

Consultation on the future EU 2020 strategy

Brussels, 18th December 2009

COOPERATIVES EUROPE – the European region of the International Co-operative Alliance – is the biggest membership organization in Europe promoting the co-operative model of enterprise for sustainable economic progress with social objectives. It represents a force for economic growth and social change of 163 million member co-operators owning 250.000 co-operative enterprises and giving jobs to 5,4 million European citizens.

INTRODUCTION

COOPERATIVES EUROPE welcomes the consultation on the future EU 2020 strategy as a unique opportunity to profoundly reshape the EU agenda for the 10 coming years and beyond. As stressed by the EUROPEAN COMMISSION, Europe needs a sustainable economy, putting people and responsibility first, a confident fight against exclusion and a transition to a green economy.

This praiseworthy vision asks for the involvement of all actors. Co-operatives are the type of enterprise that are best placed to deliver these results and have to be clearly included in the EU 2020 strategy.

Co-operatives are sustainable economy actors. A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Such co-operative business is run democratically, meaning that each member has an equal voting right, disregarding its capital contribution. Besides, co-operatives favour a sustainable development of themselves and their surrounding communities. They put emphasis on intergenerational solidarity through the constitution of indivisible reserves.

GENERAL REMARKS

- COOPERATIVES EUROPE supports the idea that **a new approach** which takes advantage of a world globalisation and interdependence is needed. It is convinced that this new strategy should be built upon the guidelines of the Lisbon Strategy's Mid-Term Review (MTR), keeping the better of it and adapting it to the new context of economic and environmental crises.

The crisis has shown that the traditional business model needs controlling and cannot grant a sustainable growth alone. The new strategy will have to be adapted to the diverse forms of enterprise, each of which can bring its contribution for the creation of a sustainable economy.

- Since the MTR of the Lisbon Strategy the general context has deeply changed, mainly due to two factors. Firstly the financial crisis, whose effects are gradually investing all citizens' life: it cannot be considered only a financial crisis any longer, but it is becoming more and more an economic and social crisis. Secondly, the awareness of the climate change and of its consequences has dramatically increased.

In this context, co-operatives, if compared to many other forms of enterprises, have shown a higher **capacity to resist**, to react and to have a proactive role in tackling the difficult situation. We therefore need to take this model in consideration when defining the EU 2020 strategy.

As stated in the Opinion of the EESC on the Diverse forms of enterprise (INT/447 Diverse Forms of enterprise, 15 September 2009), protecting and preserving this diversity is important for achieving the single market and maintain the European social model, as well as for meeting the Lisbon Strategy's objectives for jobs, competitiveness and social cohesion.

- COOPERATIVES EUROPE agrees that "new policies must demonstrably contribute to **social cohesion**, tackling unemployment and fostering social inclusion while securing well performing labour markets". However, social cohesion, which was one of the three main objectives in the Lisbon Strategy, was left out after the Mid-Term Review in 2005, as it was considered as a natural consequence of the other first 2 objectives: economic growth and job creation.

COOPERATIVES EUROPE strongly disagrees with the MTR approach: co-operatives are the perfect example of how businesses with a democratic organisation and pursuing the objective of social cohesion can be competitive on the global market. At the same time they create jobs and work against social exclusion. COOPERATIVES EUROPE calls therefore the COMMISSION upon an integrated approach, which considers social cohesion as a priority to reach and not as a secondary consequence. Furthermore the social inclusion strategy for the next decade is weak in the text, when it should be reinforced regarding the impact of the crisis. EU should promote pro-active state policies in Member States which stimulate people to get out of precariousness. In this respect, our network has a few thousand enterprises specifically designed to provide integration through work to physically, mentally or socially disadvantaged EU citizens. Long-term sustainability of entrepreneurial activities and employment should be recognized as an effort by the co-operative system not only to 'cure' social exclusion, but also to prevent it.

- Thanks to their strong link with the territory where they work and, consequently, to their ability to set up **partnerships and co-operation agreements at different levels**, co-operatives can play a major role in the recovery from the economic crisis.

- Quantitative indicators such as the unemployment rate or the growth rate can be useful when assessing the impact and the effectiveness of a policy or instrument. However, they need to be considered together with qualitative criteria. For instance, it is important to make considerations on the number of new jobs created; however, this data has little significance if not considered together with the quality level of the new positions.

Furthermore employment seems to be considered in terms of "units": job durability is not taken into consideration and no reference is made to efforts to maintain existing jobs. As a matter of fact the COMMISSION's working document considers that lost jobs can be simply replaced by newly created ones, as if people losing their jobs were the same taking up the new ones, and as if there were no need to address the difficulties of the people who are losing their jobs. Furthermore, important emphasis is put on innovation, new technologies and digital economy, which are not the sectors that are most concerned by the recent job losses.

