

Lecture 1st: Introduction to Regional Development

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Development



1.1. Definition of “Development”

- According to Oberle, Stowers & Darby (1974), development is defined as the “process in which increasingly more members of a given area or environment make and implement socially responsible decisions, where the possible result is to improve the living conditions of some people, without affects negatively the living conditions of others”.
- Development is referred as an **economic development process**, which is attended by a long- term and irreversible structural changes.



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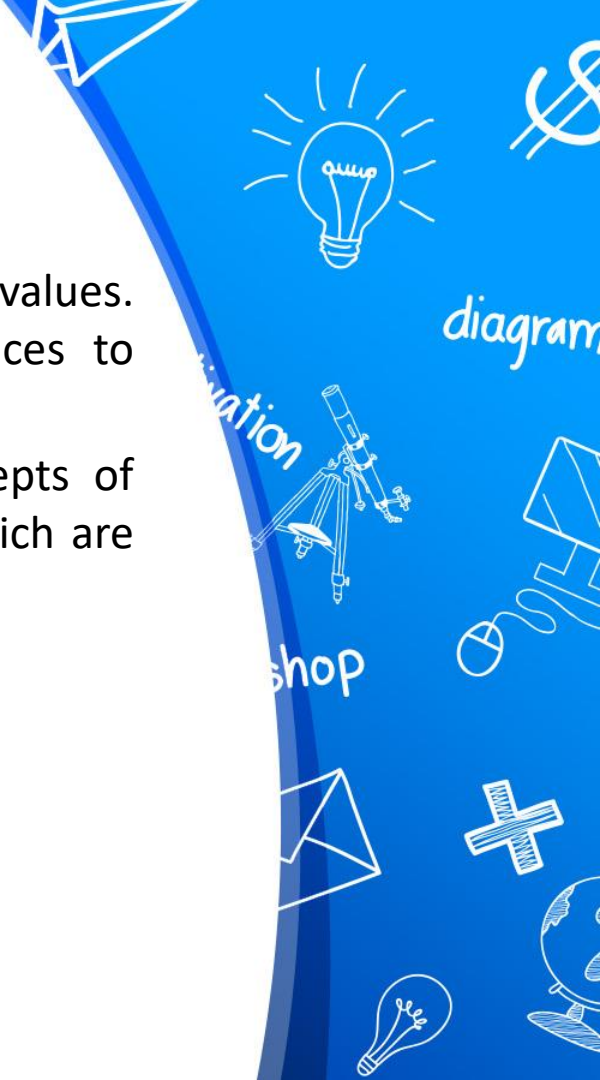


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1.2. Measuring Development (1/3)

- The term «development» depends on a combination of values. These values are historical realities, which make references to economic and socio-political situation.
- However, the term of development is changed the concepts of space and time, and correspondingly is changed indexes which are used to measure it.



1.2. Measuring Development (2/3)

- The most common indicator of measuring productive capacity of an economy is based on the term of **GDP- Gross Domestic Product**.
- It has to do with the total expression of the total volume of goods/ services, which are produced in a specific period (usually a year).
- **Per capita income (GDP)** is used to measure people's well-being, which is calculated by dividing the GDP of a nation by its population.
- There are many financial metrics for alternative metric measuring of human well-being, such as **Human Development Index (HDI)**. This indicator work as a bench mark both to the social and financial development.



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1.2. Measuring Development (3/3)

In the effort to measure development, there are presented indicators, which are based on physical quantities, such as:

- ❑ **living standard indicator** includes: food, health, education, housing, free time, safety.
- ❑ **economic complexity index** includes physical characteristics, such as distribution of the workforce across economic sectors, participation of manufacturing in the total industrial sector.



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Regional Development



2.1. Definition of “Region” (1/2)

- Region is a part of a natural space with specific characteristics and with defined and fixed boundaries.
- From the general further up definition occurs that:
 - a) the term “Region” is dynamic and static,
 - b) important role in the identification effort has the common characteristics, which are selected.
 - c) these characteristics often change and have as a result to differentiate the boundaries and the content and,
 - d) region is a constant and a geographically defined area, which differentiates it from the term of geographical space.



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2.1. Definition of “Region” (2/2)

There are three types of regions: **homogeneous, nodal and programming.**

- **Homogeneous region** is defined with two common characteristics, which reduce its internal disputes.
- **Nodal region** is defined by the relations of independence and hierarchy among the settlements, which are included in the region.
- **Programming region** is defined by terms decisions’ relevance, policy measures and in any case is continual geographically.



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2.2. Criteria of ranking Regions

- ❖ Development degree or problems
- ❖ Comparative advantage
- ❖ Sectoral specialization
- ❖ Objectives of Development policy in supranational associations
- ❖ Administrative division
- ❖ Customs and traditions, lifestyle
- ❖ History
- ❖ Tribal, ethnological and linguistic composition of population
- ❖ Social structure of population etc.



2.3. Regional Development (1/3)

- ❖ It is given emphasis on the region as a field of economic development and interventionism, which is one key characteristics of scientific research in the recent decades.
- ❖ In **Regional Development**, it is necessary to exist coherence among the different regions of a country toward the national average, which is based on one or more variables. These variables are defined by the lawmaker/ legislator of each country (top down development) or are the result of measures and requirements that begin from the bottom (bottom up development) and is guided upward.



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2.3. Regional Development (2/3)

- ❖ The term “Regional Development” is **interpreted with different ways for each programming region**, even if there exist similar regions or regions of the same country. This can happen, because the development is analyzed and is achieved separately for each region. Financial problems vary in combination with the society and politics, even if there are in neighboring areas.
- ❖ Regional development is contributed more than the state spatial planning (central or decentralized) and less than the operation free market.



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2.3. Regional Development (3/3)

- ❖ The regional development process is caused by the timeless change of the interregional economic structure, which is aimed for the regional economic development policy, using the proper means and carriers, in order to achieve specific objectives.
- ❖ This process contributes to the complete development of all regions of a country, as increase and diversify the productive capacity and develop their social, institutional and spatial organization.



2.4. Theories of Regional Development

Classical Theories (1940-1960)

- ✎ *Staple theory – resource base theory*
- ✎ *Interregional Trade Theories*
- ✎ Neoclassical theories (1960-1990)
- ✎ *Solow- Swan model the convergence hypothesis*
- ✎ Keynesian theories (1936-1960)
- ✎ *Uneven regional development theory*
- ✎ *Harrod- Domar models of economic growth*

Neoliberalism Theories (1950-σημερα)

- ✎ *Theory of regional development: Hirschman's theory*
- ✎ *The growth pole theory of Perroux*
- ✎ *Friedman's core periphery model*



2.4.1. Classical Theories (1/4)

1940-1960

Staple theory – resource base theory

- The first manifestations of this theory are made by Ricardo and Malthus.
- According to Ricardo, the key variables of the economic system are: a) **capital accumulation**, b) **population movement** and c) **trends in distribution of national incomes**.
- These variables lead to insufficient resources due to declining performance, in order to meet a constantly increasing population.



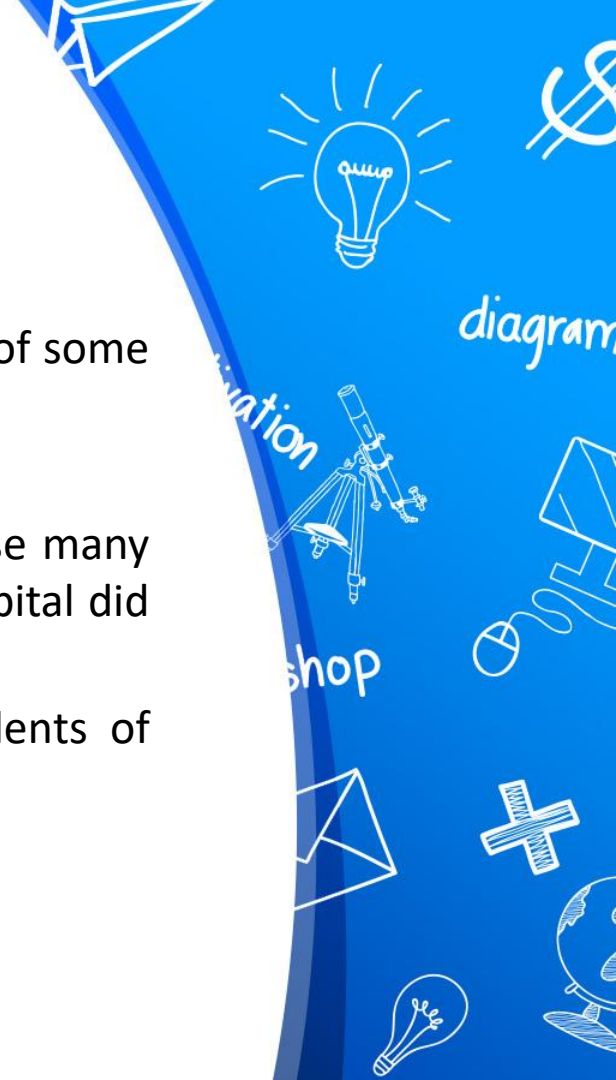
2.4.1 Classical Theories (2/4)

Staple theory – resource base theory

According to this theory, the reason for the underdevelopment of some regions/countries is a missing factor.

Missing factors may be:

- Lack of capital investment: as a factor can not exist, because many countries with rich culture of ancient civilization and rich capital did not develop just as others.
- Lack of entrepreneurship, which characterizes some residents of underdeveloped countries/ regions.
- Adverse environmental characteristics.



2.4.1 Classical Theories (3/4)

Interregional Trade Theories (Eli Heckscher & Bertil Ohlin 1933)

- According to this theory, regions and nations have specialized in financial activities, in which they have advantage and they use the factor of production, which they have in abundance.
- These factors, which are in abundance, they can be capital, land, labor or natural resources.
- Each region differentiates its production system and this leads to acquire specialization either in the production of goods or in the provision of services.
- Thus, it is activated the interregional trade with others regions, which they are specialized in different goods or services.



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2.4.1 Classical Theories (4/4)

Interregional Trade Theories (Eli Heckscher & Bertil Ohlin 1933)

- Thus, every region is led in wage equalization of the factors of production.
- Interregional trade among regions (or states), which have different factors of production (lack of one or the other factor of production), these lacks favor both regions.
- In a dynamic market environment, the specialization and the trade promote the right resources' allocation and the internal regional convergence.



2.4.2 Neoclassical Theories (1/2)

(1960-1990)

Solow- Swan model “the convergence hypothesis”

- The main hypotheses are:
 - there is a productive function which shows decreasing yields in terms of factors of production,
 - households save a fixed percentage of income, in order to create and accumulate capital.
- The model requires that, in order to exist economic growth in per capita income, it must be presented constantly (and in long term) innovations in the form of new products or markets or processes. Otherwise, the economy shows a recession due to the effects of declining rates of returns.



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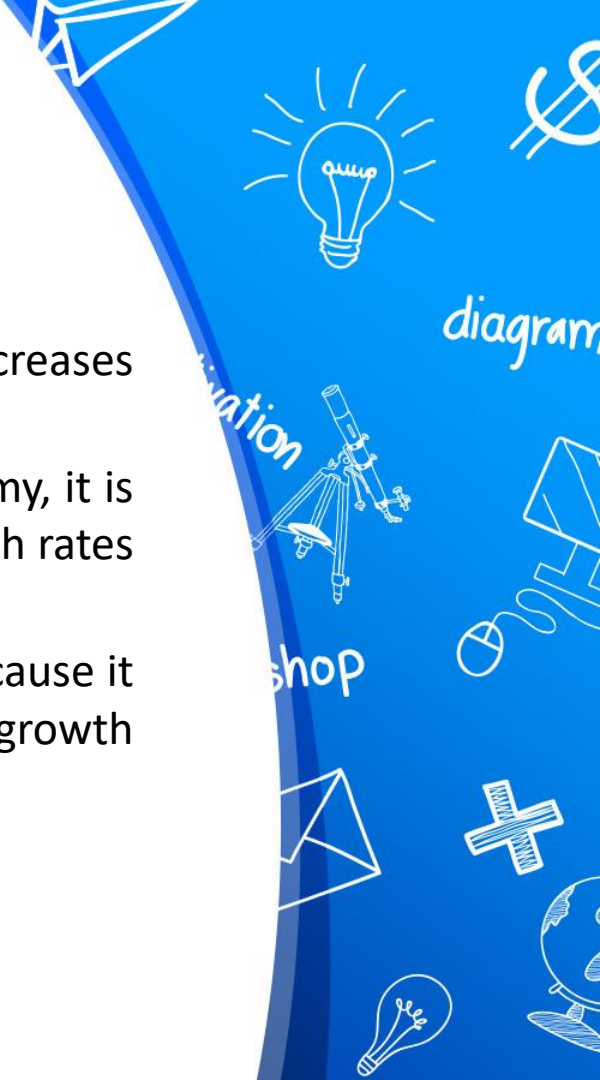
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2.4.2 Neoclassical Theories (2/2)

Solow- Swan model “the convergence hypothesis”

- An economy can enlarge only if its productivity increases exogenously and continuously.
- As long as technological progress is common to every economy, it is predicted a progressively convergence of the economic growth rates of poorer and richer economies.
- In this model, there isn't reason to exert economic policy, because it doesn't affect the long term growth of the economy, whose growth rate is exogenous.



2.4.3 Keynesian Theories (1/4)

(1936-1960)

Uneven regional development theory- Whitman

- In the case of a country with significant inequality among regions: the Keynesian mechanism of interregional exports and imports doesn't provide balance and makes the growth of the regions coverage, but it leads to a cumulative process of divergent growth.
- For example, in a industrialized region, the increase of exports due to investments leads to a current account balance surplus.



2.4.3 Keynesian Theories (2/4)

Uneven regional development theory- Whitman

- Marginal return of capital in the export field is increased causing an increase in the inflow of capital and labor to the industrialized region.
- Capital-labor ratio is increased such as their productivity and has as a result the reduction of export costs and the strengthening of the develop region. This provides a maintenance in the divergent growth.



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2.4.3 Keynesian Theories (3/4)

Harrod- Domar models of economic growth

In these models, regional growth rates are uneven and regional economic disparities tend to increase through the time, if there aren't external- economic balancing mechanism (e.g. government intervention).

- According to Richardson (1972), the model assumes that the economy produces only one good, which is used either as a consumer good or as a factor of production and the other factor of production is the labor.
- The returns to scale are constant and they don't show up any technological progress. There is also constant saving flow and the workforce increases and follows the populations growth.



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2.4.3 Keynesian Theories (4/4)

Harrod- Domar models of economic growth

- According to the model, regions will develop when there are higher momentum to save and lower working- capital ratios.
- Surpluses and deficits of regional balance of payments accounts, they receive the form of outflows and inflows capital.
- Net capital inflows constitute net increases in the total savings of regions, which can increase their growth rate. Thereby, regions with surpluses imports are increased faster than other regions.
- Likewise the labor productivity or the capital, regions with labor inflows due to increased internal supply, have the possibility to grow faster.



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2.4.4 Neoliberalism Theories (1/4)

(1950-Present)

Theory of regional development: Hirschman's theory

- Hirschman claims that the regions' differences in growth rate of per capita income are due to trickling down effects and to polarization effects, which industrialized regions exert to the poorer regions.
- Hirschman supports that in the first stages of development, there is intense polarization among regions (developed- undeveloped). In the final stages, there is a tendency for balanced development, which has to come with regional policy measures. These regional policy measures must be directed to key-sectors and not to all sectors, because the undeveloped regions don't have the tools to develop all the sectors.



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2.4.4 Neoliberalism Theories (2/4)

The growth pole theory of Perroux

- Growth shows up in growth poles and then spreads throughout the entire space.
- Growth poles are in specific spots of a place, there are either in industrialized cities or in urban centers which provide specific advantages.
- This process creates certain developed and undeveloped regions. A growth pole usually shows up a polarization of industrial activities in an urban areas.
- These industrial polarizations work as promotional industries and lead the economy to development (in the zone of influence of this pole) and they are spread throughout the region. Thus, this creates inequities, in relation to regions without growth poles.



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2.4.4 Neoliberalism Theories (3/4)

Friedman's core periphery model

- This model focuses on the power of external growth support, the strong external economies regions, which are in the core and the political and economic entrepreneurship, which transforms export demand into growth.
- Friedman (1966 & 1973) supports four stages of development, based on their share of industry GDP. These four stages are: pre-industrial (0-10%), transitional (10-25%), industrial (25-50%) and post-industrial (50% and above).
- Core regions are imposed on the rest regions during the transitional and industrial stage and they create inequalities. Cores, in the initial stages, are dynamic regions of development, that determine the development of the region. In the next stage, the growth diffuses as the dynamic - hegemonic role of the core gradually decreases.



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2.4.4 Neoliberalism Theories (4/4)

Friedman's core periphery model

Friedman's theory includes parameters, which shape the center-periphery relationship. These parameters are:

- spreading of innovation, which shaping socio-cultural models in the geographical area,
- migration, which shapes the model of housing grid,
- investments, which shape the establishment of economic activities and can contribute to decentralization,
- making- decision, which shapes the models of spatial organization of the authority, e.g. the compilation of management functions at the core.



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Lecture 2nd: Regional and Cross-Border Development- Needs and Priorities



ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory "Social Forces"



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 - 1.3. Factors of Regional Development
 - 1.4. Regional Problem
 - 1.4.1. Determinants of Regional Problem
2. Regional Development: Needs and Priorities
3. European Interreg programs and their contribution to regional and cross-border development
- References

1.1. Definition of “Regional Development” (1/3)

- ❖ “Regional Development” emphasizes on regions as a field of economic development and political intervention and it is one of the key elements of scientific research in recent decades.
- ❖ ***Regional Development is a necessity of cohesion of the different regions of a country to the national average*** and based on one or more variables, which are defined by the policy-makers of each country (top down development) or they are the result of measures and requirements that start from the bottom (bottom up development) and they are guided upwards.



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1.1. Definition of “Regional Development” (2/3)

- ❖ The term “regional development” is **interpreted differently for each regional planning**, even if they are similar regions or regions of the same country. This happens because the development is analyzed separately for each region. Economic problems in combination with society and politics are varied, even in neighboring areas.
- ❖ Regional development contributes more than state regional planning (centralized or decentralized) and less to free market operation.



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1.1. Definition of “Regional Development” (3/3)

- ❖ The process of regional development is caused by the all-time change of the interregional structure of the economy, which is pursued by the regional economic development policy and by using the appropriate instruments and bodies, in order to achieve specific goals.
- ❖ This process contributes to the integrated development of all regions of a country, as their productive capacity increases and diversifies and their social, institutional and spatial organization evolves.



1.2. Purpose and objectives of Regional Development (1/2)

- The main objectives of regional development policy are to utilize the development potential of a country's cities and regions and to reduce regional inequalities.
- More specific, as objectives are set the promotion of the development and the adaptation of areas with developmental delays, the support of economic and social reconstruction of areas which face developmental disabilities and the support to the adaptation in education, training and employment policies and systems.



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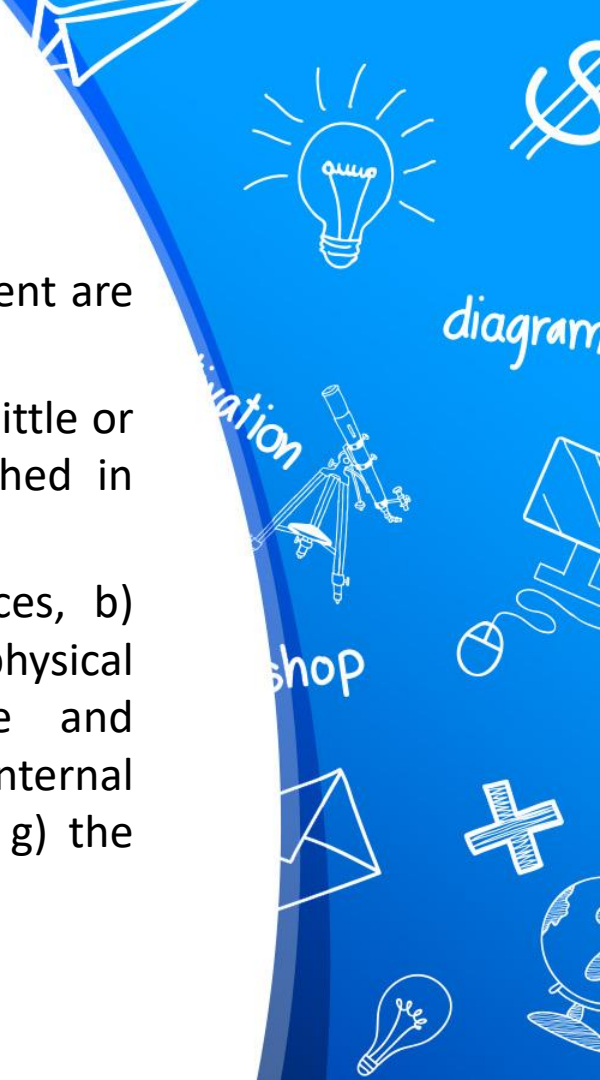
1.2. Purpose and objectives of Regional Development (2/2)

- Therefore, the regional development, nationally, aims to reduce the interregional inequalities and the strengthen of the country's cohesion and at the same time it specializes in individuals regional programs to utilize comparative advantages of each region with the aim to help degraded areas, to reduce the interregional inequalities and to reinforce the cohesion within the country.



1.3. Factors of Regional Development (1/4)

- The determinants regional factors in the regional development are distinguished to those of **closed and open economy**.
- In the case of the “closed economy”, i.e. the economy with little or no external economic relations, the factors are distinguished in domestic statistics and dynamics.
- **Statistical factors include:** a) natural and human resources, b) geographical location and size of a regional economy, c) geophysical and climatic environment, d) level of infrastructure and technological development, e) the overall size of the internal market, f) regional development management system and g) the existing institutional framework.



1.3. Factors of Regional Development (2/4)

- **Dynamic factors include:** a) the mobility of factors and production within the country (labor and capital), b) interregional economic and technological interconnections, c) possibility to utilize the economies of scales and the economic concentration, d) interregional, trade and investment competition, and e) technological progress and effects of intervention policies.
- All these factors, as a whole, determine the **intensity of the concentration economies** (consolidation economies, urbanization economies) of regional economy, which are the **main cause of regional disparities**.



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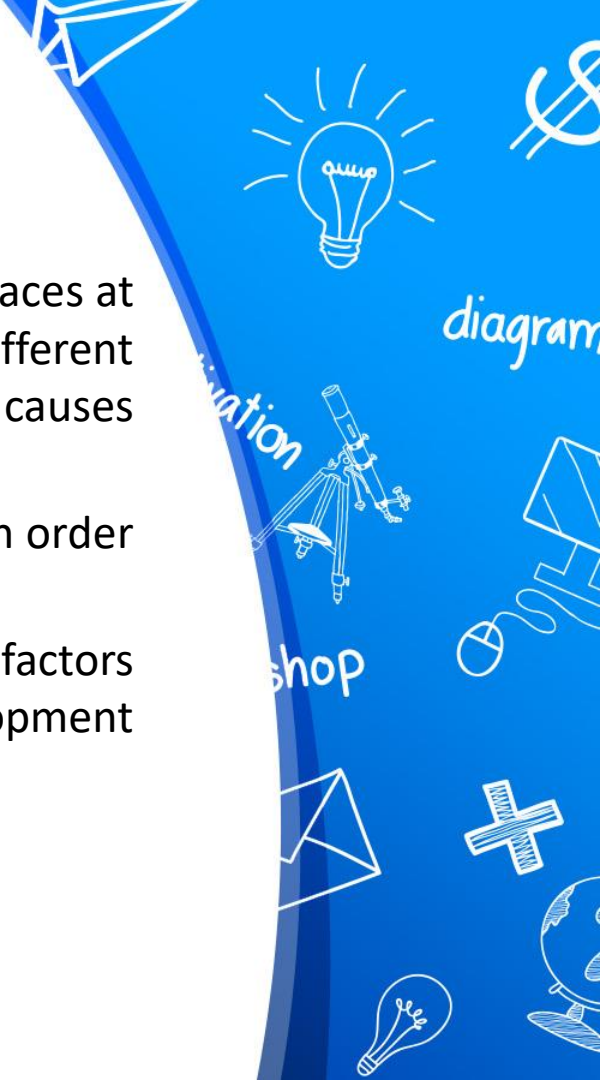
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1.3. Factors of Regional Development (3/4)

- According to Peroux (1981), there is not development in all places at the same time, but instead it manifests in places with different intensities. It is expanded through different connections and causes different effects to the whole economy.
- The same development process needs regional inequalities, in order to work.
- The term “regional inequality” is the mechanism through which factors of production are mobilized and the overall economic development is achieved.



1.3. Factors of Regional Development (4/4)

- With regard to the “open economy”, due to the intense external economic relations, the regional development is determined by domestic and external factors.
- Regions that belong to an open economy, they have the opportunity through internal and external economic transactions to increase their productivity, due to their specialization in products. These products have the competitive advantage and can raise or allocate funds easier and with better terms.



1.4. Regional Problem (1/2)

- The regional problem of a developed country is usually due to the structural inequalities of the economy that exists over time between the center and the region and it arises, on the one hand, as a result of the desired high rates of economic development and on the other hand, the absence of long-term strategic development plan at regional level.

It is the spatial asymmetry in the development of a country or a geographical area and the consequent regional economic and social imbalance.



1.4. Regional Problem (2/2)

The regional problem is reported:

- 1. To the unequal development that exists in the whole world** (e.g. unequal development between the western world and the “third world”).
- 2. To the unequal development that exists in units or economic associations of countries** (e.g. inequalities between members state of the European Union).
- 3. To the unequal development within countries’ regions** (e.g. intense social and economic inequalities between regions or between urban and non-urban areas).



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1.4.1. Determinants of Regional Problem (1/9)

- Generally, the **factors** that create **regional inequalities**, they are directly related to the **weaknesses of the market mechanism**, the **unequal distribution of natural resources**, the **existing institutional framework**, the **structure of the regional economy** and its **sectoral structure**.



1.4.1. Determinants of Regional Problem (2/9)

These are the most important determinants which contribute to the creation of the regional problem:

- Geographical factors
- Regional economic structure
- Low mobility of labor and capital
- Institutional factors
- Political factors
- Cultural factors
- External economies
- Environmental factors
- Lack of support for innovative activities
- External audit
- Business initiative limited



1.4.1. Determinants of Regional Problem (3/9)

Geographical factors:

- The lack of natural resources and raw materials in one region has determinants impacts in its developments, because this is poor in resources and raw materials has big development disadvantage in relation to other more rich regions.
- The long distance of a region from a development center of a country can lead to geographical isolation.
- In geographically isolated areas, there is usually a lack of specialized services and the access to networks and new technologies is more difficult.



1.4.1. Determinants of Regional Problem (4/9)

Regional economic structure:

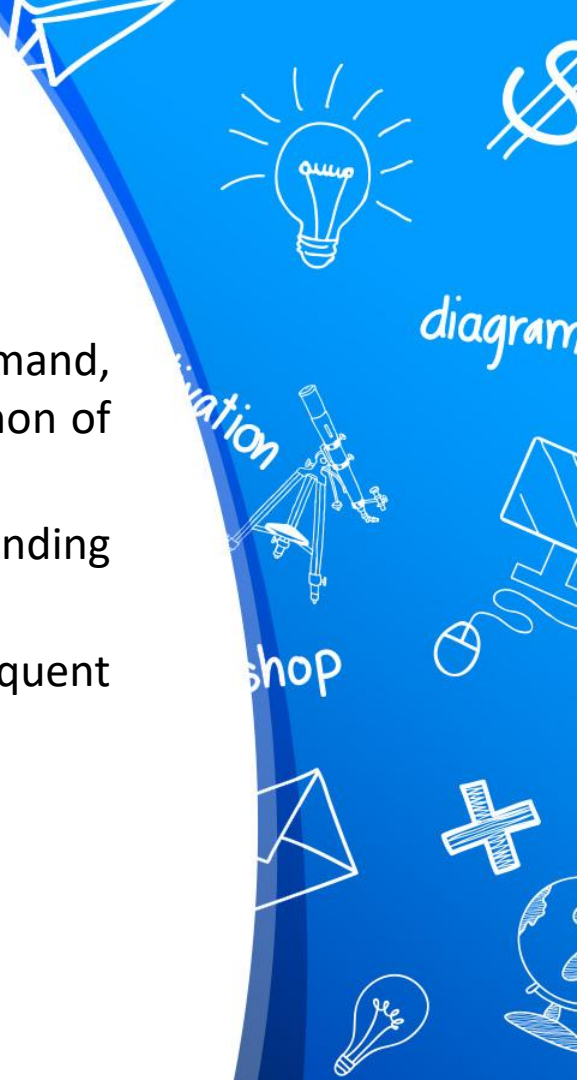
- Regions that are based on traditional industrial sectors or regions with old technology, they have many possibilities of declining, if there is a reduction to demand in their products.
- This will lead to an increase in the unemployment rate and a decrease in their growth rate.



1.4.1. Determinants of Regional Problem (5/9)

Low mobility of labor and capital:

- It is a fact that there is labor mobility to regions where is demand, but it is slow. Otherwise, there would not exist the phenomenon of modern internal or external migration.
- The cost of this mobility is quite high and has corresponding consequences.
- And the capital mobility presents imperfections, as a consequent there is inequities in income and employment.



1.4.1. Determinants of Regional Problem (6/9)

Institutional factors:

- The over- concentration of decision- making power in the central public administration, it has as a consequence to weaken the ability of regions to share their local and regional affairs. But it also reinforces the tendency of over- concentration of the population in the already densely- populated urban centers.

Political factors:

- Important events such as wars, violent population mobility, dismemberment of states, destruction of natural resources, regions' inclusions in the national structure of a country at different times can bring crucial problems in national and international level.



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1.4.1. Determinants of Regional Problem (7/9)

Cultural factors:

- Areas with low culture show illiteracy, child mortality and population growth in areas with few employment opportunities. These factors increase significantly the regional problem.

External economies:

- The existence of important infrastructures in capitals and big urban areas, the high communication and transport systems in combination with the specialized workforce create external economies and the companies are oriented to settle in prosperous regions. These help to extend the regional problem.



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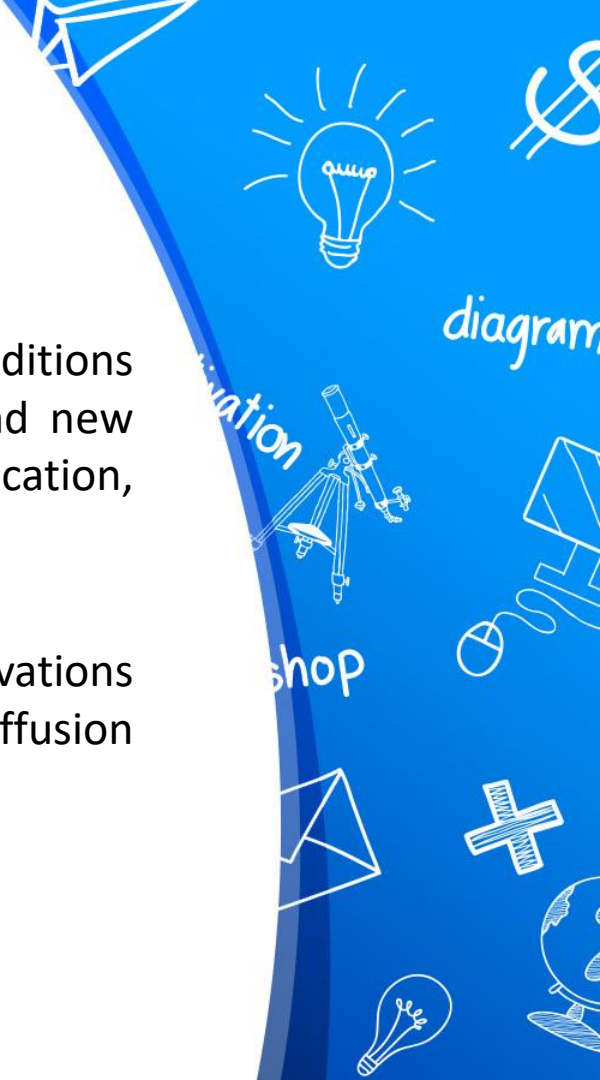
1.4.1. Determinants of Regional Problem (8/9)

Environmental factors:

- The natural environment in combination with the climate conditions of each region is important factor in attracting tourism and new investments in many sectors (e.g. technology, research, education, etc.).

Lack of support for innovative activities:

- The lack of opportunities for development inventions, innovations and absorption of the results of technological research by diffusion centers could be the main cause of regional inequalities.



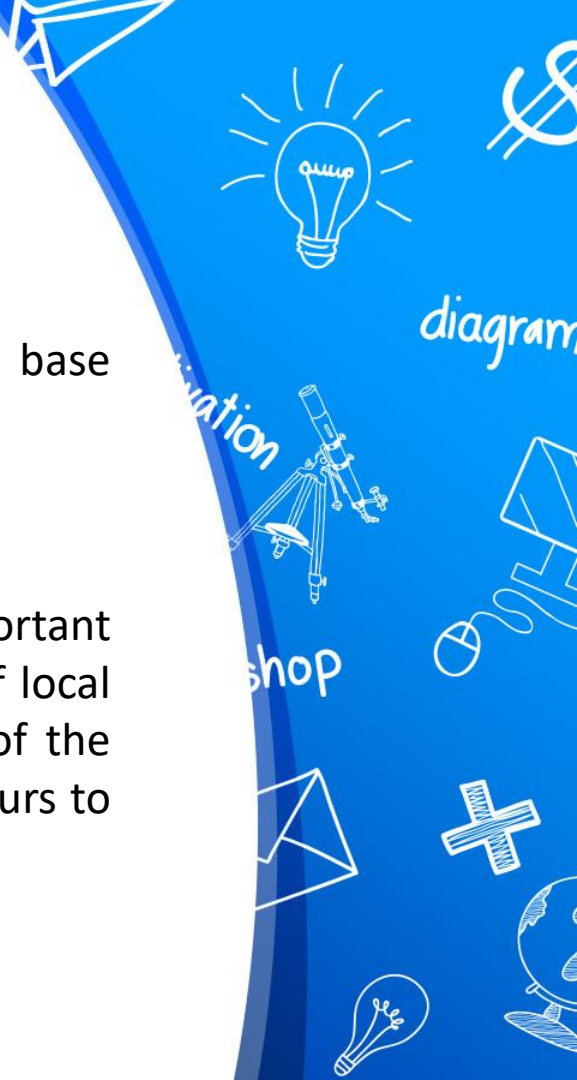
1.4.1. Determinants of Regional Problem (9/9)

External audit:

- The decisions of company's Administration , which have its base outside of a region, can affect the development of the region.

Business initiative limited:

- Initiatives and business climate in a region are the most important causes for regional problem. It is essential the mobilization of local resources in combination with the vocational specialization of the small business owners and the willingness of local entrepreneurs to undertake high-risk activities.



2. Regional Development: Needs and Priorities (1/4)

- A modern state, that has as aim its smooth operation, aims at maintaining the cohesion of the economic and social fabric and it exerts regional policy in order to face its regional inequalities.
- **Regional policy is a system of objectives, instruments and bodies and all these are combined in a program, in order to achieve a balanced change in the interregional structure of the economy.**
- The regional policy and the reasons for its exert differ from region to region and from country to country. This happens because they are influenced by their different characteristics and by the special conditions that prevail in the present time period.



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2. Regional Development: Needs and Priorities (2/4)

Below are classified the most important reasons for pursuing a regional policy in a country:

- 1. Economic reasons:** correction of the insufficiency of market forces, full employment of the factors of production or prevention of underemployment, economic growth and redistribution of resources, prevention of inflationary pressures, relocation of companies, cost of congestion of urban centers and strengthening cohesion of EU regions.

The economic dimension of the exercise of regional policy has as main purpose the promotion of measures and actions that aim at the diffusion of economic activities and avoid the concentration in the large urban centers.



2. Regional Development: Needs and Priorities (3/4)

2. Socio-political reasons: Regional unemployment, equitable distribution of income, strengthening the social and cultural regional standards, political organization and mobilization of the population for participation.

- The social dimension of regional policy ensures that all parts of society receive equally the benefits of the development.
- One of the first criteria, that had used as tool to identify regional inequalities, are the regional unemployment indicators.



2. Regional Development: Needs and Priorities (4/4)

3. Environmental reasons: protection of the environment, the cleaning an area from pollution and the sustainable development.

