

Third System and Employment in Europe

Eric Bidet*

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<국문요약>

제 3 시스템은 대부분의 유럽 국가들에서 20년 이상 높은 실업률이 야기한 문제들을 다루는데 중요한 역할을 해 왔다. 이 논문은 이러한 역할이 무엇인가를 논하기 위함이다. 이 논문의 첫 부분은 유럽적 맥락에서 “제 3시스템”은 무엇을 의미하며 대부분의 유럽 국가들에서 그것의 실체는 무엇인가를 설명한다. 이와 함께 제 3시스템에 대한 유럽적 개념과 미국적 개념과의 차이를 지적한다. 두 번째 부분은 특히 일자리라는 측면에서 제 3시스템의 중요성을 다룬다. 또한 제 3시스템은 종종 유럽에서 지난 20세기에 가장 직업 창출이 많았던 분야였다. 마지막으로 세 번째 부분은 “사회적 기업”으로 불렸던 것에 초점을 맞추면서 실업에 대한 대응이라는 관점에서 제 3시스템의 기구들에 의해 수행된 역할을 다룬다.

주제어 : 제 3시스템, 사회경제, 실업, 직업창출, 사회적기업

* Assistant Professor, French Department, Hankuk University of Foreign Studies

I . What means Third System in Europe?

The term “Third System” (or “Third Sector”) usually refers to another economic system different from both the profit oriented sector and the public sector. It means economic organizations operating neither like the capitalist firm, nor like the state agency. Rather than a differentiation with market and state, TS is a differentiation with both capitalist sector and public sector. In Europe, this TS is traditionally referred as the Social Economy (SE). The concept has a more than one hundred years history in Europe. It gained a certain recognition at the end of the 19th century due to the works by French economists Charles Gide²⁾ and Leon Walras³⁾, and later in Max Weber’s works⁴⁾. Among others, Gide, Walras and Weber used the term of social economy to express their concern that the economic science should take into account ethics, moral, and cultural values besides the logic of interest and profit.

Initially, the SE was then a new development of the economic theory aiming to challenge the dominant economic theoretic framework based only on liberalism. At the beginning of the 20th century, under the influence of French economist Charles Gide the SE became a sector of the economy rather than a theoretic approach. It moved from the academic economic sphere to the concrete economic sphere. In the Gide’s description⁵⁾, the SE had 3 main parts: The social policies by the state, the workers associations, and the social schemes by the firms. A similar approach reemerged in the 1970's in France, then in other European countries like Belgium, Spain, Italy or the United Kingdom and also at the European Union level, to designate a group of economic organizations whose operation is different from both the public sector and the profit oriented sector. Concretely, according to the situation of each

2) Gide C, *Economie social* (Paris: Sirey, 1905); Gide C., *Coopération et économie social* (Paris: L'Harmattan, 2001).

3) Walras L, *Eléments d'économie social* (Paris: Lausanne, 1896).

4) Weber M, *The Methodology of the social science* (New York: The Free Press, 1949).

5) Gide C, *Op.cit.*.

European countries, the SE gathers now the cooperatives, the mutual benefit societies, and the association or other forms of nonprofits.

An important point is to stress out the difference between European and North American conceptions of TS the foundations, which are not democratically governed, are often not included in the SE. Despite this fundamental difference, SE and NPS are very close and both define itself as a third system besides the capitalist and the public ones.

II. Third System and employment in Europe

The issue of the third system and employment in Europe can be considered under 2 aspects: First is the importance of the SE in terms of employment in European economies, second is the role played by some SE organizations in relation with the struggle against unemployment.

For the first point, the data compiled by the Ciriec survey⁶⁾ in 2000 show that the SE represented about 9 millions FTE in the Europe of 15, i.e. about 8% of the total employment. 65% of these jobs are in the associations, 33% in the coops and about 2% in the mutual benefit societies. The new cooperative umbrella organization in Europe created in 2005 (Cooperatives Europe: www.coopseurope.coop) recently posted 4.8 millions FTE and 140 millions members in the 25 EU countries.

