



## European Confederation of Worker Cooperatives, Social cooperatives and social and participative enterprises

14 June 2006

### CECOP'S POSITION TO THE PUBLIC CONSULTATION ON THE FUTURE OF THE INTERNAL MARKET

CECOP Aisbl (European Confederation of Worker Cooperatives, Social Cooperatives and Social and Participative Enterprises) groups over 83 000 cooperative and participative enterprises, mainly in industry and services, employing 1.3 million workers across Europe, most of whom are worker-members of their enterprise.

#### PART I THE INTERNAL MARKET TODAY: ACHIEVEMENTS AND CHALLENGES

- *The internal market is still not a reality in all areas.* Markets are still too fragmented in areas such as services (...).
- *Enlargement* has opened new opportunities for citizens and business, but also requires us to manage more diversity within the internal market.
- *Globalisation is changing profoundly how our economy works.*
- *Rapid technological change is affecting traditional patterns of generating wealth.*
- The internal market is also coming under challenge from within. *Citizens have come to take the internal market for granted*, in particular within EU-15.

1) Do you agree with the preliminary analysis of the current situation of the internal market and the challenges it is facing? If not, what is your analysis?

CECOP generally agrees with the various statements above. However, there are a few fundamental observations to be made.

- a) Concerning the first bullet point, whereas markets are indeed still too fragmented, it is necessary to point out that there is an equally profound fragmentation in the field of fiscal law, labour law and social rights. Until those areas are not properly harmonized, the free circulation of goods, services and persons will remain incomplete. Harmonization should also take place in a number of key sectors, such as the services of general interest, which are not even defined at the Community level. This mix of completion of the internal market and uncompleted harmonisation can be a source of social dumping and opportunistic relocation of enterprises within the EU.

- b) Concerning the last bullet point, although it is true that citizens tend to take the internal market for granted, the lack of support for it also appears to stem from the perception by citizens that they have no say in the ongoing internal market process, and that they feel powerless with the perception that there is social dumping and an increasing lack of emphasis at the EU level on social policy, although it is an intrinsic part of the Lisbon process. Furthermore, the economic pattern of the internal market in the European Community until the 90s was based on intra-industry trade, by which all actors could win. The present situation sees a concentration of sectoral actors on specific countries, thus generating a situation in which there are winners and losers.

**2) In which ways have you benefited from the opportunities offered by the internal market? Where, in your view, does it function well? Where do you see shortcomings?**

Cooperatives have been recently provided a European instrument called SCE, with a regulation and a directive on workers' participation, after the approval of a similar regulation and directive for the SE (European Society). However, the SCE (European Cooperative Society) will be in force in the various member states only in August, and its advantages and possible shortcomings will have to be verified through practice.

Meanwhile, whereas it is true that the internal market has indeed been a source of opportunities for cooperatives in our sectors (industry and services), it is also being a source of challenges, especially for the smaller ones, and those in the new member states, for which the transition has often been very rapid. It should also be pointed out that cooperatives in our sectors, as other cooperatives, are member-based enterprises and are thus anchored in the local community, representing the latter's interests and not shareholders' financial interests. This specific reality needs to be taken into account in the development of the internal market.

## **PART II PRIORITIES FOR FUTURE INTERNAL MARKET POLICY**

At this early stage of reflection, we consider that future **internal market policy should focus on the following five priorities:**

- 1) *A stronger focus on fostering market dynamism and innovation.*
- 2) *Better regulation.*
- 3) *Better implementation and enforcement*
- 4) *Taking better account of the global context.*
- 5) *Investing more in information and communication.*

### **3) Do you agree with this choice of priorities? Are there others in your view?**

Those 5 priorities are essential, but the second one (better regulation) should be more clearly defined. There is a need for harmonization and regulation in all aspects linked to the internal market, and in particular fiscal law, labour law, social legislation etc., except when it is foreseen by the community (SCE) or national regulations which concern cooperatives, as well as specific harmonisation and regulation in the field of services of general interest.

