

A new hope for the local development in Greece: The emergence of Social Economy

Dr. Konstantinos Kougias

Democritus University of Thrace (Greece)

Abstract

This paper addresses the rise of Social Economy and its importance for the local development and social cohesion in Greece. The recent economic crisis has contributed to the emergence of social solidarity networks and groups resulting in a growing interest in the role of social enterprise in tackling the vast social and economic challenges facing Greece. Local development is intrinsically associated with the functioning of social enterprises bringing together economic, social, cultural and environmental dimensions. Documentary research shall be used as a method in order to assess the added value of the SE for local development and social cohesion. We argue that social economy is a young sector with little sense of collective identity resulting in limited capacities in mobilizing local resources, stimulating the creation of social capital at the level of the community, and ensuring the welfare of the members of the community. Administrative irregularities, weak local government structures, lack of access to finance, poor conducive environment, and the fragmented reality of SE initiatives are identified as key barriers which are preventing social enterprises from scaling their operations and impact to local development. Finally, recommendations for future actions are discussed.

Keywords: Greece, Greek Social and Solidarity Economy, Local development, Social Cooperative Enterprises.

Introduction

From the 1980s onwards, the idea that local communities can serve their own needs through Social Economy Organisations (SEOs) has gained momentum globally, as it has become clear that economic and social development cannot arise solely from the growth of investor-owned enterprises (Borzaga and Galera 2014). Furthermore, the origin of local development can be traced back to the inefficiencies of centrally organized policy approaches that in the past proved to be unable to solve social and economic problems like unemployment (Grefe 2007). In order to promote sustainable local economic development macroeconomic policies for economic growth and redistributive policies aimed at poverty alleviation are not suffice. These interventions, even when successful, cannot guarantee sustainability over time nor a homogeneous distribution of development, as attested by the wide imbalances that can be found in many instances even within the same country (Boldini et al. 2017). For example, the growing budget deficits and the progress inglobalization make it increasingly difficult to adopt thekind of job creationmeasures that were once implemented,the top-down approach in drawing up andimplementing policies also has problems. Nationally uniform measures are ineffectivebecause factors inhibiting expansion in employment differ from region to region. Measures are needed that suit local

needs. In some regions, it may be the lack of employment opportunities that prevents expansion of employment. In others, there may be employment opportunities but a lack of workers with the skills that firms need. An effective use of limited financial resources calls for measures that suit local conditions, which in turn require bottom-up decision-making rather than the top-down approach (Giguère and Higuchi 2005). These limitations have two main consequences: the first is the relationship between economic development and the cultural and social components of local contexts, as each place is characterized by important stocks of cultural and relational capital and cannot be considered the mere recipient of economic development initiatives. Local development is intrinsically associated with a multidimensional concept of change bringing together economic, social, cultural and environmental dimensions; with innovation across and in the spaces between these dimensions (European Commission 2010). For the past two decades, tools and methodology have been developed, but the success of local development remains the product of a unique combination of human and material factors, which intersect in a particular place.

The second consequence is the increasing role as drivers of economic development of those organizational forms that incorporate social and solidarity elements (Boldini et al. 2017:2). This alternative approach conceives development as a social process driven by various factors (including economic, social, historical, and cultural ones). In this context, the Social Economy (SE) can provide local communities with the institutional tools to organize and harness their assets and resources and deploy them for their own social and economic development. In Europe, they have mainly developed to produce welfare services and integrated disadvantaged people to work; in developing countries they have emerged in various fields such as the delivery of micro-credit schemes, the construction of infrastructure, and the supply of community services thanks to the mobilization of local communities or the support of external actors (Borzaga and Galera 2014).

In the new sustainable development scenario, in which the nature of the process concerns relational, as well as material goods, two elements are particularly important: coordination among agents and mutualistic and solidarity networks that are needed in order to face uncertainty. Both are connected to the role played in this context by social and solidarity economy organizations. SE offers an approach to local development that provides potential for a new vision and added value compared to traditional approaches. It widens the structure of a local economy and labor market by addressing unmet needs and producing new or different goods and services, and by broadening the focus of the local development process by taking into consideration the variety of its dimension and building the required level of trust (Boldini et al. 2017).

Greece has experienced a sudden economic shock in terms of bankruptcies and decrease in demand, leading to drops in GDP growth rates and increase in the unemployment rate due to the crisis (Kougias 2018). Against this backdrop, the discussion on ways to recover from the economic crisis has also generated some interest in the role of social enterprise. It is expected that social cooperatives could be a vehicle for: (a) job creation and (b) offering support to people belonging to vulnerable social groups (people with disabilities, unskilled persons, etc.). As the SE is a relatively new concept

in Greece, very little research has been carried out on the country's social enterprise sector (Nasioulas 2012;2016, CICOPA 2013, Nikolopoulos and Kapogiannis 2014; Adam et al. 2018). With the purpose of addressing this gap, the article carries out explanatory and exploratory research by further elaborating two main inter-related research questions.

RQ1: What is the role that SEOs play in local and regional development in Greece?

The first question focuses on the existing situation of social enterprises in Greece. Emphasis is placed on the role of these organizations, and particularly on Social Cooperative Enterprises (SCEs/KOINSEPs in Greek) introduced by Law 4019/2011 and their connection to local development. It is argued that while the functioning of SEOs promotes a general sense of social responsibility at local level, however the current situation is rather challenging for them for being enabling factors that contribute to the localization of development.

RQ2: What are the factors that inhibit the potential of SEOs to be the motor of the local development through the activities they develop?

The second question links the findings of the first with the SE capacity to be part of the economic agenda for long-term structural change and local economic development in Greece. It is argued that the role of SEOs as agents for local development is currently limited. Administrative irregularities, weak local government capacities, poor conducive environment, lack of access to finance and the fragmented reality of SE initiatives inhibit SEs from scaling their operations and impact to local development and social cohesion.

