



# POLICY BRIEF ON MAKING THE MOST OF THE SOCIAL ECONOMY'S CONTRIBUTION TO THE CIRCULAR ECONOMY



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## KEY MESSAGES

**The ongoing recovery from the COVID-19 pandemic provides a unique opportunity to promote a green and inclusive transition, including through the circular economy and the social economy.** While there is some consensus on the circular economy's positive environmental impacts, its social benefits remain relatively unexplored. The social economy, defined as the set of associations, cooperatives, mutual organisations, foundations and social enterprises whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance, can help reinforce both the circular economy and its social impacts, for instance through inclusive and decent work.

**The circular economy aims to decouple natural resource extraction and use from economic output, which implies improving resource efficiency.** It does so by extending the longevity of materials, products and infrastructure in the economy, reusing, repurposing and recycling materials and regenerating natural ecosystems, which reduces pollution and environmental degradation. The circular economy can help drive the green agenda and also contribute to creating local employment, although job-losses are expected in specific sectors that may contract as a result of green and circular transitions.

**Social economy organisations have played pioneering roles for decades in shaping and expanding circular economy activities and practices.** By prioritising social impact over maximisation of return on capital, these organisations are able to re-invest some profits in the pursuit of their social or environmental purpose and develop activities that benefit society but may appear as less profitable from a capital investor's perspective. The social economy has contributed to the circular economy through activities such as electronics and textile recycling, reusable consumer goods, and repair and remanufacturing activities that extend the lifespan of materials and products. It also contributes to other circular activities such as restoring natural ecosystems through regenerative farming techniques, optimising the use of resources through eco-design of products and supporting the collaborative economy through sustainable platforms. Social economy organisations have illustrated the economic potential of these activities, especially in areas that struggle to attract private financial capital despite their potential for high social and environmental benefits.

**Social economy organisations' engagement in circular value chains also reinforces social inclusion.** In addition to reducing environmental impacts, through their circular activities, the social economy contributes to decent work and provides training and working opportunities for vulnerable groups. Social economy organisations can also help drive uptake, awareness and acceptance of the circular economy through improving the affordability of circular goods and services to low-income households.

**Social economy organisations often operate at the local level and therefore can contribute to circular business models based on proximity and collaboration.** These two elements are critical to organise circular activities and value chains at the level of a given territory through partnerships among local actors and to further community engagement. This ability of social economy organisations to collaborate locally may make them well-positioned to play a specific role in circular value chains as an "integrator" that connects the local actors and facilitates their collaboration.

**The scaling strategies developed by social economy actors can be harnessed to accelerate the transition towards a circular and inclusive economy.** Scaling strategies that leverage collaboration at the local level, franchising opportunities, and knowledge sharing, among other practices, enable actors to maximise their impact and achieve social and environmental objectives while remaining close to the local needs and realities, keeping participative governance and maintaining the integrity of their initial social and environmental purpose, underlying values and organisational models.

**Policy makers can accelerate the development and expansion of the circular economy by supporting social economy entities** to build back better in the current COVID-19 context. Policy action can:

- **Promote social economy integration into the circular economy** by raising awareness, sharing knowledge, boosting market demand or encouraging innovation.
- **Support social economy actors already active in the circular economy**, such as through public procurement and improved access to finance.
- **Encourage dialogue, strategic partnerships** and novel forms of collaboration amongst public actors, social economy organisations and businesses along value chains and within territories.
- **Help build the evidence base and produce robust data** on social economy organisations active in the circular economy to measure their full economic value as well as their social and environmental benefits.

# 1 INTRODUCTION

**The necessity to transition to a greener economy that aligns economic priorities with the protection of the environment and a sustainable use of natural resources has been widely acknowledged at local, national and international levels.** Since 2011, the OECD has supported country efforts to achieve this transition with concrete recommendations and tools through the *OECD Green Growth Strategy* (OECD, 2015<sub>[11]</sub>). Likewise, in 2019, the European Union released the *European Green Deal* that aims “to put Europe firmly on a new path of sustainable and inclusive growth” (European Commission, 2019<sub>[2]</sub>) which built on the *European strategy for smart, sustainable and inclusive growth* released in 2010 (European Commission, 2010<sub>[3]</sub>). In 2015 and 2017 respectively, the G7 and G20 both announced ambitions to encourage responsible supply chains and improve resource efficiency with the aim of creating a more sustainable global economy (G7, 2015<sub>[4]</sub>; G20, 2017<sub>[5]</sub>). In the current COVID-19 context,<sup>1</sup> a green and inclusive recovery appears as an essential condition to build back better and improve the resilience of economies and societies (OECD, 2020<sub>[6]</sub>). Accordingly, the European multiannual financial framework for 2021-2027 and the *Next Generation* recovery instrument will help enable a sustainable, inclusive and fair recovery for all Member States.

**The shift towards a green economy is an opportunity to expand sustainable economic activity and job creation, and the circular economy, among other aspects of the green economy, offers great potential in this transition** (OECD and International Institute for Applied Systems Analysis, 2020<sub>[7]</sub>; OECD, 2020<sub>[8]</sub>; European Commission, 2020<sub>[9]</sub>). Interest in the circular economy has strongly increased among policy makers, business actors, researchers and citizens in recent years, providing opportunities for collaboration as well as a range of promising solutions towards circularity. The interest in the circular economy has emerged from its potential to help the green agenda but also from its economic benefits to create jobs – even if studies show limited net effects (Chateau and Mavroedi, 2020<sub>[10]</sub>) – as well as resulting from the control on resource price volatility, the reduction of material import and the improvement of resource efficiency. The second *European*

*Circular Economy Action Plan* (European Commission, 2020<sub>[9]</sub>) intends to accelerate the transition by scaling up the circular economy from niche actors to mainstream economic players.

**The positive environmental impact of circular business models has been validated to some extent but there is still a lack of understanding of their social impact** (Bibas, Chateau and Lanzi, 2021<sub>[11]</sub>; OECD, 2019<sub>[12]</sub>; Dufourmont et al., 2020<sub>[13]</sub>). **The social economy**, defined as the set of associations, cooperatives, mutual organisations, foundations and social enterprises whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance, **can help reinforce the social benefits of the circular economy**, for instance supporting inclusive and decent work (Goodwin Brown et al., 2020<sub>[14]</sub>). The recent *Circular Economy Action Plan* recognises the potential of the social economy for its pioneer role in job creation linked to the circular economy. The social economy also appears as a valuable tool to build circular business models, increase social acceptance of circular products and green technologies and help the green transition to be fair and inclusive of the most vulnerable individuals and groups. As the European Commission drafts the *Action Plan for the Social Economy*, it is important to clearly identify the assets which enable the social economy to contribute to the circular economy and understand how to leverage on them to support the green transition while also strengthening social inclusion.

**This policy brief focuses on this contribution of the social economy to help the shift to a circular economy**, although social economy organisations can also sustain the green transition at large (Box 1). The brief defines both the concepts of circular economy and social economy before exploring the potential of the social economy in supporting circular activities and related business models, as well as reinforcing circularity in economies and societies. Finally, this brief identifies policy approaches that leverage the complementary qualities and assets of both the social economy and the circular economy to encourage a more green and inclusive transition.

1 Significant pressures on natural ecosystems and the environmental degradation are recognised as one cause of the pandemic and may imply a growth in zoonotic diseases (OECD, 2020<sub>[90]</sub>).

## Box 1. More globally, how does the social economy contribute to the green economy?

**In addition to the transition to a circular economy, social economy organisations can contribute to the green transition more widely.** Their specific business models and practices make them particularly well suited to structure local and collective initiatives that generate both environmental and social benefits. Social economy organisations provide a template for sustainable production and consumption practices, as well as effective ways to durably scale (Bauwens and Mertens, 2017<sup>[15]</sup>).

**Low-carbon energy systems.** The rise of decentralised renewable energy technologies such as solar panels, wind turbines and small hydroelectric installations has been accompanied by the emergence of renewable energy cooperatives and other forms of community-based enterprises. These initiatives offer citizens an opportunity to become owners of their own renewable energy generating units installed in their neighbourhood (Bauwens, Gotchev and Holstenkamp, 2016<sup>[16]</sup>). They thereby become direct recipients of the economic benefits created by energy generation and participate in decision-making processes. As of 2014, there were about 2 400 renewable energy cooperatives in Europe (Bauwens, 2017<sup>[17]</sup>).

**Sustainable agri-food systems.** Social economy organisations have been active in shortening agricultural supply chains by relocating – often organic – food production closer to consumers (Reina-Usuga, de Haro-Giménez and Parra-López, 2020<sup>[18]</sup>). Examples include “community supported agriculture” models, which seek to restore direct relationships between consumers and producers and enable them to share the risk of farming, guaranteeing fair payment to producers and high-quality food for consumers. These initiatives often structure themselves as social economy organisations, such as consumer associations and farmer cooperatives (Dedeurwaerdere et al., 2017<sup>[19]</sup>; Fonte and Cucco, 2017<sup>[20]</sup>). These groups play an important role in encouraging changes towards healthier lifestyles (Alaimo et al., 2008<sup>[21]</sup>) and may support local producers to move

from conventional high-input production systems to low-input and/or organic farming systems.

**Sustainable finance.** Social economy organisations active in sustainable finance design financial products and schemes to promote environmentally friendly activities and technologies alongside social inclusion. In social banking, for example, *NewB* is a cooperative bank founded in 2011 by 24 associations and unions with the support of 116 000 citizens. The objective is to create a sustainable alternative in the Belgian banking landscape and to develop a 100% ethical credit portfolio dedicated to financing home insulation, soft mobility, renewable energy development and other sustainable activities. In addition, social economy organisations, such as credit unions as well as savings and credit cooperatives, are increasingly involved in green microfinance, providing microcredits to promote clean technologies and other environmental non-financial services (Allet and Hudon, 2013<sup>[22]</sup>). Collaborative finance and local community-based crowdfunding also contribute to this effort with citizens directly financing social and environmental projects without intermediaries (Belleflamme, Lambert and Schwenbacher, 2014<sup>[23]</sup>).

**Sustainable management of natural resources.** Social economy initiatives can play an essential role in the sustainable management of natural resources. In water management for example, cooperative and mutual ownership and control of water utilities offers an effective delivery model for urban and rural water supply and sanitation services, often with a strong environmental focus. Thousands of water cooperatives exist in North America, Latin America and Europe. For instance, the *Wassergenossenschaft Gramastetten* (Water Cooperative of Gramastetten) founded in 1947 in Austria provides drinking water to about 2 000 people (Hachfeld, Terhorst and Hoedeman, O., 2009<sup>[24]</sup>). Likewise, the Belgian cooperative *Inero*, founded by fifty farmers to irrigate farmland, treats and uses wastewater from a neighbouring potato processing company in a circular fashion.