We also need to point out that competition law should also take into account each specific type of entrepreneurial actor. In particular, cooperatives, as member-based and community-rooted enterprises require specific public policy and legislation in order to bring into full play their social functions.

In this respect, we wish to emphasise the need for a framework directive on services of general interest, in order to ensure minimum levels of efficiency and quality of such services. The need for such a framework directive has, again, been recently proposed in the Bernhard Rapkay report on services of general interest of 11 April 2006 for the Committee of Economic and Monetary Affairs of the European Parliament, which also argues (p3) that such framework directive is necessary for the proper implementation of the Service directive.

The proper implementation of the Service directive also requires the full implementation of the directive on detached workers. In this respect, CECOP is pleased to take knowledge of the Commission services' working document on the implementation of directive 96/71/CE on the detachment of workers. Indeed, without the implementation of the latter, the principle of the country of destination, now agreed upon for the service directive, cannot be properly implemented.

### **4) Internal market policy fosters economic reforms to which citizens and businesses then have to adjust. Do you think sufficient account is taken of the costs of making these adjustments? Why (not)? Do you think flanking measures are needed to accompany market opening? If so, what kind?**

No, the costs are not always been properly taken into account. Indeed, the social functions of cooperatives mentioned above (e.g. the social inclusion of disadvantaged workers, provide employment to the members and to the local communities) do have a cost. Such cost should be better studied, calculated and taken into consideration in state aid policies, training and other regulatory and accompanying measures.

**1. ENSURING THAT INTERNAL MARKET POLICIES EFFECTIVELY FACILITATE MARKET ENTRY AND FOSTER INNOVATION**

**5) In your experience, does the internal market offer sufficient opportunities for businesses? Why (not)? Where do you see barriers?**

In our experience, the internal market does not offer sufficient opportunities in industrial and service cooperatives (which are mainly SMEs), especially if compared with large business actors. In this respect, cooperative SMEs that create groups and consortia, and conventional SMEs that create cooperatives among themselves, should be encouraged through community programmes. Such consortia can put cooperative SMEs on a level playing field on the internal market.

**6) Do you consider that the internal market is 'innovation-friendly'? Why (not)? Where, in your view, are the main barriers to innovation? Which steps should be taken in order to ensure that the internal market is more innovation-friendly?**

First of all, we need to underline that innovation is not only technological but also managerial and organisational. The above-mentioned cooperative groups or consortia and cooperatives of SMEs have devised important managerial/organisational innovations, but also create the necessary economies of scale to also generate technological innovations, and to enter in partnership agreements with universities. We need also some major boosting and incentives for the innovation from the public policies.

**Ensuring that intellectual property rights ('IPR') regimes facilitate the development and diffusion of knowledge and technology**

**7) Do you consider that the current IPR regimes foster growth and innovation? In your experience, where is more focus or action needed?**

Concerning patents, it would be important to reduce dramatically the cost of patents for SMEs, perhaps through a mechanism of advance payment on royalties.

**Ensuring a dynamic and inclusive procurement market**

**8) In your experience, do Member State authorities apply procurement rules in a way that gives businesses sufficient opportunity for market entry?**

**9) Do you think that public authorities are sufficiently aware of the opportunities the EU public procurement framework offers for fostering innovation? If not, how could they be made better aware of it?**

The implementation of social norms on public markets should be taken into account (e.g. more emphasize on the respect of norms on employment and social security). Directive 18/2004/CE on public procurement appears insufficient to guarantee the application of social clauses (eg art. 19 on tenders reserved for enterprises employing disabled). Indeed, in public procurement, the social offer and externalities that offer such actors as social cooperatives should be taken into account. Furthermore, while the regulation has indeed be made easier, the persons in charge of drafting tenders at the local or national level still largely lack appropriate training. This should now be a priority.