Regarding the different kinds of organizations forming the SE, one can also distinguish 2 functions corresponding to 2 different major status of employment: One is to protect the independent work from competition, from exploitation, or even from disappearance (this is typically the case of the agricultural coops, the craftsmen coops, or the retailers coops), another one is based on paid employment (this is generally the case of the users coops, especially

6) Ciriec, *Organizations of the Third Syete* (Belgium: Ciriec, 2000), p. 144.

the credit coops and the consumers coops, the mutual benefit societies, and the associations) and its function is to provide a certain range of services to customers or to beneficiaries. The workers coops are a specific case of organizations with workers who are both independent and salaried.

What is interesting to note is that in several European countries, for example France, the SE enjoyed an important rise of jobs during the last 2 decades whereas the general situation of the labour market was bad and most other sectors were declining in terms of employment. A few reasons have been put forward to explain that paradox:

- First reason is their deeper local involvement and their greater proximity with the users, the SE organizations have been less affected by international competition and the globalization.
- Second is the fact that many organizations of the SE, especially the associations, are engaged in dynamic sectors of the economy in terms of job creation, i.e. the social services and the services to persons (what has also been called 'services at home'). The for-profits do not invest these sectors that they consider as non profitable. Due to their ability to provide at lower cost and because these sectors of activities do not need an important investment, the form of the SE organization play here a central role
- Third reason is that SE organizations engaged in deeply market oriented activities realized better performance than their capitalist or public counterparts. It is true for market oriented organizations (for example the credit coops) as it is also for non-market oriented activities. The economic literature assume that their local involvement reduces the transaction costs and then makes the SE organizations more competitive than many for-profits or state agencies.
- Forth explanation is the fact that some SE organizations, especially workers coops, have been often created to preserve employment in companies threatened by bankruptcy.

(Employment in Social Economy in European countries)

Country	Coops FTE	Mutual benefit FTE	Associations FTE	TOTAL FTE
Austria	52,373	7,325	173,964	233,662
Belgium	33,037	11,230	161,860	206,127
Denmark	78,160	p.m.	211,322	289,482
Finland	75,896	p.m.	62,684	138,580
France	293,627	91,200	830,000	1,214,827
Germany	448,074	130,860	1,281,927	1,860,861
Greece	11,861	884	56,025	68,770
Ireland	32,018	1,000	118,664	151,682
Italy	479,738	p.m.	667,230	1,146,968
Luxembourg	1,979	28	4,733	6,740
The Netherlands	109,000	p.m.	660,000	769,000
Portugal	48,750	1,042	60,892	110,684
Spain	403,233	1,425	473,750	878,408
Sweden	90,718	6,991	83,084	180,793
United Kingdom	127,575	22,387	1,473,000	1,622,962
TOTAL Europe 15	2,286,039	274,372	6,319,135	8,879,546

(Employment in Social Economy in European countries)

Countries and types of organisations	Equivalent full-time jobs (FTE)	FTE as % of civil employment	FTE as % of salaried civil employment
France			
1.Cooperatives	293,627	1.43%	1.65%
2.Mutual companies	91,200	0.45%	0.51%
3.Associations	830,000	4.05%	4.66%
Total	1,214,827	5.93%	6.81%
United Kingdom			
1.Cooperatives	127,575	0.58%	0.66%
2.Mutual companies	22,387	0.10%	0.12%
3.Associations	1,473,000	6.65%	7.65%
Total	1,622,962	7.32%	8.42%
EUROPEAN UNION TOTAL (15)	8,879,546	6.57%	7.92%

III. The struggle against unemployment by the SE: The role of the Social Enterprise

The concept of Social Enterprise has been developed since the late 1990s. What led to the emergence of Social Enterprise is the combination of 2 broad trends: One is the persistence of mass unemployment and a large recognition that traditional programs to struggle against unemployment had failed to make the necessary connection between training and employment. The other one is the extension of the concept of welfare mix due to the withdrawal of the State as a provider for some welfare services that led to the creation of welfare markets and the introduction of new providers in the field of welfare. The Social Enterprise is at the crossroads between these 2 trends, it means they are involved either in the delivering of welfare services (for example: childcare or care to the elderly) or in the work integration of disadvantaged or disabled people (sometimes in both of them together).