PROCEDURE

- COOPERATIVES EUROPE is convinced that it is not acceptable to launch a consultation on such a central issue for the future of the EU within such a short period of time. The deadline for this consultation is closer than many other consultations which the EUROPEAN COMMISSION organises on more specific policy issues; this inevitably reduces the legitimacy of such an important consultation.

- COOPERATIVES EUROPE supports the launch of a long-term European strategy establishing guidelines for future policies and programmes. However, it is strongly convinced that it will be successful as long as it will be adaptable to different national contexts.

At the same time great emphasis should be put on the implementation and follow up: **clear priorities** needs establishing, and their implementation will have to be closely monitored at national and European level in order to avoid that 'cherry picking' at different levels.

It is necessary to grant **co-ordination** and regular communications between Member States and the EU to guarantee a smooth application of the EU 2020 strategy.

- COOPERATIVES EUROPE asks that **regular consultations** on the implementation of the strategy are organised. They should not be restricted to recognised social partners but should be open to all stakeholders.

- Optimism is a key element when fixing long-term strategies and objectives. In the meanwhile, a certain level of **realism** is necessary, in particular in this period, when we are confronted with the deepest global economic crisis since 1929. For example, the consultation documents correctly highlights how digital economy offers new opportunities for distance learning as part of a lifelong approach to learning; however, COOPERATIVES EUROPE wonders which percentage of workers is realistically affected by the advantages of digital economy in the lifelong learning. The same can be said of mobility schemes: how many workers can realistically be asked to leave their region for a new job?

CREATING VALUE BY BASING GROWTH ON KNOWLEDGE

- COOPERATIVES EUROPE fully agrees with the EUROPEAN COMMISSION that strengthening **education** at all levels is one of the most effective ways of fighting inequality and poverty. The 5th co-operative principle, reported in the Statement of the Co-operative Identity, is Education, Training and Information: co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. The fact that the co-operative movement has always put great emphasis on this issue is attested by the several co-operative schools acting across Europe.

- COOPERATIVES EUROPE agrees with the COMMISSION also on the importance of the co-operation between **business and research**. As a matter of fact COOPERATIVES EUROPE has contributed to the creation of EURICSE, the EUROPEAN RESEARCH INSTITUTE ON CO-OPERATIVE AND SOCIAL ENTERPRISES, an organisation fostering dialogue between researchers and practitioners and committed to practical applications of the knowledge developed through its research.

- COOPERATIVES EUROPE supports the objective of reinforcing the **university** network and turning them into a true engine for knowledge and growth. An educational programme on entrepreneurs should be promoted and they should deal with different forms of business, including co-operatives. At the moment, the co-operative business model is rarely present in university curricula: COOPERATIVES EUROPE, therefore, suggests that a survey is undertaken on teaching the co-operative model of enterprise in schools and universities.

- **Innovation** is a key element for economic and social development. Many co-operative enterprises put in place innovative processes, products and models. However, COOPERATIVES EUROPE insists on the fact that innovation cannot be reduced to the technical aspect: social and managerial innovation, for example, is as important as technical innovation.

- **Long-term productive initiatives** should be reinforced instead of short-term financial strategies. In particular, the promotion of fair value among the package of International Financial Reporting Standards, with reassessment of company value every three months, tends to considerably weaken the enterprise financial structure, and is one of the main elements that triggered off the economic crisis. The resilience of co-operative enterprises, precisely, has partly to do with the fact that they do not need to resort to fair value since they are neither for sale nor listed on the stock exchange.

EMPOWERING PEOPLE IN INCLUSIVE SOCIETIES

- An EU strategy must be addressed to **the whole population**. In particular, this strategy, which is intended to set the basis for a sustainable social market economy putting people first, cannot leave aside weaker citizens. COOPERATIVES EUROPE wonders if some priorities defined in the working document - like labour mobility and distant learning - are really able to affect a large part of the work force.

- When the EUROPEAN COMMISSION stresses its will to promote a sustainable growth putting "**people and responsibility first**" and "**empowering people**", COOPERATIVES EUROPE considers that co-operatives are the best suitable option to reach this objective.

Co-operatives are means to empower individuals by enabling them to answer to their needs through a business that they control. This **co-operative empowerment** is fully integrated in the market and develops the autonomy of the individuals without State intervention. Co-operatives make people responsible of themselves through a business that they jointly control and where profit is not an end, but a means to achieve their needs. As democratic undertakings, co-operatives entail active participation from their members.

- **Flexicurity**. In order to obtain a sound combination of employment flexibility and security, we should avoid abuses and monitor that flexibility does not drift towards precariousness. Workers should not be asked to be more mobile only in order to compensate the effect of a crisis which they are not responsible for, while being the first ones to be affected by it. Furthermore, economic growth in an enterprise is difficult to achieve only with short-term jobs.