- The environmental dimension is an obligation and a main responsibility of each country.
- The regions, which have serious problems due to densely-populated areas and increasing traffic congestion, they are in urgent need and must address problems of housing, water and sanitation, pollution, crime, etc.
- The regional policy alleviates the pressure, which accept the large urban centers. This is achieved through the channeling of part of the economic activity in the region.



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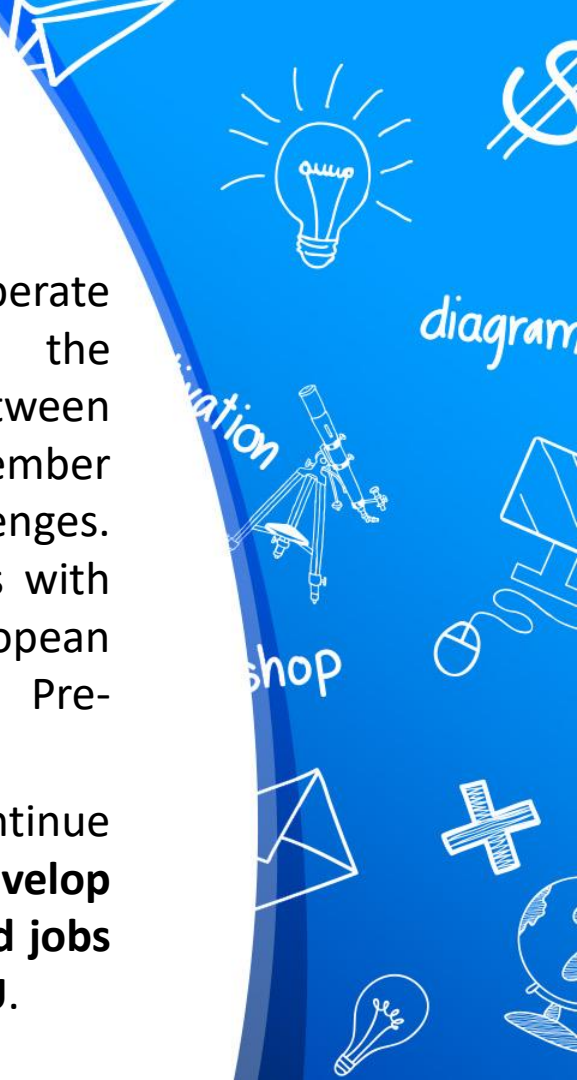
3. European Interreg programs and their contribution to regional and cross-border development (1/3)

- **European Territorial Cooperation (ETC)**, better known as Interreg, is one of the goals of cohesion policy and aim to promote a harmonious economic, social and territorial development of the Union as a whole.
- It is co-funded by the **European Structural Funds** and more specifically by the **European Regional Development Fund**, and supports **cross-border, transnational and interregional cooperation programs**.



3. European Interreg programs and their contribution to regional and cross-border development (2/3)

- The **purpose** of the European Territorial Cooperation is to cooperate without frontiers by providing the framework for the implementation of common actions and policy exchanges between national, regional and local bodies from the various EU Member States, in order to address common problems and challenges. Furthermore, it supports the cooperation of Member States with third countries that border on EU under the European Neighbourhood Instrument (ENI) and the Instrument for Pre-Accession Assistance (IPA).
- During the 2021-2027 programming period, Interreg will continue to support the **cross-border mobility and the efforts to develop environmental protection, the emergency services, the skilled jobs and access to public services for the next generation of the EU.**



3. European Interreg programs and their contribution to regional and cross-border development (3/3)

In addition, these are the **two new objectives** which will guide the territorial cooperation:

1. Better cooperation governance
2. A safer and more secure EU

Interreg includes cross-border cooperation across all EU, transnational cooperation including macro-regional strategies and interregional cooperation, which creates networks and enables fully-developed regions to share their successes and experiences with other regions.



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Lecture 3rd: Sustainable Regional Economic Transformation as one of the objectives of the European Strategy



ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory "Social Forces"



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1. EU Cohesion Policy and Socio- economic Policy (1/6)

- With the Single European Act of 1986, economic and social cohesion became a competence of the European Community. The 158 Article of Single European Act sets out that strengthening socio- economic cohesion is one of the EU's main objectives.
- EU's critical objective is the **Maastricht Treaty** and there is also a detailed reference to the **Lisbon Treaty**.
- Cohesion policy dimensions are Social, Regional and Territorial.



1. EU Cohesion Policy and Socio- economic Policy (2/6)

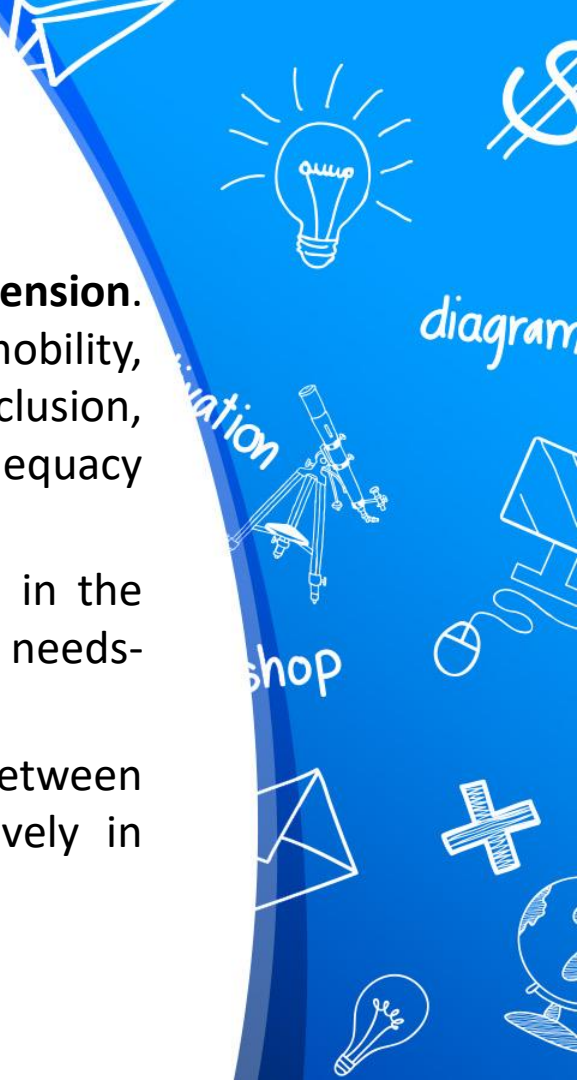
The financing of the implemented actions and projects of the Cohesion Policy is done over time through the following:

1. European Regional Development Fund (ERDF)
2. European Social Fund (ESF)
3. Cohesion Fund (CF)
4. European Agricultural Fund for Rural Development (EAFRD)
5. European Maritime and Fisheries Fund (EMFF)



1. EU Cohesion Policy and Socio- economic Policy (3/6)

- The European Social Fund provides funding in the **social dimension**. The funding aims at promoting employments and employ mobility, education and lifelong learning, social affairs and social inclusion, fight against poverty and strengthening the institutional adequacy and effectiveness of public administration.
- The European Regional Development Fund provides funding in the **regional dimension**. The funding is balanced with the needs-priorities of the regions, i.e. developed and transition regions.
- The **Territorial Dimension** encourages cooperation between neighboring regions, in order to come up against collectively in common challenges.



1. EU Cohesion Policy and Socio- economic Policy (4/6)

- Cohesion Policy through its Objectives aims to contribute to the Europe 2020 objectives. “Europe 2020” replaces the Lisbon Treaty and sets the EU’s five targets for 2020, which are the following: employment, research and development (R&D), climate change and energy sustainability, education and combating poverty and social exclusion.



1. EU Cohesion Policy and Socio- economic Policy (5/6)

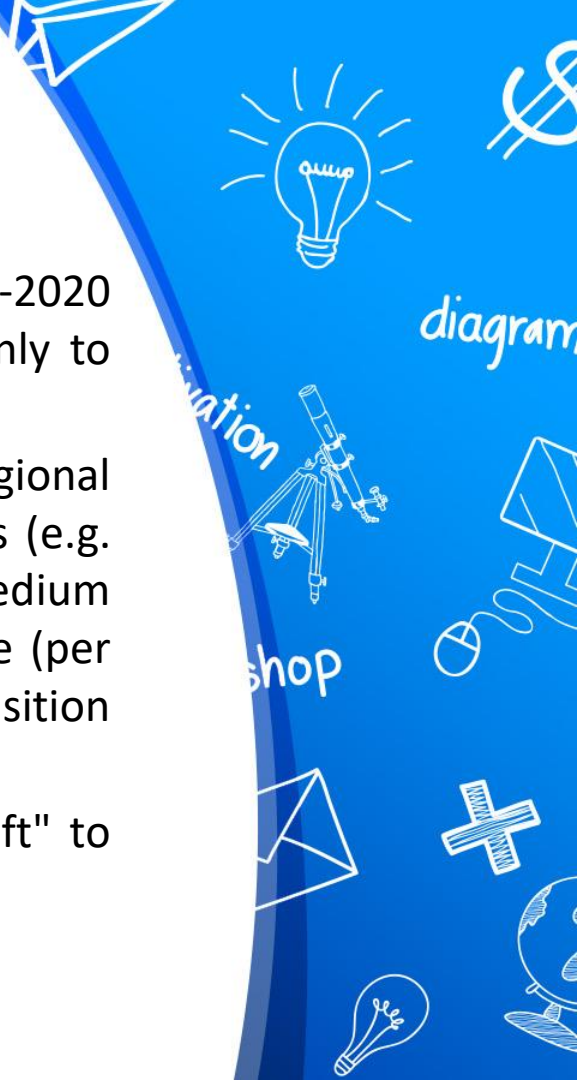
The EU's Cohesion Policy targets are:

- 75% employment rate for the population aged 20 to 64
- 3% of the EU GDP must be invested in Research and Development.
- Climate change and energy sustainability:
 - Reduce greenhouse gas emissions by 20% (or even 30%, if conditions permit) compared to 1990 levels
 - Increasing the share of renewables in final energy consumption to 20%
 - 20% increase in energy efficiency



1. EU Cohesion Policy and Socio- economic Policy (6/6)

- Cohesion Policy funding, according to the Commission's 2014-2020 funding proposals, refers to all European regions and not only to low-growth regions as in the past.
- Thus, it is required that 80% of the European Regional Development Fund funds must be invested in specific targets (e.g. energy efficiency, renewable energy, innovation and small/ medium sized enterprises) and funding for developed regions must be (per capital GDP > 90% of the EU-27 average) and for regions in transition (per capital GDP: 75-90% of the EU-27 average).
- In order to make this funding more effective, there is a "shift" to **smart specialization**.



***SMART
SPECIALIZATION***



2.1. Definition of «Smart Specialization»

Smart specialization is about identifying the unique characteristics and assets of each country and region, highlighting each region's competitive advantages, and rallying regional stakeholders and resources around an excellence-driven vision of their future.

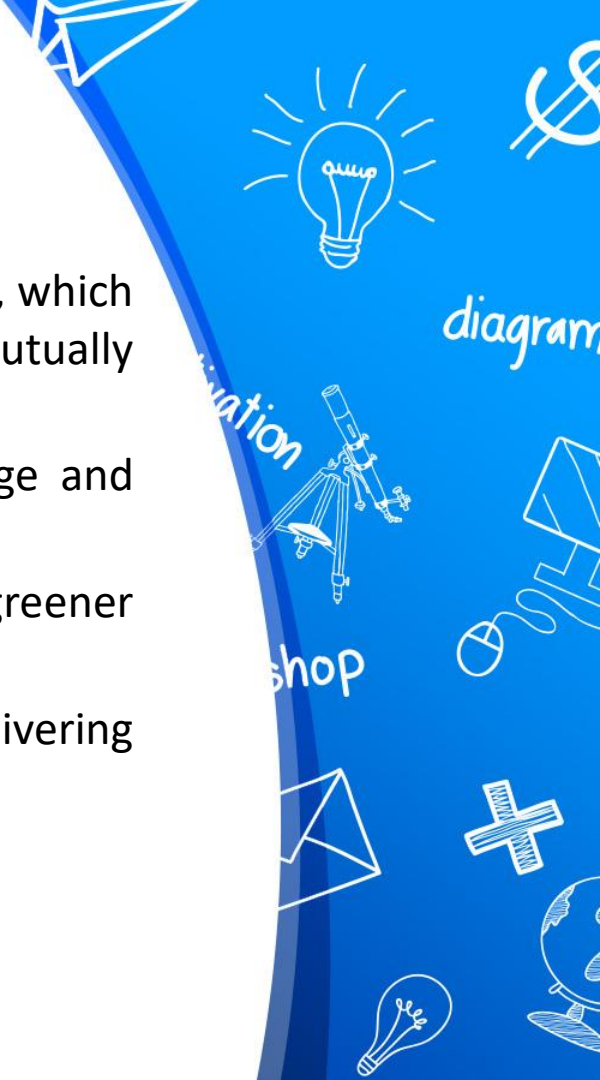
Smart specialization strategy means *“the national or regional innovation strategies which set priorities in order to build competitive advantage by developing and matching research and innovation own strengths to business needs in order to address emerging opportunities and market developments in a coherent manner, while avoiding duplication and fragmentation of efforts”*.



2.2. European Smart Specialization Policy (1/4)

Europe 2020 sets out a vision of Europe's social market economy, which aims to address structural weaknesses through forward three mutually reinforcing priorities.

1. Smart growth: developing an economy based on knowledge and innovation.
2. Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
3. Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.



2.2. European Smart Specialization Policy (2/4)

- ❖ Prerequisite for achieving the above target is the development of a comprehensive European innovation strategy that invests in research, innovation and entrepreneurship in each EU Member State and region, in order to make full use of Europe's potential.
- ❖ At the same time, the EU recommends to national and regional authorities to develop Intelligent Research and Innovation Strategies, which aim to make more efficient use of the European Structural and Investment Funds, improve policy synergies (national, regional and European), and link public-private investments.



2.2. European Smart Specialization Policy (3/4)

- ❖ Smart Specialization is very important for the Europe's future, because the development of an economy which is based on knowledge and innovation, it remains a fundamental challenge for the EU as a whole.
- ❖ Furthermore, smart specialization is essential for achieving sustainable development as a crucial innovation effort by offering opportunities in domestic and global markets.
- ❖ Smart specialization contributes to the development of inclusive regions and at the same time, it helps to strengthen territorial cohesion and manage structural change by creating jobs and social innovation.



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2.2. European Smart Specialization Policy (4/4)

Smart specialization is a productive transformation strategy and is implemented through:

- ▶ the renewal of traditional industries with a focus on higher value-added activities and niche markets,
- ▶ the modernization of enterprises with the adoption and spread of new technologies,
- ▶ technological differentiation from existing specializations, in related goods and services,
- ▶ the development of new economic activities through technological renewal and innovation,
- ▶ exploiting new types of innovation, such as social innovation and service innovation.



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2.3. National / Regional Research and Innovation Strategy for Smart Specialization (RIS3)

They are actions of local economic transformation, which:

- ✓ focus policy support and investment on national / regional priorities - keys, challenges and needs for knowledge-based development,
- ✓ build on the strengths and comparative advantages of the country / region and the potential for excellence,
- ✓ support technology-based and practice-based innovation and aims to stimulate private investment,
- ✓ ensure the full participation of stakeholders and encourages innovation and experimentation,
- ✓ are based on evidence and includes a solid monitoring and evaluation system.



3.1. Definition of «Sustainable Development»

- «Sustainable development» is a form of development policy that tries to meet the economic, social and environmental needs of society, in a way that ensures short-term, medium-term and, above all, long-term prosperity.
- «Sustainable development» is based on the theory that development must meet the needs of the present without compromising the ability of future generations to meet their own need.
- This means that ***long-term economic development conditions are created and at the same time the environmental protection is ensured.***



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3.2. «Agenda 2030» and Sustainable Development (1/3)

In 2015, United Nations adopted the 2030 Agenda for Sustainable Development

According Agenda 2030, there are 17 Sustainable Development Goals :

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth



3.2. «Agenda 2030» and Sustainable Development (2/3)

9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships



3.2. «Agenda 2030» and Sustainable Development (3/3)

- Sustainable Development objectives focus on issues that are related to human dignity, regional and global stability, global health, just society and prosperous economy.
- ***European Commission approaches the sustainable development goals by creating synergies between the goals and priorities of the Union.***



4. Sustainable Regional Economic Transformation as the objective of European Strategy (1/3)

- **EU's Regional Policy is pursued** through the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). All these funds consist European Structural and Investment Funds.
- **Regional policy objectives** are the strengthening of research and innovation, the improving of the competitiveness of small and medium-sized enterprises, the moving to a low-carbon economy, protecting the environment through efficient use of resources and investing in education, training and lifelong learning.



4. Sustainable Regional Economic Transformation as the objective of European Strategy (2/3)

- The European Commission urges to **plan national and regional research and innovation strategies** which are based on smart specialization.
- *Smart Specialization Strategy lies in locally oriented sustainable economic transformation.*
- More specific, the **Smart Specialization Strategy** a) focuses on supporting policies and investments in national and regional level, b) counts on the strengths of each country and region and their competitive advantages, c) supports practical innovation and encourages innovation, and d) encourages and the experimentation of stakeholders.



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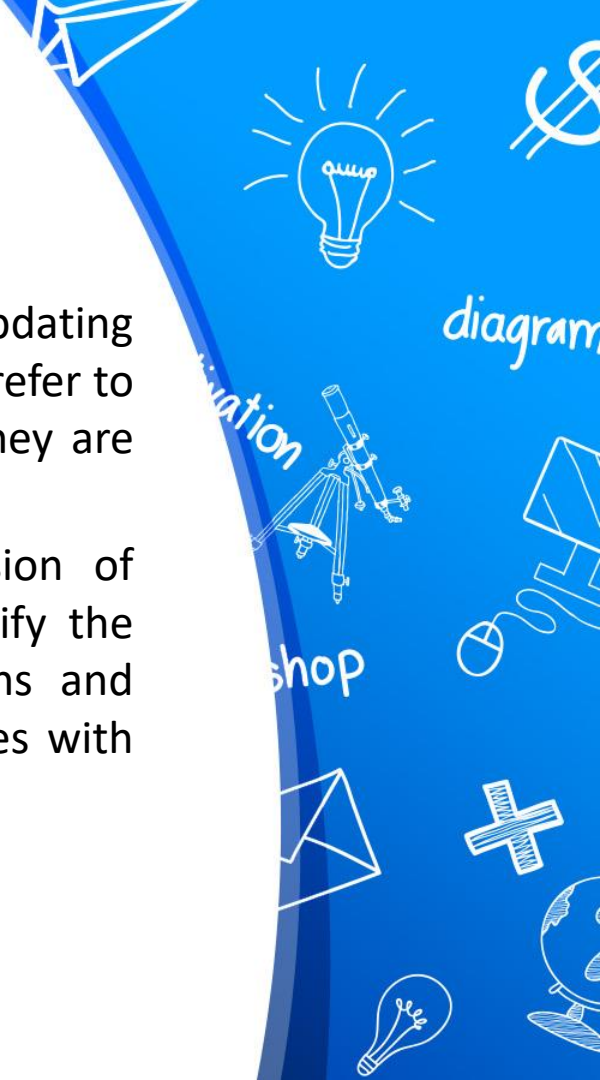
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4. Sustainable Regional Economic Transformation as the objective of European Strategy (3/3)

- The regions of EU Member States rely on the developing, updating and adaption of the smart specialization strategies. All these refer to the **innovation and entrepreneurship of the regions** and they are based on their competitive advantages in specialized sectors.
- During the programming period 2021- 2027, the provision of assistance to the regions is emphasized, in order to identify the appropriate European resources that will fund innovations and establish cooperative innovation formations by uniting forces with other regions.



5. EU Policy Cohesion for the next programming period 2021-2027 (1/3)

- For the next EU **Cohesion Policy 2021–2027 programming period**, regions have to experiment with new policy approaches, in order to meet the unpredictable policy challenges that exist due to COVID-19 and its implications.
- The European Green Deal is a key element, the European Industrial Strategy combined with the emerging concepts of experimental governance, innovation policies that are oriented to missions, responsible research and innovation (RRI) in the European Union (post-era COVID-19) will affect policy-making in various ways and these ways are unpredictable.



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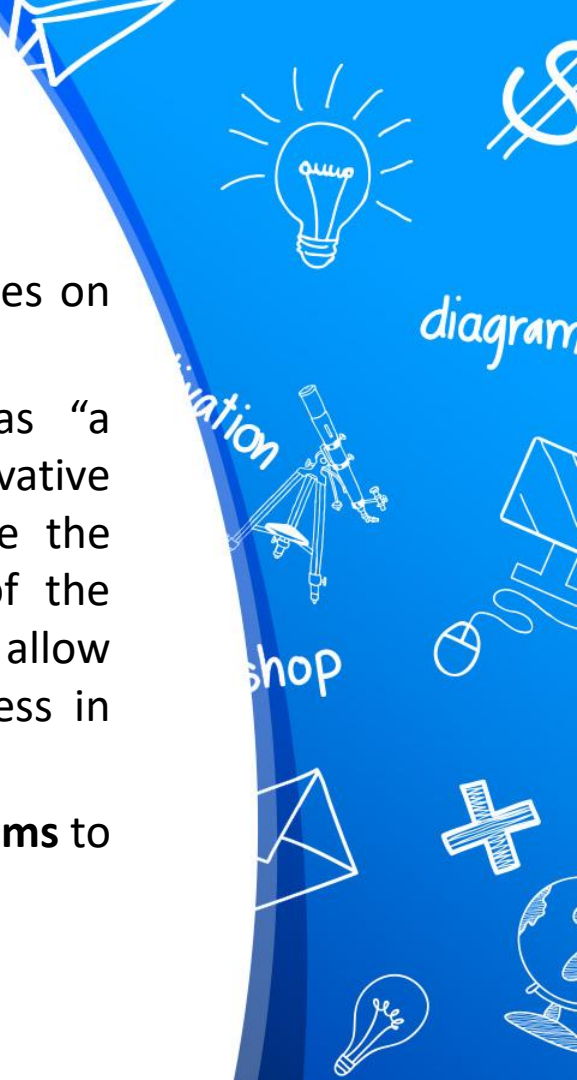
5. EU Policy Cohesion for the next programming period 2021-2027 (2/3)

- However, regional policy makers will continue to experiment in planning and implementing policy solutions, in order to meet their unpredictable policy challenges.
- The rich gathered knowledge from Interreg Programmes will provide a source of policy lessons and practices for enriching the adaptability and resilience of the regional innovation ecosystem.



5. EU Policy Cohesion for the next programming period 2021-2027 (3/3)

- Interreg programmes focus on experimentation of new policies on an emerging political concept.
- **Responsible Research and Innovation (RRI)** is defined as “a transparent, interactive process through which social and innovative factors respond mutually to each other and have as base the (ethical) acceptance, the sustainability and social desire of the innovation process and commercialize products (in order to allow the proper integration of scientific and technological progress in society)”.
- In other words, **Responsible Research and Innovation Policy** aims to create positive impact of research and innovation.



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Lecture 4th: Business Innovation and Regional Development

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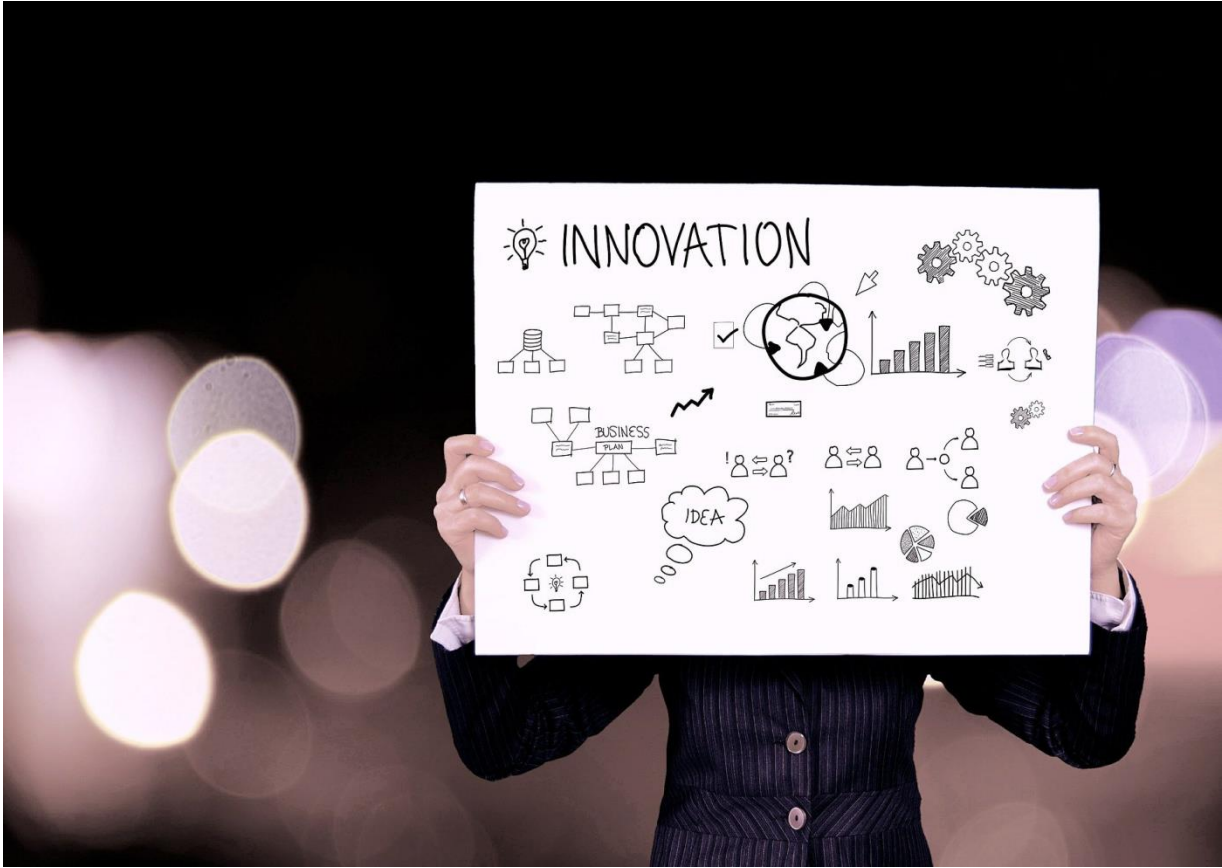
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1.1. Definition of Innovation (1/2)

The term “Innovation” means the transformation of an idea into a commercial product or service, into an operational method of production or distribution or into a new method of providing services.

This definition refers either in the process and its results.

- European Commission (1995) refers to Innovation as the creative manifestation of the human spirit or human inventiveness that associated with situations relevant to technique and science.
- Moreover, innovation is the transformation of knowledge into new products, processes and services. It includes more than science and technology. It includes the insight and consumers satisfaction.



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1.1. Definition of Innovation (2/2)

- ✔ Innovation is the result of an interactive process, among individuals, organizations (e.g. Enterprises or Universities), systems and institutions, that use market signals (prices), or other, to determine the direction in which they will evolve.
- ✔ It's the result of individual and interactive actions with "environments" (markets, organizations, systems and institutions).
- ✔ Innovation can bring revolutionary or marginal changes in organizations or markets. Their implementation often is based on the creation and diffusion of new knowledge or exploitation of the existing knowledge in new innovative ways.



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1.2. Characteristics of Innovation (1/3)

Innovation characteristics originate from the detailed analysis of its benefits. Its characteristics are those that separate the successful from the failed application. These characteristics are:

- 1. Strategic and different thinking:** strategic thinking involves the planning of the effort to control the environment and the enterprise competition. This is connected directly with the **socio- economic environment**, in which the company and its **financial tools** operate.
- 2. Ensuring customers benefits:** the company can ensure customers benefits, only by changing the color, design, appearance or components, rather than provide additional functionality on products, which is not perceived as a benefit. In other words, customers are made the impression that the product has a new feature.



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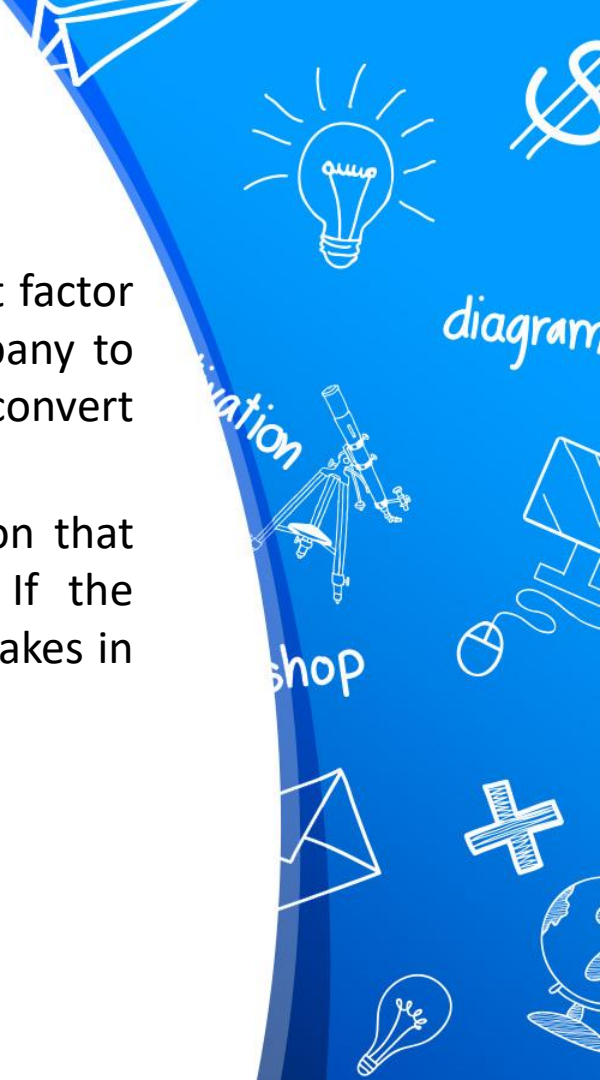
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1.2. Characteristics of Innovation (2/3)

3. Attention to detail: the detailed design is the most important factor of effective innovation. This gives the opportunity to the company to construe the benefits which are required by the customer and convert them into a final effective innovative idea.

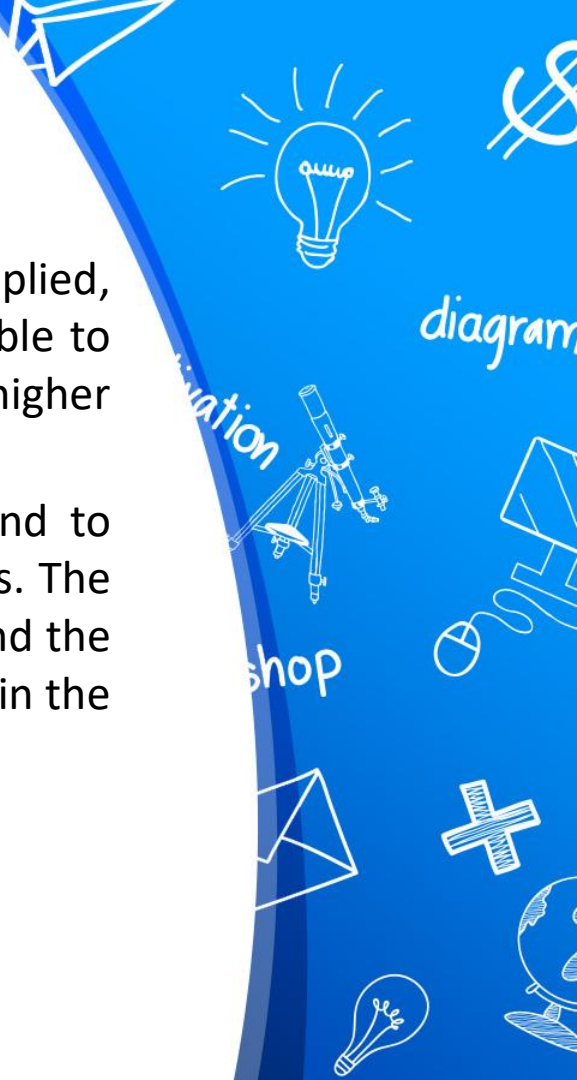
4. Internal issues: innovation is a difficult and complex function that requires the assessment of the demands of each project. If the company focuses on its internal issues, it could avoid costly mistakes in products, customers, technology or markets.



1.2. Characteristics of Innovation (3/3)

5. Knowledge and staff: The staff's knowledge that is properly applied, it can add value to products. This value makes the company enable to put large amount into its maintenance and this leads it to more higher value- added products and to competitive advantage.

6. Company size: Companies need to have more knowledge and to respond faster to more areas of innovation than their competitors. The change implementation, customer requirements understanding and the generating higher added- value will be crucial issues to leadership in the new environment.



1.3. Necessity of Innovation (1/2)

- ✓ **Innovation**, as a result of research activity and transfer of technical know-how, leads to the **production of new products** or to the **improvement** other products. This is rightly considered a necessary background on which national economies must base their **productivity development** and **improved competitiveness**.
- ✓ The boost to innovation came from the **new customer requirements** or from the new **activities of competitors**.



1.3. Necessity of Innovation (2/2)

- **As the level of competition increases, the level of risk increases too.** Markets become less attractive for investments because they do not promise high levels of profit-seeking. Therefore, businesses need to be more careful in defining and controlling innovation, but governments need also to be more positive, encourage and support business innovation.



1.4. Economic Dimension of Innovation (1/2)

- Innovation is in the heart of economic changes and is an undisputed develop factor at all levels (from business to regional, nation and global).
- Schumpeter refers to the term "technology" for the first time and proposes a separation of different types of innovation:
 1. Introducing a new product or changing the quality of an existing one
 2. Innovation process that is a modernism for an industry sector
 3. Entering new market
 4. Development of new supply sources of raw materials or other inputs
 5. Changes in the organization of the industry



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1.4. Economic Dimension of Innovation (2/2)

- Businesses innovate with the ulterior motive the increasing profits
- A **new technological tool** is an advantage. In the case of innovations processes, which **improve productivity**, the company gains a **cost advantage** over its competitors.
- This allows to the company to **increase its market share** and seek new financial benefits, either by increasing its profit, or by **combining lower prices and higher profits over its competitors**.



1.5. Pillars of Innovation

There are four pillars that compose innovation in an economy.

These pillars include:

1. research and technological development.
2. building skills and abilities.
3. mechanisms for the development, diffusion and absorption of innovation.
4. knowledge-intensive entrepreneurship.



1.6. Development Environment

- ❑ The development environment of innovation is defined by the nature of a country's national innovation system, depending on how it operates within the international environment.
- ❑ The ability to work together and link multiple innovation systems with different levels (e.g. continental, national and in a wider geographical area, regional, local, technological and sectoral). For example, the union of the national with the European innovation system, or the regional with the national or the sectoral with the national, etc can have important effects on the co-shaping of the development environment, the innovative behavior and the performance of the innovation actors.



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2. Innovation at National and Regional Level (1/7)

1. National Systems of Innovation - NSI

- National System of Innovation consists of many bodies, which are located in one state and are engaged in the creation and implementation of innovation policies, behaviors and interpersonal relationships.
- It concerns almost all bodies and institutions (governments, public administration, companies, universities, research centers, patent offices, other R&D intermediaries, other private stakeholders, etc.), which affect the research and education process, the relevant productive methods, product promotion mechanism and the financial system.
- The interactions among businesses and their environment are important. Because the knowledge and technology do not develop outside the context of economics. However, they are strongly affected by economic and social conditions.



