In the words of the OECD:” [Designing and promoting] a global strategy that specifically recognises the synergies between both the social and circular economy allows to leverage the mutual contributions and define consistent common targets, for example on environmental impact and local employment.”[7] One impactful way to achieve this at the European level is setting a holistic policy approach that puts forward concrete joint actions between the CEAP and SEAP within the upcoming revision of the CEAP foreseen in 2025.


1.2 Mainstream the circular and social economy within the European Semester process and within the Resilience and Recovery Facility mechanism, where possible.

While RREUSE is happy to see the European Commission will commit itself to highlight the potential of the social economy within the context of the European Semester process and the Employment Guidelines, no further detail is provided on how this support would be achieved. Concrete actions to mainstream the social and circular economy within the different European reform coordination mechanisms are essential to allow for the strengthening of a coherent supporting framework for social enterprises, while at the same contributing to the effective implementation of the European Pillar of Social Rights (EPSR)[8] and achieving the Sustainable Development Goals (SDGs)[9]. Additionally, RREUSE believes that the Recovery and Resilience Facility (RRF) mechanism can provide an additional opportunity for the Member States to provide specific provisions in support of the social and circular economies, following the good examples of Member States such as Belgium and Italy. RREUSE thus calls on the Commission to ensure transparent and efficient monitoring of the Member States’ consultations with civil society actors and, where applicable, ensure appropriate compliance with the submitted national recovery and resilience plans (RRP).

1.3 Enhance institutional cooperation and legitimation of social enterprise across all governance levels.

The cross-sectoral integration of the social economy into the different relevant EU policy areas requires improved institutional cooperation across all governance levels, ensuring both social and environmental aspects of social enterprises are properly highlighted. RREUSE welcomes the Commission’s initiative on a comparative analysis of the legal regimes and landscapes of associations in the EU and believes that, if properly implemented and disseminated, can have the potential to inform public authorities as well as to foster capacity building for the social economy. However, RREUSE believes that intra-institutional cooperation at the EU level is equally important. While the EC recognises a coherent framework is needed across sectoral policies, RREUSE calls on the Commission to ensure the Council Recommendation on Developing Social Economy Framework Conditions foreseen in 2023 includes circular economy among the list of policy areas proposed.

2. RECOGNISE THE INTRINSIC VALUE OF SOCIAL ENTERPRISES ACTIVE IN THE CIRCULAR ECONOMY

Social enterprises involved in circular economy activities, such as re-use, repairing, and recycling, have the potential to greatly contribute to both local job creation and fostering circular activities. A recent RREUSE study highlights that taking into consideration the variety and different contexts of activities associated with re-use, its members create on average 70 jobs for 1,000 tonnes of goods collected with a view of being re-used, rising up to 140 jobs per 1,000 tonnes depending on the nature of the product.[10]

Furthermore, in 2019, the social enterprises under RREUSE network extended the lifespan of 214,500 tonnes of products, compensating for the average CO2 emissions of approximately 107,107 EU citizens.[11] While there is striking evidence of the contributions of social enterprises to both people and the environment, 55% of procurement procedures today still use the lowest price as the only award criterion with the consequence of excluding social enterprises from a fair level playing field and hindering the upscale and reciprocation of innovative solutions for the environment as well as for social integration and cohesion.[12] As such, RREUSE calls on the following actions:


2.1 Implement the use of social clauses and reserved contracts in public procurement.

As one of the biggest obstacles to accessing public procurement procedures is the lack of expertise of both social enterprises and relevant authorities, RREUSE welcomes the Commission’s proposed measures to provide training and platforms for the exchange of best practices to both public procurement officials and social economy actors. Furthermore, it calls on the Commission for the effective implementation of already available initiatives for socially responsible public procurement (SRPP) at the European level[13] and for converging their green and social procurement agendas, departing from an approach – albeit changing – that keeps the two in silos. Social clauses should be inserted in all public procurement procedures, merging social and circular business models, for public purchases to endorse labour standards, employ disadvantaged workers, and create local jobs.[14]