- **Self-employment**. Empowering people through inclusive businesses is the aim of co-operation, which echoes the objective of the EUROPEAN COMMISSION as expressed in the working document. Although we recognise self-employment may deliver some results, we believe that much more can be achieved through the stimulation of co-operative start-ups. While self-employment is quite often a fragile and solitary undertaking, a co-operative, created by a group of individuals to answer their needs and expectations and help themselves, is more socially inclusive and economically sustainable. COOPERATIVES EUROPE draws the COMMISSION'S attention to the possible danger of this business being abused by employers to avoid certain tax requirements.

To this regard, the co-operative movement has experienced the Business and Employment Co-operatives in some EU countries, which provide a shelter and a support to entrepreneurs in the start-up phase: they take care of the administrative and legal procedures (accounts, social and tax registration, declarations...) so that the entrepreneur can concentrate on developing the newly created business. Once the entrepreneur begins to generate revenues, he/she signs a long term employment contract with the BEC and receives a salary based on the billed income, after deductions for social contribution and the co-operative administrative fees. On the other hand, the co-operative takes charge of social contributions; it submits tax declarations, issues invoices and calculates salaries.

Support structures for entrepreneurial creation and development should be accessible to micro-entrepreneurs. In particular, inter-SME collaborative networks such as the ones that we already have in Europe under the co-operative form should be energetically encouraged, as those networks considerably reinforce the sustainability of the micro-enterprises through shared marketing, purchases or other services, and provide the micro-entrepreneurs with in situ adult-learning opportunities.

CREATING A COMPETITIVE, CONNECTED AND GREENER ECONOMY

COOPERATIVES EUROPE supports the EC's proposal to foster a **decentralised model of (renewable) energy generation**. In this context, co-operatives have something to say.

All co-operatives are for their very nature oriented towards a sustainable development, and therefore to a rational use and consumption of resources, i.e. energy. It is the case of co-operative banks financing renewable energy projects, or housing co-operatives fostering environmental friendly technologies or, again, consumer co-operatives promoting awareness rising campaigns for the reduction of energy consumption of the promotion of green technologies.

And there are also co-operatives directly working in the energy field, a sector which perfectly fits to this business model. Energy is a natural resource, whose smooth and equal management can only be guaranteed by a model of enterprise defending the collective interest without renouncing to the efficiency of the private form of enterprise. This is particularly clear for energy producer co-operatives and energy consumer co-operatives. Energy producer co-operatives favour the expansion of renewable energy production, while energy consumer co-operatives directly involve communities in the development of their activities. Through collectively pooling their purchasing power, inhabitants, local businesses and public sector organisations can all come together to save money and help tackle climate change. In this way, energy co-operatives are able to purchase their own energy on the wholesale markets and negotiate affordable deals for advanced new technologies thereby allowing households to realise important savings.

Co-operatives are owned and managed by their members; they are close to their members and can therefore deeply influence their behaviour: co-operatives are a powerful instrument to improve a rational use of energy among citizens. While these organisations may begin as a practical expression of self-help, they have the capacity to fundamentally change the way in which energy is purchased and produced. In the case of energy consumer co-operatives, once established, the co-operative forms a framework through which ordinary people can build and own an infrastructure that will reduce their long-term energy costs and manage the reduction of their carbon emissions, notably with the growing use of renewable energy. Co-operatives are deeply anchored in their local community; this connection often allows them to create partnerships with local administrators and other stakeholders for the creation of a decentralised model of energy production-distribution-consumption. Sustainable development should not be considered only as a tool to strengthen competition. During the next decade, particular support should be dedicated to enterprises that combine environmental and social concerns as it is the case for co-operatives.

CREATING A COMPETITIVE, CONNECTED AND GREENER ECONOMY

COOPERATIVES EUROPE supports the COMMISSION's views regarding access to credit stressing that "new sources of growth such as the creative industries need new types of financing adapted to their business models". This should also apply to the co-operative business model, which has always encountered difficulties in accessing credit for its growth, given its particular financial and social capital structures.

Similarly, COOPERATIVES EUROPE considers that if 'the development of SMEs, the support of their growth potential and internationalisation' is obviously laudable, the focus should be broader and include co-operatives.

Once more, co-operatives would need EU regulations providing them a level playing field for different forms of enterprise.

Whatever the options chosen by the EUROPEAN COMMISSION, the European Union of 2020 will be profoundly different from an economic, social and environmental perspective. As highlighted by the COMMISSION, this is a time of deep transformation for Europe. The growing climatic and economic crises are modifying deeply rooted certitudes and stressing the need for a change of paradigm.

Co-operatives can be at the forefront of this structural change provided that they are not only recognised by the EU but also supported by concrete and tailored politics. Therefore, **COOPERATIVES EUROPE calls for the inclusion of a specific reference on the promotion and development of co-operative societies in the future EU 2020 strategy.**

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