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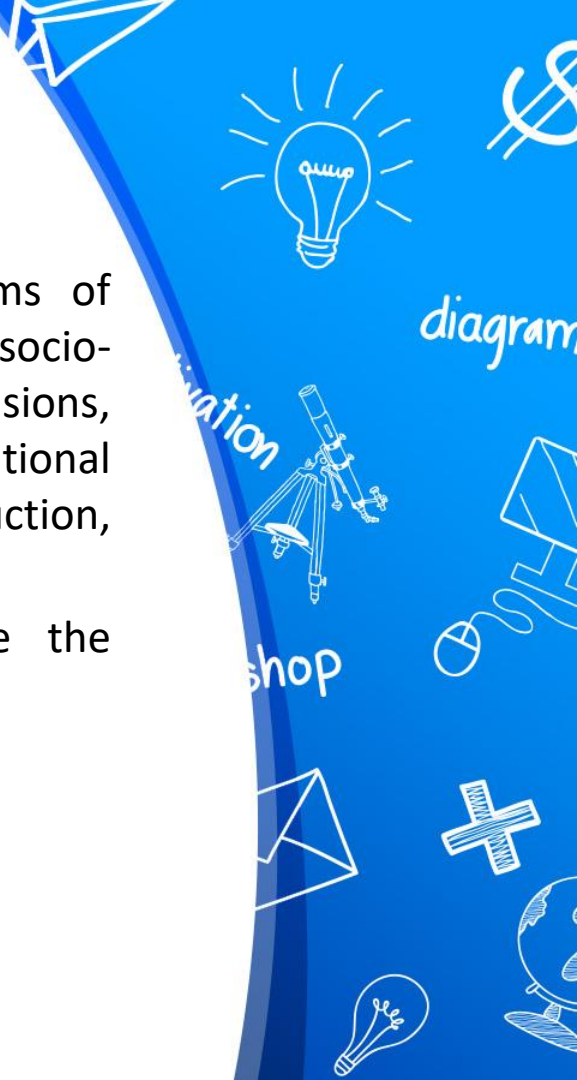


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2. Innovation at National and Regional Level (2/7)

- An important role in the conformation of National Systems of Innovation has both the historical factors of a state and its socio-political values and its formulation, which is based on national visions, priorities and specifications. They are shaped by specific national institutions and policies, which affect the creation, production, absorption, diffusion and use of innovation.
- For this reason, there are four structures that describe the relationship among innovation and state:
 - (a) the "Republic of Science"
 - (b) the state as entrepreneur
 - (c) the state as regulator and
 - (d) the state as accomplice.



2. Innovation at National and Regional Level (3/7)

2. Regional Innovation Systems - RIS

- A regional innovation system consists of **interactive knowledge creation sub-systems** and are connected with **global, national** and other **regional systems**, which are aimed for **commercialize** the new knowledge.
- Regional Innovation Systems can be considered as dynamic interactive structures, which are consisted of **regional partners**. These systems allow regional economic drivers to take full advantage and expand their abilities.
- They also surround the management and the organizations, which are specialized to implement cognitive skills (research, education) and to the development of networks among companies.



2. Innovation at National and Regional Level (4/7)

2. Regional Innovation Systems - RIS

- End users are important factors of the system, because they express their needs and can give boost to innovation.
- Innovation and transfer processes (diffusion) have as a result the integration of new capabilities in the institutional system and the facilitation of the creation new businesses, products, technologies and organizational structures.
- Regional level and regional innovation systems have a key-role in economic development.



2. Innovation at National and Regional Level (5/7)

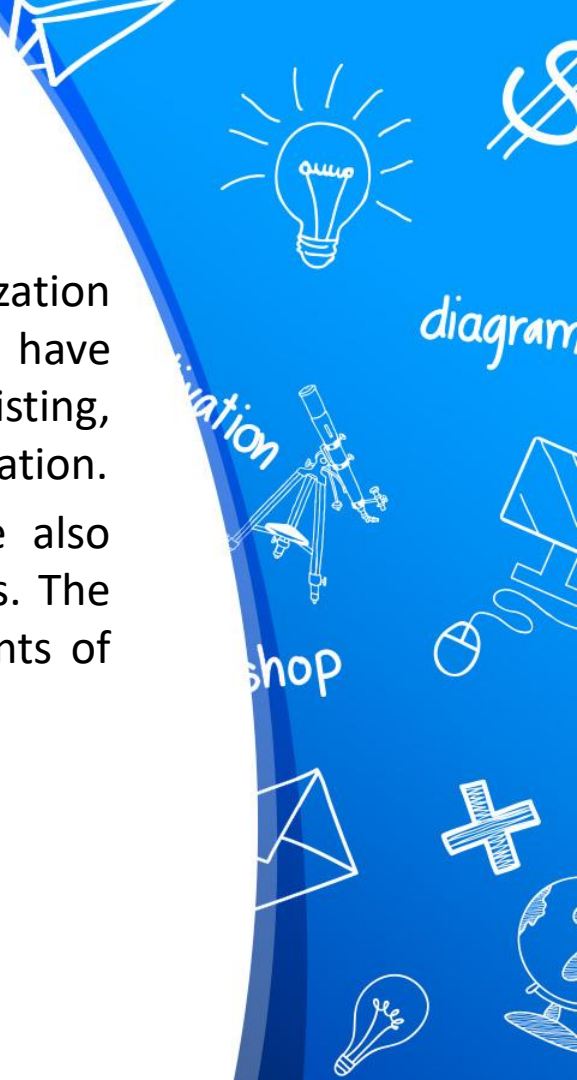
The main parts of Regional Innovation Systems are:

- **Knowledge generation and diffusion:** This sub- system reflects the knowledge base that exists in the region. It includes all organizations, which create and transfer technologies, knowledge and skills (e.g. Center for Research and Technological Development, Universities etc.).
- **Knowledge exploitation:** This sub- system refers to the business opportunities of the region. The main participants are companies of productive sectors and service sector. They include customers, suppliers, competitors and partners at regional level. These sectoral concentration are also referred to as regional clusters.

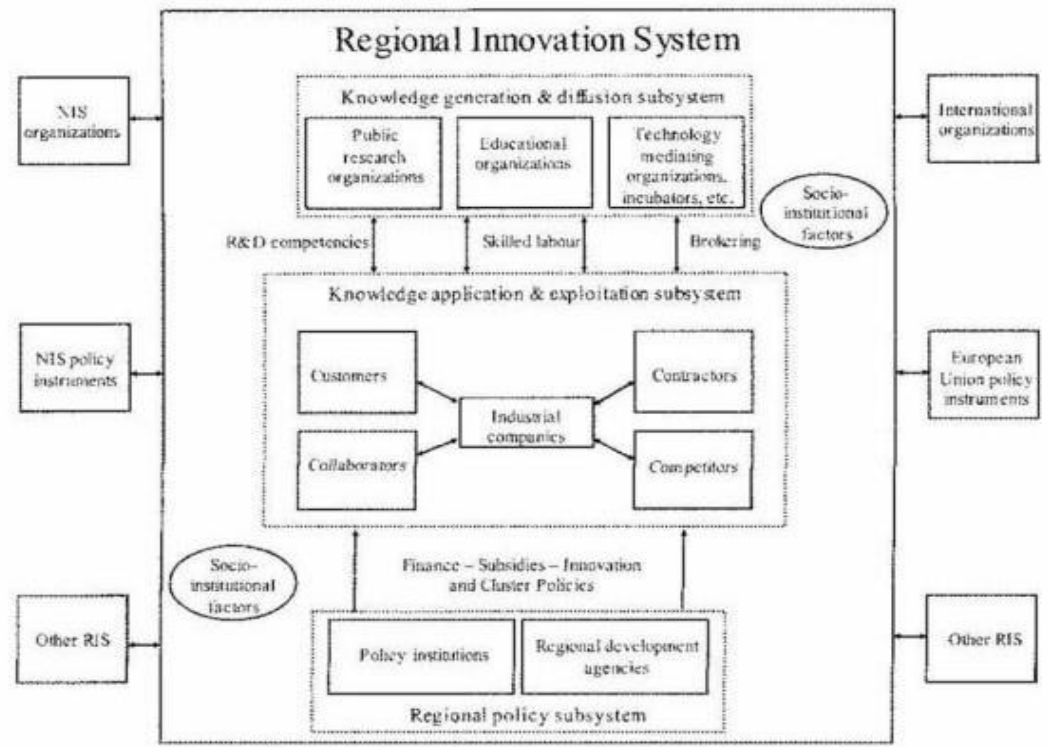


2. Innovation at National and Regional Level (6/7)

- **Regional policy sub-system:** regional governmental organization and regional development centers are a sub-system, which have key- role in promoting development by providing funding, assisting, designing and implementing policies for the clusters and innovation.
- **Local knowledge and skills flows:** Innovative activities are also affected by the nature and extent of the actors' relationships. The existence of strong interaction is one of the main components of the developed innovative regions.



2. Innovation at National and Regional Level (7/7)



3. EU Strategy for Strengthening Innovation in Europe's regions (1/5)

There are three main principles, which govern the European Union's activity and ensure the most effective strengthening of regions:

- (a)** active involvement of all stakeholders at regional, national and local level
- (b)** transfer of responsibilities for decision-making at local, regional, national and community level and ensure the greatest possible efficiency and responsibility (subsidiarity)
- (c) clear commitment** that community's funds are used in a complementary way and not against national funds (complementarity).



3. EU Strategy for Strengthening Innovation in Europe's regions (2/5)

- **EU policy promotes** the development of ITC and regulates the creation of telecommunications networks. As the competition increases among service providers, prices are expected to fall.
- Furthermore, EU **explores**, with trial projects, the possibilities to apply new IT.
- The **development of new structures** for the information society (based on these trial projects) **depends on national governments** and more specific on the **social partners**.



3. EU Strategy for Strengthening Innovation in Europe's regions (3/5)

Since the mid-1990s, EU has launched research and technological development (RTD) initiatives, in order to create a common European Innovation Policy such as:

- The 4th European RTD: Framework Program (1994-1998)
- Commission White Paper on growth, competitiveness and employment
- Green Paper: Innovation policy in the European Union
- The First Action Plan for Innovation in Europe - Innovation for growth and employment
- RTD, Innovation, Cohesion and Development Policies



3. EU Strategy for Strengthening Innovation in Europe's regions (4/5)

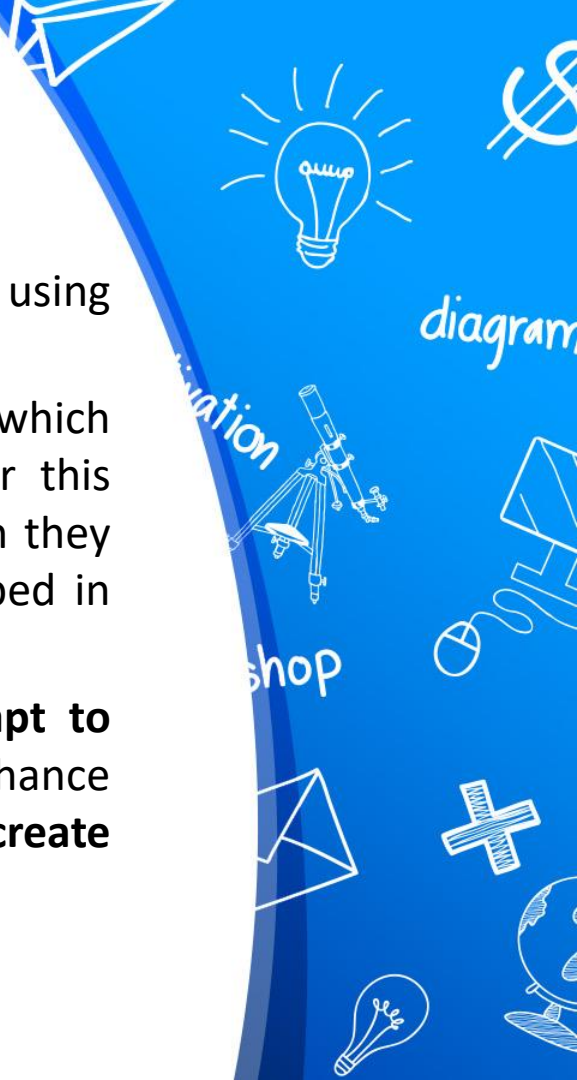
Article 10 of Council Regulation (EEC) No 2083/93 refers **actions to boost innovation**:

- Interregional cooperation within and outside the Community.
- Innovation, regional and local economic development.
- Regional planning
- Urban policy.



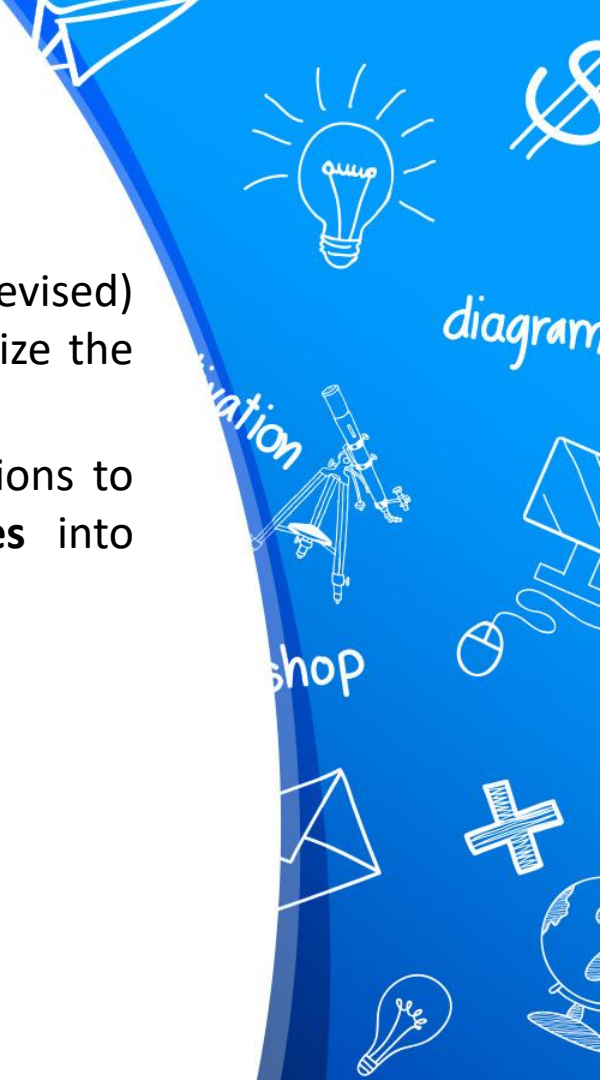
3. EU Strategy for Strengthening Innovation in Europe's regions (5/5)

- **Modern regional economies** need to focus on promoting and using **new technologies**.
- Developments concern **small and medium-sized enterprises**, which are the basis of the productive system of the regions. For this reason, if they want to **maximize their competitiveness**, then they have to adapt to the technological changes that are developed in the international markets.
- The ability, that they have to **innovate** and constantly **adapt to economic changes**, helps them to gain advantages and enhance their competitiveness which aims to **reduce inequalities and create jobs**.



3.1. Smart Specialisation: Regional Agreements on Innovation, Growth and Employment (1/5)

- **Smart Specialisation approach** was included in the new (revised) cohesion policy (2014-2020), which was designed to maximize the positive impact on growth and employment.
- Smart specialization strategies aim to make possible to regions to **turn their needs, strengths and competitive advantages** into commercial goods and services.



3.1. Smart Specialisation: Regional Agreements on Innovation, Growth and Employment (2/5)

- Smart Specialisation prioritizes to: **public investments**, research sectors and innovation through a bottom-up approach, which aims to the economic transformation of regions, exploitation their competitive advantages and promotion market opportunities in new interregional and European value chains. It helps regions **to make provisions, plans and monitor the process** of their economic modernization.
- Smart specialization offers a new working method- working together, which is based on collaboration and innovation. It gives the opportunity to regions and the industrial sector to strengthen local solutions, to promote competitiveness and maximize growth potential though economies of scale. At the same time, they promote prosperity and jobs that Europe's citizens expect.



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3.1. Smart Specialisation: Regional Agreements on Innovation, Growth and Employment (3/5)

- Furthermore, to support the process, the Commission has set up the smart **specialisation platform**, which has been advising **Member States and regional authorities** (since 2011) on the design and implementation of their smart specialization strategies. The platform is a tool for mutual learning, data collection, analysis and networking for around 170 EU regions and 18 EU national governments.



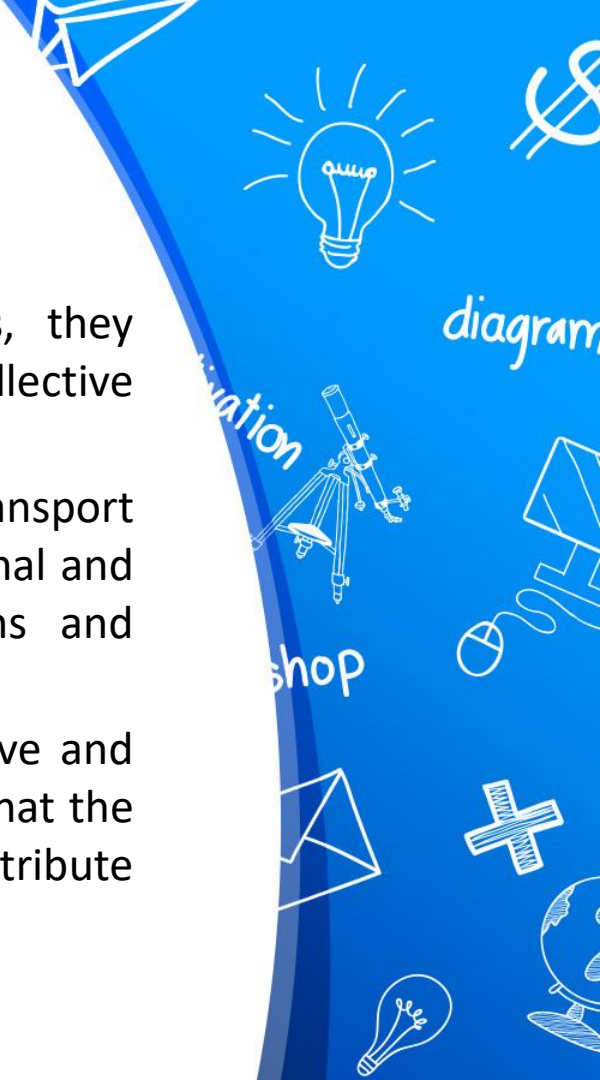
3.1. Smart Specialisation: Regional Agreements on Innovation, Growth and Employment (4/5)

These strategies include **traditional sectors**, such as the agri-food, forestry, tourism and textile sectors, which are **evolved through incremental innovation**. They also include areas whose activities are related to the development of key technologies with general application, that can create entirely new markets and industries, such as service innovation and resource-saving solutions in the fields of energy, transport, environment, circular economy, health and nanotechnology.



3.1. Smart Specialisation: Regional Agreements on Innovation, Growth and Employment (5/5)

- Strategies implemented through a **collaborative process**, they facilitate innovation, which is based on demand and collective solutions.
- These strategies are a powerful tool, which contributes to transport EU and national horizontal policies and instruments at regional and local level. Thus, they link wider innovation ecosystems and encouraging wider social innovation
- They help to make the European economy more competitive and resilient to globalization. Furthermore, they help to ensure that the economy produces the necessary resources, in order to distribute fair its benefits.



3.2. Examples of priorities in Regional smart Specialisation Strategies

- **Emilia- Romagna Region (Italy):** the regional partnership makes health and well-being a priority and combines key technologies of general application with biomedicine to develop grafts and implants that are tailored to individual needs.
- **Extremadura Region (Spain):** farmers and researchers are unable to meet markets' demands in a peak period and for this reason, they participate in an European network that develops high-tech agriculture.
- **Lapland Region (Finland):** It is a leader in the commercial exploitation of Arctic Circle natural resources. This is happening, thanks to smart specialisation and at the same time this contributes to sustainable development and job creation.



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Lecture 5th: Funding Cross Border Cooperation and Social Entrepreneurship in the EU

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1. EU Cohesion Policy and Funds (1/3)

- ◆ Cohesion Policy is the **EU's main investment policy**. Cohesion Policy targets all regions and cities in the European Union in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life.
- ◆ Economic and social cohesion - as set out in the Single European Act of 1986 (EU Treaty) – "shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions".
- ◆ The most recent EU treaty, the Lisbon Treaty, adds a further aspect to cohesion, referring to it as "economic, social and territorial cohesion".



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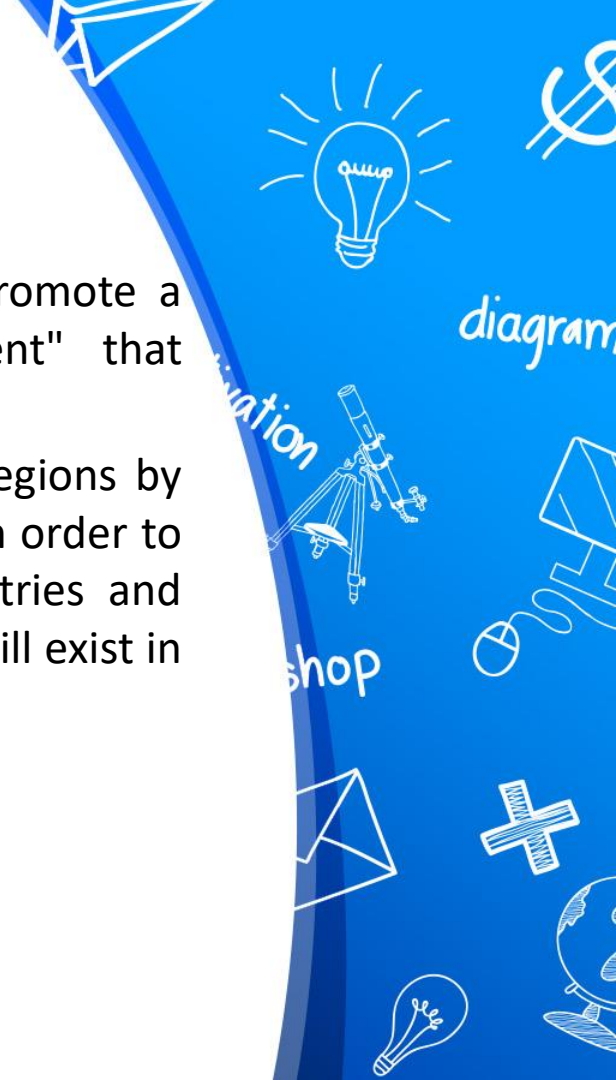


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1. EU Cohesion Policy and Funds (2/3)

- ◆ The cohesion policy must, besides financial and social, promote a more balanced and sustainable "territorial development" that constitutes a broader concept than that of regional policy.
- ◆ The policy aims to close the gap between countries and regions by concentrating on less development countries and regions, in order to help them to be in the same level with the other countries and reduce the economic, social and territorial disparities that still exist in the EU.



1. EU Cohesion Policy and Funds (3/3)

Through the Cohesion Policy, hundreds of thousands of projects are implemented throughout Europe which are financed through:

1. The **European Regional Development Fund (ERDF)** which is connected to the EU regional policy and operates on a regional level,
2. the **European Social Fund (ESF)**, and
3. the **Cohesion Fund (CF)** that covers the EU Member-States which have a GDP lower than 90% of the EU-27 average (Croatia has not been taken into account).

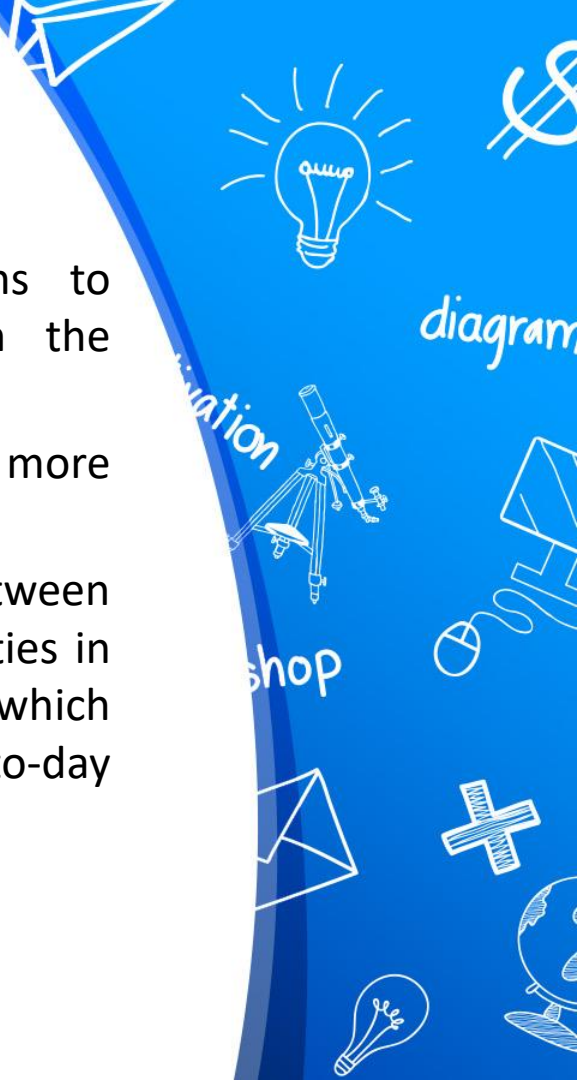
There are also the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF). These five funds are known as the European Structural and Investment Funds (ESIF).

Potential beneficiaries are public bodies, enterprises (SMEs), universities, associations, NGOs and voluntary organizations.



1.1. European Regional Development Fund (1/2)

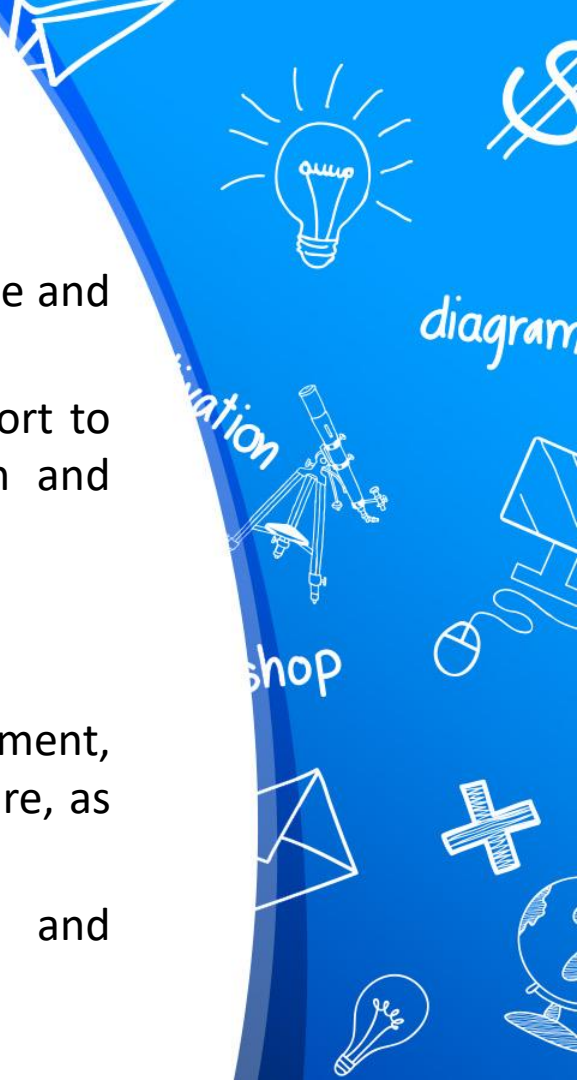
- ✚ The European Regional Development Fund (ERDF) aims to strengthen economic, social and territorial cohesion in the European Union by correcting imbalances between its regions.
- ✚ In 2021-2027, it will enable investments in a smarter, greener, more connected and more social Europe that is closer to its citizens.
- ✚ The ERDF finances programmes in shared responsibility between the European Commission and national and regional authorities in Member States. The Member States' administrations choose which projects to finance and take responsibility for day-to-day management.



1.1. European Regional Development Fund (2/2)

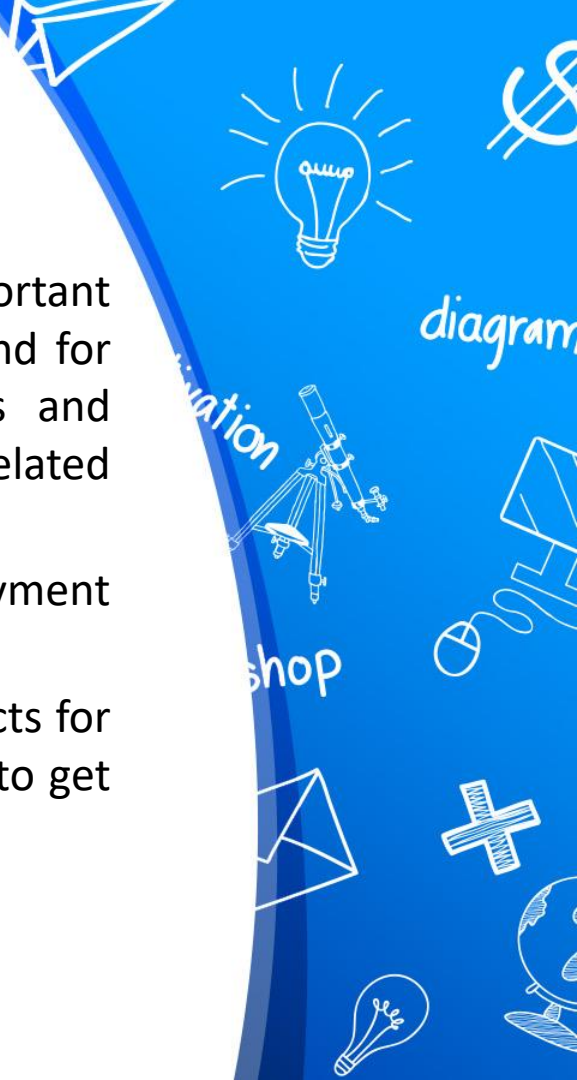
In 2021-2027, the fund will enable investments to make Europe and its regions:

- ✓ More competitive and smarter, through innovation and support to small and medium-sized businesses, as well as digitization and digital connectivity,
- ✓ Greener, low-carbon and resilient,
- ✓ More connected by enhancing mobility,
- ✓ More social, supporting effective and inclusive employment, education, skills, social inclusion and equal access to healthcare, as well as enhancing the role of culture and sustainable tourism,
- ✓ Closer to citizens, supporting locally-led development and sustainable urban development across the EU.



1.2. European Social Fund (1/3)

- The European Social Fund (ESF) is the EU's most important instrument for helping EU citizens with finding better jobs and for ensuring fairer job opportunities for all. Both individuals and organizations can apply for funding for an employment-related project.
- The ESF **invests in people**, with a focus on improving employment and education opportunities across the European Union.
- ESF financing of EUR 10 billion a year is improving job prospects for millions of Europeans, in particular those who find it difficult to get work.



1.2. European Social Fund (2/3)

- It is playing an important role in meeting Europe's goals and in mitigating the consequences of the economic crisis – particularly the increase of unemployment and poverty.
- The **European Commission** and **EU member states** decide jointly on the ESF's priorities and on how the resources are spent.
- **One priority** is to provide workers with new skills in order to allow them to adapt more easily to the demands of the labour market.
- **Others priorities aim at improving access to employment**, for example by helping young Europeans move from school to work or by training less-skilled job-seekers in all phases of life in order to improve their professional opportunities.



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1.2. European Social Fund (3/3)

- **Another priority** is to help people from disadvantaged groups to gain employment. This is part of the goal to enhance «social inclusion».
- It is funding tens of thousands of **local, regional and national employment-related projects** throughout Europe: from small projects run by neighborhood charities to help local disabled people find suitable work, to nationwide projects that promote vocational training among the whole population.



1.3. Cohesion Fund (1/2)

- The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90 % of the EU average. It aims to reduce economic and social disparities and to promote sustainable development.
- It is now subject to the same rules of programming, management and monitoring as the ERDF and ESF though the Common Provisions Regulation.
- For the 2021-2027 period, the Cohesion Fund concerns Bulgaria, Czechia, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.



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1.3. Cohesion Fund (2/2)

The Cohesion Fund allocates a total of 63.4 billion € to activities under the following categories:

1. **trans-European transport networks**, notably priority projects of European interest as identified by the EU. The Cohesion Fund will support infrastructure projects under the Connecting Europe Facility.
2. **environment**: the Cohesion Fund can also support projects related to energy or transport, as long as they clearly benefit the environment in terms of energy efficiency, use of renewable energy, developing rail transport, supporting combined transport, strengthening public transport, etc.



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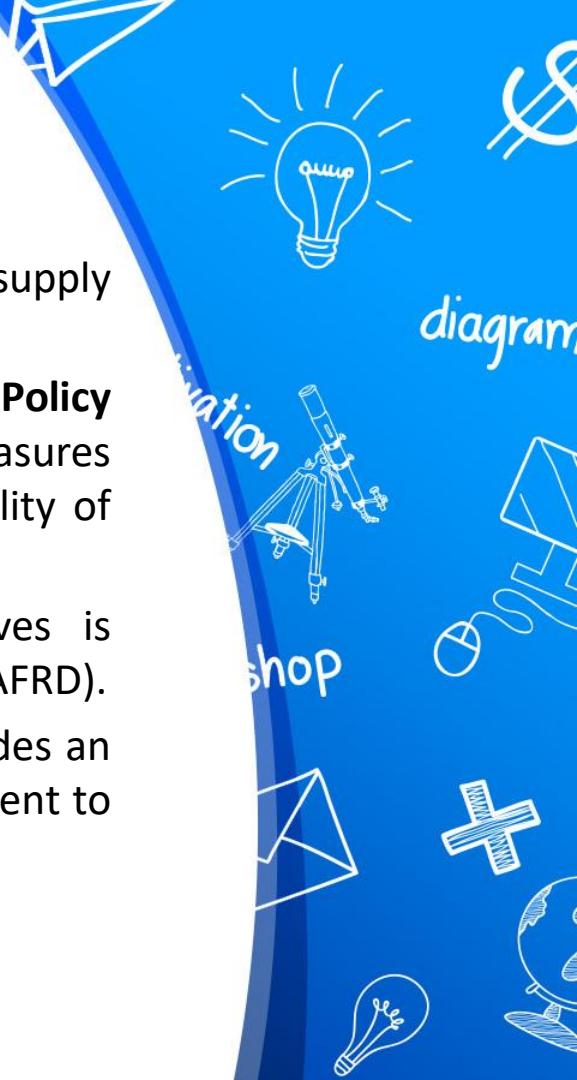
1.4. European Agricultural Fund for Rural Development

The EAFRD aims at strengthening the EU's agriculture, agro-food and supply and relevant difficulties in the two sectors.

Rural development is the 'second pillar' of the **Common Agricultural Policy** (CAP), reinforcing the 'first pillar' of income supports and market measures by strengthening the social, environmental and economic sustainability of rural areas.

The CAP's contribution to the EU's rural development objectives is supported by the European agricultural fund for rural development (EAFRD).

The EAFRD budget for 2021-27 amounts to €95.5 billion, which includes an injection of €8.1 billion from the next generation EU recovery instrument to help address the challenges posed by the COVID-19 pandemic.



1.5. European Maritime and Fisheries Fund

- European Maritime and Fisheries Fund (EMFF) helps fishers to adopt **sustainable fishing practices** and coastal communities to diversify their economies, improving **quality of life along European coasts**.
- It supports the implementation of the reformed Common Fisheries Policy (CFP) and the EU Integrated Maritime Policy.
- This support is provided in the areas of fisheries, aquaculture, growth of a sustainable blue economy and aquaculture areas and the Integrated Maritime Policy.



