

30 June 2021

## EUROPEAN PRIVATE EMPLOYERS' CONTRIBUTION AFTER THE HEARING ON SOCIAL ECONOMY ACTION PLAN

### *General comments*

- In 2017 social economy in Europe was estimated to represent some 2.8 million entities and enterprises and accounted for over 13.6 million paid jobs (over 6% of the EU-28 working population). There were over 19 mln individuals employed in the sector, both paid and non-paid. There were almost 83 mln volunteers, equivalent to 5,5 mln full-time workers<sup>1</sup>. According to Social Economy Europe social economy sector generates at present approx. 8% of the EU GDP.
- The **EU policy intervention on social economy** must not lead to initiatives that contradict or hinder the way the Treaty defines EU and national competences on social protection. It **should also not distort the functioning of the single market**, which should be **based on fair competition**. Initiatives aimed at fostering social economy should adopt a holistic approach and always be checked against potential consequences they may bring for fair competition. Criteria for state aid need to be clearly defined.
- During the post-Covid recovery it is essential to ensure the most efficient use of available finance, which includes the necessary public and private investments and structural labour market reforms, to support growth, job creation and skills development across the economy. **The subsidies should respect the need to ensure sound public finances** and to reduce the tax wedge on labour across Europe.

### *Level playing field and wise allocation of resources*

- Debates leading to a relevant policy framework on social economy at the EU and national levels are legitimate, but need to be well balanced. Employers recognise that social economy actors have a particular role to play to promote a better inclusion of vulnerable groups in our societies. These **debates should also duly take into account the important social benefits that private enterprises bring, especially smaller ones, to social inclusion of vulnerable or disadvantaged groups through employment.**

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<sup>1</sup> European Economic and Social Committee (2017), *Recent evolutions of the Social Economy in the European Union*, Brussels 2017, p. 66.



- Subsidies for social economy actors may be justified in certain situations. However, their **impact should be assessed at the micro-level and take into consideration the effects on competition** in the markets in which those actors may operate. Well-defined criteria should be fulfilled in order to classify for subsidies under the “social economy” category. Reviewing the EU framework to assess eligibility of social economy entities and all types of companies active in the same markets for state aid can be useful to take into account the needs of a recovering economy; national or even regional regulations are useful as regards allocation of state aid as they take into account national specificities.
- Beyond such targeted subsidies, it is even more important for national governments to create the right incentives and a **favourable legal framework for all employers to create employment opportunities** and increase employment participation levels in our societies.
- Managing the **recovery and** tying public investments to the **necessary structural reforms** are the **most crucial policy challenge** today. European employers’ organisations are committed to play their role as EU social partner through improved involvement in the European semester and in the context of the European social dialogue, notably through the **creation of two new advisory committees on employment and social protection**.
- The EU single market legislation partly covers social services, i.e. the social services that qualify as “economic” under EU law. For these services in particular, it is essential that **subsidies supporting Services of General Economic Interest (SGEIs) do not distort fair competition** between public and private operators to the detriment of private companies. **Subsidies** allocated to social enterprises **should be carefully designed** to ensure they are fair and do not result in distortions in the provision of services and functioning of labour markets, by, for example, enabling some actors to offer very low or even dumping prices by means of important subsidies. Transparency in their design, use and reporting is therefore essential.
- When social economy entities deliver services of general interest, their activities should be seen as complementary to the public services. **Social economy should not substitute for public services nor be used in areas where private enterprises are able to provide the necessary services in a more efficient way** than public actors or the third sector. The quality of services of general interest should remain high independent of who delivers them (state, social economy actor or private provider).

### ***Supporting employment***

- **Sustainable employment, fair working conditions, inclusion, equal treatment and potential to create more and better jobs are notions not exclusively reserved to social economy.** These are also characteristics of profitable private businesses of all sizes as well as modern public services.
- **Employers acknowledge that social economy sector plays an important role in reaching out to and activating the disadvantaged** and the severely disadvantaged workers, which is important to bring them closer to the labour market. Employment in the social economy sector combined with appropriate skilling programs managed by Public Employment Services or private employment services, may pave the way to regular labour market. This should be the ultimate goal, whenever possible, in coordination with efforts to improve the relevance of employee training solutions in line with changing labour market needs at cross-industry and sectoral level.



- Social economy entities can also play a supportive role for “regular” companies to access the people and skills they need. Complementary cooperation between social economy entities and SMEs is quite widespread and should be based on a mutual understanding and trust at micro-level.
- The right balance should be struck between public and private employment options. In both sectors skilling/reskilling/upskilling are key to get people into employment and keep them professionally active.

## ***Aid to recruitment***

- The disadvantaged and severely disadvantaged need to be supported not only at the moment of recruitment, but also during the employment to ensure its sustainability. Whenever possible, **the available aid should be used to develop the independence of the concerned person** through tailored socializing initiatives, mentoring/coaching and later skilling opportunities.
- The effectiveness of any aid, subsidies and/or any kind of assistance should be monitored on a regular and transparent basis.

## ***Workers’ buyouts (WBOs)***

- Effective WBOs require appropriate environment: relevant legal regulations, favourable taxation systems, accessible finances, opportunities to acquire management skills and awareness.
- **The context of each potential workers’ buyout should be analysed individually.** The role of social economy enterprises should not be overestimated and “its brand” should not take over careful assessment of the viability each potential WBO, for example the proposed business model and/or management skills of its employees.
- WBOs are only one of the options available to solve companies’ transmission/succession problems. They are not the most used or important one for SMEs. Rather than addressing this issue through the concept of workers’ buyouts, the Commission should first analyse all the facets of this issue and consider all possible options to make progress in a way that is helpful for SMEs.

## ***Possible EU actions***

- Social economy entities operate under various forms (cooperatives, mutual societies, non-profit associations, foundations and social enterprises). Given the diversity of national traditions and functioning industrial relations systems, **there is no need for EU-wide definition of social economy.**
- Like in any sectors, **promoting social dialogue** among social economy enterprises/entities, while respecting social partners autonomy, has a role to improve working conditions, representativeness etc.
- Given the diversity of social economy, the appropriate way forward at the EU-level would be creating and supporting **Community of Practice** where experiences can be exchanged and can serve as inspirations to develop solutions that fit national contexts and traditions. The European Commission should not aspire to harmonise issues that are so diverse and shaped by national traditions.



- **Reliable data** to assess how many social economy entities are created, whether they hire and which skills they require, do they continue their operation after the EU funds/support is over etc. would be also very useful. It would enable to trace down sustainable models of social economy and make them known across the EU Member States.
- All EU actions in this field should be conceived by adopting **holistic approach** that pays special attention **to competition and state aid rules, decisions related to the state aid allocation and their consequences for fair competition.**

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