## 2 WHAT IS THE CIRCULAR ECONOMY?

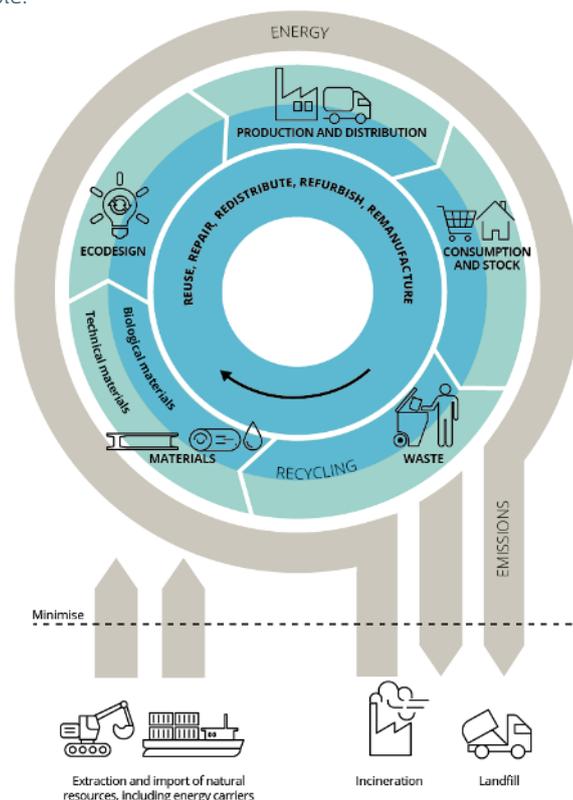
### Defining the circular economy<sup>2</sup>

The circular economy breaks with the “Take-Make-Use-Dispose” linear economy and proposes a model in which products and materials are designed to minimise waste and pollution, remain in use, and regenerate natural systems (Ellen MacArthur Foundation, 2013<sup>[25]</sup>).<sup>3</sup> The circular economy seeks “to keep products, components and materials in the economy for as long as possible, trying to eliminate waste and virgin resource inputs” (Laubinger, Lanzi and Chateau, 2020<sup>[26]</sup>). Value retention being central, circular approaches aim to “maintain the value of products, materials and resources for as long as possible by returning them into the product cycle

at the end of their use, while minimising the generation of waste” (European Commission, 2020<sup>[27]</sup>). The circular economy is therefore one avenue to encourage a greener economy and reduce environmental impacts while promoting sustainable growth (OECD, 2017<sup>[28]</sup>) in a context where the extraction and use of natural resources such as fossil fuels, water, biomass and ores has greatly risen because of the global acceleration of production, distribution and consumption, as has the amount of waste. [Figure 1](#) provides a simplified model of the circular economy.

**Figure 1. A simplified model of the circular economy for materials and energy**

The circular economy aims to minimise the extraction of natural resources, maintain the resources as long as possible in use and limit the amount of waste through the improvement of manufacturing, consumption and use of products as well as recycling. Central to circular approaches are value retention and optimisation, ensuring that the natural resources (materials, energy, water, etc.) embodied in products, buildings and other assets are kept functional and accessible for as long as possible.



Source: (European Environment Agency, 2016<sup>[29]</sup>)

- 2 This section does not aim to provide a complete picture of the different issues and debates related to the circular economy but it focuses on a number of topics that are necessary to frame the core issue of this policy brief.
- 3 There is no single definition of the circular economy but the one from the Ellen MacArthur Foundation is the most commonly cited among various definitions and interpretations of the circular economy. These various definitions share common concerns related to increased resource efficiency, waste management and decoupling resource extraction from economic outputs. However, debates remain on the scope, processes, actors and motivations to shift to the circular economy (McCarthy, Dellink and Bibas, 2018<sup>[88]</sup>; Laubinger, Lanzi and Chateau, 2020<sup>[26]</sup>). For example, one debate concerns whether or not to include energy efficiency and renewable energy sources in the scope of the circular economy.

**Various business models coexist, and are often combined, to improve resource efficiency, minimise the use of virgin resources and reach circularity.**

- **Eco-design** refers to designing products with the aim to reduce the use of resources along the whole process (manufacturing, packaging, distribution, use and recycling). It facilitates the repair and reuse of products as well as the recycling of their components, for example by making dismantling easier and limiting the use of toxic components.
- **Reverse logistics** are used by organisations to establish systems that enable them to recover their products (when defective or at the end of their lifecycle) to reuse, remanufacture or recycle them.
- **Alternative consumption patterns and product utilisation** help reduce the amount of products being manufactured, and thereby the demand for resources, for example:
  - *Product-as-a-service systems cover initiatives where consumers purchase a service or a function instead of a product (e.g. to buy a mobility solution instead of a car, or light instead of lightbulbs). In these models, manufacturers remain the owners of the products and therefore design products according to higher-quality standards to last longer, avoid hasty obsolescence and adapt to evolving needs.*
  - *The sharing or collaborative economy organises direct transactions between individuals to pool resources, often through virtual platforms, and build communities of practices (e.g. libraries of tools and equipment, collaborative hospitality and shared cars) that provide access to those resources without the individual having to purchase them.*
- **Repairing, reusing, remanufacturing, repurposing and recycling** strategies aim to extend the life of the products and their components, thereby lowering the rate of resource extraction and waste generation. For organic components, a circular approach implies reducing waste (both garbage

and food waste) and favouring composting or anaerobic digestion<sup>4</sup> of remaining organic waste.

- **Industrial symbiosis** creates interconnections among economic actors of a given territory to favour exchanges of materials (whereby waste or by-products from one partner becomes a resource for another), reduce water waste, optimise energy flows and share capacity (such as production, warehousing or office facilities). For example, the *Kalundborg industrial symbiosis* in Denmark gathers eleven public and private companies that collaborate to exchange materials, water and energy. The power plant activity produces lukewarm water that is used by a fish farm as well as steam that benefits the refinery. The refinery in turn offers its wastewater to cool down the power plant.
- **Renewable energy** can contribute to the overall objective of the circular economy to limit the extraction of natural resources (fossil fuels in this case), minimise pollution and reach low-carbon energy systems – acknowledging renewable energies' own limitations, in particular related to the use of minerals and scarce metals as well as the end-of-line management of renewable energy facilities.

**The OECD report on business models for the circular economy** (OECD, 2019<sup>[30]</sup>) **focuses on five business models** aligned with those discussed in the previous paragraphs that could support the transition to a circular economy. They include circular supply, resource recovery, product life extension, sharing and product service system.

**These circular business models are aligned with the so-called R-strategies.** Different strategies allow different levels of value retention for materials and require different degrees of change in the production and consumption patterns. [Table 1](#) describes five R-strategies or “feedback loops” – Regenerate, Reduce, Reuse, Recycle and Recover – and shows their hierarchy, with higher strategies corresponding to higher value retention and generally requiring more fundamental changes in production and consumption patterns (Bauwens et al., 2019<sup>[31]</sup>; Henry et al., 2020<sup>[32]</sup>).

<sup>4</sup> Composting can be defined as the process of “optimizing the natural decomposition of food, garden, and agricultural wastes into a fertilizer-like product” that represents a valuable material that can be used to enrich the soil for agricultural land, public land and gardens (World Bank, 2016<sup>[89]</sup>). Anaerobic digestion represents another method to transform organic waste into fertilizer, in the absence of oxygen, although it is often more technically challenging and expensive. It has typically been used to process animal waste and wastewater rather than solid waste management.

**Table 1. Circular strategies and business models**

R-frameworks encompass the various strategies to reach circularity. While the number of R-strategies varies, this table classifies them in five categories and shows their hierarchy. Higher strategies, such as Regenerate or Reduce, correspond to higher value retention and generally require more significant changes in production and consumption patterns. Examples of business models are linked with the circular strategies.



	CIRCULAR STRATEGY	DESCRIPTION	BUSINESS MODEL
Most circularity	<b>Regenerate</b>	Restore natural or modified ecosystems and maintain/increase the delivery of biological ecosystem services to society, for instance through urban agriculture or green roofs	
	<b>Reduce</b>	Increase efficiency of product design or manufacturing by preventing or minimizing use of specific hazardous materials or any virgin materials, or make product use more intensive via practices such as product sharing	Eco-design Product-as-a-service systems Sharing and collaborative economy
	<b>Reuse</b>	Bring products back into the economy after initial use, or extend the lifespan of products and their parts (through repair, maintenance, second-hand markets, etc.)	Reverse logistics Repairing, Remanufacturing, Repurposing, Reusing
	<b>Recycle</b>	Process materials via processes such as shredding or melting to obtain materials of the same quality (upcycling) or lower quality (downcycling)	Industrial symbiosis Waste collection, sorting and recycling
Least circularity	<b>Recover</b>	Produce energy from residual flows, e.g. through combustion or fermentation	

Source: Adapted from Bauwens et al. (2019<sub>[31]</sub>).

### What are the benefits of the circular economy?

**The circular economy is expected to bring positive environmental, economic and social impacts for countries and regions, as well as businesses and citizens.** The circular economy aims to limit the extraction of natural resources, lower greenhouse gas (GHG) emissions and pollution, as well as reduce waste, which all directly benefit the environment. More widespread adoption of circular business models would significantly reduce environmental pressures, especially as the environmental footprint of circular products and services is smaller than that for traditional products (OECD, 2019<sub>[30]</sub>). The circular economy is also likely to contribute to creating local employment, although job-losses are expected in sectors that may contract as a result of green and circular transitions (see Box 2). Closed-loop models based on secondary raw materials, namely a system where residues and by-products from one activity become the inputs of another activity, can increase individual companies' profitability (through increased resource

efficiency and additional income from selling the by-products) while reducing their dependence on resource price fluctuations. Circular approaches can improve strategic autonomy for countries and regions. For example, the pandemic has illustrated how dependence on external sources of primary raw materials can result in supply shocks and vulnerabilities, as seen in Europe, which is relatively poor in some natural resources and in certain critical raw materials. The circular economy also contributes to social inclusion through the creation of employment and benefits society by increasing citizens' engagement towards their economic choices and lowering the social implications of pollution and climate change. By favouring more resilient and sustainable behaviours, the circular economy can also contribute to reduce the costs of negative externalities borne by society, especially through remediation actions and prevention measures.

## Box 2. Green jobs and green futures: the promising potential of the circular economy

**There is a growing number of studies that estimate the job creation potential of the circular economy, with variations in the estimations.** A recent study estimates that applying circular economy principles across the EU economy has the potential to increase EU GDP by an additional 0.5% by 2030 creating around 700 000 new jobs (net increase) (Cambridge Econometrics, Trinomics, and ICF, 2018<sub>[33]</sub>). Between 2012 and 2018, the number of jobs linked to the circular economy in the EU grew by 5% to reach around 4 million (European Commission, 2020<sub>[34]</sub>).

**The benefits for net job creation remain somewhat limited and vary across geographical regions and sectors, with some sectors expected to experience job losses.** Simulating the implementation of a material fiscal reform, an OECD report estimates that, globally, the net job creation by 2040 is estimated at 1.3 million compared to the business-as-usual scenario (since some jobs will be lost in the transition), with wide variations across regions. Some sectors will experience job creations (e.g. secondary materials, recycling, services, utilities) while others are expected to undergo job destructions (e.g. primary materials, non-metallic materials, construction) (Chateau and Mavroedi, 2020<sub>[10]</sub>). Another OECD report, that reviews 47 scenarios from 15 economic modelling studies, concludes that employment gains range between 0 and 2%, with one study predicting employment gains up to 7% and only three scenarios suggesting a slightly negative employment outcome (Laubinger, Lanzi and Chateau, 2020<sub>[26]</sub>). Likewise, the study reveals wide variations across regions and sectors in terms of employment implications.

**A recent study conducted in the EU found significant variations in job creation between repair, reuse and recycling activities** (Llorente-González and Vence, 2020<sub>[35]</sub>). Reuse and repair activities are more labour-intensive than the average of total economy while waste collection and recycling are comparatively capital-intensive. Reuse and repair activities, as shown in [Table 1](#), not only imply higher value retention for the materials than recycling activities but they “could also be the focus of a more cost-effective public policy strategy, because of a greater job creation potential

with less resource consumption due to their lower capital investment requirements” (Llorente-González and Vence, 2020<sub>[35]</sub>). The same study also argues for the need to improve the working conditions and focus on the creation of good quality jobs as a necessary condition for the circular economy to deliver positive social benefits. Another study analysed data from sources in 16 countries concluding that in treating 10 000 tonnes of waste, landfill and incineration create typically 2 jobs, whereas remanufacturing would create 55, recycling 115, and repair 404 (Ribeiro-Broomhead and Tangri, 2021<sub>[36]</sub>). A recent Sitra working paper provides additional figures in specific sectors, such as textile, construction and plastics (Sitra, 2021<sub>[37]</sub>). The European Apparel and Textile Confederation has estimated that approximately 20 new jobs can be created for every one thousand tonnes of clothing that are recycled, ultimately creating up to 120 000 jobs in the European Union (EURATEX, 2020<sub>[38]</sub>). In the European construction sector, applying circular practices could create 6.5 million new jobs by 2030, especially through increase of recycled construction waste (International Labour Office, 2018<sub>[39]</sub>). In plastics, if, as envisioned, the European Union increases its plastics sorting and recycling capacity by four by 2030 (compared to 2015), this could create 200 000 new jobs across Europe (European Commission, 2018<sub>[40]</sub>). More widely, the OECD Regional Outlook 2021 indicates that in the framework of the transition to net-zero emissions, on average 2.3% of employment is in sectors that are at risk of some employment loss across countries included in the analysis (OECD, 2021<sub>[41]</sub>). The report also specifies that employment losses are regionally concentrated and thus require place-based policies.