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2. European Structural and Investment Funds and Cross Border Cooperation

- European Territorial Cooperation Programmes (ETC) are a key tool for strengthening the territorial cooperation both in the European context and with third countries and constitute one of the main options for the programming period 2014-2020.
- The European territorial cooperation at the level of the European Union member states is implemented through cross-border, transnational and interregional cooperation programmes.
- These programmes are either bilateral or multilateral.
- **European Territorial Cooperation Programmes (ETC) are financed by the European Regional Development Fund.**



2.1. Multilateral Territorial Cooperation Programmes

The multilateral Territorial Cooperation Programmes, in which the Regions of Greece participate, are:

- Adriatic - Ionian (interstate)
- MED (interstate)
- MED ENI CBC (cross-border)
- Black Sea basin ENI CBC ((cross-border)
- INTERREG EUROPE (interregional)
- Balkan Meditteranean (interstate)



2.2. Bilateral Territorial Cooperation Programmes

The bilateral ETC programmes aim to tackle common challenges that border regions face, to exploit growth potential and of course to strengthen cooperation in the interests of the harmonious progress of the Union. The bilateral ETC programmes between Greece and neighboring countries are:

- Interreg V-A "Greece - Bulgaria 2014-2020" Programme
- Interreg V-A "Greece – Italy 2014-2020" Programme
- Interreg V-A "Greece - Cyprus 2014-2020" Programme
- Interreg IPA CBC "Greece - Republic of North Macedonia 2014-2020" Programme
- Interreg IPA CBC "Greece - Albania 2014-2020" Programme



3. Access of Social Enterprises to European Finance (1/4)

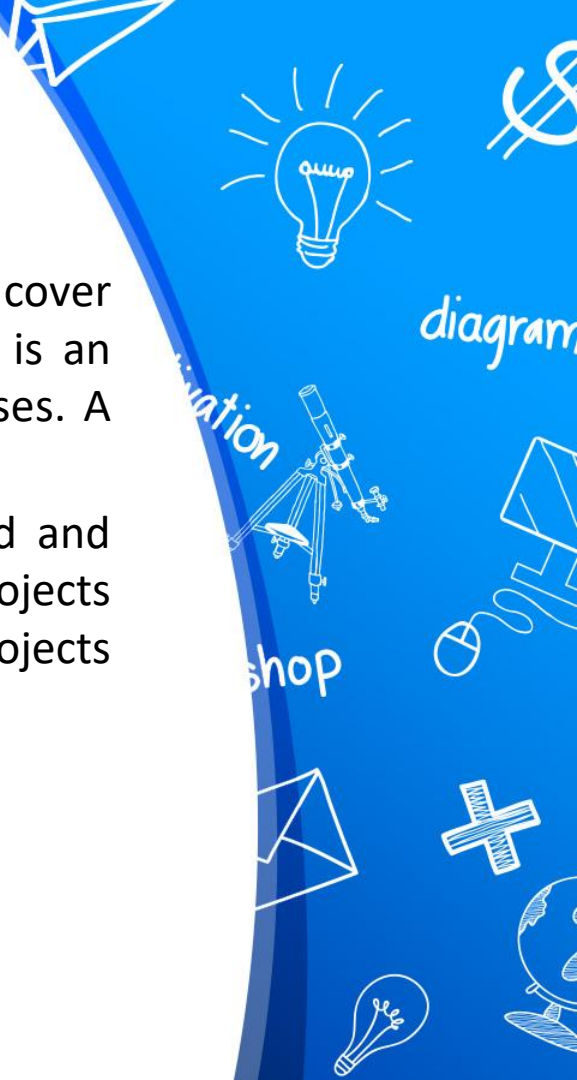
Access to finance is a main obstacle to the development of social enterprises, as identified *in the Social Enterprise Initiative* (SEI), which is adopted by the Commission in 2011. For this reason, the Commission:

- helps social enterprises to have access to investments up to 500,000 € through public and private investors at national and regional level, **under the EU Employment and Social Innovation Program (EaSI)**.
- supports social enterprises through pilot equity investment under the EFSI Equity Instrument, through accelerator and co-investment funds.



3. Access of Social Enterprises to European Finance (2/4)

- It complements equity investments with grants, which aim to cover a part of the transaction costs of intermediaries. The grant is an incentive for investments under 500,000 € in social enterprises. A call for proposals entered into force in 2017.
- It co-finances projects, that focus on enhancing the demand and supply side of social finance markets in Europe: 21 pilot projects were selected in a call for proposals in 2013 and other 20 projects were selected in a call for proposals in 2016.



3. Access of Social Enterprises to European Finance (3/4)

- European funding for the social economy faces uncertainty over the coming months as the complex process of agreeing the EU's 2021-2027 budget continues.
- Negotiations have been thrown off course this year by the financial implications of Covid-19.
- The Commission itself was “committed to viewing this crisis as an opportunity to shape a more sustainable and a better future, adding that existing major policy priorities include opportunities for social economy enterprises.



3. Access of Social Enterprises to European Finance (4/4)

- The European Commission has introduced a number of new instruments in recent years to catalyze social finance including operating grants to support market growth and guarantee instruments, including the EaSI Guarantee Instrument through which the European Investment Fund offers guarantees and counter-guarantees to financial intermediaries, thereby providing a partial credit risk protection for newly-originated loans to micro-entrepreneurs or social enterprises.



4.1. European Fund for Strategic Investment (1/2)

- ❖ The European Fund for Strategic Investment (EFSI) is an initiative launched jointly by the European Investment Bank Group – the European Investment Bank and European Investment Fund and the European Commission to help overcome the current investment gap in the EU.
- ❖ EFSI is one of the three pillars of the Investment Plan for Europe that aims to revive investment in strategic projects around the continent to ensure that money reaches the real economy.



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4.1. European Fund for Strategic Investment (2/2)

EFSI focus on sectors of key importance for the European economy, including:

- Strategic infrastructure including digital, transport and energy
- Education, research, development and innovation
- Renewable energy and resource efficiency
- Support for small and mid-sized businesses



4.1.1. InvestEU (1/2)

- For the next EU long-term budget 2021-2027, **the Commission proposed, in June 2018, to create the InvestEU program** to bring EU budget funding together under one roof in the form of loans and guarantees.
- According to the proposal, the EU budget will provide a guarantee of 38 billion € to support strategically important projects across the EU. The Commission proposes to allocate 15.2 € billion to the InvestEU fund. The Commission expects the InvestEU fund to support more than 650 billion € in additional investment across the EU between 2021 and 2027.



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4.1.1. InvestEU (2/2)

- **InvestEU aims to mobilize public and private investment in the EU to deal with the current investment gap in Europe.**
- The programme will be structured around four 4 policy windows:
 1. Sustainable infrastructure,
 2. Research, innovation and digitization,
 3. SMEs,
 4. Social investment and skills.



4.2. European Social Fund

- The ESF is **actively supporting the establishment of social enterprises** as a source of jobs, in particular for groups of people who find it difficult to get work for a variety of reasons. These include young long-term unemployed, disabled people and people in rural communities.
- This support takes many forms. It can involve **management training** for those who will run the enterprises, offering skills in human resources, employment law, health and safety, and so on. Or it can **include the specific technical skills an enterprise needs**: knowledge of the tourist trade, sales and marketing skills, or skills and know-how in advising local start-up companies.
- The ESF also **supports social enterprises in finding financial support for their activities**, and in ensuring these are sustainable for the long.



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4.3. EU Programme for Employment and Social Innovation (1/3)

- The Employment and Social Innovation (EaSI) programme is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions.
- For the period 2021 – 2027 the EaSI programme will become a strand under the European Social Fund Plus (ESF+).



4.3. EU Programme for Employment and Social Innovation (2/3)

Programme Objectives:

- ✓ Strengthen ownership of EU objectives and coordination of action at EU and national level in the areas of employment, social affairs and inclusion.
- ✓ Support the development of adequate social protection systems and labour market policies.
- ✓ Modernize EU legislation and ensure its effective application.
- ✓ Promote geographical mobility and boost employment opportunities by developing an open labour market.
- ✓ Increase the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and increase access to finance for social enterprises.



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4.3. EU Programme for Employment and Social Innovation (3/3)

In pursuing these objectives, EaSI will:

- pay particular attention to vulnerable groups, such as young people.
- promote equality between women and men, combat discriminations.
- combat discriminations.
- promote a high level of quality and sustainable employment.
- guarantee adequate and decent social protection.
- combat long-term unemployment.
- fight against poverty and social exclusion.



4.4. The Social Impact Accelerator (SIA) (1/3)

- The Social Impact Accelerator (SIA) is the first pan-European public-private partnership addressing the growing need for availability of equity finance to support social enterprises.
- SIA is a first step in the EIB Group's (European Investment Bank and EIF) strategy to pioneer the impact investing space and respond to the wider EU policy aim of establishing a sustainable funding market for social entrepreneurship in Europe.



4.4. The Social Impact Accelerator (SIA) (2/3)

- The SIA try to promote social inclusion, provide alternative sources of employment for marginalized social groups, and contribute to growth.
- These positive results underline the importance of SIA's aim to build up the existing market infrastructure for social impact investing in such a way that this emerging asset class is placed on a path to long-term sustainability.
- SIA operates as a fund-of-funds managed by EIF and invests in social impact funds which strategically target social enterprises across Europe.



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4.4. The Social Impact Accelerator (SIA) (3/3)

- In the context of the SIA, a social enterprise shall be a self-sustainable SME whose business model serves to achieve a social impact.
- For SIA, EIF seeks to invest in social impact funds which in addition to financial return targets, also pursue explicit social impact investment targets at the level of their portfolio companies, measure and report on social impact performance achieved at social enterprise level, in addition to financial return performance, and follow strong environmental, social and governance standards in their own activities.



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5. Examples of Funding for Greek Social Enterprises (1/3)

1st example:

- **Action 9.v.1.1-a** «Support to existing and recommended established Social and Solidarity Economy Bodies (SSE) of Western Greece” in the framework of the Operational Program “Western Greece 2014-2020».
- **Axis 4:** «Human Resources Development, Promoting Social Inclusion and Combating Poverty and Discrimination».
- **Thematic objective 9** «Promoting social inclusion and combating poverty and discrimination».
- **Investment priority 9.v** «Promoting social entrepreneurship and professional integration in social enterprises and the social and solidarity economy to facilitate access to employment».



5. Examples of Funding for Greek Social Enterprises (2/3)

1st example:

- The Public Expenditure of the Action amounts to 2.000.000 €.
- The budget of the invitation is distributed per category of SSE bodies as follows:
 - 50% for the recommended SSE bodies
 - 50% for the existing SSE bodies
- The Public Expenditure of the Action is financed by the Hellenic Public and the European Social Fund for Regional Development in the framework of the Operational Program "WESTERN GREECE" of the NSRF 2014-2020.



5. Examples of Funding for Greek Social Enterprises (3/3)

2nd example:

- "Support to small and very small Enterprises affected by the Covid-19 pandemic in Attica" with OPS Code 4588 in the Operational Program "Attica 2014-2020".
- Public Expenditure amounts to 256.520,075.07 €.
- The Action is co-financed by the European Regional Development Fund.
- Social enterprises such as Innovative Cultural, Action Plus, Social Press and Artemeis participate in this action.



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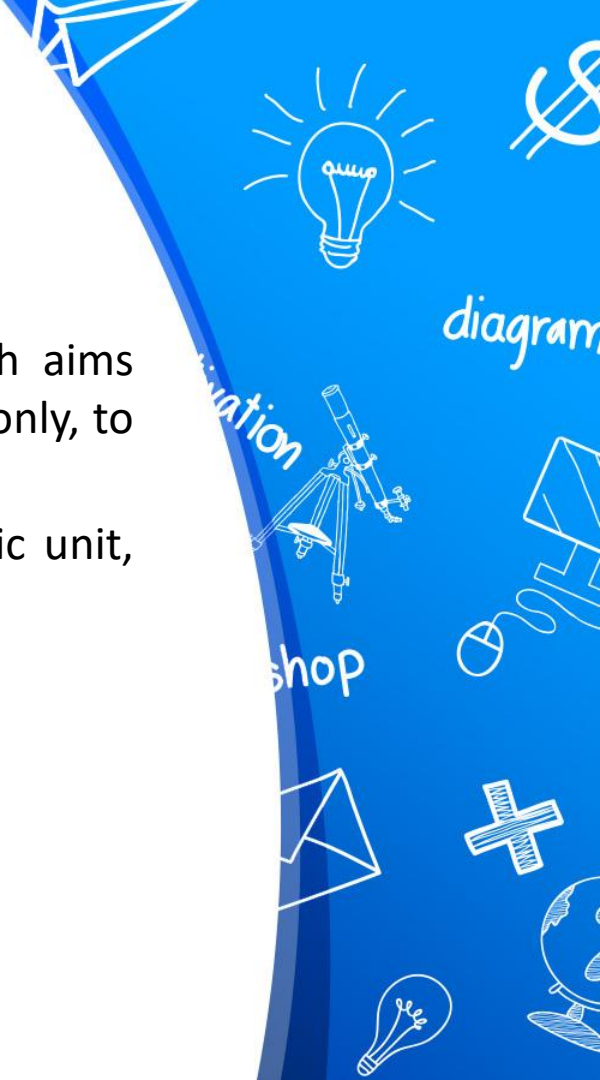
Lecture 6th: Social Entrepreneurship as a Form of Cross-Border Cooperation

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1.1. Definition of «Enterprise» (1/3)

- ❑ An enterprise refers to an independent organization which aims with the constant combination of factors of production, not only, to meet human needs, but also it seeks to achieve some profits.
- ❑ Depending on the criteria of classification of an economic unit, there are many categories of enterprise.



1.1. Definition of “Enterprise” (2/3)

Enterprise Categories

1. Production Sector
 - Primary sector
 - Secondary sector
 - Tertiary sector
2. Enterprise Size
 - small
 - medium
 - small- medium
 - large
3. Sector
 - Public
 - Private
 - Municipal
 - Mixed



1.1. Definition of “Enterprise” (3/3)

An other important distinction for enterprises is the difference between for- profit organizations and non-profit organizations.

For- profit organizations have as main objective to maximize their financial profits. Stricter financial criteria are applied for the implementation of investments options and the continuation of the operation of for- profit financial organizations.

Non- profit organizations aim to financial, social, institutional, cultural and developmental benefits and they help to improve the quality of life and shape the institutional framework.



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1.2. Characteristics of modern entrepreneur

A successful entrepreneur must have the following key-characteristics that contribute to the success and development of the enterprise:

1. Knowledge and skills
2. Industriousness
3. Ability to organize, manage and plan
4. Optimism and passion for creation
5. Adaptability, flexibility and communication ability
6. Responsibility and objectivity
7. Honesty/ integrity



1.3. Social Enterprises

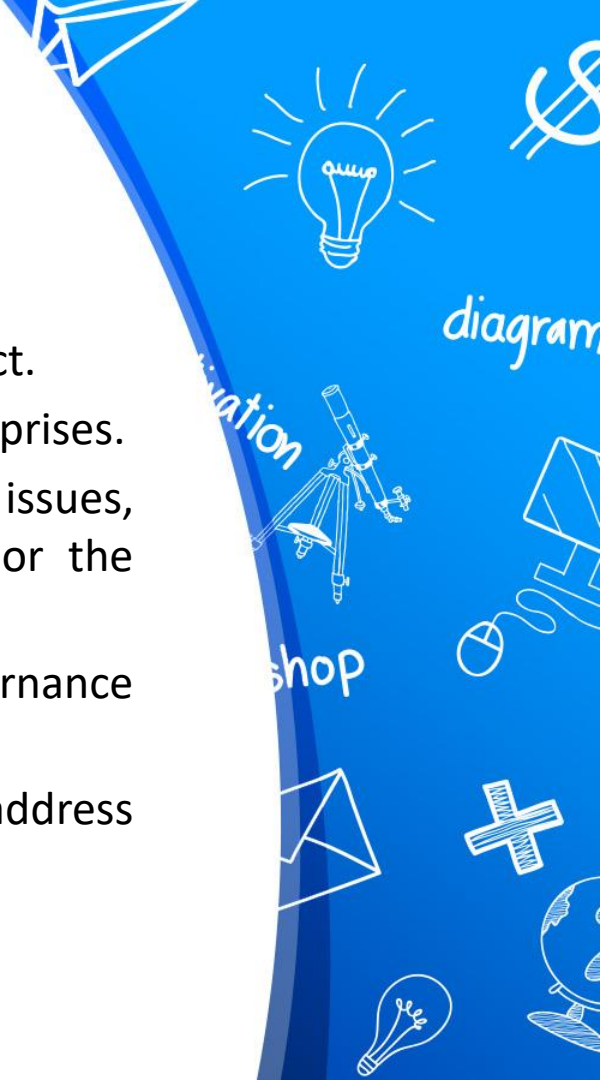
- European Commission defines social enterprises as bodies of social economy, whose primary objective are not the profit generation for their owners or partners but to have a positive social impact.
- They are activated in the market by providing goods and services in an entrepreneurship and innovative way and use the profits mainly for social aims.
- They have transparency and accountability in the management and specially encourage the participation of employees, consumers and bodies which are affected by their business activities.



1.3.1. Features of Social Enterprise

Main features of social enterprises are :

- ✓ The social impact is more important than the economic impact.
- ✓ Most of the profits are reinvested in social objectives of enterprises.
- ✓ Social enterprises are involved in social and environmental issues, i.e. they aim to improve communities or individuals life or the environment.
- ✓ Social enterprises have often inclusive or democratic governance structures.
- ✓ Social enterprises often rely on the local community and address social issues in a particular area.



1.4. Definition of «Entrepreneurship»

Entrepreneurship is the result of the implementation of creativity and innovation through an enterprise structure, in order to meet the needs and opportunities of the labor market and society.



1.4.1. Types of Entrepreneurship

Types of entrepreneurship are:

- ✓ Social entrepreneurship
- ✓ Female entrepreneurs
- ✓ Youth Entrepreneurship
- ✓ Collaborative entrepreneurship
- ✓ Green Entrepreneurship
- ✓ Rural Entrepreneurship
- ✓ Entrepreneurship of vulnerable groups



1.5. Definition of «Social Entrepreneurship» (1/3)

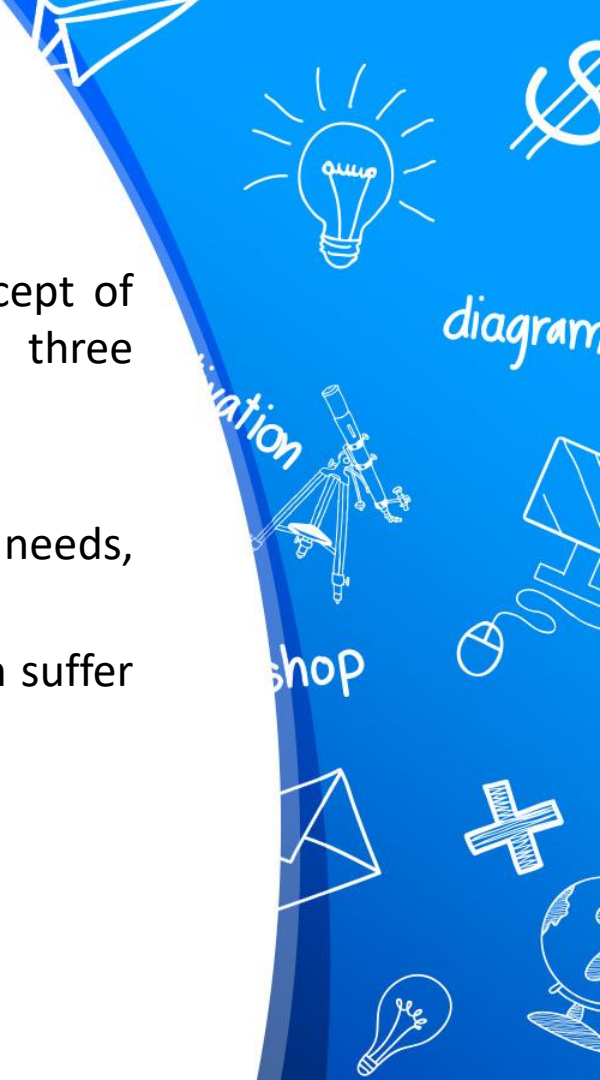
Seelos and Mair (2005) define the social entrepreneurship as «the economic activity that provides new productive models of products and services that serve the biological human needs of the poorer social class that remain unsatisfied by current economic and social structures».



1.5. Definition of «Social Entrepreneurship» (2/3)

Mair and Martin (2006) collected many definitions of the concept of “social entrepreneurship” that can be classified into these three categories:

- organizations which look for funds to meet social needs,
- organizations which commercialize the satisfaction of social needs, and
- organizations which have as objective to alleviate human suffering and to abolish the existing social structures.



1.5. Definition of «Social Entrepreneurship» (3/3)

Roper and Cheney (2005) refer to three types of social entrepreneurship and emphasize in the ownership of enterprise. Some examples are:

1. private social entrepreneurship, i.e. private initiatives to alleviate social problems, in order to gain profits and create innovations,
2. social entrepreneurship in the not-for-profit sector, and
3. public-sector social entrepreneurship, i.e. initiatives of public organizations to solve social problems.



2. Cross-Border Cooperation and Social Entrepreneurship (1/6)

- EU institutional cross-border cooperation and social entrepreneurship **have common ground**.
- Although, there are fundamental differences between institutional and entrepreneurship approach, both approaches turn social and economic problems into opportunities for impact and changes.
- European Commission (EC) had stated in 2015 that “ Recent years have seen a burgeoning interest in social enterprise across Europe, strongly driven by a growing recognition of the role social enterprise can play in tackling societal and environmental challenges and fostering inclusive growth”.



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2. Cross-Border Cooperation and Social Entrepreneurship (2/6)

- According to the context of EU cross-border cooperation, there are similarities between the policy objectives and EU territorial programs such as Interreg (e.g. inclusive growth, low- carbon economy, environment, resource efficiency) and the scope of social enterprise (e.g. circularity, employment, health, mobility).



2. Cross-Border Cooperation and Social Entrepreneurship (3/6)

- Portolés (2015) argued that EU cross-border cooperation is driven by finding solutions to existing social and economic problems and broadening economic opportunities for private actors and citizens of border regions.
- Through political instruments such as Interreg, EU encourages border regions to give attention to common regional problems through bilateral or multilateral cooperation. However, Interreg, as financial instrument and policy tool, is strongly linked to the public institutional environment.



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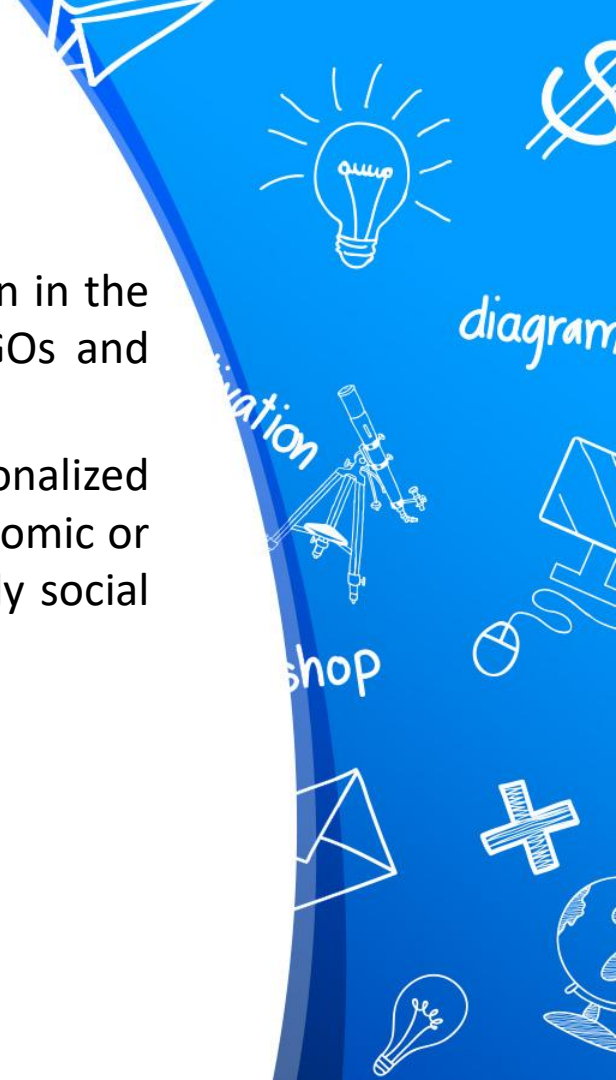


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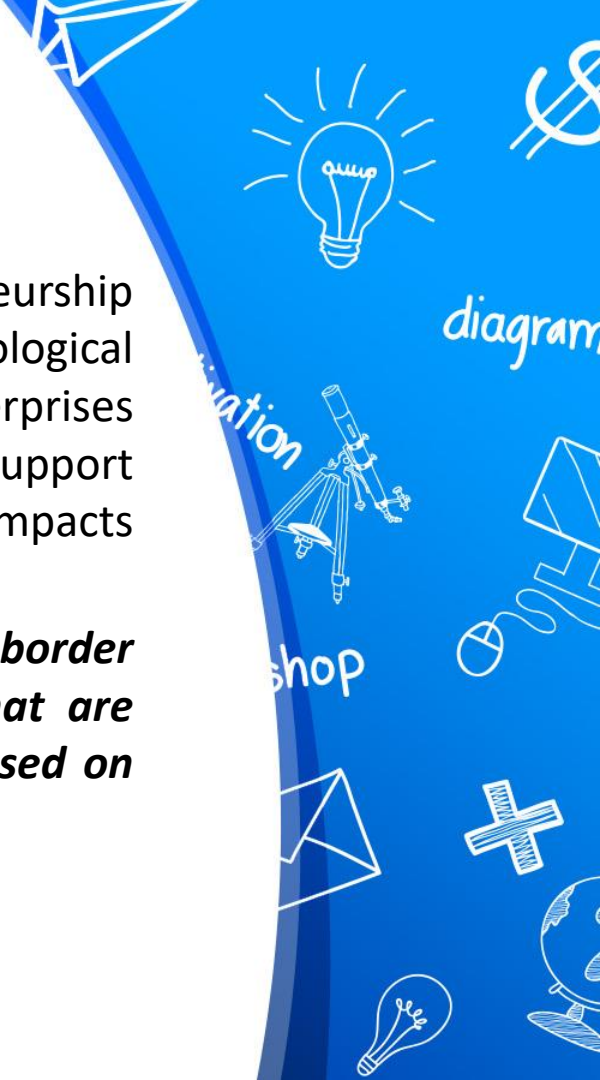
2. Cross-Border Cooperation and Social Entrepreneurship (4/6)

- The dominant type of institutional cross-border cooperation in the EU appears mainly in local and regional governments, NGOs and Universities and less in enterprises.
- Social enterprises, in contrast to the EU's institutionalized cooperation procedures, have their origins at the microeconomic or basic level. Therefore, social enterprise models link primarily social missions with social goals.



2. Cross-Border Cooperation and Social Entrepreneurship (5/6)

- Iz and Binder (2017) argued that social entrepreneurship procedures begin by recognizing a social economic or ecological problem and then turn it into an opportunity. Social enterprises have the capability to remove barriers to social inclusion, support temporarily weakened groups and/or reduce the negative impacts of economic activity.
- ***Regardless of their approach, EU institutional cross-border cooperation and social entrepreneurship are activities that are based on opportunities with delivery models which are based on cooperation.***



2. Cross-Border Cooperation and Social Entrepreneurship (6/6)

- EU institutionalized cross-border cooperation is a highly cognitive, dynamic and complex process.
- Examples of cross-border entrepreneurship in the EU border regions show how business is characterized by strong local integration. Due to its local integration, micro-economic cross-border cooperation benefits from a common understanding, knowledge of the area and good neighborly relations.
- The same is for the social enterprises, because the entrepreneur needs to know not only the local market, institutions and cultures, but also the real needs of the locals.

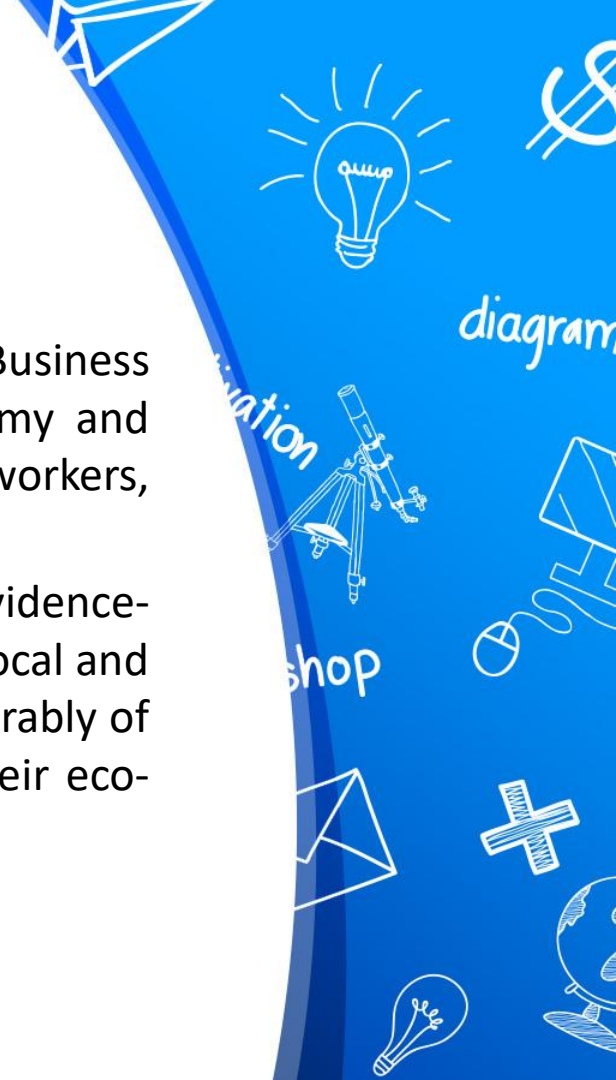


3. Cooperation Programs «INTERREG» and Social Entrepreneurship (1/11)

1. Social Seeds

In 2011, the European Commission launched the Social Business Initiative (SBI)² in a recognition of the growing social economy and entrepreneurship that accounts for more than 11 millions of workers, 4.5 % of the active EU population.

SOCIAL SEEDS partnership aims to equip policy-makers with evidence-based policy diagnostic tool that increases the effectiveness of local and regional policies for stimulation of growth & employment (preferably of vulnerable social groups) in social enterprises (SE) including their ecosystems in European cities and regions.



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (2/11)

1. *Social Seeds*

Εταίροι:

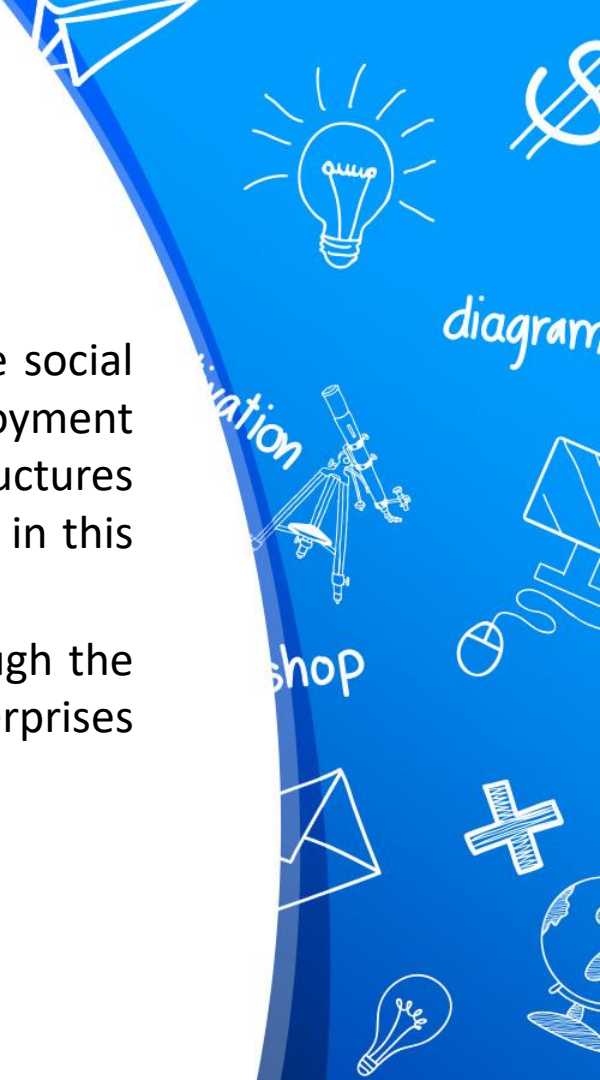
- FI GROUP (Spain),
- ISM-MAINZ (Germany),
- ANZIANI E NON SOLO (Italy),
- BISER (Poland),
- ASOCIACIÓN CON VALORES (Spain),
- SOCIAL LAB (Italy).



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (3/11)

2. ACT SOCIAL

- The main goal of the project is to detect and determine the social impact of social enterprises measured in terms of employment integration in the cross-border area and develop support structures and tools which reinforced the capacity of social enterprises in this frame.
- The goal of the ACT SOCIAL project takes place mainly through the development of support structures and tools for social enterprises focused as a case study on the Tourism and Food Sector.



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (4/11)

2. ACT SOCIAL

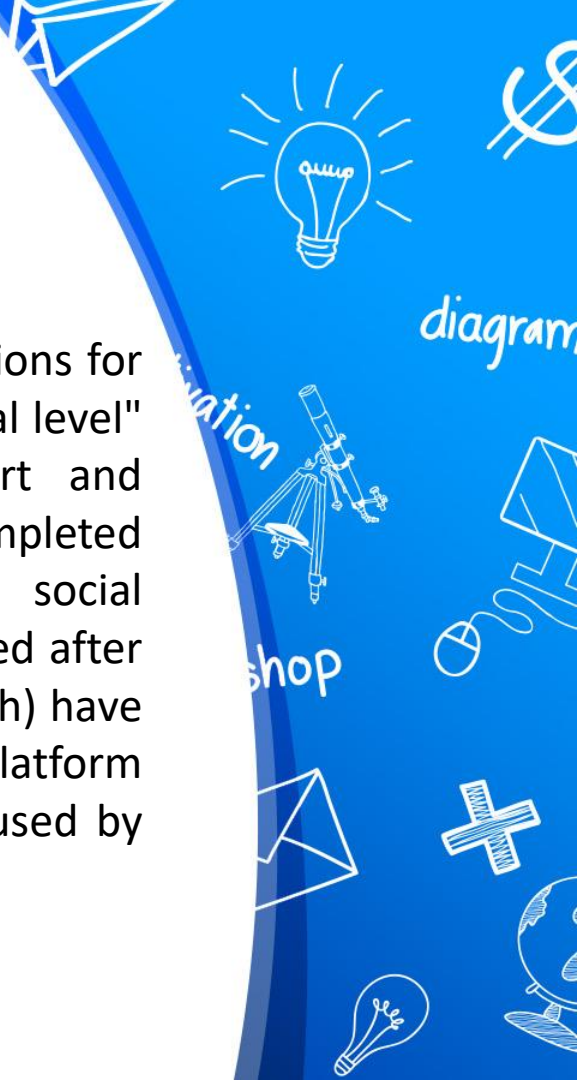
- Project Full Title: Actions for the Support and enhancement of Social entrepreneurship at local level
- Project Acronym: ACT SOCIAL
- Project Duration: 24 months
- Funding Scheme: Interreg V-A Greece – Bulgaria 2014-2020
- Participating Countries: Greece, Bulgaria
- Partners: Municipality of Thermi (Greece), Association of South Western Municipalities (Bulgaria), Sdruzhenie Yuni Partners (Bulgaria)



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (5/11)

2. ACT SOCIAL

The Municipality of Thermi in the framework of the project "ACTions for the SuppOrt and enhancement of SocIAI entrepreneurship at Local level" with the acronym ACT SOCIAL / "Actions for the support and enhancement of social entrepreneurship at local level", completed successful the two parts of individual counseling in social entrepreneurship issues for the 20 beneficiaries who were selected after a public call. Educational materials (in Greek, Bulgarian and English) have developed on Social Economy and online asynchronous learning platform was also created, where the learning material was posted and used by the project beneficiaries.



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (6/11)

2. ACT SOCIAL

- In the frame of two consulting parts, were covered topics such as recording the objectives and investigation enterprise ideas of the beneficiaries, information on the current developments in the Social and Solidarity Economy, issues of innovation and development of new enterprise models and development of their enterprise ideas, etc.
- At the next stage business development plans were developed with the beneficiaries' ideas in the Social and Solidarity Economy and they were participated in the online seminar on Social and Solidarity Economy which took place on the special online asynchronous learning platform.



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (7/11)

3. Action Plan for Social Entrepreneurship

- **Program:** Interreg V-A Greece-Bulgaria 2014-2020
- **Program Title:** Cross border Action Plan for the Development and Operation of an Executive Mechanism for the Support and Promotion of Social Entrepreneurship in the context of the Social Economy and Social Innovation.



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (8/11)

3. Action Plan for Social Entrepreneurship

Partners:

- Region of Central Macedonia (Greece)
- University of Macedonia - Department of Organization and Business Administration (Greece)
- Democritus University of Thrace - Department of Economics - Special Research Reserve Account (Greece)
- Municipality of Yakoruda (Bulgaria)
- Faculty of Arts, South-West University “Neofit Rilski”, Blagoevgrad (Bulgaria).



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (9/11)

3. Action Plan for Social Entrepreneurship

This program aims to fill gaps in the Social Economy by creating an organized, stable structure that will constantly support social enterprises. Its main purpose is:

- to record and evaluate the characteristics of social enterprises,
- to estimate the needs of social enterprises,
- to develop a methodological frame for social indicators and monitoring of indicators in areas of interest of social enterprises, and
- to develop educational and consulting services for social enterprises.



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (10/11)

4. I see: Interregional Social Enterprise Empowerment

- **Program:** INTERREG V-A "Greece-Bulgaria 2014-2020".
- The main objective of the «I see» project is the Support of social entrepreneurship in Eastern Macedonia - Thrace and Smolyan regions by encouragement of social entrepreneurship and social inclusion and increasing employment in social groups in risk.
- **Partners:** Region of Eastern Macedonia and Thrace, Active Citizens Cooperation, Urban non-profit company "Social Solidarity Network of the Region of Eastern Macedonia and Thrace" "STIRIKSI", Region of Smolyan, Smolyan Chamber of Commerce and Industry.