These questions form one core argument, suggesting that while the broader social and solidarity economy in Greece is an old phenomenon mainly through the cooperative movements developed over years, recent legislation and political movements have shaped much of the recent activity. This means that the SE sector in Greece is a young and nascent sector with little sense of collective identity (Temple et al. 2017:93), resulting limited capacities regarding its dynamics to mobilize local resources, stimulate the creation of social capital at the level of the community, and ensure the welfare of the members of the community. However, the SEOs impact can be multiplied through organized action to speed up and spread networking and learning, cooperating and clustering, financing and scaling up.

The paper is structured as follows: In the first section the study defines and describes the concept of social economy. The second section carefully analyses the concept of local development. The third section explores the idea of local development and how it is interconnected with the functioning of SEOs. It is argued that, SEOs are at the core of local development strategies. In the fourth section, an empirical assessment of the existing situation of the Greek SE is provided. In the fifth section, the main findings are critically discussed, and certain explanatory variables are suggested. The contribution to the current debate is then outlined.

1. Defining the social economy

Theoretical and empirical references to the SE date back to the 19th century (Defourny and Develtere, 2000; Chania, 2001). The SE has been partly inspired by the cooperative movement which constitutes one of its major components (Defourny and Develtere

2000). Throughout Europe, numerous mutual provident societies and mutual assistance societies were set up. Key welfare services (including education, social and health care services) were originally developed by mutual aid and co-operative societies, and they were subsequently taken over or adopted by national governments as part of the process of constructing European welfare states. However, as public resources dwindled, SEOs gradually reemerged as welfare providers, and regained their role of key actors of local welfare systems in many European countries (Borzaga and Galera 2014). The term social enterprise was used for the first time in Europe, precisely in Italy in the 1980s, to identify the innovative private initiatives established by volunteer groups that had formed to deliver social services or provide economic activities designed to facilitate the integration of disadvantaged people (Borzaga and Galera 2012:89). It began to be used at the European level in the mid 1990s, especially through the works of the EMES European Research Network (Defourny and Nyssens 2008).

The core idea in the concept of the SE is that it seeks to capture both the social element as well as the economic element, inherent in those organizations which inhabit the space between the market and the state. Characteristic of a SE organization is to “provide services to its members or to a wider community, and not serve as a tool in the service of capital investment” (Huybrechts 2016, p.22). However, defining the SE is not unproblematic with different interpretations being utilized in different regions of the world. Attempts to define the SE have drawn on two main approaches. The first seeks to identify those legal and institutional forms which are part of the SE, while the second focuses on the common principles which inform those organizations (Defourny and Develtere 2000). Under this vein, a broad distinction can be drawn between the United States’s conception of the “non-profit sector” and the mode adopted in parts of Europe of the “third system”, and now, the SE.

The Johns Hopkins Comparative Nonprofit Sector Project (CNP) has developed a clear definition of the non-profit sector which focuses on voluntary entities which do not distribute profits (including social clubs, professional organizations, universities and hospitals, etc.) (Noya and Clarence 2007, p.10). The term “third system” derived from the European Commission’s 1997 pilot action “Third Sector and Employment” has broadened out to include all organizations that place a limit on profit distributions. Indeed, the European Commission has recently endorsed this view in the context of the Manual for drawing up the Satellite Accounts of Companies in the SE. Accordingly, this manual proposes the following working definition of the SE: “The set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The SE also includes private, formally-organized organizations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them” (CIRIEC 2012, p.17).

According to the above definition, the social enterprise is conceived as a private and

autonomous entity that operates productive activities according to entrepreneurial criteria. The SE is made up of private organizations that share four characteristic features: a) the objective is to serve members or the community, not to make a profit; b) autonomous management; c) a democratic decision making process; and d) the pre-eminence of individuals and labor over capital in the distribution of income. The term SE is thus used to define a set of organizations which share these characteristics and are historically grouped into four major categories: co-operatives, mutuals, associations and, more recently, foundations.

While there seems to be a broad consensus on the general meaning of the SE, when it comes to circumscribing the field of the SE however, there are diverging interpretations (Huybrechts 2016, p.22). There is a distinction between one broad and narrower views of the SE. In a broad perspective, the SE is referred to as a “third sector” that is located between the state and the private for-profit world including all types of nonprofit organizations. In a narrow sense, however the SE is used to designate the nonprofit, cooperative and mutual organizations engaged in commercial market-based activity. The CIRIEC report (2012) refers to this as a “market or business sub-sector of the SE”. Any type of production of goods and services can be organized a priori within the framework of the SE. SEOs are indeed present in agriculture, crafts, industry, finance and distribution, as well as in areas such as health, culture, education, recreation, social services and international cooperation and development (Defourny and Develtere, 2000). Over time, both the fields of activity and the types of organizations involved have evolved. For instance, co-operatives have evolved towards the pursuit of social aims and associations have taken an increasingly entrepreneurial stance. These parallel trends have resulted in a convergence of the associative and the co-operative forms (Borzaga and Galera 2014).

2. Local development and social economy: a theoretical perspective

Although local economic development seems to be nothing new, because it must have always existed, is a subject whose relevance is now clearly recognized by the majority of local, national and international actors. Local development became visible in a rather sudden way in the middle of the 1980s. It was the result of the conjunction of a particular economic (crisis of the traditional industries, widespread emergence of the services economy), social (persistent unemployment, new social exclusion forms in the cities) and political climate (decentralization, crisis of the central Welfare State, European integration) (European Commission 2010:10).

2.1 Defining Local Development

What do we mean with local economic development? We could distinguish between a descriptive approach and a more political oriented one. From a descriptive perspective local economic development would cover all economic activities which happen at local or regional level and/or have any impact on the localities. The purpose of local development is to build the capacity of a defined territory to improve its economic future and the quality of life for inhabitants (Clark et al. 2010:22). However, the political perspective of local economic development is far more interesting:

More than just “economic development at local level”, local economic development is a special economic self-help strategy originally invented by and for losers, disadvantaged social groups and/or disadvantaged communities on local or regional level (Birkhölzer 2009:3-5).

Hence, local development can be characterized as a dynamic process along three main lines: inputs, outputs and outcomes. The keywords associated to each are: - Inputs: area, sense of belonging, community, bottom-up, partnership, endogenous potential, proximity. - Outputs: local beneficiaries, self-help, increased incomes and revenues, access to services, quality, efficiency, relocation, diversification, new methods, and increased local value. - Outcomes: collective and common goods, development, strategy, regeneration, effectiveness, future, social innovation, empowerment, legitimacy, well-being, amenities, and collective intelligence (European Commission 2010:10).

