

## **CECOP answer to the European Commission consultation on draft proposal of the Regulation declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty**

Brussels, June 2013

*CECOP – CICOPA Europe is the European confederation, grouping national organisations in 16 countries, which in turn affiliate over 50.000 cooperative and participative enterprises active in industry and services. The vast majority are SMEs and they employ 1.4 million workers across Europe. Among the main sectors of activity, we find metal and mechanical industries, construction and public work, social services, environmental activities, white goods, transport, education and culture, etc. Most of them are characterised by the fact that the employees in their majority are member-owners. Furthermore, several thousands of those enterprises are specialised in the reintegration of disadvantaged and marginalised workers (disabled, long-term unemployed, ex-prisoners, addicts, etc.). More than a thousand worker cooperatives in the CECOP network were created as business transfers to employees of conventional enterprises in crisis or without heirs.*

### **Aid for SMEs**

The General block exemption Regulation (GBER) is an important instrument in order to promote SME creation and development in Europe, especially in the current crisis situation.

Nevertheless, start-up aid for SMEs, under the form of loans and guarantees, should be extended up to **7 years** duration instead of 5 foreseen by the Article 20. This would go in line with the **long-term financing strategy** of the European Commission presented in the Green Paper "Long-term financing of the European economy"<sup>1</sup>. Moreover, provisions for start-up aid should also be applied to **business transfers** (to former employees, family members etc), in fact, successful business transfers save jobs and skills, but they also create a favourable environment for new jobs.

CECOP welcomes the new GBER provisions covering risk finance provided via financial intermediaries and risk finance aid for SME in general but considers the 5 years eligibility criteria too restrictive for SMEs and suggest to reduce it to **3 years** (Article 19).

### **Aid for the recruitment of disadvantaged workers or for the employment of disabled workers in the form of wage subsidies**

Several thousands of cooperative enterprises from the CECOP network have as core mission the professional reintegration of disabled and disadvantaged workers (long-term unemployed, ex-prisoners, addicts, etc.). In fact, cooperatives have a long tradition and

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<sup>1</sup> COM(2013) 150 final

sound expertise in sustainable reintegration of those who are usually excluded from the labour market.

CECOP supports specific exemptions for enterprises having the employment and inclusion of disadvantaged and disabled workers **as their core mission**. Due to the particular situation of their employees, those enterprises have to manage the reduced productivity of their workers, the need for technical assistance staff and the training of the workers. Having to face substantial additional costs compared with other companies due to their social dimension, they need aid from public authorities in order to survive in the market and therefore to comply with their social mission.

According to CECOP, it is important **not to make the distinction** between the duration of compatible aid for employment of disadvantaged workers (12 months), severely disadvantaged worker (24 months) and disabled worker (unlimited) as it is foreseen by the Article 28 (6). The eligible wage costs should be extended to the **whole period of employment** in the case of enterprises having the employment and inclusion of disadvantaged and disabled workers as their **core mission**. Indeed, very usually disadvantaged and disabled workers stay longer than a year in such enterprises before they are able to find a job elsewhere.

## Definitions

### *"Disadvantaged worker"*

CECOP welcomes the fact that the definition of disadvantaged worker is enlarged and applies to young people. Nevertheless, the definition still remains too restrictive according to us and we suggest to enlarge it to:

- **"other persons in a situation of serious social exclusion as defined by the public authorities of the various Member States and according to their legislation"** (e.g. homeless persons, ex-prisoners, drug addicts etc.);

- **"workers suffering from economic crises"**. A new category of disadvantaged workers has appeared with the crisis: employed persons but within poor working conditions (precarious short-term contracts, etc.). This could allow Members States to adapt this category to the situation they are facing and to adapt it to their needs.

### *"Sheltered employment"*

Two elements of the "sheltered employment" definition should be modified:

- the percentage: the threshold of 50% of workers should be **replaced by 30%** for several reasons:

- this proposal goes in line with the European Commission's proposal for a Directive on public procurement<sup>2</sup> (Article 17 on reserved contracts) and creates less confusion between "sheltered employment" and "sheltered workshop".
- several EU countries have set the percentage of 30% in their legal frameworks regulating the work of disabled and disadvantaged persons (e.g. Italy, Finland, and Romania). The Italian experience is very interesting in this respect, as it has allowed the development over the last 20 years of numerous social cooperatives whose core mission is the professional reintegration of vulnerable persons. The

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<sup>2</sup> COM(2011) 896 final

30% percentage has another advantage: it increases the economic performance of the enterprises, thereby contributing to the long-term dimension of reintegration.

- the beneficiaries: the category of disabled workers should be **extended to disadvantaged workers**

- This proposal goes also in line with the European Commission's proposal for a Directive on public procurement, (Article 17 on reserved contracts), and creates less confusion between "sheltered employment" and "sheltered workshop".