As mentioned in point 1.1, the Spanish Law on Waste and Contaminated Land for Circular Economy also provides a great model of involving social enterprises within environmental legislation via the reservation of contracts that can be emulated.[15] While welcoming the continued efforts of the Commission in applying social clauses in its own tendering procedures, RREUSE calls for close monitoring of the implementation of social and environmental criteria for impactful and trustworthy corporate social responsibility (CSR) practices, averting social washing as well as greenwashing, in line with the measures under the EU proposal for Sustainable and Circular Textiles.[16] Measures to boost private procurement, such as the Single Market Programme in 2022, which is aimed at fostering the creation of local and regional B2B partnerships with mainstream businesses are also very welcomed. [17] RREUSE and its members are keen to provide good recommendations and best practices, as well as work alongside the Commission to ensure the capacity building measures proposed under the SEAP are as accessible as possible, for instance reaching the municipality level where a holistic approach to sustainable procurement might be particularly needed. Finally, it will continue to advocate for green and social procurement at European level to be increasingly harmonised and streamlined in the future.


### 2.2 Empower consumers to buy social via a European social label

An increasing number of consumers, among which young people, want to direct their purchases to goods and services whose turnover helps fulfil high environmental and social standards. RREUSE has been for a long time advocating for the creation of a European social label designed for Social Economy Products as it deems it a crucial mechanism to boost the visibility of the social economy sector, while empowering consumers to make informed decisions and counteracting green and social washing. [18] Among other things, such measures can also have the potential to incentivise companies to truly integrate social considerations within their activities. For this reason, proposed measures under the SEAP to support public authorities in their efforts of implementing effective label and certification mechanism(s) are highly welcomed. However, for its effective implementation, RREUSE deems it crucial that Social label schemes present accessible criteria that prevent financial or bureaucratic burdens to impede access for social enterprises, also calling on flexible criteria to respect the diversity of the sector.

[18] RREUSE (2021), Achieving a Fair and Inclusive Circular Transition Trough the EU Social Economy Action Plan (Available here)
2.3 Broadening the appeal of social entrepreneurship.

RREUSE welcomes initiatives to increase the visibility of the social economy, like the Youth Entrepreneurship Policy Academy envisioned for 2022, which presents itself as a greeted opportunity to channel youth’s increasing interest in sustainable development and make them an active part of the present and future of the social economy. RREUSE welcomes the Commission’s envisioned measure and hopes it will deliver on its promise to give prominence to female entrepreneurs, by creating an equal, safe, and encouraging environment for women in currently male-dominated sectors, such as waste management, and promoting gender equality in both lower and higher managerial positions, as well as tackling the impacts of gender-stereotypes on aspiring social entrepreneurs.[19]


2.4 Increase data collection capacities and social measurement methodologies.

Although social enterprises’ raison d’être is to deliver social outcomes, because of more pressing front-line activities, some struggle to efficiently communicate their impacts as well as process, manage, and collect key data to measure their impact and upscale it.[20] Additionally, despite the EU financial budget allocated for it, only a few Member States collect supplementary data on the social economy. RREUSE welcomes the envisioned measures of mapping and reviewing existing impact measurement practices, as well as dedicated training for stakeholders to uptake successful practices, and is keen to collaborate with the Commission to provide examples of effective impact measurement stemming from its members.[21] However, RREUSE calls on the Commission to ensure approaches to social impact measurement are proportionate and adapted to the diversity of social economy actors as well as calls on the importance of not providing different measurement methodologies that might interfere with successful ones.

3. IMPROVE ACCESS TO FUNDING FOR SOCIAL ENTERPRISES

Access to funding is fundamental for the development and creation of social enterprises but due to the different legal status at the Member State level, their different sizes, and lack of visibility, social enterprises often struggle to come across relevant funding and business opportunities. RREUSE believes that such opportunities should be made as accessible as possible to allow social enterprises to develop and upscale their impactful activities, and overall push for alternative business models that contribute to a more inclusive, greener, and circular society. To do so, it remains crucial to empower public authorities, including at municipal levels, and regional and local networks of social enterprises on how to access relevant EU funding opportunities such as those stemming from the Multiannual Financial Framework (MFF) and recovery funds from the NextGenEU. RREUSE calls on the following actions:

3.1 Boost support to social inclusion and circularity through the ESF+ and beyond.

RREUSE welcomes the 2021 agreement on the ESF+ for a specific allocation of 25% of its budget to support social inclusion objectives.[22] However, RREUSE continues to stress the importance of new avenues and availability of funding that are specifically intended to incorporate the social and circular economy, urging for an increase of support to circularity, employment, training, and education schemes for the next funding implementation period after 2027.[23]