**The transition towards a circular economy will therefore affect the individuals, the sectors of activity and the territories differently**, which requires careful study of the sectoral shifts in the labour market and understand the positive and negative implications in different areas. Policies might help mitigate some of these effects and ensure a smoother transition process, especially those that facilitate mobility of workers and help workers re- or upskill to enter new jobs.

## What needs to be done to support the shift towards a circular economy?

**The circular economy is still far from its full potential as the shift remains slow.** The market share of circular business models, in most sectors, remains limited and confined to economic niches, although some of them have rapidly grown recently (OECD, 2019<sub>[12]</sub>). The European Commission highlighted the need to further integrate the circular economy into the mainstream economy in order to achieve the Green Deal’s objectives. The amount of materials extracted globally

doubled between 1980 and 2010 and is projected to double again by 2060 (OECD, 2019<sub>[42]</sub>). Even if waste treatment practices have improved and materials are increasingly fed back into the economy, much material is still lost and landfilling remains the major disposal method in many OECD countries (OECD, 2020<sub>[43]</sub>). A study showed that in 2005, only 6% of waste materials were recycled at the global level, the rest being incinerated, landfilled or dispersed into the environment (Haas

et al., 2015<sub>[44]</sub>). The 2020 Circularity Gap Report states that for 2017, 8.6% of total material inputs into the global economy were cycled (namely reused through component recovering, recycling or composting, for example), leaving a significant “circularity gap” in the global economy (Circle Economy, 2020<sub>[45]</sub>).

**Scaling up the circular economy to its full potential requires overcoming a range of significant challenges.**

Changes are needed especially in the following areas: business models and value chains, skills, consumer engagement, and policy frameworks.

**The design and implementation of efficient circular business models and value chains are recognized as a condition to enable the shift towards the circular economy**

(Henry et al., 2020<sub>[32]</sub>; European Environment Agency, 2016<sub>[29]</sub>). Building circular business models requires actions to:

- **Incorporate sustainability objectives in the strategies and operations of firms.** Companies will need to embrace the triple bottom-line of sustainability, which targets social and environmental objectives while generating economic benefits (Boons and Lüdeke-Freund, 2013<sub>[46]</sub>). Possible ways to achieve more sustainability include offering products designed to last as long as possible, improving their reparability and recyclability, or selling functionality instead of material goods through sharing or leasing models.
- **Embed circular economic activities locally.** A circular economy requires some degree of relocation of economic activities as shorter supply chains can help “close the loops”. The process of industrial symbiosis, in which a company seeks to replace all or part of its raw materials with industrial waste from a partner company, is made possible by geographical proximity of economic actors and the establishment of short supply chains within a shared territory (Velenturf and Jensen, 2015<sub>[47]</sub>). Shorter supply chains also offer reduced energy and transportation costs and typically generate, in certain conditions, less carbon emissions than longer, more complex supply chains (Paciarotti and Torregiani, 2021<sub>[48]</sub>). In addition, some circular loops, such as reuse and repair activities, tend to be more labour-intensive and less capital-intensive than virgin material production or primary manufacturing, making them less dependent on economies of scale and hence economically viable at more local or regional scales (Stahel and Clift, 2016<sub>[49]</sub>).
- **Increase collaborations along value chains.** Cooperation between multiple actors (e.g. firms and public utilities) along value chains is a prerequisite for the implementation of circular initiatives. It improves the cycling rate of materials, facilitates the adoption of smarter circularity strategies and reinforces their viability over the long term (Daviaud, 2020<sub>[50]</sub>; Bauwens et al., 2019<sub>[31]</sub>). The success of territorial

eco-industrial symbiosis to create value from residual resource streams relies on collaborative supply chains as well as trust and transparency between partners (De Angelis, Howard and Miemczyk, 2018<sub>[51]</sub>; European Environment Agency, 2016<sub>[29]</sub>). Collaboration between companies is also key for developing circular innovations, especially to rely on synergies between innovative start-ups and large, well-established firms (Henry et al., 2020<sub>[32]</sub>).

**The shift towards a circular economy requires building appropriate skills and improving work conditions**

(European Commission, 2020<sub>[9]</sub>; OECD, 2017<sub>[28]</sub>; Llorente-González and Vence, 2020<sub>[35]</sub>; Sitra, 2021<sub>[37]</sub>). That transition is expected to be accompanied by a shift from material-intensive to more labour-intensive activities, possibly with a net positive impact on employment rates (Laubinger, Lanzi and Chateau, 2020<sub>[26]</sub>; Chateau and Mavroiedi, 2020<sub>[10]</sub>). Indeed, labour is required for repair and maintenance services in product-as-a-service models but also for collecting, dismantling, upcycling and recycling materials. This entails the need to retrain laid-off workers in material-intensive sectors and, especially for those with lower skill levels, to re-orient them towards more labour-intensive sectors and circular activities. The transition towards a circular economy requires the development of both industry-specific/technical and crosscutting skills (OECD, 2017<sub>[28]</sub>). Technical skills include building green/circular technologies and developing circular products, services and business models that reduce the environmental impacts of the activities. Crosscutting skills relate to innovation, management for change, collaboration, problem solving, communication and adaptability. Existing jobs will change while new jobs will be created, requiring adjustments to the current training, education and qualification system and provides up- and re-skilling opportunities (European Commission, 2020<sub>[52]</sub>). More widely, a recent ILO report states that the transition to a green economy is also compatible with improvements in decent work (International Labour Office, 2018<sub>[39]</sub>), which is seen as a necessary condition for the circular economy to deliver positive social benefits (Llorente-González and Vence, 2020<sub>[35]</sub>).

**Increasing consumer engagement and empowering them to make informed and responsible choices is another avenue to accelerate the transition towards a more circular economy.**

The circular economy’s drive to maintain the value of materials in circulation as much as possible inherently makes consumer behaviour an important part of the system, whereas in a linear economy there is little concern about what users actually do with their products after purchase (Wastling, Charnley and Moreno, 2018<sub>[53]</sub>). For instance, in order for products and materials to be reused and recycled by companies, customers need to return them to the producers in so-called take-back or reverse vending systems (Agrawal, Singh and Murtaza, 2015<sub>[54]</sub>). Therefore, the transition towards a circular economy requires directly involving customers in

circular activities over the long term to improve circularity. It also requires increasing awareness of the implications of consumption choices and to reinforce trust towards circular products and services, thereby facilitating their acceptance and diffusion (OECD, 2020<sub>[8]</sub>). Building transparent business models as well as informing the population on how to think and act in a more sustainable way are two drivers for consumer engagement (European Commission, 2019<sub>[2]</sub>; European Commission, 2018<sub>[55]</sub>).

Finally, **policy makers need to play a critical role in advancing the circular economy agenda through policy orientations**. To do so, they can use a wide range of instruments at their disposal (OECD, 2020<sub>[8]</sub>; Bibas, Chateau and Lanzi, 2021<sub>[11]</sub>; OECD, 2019<sub>[12]</sub>):

- **Rules and regulations** must be developed or adapted to encourage and promote the development of the circular economy, both nationally and internationally. For example, the 2018 European Commission proposal (COM/2018/326 final) to diversify the European Own Resources could help favour circular behaviours by requiring Member States to pay for non-recycled plastic. Strengthening local governmental policies to support circular economy actions, as well as bringing clear legislation, could significantly promote the transition towards circular economy business models. The European Waste Framework Directive will, within the next four years, oblige all municipalities to separately collect textiles and biowaste. These new secondary material streams will generate new possibilities for re-use, recycling, composting and bio-gas production.
- **Policies that facilitate the skilling and reallocation of workers** and advance decent work are also needed.
- **Providing investment and financial support for transforming existing infrastructures and helping circular entrepreneurs** (e.g. in the form of grants, low-interest loans, impact investing or green bonds) to create new designs and products, scale up their operations and increase brand awareness. The post-COVID recovery plans and stimulus packages offer opportunities to design such financial schemes to support the transition towards a circular economy. Instruments that leverage private investment, possibly in combination with public funding, are other relevant options. The EU Taxonomy for sustainable activities should also help develop sustainable finance to support the transition to a low-carbon, resilient and resource-efficient economy.
- **Use of tax policies** to make circular products relatively more attractive (for instance through a lower value added tax on reused and repaired products) or to make employment in the circular economy less costly to improve the work conditions in the field for example. For instance, the Swedish Government introduced a combination of tax reductions and deductions that lowered costs to repair and maintain certain products such as white goods and electronic devices (Milios, 2021<sub>[56]</sub>).
- **Incorporation into public procurement** of specific scoring criteria for tenderers that integrate circularity into their offer, and including the possibility of procuring used and refurbished equipment.
- **Implementation of an extended producer responsibility scheme** whereby companies are obliged to set up a recycling and waste management system for the products they sell on the market (as is required legally in the EU in the case of packaging and electronic and electrical equipment).

## ■ 3 WHAT IS THE POTENTIAL OF THE SOCIAL ECONOMY TO ACCELERATE THE CIRCULAR ECONOMY?

### Defining the social economy

**Social economy organisations refer to the set of associations, cooperatives, mutual organisations, foundations and, more recently, social enterprises<sup>5</sup>, whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance** (OECD, 2018<sup>[57]</sup>). Social economy organisations distinguish themselves in two respects: their *raison d'être*, as they primarily address societal needs and pursue a social purpose, and their way of operating because they implement specific business models based on collaboration, typically at the local level.

**Social economy organisations are driven by a mission of serving the common good, protecting the general interest and increasing individual and community welfare.**

Most of them put social and environmental concerns at the heart of their business model, prioritising social impact over maximisation of return on capital. This feature enables them to favour a longer-term perspective and to re-invest some profits in the pursuit of their social or environmental purpose and develop activities that benefit society but may appear as less profitable from a capital investor's perspective (Rijpens and Mertens, 2014<sup>[58]</sup>).

**In addition, social economy organisations organise their activities differently than other economic actors and implement specific business models.** They mobilise multiple types of resources (revenues from sales, public subsidies,

donations, volunteering) from different sources (public sector, enterprises, foundations, individuals). They operate at the local level, building on local roots, and adopt inclusive and democratic governance. They facilitate collective social innovation by collaborating with local actors (citizens, civil society, policy makers, entrepreneurs and researchers), experimenting thereby with new and cooperative ways of working to develop place-based solutions.

**While sharing common principles and practices, the social economy shows a great diversity in terms of legal forms and entities, size, outreach and sectors** (Figure 2).

The social economy traditionally refers to specific legal forms: associations, cooperatives, mutual organisations and foundations. More recently, social enterprises have been recognised through a diversity of legal forms and statuses to capture entrepreneurial approaches within the social economy. Consequently, the field brings together not-for-profit organisations and market-based entities, the former focusing more on the social component while the latter are more economic-oriented. A majority of social economy actors are small and medium-sized entities, but the field also includes examples of large entities and groups of social economy organisations whose size reaches that of multinationals in some cases. Social economy organisations are active in a wide range of sectors throughout the economy although initially they were mainly involved in the provision of social services and healthcare.

<sup>5</sup> Social enterprises are not a specific legal form, but rather can take a diversity of legal forms and statuses that reflect the entrepreneurial approaches within the social economy.

