

CECOP POSITION ON THE REVIEW OF THE “SMALL BUSINESS ACT”

5 July 2010

CECOP – CICOPA Europe (European Confederation of Worker Cooperatives, Social Cooperatives and Social and Participative Enterprises) is a European confederation grouping national organisations in 16 countries which in turn affiliate over 50.000 cooperative and participative enterprises in industry and services. The vast majority are SME, while some of them are second-degree enterprises of SME. They employ 1.4 million workers across Europe. Among the main sectors of activity, 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. Finally, more than a thousand worker cooperatives in the CECOP network were born as business transfers to employees of conventional enterprises in crisis or without heirs.

CECOP welcomes the opportunity given to stakeholders to take part in the process of reviewing the “Small Business Act”. As a confederation grouping around 50.000 enterprises with a majority of SME, we wish to take the opportunity of the ongoing public consultation to share our views on this important issue for our members.

Here are the main priorities for our members in the framework of the SBA:

→ ***Cooperative resilience to the crisis***

Since the publication of the SBA - June 2008 – the global economical and financial landscape has drastically changed. In fact, the economic crisis had – and is still having - serious challenges for enterprise and especially SME sustainability, employment and social cohesion. The review of the SBA has to be replaced in this particular context.

In 2009 and in 2010, CECOP has initiated a survey amongst its members in order to gain a better idea of the effects of the crisis on the affiliated enterprises. The results show that cooperatives active in industry and services are more resilient to the crisis than other enterprises active in same sectors and on the same territory. Even if the situation has worsened since last year, our members report very few enterprises closures and jobs reductions among their affiliated enterprises. It is important to underline that the large majority of those enterprises are SME.

A number of factors could explain that: the direct impact of the crisis is less severe for cooperatives than for conventional enterprises, since they are able to rely on their own resources rather than being dependent on external financial resources. In some countries, if necessary, cooperatives have access to mutualised support institutions, such as nonbanking financial cooperative instruments. Innovative measures and the flexibility of cooperatives based on the participation and the sharing of responsibility by the workers in the governance represent an important potential for them. Many cooperatives have maintained employment levels by reducing wages rather than cutting jobs or relocating their activities. Furthermore, considering the crisis to be nothing more than a change, some cooperatives have innovated their business, and therefore developed the potential of both their cooperative and its

members.¹

It would be essential, for the sake of European SME, to learn from positive experiences from our business model and to integrate them in the review of the SBA.

→ **Industrial and enterprise policies**

When addressing industrial policies, it seems that there is confusion between the latter and enterprise policy, as it is the case in the EU 2020 strategy. CECOP hails the reference in EU 2020 document to an intensification of industrial policy, but suggests an even clearer commitment towards the promotion of European industry and long-term industrial policy, in particular industrial districts and clusters.

Policies and structures facilitating SME creation and development should be reinforced, as advocated in the 2008 SBA communication. The main difficulties for SME remain access to financial resources, lack of venture capital funds and late payments from public authorities. Measures for growth and development of SME should not be limited to crisis periods, like the present one, and tools enabling a sustainable growth of SME through consortia, aggregations or networks, like those created by cooperatives from CECOP network, should be encouraged and promoted. In particular, a strong effort towards financial support to enterprises, especially those that strive to be born and to remain rooted on a given territory like those that follow our business model should be ensured.

Such financial support should include, *inter alia*, policies encouraging bank loans to enterprises and policies promoting non-banking financial instruments developed by enterprise networks, like ours. Other business support entities that are key to the creation and development of enterprises, such as federations, incubators, training centres, R&D institutions, advisory centres etc, should be explicitly promoted.

→ **Business transfer to employees**

In the 2008 SBA, a clear reference to monitor and support business transfers was integrated in the text. At that time, CECOP had strongly deplored that, within the framework of business transfers, no action was foreseen for the promotion of business transfers to employees, in which we have developed a constant and regular experience, and which is on the increase with the ongoing crisis.

We consider that, in the current context of economical crisis, it is more crucial than ever to promote all types of business transfers. Business transfers should remain a priority in the SBA.

In fact, it is still possible to preserve from closures some activities in crisis as the experience from our network shows it very concretely in a whole array of economic sectors, from foundry to naval engineering, and from electrical material to public works. CECOP wishes also to underline that this should not be considered as a conjunctural policy, and that, instead, what is at stake here is saving SME risking closure but also, and above all, the maintenance of local wealth and the economic development and social cohesion of entire European regions.

The sustainability of such operations is the fruit of a considerable level of expertise in the specialised organisations, as national and regional cooperative federations, but also, and above all, of non-banking instruments of the cooperative movement and cooperative banks.

→ **Promoting internationalization of SME**

¹ The 2009 and 2010 reports can be read on www.cecop.coop

Grouping of cooperative enterprises are an entrepreneurship model stimulating cooperation and partnership strategies between small and medium cooperatives. Such a cooperation instrument enables small and medium cooperatives to face the challenges of globalization and be more competitive. CECOP considers that such co-operative groups, which are horizontally and not vertically integrated, should be supported and promoted at the European level. They enables SME to develop a common brand names or range of goods and services to access European and international markets, to do innovation and engage in R&D, and even to have common representation offices and assembly platforms in other countries, in particular emerging ones such as China, India and Brazil. This modality of inter-business organisation may also be used in the development of the clusters programme that SBA should take into account and support.

Inter-SME collaborative networks such as the ones we already have in Europe under the cooperative form (artisans' cooperatives, SME cooperatives, activity and employment cooperatives etc) should also be energetically encouraged, as those networks considerably reinforce the sustainability of the micro-enterprises through shared marketing, joint purchases, zero stock management or other services. Such networks are also virtually the only way in which micro-enterprises can be a source of innovation, since (barring exceptions) the latter cannot rest on isolated micro-entrepreneurs, as the whole enterprise history since the industrial revolution clearly demonstrates. But support to micro-entrepreneurs should under no circumstances appear as being a higher priority to the EU than enterprise policy in favour of SME in general. The latter are far more likely to generate durable economic activities and jobs, as well as innovation and presence on the internal market and in the globalised economy.

→ **Late payments**

Despite recent European legislation SME still suffer from delays in receiving payments from public authorities and therefore face liquidity problem and risk bankruptcies². CECOP considers essential to keep this issue as a priority in the reviewed SBA. European Commission should encourage Member States to find solutions to compensate difficulties faced by SME³.

→ **Access to public procurements**

SME face difficulties to take part in public procurements, especially those of high value. Very often the relation between the tender value and the financial requirements for participation are disproportionate and thus discourage SME from important opportunities. Small and medium cooperatives face the same problems in different Member States. Measures to enable a higher participation of SME in public procurements, and not only under subcontractor form, should be reinforced.

Public administrations should also be encouraged to integrate more often social considerations in public procurements.

² (COM(2009) 126 final) **Proposal for a Directive of the European Parliament and of the Council on combating late payment in commercial transactions**: "Payment delays can be responsible for bankruptcies of otherwise viable businesses with the potential to trigger, in the worst case scenario, a series of bankruptcies across the supply chain.(...) The Small Business Act [COM(2008)394] highlighted the key importance of SMEs for the competitiveness of the EU economy and stressed that effective access to finance was one of the major challenges SMEs have to face, together with the need to make better use of the opportunities provided by the Single Market."

³ Italy is currently discussing tax compensation mechanisms for enterprises facing delays in receiving payments from public authorities