Among Social Enterprises, a Work Integration Social Enterprise (WISE) is an autonomous economic structure whose objective is the professional and social integration of people victims of social exclusion through a productive activity with the support of training. The aim of a WISE is sustainable integration within the social enterprise itself or in a traditional enterprises. Two research projects realized between 2001 and 2004 provided an extensive knowledge on the WISE in Europe: The ELEXIES project⁷⁾ (2002–2003), and the PERSE project⁸⁾ (2001–2004).

7) See Spear R. & Bidet E, "The role of Social Enterprise in European labour markets," ELEXIES Transversal Report, *EMES Working Paper*, No. 4 (2001), p. 43. and: Spear R. & Bidet E., Social Enterprise for Work Integration in 12 European Countries: A descriptive Analysis, *Annals of Public and Cooperative Economic*, Vol. 76, No. 2 (2005), p. 36.

8) See: Davister C, Defourny J. & Grégoire O, "Work Integration Social Enterprises in the European Union: An overview of existing model," PERS Transversal Report, *EMES Working Paper*, No. 4 (2004), p. 30.

The ELEXIES project was a study of social enterprise providing work integration in 12 European countries. It was a collaboration between partners in 2 networks (EMES: www.emes.net and ENSIE: www.ensie.org) and the federation of worker coops and social enterprise (CECOP: www.cecop.org). EMES is a European network of universities and centres of research in all 15 countries of the European Union, and its researchers study social enterprise, the third sector and civil society. ENSIE (European Network of Social Integration Enterprises) is concerned with developing, supporting and representing work integration social enterprises.

The aims of the ELEXIES project were to:

1. Determine different types of social enterprise operating in the field of work integration in each country; and specify their numbers and characteristics: legal structures, support structures, links with policy measures; this constitutes a European database that is accessible on the internet to inform policy and practice.
2. Compare with the criteria of the EMES definition⁹⁾ as a basis for assessing best practices; this covers legislative means, the mix of resources (public, market, social capital), access to markets (public/private), competition issues and social clauses, support structures, target groups and the role of public authorities.
3. Based on these innovation criteria and other factors, select some cases for research and for each country write up case studies of best practices which are also published on the internet.

The main goal of the PERSE project was to measure the social and economic performance of WISE through the study of more than 150 WISE in 11 countries of the European Union, combining *three areas of study*:

9) See Borzaga, C. & Defourny J. (eds.), *The Emergence of Social Enterpris* (London: Routledge, 2001), p. 386.

1. The analysis of the various types of resources mobilised, be they market, non-market or social capital-based resources;
2. The measure of individual benefits (for the workers in integration) and of collective benefits (for society at large) generated by these enterprises;
3. The study of their organisational evolution over time and their interaction with public policies.

Both of them contributed to validate and give more credibility to the EMES definition of the Social Enterprise which had been built up from a more restricted and less systematic observation. A detailed information of the results provided by these 2 major research projects on the work integration social enterprise is available on the EMES Internet site (www.emes.net). I will only stress out here the main results of these 2 projects.