**Figure 2. Capturing social economy diversity**

The social economy field is highly diverse in terms of entities, size, outreach and sectors.



Source: Adapted from (OECD, 2020<sub>[59]</sub>)

**The social economy is a significant economic and social actor in its own right. According to the latest available data, there are 2 million social economy entities in the EU, accounting for, on average, 6% of EU employment** (see Box 3). It has also proven to contribute to social and economic resilience in past crises given the nature of its activities and the long-term orientation of its specific business models that can make them more resistant to certain shocks (OECD, 2020<sub>[59]</sub>). This capacity to increase economic and

social resilience is linked to the two main roles that the social economy plays in the economic system: repair and transform (Mertens, 2020<sub>[60]</sub>). First, it may address social needs that are often not covered by the market economy and also complement public action (for example in the area of work integration). Second, the social economy designs, experiments and implements innovative ways to organise economic activity in an inclusive and sustainable way, thereby inspiring responsible practices that transform the economic system.

### Box 3. Estimating the size of the social economy

**While estimates vary, one calculation finds 2 million social economy organisations across EU27 countries, employing about 6% of the EU workforce.**<sup>6</sup> The cross-country CIRIEC study (2017<sub>[61]</sub>) shows that in 2015, while employment in the social economy accounted for between 9% and 10% of the labour force in countries such as Belgium, France, Italy, Luxembourg and the Netherlands, it accounted for less than 2% of employment in Croatia, Lithuania, Malta, Romania, Slovenia and the Slovak Republic. In Canada, social enterprises, one component of the social economy, employ about 0.2% of the workforce, with significant variations across provinces (OECD, 2018<sub>[57]</sub>). In Korea, 39 195 workers were employed by social enterprises in 2016, representing 0.15% of total employment (OECD, 2018<sub>[57]</sub>). In the United Kingdom, social enterprises contribute GBP 60 billion to the UK economy and employ 5% of the national workforce (2017 data) (Social Enterprise UK, 2018<sub>[62]</sub>).

**The scale of the social economy varies considerably across countries. The diversity of definitions and legal frameworks, as well as different methods of data collection, makes cross-country comparisons of the size and impact of the social economy challenging.** The social economy has traditionally referred to associations, cooperatives, mutual organisations, and foundations, although recently social enterprises have been included in the field, which is reflected in data in some countries. The lack of comparability can be partly explained by the vastly different definitions of social economy and the diversity of measurement approaches. The significant data gap can also reflect various levels of widespread recognition and policy makers' prioritisation across countries (CIRIEC, 2017<sub>[61]</sub>; European Commission, 2020<sub>[63]</sub>). In addition, because there are many non-market aspects of the social economy, in particular with respect to impacts on well-being, including human, social and environmental capital, estimates of their contribution to GDP do not reflect their broader economic importance.

## How can the social economy contribute to the circular economy?

**Circular economy initiatives primarily pursue the creation and retention of environmental and economic value. Social economy organisations can help reinforce the focus on positive social impact** and accelerate the transition to the circular economy as businesses and social innovators themselves, and as means to engage citizens, firms and territories in circularity. The new *European Circular Economy Action Plan* (European Commission, 2020<sub>[9]</sub>) explicitly recognises the

potential of **the social economy and its pioneering role in job creation linked to the circular economy. But the social economy can also contribute to other aspects of the transition** towards a circular economy through its activities, through its business models and the way it operates and through its impact on economies and societies. [Table 2](#) provides a summary of the social economy contributions to the circular economy.

<sup>6</sup> [https://ec.europa.eu/growth/sectors/social-economy\\_en](https://ec.europa.eu/growth/sectors/social-economy_en)

**Table 2. Circular economy challenges and potential social economy contributions**

Topic	Circular economy challenges	Social economy assets/contributions
<b>Experience in developing circular activities</b>		
Circular activities	<p>Improve product durability, reusability, upgradability and reparability</p> <p>Avoid destruction of unsold durable goods and enable high-quality recycling</p>	<p>Pioneer in developing activities in the circular economy, especially in repairing, reusing and recycling</p> <p>Helped to illustrate the economic potential of these activities</p>
Sectors	<p>Prioritise key sectors, including electronics and ICT; batteries and vehicles; packaging; plastics; textiles; construction and buildings; and food, water and nutrients</p>	<p>Tap into consolidated experience in priority sectors for the circular economy (e.g. electronics, food, plastics and textile)</p>
<b>Increase social inclusion and social cohesion</b>		
Work conditions and training opportunities	<p>Implement labour-intensive processes when relevant and create quality jobs</p> <p>Improve working conditions and safety in some circular activities</p> <p>Provide the workers with the skills required for the green transition</p>	<p>Rely on experience in the training and work integration of vulnerable groups through dedicated enterprises</p> <p>Help improve work conditions along the value chains</p>
Accessibility of circular services and products	<p>Design circular services and products that are available for all</p>	<p>Organise educational activities and provide circular goods and services for the less well off</p>
<b>Inspire business models and practices</b>		
Locally anchored	<p>Develop parts of the activities at the local level to facilitate partnerships among firms</p>	<p>Locally anchored organisations, scale of intervention</p> <p>Ability to rally local supporters and mobilise local ecosystems (incl. policy makers and citizens)</p>
Collaboration across value chains	<p>Develop circular collaboration among firms and implement specific mechanisms to manage these collaborations</p>	<p>Reinforce collaboration across value chains and expand the potential for social innovation</p>
<b>Further stakeholder engagement and improve social acceptance of circular products and green technologies</b>		
Stakeholder engagement	<p>Change consumption behaviours and ensure that consumers receive trustworthy and relevant information</p>	<p>Empower and involve actors, including consumers, in their operations and decision-making processes</p>
Acceptability	<p>Increase uptake and acceptance of circular products and services, as well as green technologies</p>	<p>Improve local acceptance for circular goods and services and for green technologies</p>
<b>Promote more circular and sustainable behaviours</b>		
Circular behaviours	<p>Reduce social implications of pollution and climate change</p>	<p>Help build societies able to think and act in a more circular way</p> <p>Raise awareness on social and environmental concerns and reinforce citizens engagement</p>

Source: Author's elaboration

## *The social economy has a demonstrated experience in developing circular activities*

**Social economy organisations have been pioneers in implementing circular practices and business models, especially in repairing, reusing and recycling activities, for many decades now.** They have extensive experience in various sectors recognised as priorities for the circular economy (e.g. electronics, food, plastics and textiles). They have illustrated the economic potential of these activities, especially in areas where private financial capital would not find attractive enough returns despite possibly high social and environmental benefits, and helped unlock and structure sectors that turned out to be important in promoting the circular economy. Social economy organisations participate in circular value chains and help reduce the environmental impacts of their economic activities. They achieve economic and environmental objectives – just as any other organisation active in the circular economy. Box 4 provides a snapshot on positive environmental impacts of social enterprises active in the circular economy.

**Regenerate. Social economy organisations can develop nature-based solutions that contribute to restore natural ecosystems while providing ecological and socio-economic benefits.** In Turkey, the social enterprise *Anatolian Grasslands* brings an innovative approach to farming and rural life by implementing regenerative farming techniques that restore soil quality affected by harmful agriculture practices while enabling local farmers and young individuals to involve in farming communities and linking them directly to potential consumers. In 2017, the social enterprise was supporting 10 regenerative farms operating a total of 250 hectares. Green roofs, and more globally urban agriculture, are also gaining interest to transform built environment and (re)generate natural ecosystems, especially in urban areas. In the United Kingdom, the social enterprise *Grounded Ecotherapy* maintains the Queen Elizabeth Roof Garden on London's Southbank. More than 150 kinds of native British herbs and flowers cohabit with an orchard and ornamental trees, thereby regenerating biodiversity and restoring natural ecosystems for birds, bees and butterflies. The place became one of the most popular venues on the Southbank, with tens of thousands of visitors annually.

**Reduce. Social economy organisations can deploy strategies to reduce the environmental impact of production and manufacturing operations through various principles:**

- **Eco-design.** Eco-design relates to various strategies to optimise the use of resources all through the product life cycle (manufacturing, packaging, delivery, use and recycling) and facilitate repair, reuse and recycling of the product and its components. *Fairphone*, an Amsterdam-based social enterprise created in 2013, designs and produces smartphones

with minimal environmental and social harm. It incorporates the principles of eco-design and conceives modular smartphones to be easily repaired and upgraded by users themselves. By December 2020, *Fairphone* had sold about 197 000 smartphones and notes a growth rate of 76% in sales between 2019 and 2020. The *Fairphone's* impact report 2020 indicates that in their last mobile *Fairphone 3*, more than 50% of the materials used can be recovered, compared to 30% for the previous device *Fairphone 2*. *Solace* is a Polish social enterprise that designs affordable and energy-efficient individual houses that are 80% recyclable and can evolve as residents' needs change.

- **Product-as-a-service.** Product-as-a-service models rely on strategies where consumers purchase a service or a function instead of a product, separating the service provision from the ownership of physical goods. To reach its explicit objective to be a leader in the smartphone industry's transition towards greener electronics, *Fairphone* plans to launch *Fairphone-as-a-service*, a product-service system in which *Fairphone* retains ownership of its devices, which will improve the product life cycle and will optimize the use of resources and recycling throughout the process. Another example is *La Vague*, a Montreal-based non-profit association created in 2019 with the objective to reduce plastic waste by creating an alternative to disposable cups. It designed a reusable and recyclable cup combined with a deposit system to incite consumers to return the empty cups to any participating café.
- **Sharing or collaborative economy.** The sharing or collaborative economy organises peer-to-peer exchanges between individuals, often through virtual platforms, while favouring the pooling of resources (e.g. time, skills, equipment, and goods), which has an environmental benefit if it reduces the amount of manufactured products or if the products are manufactured in a more sustainable way. Social economy organisations also contribute to the sharing or collaborative economy and seek to offer fairer, more participative and sustainable alternatives than for-profit, corporate-owned platforms (Brülisauer, Costantini and Pastorelli, 2020<sup>[64]</sup>). *Fairmondo*, a cooperative online marketplace launched in 2013 in Germany that has expanded to the UK, promotes used, more sustainable and long-lasting products by charging a lower commission for providers of fair and sustainable products. In 2016, *Fairmondo* had attracted 15 000 users, including 2 100 members, each of whom buys a 10-Euro share in the company. The *Mobility Factory*, a European electric car-sharing platform, was born in 2018 out of the collaboration between three cooperatives. The platform provides web-based software and tools for car-sharing fleet management. As of 2019, the *Mobility Factory* platform was used by twelve electric car-sharing cooperatives operating in Belgium, Germany, the Netherlands and Spain.

**Reuse. Social economy organisations contribute to extending the lifespan of products by engaging in repair and remanufacturing activities and by encouraging the reuse of products.** *Repair Cafés* are local citizen-based initiatives where volunteers help repairing various objects. They spread in various countries, including Austria, Belgium, Brazil, Canada, France, Germany, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States. Another example is provided by *Les Ressourceries*, namely organisations that ensure the collection, repair, reuse and recycling of different types of products (textiles, furniture, electronics, bicycles, etc.) in a given territory. Such initiatives are present in Belgium, Canada, France and in the Netherlands. The Belgian cooperative *BatiTerre* and the Italian cooperative *Consorzio Fantasia* promote circular construction through the selective on-site dismantling and recovery of reusable construction materials. *Roetz-Bikes* is a Dutch social enterprise that remanufactures bicycles discarded by the *OV-fiets*, a bike rental service of the Dutch national railway company, and transforms them into new vehicles, reusing 70% of the original bicycle materials. Founded in 2013 in Australia, the social enterprise *Substation33* is an electronic waste recycling centre that refurbishes electronics and runs an innovation lab to develop new mechanisms for up-cycling and e-waste diversion.