Effective local development can reduce disparities between poor and rich places, add to the stock of locally generated jobs and firms, increase overall private sector investment, improve the information flows with investors and developers, and increase the coherence and confidence with which local economic strategy is pursued. This also give rise to better diagnostic assessment of local economic assets and distinctive advantages and lead to more robust strategy assessment (Clark et al. 2010:22)

The Organization for Economic Development and Cooperation (OECD) and the European Union (EU) adopted the expression of “local initiatives for employment development” to describe this movement of local initiatives. This expression was meaningful for two reasons: firstly it was more coherent with the type of local actions which were being implemented but not always co-ordinated; and secondly it expressed the immediate objective which was to create new jobs either in the private sector or linked with social utilities (Grefe 2007:93). Progressively common and connected characteristics appeared, adding value to the development process. These included: the ability of the partnership to create synergy between the objectives of the actors; the capacity of the bottom-up approach to mobilize new sources of information; and, the capacity of the pacts and agreements to create to offset the absence of the market process of co-ordination (Grefe 2007:94). As local initiatives for employment were giving more effectiveness and efficiency to national policies by defining new projects for creating new jobs, mobilizing new local assets and delivering information that was impossible to find at the national level, this led to states and international organizations giving more importance to the role of this “local development perspective” (Grefe 2007:94).

2.2 The role of SE in local development

Presenting themselves as an alternative to the market and to public production SE movements and initiatives emerged as a practical attempt of citizens to react to societal challenges and intervene directly in the economic sphere.

- It is generally agreed that local development needs: a synergy between the various actors in a given territory, a positive association of economic, social and environmental dimensions, an agreement on long-term prospects, and social

capital to consolidate the partnerships (Grefe 2007:95). On the other hand, SEOs are subjects to three constraints (Grefe 2007:95A “one-dimensional” constraint: since they are not committed to maximizing financial profit, social economy organizations can take into consideration various dimensions, types of values and expectations related to actors in the field of local development.

- A “short-term constraint” since they are not committed to an immediate or annual financial constraint, they can take into consideration the long-term effects of decisions and define actual development strategies.
- A non-opportunism or confidence constraint: by their nature social economy organizations are normally not expected to create a moral hazard. Their partners can thus have confidence in the functioning of these institutions and trust them.

These characteristics dependent on the specific utility function of SEOs allow us to understand why these institutions are at the core of local development strategies. This is because these characteristics enable them to take into account simultaneously a range of issues such as: the expectation of various stakeholders; the environmental and economic dimensions; and they are also able to simultaneously look at both short and long term prospects in order to define sustainable development strategies (Grefe 2007:96).

By correcting the functioning of an unseeing market the SE provides the means for adequately exploiting and channeling the citizens’ ability to solve key societal and economic problems in a number of general interest domains, including the provision of public goods such as food security, access to water and sanitation, energy security, health, education, and social services (Borzaga, Galera and Nogales, 2008). SEOs are more open to exchange between the production system and the local community due to their participatory governance structures and their attention toward social integration. This makes them better able to identify the demand arising from their communities and to produce the goods and services that are needed at the local level, as well as to leverage resources that would go untapped if they only relied on contractual and monetary relations (Boldini et al. 2017). The SE widens the structure of a local economy and labour market by addressing unmet needs and producing new or different goods and services, and by broadening the focus of the local development process by taking into consideration the variety of its dimension and building the required level of trust.

The relevance of SE to local development can be found in the type of services types of services it produces and their positive externalities at the local level. Due to their ownership and governance structure, SEOs tend to meet the specific needs of their members rather than respond to the rationale of profit maximization. These characteristics enable SEOs to distil and disseminate values and processes that are intrinsic to local development (Grefe 2007:96). Furthermore, they contribute to the improvement of socially and/or locally restricted markets, by addressing unmet needs and producing new/different goods and services which otherwise would not be available either because of a lack of profitability for private enterprises or because of restricted financial capacities within the public sector, and by widening the focus of the local development process by taking into consideration the variety of its dimension and in building the required trust (Borzaga and Tortia 2009).

The beneficial impact of the SE on social and economic local development can be seen from various perspectives. SEOs fight poverty and social exclusion; generate new employment; contribute to a more balanced use and allocation of resources; reduce information asymmetry; reconcile economic, social and financial development; build trust and social capital. Each of these roles is examined below.

Fight poverty and social exclusion

SEOs complement the supply of general-interest services that public agencies and for-profit enterprises fail to deliver for a number of reasons, including budget constraints, the incapacity to quickly grasp new needs arising in society. They contribute to keeping the production of goods and services close to the needs of the people that they serve. Compared to investor-owned enterprises, cooperative solutions are more inclusive and more oriented toward the promotion of general-interest goals, with a beneficial impact on well-being.

Job creation

SEOs play a crucial role in generating new jobs and protecting employment stability. They have the ability to mobilize local assets, which increases the effectiveness of local policies for employment creation. The local embeddedness of SEOs contributes to increasing the quality of local economic development as it allows the community members to be involved and to participate in the definition of the objectives of the development process (Boldini et al. 2017). They can also offer socially useful and/or ecologically sound workplaces, carry the main load of active labor market policies and offer a considerable and increasing amount of new and additional jobs, thus integrating long-term unemployed or otherwise socially disadvantaged, and developing a sustainable local or regional economy (Birkhölzer 2009).

More balanced use and allocation of economic and non-economic resources

The institutional structure of the SE organizations enables the participation of local actors in decision-making on how the resources available at the local level are to be used. Through their direct influence on the management of economic and social development, SEOs can thus contribute to a more balanced use and allocation of resources, to the advantage of the community (Borzaga and Galera 2014:15-16).