First, the ELEXIES project verified that one or several types of WISE exist in each country of the study. For different reasons, the number of types of WISE from one country to another one was very different from 1 (Italy) to almost 10 (Belgium), 4 in Germany, 6 in the UK. In the 12 countries surveyed some 40 different kinds of WISE were identified but 3 broad types of WISE emerged in terms of recognition and legal structures: WISE with their own legal framework and exclusively concerned with work integration (like type b social coops in Italy), WISE exclusively engaged in work integration but not enjoying a complete and specific legal recognition (entreprises d'insertion in France or Belgium, insertion companies in Portugal, social integration enterprises in Ireland), and WISE without their own legal framework and not exclusively engaged in work integration (worker coops in the UK). Although a few WISE can opt for a classical commercial status, like some enterprises d'insertion in France, the legal status preferred by most types of WISE is that of social economy (non-profit or cooperative).

Second important result of the ELEXIES project was to show very different

levels of maturity and development of WISE between countries: Some countries have older and more well established initiatives whereas other countries were at the very beginning in terms of work integration. In most countries, the WISE created to deal with the integration of disabled people generally appeared before other types of WISE: This is typically the case in Belgium (60s), France (70s), Finland (80s), Portugal (80s), or Spain (ONCE was founded in 1938, occupational centres and special employment centres in the 80s). The situation of the labor market is a key factor to explain such differences between countries facing high unemployment rates and a large structural unemployment for more than 20 years (for example: France, Spain, Belgium), countries like the U.K. or Luxembourg where the unemployment rate is kept around 3%, or a country like Germany where the labor market situation changed radically in the early 90s because of reunification.

The third result deals with the level of autonomy enjoyed by the different types of WISE. Some who have been part of the public sector still have the status of quasi-public enterprises. But in many cases there seems to be an increasing tendency for the state to distance itself from the management and the ownership of these enterprises. The autonomy can be closely related to the funding structure. There is considerable diversity within the WISE sector regarding the mix of funding and orientation (market oriented, mixed economies, state subsidized). According to the PERSE results, 3 types of WISE exist regarding their financing:

- The WISE mainly financed by market resources: this group includes integration enterprises in Belgium and Spain, temporary work integration enterprises, employers' groups for work integration and training and long-term work integration enterprises in France, worker co-operatives in the UK and labour co-operatives in Finland).
- The WISE mainly financed by public subsidies: Most German WISE are to a large extent subsidised by public authorities. This

trend is also present in the UK, in Intermediate Labour Market organisations: here subsidies mainly take the form of support for the activities carried out rather than the purchase of goods and services.

- The WISE mobilising a high proportion of donations and volunteering: In Spain, with the exception of social integration enterprises, WISE receive significant donations and/or volunteering. Community businesses in the UK also belong to this third group.

Forth, the mode of initiation of the WISE is often a key-factor to understand its reality. A WISE can be launched at very different levels: National, Regional, Municipal, Social Economy, Civil Society. And Support policies vary from the top down to bottom up, with a large and increasing intermediate category of partnership (which may be social economy specific or general). For a very similar goal, for example integration of the disabled people, initiative can come from the State (Samhall in Sweden) or from the civil society (social coops in Italy).

Fifth In many countries, the WISE deal especially either with disabled people or with other marginalized workers but the modes of integration provided vary a lot according to the type of structure in each country. The PERSE project pointed out 4 main modes of integration:

- Transitional occupation: The aim is to give the target group work experience (transitional employment) or on-the-job training, with a view to achieving the integration of these disadvantaged workers in the open labour market.
- Creation of permanent self-financed jobs: The aim is to create jobs which are stable and economically sustainable in the medium term for people disadvantaged in the labour market.
- Professional integration with permanent subsidies: The aim is to offer stable jobs, permanently subsidised by public authorities

for the most disadvantaged groups, for whom integration in the open labour market would be difficult in the medium term. These WISE employ mainly disabled workers, but also people with a severe "social handicap".

- Socialisation through a productive activity: In this last category, the aim is not professional integration in the open labour market (even though this possibility is not excluded) but rather the (re)socialisation of the target groups through social contact, respect for rules, a more "structured" lifestyle, etc.