**Facilitating the development of private equity, venture capital financing and other funding solutions, including for innovative projects**

**10) In your experience, are there any significant problems with the internal market**

**preventing the development of the private equity and venture capital market on a**

**cross-border basis? If so, what are they?**

In various member states, the cooperative system has designed a number of financial instruments, in particular aimed at promoting start-ups and entrepreneurial development of industry and service cooperatives, and the transformation into cooperatives of enterprises in crisis. Such financial instruments usually have a lever effect on the capacity of the worker-members of the cooperatives to invest more cooperative shares, and on other financial institutions. In this way, sustainable jobs are being created, and jobs that were under threat are becoming sustainable. Therefore, such financial instruments should be supported through appropriate community financing.

**Improving market access for services and stimulating innovation in the services market**

11) Do you think that voluntary standards for services would be beneficial? If so, in which sectors should they be introduced?

The danger with entrusting everything to voluntary standards is that they tend to favour large enterprises that are usually the first ones to design them for their own necessities. More than voluntary standards, a proper harmonisation and regulation are needed in such areas as the services of general interest.

## **2. STEPPING UP EFFORTS TO ENSURE A HIGH-QUALITY FRAMEWORK**

12) What are your views on how we carry out consultations on internal market policy? For instance, what are your views on the consultation process, and on the relevance and presentation of issues in our consultation documents?

13) What are your views on the way we carry out impact assessments on internal market policies? In your experience, are we using the right policy instruments to achieve the objectives?

14) What are your views on evaluations conducted for internal market policies and the follow-up given to them?

15) Do you think that Member States should be encouraged to carry out national screening exercises (of existing and new rules and administrative procedures) and if so how?

The consultation system is very important, especially for specific actors as cooperatives, who thus find a way to express their opinions, specificities difficulties and challenges in a detailed way. But we consider that such opportunities should be linked to a participation of our experts in the various expert groups in order to reflect the various socio-economic realities.

There should also be a policy of comparative impact assessments between the individual member states.

## **3. ENSURING THAT INTERNAL MARKET RULES ARE CORRECTLY IMPLEMENTED AND APPLIED IN MEMBER STATES**

## **4. RESPONDING EFFECTIVELY TO THE INCREASINGLY GLOBAL ENVIRONMENT**

21) In your experience, does internal market regulation take sufficient account of the

bigger picture of international competitiveness? If not, in which areas do you see

problems and what could be done?

22) On which regulatory issues and with which countries and regions should

**the EU strive**

**for more international regulatory convergence or equivalence? How should this be**

**achieved? By contrast, where do you think differing rules and standards should coexist?**

**23) Where should the EU engage more strongly in either intergovernmental or nongovernmental standard-setting organisations?**

The EU should better take into account the norms and standards included in ILO Recommendation 193/2002 on the Promotion of Cooperatives, approved by all European member states, and quoted in the European Commission's Communication on the Promotion of Cooperative Societies in Europe.

In turn, the EU should not incorporate automatically the international accounting standards, established by a private extra-community body where the EU representatives are in sheer minority, the IAS Board, under a private foundation which is not accountable. In particular, it should examine the applicability of those standards to SMEs and even more to cooperatives, which have a number of internal characteristics. The international accounting standards may be in contradiction with these characteristics.

**5. ENSURING THAT CITIZENS AND BUSINESSES ARE WELL INFORMED ABOUT THE OPPORTUNITIES OFFERED BY THE INTERNAL MARKET AND ENCOURAGED TO MAKE THE MOST OF THEM**

**24) In your experience, do Member States and the EU institutions do enough to promote**

**the opportunities presented by the internal market? Which concrete actions would you**

**suggest for improving the situation?**

The Member States and the EU institutions could do more to promote internal market opportunities. CECOP coordinated one of the biggest projects in the 10 countries of central-eastern Europe between 2000 and 2005, called SCOPE (Strengthen cooperative and participative enterprises in central-eastern Europe, under the PHARE Business Support Programme), which promoted a dissemination of the community acquis, a sharing of best practice, the creation of long lasting partner links among cooperative organisations across Europe. The project resulted in a strong promotion of the internal market. We could do more actions of this kind. In particular, the business support services developed by the cooperative system, designed to cater for the specificities of cooperative SMEs, should be better promoted.

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