Internalization of external effects

SEOs consider the external costs resulting from the split between the economic and social dimensions and act as a lever for integration. Often complex project objectives demand support from private sector for the economic activity and from public sector for the social action. They have developed experience and provide a focus that is lacking in other organizations. Moreover, these organizations allow the building of bridges between financial and economic dimensions of local initiatives either by changing the environment of traditional financing actors in order to make them more sensitive to the local development needs or by creating genuine instruments, such as micro-funding (Greffé 2007:102).

Elimination of asymmetrical information

An imbalance of information between buyers and sellers can lead to inefficient outcomes in certain markets (Akerlof 1970; Spence 1973; Stiglitz 1975). SEOs are able to compensate for the lack of information and build links between provider and consumer thus stimulating new productive behavior because of their social purpose

and because they are restricted in their profit distribution (Grefe 2007:104).

Prevention of moral hazards

Trust is the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community (Fukuyama, 1996:26). In areas going through crises trust is crucial because there will be no development if projects clash or ever worse try to take advantage of the situation at the cost of the others. SEOs reduce moral hazards and create trust and social capital, which may in turn encourage the implementation of independent projects. They are a key factor in the distillation and dissemination of trust as:

- They take into consideration various utilities and expectations.
- They can reach the disadvantaged groups and neighborhoods being targeted.
- They understand new market needs and
- They create a forum for employment solutions growing out of the interests and activities of the targeted groups (Grefe 2007:112).

3. State of art in Greece

While cooperativism has a long history in Greece in relation to the agricultural and farming sector (Nasioulas 2012), prior to 2000 the SE sector was extremely small in formal terms, and quite insignificant in numbers until 2011 (CICOPA 2013). Greece's challenging socioeconomic context has played a major role in the growth of the SE sector since 2010, including factors such as a high unemployment rate, a lack of job security in the private and public sector, reduced public sector spending, and the emergence of political movements linked with the SE (Temple et al. 2017). It is beyond the scope of this paper to analyze the in-depth causes of the Greek economic crisis. Suffice it here to mention that the austerity measures taken to reduce fiscal deficits in the context of the Memorandum of Economic and Financial Policies agreed with the EU, the ECB and the IMF in May 2010 were introduced when the Greek economy was already in two years recession, and that made the latter deeper and more complicated (Kougias 2018). As the crisis deepened the need to support the real economy and territorial development, through a sustainable creation and distribution of wealth became obvious. At the same time, the decline of more traditional entrepreneurial models and mentalities has created space wherein SE can grow.

Within the real economy, cooperatives have a specific impact on territorial development because they are, by definition, aimed at satisfying the needs and inspirations of people in the territory in which they are embedded. In particular, two types of cooperatives play an important role in creating stable jobs and economic activities or maintain them where they are threatened (worker cooperatives), delivering social inclusion through work to vulnerable groups of citizens and providing health, social, educational, cultural and environmental services for the general interest of the community (social cooperatives) (CICOPA 2013:8).

A number of laws with respect to cooperatives have been passed between 1984 and 1994, which some consider to have had a negative effect on the model in general, in that they have made things more complicated and administratively burdensome

(Temple et al. 2017). In 1999, the Greek Government established a legal framework (Law 2716/99) that supported the creation of social cooperatives with limited liability for people with mental health problems (KOISPE).

However, the first legislative action introducing the concept of social economy was Law 4019/2011 on "Social Economy and Social Entrepreneurship". In its explanatory statement the law declared that its aims were (Kassavetis, 2013):

- a) To create new employment and provide inclusion in the labor market for vulnerable groups.
- b) To promote the covering of social needs, especially through the enhancement of social and solidarity economy and social innovation.
- c) The promotion of local development and social cohesion.

Law 4019 defined social economy and social cooperative enterprises in Greece for the first time. This law established the social cooperative enterprise (KOINSEP) as a new legal form in 2011, giving citizens of and residents in Greece the possibility to create cooperative enterprises with a social purpose. It distinguished (Art 2) three types of KOINSEPs:

- Social Cooperative Enterprises for Inclusion (KOINSEP Entaxis): These enterprises focus on the social and economic inclusion of groups at risk (e.g. disabled persons, drug addicts or former drug addicts, young offenders etc.). Furthermore, at least 40% of the employees in these enterprises must come from social groups at risk. As such they have the potential to reduce poverty and inequalities and offer decent work and contribute to economic growth at local level.
- Social Cooperative Enterprises for Social Care (KOINSEP Kinonikis Frontidas): These enterprises focus on the supply of social services for specific population groups such as elders, infants, kids and people with chronic diseases. These KOINSEPs have the potential to mainly contribute to good health and wellbeing at local level.
- Social Cooperative Enterprises for Collective/Productive purposes (KOINSEP Sillogikou and Paragogikou Skopou): These enterprises are active in the field of promoting local and collective interests, supporting employment, fostering social cohesion and local or regional development. They focus on the production of goods and the supply of services in the sectors of culture, environment, education, exploitation of local products, support of traditional occupations etc.

An important aspect of Law 4019/2011 was the creation and introduction of the MoL Registry for KOINSEP and KOISPE wherein all organizations were recorded. Five years later, Law 4430/2016 came into effect, which elaborated on the "Social and Solidarity Economy and the Development of its Actors". Law 4430 offered a new framework for diverse types of organizations or enterprises namely the diverse types of cooperatives as well as civil non-profit companies, associations and foundations under the registry of the Social Solidarity Economy (SSE) that have a clear collective and social impact, while also addressing a social need and enforced a set of unified criteria for their operation. This aimed to supersede and improve on previous legislation, including Law 4019/2011, which is no longer in force while broadening up the scope of SSE initiatives so as to include other legal entities (civil cooperatives, agricultural cooperatives) as well as other legal entities fulfilling certain criteria.

The law introduced a new legal entity, the workers' cooperative, and reduced the KOINSEP types to two (Inclusion KOINSEPs for the integration of vulnerable and special groups and Collective and Social Benefit KOINSEPs). The idea of 'social impact', in terms of collective and social benefit, has been defined and operationalized, something that was missing from previous legislation. All SE actors are requested to achieve a wider social benefit, which is defined as serving the social needs of the local or wider community by engaging in socially innovative practices, through activities related to sustainable development or the provision of general interest social services or social inclusion. Sustainable development refers to the promotion of environmental sustainability, economic and social equality, gender equality, and the protection and development of the commons by placing emphasis on the particular needs of local communities. Lastly, the MoL registry of SEOs was opened up to all legal forms that obtain the status of a SEO.