3. Cooperation Programs «INTERREG» and Social Entrepreneurship (11/11)

4. I see: Interregional Social Enterprise Empowerment

The project specific objectives are:

- to establish support structures for social entrepreneurship
- to develop support mechanism and appropriate tools for social enterprises
- to build the capacity of social entrepreneurship consultants
- to raise awareness for social entrepreneurship

The project demonstrates a clear added value from the cross border cooperation.



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Lecture 7th: Social Capital and Socio-economic Development

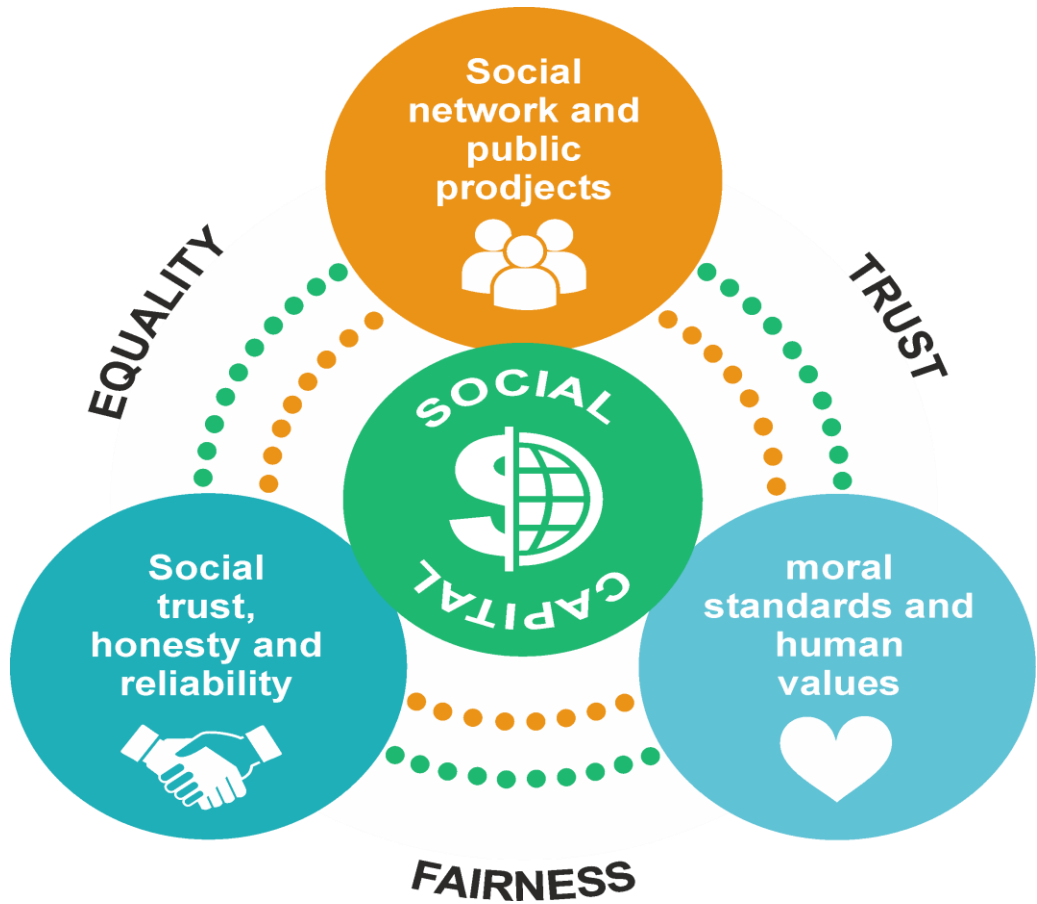


ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory "Social Forces"



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 2. Social Capital and Socio-economic Development
 - 2.1. The role of social ties and institutions in development
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 - 2.4. Social Capital in business
 - 2.5. Social Capital and Regional Development
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1.1. Definition of Social Capital (1/4)

- Social Capital is a wide term and covers the social norms and networks that facilitates the collective action to pursue and serve a mutual benefit.
- Bourdieu defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition". In other words, it is a set of bodies that are not only composed of common properties (perceived by the observer, by others or by themselves) but they are also united by permanent institutions.



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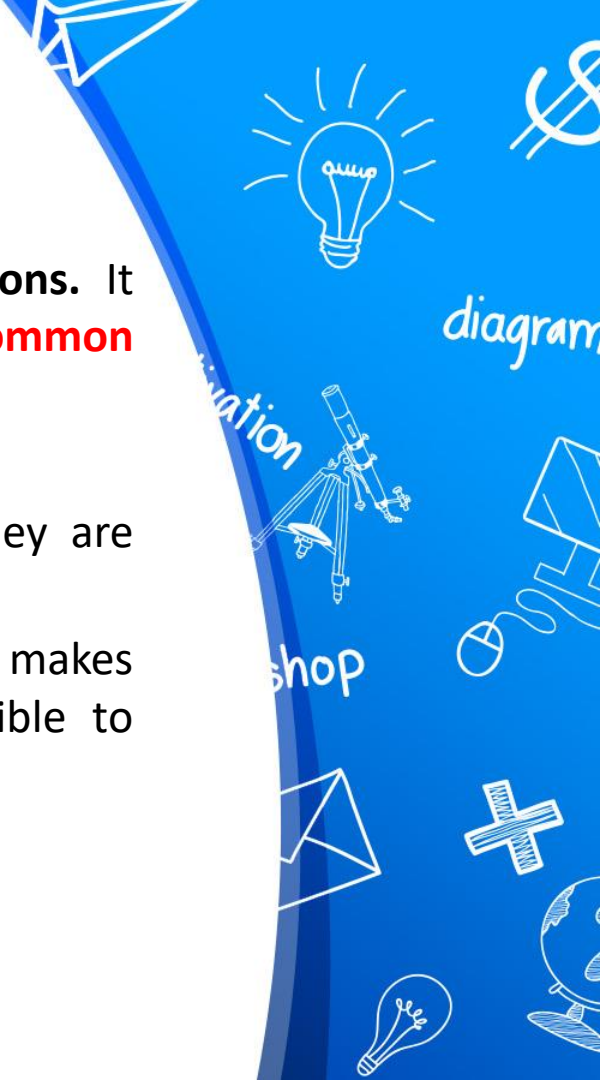


1.1. Definition of Social Capital (2/4)

According to Coleman, social capital is defined by its **functions**. It consists of a sequence of different features which have **two common elements**:

1. They are different aspects of social structure.
2. They facilitates specific actions of the bodies- whether they are individuals or collective bodies- within the structure.

Like other forms of capital, **social capital is productive** and makes possible to achieve specific goals, which could not be possible to achieve without it.



1.1. Definition of Social Capital (3/4)

- Putnam argues that terms, such as physical and human capital- tools and training that increase the individual productivity- they are in relation to "social capital" that refers to features of social organizations, such as **networks**, **norms** and **trust** that facilitate action and mutual benefit.
- Social capital increases the returns on investment in physical and human capital.

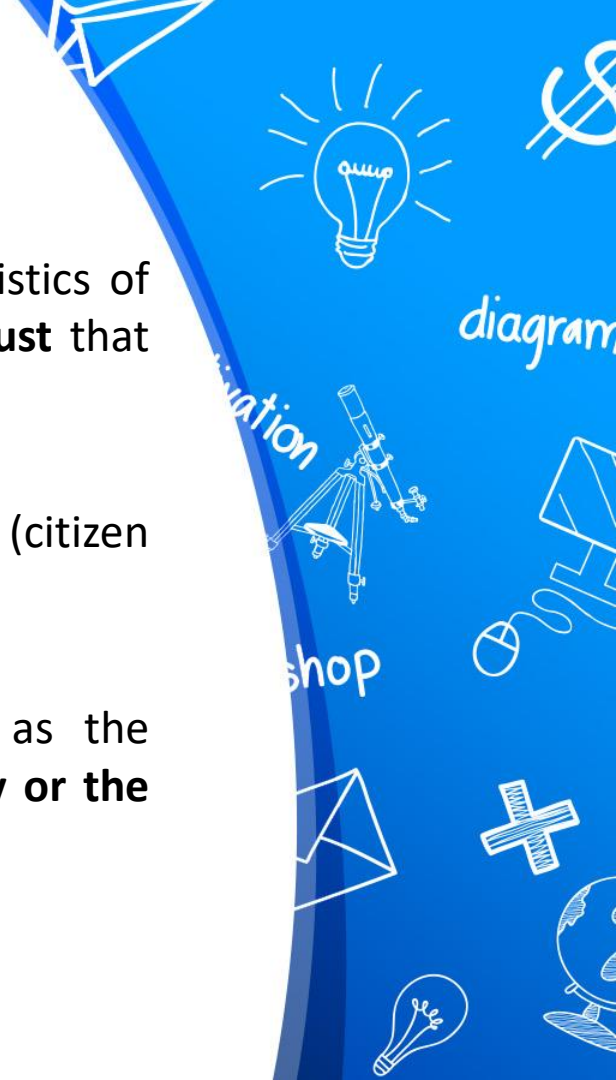


1.1. Definition of Social Capital (4/4)

In general, social capital is identified with those characteristics of social organization, such as **social norms**, **networks** and **trust** that can:

- ◆ **facilitate** the coordination of **individuals' actions**,
- ◆ expand cooperation, mutuality and social and political (citizen participation or public participation),
- ◆ **solve collective action problems (social dilemmas)**.

Thus, they achieve a **mutually beneficial result**, such as the profitability of a **business**, an **organization**, the **community** or the **whole economy**.



1.2. Characteristics of Social Capital

- Social capital is one of the three forms of capital (economic, social and cultural).
- Bourdieu's approach is focused on the class differentiation that exists among actors in different forms of social capital. It shows that this is a mechanism for the production and reproduction of inequalities and recognizes the importance of structural economic organization and its impact on social processes.



1.3. Types of Social Capital (1/5)

- **1st type: *structural* and *cognitive*.**

Structural social capital: refers to networks, institutions, rules and procedures, which establish externally observed social creations. For example: sports and cultural teams, neighborhood committees, associations with common goals, etc.

Cognitive social capital: exists more in subjective and intangible elements, such as social attitudes, common values and acceptable behaviors, rules, reciprocity and trust.

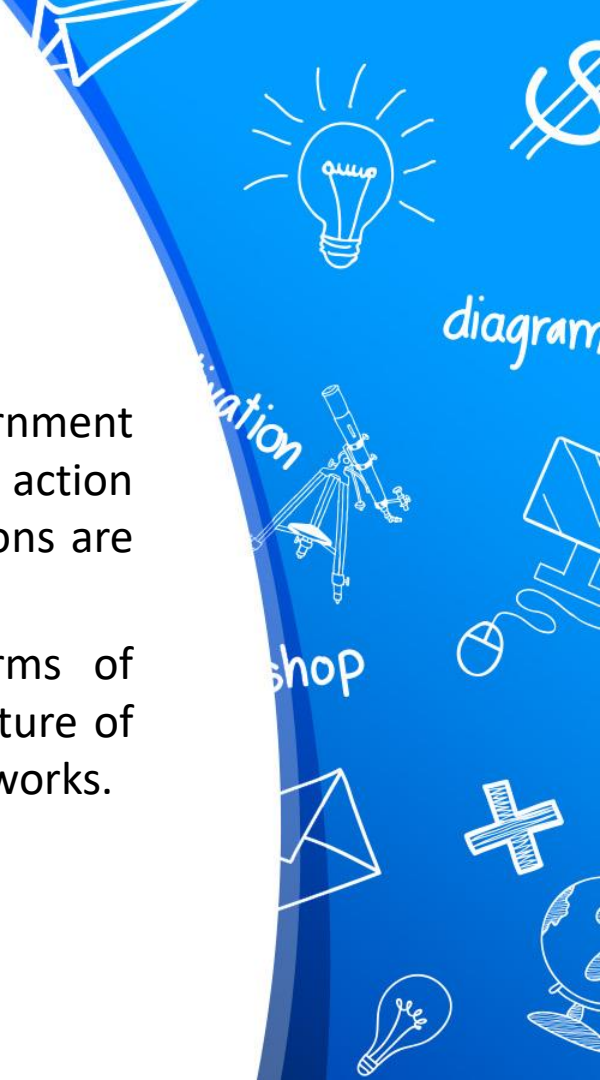


1.3. Types of Social Capital (2/5)

- 2nd type: **formal** and **informal**

Formal social capital: classifies norms, procedures, government agencies, organizations and programs that strengthen collective action by reducing the cost of processing practices and the participations are accomplished in formally established organizations and activities.

Informal social capital: refers to attitudes, beliefs and forms of cooperation, which strengthen the collective action and the culture of participation, without requiring the institutional existence of networks.



1.3. Types of Social Capital (3/5)

- **3rd type: *individual and group***

Individuals social capital: is an individual characteristic and can be measured on an individual level.

Group social capital: is a structural characteristic of the community that can only be measured at a collective level.



1.3. Types of Social Capital (4/5)

- 4th type: **horizontal and vertical**

Horizontal social capital: is referred to the links and structures among equal groups.

Vertical social capital: is referred to groups with a hierarchical structure.

This specific analysis involves structures and bodies at a macro-level and with this way, it is taking into account the wider socio-political environment.



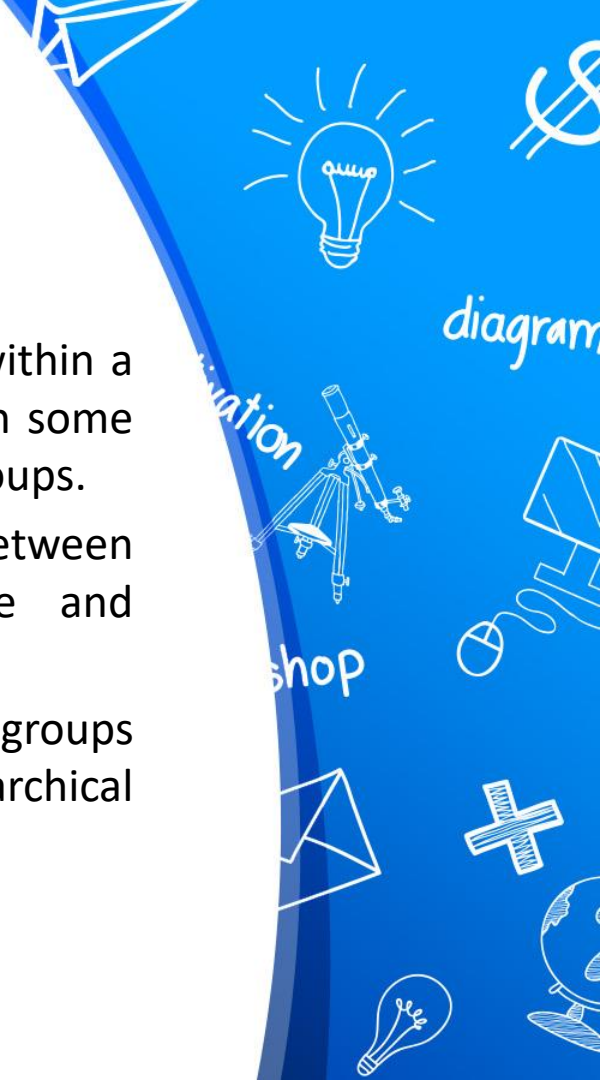
1.3. Types of Social Capital (5/5)

- **5th type: bonding, bridging and linking**

Bonding social capital: describes strong ties and relationships within a network, community or group among people who are similar in some way (e.g. family) and it is oriented towards the inside of these groups.

Bridging social capital: describes networks and contacts between different or heterogeneous groups and has a collective and comprehensive orientation.

Linking social capital: describes links between individuals and groups who are fundamentally different and are mediated by a hierarchical structure or authority.



1.4. Dimensions of Social Capital (1/3)

1st dimension: *mutuality*

It is referred to the accomplishment of actions, which are made individually but they are aimed at a common good. There is the expectation that they will receive repay at an unspecified moment.

2nd dimension: *social engagement*

On the one hand, it is referred to the horizontal relations among members (of the community and family), and on the other hand, to the vertical relations among the communities and the authorities bodies. High levels of participation contribute to the well-being of individuals and the wider community and they are an important indicator of social capital.



1.4. Dimensions of Social Capital (2/3)

3rd dimension: *trust*

There is a belief that other people will provide support to an initiative or they do not undermine it.

4th dimension: *sense of security*

There is a sense of cohesion within the community, which encourages the participation of the individual in its activities.

5th dimension: *tolerance of diversity*

There is tolerance for the other people, regardless of their biological, social and cultural differences, which facilitates the development of networks, the enrichment of opinions and the pluralism of expression.



1.4. Dimensions of Social Capital (3/3)

6th dimension: *social norms and values*

There are social norms and common cultural beliefs and their effects on the functioning of society.

7th dimension: *community*

It is combined results of trust, networking, rules and mutuality.

8th dimension: *pre-action*

The ability of individuals to take initiatives, in order to change aspects of the environment and to achieve his/her goals.



2.1. The role of social ties and institutions in development (1/2)

- ✦ In modern economics, the growth often is considered as synonymous with the term of economic growth, i.e. the percentage change in product or income that is measured by the percentage change in gross domestic product (GDP).
- ✦ The theory of economic growth highlights the importance of **liberalization** of **domestic** and **international markets** and the **effectiveness of markets for growth**.
- ✦ **Technological progress** is connected with different levels of knowledge and investment in human capital, but also it is connected with differences in the organization of production, social rules, political institutions and public services.



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2.1. The role of social ties and institutions in development (2/2)

- ✦ North (1994) discusses the role of institutions, political and economic, such as rules, laws, norms, ideology and beliefs, which could function as a motivating framework for society and as growth determinant.
- ✦ There are growth models that include the **social capital**, in the form of **trust, engagement in social groups or engagement in commons**.
- ✦ **Social capital leads to economic growth through:**
 - a) the reduction of transaction costs and control costs,*
 - b) strengthening the credibility of public institutions and the state,*
 - c) promoting innovation and the provision of public goods, and*
 - d) strengthening the social and political participation of citizens.*



2.2. Social Capital and Development (1/3)

- Woolcock (1998) seeks the type of social capital that cultivates the mutuality, trust and cooperation and leads to growth and economic success.
- He introduces two complementary forms of social capital: a) **embeddedness** and b) **autonomy**.
- The term “embeddedness” highlights the importance that it has for the development the type of social capital, which is developed among members of a group and it is called **bonding social capital**.
- The term “autonomy” highlights the importance of the type of social capital, which unites the ties among members of different groups and it is called **bridging social capital**.



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2.2. Social Capital and Development (2/3)

Embeddedness social ties create two dimensions of social capital:

- (1) the accomplishment of intra-community ties at microeconomics level and (2) the synergy between state and community at macroeconomics level.
- The autonomy social ties create two more dimensions: (1) the link between different communities and groups at microeconomics level and (2) the organizational integrity of institutions (bureaucracy, law, state welfare systems) at macroeconomics level.
- Woolcock supports that the different combination of integration, interconnection, cooperation and organizational integrity have different results to growth.



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2.2. Social Capital and Development (3/3)

- Any dimension can not be able to produce beneficial results alone: each dimension of social capital **must be combined** with other dimensions, both to microeconomics and macroeconomics level, in order to lead to wider growth and economic success.
- Specifically, when **there are not all** dimensions of social capital, embeddedness and autonomy dimensions, there is an environment of collective action and economic behavior. This environment is called **anarchic individualism**.
- In contrast, when **there are all dimension** of social capital, embeddedness and autonomy dimensions, there is an environment that is called **beneficent autonomy**.
- There are also **intermediate combinations**, e.g. either with the embeddedness or with the autonomy social capital, there are adverse results to growth.



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2.3. Synergy in Social Capital (1/4)

- **Synergy approach** attempts the tie among network approach and institutional approach.
- The **network approach** gives emphasize to the importance of vertical and horizontal ties among people and among such organizational entities (such as community groups or companies) i.e. social capital that strengthens the relationships within groups, but also connects the relationships between different groups.
- Therefore, the **economic growth** takes place **through a mechanism** that allows individuals to **initially receive benefits** as community members and to **acquire skills and resources** by participating in **networks** that exceed the community and they gradually will approach the common economic tendency.



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2.3. Synergy in Social Capital (2/4)

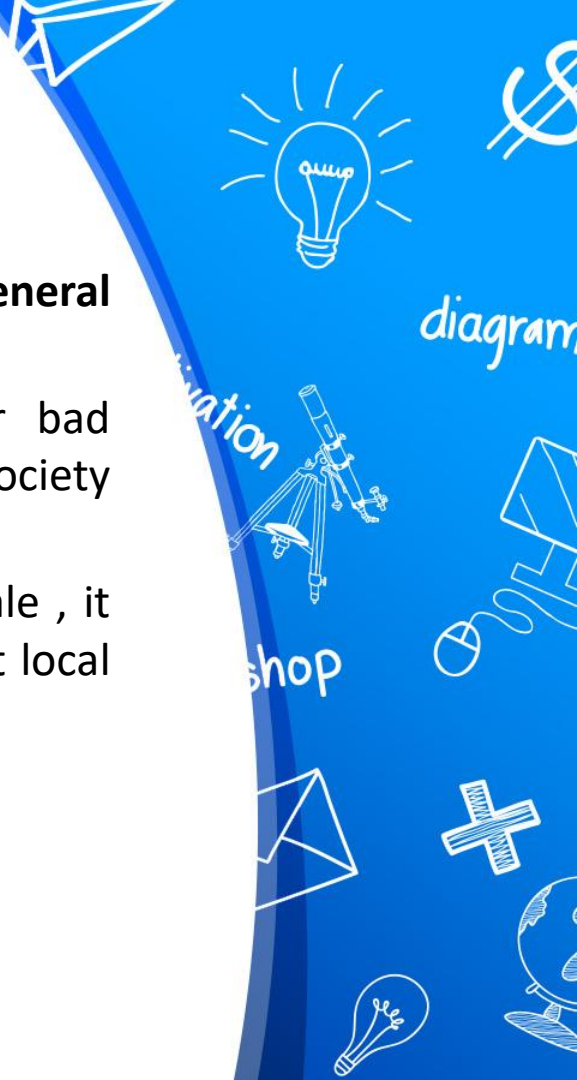
- On the other hand, **institutional approach** of social capital supports that the vitality of community networks and civil society are results of political, legal and institutional environment.
- Especially, it examines **the impact** of factors such as uncontrolled bribery, bureaucratic delays, violation of freedoms, mass poverty and inequality, which have impacts on **social capital and growth**. It highlights the need to improve government efficiency and credibility, in order to deal with these problems.



2.3. Synergy in Social Capital (3/4)

According to Woolcock and Narayan, **there are three general conclusions** that come from the synergy approach.

1. Neither the state or the society are inherently good or bad institutions, because the impact of government and civil society development is changing.
2. In order to promote a sustainable development in a wider scale , it must exist complementarity and cooperation among the different local groups and public institutions.

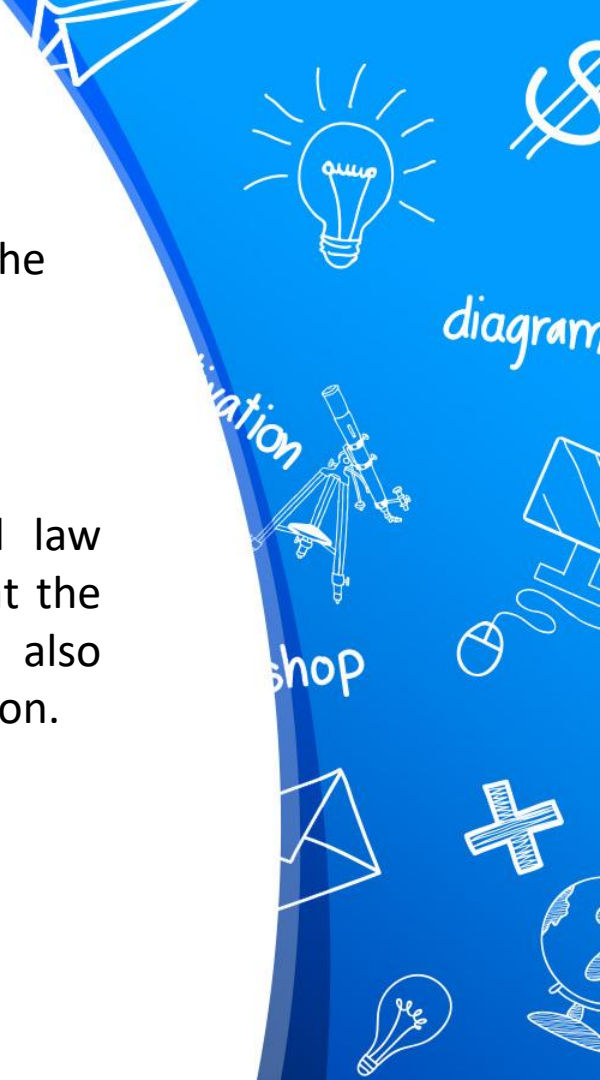


2.3. Synergy in Social Capital (4/4)

3. The state has the most important role in development, but at the same time the most difficult:



the state, except for the provision of public goods and law enforcement, acts to coordinate conflicts between groups at the micro and macro level, in public and private context, but also outside the boundaries of law, nation, tribe, politics and religion.

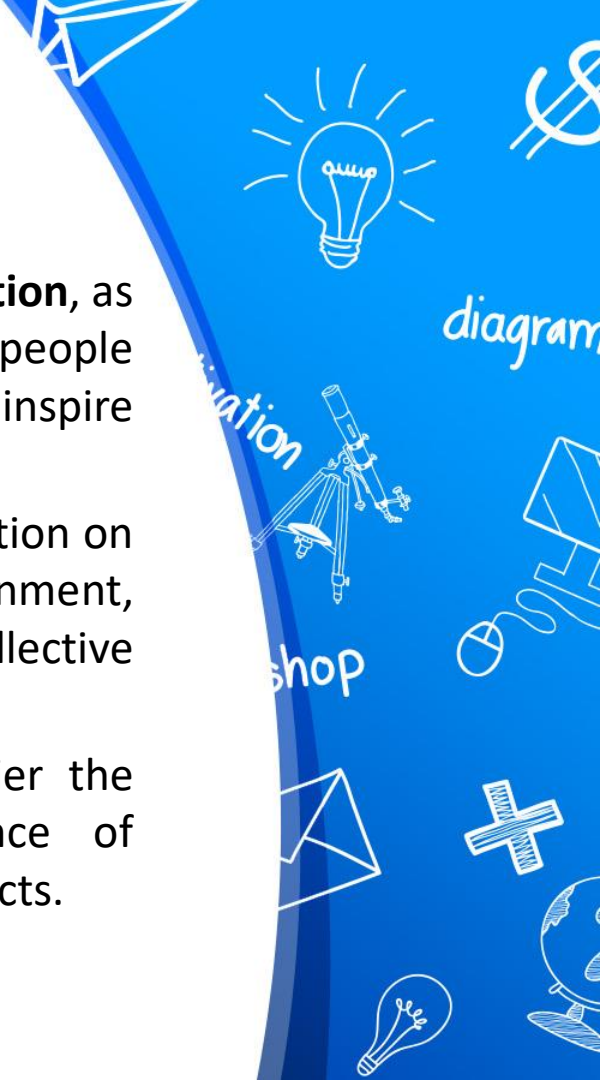


2.4. Social Capital in business

Social capital **influences the performance of business innovation**, as knowledge and information are spread more easily among people who are based in the same area, due to social ties that inspire mutual trust and personal contact.

In all regional innovation approaches, it is given special attention on the role of institutions, the social and cultural environment, interactions, the non-linear development process and the collective learning as resources for innovative action.

Westlund refers that the good social relations make easier the transport of knowledge, in contrast with the absence of relationships or bad relationships that bring the opposite effects.

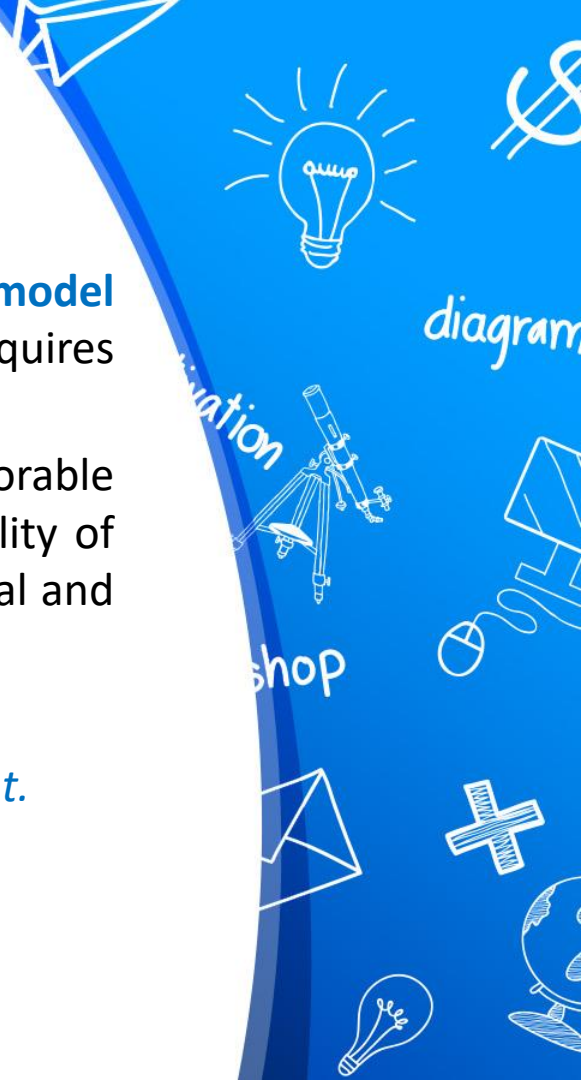


2.5. Social Capital and Regional Development (1/2)

Regional Development Strategies are increasingly based on **the model of Endogenous Development** and its implementation of which requires the utilization of Social Capital.

The endogenous development model aims to create a favorable environment for local initiatives, in order to increase the capability of regions to adapt to the development reality, where social, cultural and environmental parameters are integrated into economic policy.

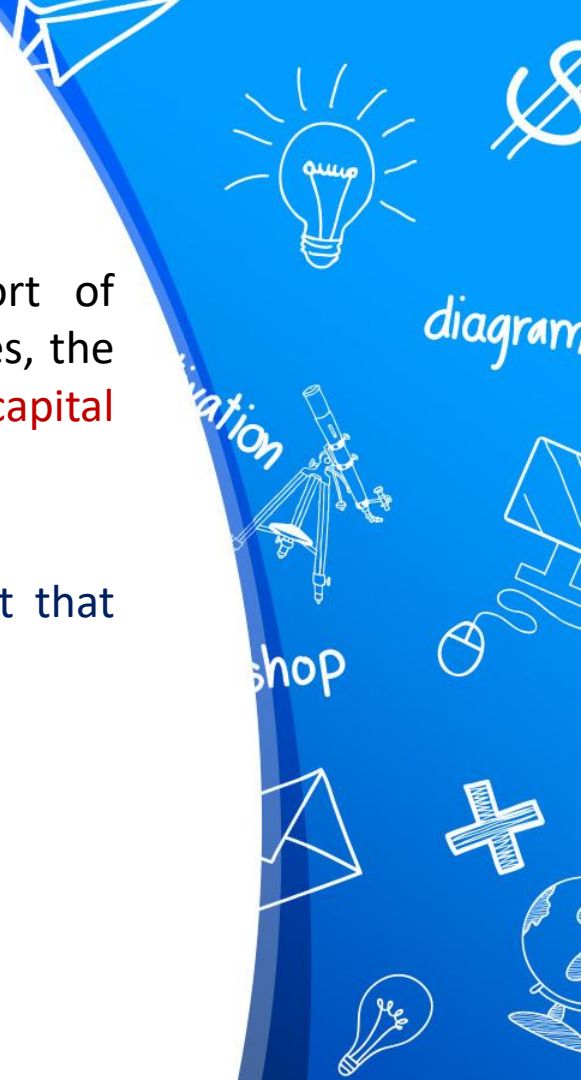
Human and social capital are the driving force for development.



2.5. Social Capital and Regional Development (2/2)

Local innovation strategy adopts as basic means of support of endogenous potential, the clusters of companies, industrial places, the creative city, the science/ technology parks etc. **in which social capital is the heart of the regional development.**

The importance of social capital is based on the ascertainment that social factors have effect on economic phenomena.



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Lecture 8th: The connection between Social Capital and Social Economy

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1.2. Characteristics of Social Capital

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1.1. Definition of Social Capital (1/2)

- ❖ Social capital is a wide term that fills social norms and networks which facilitate collective actions to pursue and serve a mutual benefit.
- ❖ Bourdieu defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition". In other words, it is a set of bodies that are not only composed of common properties (perceived by the observer, by others or by themselves) but they are also united by permanent institutions.



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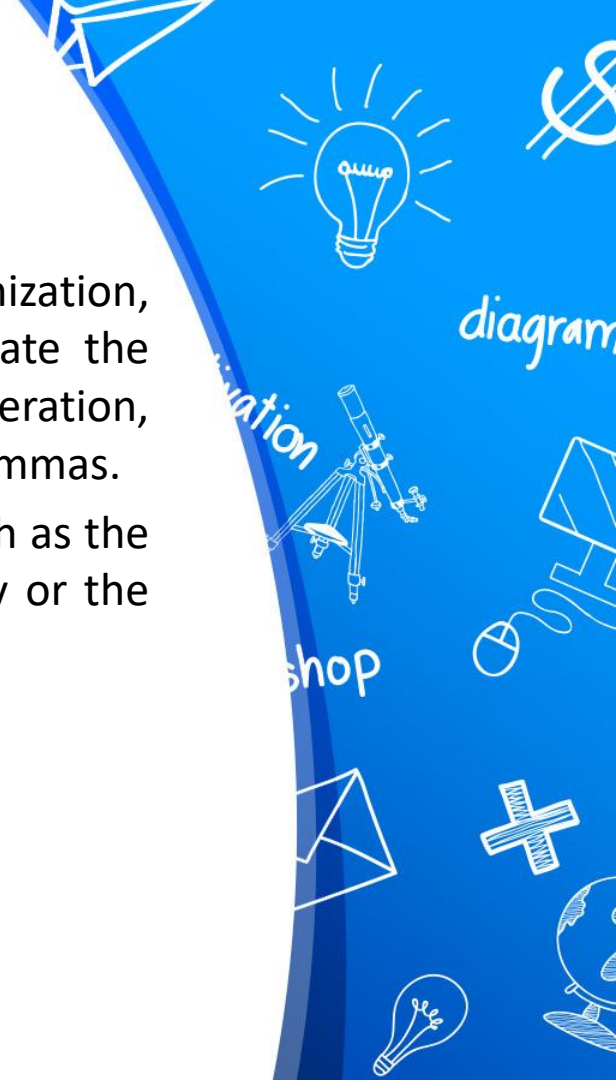


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1.1. Social Capital Definition (2/2)

- ❖ Social capital has the same special features with social organization, such as social norms, networks and trust that can facilitate the coordination of individuals' actions, expand cooperation, reciprocity, social-political participation and solve social dilemmas.
- ❖ In this way, they achieve a mutually beneficial outcome, such as the efficiency of an enterprise, an organization, the community or the whole economy.



1.2. Characteristics of Social Capital

- Social capital is one of the three forms of capital (economic, social and cultural capital).
- Bourdieu's theoretical framework focuses on the class differentiated access of bodies to different forms of social capital. It shows that this is a mechanism of production and reproduction of inequalities, and recognizes the importance of structural economic organization and the influence on social processes.



1.3. Social Networks (1/3)

- Definition of **social network** is related to the term “social capital”.
- As social network can be defined the multidimensional systems of communication and shaping of human practices and social identity.
- Social network can also be defined as **the sum of personal contacts**, through of them the individual maintains his/hers social identity and he/she receives emotional support or material support and participates in services, he/she has access to information and creates new social relations and develops.



1.3. Social Networks (2/3)

- Social networks transfer important information to both employees and enterprises and increase the productivity. **Social capital is really important in finding job in an area, if it interacts with the social networks.**
- The strengthening of social capital is directly related to the participation in commons and social networks, which are new forms of organizations. This new forms ensure the effective participation of the citizens in commons and in productive and economic functions of the society.