Sixth result has to do with the categories of persons affected by the activity of the WISE. The 2 main target groups of European WISE are handicapped people and jobseekers with serious and sustainable integration problems. The term "sheltered workshops" or "sheltered jobs" is often used for the first category, to underline the fact that the work environment is adapted to the physical, mental or sensory handicaps of the workers. As for the second category, the PERSE project identifies 3 sub-groups: Jobseekers with serious social problems, "Hard to place" and/or long-term jobseekers, Young low-qualified jobseekers. Some social enterprises are concerned with specific target groups, while others are more generalist according to the existence of a specific legal framework:

- If there is a legal framework defining accurately the characteristics of the people that the enterprise can hire. This is the case of type B social co-operatives in Italy where, since 1991, the law has defined the target groups on the basis of the following criteria : physically or mentally handicapped workers, drug addicts, alcoholics, minors with family problems, prisoners on probation. Legal frameworks also exist in France and in Belgium for integration enterprises to define the people with social and professional difficulties entitled to subsidies. Many of the WISE studied belong

to this category, one third of them exclusively focus their work on the integration of the handicapped.

- If there is no legal framework. The managers of the enterprise can then define more or less accurately their target group. Generally, in this case, the characteristics of the people hired by WISE are rather varied.

IV. Conclusion

Dealing with the issue of unemployment and Third System in Europe led us to point out two different kinds of contributions of the TS: One is the importance of jobs inside the TS and the dynamic of the TS in terms of creation of jobs at a time when the general situation of the labour market was bad and most other sectors declining in terms of employment. The other one is the central role played by some organizations of the TS in relation with the struggle against unemployment. On that point we stressed out the prominent role played by the Work Integration Social Enterprise. The results of the two mains surveys recently realized on the WISE allow to draw up 5 main types of WISE in Europe:

- Social coops (Italy, UK, Sweden, Spain). These tend to be more commercial, offering permanent jobs. Worker co-ops and the labour co-ops from Finland may be considered an allied structural form.
- Associative structures providing temporary or permanent employment (voluntary organisations in UK, entreprises d'insertion in France and Belgium, work integration social enterprises in Ireland). These are often linked to specific target groups.
- Community owned structures with training or employment initiatives (Régie de quartier in France, Community Business in the UK,

Sweden, and Ireland). They often combine work integration with the socio-economic of a local territory and depend on mix funding.

- Transitional employment enterprises: In the UK (Intermediate Labour Market Organisations), France (associations intermédiaires, ETTI), Belgium (Entreprises de Formation par le Travail), Portugal (Insercion Companies), Luxembourg (Structures reconnues d'utilité socio-économique et Initiatives d'économie solidaire). The widely differing resource mix depends on the levels of disadvantage of individuals and communities.
- Sheltered workshops for disabled people: Such WISE exist in most of the countries, and there are even two main types of WISE in Sweden (social cooperatives and Samhall), and three different types of these WISE in Spain (ONCE, occupational centres and special employment centres).

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<Abstract>

Third System and Employment in Europe

Eric Bidet

The Third System has played a significant role to deal with the problems caused by a permanent high unemployment for more than 20 years in most European countries. This article presents in detail what is this role. The first part explains what means the term “Third System” in the European context and what is its reality in most European countries. It also stresses out the difference between European and North American conceptions of the Third System. The second part deals more specifically with the importance of the Third System in terms of jobs. It explains also that the Third System has often been one of the most job creative economic sector in the 20 last years in Europe. Then the third part explores the role played by some organizations of the Third System in relation with the struggle against unemployment focusing on what has been called the “Social Enterprise”.

Key Words : Third System, Social Economy, Unemployment, Job Creation, Social Enterprise

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성명 : Eric Bidet
소속 : 한국외국어대학교 불어과
C.P. : 02-2173-2282
E-Mail : ericbidet@yahoo.fr