SEOs are no longer defined in terms of their legal form, but by their legal status, (i.e., any legal form may qualify as a SEO, as long as it satisfies the criteria set forth by the law). In short, these criteria concern entrepreneurial activity in the private market (revenues from public bodies should not exceed 65 per cent of total turnover within a three-year period), democratic governance (one member – one vote), and a well-defined social purpose with profit allocated to collective and social benefit (up to 95 per cent of yearly profits) (Temple et al. 2017).

According to the law, KOINSEPs (Nasioulas 2012):

- have a statutory purpose of social benefit, through the production of goods or the provision of services of collective and social character.
- present priority of individuals and labor over capital.
- employ a democratic system of decision-making. KOINSEP members participate with one vote regardless of the cooperative shares they own.
- enjoy autonomy in management of their activities.
- their profits are utilized primarily on the service of their statutory goals and secondarily for any eventual restricted profit distribution. In detail, profits are not redistributed to members, except in case such members are also employees. In that case, 35% of the profits may be distributed to them, a 5% should be reserved and the rest 60% should be invested in new jobs creation.
- they operate on the principle of sustainable development.
- a minimum of five members is required (seven members in case of SCEs of integration). Juridical entities should not be represented with a ratio over 1/3 of the shareholders. Participation of Local Administration Organizations and Public Law Juridical Entities is not allowed, except in the case of KOINSEPs of integration.

Social enterprises are closely interconnected with local development through the promotion of sustainable development. Cooperatives as distinct types of enterprises are expected to be conducive to four main aspects of the sustainable development paradigm: economic security, social justice, ecological balance and political stability (Henry 2012). In that sense, Law 4430 endorses a normative approach which intends to incorporate the political aspirations put forward by the late developments in the SSE movement in Greece and abroad. SSE is considered as a means for both the productive reconstruction of the Greek economy and for socio-economic

transformation because of its inherent features which distinguish SSE practices from typical private for-profit enterprises aiming at the reproduction of their capital base and profit-maximization (Adam 2018:103). All SSE actors are requested to achieve a wider social benefit, which is defined as serving the social needs of the local or wider community by engaging in socially innovative practices, through activities related to sustainable development. Art.2, § 5 of 4430 identifies sustainable development: as “the promotion of environmental sustainability, economic and social equality, gender equality, and the protection and development of the commons by placing emphasis on the particular needs of local communities”. In this respect, the functioning of social enterprises promotes a general sense of social responsibility at local level.

Research aiming to quantify the scale of the SSE in Greece claims that Law 4019/2011 was useful in terms of a regulatory environment, but not in terms of a wider social economy agenda and a broader social enterprise strategy (Nasioulas and Mavroeidis 2013). According to the latest report of Special Secretariat of Social and Solidarity Economy (2019) just before the introduction of the new Law (4430/2016), the number of the registered KOINSEPs reached 905. Law 4430/2016 provided that KOINSEPs should apply in order to re-register to the new Social and Solidarity Registry. From the total, only 610 (around 68%) were the entities that did apply (and 570 were finally re-registered), suggesting that, most probably, the rest of them were inactive. It is impressive that in the three years period, after the Law was introduced, the number of the registered SEOs had reached 1464 suggesting that since 2016, their number has been more than doubled (894 new entities registered). However, we should be very careful regarding the reasons behind the increased numbers. It is believed that some organizations are registered as SEs enterprises simply to access state subsidies associated with particular legal structures. In cases where these subsidies did not emerge, or where the tax regulations changed, these organizations have often simply become inactive (Temple et al. 2017).

One important aspect to which attention must be drawn is the fields in which SEOs are active. Despite the extraordinary numbers many of these entities are focused on productive purposes, rather than delivering a social service. Adam found that in 2016 of the 632 entities that had applied to the MoL registry in the time, 527 did not focus on addressing issues of social inclusion or issues related to social welfare but were orientated towards productive purposes (Adam 2016). According to 2019 MoL registry in the category of Inclusion KOINSEPs were the 2.4% of the total registered entities, while the majority of SEOs fell under the category of Collective and Productive Purpose (93.8%). This finding confirms the assessment of many researchers that the social enterprises that have been created fall into the category of entrepreneurship out of need and they don't belong to the innovative social entrepreneurship (Glaveli and Geormas 2018). Individuals after 2011 primarily set up SEOs not in order to explicitly serve a social goal for the wider public or particular population groups, but to create employment opportunities and carry out economic activities in a participatory and collective manner (Temple et al. 2017). Nasioulas (2016) questions the extent to which Greek SEOs are “social” noting that Law 4019/2011 was utilized by citizens as an emergency response business vehicle, involving intense tax-evasion, illegal and atypical labor and insurance contributions evasion, while posing core questions on the

incentives and calculations behind this intriguing booming market responsRegarding employment the contribution of KOINSPEPs' input is limited. In 2019 in the 1247 entities registered (KOINSEP and worker cooperatives) the employment reached 1332 persons. That means that a mean average was one employee per social enterprise. KOISPE Civil Cooperatives, and Civil Companies of Art are the ones which bear the burden of employment numbers. In 98 entities registered employment reached 1734 employees. The total annual turnover of the registered entities has been increased from € 8.6 million in 2014 to €31.8 million in 2017. However we should take into account the "booming" in the number of the registered entities as well as the fact that the majority of SSE organizations tend to break even or make minimal surplus resources implying that capital mobilization at the local level, is very low (Special Secretariat of Social and Solidarity Economy 2019).

While there are clearly areas for improvement, this cannot and should not overshadow the potential of SSE sector to provide social and economic transformation. Karditsa's eco-system is probably one of the most important in the entire country, as it is characterized by a holistic approach to SSE in terms of organizations, networking and collective action. Cooperativism and the SSE have been established culturally and operationally. Local authorities and financial institutions support the eco-system, while people understand the difference between the old model of farmers' cooperatives and the new SSE sector (Temple et al. 2017:44).