**Recycle. Social economy organisations are active in the recycling sector and provide waste collection, sorting and recycling services.** For example, the non-profit organisation *Bois Public* collects cut-down trees from one Montreal-based borough and recycles them into public urban furniture. To date, *Bois Public* has collected over 3 600 trees from across

Montreal, which it used to construct over 550 pieces of furniture and other objects, many of which can be found in public spaces throughout the city. Founded in 2017, *Material Return* is a worker-owned enterprise based in the United States (North Carolina) that collects textile waste that it processes into yarn and new fabric, which is then used by members of the *Carolina Textile District* to create finished products, thereby facilitating short, locally-oriented supply chains. In Canada, both the non-profit organization *United We Can* and the cooperative *Les Valoristes* operate recycling depots respectively in Vancouver and the province of Québec. These sorting stations provide informal waste pickers with facilities to handle and sort the materials they collect while individuals can drop off their waste directly in these places. *United We Can* currently processes over 60 000 containers per day. Similarly, *Les Valoristes'* Bottle Depot projects allowed the collection of more than 2.5 million refundable containers between 2015 and 2018.

**Recover. Social economy organisations can develop activities that aim to produce energy from residual flows, for example through combustion.** In Belgium, the cooperative *Coopeos* recovers local wood waste to transform them in an efficient fuel for wood-fuel furnaces to heat enterprises and communities, such as schools and public buildings. The cooperative offers various solutions that include the setting-up, funding and maintenance of wood-fuel furnaces as well as a support to any provider of wood and green waste to transform them into fuel. Since its creation in 2015, *Coopeos* has established 19 wood-fuel furnaces in enterprises, public buildings and communities that substitutes 1 million litres fuel oil per year with wood waste.

## Box 4. Environmental impact of social enterprises active in the circular economy. A snapshot of the RREUSE network



**RREUSE** is an international network representing social enterprises active in the circular economy, notably in the field of reuse, repair and recycling. RREUSE has **29 members across 26 countries in Europe and one in the US**, the majority of which are national and regional social enterprise networks, federating a wider network of approximately **850 individual social enterprises operating in the circular economy**. These social enterprises show a wide diversity of legal forms and business models and tend to operate at the local and regional levels.

These organisations collectively handle around **1 million tonnes of goods and materials** annually, equivalent in weight to 137 Eiffel towers, generating a **turnover in excess of EUR 1.1 billion**, which the organisations use to provide **job and training opportunities to over 100 000 individuals**, many of whom are at risk of social exclusion (see Box 5 for a snapshot on job creation). Working with **22**

305 000 tonnes electrical devices  
257 000 tonnes textiles  
215 000 tonnes furniture  
32 000 tonnes bric-a-brac  
16 000 tonnes books and records

**The wide variations associated with these figures are due to a significant number of factors, including product specificities and activity orientation.** For example, textiles collected in Europe have a local reuse potential of 5-15% and a further international reuse potential of at least 30-40%. Another 30-40% is destined for recycling and 10-15% must be disposed of at the cost of collectors, meaning that a small amount still becomes

**different product and material streams**, they operate in sectors ranging from textiles, furniture and electronics to construction materials, food distribution and composting. In addition to their core activities, RREUSE members also encourage citizen engagement in the circular economy through awareness-raising campaigns on sustainable lifestyles, educational events on lowering consumption levels, and workshops on repair and upcycling.

Social enterprises of the RREUSE network **diverted 1 million tonnes of material from landfill** through reuse, repair and recycling activities in 2019. The table below breaks down how many tonnes of different types of materials RREUSE members processed either for repair and reuse, or for recycling in 2019. The data indicates that RREUSE members extended the lifespan of 214 500 tonnes of products, counterbalancing the average CO2 emissions of approximately 107 107 EU citizens in 2019.

of which 20 000 tonnes reused.  
of which 90 000 tonnes reused.  
of which 85 000 tonnes reused.  
of which 14 000 tonnes reused.  
of which 5 500 tonnes reused.

waste. This is an issue of growing importance as poor product quality and non-durable products increasingly hamper both reuse and recycling rates.

Note: The figures relating to the environmental impact have been calculated via [AERESS CO2 calculator](#) in relation to [Eurostat data on greenhouse gas emissions per capita](#).

Source: (RREUSE, 2019<sub>[65]</sub>; RREUSE, 2019<sub>[66]</sub>)

### *The social economy makes the transition to the circular economy more inclusive*

**Through their circular activities, social economy organisations also produce social benefits as they reinforce social inclusion and cohesion**, especially through work integration and provision of affordable goods and educational activities for vulnerable groups (see Box 5 for a snapshot on the job creation of social enterprises active in the circular economy). As previously mentioned, social economy organisations are less driven by maximisation of return for the investors and can thus voluntarily integrate social and environmental concerns into their mission and their accountability. Such organisations embed these social and environmental purposes at the heart of their operations and business models. This is also encouraged by inclusive governance structures, which often involves multiple actors other than private

investors, such as donors, consumers and public authorities (Nicholls, 2010<sub>[67]</sub>).

**Social economy organisations have been pioneers in creating decent work and providing training opportunities for vulnerable groups in circular activities** (Goodwin Brown et al., 2020<sub>[14]</sub>), especially through work integration social enterprises. They can play a role in improving the work conditions and providing professional retraining assistance to laid-off workers in material-intensive sectors and reorienting them towards more labour-intensive sectors and circular activities. For example, *Roetz-Bikes*, in addition to its repair and remanufacturing activities, is a work-integration social enterprise that trains vulnerable people to become skilled bicycle technicians and helps them find permanent employment. The social economy organisation *Bois Public* supports work integration as it provides woodworking trainings for young people in a difficult

situation (drug addiction, school dropout). In 2019 alone, *Bois Public* provided training to 26 woodworking apprentices. This experience endows participants with woodworking skills and the means for financial independence, and empowers them as they produce highly visible furniture that directly benefit their local communities. The Belgian non-profit organisation *Les Petits Riens* collects and resells second-hand clothes and furniture, among other items. The organisation has established its own training centre where it provides trainings in electro-mechanics for vulnerable groups. Adopting a “learning by doing approach”, *Les Petits Riens* offers technical training combined with the development of interpersonal skills, thereby facilitating participants’ access to labour market. *Grounded Ecotherapy*, in addition to maintaining a rooftop garden, offers its team of volunteering gardeners, most of whom having experienced problems with substance addiction, poor mental health or homelessness, therapy through horticulture and helps some of them re-integrate into the labour market. In addition, as the main employer of people with disabilities, social economy organisations can increase employment and inclusion opportunities for these people. The *European Strategy for the Rights of Persons with Disabilities 2021-2030* recognises the potential of the social economy to build bridges for persons with disabilities to employment in the open labour market (European Commission, 2021<sub>[68]</sub>). Boosting the contribution of the social economy to the circular economy can open new opportunities for inclusion for the 87 million persons with disabilities living in the European Union.

**Some social economy organisations also tackle the issue of improving the work conditions along the value chains, upstream and downstream their specific activity.** For example, *Fairphone* seeks to develop a mobile device that does not contain conflict minerals and ensures fair labour conditions for workers along its supply chain. In Canada, both *United We Can* and *Les Valoristes* significantly improve the working

conditions of informal waste pickers (e.g., increased revenues, access to services and infrastructures, etc.). Most importantly, these organisations help promote the social inclusion of often marginalised individuals. Likewise, in Colombia, the cooperative *Association of Recyclers of Bogotá* that brings together seventeen local cooperatives representing 1 800 waste pickers, brought cases before the court to defend waste picking as a profession. The court pronouncements significantly helped the negotiation of an inclusive waste management policy and the introduction of a new remuneration scheme to compensate waste pickers for their services (International Labour Office, 2019<sub>[69]</sub>).

**Social economy organisations can also foster social inclusion through educational activities (especially to fight the digital divide) or the provision of circular goods and services for the less well-off.** *Digital Inclusion* is a non-profit organisation in Luxembourg that provides donated digital devices, such as laptops and smartphones, to refugees and other marginalised groups. The organisation combines material support with educational support through the programme *Digi4all* delivered in different languages (such as Arabic and English) to learn how to fix the donated equipment and acquire ICT skills. *Substation33*, in Australia, provides employment and training opportunities while bridging the digital divide and ensuring that all members of its community have access to digital technologies. *Repair cafés* benefit the environment while favouring knowledge sharing (e.g. sewing, repair and maintenance skills) and reinforcing social cohesion among individuals from the same neighbourhood. In Poland, *Solace House’s* energy-efficiency, adaptability and price make it a solution to help vulnerable groups overcome energy insecurity and access affordable housing. In addition, all the initiatives that rely on second-hand products, such as *Les Ressourceries* or *Les Petits Riens*, contribute to make circular goods and services affordable for all.

## Box 5. Job creation in social enterprises active in the circular economy: A snapshot of the RREUSE network



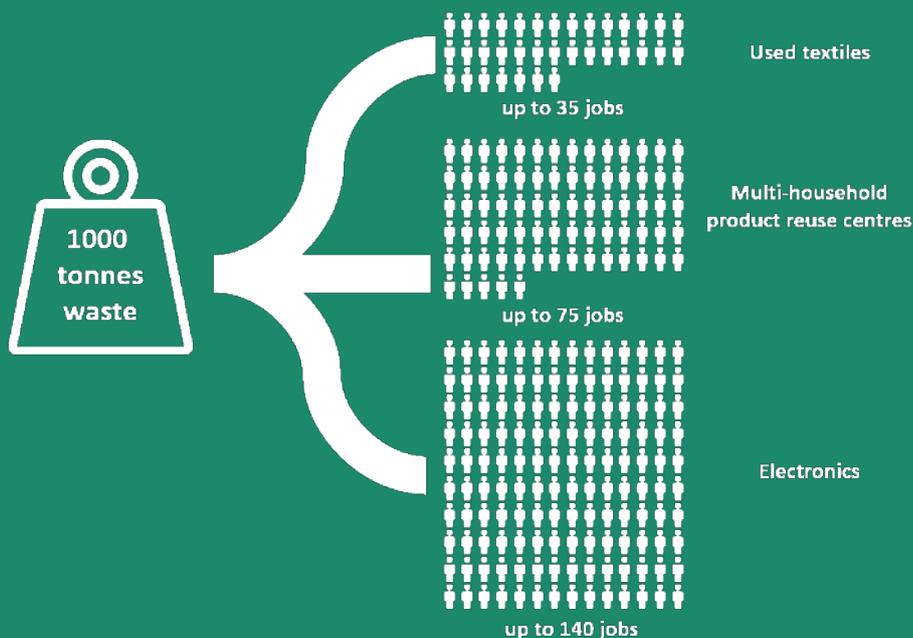
Social economy organisations active in the circular economy bring positive environmental impacts (see Box 4). They also drive job creation and provide work integration and job training opportunities. This box relies on data from RREUSE, an international network representing social enterprises active in the circular economy, notably in the field of reuse, repair and recycling (as outlined in Box 4).

Reuse activities are labour-intensive as they entail tasks that cannot be easily automated, such as identification of reuse potential, collection and logistics, quality checks, sorting, repair activities, functional checks, cleaning, etc. Some of these tasks may necessitate developing a wide set of skills such as technical and electromechanical competences, for repair activities for instance. Most of RREUSE's direct and wider membership operate as work integration social

enterprises and purposely provide job opportunities as well as trainings for vulnerable groups to develop these sets of skills. According to data coming from RREUSE survey, while data vary, work integration social enterprises employ between 45% and 80% of disadvantaged individuals.