3.2 Earmark 10% of relevant EU funding lines to social enterprises and other social economy actors.

Alongside its partners, RREUSE continues to propose to allocate 10% of every relevant funding to social enterprises and other social economy actors across EU funds such as Horizon 2020, Just Transition Fund, Cohesion funds, European Regional Development Fund, which address circular economy, climate action, digitalization and economic transition for the implementation period starting after the upcoming 2021-2027.[24]

3.3 Promote funding opportunities for the social economy at regional and local levels.

RREUSE applauds the Commission’s proposed measures to boost the capacity of local social enterprises networks by promoting relevant EU funding, reinforcing partnerships under the European Social Economy Regions network, supporting EU networks active in the areas of microfinance and social enterprise finance, and its encouragement for Member States to set up designed local social economy contact points to create a specific entry-point for social economy actors to access, inter alia, EU and national funding, peer-to-peer support, and liaise with the national managing authorities. Additionally, RREUSE calls for the effective implementation of new platforms such as the EU Social Economy Gateway (2023) to allow for an inclusive capacity building adapted to the diversity of social economy entities. Social enterprises have strong local roots, driving local development by serving their community, employing the local population, and reinvesting their economic gains in continuing their activities. Investing in their local dimension is thus crucial to foster social cohesion and for the long-term sustainability of the sector.

3.4 Set flexible labour market integration policies with innovation and circular business models.

Social enterprises involved in a circular economy require flexible labour market policies to accommodate the evolving scenarios deriving from circular business models. As such, more synergies between labour market integration policies and support for social enterprises are needed to allow them to upscale their activities and impact, such as providing adequate subsidy schemes for wages or granting sustained flexibility to innovate for better environmental outcomes. RREUSE regrets not seeing specific measures to better the interaction between social and environmental measures and continues to call for the development of flexible labour market integration policies to allow for more synergies to support social enterprises’ circular activities.
3.5 Boosting social innovation opportunities.

Social innovation is an essential characteristic of social enterprises. In dealing with circular activities, their social innovators present innovative green and inclusive solutions to societal and environmental problems that have the potential to be reciprocated across other business models. This is why RREUSE welcomes the Commission’s envisioned measures of setting up a new European Competence Centre for Social Innovation and, under Horizon Europe, a European Social Innovation Catalyst Fund, calling for an inclusive implementation. Furthermore, RREUSE welcomes the ongoing initiative of Local Green Deals/citizenship actions, which can catalyse the expansion of the impact of social economy actors and communities acting at the local level. However, it calls on adequate funding to be provided to support such actions to ensure the large diversity of social economy actors have the potential to benefit from such opportunities, otherwise restraining, among other things, the uptake and reciprocation of successful green practices.

3.6 Providing adequate financial support for disadvantaged workers through State aid.

In the revision of the General Block Exemption Regulation (GBER)[25] that will take place at the end of 2023, the Commission announced it will consider whether the available evidence justifies easing the rules concerning state aid for social enterprises’ access to finance and with regards to aid for disadvantaged workers.

RREUSE encourages the Commission to adopt arrangements within the GBER framework for less stringent rules that permit the inclusion of different groups of disadvantaged workers by unlocking adequate financial support for their employment and training.

3.7 Guarantee a favourable VAT framework for social enterprises active in the circular economy.

RREUSE welcomes the Commission envisioned guidance on taxation frameworks for the Member States, and stresses the importance of providing a more favourable taxation regime for social economy entities and informing public authorities on the opportunities to support activities for the general interest. Given the changes within the newly amended EU VAT Directive[26], with new eligible grounds for VAT reduction and exemption that are likely to alter national frameworks going forward, RREUSE calls for the Commission guidelines announced under the SEAP to be employed for effective implementation of the Directive’s new rules and positive impact on Member States’ taxation policies.