4. Discussion

The foregoing underline that a young SSE, albeit one with roots and foundations in the past, is on the rise. SEOs in Greece are seeking to tackle some of the country's most significant challenges, notably poverty and unemployment, but they are also seeking to promote and demonstrate an alternative economic model. Despite good intention the figures reveal a rather weak contribution to sustainable local development. There are a wide range of interplaying factors inhibiting social enterprises from releasing their potential to local growth.

Administrative gaps

'Reform pathologies' and 'path dependencies' which were highly evident in the Greek administrative system (Sotiropoulos 2004; Featherstone 2008; Zartaloudis 2013) have influenced the implementation of legislation regarding SE. The development of SEOs in Greece has to a large extent been prompted by top down trends, thanks to encouragement from the European Commission but also from bottom up civil society initiatives that have emerged to address the exponentially increasing social needs as a result of the crisis (Temple et al. 2017). However, the reform momentum appears weaker and the initiated programmes led to piecemeal transformations. Glaring examples of the lack of substantive implementation are the two action plans to develop an ecosystem for nurturing the SE and social entrepreneurship (European Commission 2014a:3).

Both devised in 2013 but none of them had been implemented. In the middle of the crisis and three years after the adoption of Law 4019 none of the publicly funded support schemes designed specifically for social enterprises, as recommended by

the Expert Committee or as foreseen in the Strategic Plan for the Development of Social Entrepreneurship, had been implemented (European Commission 2014a:4). The lack of regulatory tools made it administratively impossible to enforce the “Public Contracts of Social Reference” law that permits public authorities to take into account social criteria when awarding public contracts for services (European Commission 2014b:97). Amongst other administrative incapacities which justify poor implementation, the lack of common understanding of the concept of social enterprise among policy makers appears to be particularly relevant. This lack of consistency was specifically mentioned as an issue in the European Commission’s report on SE in the EU (European Commission 2014b:93).

Administrative irregularities have influenced the implementation of the recent Law 4430. Path dependency in law-making procedures and in particular a lack of coordination culture and enforcement mechanisms at the ministerial levels have not allowed for the formal recognition of all the constituent parts of SSE in Greece (Adam 2018). Adam observes “blockages in the process of unification which are mostly a matter of misalignment at two respective levels: a) between the provisions of legal entities specified within Law 4430/2016 and the criteria imposed on other legal persons to be registered as SSE actors; and b) between the criteria imposed by the different legal frameworks addressing the traditional social economy actors in Greece and the provisions of Law 4430/2016 (Adam 2018:108). Hand in hand with the above goes the fact that the two committees envisaged in the Law, the National Committee on Social and Solidarity Economy and the Coordinative Committee on Social and Solidarity Economy have not been formed yet.

Weak local government structures

With the enactment of Law 3852/2010 “New Architecture of Government and Decentralized Administration-Kallikratis Program” additional social policy responsibilities were passed to municipalities. The Kallikratis project tried to counter the typical weaknesses which can be summarized in the variety of distinctive policies at local level, the limited implementation of social protection actions, the existence of obsolete bureaucratic structures, the lack of networking and cooperation of stakeholders and the absence of monitoring and evaluation systems (Contiades and Tsekos 2008). However, this widespread redistribution and transfer of responsibilities to the municipalities was not accompanied by a corresponding transfer of resources (Magoulios and Pretsios 2015:292). This has allowed many to consider Social Cooperative Enterprises as a vehicle for the privatization of municipal social services sidestepping competition regulations and austerity measures (Adam 2017). Regarding KOINSEPs, limited support has been provided, mainly in the form of procurement contacts (Glaveli and Vairami 2015, cited by Geormas and Glaveli 2019). Geormas and Glaveli (2019:10) observe that the notion of social contracts has been misused as municipal authorities have used KOINSEPs in order to fill the gaps in municipal services. Thus, KOINSEPs were mainly used as subcontractors for public spaces maintenance, the provision of health or childcare services, running ski resorts and beach cafes, municipal auditoriums, stay dog shelters etc. In other words, KOINSEPs operated as staffing companies or as a means to mayors to provide jobs for their clientele.

Lack of a conducive ecosystem

During recent years, there has been a rapid increase in the number and types of entities that aim to support newly developed SEOs in Greece. This includes, amongst others, those who provide finance in different forms, workspaces or co-working spaces, business consultancies, incubators and accelerators, networks and trade associations. However, there is no sufficient data on whether existing support structures are fit for purpose or offer adequate support to SEOs (Temple et al. 2017:25). Furthermore, there is a lack of informed accountants and lawyers that know the legal status of social enterprise and can work to their advantage is a current obstacle. Consultants from different backgrounds and with different levels of quality are currently attempting to fill this gap (European Commission 2014).

No identity based on shared values

SSE initiatives do not constitute a coherent field as they do not share a common identity nor common goals. They have not managed to develop synergies with each other to an extent that would foster their sustainability and independence vis-à-vis the state and/or the conventional market (Adam 2017). This lack of coherence is closely tied with the country's low stock of social capital. Paraskevopoulos (2006) argues that the low level of social capital in Greece is linked to dominant role of the rent-seeking behavior of small and strongly-tied interest groups. Huliaras (2014) notes that civic society (NGOs, volunteers, civic activity) has grown in the last two decades but not as a bottom-up initiative; in contrast it was a top-down process linked to EU efforts and the generous funding of such civil society initiatives and the political mobilization of the Greek left party. The outburst of the economic crisis seems not to have signaled a large scale shift in Greece's frail model of voluntarism. Daskalopoulou (2016) identifies a statistically significant decline in the country's social capital level with public servants holding higher levels of social capital, albeit also declining as for the rest of the country's citizens.

Lack of access to finance

A lack of finance is seen as the largest barrier at both start-up and scale-up stages. In 2014 European Commission noted that a social investment market was non-existent in Greece. There were no specialist financial intermediaries or instruments that cater to the specific needs of social enterprises. Supply of finance to enterprises had dried up during the economic crisis, meaning that access of SEOs to finance was extremely difficult (European Commission 2014a:8). The situation has not changed a lot since then as there is a little provision of specialist investment or finance for SEOs (Temple et al. 2017:23), thus making it impossible for social enterprises to secure seed financing and financing for investment capital.