Based on recent RREUSE member survey data, social enterprises are creating **between 20 and 140 jobs per 1000 tonnes of material collected** and valorised for reuse oriented activities, with the majority creating **between 40 and 100 jobs per 1000 tonnes**. The wide variations associated with these figures are due to a significant number of factors, including employment and work integration policies, product weight and specificities as well as activity orientation, the latter of which is demonstrated using a selection of examples:

### Job Creation from Reuse Activities



Source: (RREUSE, 2021<sub>(70)</sub>; RREUSE, 2019<sub>(65)</sub>)

### *The social economy can inspire business models and practices based on collaboration at local level*

**Social economy organisations typically operate at the local level and embed their economic activities in the local territory.** The scale of action of these organisations is often geographically compact, because they have to group together the production of their members (for those engaged in production activities) and provide them with services. Geographic and social proximity is for them a source of member

value and competitive advantage (Byrne, Heinonen and Jussila, 2015<sub>(71)</sub>). For example, the *Réseau National des Ressourceries* in France was operating branches in 5 744 municipalities in 2018, covering 76% of the French population. Social economy organisations therefore have an advantage when implementing circular activities rooted in the local territory.

**This local anchoring reinforces social economy organisations' ability to collaborate locally across value chains with other actors (including policy makers, SMEs,**

**researchers and citizens) and expand the potential for collective social innovation.** They experiment with new and cooperative ways of working to develop place-based solutions to societal needs, building on collective goals and the complementary assets of different types of actors. The values of collaboration and cooperation are important for social economy organisations. Such organisations have historically relied on participative and collaborative governance structures for their development. They also foster cooperation with other actors, especially at the territorial level. The *Territorial Clusters of Economic Cooperation (TCEC)* in France, which have been recognised by the Law on the Social and Solidarity Economy in 2014, provide an example of such structures (Demoustier, 2018<sub>[72]</sub>). TCEC are groupings, in the same territory, of social economy organisations that collaborate with companies, local authorities, research centres, education and training organisations and other actors to develop socially or technologically innovative projects that are conducive to sustainable local development. This established collaborative tradition within the social economy is an asset which can be used to engage in circular activities and reinforce collaborations across value chains. In the Czech Republic, founded in 2013, *SINEC* is a regional cluster of 80 enterprises and non-profit organisations active in the circular and green economy, which represents almost 4 000 employees, out of which a good number is experiencing health disabilities or social disadvantages.

**This ability of social economy organisations to collaborate locally across value chains with diverse actors gives them the opportunity to play a new role in facilitating the implementation of circular activities.** A recent white paper highlights the potential of cooperatives to play a role as “circular value chain director”, which implies to integrate and connect various stakeholders in the circular value chain, creating benefits for all the involved parties (Fischer and Nusseck, 2020<sub>[73]</sub>). For example, the Dutch cooperative *IntelligentFood* aims to mitigate food waste by connecting actors who respectively have and want to utilise residual food resources into durable value chains. Its primary role is to develop new food concepts that use the residual food and connect different actors, from resource input to final product sales on its online platform, thereby integrating vertically diverse actors along the value chain. The cooperative also operates as a profit sharing mechanism among its various types of members according to their contribution (e.g. labour, cash or in-kind contributions).

**Social economy organisations can also be tools for individuals in a particular territory to develop collective and community supported solutions to collective issues that ultimately structure economic activities.** In some areas, social economy organisations have helped to integrate traditionally informal economic activities into the formal economy, which benefits individuals as well as society as a whole. The non-profit organisation *Asociación de Mujeres Ecosolidarias*

based in Arequipa (Peru) organises several groups of women who collect inorganic and organic waste from households and companies in the area and manages a recycling centre. This initiative has raised the income and improved the living conditions of about 50 women and their families.

**In some regions, social economy organisations are also vehicles to counter dominant actors (like monopolies) or even, in specific cases, (re)introduce some economic activities dominated by black market actors into the formal economy.** For example, *CoopVentuno* is an Italian social enterprise that sells ecological and compostable products, including biodegradable shopping bags. The cooperative was created to reduce the use of illegal plastic shopping bags in local markets in the municipality of Mondragone. Through the production of biodegradable and compostable shoppers, *CoopVentuno* aims to become a symbol of legality and sustainability, while also providing jobs to vulnerable youth. Founded in 2006, *Consorzio Macramè* is a consortium of 30 social cooperatives, associations and foundations across the Region of Calabria that promote the social and labour-market integration of disadvantaged groups. *Consorzio Macramè* focuses on agricultural interventions combined with educational activities on areas confiscated from the mafia and assigned by the Municipality of Melito Porto Salvo.

*The social economy furthers stakeholder engagement and improves social acceptance of circular products and green technologies*

**Social economy organisations contribute to social capital and a sense of community, particularly at the local level, by providing citizens and other stakeholders with opportunities to engage in local projects** (e.g. as volunteers or members of co-operatives and associations). They involve and empower diverse actors in their operations and decision-making processes, which facilitates informed decisions about one’s consumption choices and their economic and social impacts. The *Park Slope Food Coop* is a cooperative supermarket based in New York City that aims to offer high-quality organic products at affordable prices while reducing the environmental impacts, for example through packaging-free shops and plastic reduction initiatives. As a consumer cooperative, all customers are also co-owners of the shop; they participate in decision-making processes and are required to work for a few hours per month for a variety of tasks, such as stocking the shelves, receiving deliveries and helping with check out. This specific way of operating the supermarket raises awareness about the impact of consumption choices and reinforces consumer engagement. Organisations such as consumer cooperatives that specifically prioritise consumer interests are important for engaging stakeholders, as they are already characterised by a high integration between the organisation and its customers or users.

**In doing this, social economy organisations also improve social acceptance of circular services and goods, and contribute to the acceptability and diffusion of green technologies.** The deployment of green technologies requires steering by individuals and organisations that are highly trusted and rooted in local communities to allow local acceptance (Bauwens, 2017<sub>[177]</sub>). The local anchorage of social economy organisations reduces social distance, which, along with other specific features such as their social mission, inclusive governance or non-profit nature, might increase trust between the actors involved. This makes these organisations particularly suitable for facilitating the adoption of green technologies, especially controversial technologies such as wind turbines or smart meters. For instance, participation in a cooperative significantly improves individuals' attitude toward local onshore wind turbines (Bauwens and Devine-Wright, 2018<sub>[74]</sub>). Indeed, if citizens are the recipients of the organisation's surplus and decision-making power, they are likely to feel more fairly treated and would be more willing to accept or support the outcomes. This represents an asset for social economy organisations to advance the green transition.

### *The social economy promotes more circular and sustainable behaviours*

**Social economy organisations contribute to building societies able to think and act in a more circular way, thereby accelerating the shift towards a circular economy alongside promoting a just transition for individuals and territories.** Next to their focus on social inclusion, they reinforce social cohesion, particularly at the local level, by involving individuals in their activities. This is a way for citizens and other stakeholders to question their economic choices not

only as a consumer but also as a saver, worker, entrepreneur or volunteer (Mertens, 2020<sub>[60]</sub>). The Turkish initiative *Anatolian Grasslands* not only promotes regenerative agriculture but it also makes village communities more attractive and viable, reshaping rural life and building a grassroots movement that include traditional farmers as well as youth who are reverse migrating from urban to rural areas.

**The social economy also develops education activities to raise awareness on sustainability and the environmental and social impacts of the current production and consumption patterns,** reinforcing citizens' engagement in the long term. *Coopeas*, for instance, is involved in education activities with partners to raise awareness about renewable energy. *Les Ressourceseries* also play a role in environmental awareness by educating the public about the need to give objects a second life. In this way, the social economy can inspire more sustainable behaviours and help transform the economies and societies – what is referred to as its transformational role (OECD, 2020<sub>[59]</sub>).

**While the social economy has undeniable assets to contribute to and accelerate the shift towards a more circular economy, it can also benefit from reinforcing the circular economy and develop its activities in circular ways** (Rebaud, 2016<sub>[75]</sub>; Buratti and Warnier, 2020<sub>[76]</sub>). Opportunities for the social economy include the chance to diversify its activities and create new types of local and sustainable employment, attract young workers or entrepreneurs willing to commit to their environmental and social concerns, and simultaneously advance the social economy agenda at local, national and international levels.

## ■ 4 DOING BETTER: SCALING STRATEGIES AND POLICY ORIENTATIONS

Social economy organisations are already contributing to the circular economy through their activities as well as through the business models and practices they implement. Yet, appropriate scaling strategies and policy orientations can help realise

their full potential, increase their reach and impact as well as strengthen their contributions to accelerate the shift to the circular economy.

### How can social economy scaling strategies help the transition towards a circular and inclusive economy?

**Scaling business models is one avenue to grow. For social economy organisations, this is mainly an opportunity to improve or increase the positive impact on individuals, territories, and society.** The social economy can use these strategies to scale circular activities, practices and business models and further the transition. Scaling strategies include, for example, replicating activities in new geographical areas to reach new target populations, diversifying the activities to increase social impact, and empowering individuals and groups to actively take part in social innovation processes (OECD, 2016<sub>[77]</sub>).

**When scaling, social economy organisations need to overcome important challenges to avoid the risk of mission-drift, maintain their focus on social and green purposes and preserve their distinctive organisational features, especially their participative governance** (Rijpens, Jonet and Mertens, 2014<sub>[78]</sub>). With increased membership or geographical expansion of their operations, social bonds among members and within the organisation may weaken and become more complex, while the costs of participation in governance increase (e.g. longer travel time to participate in the Annual General Assemblies, loss of conviviality). This can jeopardise the sense of cooperation and solidarity that is needed for the organisations to function (Nilsson, 2001<sub>[79]</sub>; Jones and Kalmi, 2012<sub>[80]</sub>).

**One way to address this challenge is to pursue scaling strategies other than growth in the size of a single organisation, such as diversifying activities or empowering individuals to intensify social impact.** Research focusing on the case of renewable energy cooperatives in Flanders shows that, although these organisations pursue (moderate) organisational growth (e.g. growing the membership, investing in large renewable energy production assets, expanding geographically and diversifying commercial activities), they also pursue other scaling strategies that are disconnected from business growth (Bauwens, Huybrechts and Dufays, 2020<sub>[81]</sub>). Some cooperatives engage in open diffusion of social innovations (e.g. innovative sustainable energy technologies) or deepen

their social impact. For example, they provide advice about sustainable energy use to households and other businesses, or they address energy poverty and help energy-poor households lower their energy costs through energy efficiency measures.

**Collaboration is proven to be an important complementary scaling strategy for social economy organisations.**

As mentioned earlier, cooperation between social economy organisations can help them thrive. In the same study on the renewable energy cooperatives, the Flemish cooperatives established partnerships to jointly invest in renewable energy and reduce fierce and unfruitful competition among themselves. These collaborations also happen at wider scales. For instance, *REScoop.eu*, the European federation of renewable energy cooperatives that was created in 2012, provides coaching, training and financing services for emerging initiatives. Today, it represents 1 900 energy cooperatives operating across Europe and jointly representing over 1.25 million citizens.<sup>7</sup> Circular start-ups also mobilise collaboration, among them and with established firms, as one scaling strategy to expand their activities, increase their production and R&D capacity and contribute to an industry's shift towards more circularity (Bauwens et al., 2019<sub>[31]</sub>).

**Some social economy organisations expand by purchasing or creating new entities, thereby establishing groups of social economy organisations.**

This approach enables the organisations to limit their size, remain attuned to local needs and realities, maintain the participative dimension and enhance the members' commitment while the group identity and cross-cutting services can be ensured by an overarching entity. The *Group Terre* in Belgium gathers four associations, six social enterprises and two companies active in the circular economy and work integration of vulnerable groups. The activities began in 1949 when volunteers joined efforts to help vulnerable individuals in their neighbourhood. In 1980, *Terre* shifted to a business model based on paid employment. Since then, the group has progressively set up various entities while diversifying its activities. *Mondragon's* approach in Spain as an overarching cooperative of cooperatives is another illustration

<sup>7</sup> <https://www.rescoop.eu/>

of this scaling strategy. The group currently consists of 96 separate, self-governing cooperatives that employ over 81 000 people and operate 14 R&D centres. It operates locally but has also developed manufacturing capacities around the world and employs workers in many countries.