4. ACKNOWLEDGE SOCIAL ENTERPRISES’ ROLE IN UPSKILLING AND RESKILLING TO MEET CHANGING MARKET NEEDS

Social economy actors, and specifically social enterprises involved in reuse, repair, and recycling activities, provide employment and training to people at risk of socio-economic exclusion (i.e. people with disabilities, long-term unemployed, migrants, etc.) while promoting skills concerning circular activities, overall contributing to a fair and inclusive green transition. Additionally, many social economy actors also promote an inclusive digital transition. For instance, during the COVID-19 pandemic, the social enterprises from the RREUSE network further accelerated the digital transition using digital tools and services and introducing multiple initiatives to tackle the digital divide.[27]

4.1 Fostering an inclusive green transition for the upskilling and reskilling of workers.

Social enterprises active in reuse, repair, and recycling are uniquely positioned to provide skills relevant to the green transition. However, as mentioned in point 2.4, many struggle to efficiently communicate their impact and because of more pressing front-line activities, acknowledge their full potential. RREUSE welcomes the new Stakeholder Partnership which, as part of the European Skills Agenda, supports the work on skills of the Proximity and Social Economy Industrial ecosystem, allowing for hubs for networking, knowledge, guidance, and resources[29]. Due to their position on upskilling and reskilling diverse targets of people, among which are vulnerable people, the Commission must maintain close cooperation with social economy stakeholders active in the circular economy for a more comprehensive European Skills Agenda and a more concrete awareness of skills needed to achieve a green transition.


4.2 Fostering an inclusive digital transition for the upskill and reskill of workers.

By nature, social economy actors provide employment and training opportunities that also embrace digital skills, overall contributing to the implementation of the European Pillar of Social Rights[30] in reaching the 80% target of people aged 16-74 having at least basic digital skills.

RREUSE welcomes the measures under the SEAP to boost partnerships between the social and private sectors in the circular economy. As mentioned in Section 3, social enterprises are often excluded from funding and business opportunities and this means so are impactful solutions for the circular economy. For a stronger implementation, RREUSE encourages stronger synergies between the SEAP and CEAP within the context of the European Circular Economy Stakeholder Platform, and the Enterprise Europe Network, among other networks, to strengthen the longevity and development of the sector. RREUSE and its members are keen to collaborate to provide guidance on good examples of partnerships between social enterprises and the private sector.

RREUSE’s report on digital transition sheds a light on the role its network of social enterprises plays through their activities in re-use and repair in promoting innovative digital tools such as e-commerce, traceability and reporting software, or ICT warehousing systems, helping the reskill and upskill of workers, overall ensuring an inclusive digital transition[31] even during the pandemic.[32]

Thus, RREUSE calls for the regional and local hub initiatives, as well as other capacity building measures, to emphasize the importance of digital education, especially for the most vulnerable categories (e.g. unemployed youth, migrants, low-skilled persons, and elderly), for the fostering of an inclusive digital transition and narrowing the digital divide between different social economy actors. Equally, relevant funding, such as the Digital Europe Programme[33], must be made as accessible as possible to the variety of social economy actors to support their digitalisation efforts and achieve greater social and environmental impact, in line with the EU’s ambitious digital ambitions.[34]

[31] RREUSE, How social enterprises contribute to the digital transition (Available here).
Conclusion

Overall, RREUSE and its members are pleased with the Commission proposals under the Social Economy Action plan, which pave the way for a more coherent framework for social economy actors and social enterprises active in circular activities to upscale, receive more visibility, and more targeted support. However, the effective implementation of many of these measures will depend on an effective implementation at the national level. RREUSE thus calls on the Commission for its effective monitoring and to maintain close cooperation at the EU level with social economy stakeholders to ensure social enterprises’ needs are properly addressed. RREUSE and its members are keen to continue collaborating with the Commission and sharing resources to ensure the SEAP delivers on the envisioned measures.

Social enterprises operating in reuse, repair, and recycling, alongside other social economy actors, are uniquely positioned to give a great contribution to both social and environmental objectives. RREUSE welcomes the acknowledgment from the Commission on the importance of linking the social economy with the circular for stronger and more targeted support to social enterprises involved in environmental objectives. However, it wishes to see more concrete actions for an effective merging of the two, such as in measures concerning social and green criteria in public procurement procedures or in enabling more flexible labour integration measures. RREUSE believes that a future economy that works for people and the planet is both social and circular, and sees the Social Economy Action Plan as an opportunity to leverage greater social value in the EU’s Circular Economy Action Plan to foster more sustainable business models for a socially inclusive green transition.

For more information please contact
Simone SCHIRRU, Policy Officer in Social Affairs
simone.schirru@rreuse.org
www.rreuse.org