5. Concluding remarks

The preceding analysis has attempted to shed light on the contribution of the social economy to local development in Greece. We started by defining the SE and identifying the role of the SE in local development as an alternative to the market and to public production. From then on, we outlined the Greek SE and its connection to local development. By doing so we explained why there is no yet a solid impact of the

Greek SE to local development.

Social enterprise in Greece received a boost in recent years, thanks to the growing pressure on civil society initiatives to increase self-financing, lack of opportunities for many people to find a job, and last but not least, the law-making provisions for the SE. However, social enterprises are not yet part of the economic agenda for long-term structural change and economic development in Greece. Many SEOs are relatively small, and they are faced with extremely challenging economic conditions in which to start up, become sustainable and grow. In this challenging economic and social landscape their potential for creating sustainable economic structures, strengthening social cohesion and driving social innovation is undervalued. The role of social enterprises as change agents for a sustainable Greek economy is therefore currently limited.

The current situation is therefore rather challenging for SEOs, due to the lack of access to finance and general public support for social entrepreneurship; blockages in the process of the unification and harmonization of cooperative legislation; the unfair competition by the informal economy; the lack of specialist support, of networks in every geography and of a national network that could help make a stronger and more compelling case for the movement; the lack of managerial and professional skills, and the lack of systems of quality control on the services.

However, it is expected that their social, economic and environmental impact can be multiplied through coordinated activity on the side of social enterprises themselves, and with some actions planned on the side of public authorities. There are a number of means through which support can be developed:

- The improvement of networks information and sharing of best practices especially in the fields of participative management, producing and reproducing social capital and social marketing strategies.
- The establishment of development centers dedicated to the development of cooperatives and of the social economy.
- The increasing awareness of the social economy as a means of bridging the gap between the formal and the informal economy
- The provision of start-up seed capital as grants or loans to emerging enterprises
- The identification of alternative forms of finance
- The implementation of social impact management tools.

In particular to the local development (Greffé 2007):

- The “strawberry fields” model whereby growth is encouraged by linking local ventures whilst ensuring that local characteristics are retained.
- The “Umbrella approach” with intermediary support structures created specifically to be the carrier agencies for growth and for support the growth process at the local level.

If these steps are taken in a systematic and persistent manner, the concept of social enterprise will gain in strength in Greece that current activity will expand, including the continued likelihood of the emergence of ever more dynamic forms of social enterprise.

References

- Adam, S. (2016). Social enterprises, social and solidarity economy and youth: What role for policymaking? in M. Petmezidou, E. Delamonica, C. Papatheodorou, Al. Henry-Lee (Eds.), *Child Poverty, Youth (Un)Employment, and Social Inclusion*, The Comparative Research Programme on Poverty (CROP) of University of Bergen (UiB) / International Social Science Council (ISSC)
- Adam, S. (2017). Social Solidarity Economy in Greece: A priority agenda, Heinrich-Böll-Stiftung, <https://gr.boell.org/en/2017/10/04/social-solidarity-economy-greece-priority-agenda>
- Adam, S. (2018). Legal provisions for social and solidarity economy actors. the case of Law 4430/2016 in Greece, *International Journal of Cooperative Law*, 1(1):97-110
- Adam, S., Kavoulakos, K-I, Kornilakis, A. (2018). *The legal framework of Social and Solidarity Economy in Greece. The experience of public consultation and a first assessment of Law 4430/2016*, Thessaloniki: Heinrich BoellStiftung, <https://gr.boell.org/el/2018/07/17/thesmiko-plaisio-tiskoinonikis-allileggyas-oikonomias-stin-ellada> (available in Greek).
- Akerlof, G. (1970). The market for "lemons": Quality uncertainty and the market mechanism; *The Quarterly Journal of Economics* 84(3):488–500
- Birkhölzer, K. (2009). *The role of social enterprise in local economic development*, EMES Conferences Selected Papers Series. EMES Research Network.
- Bodini, R., Ciciarelli, L., Di Meglio, R., Franchini, B., Salvatori, G. (2017). *Putting the "Local" in Economic Development: The Role of the Social and Solidarity Economy*, The European Research Institute on Cooperatives and Social Enterprises (Euricse) and the International Labour Organization (ILO) Think Piece for the 4th World Forum on Local Economic Development, 17-20 October 2017 -Praia, Cabo Verde.
- Borzaga, C. and Galera, G. (2012). The concept and practice of social enterprise. lessons from the Italian experience, *International Review of Social Research*, 2(2): 85-102
- Borzaga, C., and Galera, G., (2014). *The potential of the social economy for local development in Africa: An exploratory report*, Directorate-General for External Policies of the Union, Directorate B Policy Department, Brussels.
- Borzaga, C., Galera, G. and Nogales, R. (eds) (2008). *Social Enterprise: A New Model for Poverty Reduction and Employment Generation*, Bratislava: UNDP
- Borzaga, C., Tortia, E. C., (2009). Social enterprises and local economic development, in Clarence, E., Noya, A., (eds.), *The Changing Boundaries of Social Enterprises*, Paris, OECD Publishing
- Chanial, P. (2001), *Justice, don et association*, Paris, La Découverte/MAUSS.
- CICOPA (2013), *Promoting co-operatives and the Social Economy in Greece*, research by CICOPA for the International Labour Organisation, supervised by Pierre Laliberté of ILO-ACTRAV.
- CIRIEC, (2012). *The social economy in the European Union*, Summary of the Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), Brussels
- Clark, G., Huxley, J., and Mountford, D. (2010). *Organising local economic development: The role of development agencies and companies*. OECD Publishing, Paris.
- Contiades X. and Tsekos Th. (2008). Policy proposals: Issues of planning and Organization of the Municipal Social Services, in X. Contiades, Th. Tsekos, E. Bitsani and N. Kalatzi (eds), *The restructuring of social administration at local level*, Athens: Papazisis pp. 199-250.
- Daskalopoulou, I. (2016). Social capital at the outburst of the economic crisis in Greece, 2008-2010, *International Journal of Business and Economic Sciences Applied Research*, 9 (2), 79-86.
- Defourny J. and Nyssens, M. (eds) (2008). *Social enterprise in Europe: Recent trends*