1.3. Social Networks (3/3)

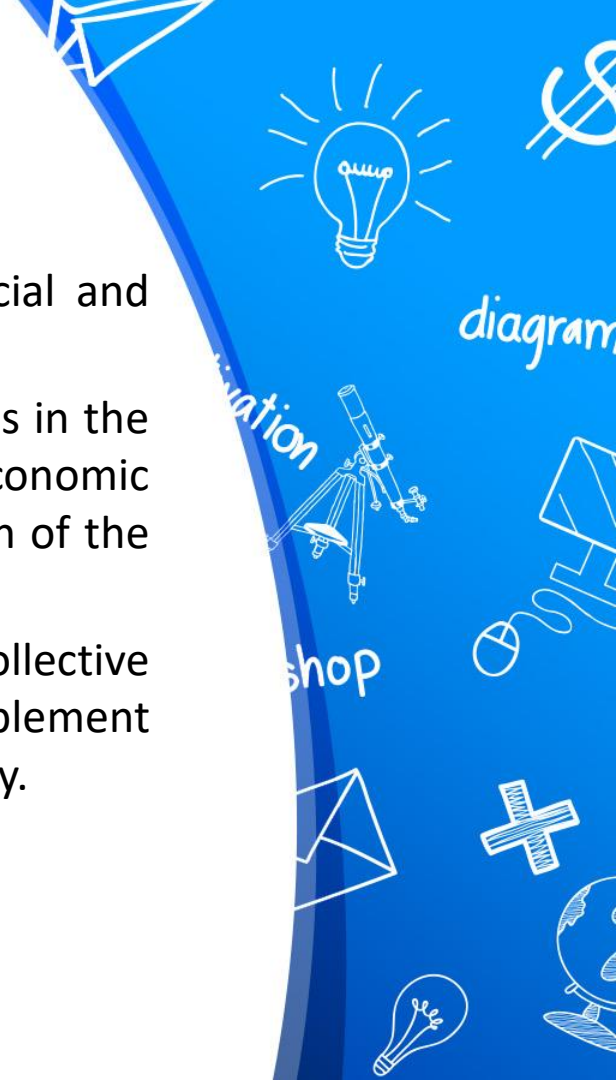
Social networks have the following attributes:

- They reduce the transaction cost.
- They operate as reservoirs of social capital.
- They function as precursor to social and green entrepreneurship.
- Horizontal networks operate in favor of the socialization of knowledge and know-how.
- They contribute to the democratization of information and actions.
- They give direction to the region and to the socially necessary purposes.
- They structure the social capital at local and national level.



2. Links between Social Capital and Social Economy (1/9)

- ❏ Economic development cannot be separated from the social and the cultural framework, in which it is shaped and developed.
- ❏ It is acceptable the participation of citizens and social bodies in the process of formulating local and national social and economic objectives, in the control process and in the implementation of the planned policy measures.
- ❏ The networking, the social capital of individuals and collective bodies at local level are mechanisms which promote and implement actions and policies, in order to strengthen the local economy.



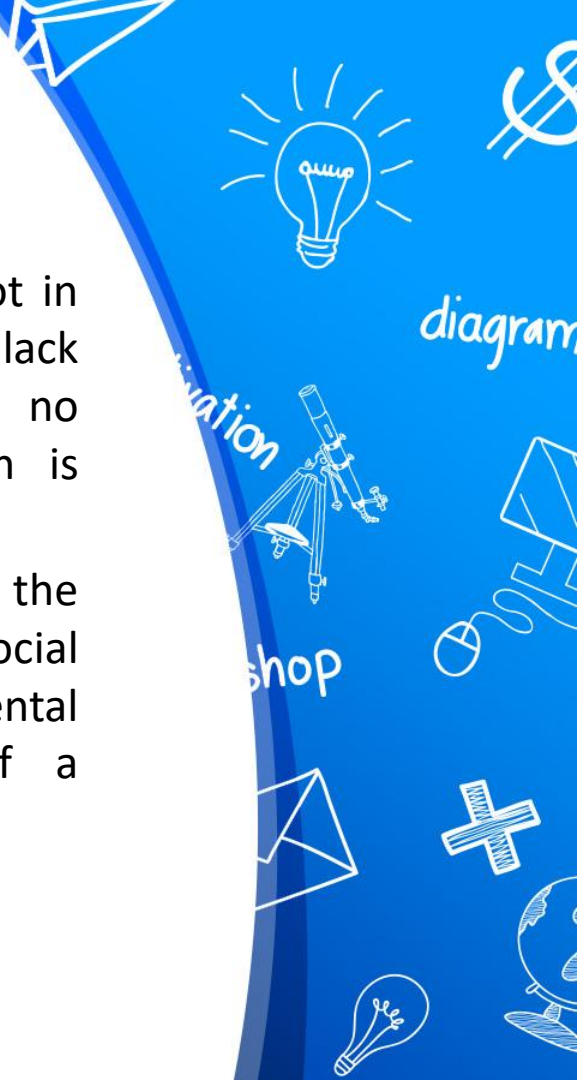
2. Links between Social Capital and Social Economy (2/9)

- ✚ The strength that exists in ties and the union between different social and economic bodies, they can create a social “synergy” that benefits the local development.
- ✚ More and more, the economic prosperity at local level is attributed to norms and networks that allow individuals to act collectively.



2. Links between Social Capital and Social Economy (4/9)

- The importance of social capital is realized when there is not in the local communities. When there are few social networks, lack of trust, low efficiency with different standards and no commitment in the area, then the community cohesion is dropping and it is possible to occur underdevelopment.
- This can be evidenced by the rising crime, the desire to leave the area, the mutual suspicion, the lack of information, the few social facilities, the lower health standards and the environmental degradation. In short, all these are characteristics of a disadvantaged area.



2. Links between Social Capital and Social Economy (5/9)

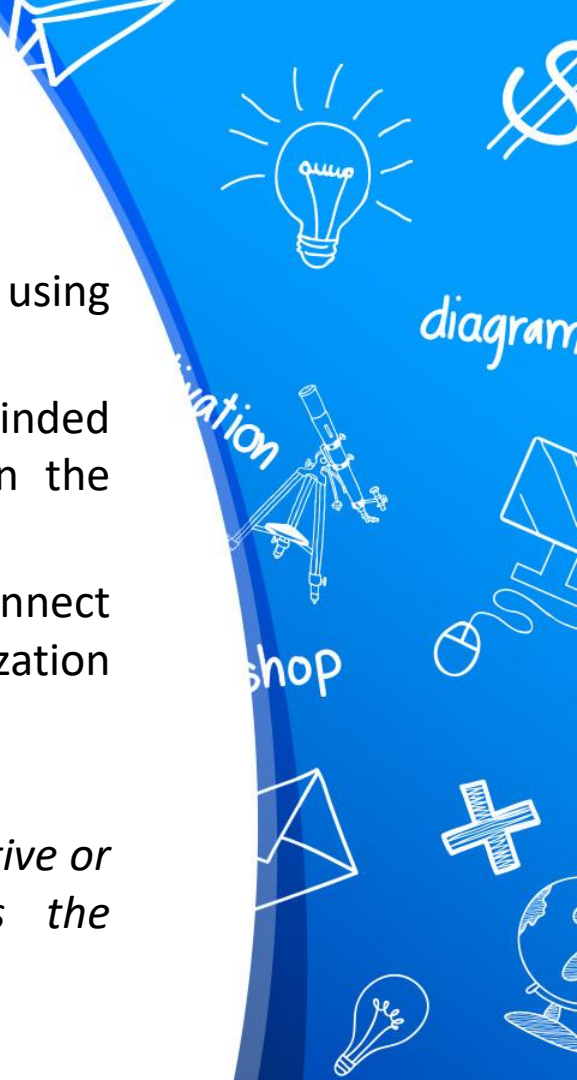
- By recognizing the importance of having social capital, the way communities operate is strengthened by directing the development strategies to interventions which will help the development of social capital.
- In recent years, social enterprises and social economy are identified as an alternative mode of production.
- Social enterprises are organizations that use commercial and business principles to pursue social objectives. For example, their number rapidly grow in UK's areas, where they are actively encouraged to provide constantly increasing services to their local communities.



2. Links between Social Capital and Social Economy (6/9)

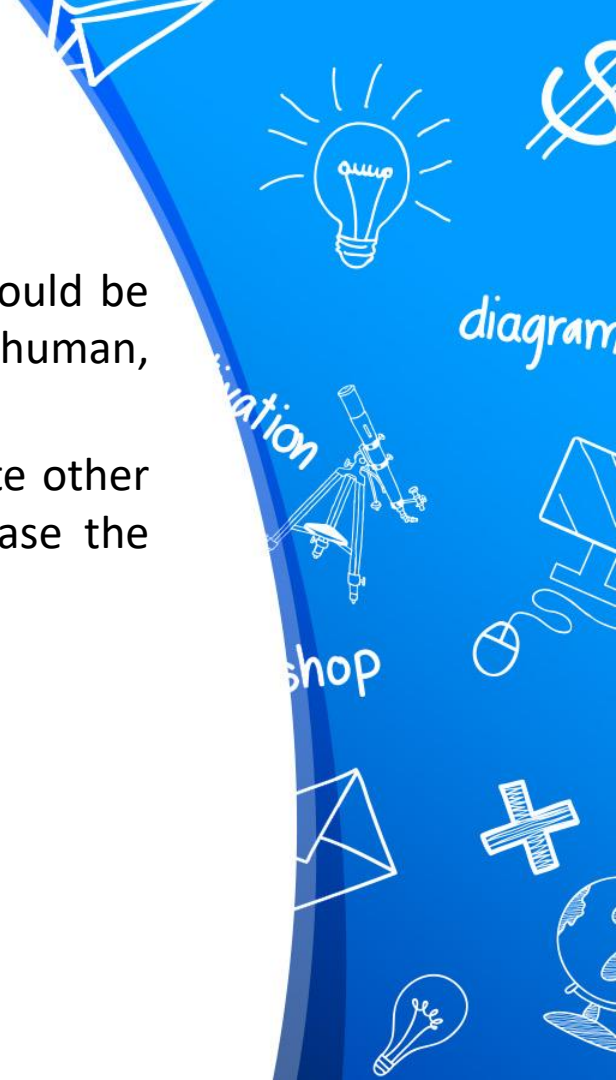
- Social enterprises create social capital in their area, mainly by using social capital.
- **Explicit and common values create solidarity** among like-minded social enterprises. The trust and reciprocity are created in the context of cooperation.
- Informal and formal social networks become active- they connect social enterprises and link other social enterprises with organization which are outside of the immediate groups.

It is important to be noticed that where there is an active cooperative or community enterprises development organizations, there is the possibility to develop a social enterprise complex.



2. Links between Social Capital and Social Economy (7/9)

- In Social Economy and for the community development should be used a combination of all types of capital (economic, human, environmental and cultural).
- The addition of social capital to a local area is not substitute other types of capital. Also, just the social capital cannot increase the existence of social economy and entrepreneurship.



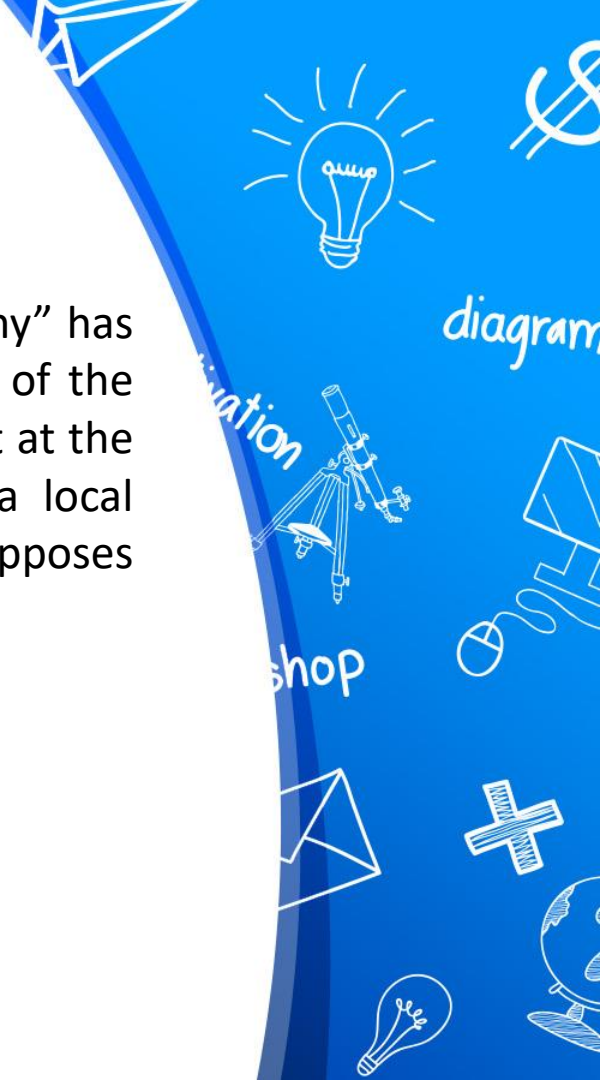
2. Links between Social Capital and Social Economy (8/9)

- The support of organizations such as social enterprises and voluntary enterprises can contribute to the creation of a vibrant social economy. In this social economy, the well-being and quality of life of residents are the most important achievements.
- This reinforces the need to adopt a community development approach rather than a business development approach to support enterprises.



2. Links between Social Capital and Social Economy(9/9)

- The relationship between “social capital” and “social economy” has two aspects. The first is that the social capital is the cause of the formation of social economy enterprises and institutions, but at the same time these bodies strengthen the social capital in a local economy and society. As a result, the “social economy” presupposes the activation/ utilization of social capital.



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Lecture 9th: Social Innovation and Social Economy



ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory "Social Forces"



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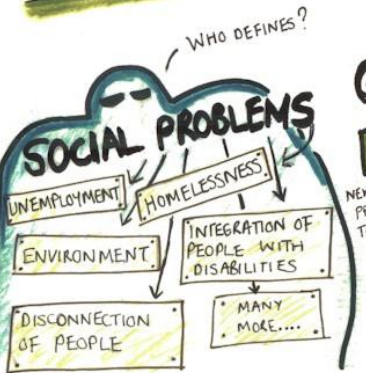
2. Good Practices in Social Innovation

3. Social Enterprises and Social Innovation

References

WHAT IS SOCIAL INNOVATION?

- ACCORDING TO LUSIC (WWW.LUSIC.SE)



1.1. Definition of “Innovation” (1/2)

- **Innovation is the practical implementation of ideas that result in the introduction of new goods or services, into an operational method of production or distribution, or into method of providing services. This definition refers both to the process and its outcomes.**
- European Commission (1995) defines Innovation as a creative manifestation of the human spirit or human ingenuity which is linked to situations that are related to technology and science.
- *Innovation is the transformation of knowledge into new products, processes and services. It contains not only elements which are related to science and technology, but also it contains the insightfulness and satisfaction of consumers’ needs.*



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1.1. Definition of “Innovation” (2/2)

- Innovation is the result of an interaction process between individuals, organizations (e.g. enterprises or universities), systems and institutions, which use market signals (prices) or other, in order to determine the growth direction.
- It's a result of both individual actions and interactions with “environments” (markets, organizations, systems and institutions).
- Innovation can bring revolutionary or marginal changes in organizations or markets. Innovation implementation is based on the creation and diffusion of the new, the new knowledge or the utilization of the existing knowledge with new ways.



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1.2. Definition of “Social Innovation” (1/2)

- **Social innovation** is a "solution development" process to pressing **social and environmental issues**, which concern the support of the social progress with the most efficient, effective and sustainable way.
- Social innovations are new ideas that simultaneously respond to social needs and create new social relationships and cooperation.
- They do not benefit only the society, but they reinforce the capability of society to act.
- It might be products, services or processes, technologies or models which are faced the social needs with more efficient way, in relation to the current- traditional ideas.



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1.2. Definition of “Social Innovation” (2/2)

There is Social Innovation when:

- (a)** new goods and services are provided, that improve individuals and community quality life.
- (b)** New labor market integration processes, new skills and knowledge, new jobs, new participation forms and new models are applied as different elements, from which each contribute to improving the position of individuals in the workforce.



1.3. Stages of Social Innovation

1st stage: *Stimulus* -> are based on the challenges or opportunities that identified.

2nd stage: *Proposals* -> are the ideas that arise to respond to stimuli.

3rd stage: *Prototypes* -> are the development of ideas and their implementation in practice.

4th stage: *Sustaining* -> at this stage, there is utilization of conclusions that are obtained from the pilot application and are developed new ideas.

5th stage: *Scaling* -> the activity is expanded or evolved.

6th stage: *Systemic change* -> social innovation is widely accepted and is an integral part of the daily life.



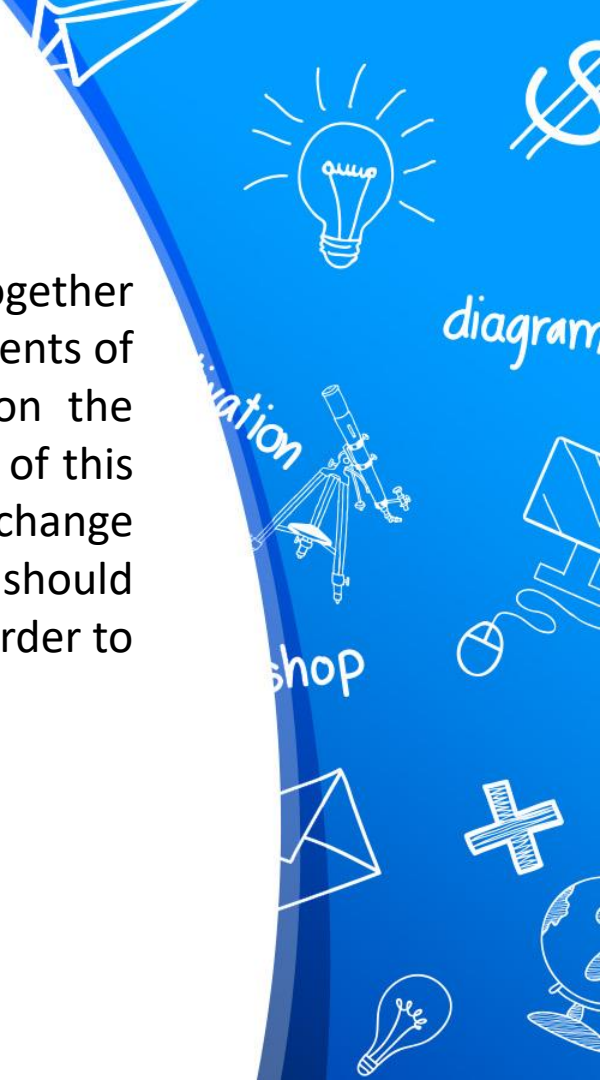
1.4. Social Economy Approaches (1/2)

- **1st approach:** The origin of social innovation as an economic category dates back to the works of Max Weber (1922), who stated that the new social needs which are incorporated in practice, they lead to changes in the social relations between individuals, institutions and others. Social innovation is considered as a source of improvement of a situation of certain populations of the society.



1.4. Social Economy Approaches (2/2)

- **2nd approach:** It is a systemic approach. Social innovations (together with technological and economic) can be understood as elements of social exchange. The focus of the systemic approach is on the individuals, who create institutions. Through the perspective of this approach, social innovation is considered as an institutional change which leads to new traditions or practices. These changes should cover a variety of areas (such as regulatory and cultural), in order to ensure a systemic character.



1.5. Traditional vs Social Economy

Social economy in contrast with the traditional economy:

- comes from NGOs, social enterprises and government agencies.
- responds to social and environmental issues.
- focuses on ideas and solutions that create social value and social impact.
- is motivated by the respond to a social need, despite the increase in profit.



1.6. EU Programme for Employment and Social Innovation (EaSI) (1/3)

The Employment and Social Innovation (EaSI) programme is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions.

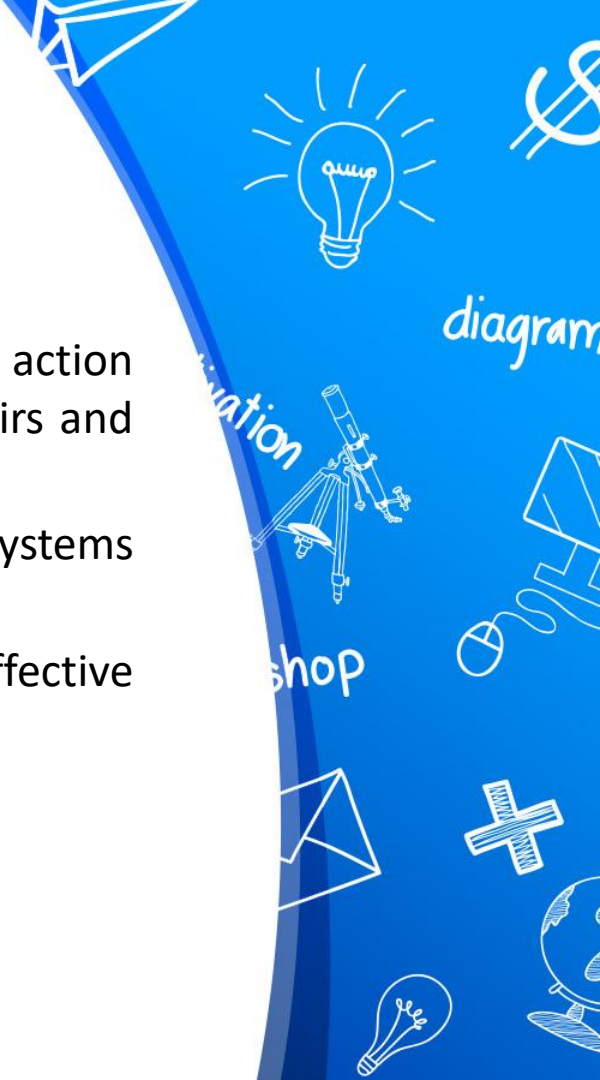
*For the **period 2021-2027** the EaSI programme will become a strand under **the European Social Fund Plus (ESF+)**.*



1.6. EU Programme for Employment and Social Innovation (EaSI) (2/3)

Objectives:

- ✓ Strengthen ownership of EU objectives and coordination of action at EU and national level in areas of employment, social affairs and inclusion.
- ✓ Support the development of adequate social protection systems and labor market policies.
- ✓ Modernization of EU legislation and assurance its effective application.



1.6. EU Programme for Employment and Social Innovation (EaSI) (3/3)

Objectives:

- ✓ Promote geographical mobility and boost employment opportunities by developing an open labor market.
- ✓ Increase the availability and accessibility of microfinance for vulnerable groups and micro enterprises, and increase access to finance for social enterprises.



2. Good Practices in Social Innovation(1/2)

Open Ministry

- Open Ministry is a non-profit organization based in Helsinki, Finland and promotes “information legislation, deliberate and participatory democracy and citizens’ initiatives”.
- It provides help to citizens and NGOs with national citizens’ initiatives, EU citizens initiatives and develop the online services for collaborating, sharing and signing initiatives.



2. Good Practices in Social Innovation (2/2)

Crowdmapping Platforms

- Crowdmapping is a set of platforms that have the ability to capture on digital-map and in real time detailed data, which are related to art, culture and events.
- For example, the Ushahidi and Crisis commons platforms help to gather large amounts of incoming data on a particular issue and use them to create real-time information about events.



Social Enterprises and Social Innovation



3. Social Enterprises and Social Innovation (1/4)

- In Europe, there are over 2 million enterprises which provide the 10% of GDP. However in many member state of the European Union, the social economy is a new and growing field.
- Civil society and social economy are linked and have contributed, through innovation, to major systemic changes in society, such as: childcare, medical care, promoting the autonomy and the independent living of elderly and people with disabilities, balance between private and professional life, integration into work, social housing, etc.



3. Social Enterprises and Social Innovation (2/4)

- Social enterprises experiment and find innovative solutions and at the same time they participate in economic activities which focus on specific groups of users, unresolved needs of society or filling a gaps.
- Social enterprises reinvest their profits in their social missions and impacts, which often serve socially disadvantaged groups. These groups are “groups of interests” and create dual value: 1) at social level through their activities and 2) at economic level through trade, business creation and job creation.



3. Social Enterprises and Social Innovation (3/4)

- The combination of technical, environmental and social innovation perspectives is crucial to find future solutions. Full integration of these concepts requires new vision, which should be based on results and impacts. There are two important elements here: the creation of common value and the publication of the “triple result” (i.e. ensuring that social, environmental and economic progress are all equally important).
- The recognition of the total value as reflected on the collective impact of economic, social and environmental aspects, it contributes to the rapid emergence of new hybrid business forms.



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3. Social Enterprises and Social Innovation (4/4)

- Socially innovative enterprises introduce technological or no-technological innovation to the market which are oriented to social needs and social issues.
- Objective of social innovation in social enterprises is the connection and the spreading of organizations, their merger and their growth.
- Furthermore, socially innovative enterprises aim to find innovative and dynamic solutions to social problems (unemployment and social exclusion).



4. Social Enterprises and Social Innovation (1/2)

The characteristics of Socially Innovative Companies are:

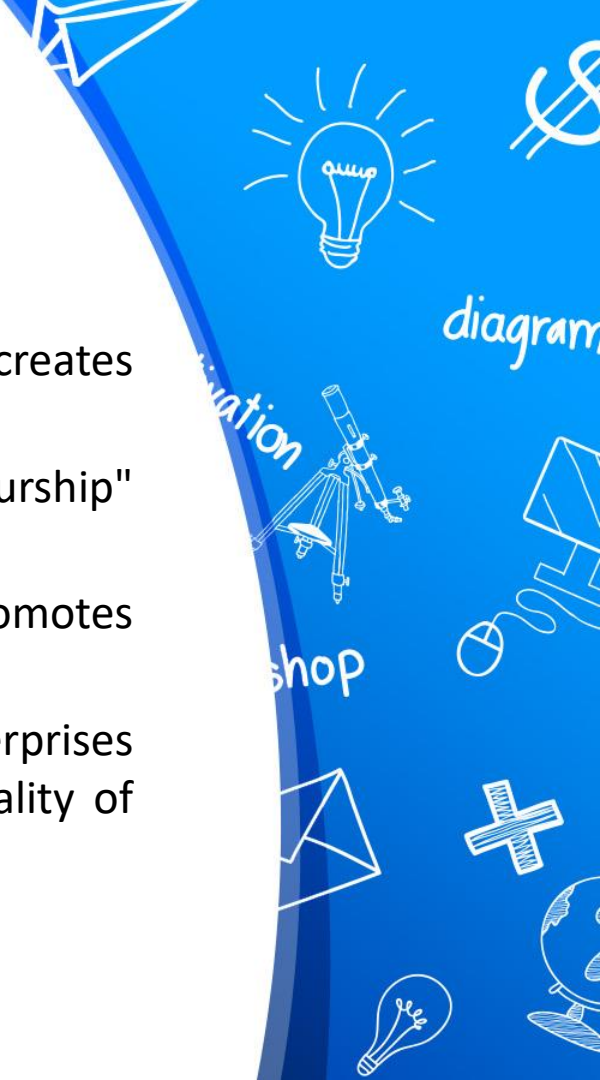
- ◆ new products or products and services that meet social needs.
- ◆ new organization methods- new production factors (modern partnership, participation of various partners from a wide variety of social groups).
- ◆ flexible forms of work (combination of paid employment with voluntary employment).



4. Social Enterprises and Social Innovation (2/2)

The characteristics of Socially Innovative Companies are:

- ◆ new market relationships (does not work for profit but creates competitive conditions and puts barriers to monopoly).
- ◆ flexible legal framework that is adapted to the "entrepreneurship" of institutions.
- ◆ awareness of enterprises and society as a whole (promotes solidarity entrepreneurship).
- ◆ democratic governance of socially innovative enterprises encourages creativity and self-efficacy, which affect the quality of provided products and services.



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2.2. Social Enterprise and Local Development

2.3. Social Enterprise and Regional Development

Βιβλιογραφία



1.1. Definition of Social Enterprise (1/2)

- There is **no universally accepted** definition of social enterprise.
- However, there are **some features** that are common to most definitions. Specifically, these features are:
 1. Their organization actualizes in an entrepreneurial spirit.
 2. The aim of economic and social goals at the same time.
 3. Their ability to find innovative and dynamic solutions to the problems of unemployment and social exclusion (especially of women).
 4. Their contribution to economic development that enhances social cohesion, which is a key aspect of sustainable development.



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1.1. Definition of Social Enterprise (2/2)

According to the **OECD**, social enterprise is defined as: "Any private activity related to the public interest, organized with a business strategy but whose main purpose is not to maximize profit but to achieve specific economic and social goals, and which has the ability to introduce innovative solutions to the problems of social exclusion and unemployment".



1.2. Principles of Social Enterprise (1/2)

According to the social economy Charter of Social Economy Europe (association which represents the social economy at European level), the social operational principles of a social enterprise are:

- ◆ Ascendancy of the individual and social objectives over capital
- ◆ Voluntary and open membership
- ◆ Democratic control of memberships (does not apply to institutions, if they do not have members).



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1.2. Principles of Social Enterprise (2/2)

- ◆ The interests of members/ users or/and the public interest are combined.
- ◆ Championing and applying the principle of solidarity and responsibility
- ◆ There is autonomous management and independence from public authorities.
- ◆ The most surpluses are used to achieve sustainable development goals, services that serve the interest of members or the public interest.



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1.3. Characteristics of Social Enterprise (1/4)

- The crossroads, which differentiates social enterprises from traditional non-profit organizations, is considered the business perspective and their high degree of autonomy from the state.
- They must be economically viable (balance their budgets), combining market-derived resources (selling goods and services) but also off-market (state aid, private companies) and non-monetary resources (such as volunteering).
- They are governed by a broader culture of supply, volunteering and innovation in businesses and public services.



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1.3. Characteristics of Social Enterprise (2/4)

The European Commission **distinguishes social enterprises from all kinds of non-profit associations**, giving the former a combination of private sector advantages (productivity, flexible organization) with certain ethical commitments of the community and the public sector (access to services, improving the quality of life and the environment, combating social exclusion).



1.3. Characteristics of Social Enterprise (3/4)

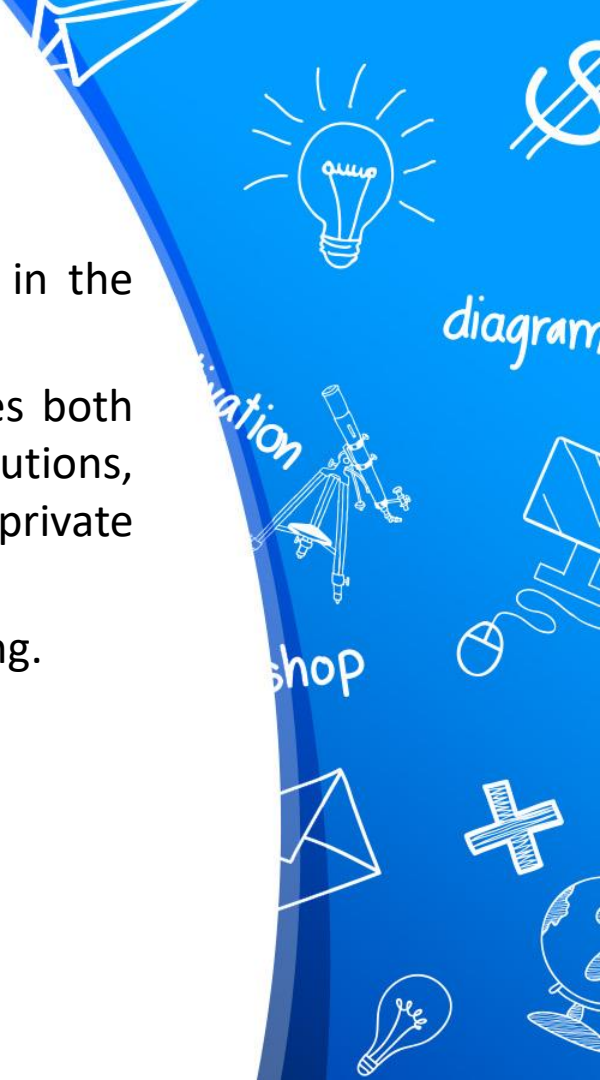
According to the International Social Enterprise Survey, the **common features**, which be found among them, are:

- They are organized on the basis of entrepreneurship.
- They do not belong administratively to the state.
- They invent innovative and dynamic solutions.
- They pursue both economic and social goals.
- They contribute to solving problems of unemployment and social exclusion.
- They aim at sustainable and sustainable development by strengthening social cohesion.



1.3. Characteristics of Social Enterprise (4/4)

- They are organized on the basis of the structures in force in the private sector of the economy.
- They seek to balance their budgets by raising their revenues both through their market activity and through members' contributions, state and local aid, donations, sponsorships and aid from private companies.
- They have benefits from saving resources through volunteering.



1.4. Criteria for forming Social Enterprises (1/3)

Various social and economic criteria have been developed in order to characterize a company as social.

Social criteria include:

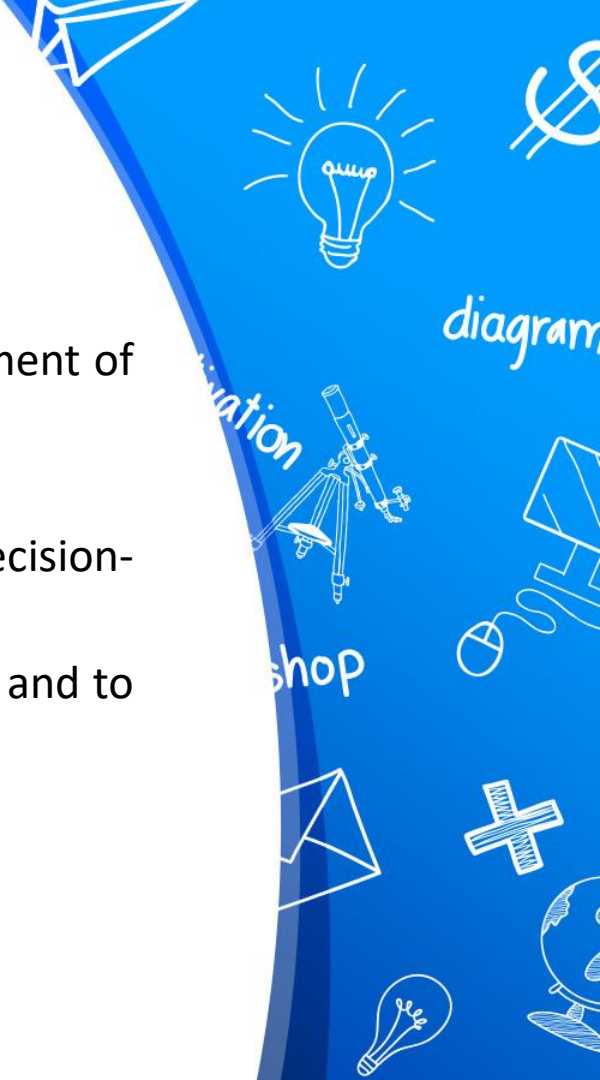
- Citizens' group initiative
- Participatory character
- Obvious purpose for the benefit of society
- Assets and surpluses are used to generate Community benefit
- Decision system that does not favor the payment of capital
- Democratic and participatory management
- Integration of all participants in the process of achieving a common social goal



1.4. Criteria for forming Social Enterprises (2/3)

Social criteria include:

- Creating social capital through social ownership and involvement of participants who are considered key people.
- Focus on customers and communities.
- Members and employees play an important role in the decision-making process and in the management of the company.
- The company is considered accountable both to its members and to the wider community.



1.4. Criteria for forming Social Enterprises (3/3)

Economic criteria include:

- ✓ Activation in the market economy
- ✓ Business nature, existence of innovations and willingness to take risks
- ✓ Financial viability through the creation of income from the sale of goods and services
- ✓ High degree of autonomy
- ✓ Significant level of financial risk
- ✓ Existence of at least a minimum level of paid work
- ✓ Flexibility and adaptability
- ✓ Gaining autonomy and independence through activity in the field of trade
- ✓ Limited profit distribution



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2. Social Enterprise and Development (1/4)

- The **aim of development** is to **generate positive-sum outcomes that increase wealth** in which the value of outcomes is greater than the value of the resources used to achieve the outcomes.
- Where social enterprise are created to deliver local services for a local market, this may appear to redistribute wealth, rather than contributing to development, unless they generate additional income or create real jobs.
- Many social enterprises have been created to counter market failure, to deliver services not provided by the private or public sectors, and create value through employment opportunities and the enhancement of quality of life through the services they deliver.