**Other social economy organisations remain local while actively encouraging replication in other territories, a strategy known as the strawberry field strategy** (Carbognin, 1999<sup>[82]</sup>; Borzaga and Ianes, 2011<sup>[83]</sup>). The previously mentioned example of the *Réseau National des Ressourceries* in France demonstrates the potential of replicating local initiatives to address the needs of a whole territory. For example, the Belgian cooperative *Permafungi* uses trainings and workshops to encourage and coach similar emerging initiatives in other cities to replicate their business model of growing mushrooms from coffee waste. Thanks to this replication strategy, similar

companies have emerged in France and Belgium. When social economy organisations share and collaborate in this way, they expand their impact rather than their size through open source sharing and dissemination of best practices. Although this scaling approach gives the original innovators less control over how their intellectual property is used, it does enable them to maximise their impact while avoiding the potential downsides of additional expansion. It is indeed a way to “raise the possible” and bring systemic change as it can inspire other economic actors to adopt responsible practices and business models, thereby bringing formerly niche practices into the mainstream (van Dijk et al., 2020<sup>[84]</sup>). This strategy is recognised as an indirect path to scale by “inspiring copycats, either a new entrant, or an existing player launching a new product or business line inspired by and based on the experience of the initial innovator” (Kubzansky and Breloff, 2014<sup>[85]</sup>).

## How can policy makers further leverage the contribution of the social economy to the circular economy?

**Policy makers can act as promoters, facilitators and enablers to help accelerate the shift to the circular economy, as clearly identified in recent OECD works** (OECD, 2020<sup>[8]</sup>). This section focuses on policy orientations that specifically enable the social economy to reinforce its contributions to the circular economy. Policy recommendations that support

the social economy development *per se*,<sup>8</sup> or the shift to the circular economy in general are beyond the scope of this policy brief. [Table 3](#) provides a summary of the policy options that are available for policy makers at different levels. Box 6, Box 7 and Box 8 provide a short description of some policy examples.

<sup>8</sup> Since its 1990's pioneering work on the topic, the OECD has released policy orientations to support the social economy, including through the development of conducive policy ecosystems. Relevant [OECD publications and tools](#) in this area include [The Better Entrepreneurship Policy Tool](#) (developed with the European Commission), the [in-depth reviews on social economy](#), as well as the [in-depth reviews and policy briefs on social entrepreneurship](#).

**Table 3. Policy orientations**

Role	Measures	Policy orientations	Examples
<b>Promoters</b>	Promote the social economy initiatives active in the circular economy	Design a clear strategy and action plan that recognise the synergies and define common targets on social and environmental impacts Raise awareness and provide information on the positive impacts of goods and services provided by social economy and circular initiatives	2018 Greek National Circular Economy Strategy 2021 Circular Economy Strategy Luxembourg Solid'R International Label
<b>Facilitators</b>	Promote policy coherence and cross-cutting policy measures	Align priorities across sectors, levels of government and policy areas Develop cross-cutting policy measures combined with joint budgets	2020 French Law on the Circular Economy European Circular Economy Action Plan and Social Economy Action Plan
	Support collaborations along value chains	Induce a high-level dialogue at the local level among actors Implement strategic partnerships amongst public actors, social economy organisations and businesses along value chains and within territories	Circulair Werk(t) Les Alchimistes Bois Public Halle 2 Les Petits Riens
<b>Enablers</b>	Support experimentation and business development	Support incubators and pilot projects with high potential Reinforce the sustainable criteria in public procurements Make cycled materials more attractive and facilitate the access to secondary raw materials for social economy organisations	Zero Waste Academy Circular Economy Academy Booster Circulaire Melbourne's procurement policy ESS2024.org platform
	Provide appropriate financial support	Ensure that existing financial schemes (e.g. grants and subsidies) are well-drafted and available for social economy organisations in the circular economy Encourage public-private partnerships and facilitate the combination with citizen's financial contributions	Be Circular (Brussels/Belgium) France Relance
	Invest in skilling strategies and support improvement of working conditions	Fully exploiting the expertise of social economy organisations active in training and work integration	Skills certification for specific jobs in circular activities
	Enhance knowledge and build the evidence base	Support research programmes on the possible synergies between the social and the circular economies, including through action-research programmes Generate robust data to measure the economic value as well as social impact of the social economy initiatives active in the circular economy	
	Remove regulatory barriers and adapt regulatory frameworks	Eliminate any administrative and regulatory barrier Adapt regulatory frameworks to encourage the adoption of social and circular practices Enforce approaches for undertaking social and environmental due diligence	2020 French law on the circular economy 2016 Amendment to the Czech Food and Tobacco Products Act EU taxonomy for sustainable activities

Source: Author's elaboration, informed by the framework developed in (OECD, 2020<sub>[8]</sub>).

## Promoting the social economy initiatives active in the circular economy

**Policy makers can promote the social economy initiatives active in the circular economy to increase their recognition and visibility.** Building a clear strategy is one way for policy makers to define priorities, targets and concrete actions. To design and promote a global strategy that specifically recognises the synergies between both the social and circular economy allows to leverage the mutual contributions and define consistent common targets, for example on environmental impact and local employment. It is also a first step to drive policy coherence and allows designing cross-cutting policy measures. In Greece for example, the *2018 National Circular Economy Strategy* recognises the interest to incentivise synergies with the social economy, especially in the reuse sector. In Luxembourg, the *2021 Circular Economy Strategy* considers social economy organisations as relevant partners

to establish Resource Centres that will offer services for the recovery, repair and recycling of products.

**Another option to promote these initiatives and boost demands is to raise awareness and provide robust information on the positive impacts of goods and services provided by social and circular initiatives.** Data collection, awareness campaigns, awards, media exposure or support existing labels that acknowledge sustainable and inclusive approaches (e.g. *Solid'R International Label*) are possible options that help increase the recognition and visibility of these initiatives, which make them more appealing for customers and partners but can also inspire other entrepreneurs and facilitate their replication. More specifically, another lever concerns awareness-raising and capacity-building among policy makers at supranational, national and subnational levels about the social economy organisations, their realities and needs, and their potential in fostering economic development of territories, especially through circular activities.

### Box 6. Policy example – Promote the social economy initiatives active in the circular economy

**Solid'R International Label:** The label *Solid'R International* was created in 2002 by the Belgian federation *RESSOURCES* in order to distinguish social economy waste collectors from purely profit-driven firms. Predicated on the principles of ethics and solidarity and relying on an independent certification body, the label identifies companies that uphold social and environmental objectives while providing local employment opportunities to marginalised workers. The label expanded internationally in 2018 and 25 enterprises in Belgium, France, Italy and Spain have now adopted the *Solid'R* label. Together, these enterprises collect roughly 80 000 tonnes of goods each year, of which nearly 50 000 tonnes are given a second life. Enterprises that have

adopted the *Solid'R* label employ over 4 500 persons, of which roughly 1 500 are participating in work integration programmes. The label plays an important role in raising citizen awareness about the impact of their donations and helps them to make informed choices on where to donate used items. Likewise, the label enables policy makers to distinguish between various actors with different levels of environmental and social impact, which can improve access to public support and procurement opportunities. By unifying actors within a common label, *Solid'R* facilitates cooperation among social economy waste collectors at the regional, national and international level, which amplifies their voice and boosts their market position.

## Facilitating the dialogue and partnerships among a diversity of actors in a given territory

**Facilitating dialogue and support partnerships is another way for policy makers to allow initiatives to emerge and thrive, especially at the local level.**

### Coordination and policy coherence

**Leveraging the social economy's contribution to the circular economy requires a comprehensive approach that aligns priorities across sectors, levels of government and policy areas,** because these topics relate to various policy areas such as employment, economic development as well as environment for the circular economy and social affairs for the social economy. Active steps to drive policy coordination include

developing a global strategy, as mentioned previously, which allows designing cross-cutting policy measures combined with joint budgets. The *2020 French law on the circular economy* is illustrative in this respect as it clearly recognizes the social economy contributions to the circular economy, which results from the engagement of social economy actors involved in the circular economy to make this law an opportunity to support their activities. The recent *European Action Plan on the Circular Economy* and the upcoming one on the Social Economy both recognise (or plan to recognise) the possible synergies between social and circular economy and the need to foster them through cross-cutting policy measures.

## Engagement and collaboration

### **The social economy and the circular economy operate at local levels and benefit from strong collaborations embedded in territories.**

Encouraging high-level dialogue at the local level among policy makers, social economy organisations, businesses, education actors and researchers is a first step to involve and build trust among relevant partners with complementary assets, identify concrete actions and experiment possible solutions to develop together (e.g. *Circulair Werk(t)*).

### **A second step is to facilitate and implement strategic partnerships amongst public actors, social economy organisations and businesses along value chains and within territories.**

Local authorities are natural partners for social economy organisations to support the development and scale of circular and inclusive initiatives (e.g. *Les Alchimistes*). They can also facilitate the access to secondary raw materials

for social economy organisations, therefore recognising their additional social benefits (e.g. *Bois Public*). To encourage waste sorting and organise waste/materials collection is one avenue to increase the amount of secondary raw materials but also their quality (e.g. *Halle 2*). For instance, the *2020 French law on the circular economy* introduces a new article in the general code for local authorities that compels them to dedicate a space in their recycling centres where actors from the circular and social and solidarity economy can collect second-hand materials and objects for their reusing, repairing and repurposing activities. Social economy organisations can also benefit from strategic partnerships with SMEs and private companies, for example to increase their production or R&D capacity, or to diversify their activities along value chains (e.g. *Les Petits Riens*). These collaborations can also enable social economy organisations, businesses and public services anticipate labour shortages in sectors that are expected to experience high demand for labour, especially at earlier stages of the transition to a circular economy (Dufourmont and Goodwin Brown, 2020<sub>[86]</sub>).

## Box 7. Policy examples – Facilitate the dialogue among and engagement of diverse actors in a given territory

**Circulair Werk(t):** The Flanders Region in Belgium recently launched “*Circulair Werk(t)*” in order to create local hubs and spaces for collaboration that will help boost the social and circular entrepreneurship at the local level. These hubs should facilitate concrete collaborative projects among the partners (knowledge partners, local policy makers, social economy organisations, other economic actors, etc.) with the twofold objective to develop new circular activities in well-established social economy organisations and to promote circular entrepreneurship with social impact.

**Les Alchimistes:** Formed in 2016, the French social enterprise *Les Alchimistes* works with municipalities to develop proximity micro-industrial solutions for large-scale organic waste collection and composting in urban areas. Initially based in the Île-de-France area, they progressively developed their solutions in other municipalities. In 2020, they gathered about EUR 2.4 million from impact investors to deploy their activities on the whole French territory with the ambition to process more than 10% of urban food organic waste.

**Bois Public.** The above-mentioned Canadian initiative results from a partnership between the local authorities that provided the raw materials at their disposal (cut trees) and a non-profit organisation to develop circular products (public urban furniture) while offering training opportunities for vulnerable groups. Rather than letting the wood go to

waste, *Bois Public* offers an innovative way to process it into lumber and re-introduce the wood into public spaces while also creating employment and training opportunities. Consequently, this partnership between *Bois Public*, public authorities and work integration initiatives turns the initial problem posed by the glut of dead trees into an opportunity for the city, the business, the community and the environment.

**Halle 2:** In Germany, in the framework of the Munich’s Waste Management Co-operation (AWM), the *Halle 2* project was developed to boost synergies between waste collection and reuse opportunities by opening a second-hand store in 2016 (OECD, 2020<sub>[87]</sub>). The initiative was established through co-operation agreements with local social enterprises that offer both the specialist expertise needed for the store’s repair and reuse services and the employment and training opportunities. It also worked with educational and community organisations to launch information campaigns and create activities that would encourage people to be more environmentally aware and active.

**Les Petits Riens:** In Belgium, the training centre of *Les Petits Riens* has partnerships with public (e.g. STIB, the public transportation company in Brussels) and private companies (e.g. SMEG, Whirlpool) to give their trainees an opportunity to do an internship in these companies, validate their knowledge and possibly get hired.