- and developments. EMES, European Research Network, https://orbi.uliege.be/bitstream/2268/11568/1/WP_08_01_SE_WEB.pdf
- Defourny J., Develtere P., (2000). The Social Economy: the Worldwide making of a third sector, in Defourny J., Develtere P., Fonteneau B. (eds.), *Social Economy: North and South*, Leuven/Liège.
- European Commission, (2010). *Cohesion policy support for local development: Best practice and future policy options*, CCI n.2009.CE.16.0.AT.081, final report.
- European Commission, (2014a). A map of social enterprises and their eco-systems in Europe. Country Report: Greece, European Commission
- European Commission, (2014b). A map of social enterprises and their eco-systems in Europe. Synthesis Report, European Commission.
- Featherstone, K. (2008). Varieties of capitalism and the Greek case: explaining the constraints on domestic reform? GreeSE Paper 11, Hellenic Observatory, London School of Economics and Political Science.
- Fukuyama, F. (1996). *Trust: Social Virtues and the Creation of Prosperity*, NY: Simon and Schuster
- Geomas, K. Glaveli, N. (2019). The Undelivered Potential of the Greek, Economic Crisis Born, Social and Solidarity Economy for People-Centred Local Sustainable Development The Case of Greek Social Cooperative Enterprises, Paper prepared in response to the UNTFSSSE. Call for Papers 2018 Implementing the Sustainable Development Goals: What Role for Social and Solidarity Economy?
- Giguère, S. and Higuchi, Y. (2005). Local Governance for Promoting Economic and Employment Development: Challenges for Japan, in S. Giguère, Y. Higuchi and JILPT (eds.), *Local Governance for Promoting Employment. Comparing the Performance of Japan and Seven Countries*, Japan Institute for Labour Policy and Training, Tokyo.
- Glaveli, N. and Geomas, K. (2018). Doing Well and Doing Good. Exploring how strategic and market orientation impacts social enterprise performance, *International Journal of Entrepreneurial Behavior & Research* 24(1):147-170.
- Glaveli, N. and Vairami, E. (2015). Research on Social Cooperative Enterprises in Greece, Summary Report. Aristotle University of Thessaloniki, School of Economics, MBA Programme [in Greek].
- Greffe, X., (2007). The role of the social economy in local development, in Noya, A., and Clarence, E., (eds). *The social economy: Building inclusive Economies*, OECD Publishing, Paris, pp. 91-119.
- Henrj, H. (2012). Guidelines for Co-operative Legislation, 3rd edition, Geneva: ILO
- Huliaras, A. (2014). The dynamics of civil society in Greece: creating civic engagement from the top, The Jean Monnet Papers on Political Economy, no. 10/2014, University of Peloponnese, Greece.
- Huybrechts, B., (2016). *Fair Trade Organizations and Social Enterprise: Social Innovation through Hybrid Organization Models*, Routledge Studies in Management, Organizations and Society, 1st Edition, Routledge.
- Kassavetis, D. (2013). Social Entrepreneurship in Greece, in K. Geomas (edit), *Social Economy. Theory, Experience, Prospects*, Enallaktikes Ekdoseis, Athens, (in Greek)
- Kougias, K. (2018). Kougias, K. (2018). Comparing Greece and Portugal: Common employment trajectories but divergent outcomes? *Economic and Industrial Democracy* 1–25, <https://doi.org/10.1177/0143831X18802925>
- Magoulios, G. and Pretios N. (2015). Structures and financing means of local government's social policy in Greece. A case study of Thessaloniki's municipalities. *Propedia Economics and Finance* 33: 287-302. Nasioulas I. (ed.). (2016). *Social Economy Themes - From social entrepreneurship, to social investments and social banking*, Social Economy Institute. ISBN: 978-618-80232-3-9. [In Greek]

- Nasioulas I., and Mavroeidis, V. (2013). The Social Business Sector in Greece. Systemic Failures and Positive Action Potentials based on strengths of the Hellenic Ministry of Development and Competitiveness, Report #10, GECES, Thessaaloniki, 2013
- Nasioulas, I. (2012) Social Cooperatives in Greece. Introducing new forms of social economy and entrepreneurship, *International Review of Social Research*, vol 2, issue 2: 151-171).
- Nasioulas, I. (2016). The Greek Law 4430/2016 on Social & Solidarity Economy: Breakthroughs and Backdrops, POLICY BRIEFS, Social Economy Institute <https://www.social-economy.com/law-4430-2016-en.html>
- Nikolopoulos, T. and Kapogiannis, D., (2014). *Introduction to the Social and Solidarity Economy. The suspended step of a possibility*. Athens. Ekdotis ton Sinadelfon (In Greek).
- Noya, A., and Clarence, E., (2007). *The social economy: Building inclusive Economies*, OECD Publishing, Paris.
- Paraskevopoulos, C. (2006). Social capital and public policy in Greece. *Science and Society, Journal of Political and Moral Theory*, 16, 69-105. [in Greek].
- Sotiropoulos, D. (2004). The EU's impact on the Greek welfare state: Europeanization on paper? *Journal of European Social Policy*, 14(3), pp. 267–284.
- Special Secretariat of Social and Solidarity Economy (2019). Yearly Report 2019.
- Spence, M. (1973). Job market signaling, *The Quarterly Journal of Economics* 87(3):355–374
- Stiglitz, J. (1975). The theory of 'screening,' education, and the distribution of income, *The American Economic Review* 65(3):283–300
- Temple, N., Varvarousis, A., Galanos, C., Tsitsirigos, G., and Bekridaki, G. (2017). Greece, Social and Solidarity Economy Report, British Council, available at https://www.britishcouncil.org/sites/default/files/greece_social_and_solidarity_economy_report_english_british_council_0.pdf
- Zartaloudis, S. (2013). Wielding Soft Power in a World of Neglect: The Europeanization of Greek and Portuguese Public Employment Services, *Journal of Common Market Studies*, 51 (6): 1178-1195.