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2. Social Enterprise and Development (2/4)

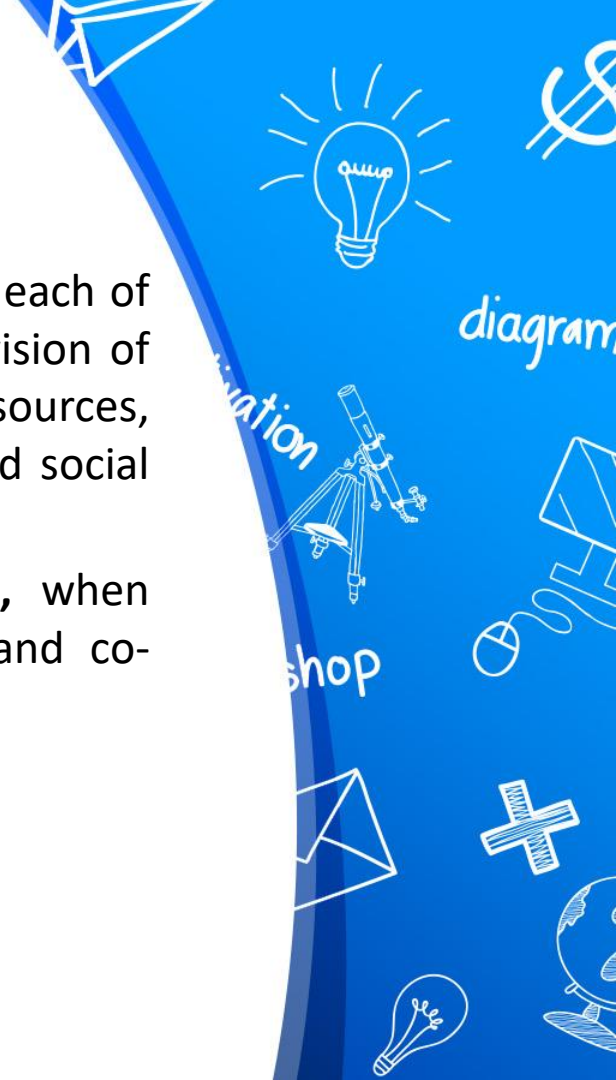
Blakely and Bradshaw (2001) theorized that local economic development **requires four factors**:

1. indigenous resources and local control as a basis for further wealth creation
2. new wealth formation through new knowledge and new skills, adding value in the value chain
3. building new capacity by exploiting new options and opportunities
4. resource expansion through building and enhancing existing resources.



2. Social Enterprise and Development (3/4)

- **Social enterprises** have the potential **to be associated with** each of the **factors**. Their engagement with local people and provision of goods and services to local markets capitalises on local resources, and highlights their potential to promote the economic and social development of communities.
- This is most evident during the **early stage of development**, when volunteer efforts are required to create the enterprise and co-ordinate the acquisition of resources.



2. Social Enterprise and Development (4/4)

- Social enterprises **are innovative** in a number of ways; for example in identifying opportunities to be developed, in bringing together diverse community assets and resources, in finding new ways of delivering services to new consumers and internally, in their stakeholder-led strategies and management.
- Their innovative behavior **creates new knowledge** that can be shared with others through formal and informal networks.
- Through training schemes and work integration programs, a social enterprise can contribute to **enhancing human resources** and **building new capacity**, helping to bring the unemployed and the underemployed back into socially useful work.
- Labor productivity can be increased by enhancing skills.



2.1. Dynamic of Social Economy

- Social economy is a resilience model and continue to develop, while other economic sectors struggle to survive.
- Social economy enterprises **reflect the need for an economy to reconcile its social, economic and financial dimensions.** This economy is capable of creating wealth and valuing not only its economic capital, but above all, its social capital.



2.2. Social Enterprise and Local Development (1/3)

- ✔ Social enterprises are very important in the local context and have the potential to contribute to individual, local and regional development.
- ✔ Development has a collaborative ethos, favoring consensus building between local and non-local actors. Social and community enterprises subscribe to this ethos through close links with their community, participatory governance structures, stakeholder accountability procedures and democratic management structures.
- ✔ Thus, social enterprises appear to be able to contribute better to community building than for-profit enterprises.



2.2. Social Enterprise and Local Development (2/3)

- ✔ Social enterprises generate economic, social and environmental benefits and the extent of their contribution to development can be assessed from impact measures on the local economy.
- ✔ **Benefits** attributed to social enterprises include:
 - Helping the disadvantaged to overcome their poverty through employment, whilst at the same time providing goods and services needed by their communities.
 - Creation of additional jobs, either through work integration programs or through new employment opportunities
 - Increased local income retention arising from employing local people who are more likely to spend their wages in local outlets.



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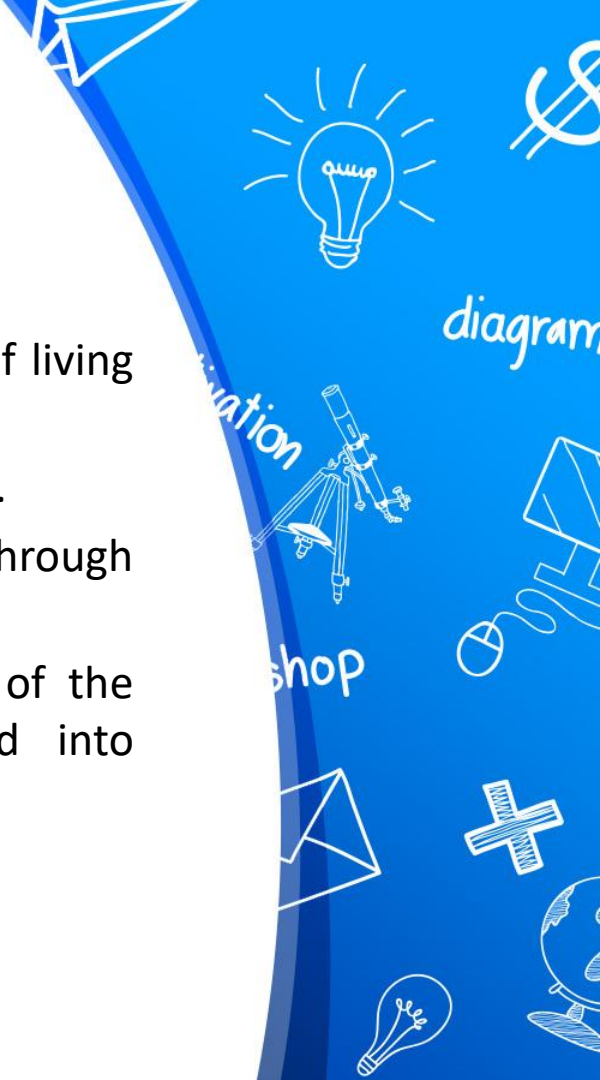


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2.2. Social Enterprise and Local Development (3/3)

- **Benefits** attributed to social enterprises include:
 - Improved provision of services that can raise the standard of living and further increase local income retention.
 - Increased employability through raising individual skills levels.
 - Empowering communities and building local democracy through participation in community events and initiatives.
 - Strengthening social capital by supporting the integration of the socially excluded into society, and the disadvantaged into employment.



2.3. Social Enterprise and Regional Development (1/5)

Under social economy a social enterprise can provide an alternative solution concerning the flaws appearing in market orientated economy and can help towards sustainability of regional development in several aspects.

The types of social enterprise **values** and their functions in local and regional development are following:

- **Economic value**
- **Social Value**
- **Regional Value**
- **Political value**



2.3. Social Enterprise and Regional Development (2/5)

Economic value

- Produce goods and services
- Foster enterprise and competitiveness
- Create employment, especially for socially marginalized individuals and groups
- Train people and help them find jobs
- Facilitate economic/social development with grants (e.g., from foundations) and low interest loans (e.g., from credit unions)



2.3. Social Enterprise and Regional Development (3/5)

Social Value

- Supplement public sector social services and address welfare state problems with solutions such as affordable childcare
- Foster innovative services and introduce new or improved services (to be later adopted by the public sector)
- Provide alternative social service business models
- Foster social inclusion, social cohesion, and social capital
- Enhance civic involvement through volunteering



2.3. Social Enterprise and Regional Development (4/5)

Regional Value

- Contribute to enterprises with low levels of private entrepreneurship
- Create and manage workplaces
- Facilitate land, structure, and resource ownership for community use
- Provide local facilities in remote communities, such as shops and pubs
- Refurbish old structures to preserve local history that could otherwise be lost to redevelopment
- Provide local public amenity spaces
- Reduction of intra-regional inequalities at social level.



2.3. Social Enterprise and Regional Development (5/5)

Political value

- Advocate for an equitable society, democratic participation, and involved citizenship
- Facilitate stakeholder engagement and pluralism
- Provide an alternative economic approach and show that business is for more than maximizing profit and personal enrichment
- Provide an alternative mode



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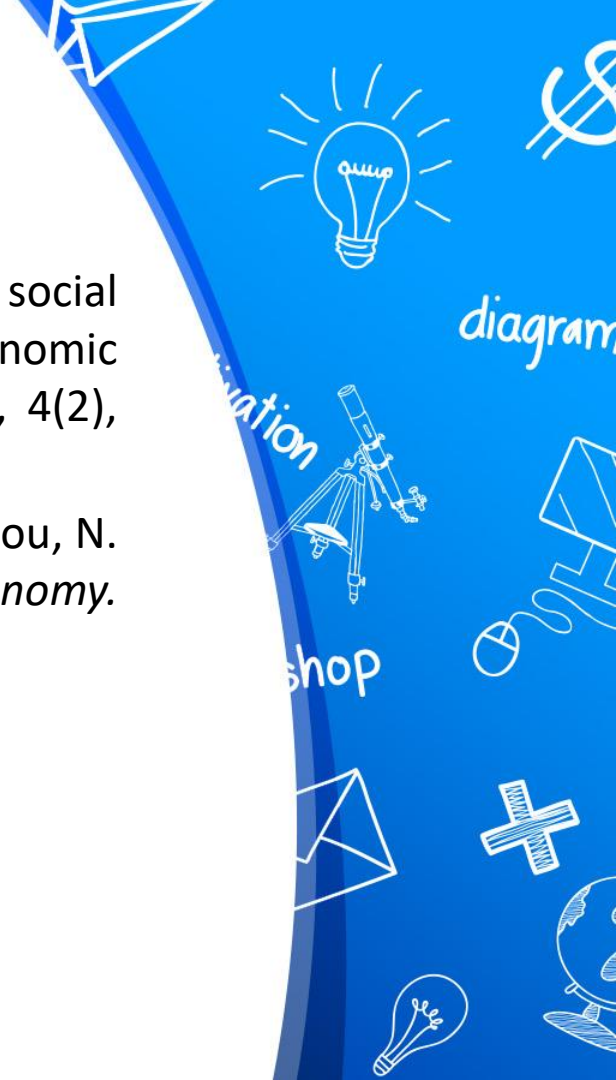
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Lecture 11th: Social Enterprises in Europe



ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory "Social Forces"

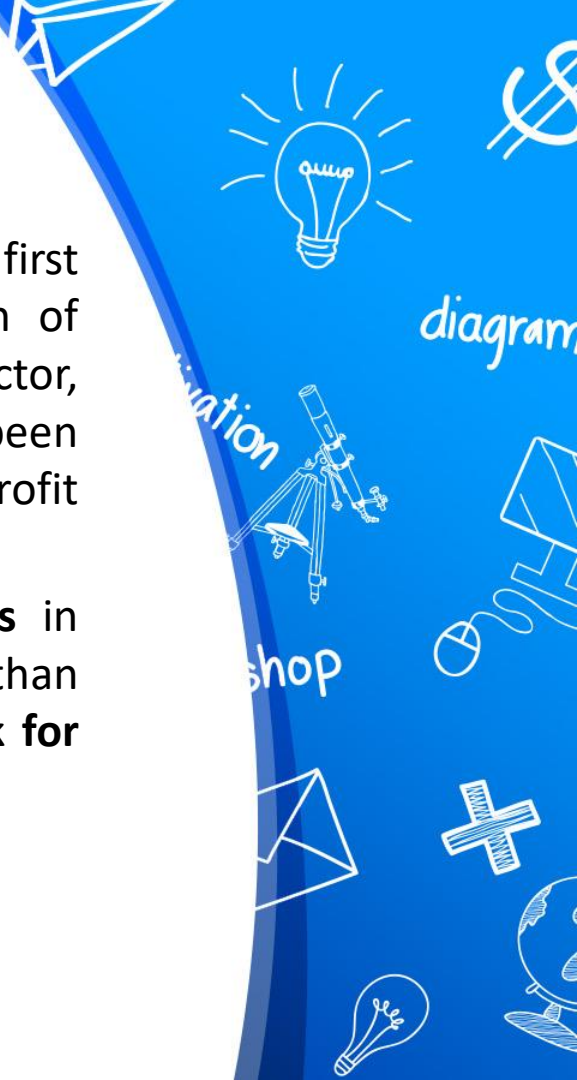


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1. The socio-economic context of Europe (1/7)

- In **Europe**, the **concept of social enterprise** made its first **appearance** around the year **1990**, with the identification of entrepreneurial dynamics, at the very heart of the third sector, which arose primarily in response to social needs that had been inadequately met, or not met at all, by public services or for profit enterprises.
- Nowadays, there are **2 million social economy enterprises** in **Europe**, representing 10% of all businesses in the EU. More than **11 million people** – about 6% of the EU's employees – **work for social economy enterprises**.



1. The socio-economic context of Europe (2/7)

To make things as clear as possible from the outset, such a view of social enterprise as a new dynamics suggests that the very notions of **social enterprise** and **social entrepreneurship** should be used first of all as a conceptual and an analytical framework which sheds light on new evolutions within the third sector: either **the setting up of brand new organizations** or **the reshaping of existing organizations through entrepreneurial dynamics**.



1. The socio-economic context of Europe (3/7)

- A second major point to be underlined from the outset is that the organizational forms, the social or societal objectives and the fields of activity of social enterprises may vary across countries and within a given country.
- The objective of work integration of vulnerable groups attracts much attention and policy measures but social enterprises may also be set up to foster for example local development, environmental activities, provision of social and personal services, ethical finance, fair trade, cultural creation, and international development.



1. The socio-economic context of Europe (4/7)

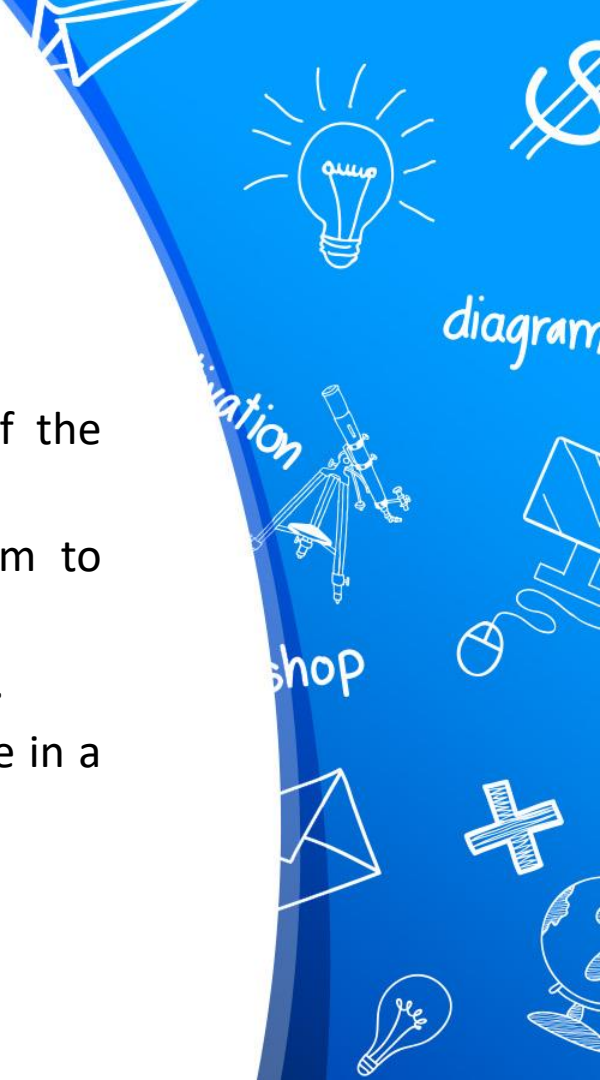
- The **most important characteristic** of social enterprises is that they combine societal goals with an entrepreneurial spirit.
- SEs can be micro-enterprises as well as large companies employing hundreds of people.
- Unlike regular enterprises, social enterprises aim to achieve social impact rather than generate profit for owners and shareholders. Profits can still be earned and thus distinguishing it from non-profit organizations, but the social impact is more important than profits.
- Social enterprises are about inclusiveness, social cohesion, and addressing social and environmental needs.



1. The socio-economic context of Europe (5/7)

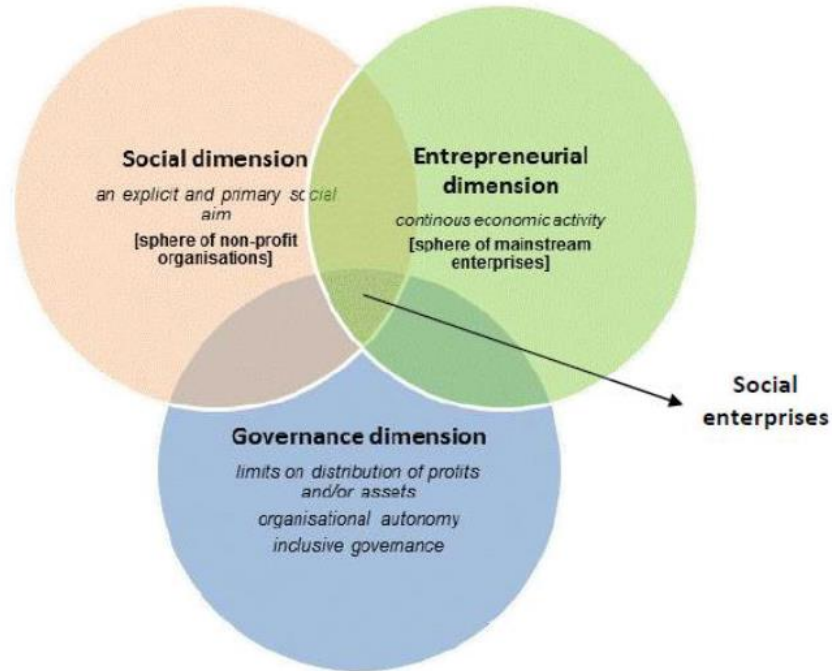
The **main characteristics** of social enterprises are:

- ✓ Social impact is more important than economic impact.
- ✓ Most of the profits are reinvested into the social goals of the enterprise.
- ✓ SEs address social and environmental topics, i.e., they aim to improve communities or people's lives or the environment.
- ✓ SEs often have inclusive or democratic governance structures.
- ✓ SEs are often local community based and tackle a social issue in a specific area.



1. The socio-economic context of Europe (6/7)

A more concrete way to conceptualize social enterprises is through **three dimensions**: a convergence of social, entrepreneurial, and governance dimensions.



1. The socio-economic context of Europe (7/7)

In particular, the existence of **structural unemployment** in many European countries, the **need for reducing government budget deficits** and the need for **more active** integration **policies** have raised the question of whether a third sector could help address these challenges.



2. Background of social enterprise emergence in Europe (1/3)

1. **Countries:** Belgium, France, Italy, Portugal and Spain

The origins of SE are in solidarity and collectivistic values of associative, mutual and cooperative organisations in the fields of labour, agriculture, healthcare, retailing, credit, educational and recreational activities.

2. **Countries:** Austria and Germany

The origins of SE are in voluntary community-led associations that operated in health and social services, education and housing; cooperatives were mainly active in agriculture, credit and retailing, while mutuals operated in insurance and philanthropic initiatives that operated in humanistic fields, including arts and culture.



2. Background of social enterprise emergence in Europe (2/3)

3. Nordic countries

The origins of SE are early solidarity experiences of mutual and cooperative organizations, associations and foundations, which ran in parallel with the development of social movements in the 19th century. These organizations articulated social problems and addressed them with concrete initiatives. Foundations in support of the poorest individuals were popular in Sweden in the 19th century.

4. United Kingdom

The origins of SE are in philanthropic tradition and early cooperative roots in consumption/retailing.



2. Background of social enterprise emergence in Europe (3/3)

4. CEE and SEE countries

Solidarity and collectivistic values were present in the philanthropic, associative and cooperative tradition prior to transition to a market economy, but they were suppressed under communist regimes and, following transition, suffered from the absence of an institutional framework, which had been severely weakened over the years.



3. Dynamics and Processes (1/3)

- National reports confirm that social enterprises have emerged and developed thanks to the interplay between **bottom-up** (mainly community-led) and **top-down** (mainly externally led) dynamics.
- While bottom-up dynamics have their roots in the longstanding tradition of the early forms of cooperatives and associations, top-down dynamics are strongly intertwined with the development of the welfare state systems.
- In countries distinguished by both a **poor degree of coverage** of general interest services **and a strong civic commitment and/or cooperative tradition**, social enterprises have been initially boosted spontaneously by groups of citizens with a view to filling gaps in welfare and general-interest service delivery.



3. Dynamics and Processes (2/3)

- Conversely, in countries **with extensive coverage**, an important driver triggering the broad development of social enterprises has been the public funding of welfare services supplied by private providers. This approach was aimed at increasing flexibility and tailoring the provision of services to the evolution of needs arising in local communities as well as at improving efficiency.
- An additional external driver has been the introduction of policies specifically aimed at boosting the establishment of work integration social enterprises. European funding and donors' programmes have represented in this regard important resources, especially in CEE countries, which have relied significantly on structural funds and international aid.



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3. Dynamics and Processes (3/3)

- Bottom-up and top-down drivers coexist in all countries studied. However, **the relevance of** each driver and the **degree of interplay vary significantly** over time and space depending on the type of welfare system, the degree of coverage of general interest services, the relevance of cooperative and associative movements and the responsibilities borne by public and non-profit providers.
- In countries distinguished by a **high degree of integration** of social enterprises in the welfare system, **bottom-up initiatives leaning towards a community-** and volunteer-based approach continue to play a role. In countries in which **bottom-up** dynamics have initially played a key role, social enterprises **are now strongly supported by public policies.**



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3.1. Drivers and trends of social enterprises (1/4)

1. Type of welfare system

Poor supply of welfare services by public providers and, traditionally, gaps in welfare delivery and strong civic engagement.

Main drivers boosting SE development

- Bottom-up experimentation by groups of citizens of new services
- Consolidation of SEs thanks to public policies that have regularised social service delivery

Examples of countries

Greece, Ireland, Italy, Portugal, Spain



3.1. Drivers and trends of social enterprises (2/4)

2. Type of welfare system

Extensive public supply of social services, increasingly contracted out to private providers

Main drivers boosting SE development

- Privatization of social services
- Bottom-up dynamics

Examples of countries

Denmark, Finland, Norway, Sweden, United Kingdom



3.1. Drivers and trends of social enterprises (3/4)

3. Type of welfare system

Extensive public and non-profit welfare structures, covering the majority of the needs of the population

Main drivers boosting SE development

- Public support system designed to support work integration
- Bottom-up emergence of SEs to address new needs

Examples of countries

Austria, Belgium, France, Germany, Netherlands



3.1. Drivers and trends of social enterprises (4/4)

4. Type of welfare system

Welfare systems that have undergone drastic reforms, weak associative and cooperative tradition.

Main drivers boosting SE development

- Public policies (start-up grants) specifically tailored to support WISEs
- Initiatives with philanthropic background and donors' programmes

Examples of countries

CEE and SEE countries



4. European Commission measures for Social Enterprises

- The Commission aims for a level playing field in which social economy enterprises can compete effectively and fairly, without regulatory discrimination and taking into account their particular needs.
- The Commission submitted the following proposals to the Council of the European Union:
 1. Proposal for a Council Regulation on the Statute for a European Cooperative Society (1992)
 2. Proposal for a Council Regulation on the Statute for a European Mutual (social security and insurance society) (1992)
 3. Proposal for a Council Regulation on the Statute for a European Association (1992)
 4. Proposal for a Council Regulation on the Statute for a European Foundation (2012).



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5. Public policies towards the social economy in European Union countries (1/4)

- ✚ Deployment of public policies towards the social economy in EU countries has been patchy in both extent and content. As pointed out in Chaves and Monzón (2000), this uneven deployment and diversity of policies is mainly explained by the political, economic, historical, social, cultural and institutional context particular to each national and regional situation in which they are conceived.
- ✚ In Europe, policies aimed at the social economy come in many forms. Depending on the nature of their instruments, five main types of policy can be distinguished: **institutional policies, dissemination, training and research policies, financial policies, policies of support with real services and demand policies.**



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5. Public policies towards the social economy in European Union countries (2/4)

- ✚ **Institutional policies** allow the businesses in the social economy space in the system based on the institutional order in force, recognizing them as players in both the economy and the social dialogue.
- ✚ **Institutional policies** also refer to **recognition of the social economy as a protagonist** in the process of drawing up and applying different public policies. In countries where the social economy enjoys greater recognition there are institutional bodies for participation and social dialogue with representatives from the social economy.



5. Public policies towards the social economy in European Union countries (3/4)

- ✚ Policies of **dissemination, training and research** are directed at **providing visibility and social receptiveness** on the one hand, and on the other at **developing competences in training and research for the benefit of the sector as a whole**. There are stable support channels for training and research that specialize in the social economy in several European countries.
- ✚ **Public financial policies**, such as budgetary policies, **directly or indirectly assign funds** for the promotion and development of the social economy.



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5. Public policies towards the social economy in European Union countries (4/4)

- ✚ The objective of **support policies** based on real services is to **offer** the sector an **array of real** (rather than financial) **services** like technical information, advice, marketing capacity, networking, restructuring and fostering the creation of second level structures, etc. These services tend to be provided by the sector federations with public funding.
- ✚ In **demand policies**, the different modes of service provision have a direct bearing on development opportunities for the social economy.



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6. The role of social enterprises in reaction of COVID - 19 crisis (1/3)

- The social economy is a key actor in the response to the crisis and is currently at the frontline of the battle against the potentially destructive consequences of the COVID- 19.
- Social economy enterprises and organizations cannot be excluded from support programs dedicated to enterprises and specifically to SMEs.



6. The role of social enterprises in reaction of COVID - 19 crisis (2/3)

The social economy is contributing by:

- Providing healthcare for all, and producing and distributing pharma products
- Providing social services, especially for the most vulnerable in society, such as the elderly, people with disabilities, migrants and refugees, the homeless etc.
- Producing and distributing food through agri-food social economy enterprises and social economy retailers
- Ensuring financial and business support to the social economy and the real economy through cooperative and ethical banks and financiers, micro-credit institutions and credit unions



6. The role of social enterprises in reaction of COVID - 19 crisis (3/3)

The social economy is contributing by:

- Providing insurance cover to their members/policyholders
- Being an important industrial player present in strategic sectors, including the production of hospital devices and bio-services
- Ensuring the provision of other basic services such as energy, water, tele-communications, cleaning, recycling etc.

Many social economy enterprises and organizations are also doing their part by promoting tele-working and implementing strategies to ensure that jobs and the economic activities are maintained throughout and after the pandemic.



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1. Economic Dimension of Social Economy (1/2)

*The Social Economy is **the area of the economy**, between the private-profit/capital sector and the public sector, **where economic activities** are performed (production and provision of products and services) and it has as dominant purpose to **serve social purposes and goals**.*



1. Economic Dimension of Social Economy (2/2)

Social Economy **includes:**

- a wide range of socio-economic activities in many fields of production or provision of goods and services: social services, consumer services, training, housing, environmental protection, culture, energy, etc.
- activities are implemented by collective enterprises and organizations such as cooperatives, association, social enterprises, social cooperatives etc.



2. Key Principles of Social Economy

- Social economy prioritizes the individual and social goals over the capital
- There is a voluntary and an open membership
- Implementation of democratic decision-making process
- Combination of interests (members/ users and/ or common interest)
- Independent administration and autonomous management
- Implementation of principles of solidarity and responsibility
- Use of surpluses mostly to achieve goals, which promote sustainable development, serve the interests of members or the common interest.



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2.1 Democratic Governance and Social Enterprise (1/3)

- ❖ The application of a democratic decision-making process and the autonomous management of social enterprises is a key part of the **workplace democracy**.
- ❖ The term “workplace democracy” refers to a type of corporate governance, in which the company is managed by all employees and other stakeholders through democratic processes.
- ❖ In addition to Nightingale’s (1982) approach, the workplace democracy is corresponded to company's members decision-making and to the joint configuration of the decision-making processes.



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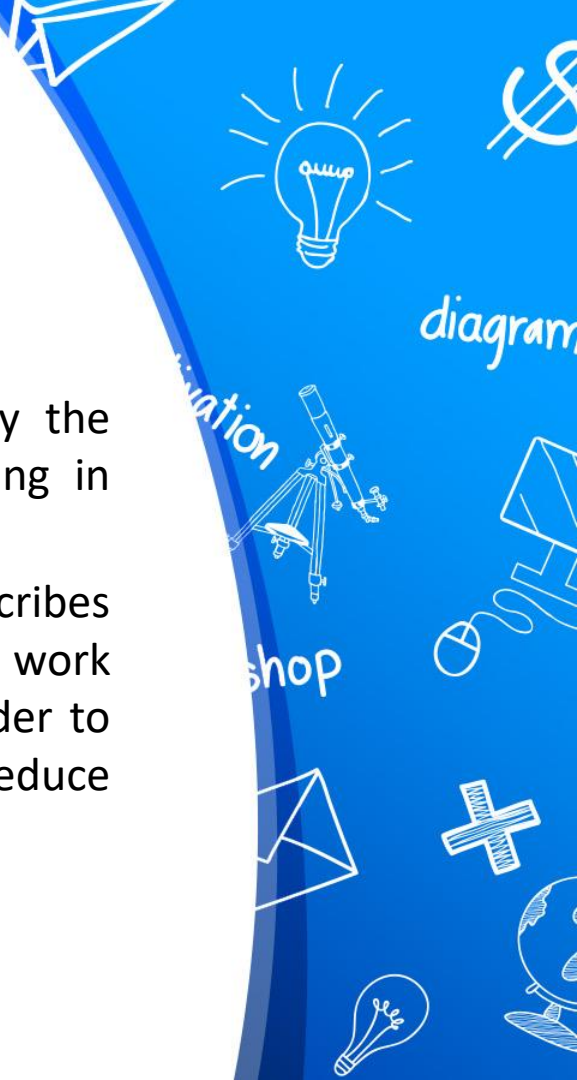
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2.1 Democratic Governance and Social Enterprise (2/3)

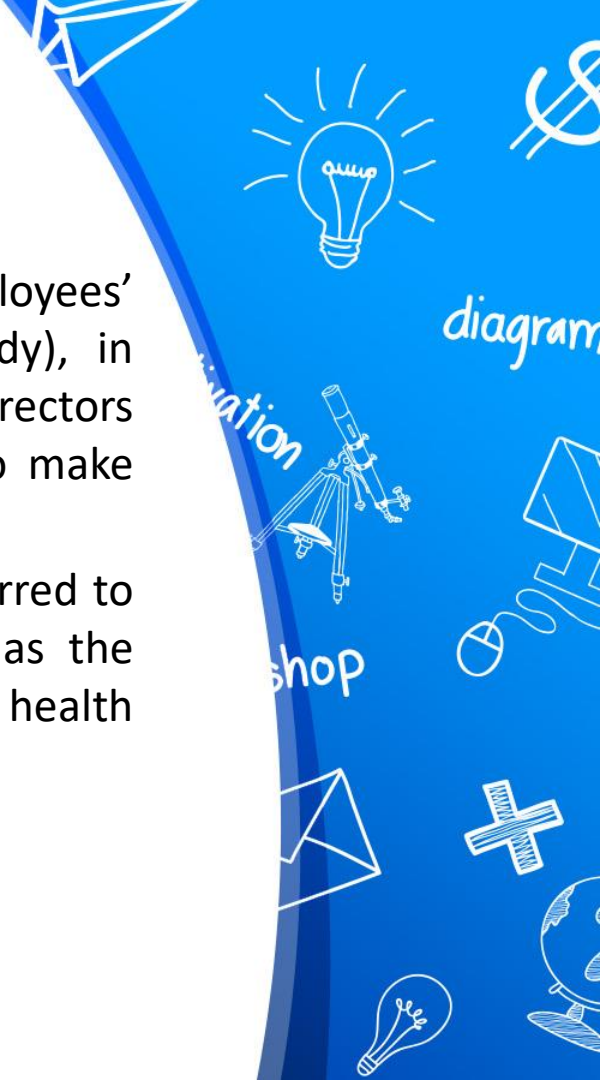
Walker (1977) mentions four forms of democratization within the enterprise:

- ❖ *Democratization Ownership*: This can be achieved, either by the direct control of the company of employees or by participating in general meeting, depending on the number of shares they hold.
- ❖ *Democratization in Company's Management*: This term describes the method of supervisors or intermediate managers in the work organization by setting up working groups or committees, in order to exist better information about the productive methods, the reduce manufacturing costs or the insert of new technologies.



2.1 Democratic Governance and Social Enterprise (3/3)

- ❖ *Democratization of HR:* This term describes the employees' participation in the administrative council (governing body), in which can participate with voting rights in the selection of directors process or the discussion to insert new technologies or to make new investments in the company.
- ❖ *Democratization of employment conditions:* This term is referred to the employees' participation in various committees such as the occupational safety committee or the occupational health committee.



3. Social Economy and Labor Market (1/4)

- According to Evans and Syrett (2007), there is a strong evidence that the **social economy is an important and a constantly growing factor**, which **contributes to Europe's overall economy**.
- Social economy enterprises have an important role in promoting social integration. This objective can be achieved by **creating new jobs**.



3. Social Economy and Labor Market (2/4)

- Using data of 156 countries, the Cooperatives and Employment Second Global Report 2017 estimates that in 2015, 27,2 million people had worked in cooperatives, which was included proximate 6 million employees and 11.1 million employee members.
- In addition, 279,4 million people had worked in cooperatives (mainly self- employed member of whom the vast majority worked in agricultural sector). This means that proximate 9,45% of total of the world's working population works either in cooperatives or their jobs have relations to cooperatives.



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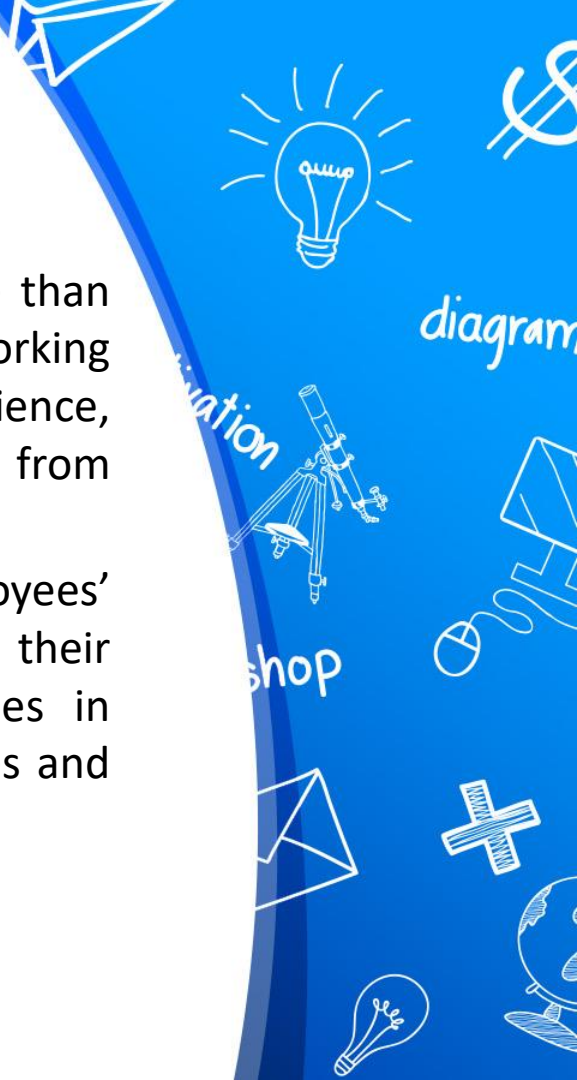


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3. Social Economy and Labor Market (3/4)

- **In Europe**, the Social and Solidarity Economy provides more than 13,6 millions paid- jobs, which means about 6,3% of the working population. During the financial crisis, it has showed resilience, because the total European paid workforce is reduced only from 6,5% to 6,3% and the jobs from 14,1 millions to 13,6 millions.
- Current data on European social enterprises (including employees' social enterprises and other social enterprises forms) show their contribution to employment. There are 371.000 employees in Belgian Social Enterprises, 558.487 in Italian Social Enterprises and more than 80.000 in Polish Social Enterprises.