## Enabling social economy initiatives active in the circular economy

**Policy makers can enable social economy initiatives active in the circular economy to thrive through the development of conducive policy ecosystems.**

### Innovation and business development

**There is a need to support experimentation and business development through spaces for innovation and public procurement.** To support high potential pilot projects (e.g. circular projects in well-established social economy organisations or partnerships between social economy organisations and circular firms), incubators can favour social innovation and encourage the experimentation and implementation of not only viable business models and value chains but also the creation of new sectors of activity (e.g. *Zero Waste Academy*, *Circular Economy Academy* and *Booster Circulaire*).

**There is also significant potential in boosting market demand through public purchase of products and services from social economy organisations active in the circular economy in various sectors (furniture, food, electronics, construction, etc.).** Reinforcing the inclusion of sustainable criteria in public procurements through social clauses and circular requirements is a way to encourage the development of circular initiatives and to acknowledge their relevance, for example through the introduction of criteria related to the inclusion of vulnerable groups, through percentage of second-hand or recycled material, equipment and furniture in public buildings, or through the combination of environmental and social considerations in waste management public procurements (e.g. Melbourne's procurement policy, ESS2024.org platform for the Paris Olympics). Adopting another perspective on public procurements (European Innovation Council and SMEs Executive Agency, 2020<sub>[87]</sub>) – notably by favouring smaller public contracts and taking into account wider criteria than the sole price to discriminate tenders – and reinforcing the skills of public officials and of social economy organisations on this topic is also required.

### Financing

**Policy makers can support the contribution of the social economy to the circular economy through appropriate financial instruments for the social economy organisations active in the circular economy.** Financial schemes, in the form of grants or subsidies, already exist for social economy organisations or for circular initiatives. An option is to ensure that these financial schemes are well drafted for social economy organisations active in the circular economy, or that the financial instruments dedicated to the circular economy are easily available to smaller entities and to diverse legal forms, which

would incentivise social economy organisations to apply. For example, following its *2016-2020 Circular Economy Regional Programme* that recognizes the positive contribution of social economy organisations, the Brussels-Capital Region in Belgium provides financial support for the implementation of innovative circular initiatives through the programme *BeCircular*, with the social economy organisations having access to increased public subsidies. The French recovery plan *France Relance* has launched a call for projects supported with a budget of EUR 21 million for social economy organisations to develop repair and reuse activities. The availability of financial instruments, especially through grants, that will support strategic partnerships among various actors, including social economy organisations, along the value chains is another option to facilitate the closing of loops and enhance territorial collaboration. Policy makers can also help mobilise financial resources through incentives for investors, lenders and savers. A possible lever is to encourage public-private partnerships to develop financial instruments, for example to support joint initiatives between social economy and circular firms, but also to facilitate the combination with citizens' financial contributions (through crowdfunding for example), especially to finance experimentation of local social start-ups that develop circular activities.

### Capacity building

**Fully exploiting the expertise of social economy organisations active in training and work integration (including work integration social enterprises, workers' cooperatives or activity cooperatives) can leverage the development of adequate skills** (industry-specific, technical but also transversal skills) and accompany job transitions to circular activities (e.g. skills certification for specific jobs in circular activities). To create spaces for dialogue among policy makers, firms, social economy organisations and social partners can help better assess the implications of the green transition in terms of skills and work conditions, anticipate skills needs and develop partnerships for the provision of training in general, as well as explore opportunities for improving work conditions through investments in infrastructure for example. Encouraging these partnerships between public services, social economy organisations and businesses should "be underpinned by the development of inclusive public policies that support people to enter and remain in work regardless of their age, gender, background or skills" (Dufourmont and Goodwin Brown, 2020<sub>[86]</sub>), which can be achieved, for example, through public support for work integration social enterprises.

### Knowledge enhancement and building of the evidence base

**Deploying the social economy's full potential to contribute to the circular economy requires enhancing knowledge, generating robust data and assessing the impact of social economy initiatives active in the circular**

**economy.** Supporting research on possible synergies between the social and the circular economies, especially by including researchers as well as community-based actors, is one option for anticipating knowledge gaps and make research results directly actionable. It is also a way to better understand the local potential to develop circular activities with the objective of orienting the efforts towards making the most of the social economy's possible contributions. As an example, Llorente-González and Vence's study (2020<sub>[35]</sub>) highlights that different circular activities lead to different socio-economic impacts and require different policy measures and therefore that more appropriate policy measures require a better understanding of the added value of social economy organisations in terms of employment, work conditions and social impact according to the type of circular activities (such as reusing, repairing or recycling).

**Another lever lies in building the evidence base and producing/collecting robust data on social economy organisations active in the circular economy to demonstrate their positive economic, environmental and social impacts as well as to evaluate policy outcomes.** Building the evidence base entails defining and identifying social economy entities, especially those active in the circular economy, in order to estimate their full economic value. In addition to their contribution to GDP through the creation of employment for example, measuring their economic value also necessitates capturing their non-market outputs as well as estimating the extent to which they offset negative externalities, especially with respect to environmental and social issues, and the impact therefore on public budget. The measure of the economic value must be complemented by a better capture of the social and environmental benefits of the social economy organisations active in the circular economy. Policy initiatives can be implemented to enhance an impact measurement culture and improve the development of appropriate practices and methodologies.

## Regulation

**Assessing whether and how policies and regulations are consistent and serve common objectives can eliminate any administrative and regulatory barrier or permit the identification of where to adapt regulatory frameworks to encourage the adoption of social and circular practices.** Regulation is a relevant tool to encourage or enforce circular behaviours, which can also spur new players to enter the market. One example is changing legislation that impedes the use of food surpluses or organic by-products, and make these surpluses available for social economy organisations, such as food banks or social groceries. The *2020 French law on the circular economy* is illustrative in this respect. The *2016 Amendment to the Czech Food and Tobacco Products Act* enforces stores larger than 400 square meters in size to provide non-profit organisations with their unsold food or with food that do not meet certain retail standards (such as packaging or labelling) but are still safe to consume. The objective is to reduce food waste while increasing the amount of unused food available for food banks and other solidarity-based initiatives. According to the Czech Federation of Food Banks, the law has also strengthened cooperation between retailers and food banks. Designing and enforcing approaches for undertaking social and environmental due diligence is a way to identify and address the potential social and environmental impacts up- and down-stream value chains, which could also reinforce the interest for circular initiatives to develop partnerships with social economy organisations across value chains. For instance, *Fairphone* voluntarily applies this principle of social and environmental due diligence to ensure fair labour conditions for workers along its supply chain while also avoiding the use of conflict minerals in its devices. At the European level, expanding the EU taxonomy of environmentally sustainable economic activities to socially sustainable economic activities could be an option to enable sustainable investment and support the development of social economy and circular initiatives.

## Box 8. Policy examples – Enable social economy initiatives active in the circular economy

**Zero Waste Academy:** In Japan, the non-profit organisation *Zero Waste Academy* has been created by the town of Kamikatsu, in addition to the Kuru-Kuru Shop and the Kuru-Kuru Craft Centre, which refurbish and sell would-be waste materials to support their ambitious zero waste agenda. New emissions regulations in 2000 forced the town of Kamikatsu to close its waste incinerators and devise a radical new approach to waste management, leading the city to pass the first zero waste declaration in Japan. *Zero Waste Academy* creates local employment and training opportunities for local craftspeople.

**Circular Economy Academy:** In Ireland, the Circular Economy Academy is a free, publicly funded mentoring and support programme run by the Rediscovery Centre, the National Centre for the Circular Economy. It assists social enterprises and community organisations in any part of Ireland to move their activities towards sustainability and embrace the circular economy.

**Booster circulaire:** Launched in 2018, *Booster Circulaire* is a publicly supported programme that helps furniture makers across France reduce their environmental impact and operate within the circular economy. Established as a joint effort by *Les Canaux*, a French social economy support association that was launched by the city of Paris in 2017, and *Valdelia*, a non-profit producer responsibility organisation – éco-organisme – that recycles, refurbishes and reuses office furniture, the programme provides participants with training, commercialisation support, networking opportunities and other guidance over an 18-month period. Partly financed by the European Social Fund, *Booster Circulaire* also collaborates with a diverse set of partners ranging from public authorities and social economy actors to construction firms and commercial furniture manufacturers to obtain waste materials, encourage responsible manufacturing processes, facilitate networking and raise the profile of the circular economy. For its first edition in 2019 *Booster Circulaire* worked with 15 entities across France, most of them being social and solidarity economy organisations; the second edition launched in 2020 will work with an additional 20 entities. This initiative highlights how policy makers can support market formation and business development not only through funding capacity-building initiatives but also the development of strategic partnerships with actors from the social economy and traditional businesses. The ambition is to structure the entire sector by encouraging the emergence of new players, including social economy organisations, and supporting their production.

**Melbourne's procurement policy:** In Australia, the city of Melbourne's procurement policy stipulates that public procurements must support local businesses and economic diversity, notably by taking into account the life-cycle impacts of products purchased, encouraging purchasing from local suppliers, including social enterprises, and exploring, where appropriate and possible, the opportunity to maximise the social benefits of a contract (OECD, 2020<sup>[81]</sup>).

**ESS2024.org platform for the Paris Olympics:** In a joint effort to promote more sustainable Olympic Games, *Paris 2024*, *SOLIDEO* and the *Paris City Council*, with the *Yunus Centre* and the not-for-profit organisation *Les Canaux*, put in place the *ESS2024.org platform* informing circular as well as social and solidarity economy actors about upcoming calls for tenders. The objective is to allow social and solidarity economy organisations to use public tenders to get involved with the Paris 2024 project and thereby ensure work opportunities for disadvantaged people and facilitate the emergence of innovative and sustainable solutions. The platform provides information and coaching for social economy organisations that intend to participate in public tenders as well as for tender issuers to help them formulate their call in a way that fits better with the specific features of the social economy organisations. First examples of the success of these efforts can be found in the headquarters of Paris 2024, where the lot for office furniture was attributed to a group of social economy organisations active in the design of furniture from upcycled materials, most of them being also active in work integration for vulnerable individuals.

**Skills certification for specific jobs in circular activities** (*Certification de compétences pour le métier de Valoriste généraliste*): Since August 2020, the Brussels Region of Belgium recognises specific jobs in circular activities through the creation of a qualification for "Non-Specialist Binners" ("*Valoristes généralistes*" in French) and the implementation of skills certification. The inventory of required skills was established in collaboration with *Ressources*, the federation of social enterprises active in circular activities. Candidates have to demonstrate their ability to collect, sort and dismantle various products and materials in order to assess and maximise their potential for reuse or recycling as well as to repair products. This skills certification provides candidates with increased job opportunities in the circular economy.

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This policy brief on Making the Most of the Social Economy's Contribution to the Circular Economy was produced by the OECD and the European Commission and is part of the LEED Paper series that presents innovative ideas and practical examples on how to boost local development and job creation (<https://doi.org/10.1787/20794797>). The brief defines concepts of both the circular and social economy and describes the potential of the social economy in supporting circular activities and related business models and in reinforcing uptake of circularity in our economies and societies. It finally identifies policy orientations that build on the complementarity of the social and circular economies, and help the social economy support circularity and drive a green and inclusive transition.

Policy briefs are short reports designed for policy makers and practitioners, which are part of a series of documents produced by the OECD on social enterprises and social entrepreneurship with the support of the European Commission. The policy briefs, co-authored with the European Commission, cover a range of topics including the social economy and its contribution to the circular economy, scaling the impact of social enterprises and social impact measurement for social enterprises. The series also includes Good Practice Compendium for boosting Social Enterprise Development and in-depth country reviews on social entrepreneurship including recent studies on Brandenburg (Germany), Estonia, the Netherlands and Lithuania. These publications can be accessed at: <https://www.oecd.org/cfe/leed/social-economy/>.

