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Opening Address: BAGFW President Ulrich Lilie – EUSES 27. Mai 2021

Good morning and a warm welcome to all participants on this second day of the European Social Economy Summit.

I would like to thank the organisers of EUSES for giving me the opportunity to address you today on behalf of the German welfare organisations, as President of the *Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege*, or in short: BAGFW, as we are commonly known. The European Social Economy Summit forms, in my opinion, a great opportunity to gather a significant number of important stakeholders and to show examples of best practice models.

Let me start with some facts and figures about the not-for-profit social economy:

In Germany, the not-for-profit social economy has over 1,9 million employees and over 2,5 million volunteers. These numbers underline the significance of the sector for the welfare state. We have a long tradition of not-for-profit social enterprises in Germany, which have dedicated themselves to solving societal or social problems within the framework of non-statutory welfare work and organised civil society. BAGFW is the collective voice of the six largest welfare organisations in Germany.

The landscape of the social economy in Europe is very diverse. For us, it is important that a distinction is made between for-profit and not-for-profit organisations. Furthermore, I would like to highlight that the respective competencies of social economy actors vary greatly depending on national regulations and the field of social policies in which they operate.

In Germany, for example, we have very specific legal requirements to obtain the status of a not-for-profit organisation, the so-called "Gemeinnützigkeitsrecht". This German not-for-profit law does not forbid surpluses, but it forbids any kind of preferential treatment of business partners or owners and it requests that all surpluses are entirely reinvested into the not-for-profit purpose of the organisation. Such a commitment includes less prosperous regions in innovative projects and secures access to social welfare projects for people, who would not be able to afford such services on their own and enables them to participate in projects for which they would otherwise not qualify due to a lack of profitability.

Therefore, we go as far as advocating for it being a prerequisite for social economy organisations to fully reinvest their profits in order to be recognised by the European Union and be eligible for EU funding programmes.

This leads me to my first question: Why are welfare organisations so important? And why do we need a strong not-for-profit social economy?

Especially now, with the ongoing Covid-19 crisis, not-for-profit social economy organisations with their dedicated staff as well as their many volunteers form the backbone of society. Hospitals, homes for the elderly or nursery schools are at the forefront of the pandemic. It is of crucial importance that these services are of high quality and are at the same time available and affordable for everyone. Since our driving forces are the social objectives and not the profits we generate, it is mainly not-for-profit organisations that ensure that rural areas which are much less profitable still benefit from high quality, accessible and affordable social services – also throughout the pandemic.

It is our commitment to provide these services especially where the need for them exceeds the means to pay for them. How social services can be sufficiently financed and how the recruiting of qualified staff can be enhanced is a matter which we will and need to discuss during this congress.

My second question is: What does the not-for-profit social economy do for Europe?

The not-for-profit social economy stands for and defends the values of the European Union, such as solidarity, pluralism, equality and respect of human rights. By ensuring that economic efficiency serves social needs, the not-for-profit social economy operates at the intersection of economic, ecological and social aspects, rather than subordinating one aspect for the other.

The not-for-profit social economy is capable of creating wealth that is not judged solely by its financial capital, but also, and above all, by its social capital. Expansion, double-digit profitability and profits are not the goal; rather, it is about contributing to the common good, social cohesion and the well-being of European societies. In order to be competitive, reached profits are fully reinvested in the services, for example in new equipment or innovative technologies.

Without the not-for-profit social economy, our welfare states would be less resilient and less strong. We see that especially in times of crisis. Working at a not-for-profit social enterprise means working for society; it means caring for people in need and always working in their interest by providing a safety net – especially for vulnerable groups. We thus actively contribute to the implementation of the European pillar of social rights. In doing so, the not-for-profit social economy is able to substantially offer meaningful occupations, an increasingly important aspect to many employees. We have to ensure, that the not-for-profit sector becomes an even more attractive employer, as we see a significant growth of demand for qualified personnel.

This leads me to my third question: Which framework conditions does the not-for-profit social economy in Europe need in order to pursue these social objectives?

First of all, the European Commission's forthcoming Action Plan for the Social Economy needs to be a strong political support for not-for-profit social enterprises.

In terms of public procurement law, the existing EU legal framework already allows contracting authorities to include social and ecological aspects within procurement procedures. However, in practice the use of social considerations in those procedures is not yet common and sometimes social features of a bid can even have adverse effects. For example, bidders who pay their employees according to collective wage agreements should not automatically be disqualified from a procurement procedure for being too expensive. The upcoming Action Plan therefore must encourage contracting authorities to use public procurement to pursue social goals. Let me give you an example: The main cost-factor in social services is wages. As I have mentioned earlier, we are looking at a massive demand for skilled social workers and must be able to offer attractive working conditions, including adequate wages.

Concerning EU state aid law, we firstly ask for an increase of de-minimis state aid thresholds for Social Services of General Interest of up to 800.000,- EUR over a period of one single fiscal year. Secondly, EU funding programmes in shared management – such as the European Social Fund – need to be generally exempt from state aid law. And thirdly, not-for-profit social enterprises need to have legal certainty by national authorities that their funding is legitimate under EU state aid law.

Finally, we need further and tailored EU funding for the not-for-profit social economy.

We notably need a stronger recognition of voluntary work as part of the not-for-profit social economy, for example through targeted EU funding programmes such as the European Solidarity Corps.

What do we conclude from this and what do we expect from the European Social Economy Summit and the upcoming Action Plan for the social economy?

The European Social Economy Summit is a meaningful platform for actors of the social economy to share best practice examples addressing the challenges in the social economy, such as personnel recruitment, the gender pay gap, financing, social impact assessment, volunteer work and work-life balance. However, there is a need for stronger political support and better framework conditions, especially for the not-for-profit social economy. It is very important to highlight the not-for-profit character of these organisations, as they reinvest their profits in their social purpose. We go as far as advocating for it being a prerequisite for social economy organisations to fully reinvest their profits.

We need an expansion of tailor-made funding programmes, such as for the promotion of social innovations and we need public procurement law, which strengthens social service providers by making use of social and ecological aspects. State aid law for

Services of General Interest needs to be further developed by fully taking into account the needs of the not-for-profit providers. Finally, yet importantly, we need a stronger support for voluntary work as part of the not-for-profit social economy, for example through more funding by the European Solidarity Corps.

I am looking forward to fruitful discussions with the different actors of the European social economy and I hope to gain an abundance of new insights from the different Member States. I wish you all a successful second day of the European Social Economy Summit. Thank you very much for your attention.