



CECOP
CICOPA Europe

A sectoral member of



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Third draft regulation on the application of Articles 87 and 88 of the EC Treaty declaring certain categories of aid compatible with the common market (Draft General Block exemption Regulation).

Comments of CECOP-CICOPA Europe

CECOP - CICOPA Europe is an international non profit association according to Belgian law and based in Brussels. Its members include 29 national federations of co-operative and employee-owned enterprises representing around 65 000 enterprises, mainly in industry and services, employing 1,3 million workers, plus 7 organisations promoting this type of enterprises.

Among the main sectors of activity of our enterprises, we find metal industries, mechanical industries, construction and public work, wood industry and furniture, white goods, textiles and garments, transport, media-related activities, social services, education and culture, environmental activities, etc. Most of them are characterised by the fact that the employees in their majority are members-owners; some of them are second-degree enterprises for SMEs.

Furthermore, a substantial part of those enterprises (around 3500 of them across Europe) are specialised in the reintegration of disadvantaged and marginalised workers (disabled, long-term unemployed, ex prisoners, addicts, etc).

Another part of those enterprises are the result of employee buy-outs: in this case, the enterprise staff purchase an enterprise (because it can be in crisis or without heir) and successfully restructure it into a cooperative enterprise.

Art 1 – SCOPE

CECOP welcomes the reference to SMEs, taking into account that most of our affiliated enterprises are SMEs as well. We thus understand that all form of SME, including the cooperative type of SME, are under this scope.

http://www.cecop.coop/IMG/pdf/CECOP_position_on_block_exemption_final.pdf

Art. 1-6-c which establishes that the regulation does not apply to “aid to undertakings in difficulty”.

As we already underlined in our response to the previous consultation, this article is in contradiction with a previous position of the Commission (Mrs Neelie Kroes)¹ concerning tax credit for companies created in the case of employee buy-out. The Commission decided that this tax credit was state aid but was compatible with the common market. CECOP considers that art.1-6- c should be reviewed taking into consideration this earlier position of the Commission, by not excluding aid to undertakings in difficulty in the case of business transfer to the employees in which the entrepreneurial project is sustainable. We want to underline that hundreds of business transfers to employees under the cooperative form have been successfully implemented over the last 20 years under our member organisations, which provide high-level professional advice as well as training and financial instruments in order to assist the employees in those complex operations.

Art 2.18: definition of disadvantaged workers.

As already mentioned during the previous consultation, CECOP requests that the category of ‘disadvantaged workers’ include clearly:

1. All 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 (eg houseless, beggars, beaten women, persons abandoned by their families, ex-prisoners, alcoholics, drug addicts etc);
2. Workers of enterprises in crisis or of enterprises without heirs, who face unemployment and who purchase or are granted the management of their own enterprise collectively in order to avoid unemployment through a business transfer, for a limited period of time needed to overcome the crisis of the enterprise, and under the condition that a sustainable business plan has been approved and that adequate enterprise support is being provided for.
3. All unemployed workers who establish a new enterprise activity, for the limited period of the enterprise start up, and under the condition that a sustainable business plan has been approved and that adequate enterprise support is being provided for.

¹ European Commission, C(2006)3217 final, Brussels, 19 July 2006

Art.2-21: definition of 'supported employment.'

The difference between “sheltered employment” (more than 50% of disabled workers) and “supported employment” (‘employment of disabled workers...that is not ‘sheltered employment’) is ambiguous.

Art.36-5: aid for the employment of disabled workers in the form of wage subsidies

CECOP welcomes the change which we had requested during the previous consultation. The new formulation is clearer.

Additional proposals:

a) Specific exemption for enterprises specialised in the inclusion of disadvantaged and disabled workers

As already mentioned during the previous consultation, CECOP supports specific exemption for enterprises having as their mission the employment and inclusion of disadvantaged and disabled workers

As stated in its comment on the consultation “Draft General Block exemption Regulation” June 2007 and the former consultation “State aid action plan” Sept 2005, CECOP would support the extension of the Commission Regulation, to the aid for the employment of people in a situation of social exclusion and working for enterprises having as their mission the employment and inclusion of disadvantaged and disabled workers.

Many of them are cooperatives societies.

Due to the particular situation of their employees, those enterprises have to manage the reduced productivity of their workers, the need of technical assistance staff and the training of the workers.

Having to face substantial additional costs compared with mainstream companies due to their social dimension, they need aid from public administration in order to survive in the market and therefore to comply with their social mission.

The extension implies that aid fulfilling the conditions of this Regulation should be considered as compatible with articles 87 and 88 of the Treaty.

This extension should include a reference to the “workers in a situation of serious social exclusion” in the article which regulates the extension of aid to cover the additional costs of disabled workers, and a definition of enterprises having as their mission the employment and inclusion of disadvantaged and disabled workers.

It is also important that the duration of compatible aid for employment of disadvantaged workers, limited to one year for ordinary enterprises in article 31.3, be extended to the whole period of employment in the case enterprises having as their mission the employment and inclusion of disadvantaged and disabled workers.

Indeed, disadvantaged workers stay normally longer than a year in such enterprises before they are ready to find a job on the open market.

b) to establish (eg under Art 2 – 18) a category of ‘multi-disadvantaged worker’, namely any person belonging to two or more of the categories of the ‘disadvantaged worker’ definition (art 2 – 18). The ‘multi-disadvantaged worker’ would then benefit from the various block exemption provisions foreseen for the disabled worker, and the drafting of the relevant articles of the regulation would thus be modified accordingly

- End -

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