3. Social Economy and Labor Market (4/4)

Social Economy has some important advantages over the public sector and the for-profit corporations. These advantages are:

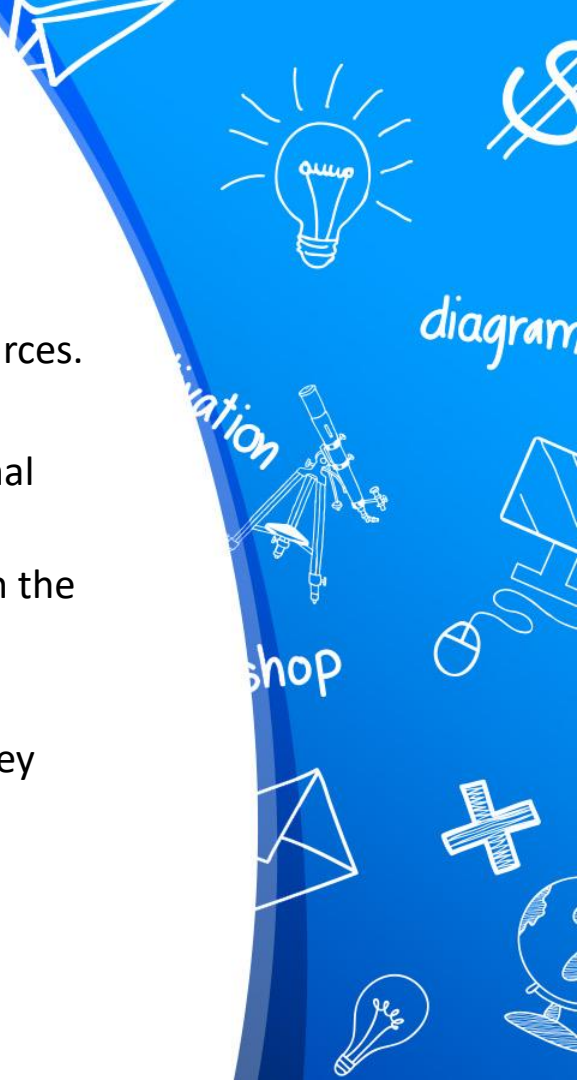
- ▶ **Social Economy provides job opportunities in vulnerable or disadvantaged groups.** These people face many difficulties with their employment integration.
- ▶ It tries to **mobilize and to utilize the voluntary work**, which reduces the cost of social activities.



4. Objectives of Social Economy and Employment

Social Economy aims to:

- ✔ Create new jobs through the utilize of existing or new employment sources.
- ✔ Develop new economic sectors.
- ✔ Improve the modernization of local markets (in relation to organizational form and economic structure).
- ✔ Respond to the evolving dynamics of supply and demand, connect with the changes of local needs and balance the supply and demand.
- ✔ Stimulate consumption and increase revenue.
- ✔ Strengthen the employment of vulnerable social groups, who are or they are threatened by social exclusion.



5. Social Economy Employment Services(1/2)

Employment services, which are offered by the Social Economy, they fall into these three categories:

- 1. Information, counseling and vocational guidance services:** Social Economy employment services provide information and guidance on issues such as national legislation, administrative procedures and available training and work experience opportunities.
- 2. On-the-job-training and Vocational education:** On-the-job training is a way to quickly acquire the employee the essential skills for a specific job (during the work).



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5. Social Economy Employment Services(2/2)

- **Job matching and work experience:** Social Economy employment services, most frequently, are looking for job opportunities with other third sectors, public authorities and private enterprises. The types of employment contracts cover a broad reach of possibilities, such as internships, part-time jobs, temporary or subsidized work, full-time job, indefinite and non-subsidized works.
- Sometimes, it is offered support and incentives for entrepreneurship development and start-up companies development.



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6. Volunteering in Social Enterprise

- Voluntary associations that are activated in the «called new employment sectors» (health services, social/ training/ cultural and research services), they have an important role as job creators.
- These associations have significant creative skills in the labor market and can provide opportunities such as: turning the voluntary work into paid job by organizing the working hours, exploration new services and caring for their employment regulation (e.g. recognition of new professions, undertaking initiatives for writing collective agreements, which are based on negotiation, etc.), and creating immediate employment jobs.



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6.1. Volunteer Certification (1/3)

In many countries, there is the possibility to obtain a "volunteer certification" through the voluntary work.

Specifically, a **volunteer certificate** is obtained by someone who carries out willingly a specific activity or participates in an event **without waiting any payment**.

These volunteers join a volunteer program, in order to ensure its success and they do not expect anything as return. For this reason, the certificate issuance is an important incentive.



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6.1. Volunteer Certification (2/3)

- ❑ Volunteer Certification is also known as Certificate of Appreciation. The administrators who write the certificates, always use kind words, in order to make the volunteer feel that his/her actions have really appreciated. Certified Volunteer Administrators provide voluntary support to businesses in many cities.
- ❑ Voluntary recognition recognizes achievements, strengthens efforts and expresses gratitude. Recognition in any form is an important factor for any volunteer program.



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6.1. Volunteer Certification (3/3)

- ❑ All people should be honored for their contribution. This help to develop their self-esteem and self- confidence.
- ❑ Volunteer retention is based on, mainly, recognition.
- ❑ Volunteers is more likely to continue participating in a program, if they feel that their value is recognized.
- ❑ The use of volunteer certificates not only proves that volunteers are valuable for the program, but it adds also value to volunteers' CV.



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7. Sustainable and Decent Jobs (1/2)

- Social Enterprises and Social Economy pay special attention to the job creation and they prefer the "**labor-intensive**" than the "**capital intensive**".
- The **job quality** that are created (in particular contract stability and wage and salary levels), it is a major concern for the Social and Solidarity Economy.

For example, with regard to the contracts, almost the 80% of employees have indefinite contracts in Italy. The years 2008 and 2013, the percentage of employees who had indefinite contracts increased by 8%.



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7. Sustainable and Decent Jobs (2/2)

In other case studies (Casini et al., 2018), wages and salaries and other financial incentives are lower than in conventional businesses.

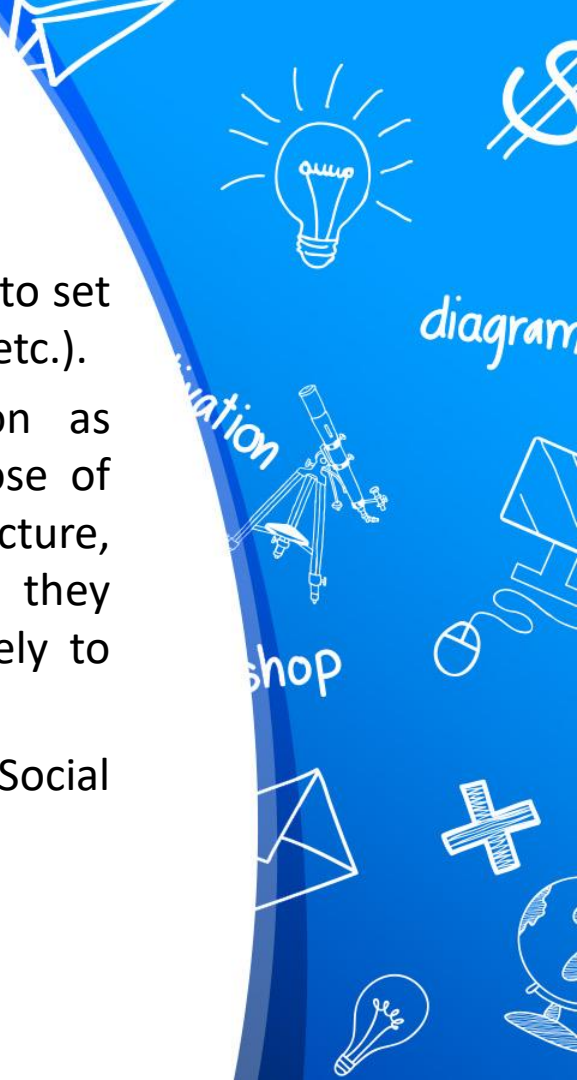
To explain this the following must be taken into account:

- the nature of the financial resources of social enterprises (temporary public contracts, which may limit the duration of the created jobs).
- difficulties that faced by social enterprises in competitive markets and/ or constraints, which are related to employee profiles (e.g. skills).



8. Social Economy and «Business» (1/2)

- Through the Social Economy, individuals have the opportunity to set up their own enterprises (e.g. cooperatives, social enterprises etc.).
- For example, social enterprises have the same function as conventional enterprises. Their difference is that the purpose of their mission is the "social purpose". They have classic structure, planning, organization, administration and audit. Mainly, they reinvest their profits, create new jobs and contribute actively to social reintegration and integration.
- Social economy has created a new type of entrepreneur: The Social Entrepreneur.



8. Social Economy and «Business» (2/2)

Social Entrepreneur:

- 👤 Aims to transfer the knowledge and experience to the community and fights for social problems
- 👤 Deals with unemployment and fights poverty
- 👤 Fills gaps of the welfare state
- 👤 Creates networks, innovates and collaborates
- 👤 Takes advantages of opportunities to changes systems
- 👤 Creates solutions, which change the society for better
- 👤 Invents new approaches to existing structures and systems
- 👤 Creates social models of social enterprises.



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Lecture 13th: Social Economy as a solution to unemployment of Socially Vulnerable Groups

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References

1.1. Definition of “Socially Vulnerable Groups”

- **Socially vulnerable groups** are the population groups of a country, which are in danger of being deprived of basic social goods in relation to other population groups, such as access to work, education, health care, etc. Thus, socially vulnerable groups incur social and labor exclusion.
- Undernourishment, homelessness, bad housing conditions and poverty contribute significantly to a person's vulnerability.
- Babies, pregnant women, adults (>65 years-old), people with weak immune system, people with disabilities, immigrants/ refugees etc. belong to socially vulnerable groups.



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1.2. Social Vulnerability

- According to the World Health Organization- WHO, **vulnerability** is the state, in which a population, a person or an organization can not predict- deal with- resist and recover form the effects of an attack. These disasters could be concern social, economic, political, psychological, ideological, environmental issues, etc.
- The term “vulnerability” helps to identify members of a population who are more easily affected by risk (directly or indirectly). It is also useful in identifying all those people who might be experiencing long- term disturbances in their living and in their lifestyle. Thus, it helps to identify those people who will find difficulties to achieve basic living standards.



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1.3. Socially Vulnerable Groups and Social Exclusion (1/2)

- **Social Exclusion** is called the obstruction of the absorption of social and public goods (material and spiritual), such as the goods of education, health care system, participation in the political process and others, which their lack usually lead to economic distress.
- Socially Vulnerable Groups are directly threatened by Social Exclusion, because they are gradually excluded from the society:
 - **because they are unemployed**
 - or
 - **because they can not re- enter in the labor market.**



1.3. Socially Vulnerable Groups and Social Exclusion (2/2)

- **Employment** is a key factor for a person's social inclusion. On the one hand, it can give him/her an income and on the other hand it can promote his/hers social participation and personal development.
- **Work** is the most effective **way to protect** a person over **the poverty** and **the social exclusion**.



2. Socially Vulnerable Groups and Social Exclusion

Socially Vulnerable Groups **face more** than the rest people the **employers' cautiousness**.

Employers are usually concerned about:

1. the potential disturbance of the workplace Climate
2. the person's adaptation to the workplace
3. the productivity of the individual
4. communication difficulties
5. the observance of schedule
6. the ability to acquire new skills



2.1. Employment of the disabled in the EU (1/7)

- There **isn't** a **universally accepted** definition of the term “disability” at EU level.
- Many member states of the EU use different definitions for the term “disability”. Definitions are depended on their **national, historical, political and cultural framework**.
- Some member states of the EU mostly use **medical aspects** to define the term “disability” and some other member states of the EU focus more on **social aspects-** or **combination of both**.
- At the same time, certain member states of the EU- especially Nordic countries- they **are far away from the definition of “disability”**, in order to avoid the stigmatization that the use of such a definition could bring.



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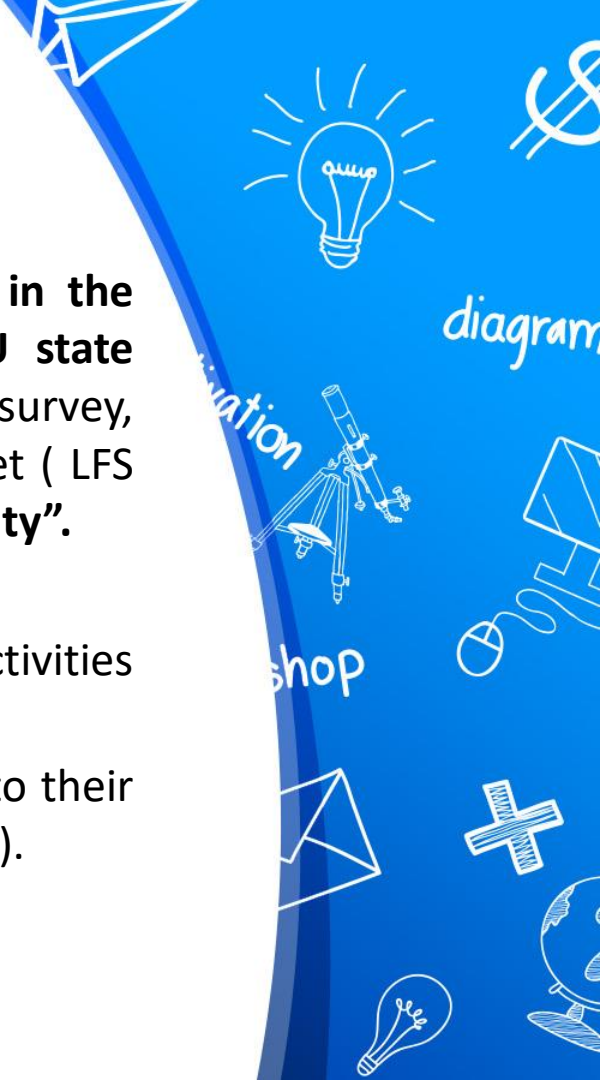


2.1. Employment of the disabled in the EU (2/7)

- **The lack of a common definition brings negative effects in the collection of comparable data for "disability" in the EU state members.** For example, ad- hoc module of EU labor force survey, which examined the situation of disabled in the labor market (LFS AHM data- 2011), **it uses two definition for the term "disability"**.

1st definition: they are people, who have difficulties in basic activities (such as, vision hearing, movement, communication).

2nd definition : they are people, who face work limitations due to their long-term health problem and / or basic activity difficulty (LHPAD).



2.1. Employment of the disabled in the EU (3/7)

- According to Eurostat (2014), at EU level, proximate 28% of people between the ages 15- 64, they reported that have a long- term health problem or a basic activity difficulty or both of them. The percentages are ranged from 14% in Greece and Ireland, and over 50% in France and Finland.



2.1. Employment of the disabled in the EU (4/7)



Distribution of people among 15-64 years old, who mentioned a long-term health problem or a basic activity difficulty, 2011

(Eurostat, 2014).



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2.1. Employment of the disabled in the EU (5/7)

- According to the first definition of disability, the employment rate of disabled people in the EU-28 in 2011 was 47,3%, which it was almost 20 percentage points lower than that for people without disabilities. During the use of the second definition, the employment rate of disabled people with long- term problems and/ or difficulties with basic activities was 38,1% and it was almost 30 percentage points lower than for people without disabilities.



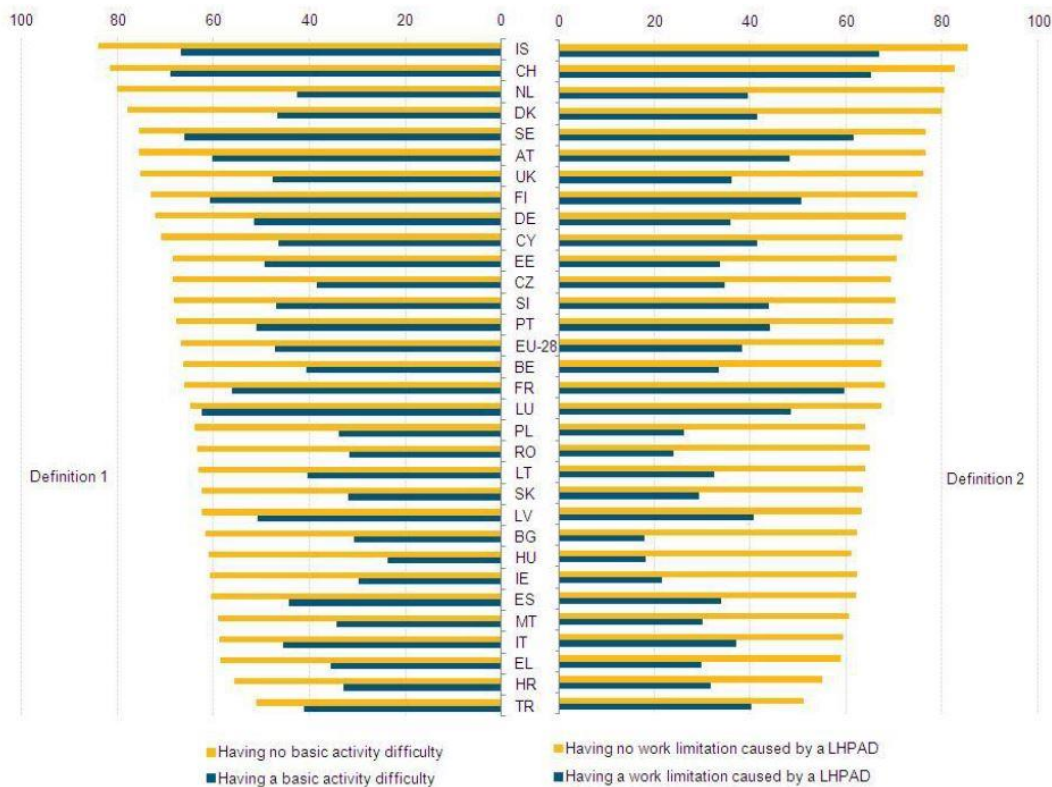
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2.1. Employment of the disabled in the EU (6/7)



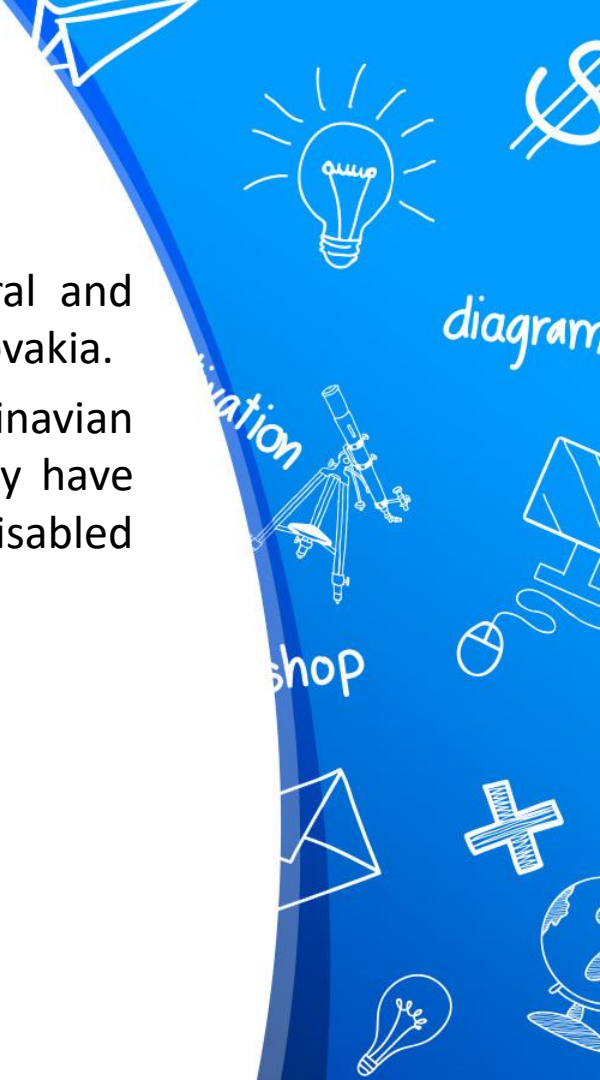
Employment rate of disabled population aged 15-64, by country and definition of disability

(Eurostat, 2011)



2.1. Employment of the disabled in the EU (7/7)

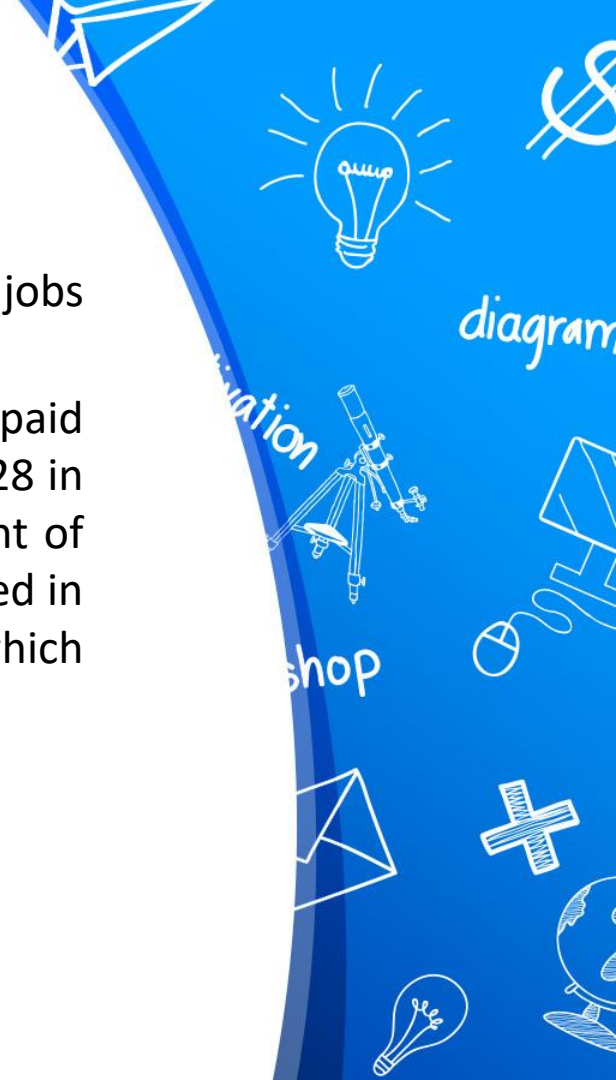
- The employment rate gap was the largest in many Central and Eastern EU states, such as Hungary, Bulgaria, Romania and Slovakia.
- On the other hand, in certain Western European and Scandinavian states, such as Luxemburg, France, Finland or Sweden, they have **significant lower employment rates differences** among disabled people and people without disabilities.



2.2. Employment of the disabled in Social Enterprises

Social enterprises have an important role in the creation of jobs in the EU.

According to a EESC survey, the sector had provided paid employment to 6,3% of the working population in the EU-28 in 2015. In absolute terms, this is translated into employment of 13,6 million people across the EU. The share of the employed in the social economy had decreased slightly from 6,5%, which has recorded in 2012.



3. Work Integration Social Enterprise – WISE (1/4)

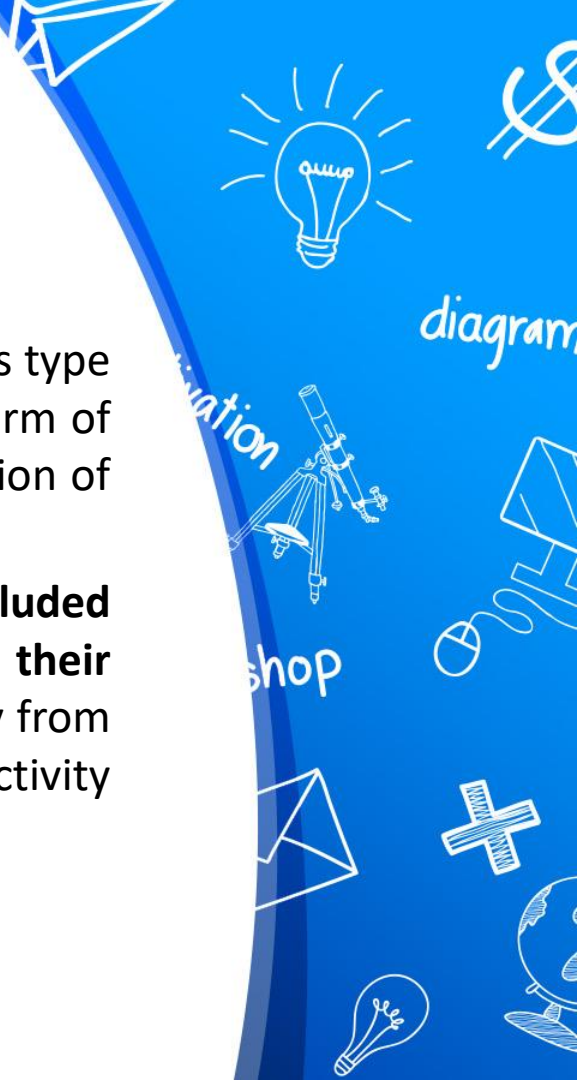
- The greater recognition of the third sector in the fight against social exclusion is based on the **provision of work reintegration services**.
- A typical example of organizations, that provide such serves, are the **Work Integration Social Enterprises**.



3. Work Integration Social Enterprise – WISE (2/4)

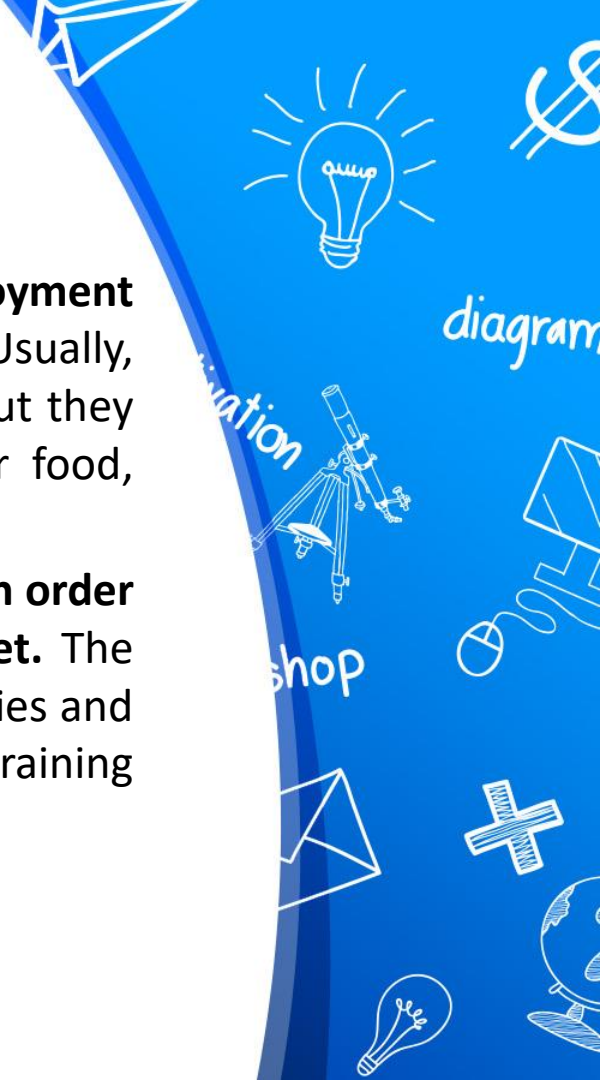
Types of WISE:

1. **Enterprises that offer permanent work through subsidies.** This type of enterprise, it was the first that created historically in the form of protected laboratories and aimed at the vocational rehabilitation of disabled persons.
2. **Enterprises that offer permanent work in people who are excluded from the labor market, but mostly achieve it through their financial and market operation.** Also in these cases, a subsidy from the state usually tries to counterbalance the initial productivity deficit of workers, but this subsidy is temporary.



3. Work Integration Social Enterprise – WISE (3/4)

- 3. Enterprises that mainly offer socialization through employment and they are addressed to people with psychosocial issues.** Usually, they do not offer formal employment (no contracts exist), but they offer participation in a productive activity in exchange for food, housing etc.
- 4. Initiatives that offer transitional employment and training, in order to achieve gradual integration into the formal labor market.** The way in which is attempted, it has differences between countries and enterprises and extends across from internships in certified training to formal employment contracts.



3. Work Integration Social Enterprise – WISE (4/4)

- The empowerment of these types of employment are proved through **the transition from passive to active labor market policy**.
- During the 1980s, many European governments converted the unemployment support to three types of government intervention:
 1. enterprises subsidy to maintain the existing or/and creating new jobs.
 2. training unemployed or vulnerable sectors of the workforce.
 3. supply and demand for jobs coupling actions.

The actor of third sector move in the context of this transition.



Good practices of social enterprises in Europe



4. Good practices of social enterprises in Europe(1/7)

1. Adelante Dolmen: Italy

- Adelante Dolmen is a **social cooperative** and has founded in 1997 in Milan. This social cooperative **provides long- term jobs to disabled people**, especially in the IT sector.
- Adelante Dolmen Cooperative is one of the twenty cooperatives which belong in Consorzio SIS and it was founded in the early 1990s and operates in the Milan region.
- The Consorzio SIS is a system of social enterprises and it is a strategic body for the social cooperatives that make it up. It has adopted a focus strategy, which through the guidance of cooperatives (according to market needs) is a capable and sustainable partner for public authorities.



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4. Good practices of social enterprises in Europe (2/7)

1. Adelante Dolmen: Italy

- Adelante Dolmen employs about 90 people in a variety of functions, such as IT helpdesk, IT programming and provision of IT services, software development and front and back office tasks.
- Adelante Dolmen maintains close ties with public institutions and offices. These bodies are responsible for providing services to people with physical and mental disorders and aim at selecting and training new staff.
- People join a cooperative through different channels, and that allows them to keep in touch with larger centers for people with disabilities.



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4. Good practices of social enterprises in Europe (3/7)

2. Ateliers Jean Del'Cour (JD'C), Belgium

- Ateliers Jean Del'Cour enterprise (JD'C) is a non-profit association and is based in Grâce-Hollogne in Belgium.
- JD'C employs 540 people and 85% of them are disabled people (physically, mentally, hearing issues, hidden disabilities) and 90% of them have signed indefinite contracts.
- The enterprise is certified according to ISO 9001 and in 2018 its turnover was 13,6 millions euros.



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4. Good practices of social enterprises in Europe (4/7)

2. Ateliers Jean Del'Cour (JD'C), Belgium

- JD'C operates in various activities such as packaging and logistic services, mechanical work, social renovation of buildings, green spaces or cleaning of industrial halls. Its list of customers includes companies such as L'Oréal, Mondelez, Safran, Heineken, Spadel, Thales, John Cockerill, CooperVision etc.
- On a permanent basis, JD'C open 20 work positions for students with disabilities who have completed secondary education, in order to facilitate their work integration.



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4. Good practices of social enterprises in Europe (5/7)

3. TPK “Mara Dencheva” worker cooperative, Bulgaria

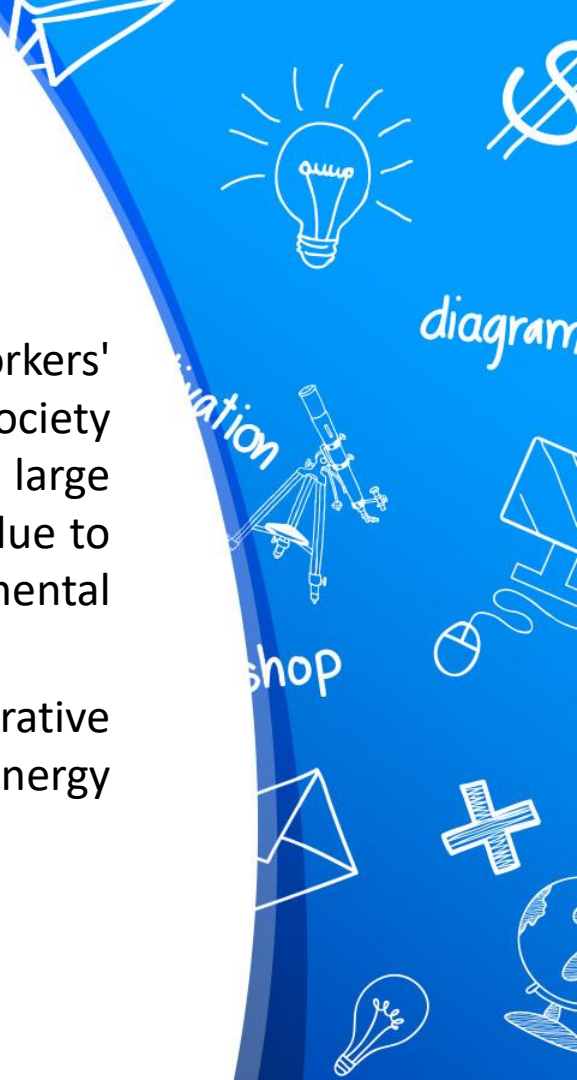
- TPK “Mara Dencheva” is a cooperative of disabled workers and is founded in 1963 in Pleven, Bulgaria.
- Over the years, TPK “Mara Dencheva” has developed many activities such as manufacture of paper and cardboard products over plastic products and bookbinding services and until today it has expanded its activities and it is specialized in ready-made clothing.



4. Good practices of social enterprises in Europe (6/7)

3. TPK “Mara Dencheva” worker cooperative, Bulgaria

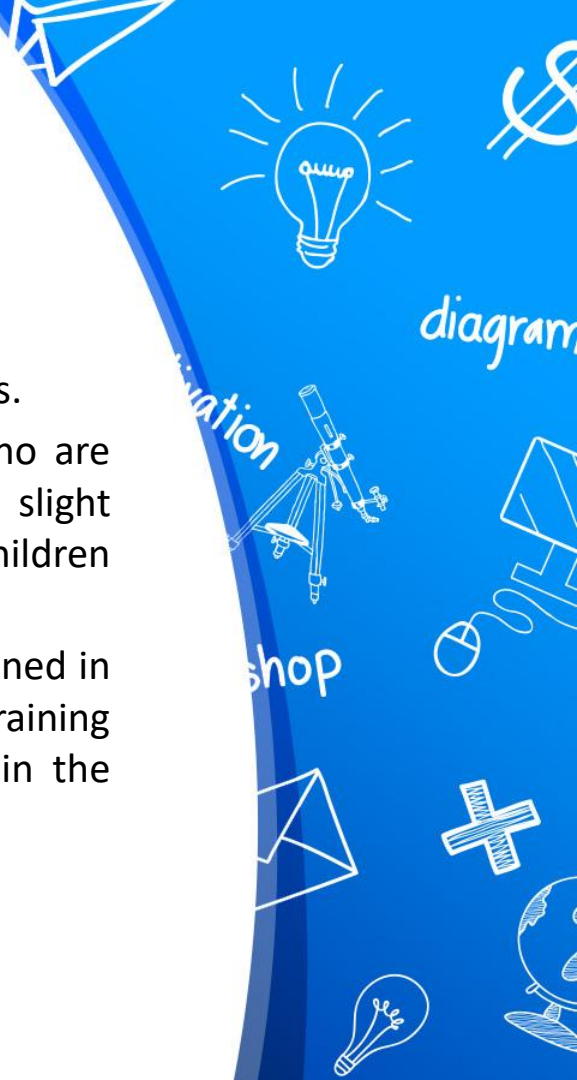
- By providing access to work, the Mara Dencheva Workers' Cooperative helps people with disabilities to integrate into society and increase their self-esteem and social commitment. A large percentage of the employed are with reduced work capacity due to musculoskeletal or cardiovascular diseases and slight mental disabilities.
- Furthermore, “Mara Dencheva” is the first Bulgarian Cooperative Enterprise that supplies its activities with renewable energy resources.



4. Good practices of social enterprises in Europe (7/7)

4. Social cooperative enterprise "Myrtillo" - Greece

- Social Cooperative Enterprise "Myrtillo" was founded in 2013 in Athens.
- "Myrtillo" employs waiters, bartenders, food processors, trainers who are people with disabilities. Among them are children with deafness, slight mental retardation or mobility problems, however most of them are children with high-functioning autism (Asperger syndrome- AS).
- At the same time, young people at ages 18-28 with disabilities are trained in food preparation, service and reception. After one or two years of training (depending on their capabilities), the young people are promoted in the labor market.



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