



# **“Review of European Cooperative Societies (SCER)” project**

**2012 – 2014**



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# Final report

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## INTRODUCTION

### Context of the European Cooperative Societies

The Statute for a European Co-operative Society was adopted on 22 July 2003 (OJ of 18 August 2003 (L207)). Its objective is to provide co-operatives with adequate legal instruments to facilitate their cross-border and transnational activities. The Statute for a European Co-operative Society parallels the Statute for a European Company (SE), adopted in 2001, but has been tailored to the specific characteristics of co-operative societies. The Council has also adopted Regulation (EEC) No. 2137/85 relating to the European Economic Interest Grouping, Regulation (EC) No. 2157/2001 relating to a Statute for a European Company, and Directive 2005/56/EC on cross-border mergers of limited liability companies.<sup>1</sup>

On the side of the European Commission, some steps have been taken since the creation of the statute in order to help the development of SCEs. During the final conference of the SCER project on 29 January 2014 in Brussels, the European Commission declared that future intervention will focus on three main issues: education, promotion of the SCE and innovative access to finance. The aim of the first two is to remedy the lack of knowledge about the SCE statute. National authorities, and also the individuals and private organisations, are often not aware of the existence of the SCE statute and its advantages. Therefore, actions will be taken to promote the SCE to universities and to create specific training for young entrepreneurs wishing to create SCEs. At the same time, promotional work will be carried out through advertisements and the creation of a website. The aim is to give specific information to potential and current SCE entrepreneurs to allow them to meet in a forum in order to exchange views on difficulties and share ideas. Finally, the European Commission will work on researching innovative funding possibilities such as a social stock exchange or within the European programmes COSME and HORIZON 2020.

The SCE project focused in particular on the fact that the 2003 directive of the European Commission laid down the obligation to develop worker representation structures. In particular, the participation of the employees in the decision-making process is a condition of being an SCE. The directive also makes clear that cooperatives employing more than 50 employees must have worker representative in the board of directors. This worker representative must participate actively and effectively in the management of the SCE, not just be consulted.

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<sup>1</sup> [http://europa.eu/legislation\\_summaries/employment\\_and\\_social\\_policy/social\\_dialogue/l26018\\_en.htm](http://europa.eu/legislation_summaries/employment_and_social_policy/social_dialogue/l26018_en.htm)

## Presentation of the project SCER

In this context, the *Review of European Cooperative Societies* project (SCER) was financed by the European Commission, DG Employment, Social Affairs and Inclusion. It started in 2012 and ended in March 2014. On the basis of the existing experiences of European Co-operative Societies (SCEs), the SCER project intended to **contribute to knowledge and awareness of the phenomenon of the SCE** and in particular on the **role that employees play in the transnationalisation of the activities of cooperatives**. SCER aimed to provide an in-depth information mechanism to organisations involved in the social economy, as well as to a **wider public involved in the ongoing debate on the implementation of the SCE legislation**.

The recent European-level debate on SCEs highlights many elements for which a substantial comparative study, based on in-depth knowledge and research, still needs to be carried out. A comparative study implies a possible combination of both economic and social aspects. In other words, SCER aims to provide a **qualitative assessment** based on the experience of existing SCEs and SCEs in the process of being established. Moreover, the project focuses on the aspect of **employee involvement**, both with regard to the implementation of Directive 2003/72/EC and with regard to (best) practices of workers' involvement implemented both at national and at transnational level. Finally SCER provides a **clearer picture of the European “legislative” experience** of SCEs in relation to and in combination with the concrete realities, roles, needs and aspirations of all the actors involved.

The project's **activities** followed specific objectives. First, it attempted to identify all SCEs in existence and in the process of being established, and to gain a better understanding of the number and nature of SCEs that exist in Europe. Then, SCER collected relevant public documents in a central on-line archive, and drew a detailed map of a selection of SCEs with regard to their external and internal characteristics. It used interviews and direct investigation to highlight the interaction between various economic, organisational and governmental features which involve workers in decision-making at a transnational level. The project created a detailed picture of the issues involved in the creation of an SCE, with specific regard to legislative aspects and the involvement of workers. Another activity of the SCER project was to gather first-hand information on the role and impact of employees involved in the creation phase of an SCE. Finally, the project identified good practices of employee involvement in SCEs and provided in-depth information of their functioning and positive outcomes.

The partnership was designed to provide the project with a transnational dimension. The project brings together partners both from the European level (ETUC, DIESIS, IAFP), and national one (France (CGSCOP), Italy (Alleanza delle Cooperative Italiane, IRES, AGCI, Legacoop Servizi and LegacoopSociali) and Spain (COCETA – the coordinator and CONFESAL)). The transnational dimension is assured both on the workers' side – by ETUC, the only representative cross-sectoral trade union organisation at European level, which now represents 84 trade union organisations in 36 European countries, including 12 European Trade Union Federations – and on the entrepreneurial side by associations representing cooperatives and participative enterprises from different European countries that are members of the national and European umbrella organisations.



As mentioned above, SCER's research was based on the existing SCEs. The first step was mapping the existing SCEs in Europe to understand their activities. The result is a database of 45 SCEs, of which 10 have proper business activities. The others are not active yet or are not business-oriented.

Another focus of the research was to understand the way in which the participation of workers in the SCE's management is implemented. The SCER project studied how the different national systems of employee representation are combined to establish one system at the SCE level.

To establish the position, the SCER project had to focus on the active SCEs, to study their mechanisms and governance systems and to pay particular attention to the role that employees play in the transnationalisation activities of specific cooperatives.

The following report will help to understand who the active SCEs in Europe are, the advantages of being an SCE, what the limits are, and the degree of employee participation.

## **A. Active European Cooperative Societies (SCEs) in Europe**

The active SCEs are: Euromovers in Germany; