

POSITION PAPER

ACHIEVING A FAIR AND INCLUSIVE CIRCULAR TRANSITION THROUGH THE EU SOCIAL ECONOMY ACTION PLAN

EXECUTIVE SUMMARY:

RREUSE calls for an ambitious Social Economy Action Plan which intrinsically links the social and circular economies. Social enterprises — *operators in the social economy whose primary objective is to have a social, societal or environmental impact over profit* — should be at the Action Plan's epicentre. Their transversal nature ideally posits them to deliver crosscutting social, circular and digital objectives, paving the way for a future economy that works for both people and environment. *To establish a sustainable EU socio-economic environment for social enterprises through a future Social Economy Action Plan, RREUSE recommends four main actions:*

1. Mainstream the social economy within circular policies and beyond

- Guarantee equal footing of environmental, social and employment sectors when setting ambitious EU-level targets for the circular economy.
- Systematically consider social criteria as part of policy impact assessments.
- Mainstream the circular and social economy within the European Semester process.
- Enhance institutional cooperation and legitimisation of social enterprise at EU level.

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

- Implement the use of social clauses and reserved contracts in public procurement.
- Empower consumers to buy social via a European social label.

3. Improve access to funding for social enterprises

- Boost support for social inclusion and circularity through the ESF+ fund and beyond.
- Earmark 10% of relevant EU funding lines to social enterprises and other social economy actors.
- Facilitate lower barriers to entry to loans and microfinance.
- Set flexible labour market integration policies to match evolving circular business models.
- Guarantee a favourable VAT framework for social enterprises active in the circular economy.

4. Acknowledge social enterprises' role in skilling and upskilling to meet changing market needs

- Commend social enterprises as key actors in delivering circular skills of the future.
- Provide business support for scaling up social enterprises and their partnerships.

RREUSE is a non-profit network organisation representing social enterprises active in the circular economy, notably in re-use, repair and recycling. RREUSE currently has 31 members from 26 countries in Europe and the USA, federating a wider network of approximately 850 individual social enterprises. These organisations collectively handle 1 million tonnes of goods and materials annually through which they provide job and training opportunities to over 100,000 individuals, many of whom are at risk of social exclusion. RREUSE's mission is to ensure that policies, innovative partnerships and exchange of best practices promote and develop the role of social enterprise and local inclusive jobs in the circular economy.

INTRODUCTION

The COVID-19 recession has further exacerbated existing inequalities and highlighted the interrelation between social problems and precarity, as well as the drawbacks of the current economic model. However, the crisis could also serve as a catalyst to redesign our economies to be more inclusive and sustainable.

RREUSE welcomes the European Commission's proposal¹ to develop a favourable policy environment for social economy actors, calling for an ambitious Social Economy Action Plan (SEAP) that would provide a policy toolbox enabling a green, fair and circular transition in the post-COVID economic recovery².

The SEAP's effectiveness relies on the intrinsic link between the social and circular economies, creating opportunities for new partnerships between social enterprises and the public and private sectors along different value chains. Social enterprises — *operators in the social economy whose primary objective is to have a social, societal or environmental impact³ over profit* — should be at the Action Plan's epicentre. Their transversal nature ideally posits them to deliver crosscutting social, circular and digital objectives, paving the way for a future economy that works for people and the environment.

In order to establish a sustainable EU socio-economic environment and maximise the Social Economy Action Plan's potential, RREUSE seeks to put forward the following recommendations relative to four priority areas:

1. MAINSTREAM THE SOCIAL ECONOMY WITHIN EU CIRCULAR POLICIES AND BEYOND

The Commission's Annual Sustainable Growth Strategy 2021⁴ focuses on the post-COVID recovery, encouraging Member States to ensure just and socially fair transitions and "*take actions to promote more circular economy*". However, despite the Circular Economy Action Plan (CEAP) referencing the social economy's potential to achieve dual priorities — green transition and social inclusion — a sound implementation of the link between the two is still missing. RREUSE believes that the SEAP must reinforce concrete actions in implementation of the CEAP. Adequate recognition and support for social economy actors within circular policies will allow convergence towards inclusive economies, and account for negative social impacts and externalities associated with our products and services. In addition, strengthening the links between the SEAP and CEAP can provide a blueprint for mainstreaming the social economy to other EU policy areas, for example by exploring opportunities offered by such sectors as renovation, within the new Renovation Wave strategy⁵. In order to achieve this, we encourage the following actions:

1.1 Guarantee equal footing of environmental, social and employment sectors when setting ambitious EU-level targets for the circular economy. Despite many positive statements, the social dimension of circular policies often remains an afterthought and research in this field is relatively limited⁶. To reverse this trend and develop robust socio-ecological policies embedded in a just transition framework, policy design should encompass a holistic target-setting approach. Some Member States and regions already showcased good practices by implementing cross-cutting and

¹ The decision was communicated in European Commission (2020) A strong Social Europe for Just Transitions available [here](#) and by Work Programme 2021 – available [here](#).

² European Commission (2020) Circular Economy Action Plan - available [here](#).

³ European Commission (2021) Social Economy in the EU (available [here](#)).

⁴ European Commission's Communication (2020) on the Annual Sustainable Growth Strategy – available [here](#).

⁵ European Commission (2020) Renovation Wave – available [here](#).

⁶ Llorente-Gonzalez, L., & Vence, X. (2020). How labour intensive is the circular economy? A policy orientated structural analysis of the repair, re-use and recycling activities in the EU. *Resources, Conservation and Recycling*. Full study – available [here](#).

multi-dimensional targets for the circular economy. In Belgium, the Flanders region set a target of 5kg re-use material/capita with a combined target to employ 3,000 full time equivalent in 2015⁷. France also interlinked environmental and social goals by establishing a Solidarity Re-use Fund to create 70.000 jobs by 2030 for the most disadvantaged groups within re-use and repair activities offered by social enterprises⁸. Of particular interest, this fund is financed by Extended Producer Responsibility (EPR)⁹, an economic instrument traditionally used to finance costs associated with waste management and not social inclusion. As such, RREUSE calls on the European Commission to consider setting social and employment objectives against circular economy related targets to stimulate a holistic and inclusive circular transition.

- 1.2 Systematically consider social criteria as part of policy impact assessments.** EU Better Regulation guidelines on policy impact assessment¹⁰ include a reference to account for environmental, social and economic criteria. However, when it comes to policy evaluation and assessment in practice, social impacts of policy decisions may be overlooked as they are not mandatory criteria. RREUSE believes that the effectiveness of EU environmental, and other, policies should regularly consider social criteria such as impacts on employment, skills and social inclusion. With regards to data collection which can aid such impact assessments, RREUSE is pleased to see that there are some ongoing academic efforts to research social impact and job creation in the circular economy. However, more empirical research concerning these issues is needed to reinforce synergies between environmental and social objectives.
- 1.3 Mainstream the circular and social economy within the European semester process.** An internal analysis of the European Semester Process¹¹ reveals that while National Reform Programs (NRP) reference social and circular economy, none of the NRPs merge the two together. We encourage the European Commission to ensure that the European Semester Process includes efforts to support circularity and the social economy as mandatory assessment criteria for their Country Specific Recommendations.
- 1.4 Enhance institutional cooperation and legitimation of social enterprise at EU level.** The transversal integration of the social economy to other EU policy areas requires improved institutional cooperation and awareness of the benefits of social enterprises on regional, national and EU level. RREUSE encourages the European Commission to undertake a comparative study of legal frameworks and conditions for social enterprises in Member States and regions in order to share good practices and foster sound public policies. In addition, RREUSE calls for an improved institutional framework and the establishment of a cross DG interservice annual working group focused on support for social enterprises and other social economy actors. Lastly, RREUSE suggests reinforcing the European Parliament's social economy intergroup and raising the visibility of social economy issues through other communication related actions, such as integrating a spotlight on social enterprises within existing thematic weeks such as the European Green Week.

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

Social enterprises active in the circular economy go far beyond contributing to the EU's economy. On the one hand, they facilitate social cohesion, well-being and resilience of communities by offering

⁷ OVAM (2017) Implementation plan for household waste and comparable industrial waste – available [here](#).

⁸ RREUSE (2019) France to create a Solidarity Re-use Fund– available [here](#).

⁹ RREUSE (2020) EPR and the Role of social economy re-use operators – available [here](#).

¹⁰ European Commission (2021) – Better regulation. Guidelines and toolbox – available [here](#).

¹¹ RREUSE (2019) RREUSE comments on the European Semester – available [here](#).

decent jobs to people at risk of socio-economic exclusion. On the other hand, they also enable a more resource-efficient economy through a wide variety of activities such as re-use and repair, and therefore participate in offsetting CO₂ emissions. To illustrate this, social enterprises federated by RREUSE generate between 20 and 140 jobs per 1,000 tonnes of products handled and valorised for re-use oriented activities, with the majority creating between 40 and 100 jobs per 1,000 tonnes¹². The differences in job creation figures depend very much on the activity model, product specificities and a range of other contextual factors. In 2019, they extended the lifespan of 214.500 tonnes of products, counterbalancing the average CO₂ emissions of approximately 107.107 EU citizens in 2019¹³. Given that RREUSE represents 105.000 employees, volunteers and trainees, it is evident that RREUSE achieved carbon neutrality by offsetting the average CO₂ footprint of all individuals engaged in its activities. This highlights the underlying opportunities of merging social and circular business models¹⁴. However, for the real value of social enterprises to be recognised, the following policy actions are needed:

2.1 Implement the use of social clauses and reserved contracts in public procurement¹⁵. The EU's Directive on Public Procurement¹⁶ allows Member States to reserve contracts for social reasons (i.e. employing at least 30% of disadvantaged workers). However, while some EU regions showed initiative to integrate social or environmental considerations into public procurement procedures, such practice remains an exception. RREUSE urges Europe's public authorities to implement the use of combined social and circular clauses in tendering procedures¹⁷ in order to safeguard and further develop social enterprises. RREUSE also asks to provide necessary training on innovative, green and social public procurement for local authorities to make better purchasing decisions that benefit societies in the long term.

2.2 Empower consumers to buy social via a European social label. Consumers are increasingly prone to making ethical choices. However, it may be difficult to evaluate the social impact of goods and services consumed. RREUSE supports the idea of creating a European Label for Social Economy Products boosting and incentivising companies to integrate social considerations and empower consumers to make informed choices.

3. IMPROVE ACCESS TO FUNDING FOR SOCIAL ENTERPRISES

Due to the absence of uniform national definitions of social enterprises and awareness of their social impact, social enterprises can often be excluded from accessing commercial business support and other funding mechanisms. RREUSE believes that empowering social enterprises and supporting their partnerships with local authorities, public and private sector provides an opportunity to improve Member States' economic models to become fairer, greener and circular. We need to cut red tape and unleash social economy actors' potential by improving their access to European funds from the Multiannual Financial Framework and the recovery funds envisaged in the Next Generation EU instrument. Governments and municipalities also have a key role to play in supporting the development of regional and national networks of social enterprises through genuine financial incentives and facilitation of favourable administrative and legal environments. Therefore, RREUSE calls to:

¹² RREUSE (2021) Briefing on the Contribution of Social Enterprises to Jobs in the Circular Economy – under publication.

¹³ RREUSE (2019) Network Impact, calculated via AERESS CO₂ calculator [here](#) in relation to Eurostat. Greenhouse gas emissions per capita [here](#).

¹⁴ RREUSE (2020) Feedback on the Circular Economy Action Plan – available [here](#).

¹⁵ RREUSE (2019) Social Public Procurement for Environmental Services - available [here](#).

¹⁶ European Commission (2014) Revised Directive on Public Procurement – available [here](#).

¹⁷ RREUSE (2015) policy paper on social clauses and how to implement them- available [here](#).

3.1 Boost support for social inclusion and circularity through the ESF+ and beyond. RREUSE welcomes agreement on the ESF+ to allocate 25% of its budget for social inclusion¹⁸. However, it is vital to further enhance avenues and availability of funding for social enterprises active in a circular economy in proportion to their economic and social importance. RREUSE urges that ESF+ will increase its support to circularity and other initiatives such as employment, training and education schemes that incorporate the social and circular economy.

3.2 Earmark min. 10% of relevant EU funding lines to social enterprises and other social economy actors. Social enterprises possess a high innovative and creative potential to contribute to the circular transition; however, most of them lack the capacity to run through cumbersome application procedures. RREUSE proposes to allocate 10% of every relevant funding call to social enterprise across EU funds such as H2020, Just Transition Fund, Climate, Cohesion funds, ERDF and others addressing circular economy, climate action, digitalization and economic transition. This should be coupled with special regulatory regimes similar to reserved contracts that directly contract social enterprises without regular application procedures.

3.3 Facilitate lower barriers to entry to loans and microfinance. The not-for-profit or limited profit aspect of social enterprises and other social economy actors makes it often difficult for them to access loans and microfinance under favourable terms especially where social enterprises networks are not well developed. Despite the fact that social enterprises carry out entrepreneurial activities similar in all aspects to those of for profit entities they are excluded to some aids like in Greece during the COVID-19 crisis where the recovery support was offered only to specific types of legal entities. RREUSE believes that social enterprises should be considered similarly to other undertakings or companies, even if they are not-for-profit. In line with this, banks and financial institutions should be encouraged to holistically support non-traditional economies and innovative circular and social business models through favourable and flexible conditions for loans and microfinance.

3.4 Set flexible labour market integration policies with innovation and circular business models. Moving away from the linear economy model inevitably entails sectorial labour market shifts. If we seek to live up to the goal to 'leave no one behind', it is crucial to create more synergies between labour market integration policies and support social enterprises active in the circular economy. RREUSE calls for enhanced cooperation between labour authorities and social economy actors to allow for flexibility in innovative new circular activities supported financially with subsidies for wages.

3.5 Guarantee a favourable VAT framework for social enterprises active in the circular economy. EU VAT system reform can play a role in the transition to a resource-efficient and more inclusive economy. Today, a number of EU Member States allow for reduced VAT rates on goods and services provided by social enterprises as they contribute to social welfare. However, this is far from the norm across Europe. RREUSE believes that the SEAP could reiterate the call for reduced VAT for products and services provided by social enterprises as part of the ongoing revision of the current VAT Directive, —an explicit provision— which has been removed from a proposal to revise it. In addition, differentiated VAT rates for key services contributing to the circular economy with high employment potential, such as re-use and repair, should also be explicitly encouraged within the Directive. It is also important to ensure that VAT could be reclaimable should a company decide to donate unsold overstock to social enterprises.

¹⁸ European Council (2021) European Social Fund Plus -available [here](#).

4. ACKNOWLEDGE SOCIAL ENTERPRISES' ROLE IN SKILLING AND UPSKILLING TO MEET CHANGING MARKET NEEDS

The rapidly changing nature of work is endangering decent work opportunities. Member States' policies should reflect market transformations and provide necessary regulatory frameworks to keep jobs alive by facilitating the development of skills and their transfer. The majority of RREUSE members and their wider membership are work integration social enterprises specialised in environmental services. Providing training, skills and employment to vulnerable groups at risk of socio-economic exclusion such as the disabled, long term unemployed, migrants, etc., is at the heart of their work. Provided the decrease in employment during the COVID pandemic, the role of social enterprise becomes essential and needs to be recognised through adequate investments, and support for developing social enterprises centres and networks. The SEAP should help scale-up social enterprises and partnerships to meet the market's changing needs and to support job-rich, inclusive, circular and digital transitions:

4.1 Commend social enterprises as key actors in delivering circular skills of the future. Social enterprises must be recognised as key partners providing 'green skills' for the circular economy, as well as reducing inequalities caused by digitalisation by prioritising manual skills over automation. However, some work integration social enterprises currently face challenges with the duration for support for work placement programmes or inflexible rules that potentially hinder their innovation. RREUSE sees the EU's Pact for Skills¹⁹ potential to promote joint action in training and relevant skills for all the working-age people across the EU and support to sectoral cooperation²⁰, as well as public and private partnerships. To achieve this, it is crucial to dedicate adequate funds to circular skills and more flexible VET schemes to meet social enterprises' ambitions²¹, and facilitate partnerships between traditional and higher-level educational bodies to integrate green skills in the educational programmes, map and address skills shortages, and establish uniform criteria for awarding certifications for future employability in the circular economy.

4.2 Provide business support for scaling up social enterprises and their partnerships. Public authorities should support the entrepreneurial ecosystem by promoting partnerships between social economy actors and business communities to engage in new sustainable business models such as product-service models or cluster collaborations. RREUSE considers the European Cluster Collaboration Platform (ECCP) as an important tool for enhanced strategic regional cooperation among industrial clusters across Europe, and calls for the continued support of social enterprises within support measures for clusters. Public authorities should also scale up their support to social enterprise networks, enabling the exchange of best practices and knowledge to achieve common goals.

CONCLUSION

Enabling and promoting the role of social enterprises as a fundamental part of the future economic model – which leaves no one behind – will be a demanding and gradual process. RREUSE believes that a future economy that works for people and 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. RREUSE is pleased that the European Commission acknowledges the central role of social enterprises in delivering cross-cutting social and environmental objectives, and urges their needs to be reflected within the SEAP. RREUSE affirms that more needs to be done to create a level playing field for

¹⁹ European Commission (2020) Pact for Skills – available [here](#).

²⁰ European Commission (2021) Blueprint for sectoral cooperation on skills - available [here](#).

²¹ RREUSE (2020) contribution to the Public Consultation on ESF support to Education and Training [here](#).



social economy actors. All stakeholders' involvement at EU, national, regional and local levels will be crucial to pave the way for more just and fair future economy, leveraging a socially inclusive green transition.

*For more information please contact: Julija Kekstaite –Policy Officer – Social Affairs at RREUSE
Contact details: E-mail: julija.kekstaite@rreuse.org.*



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.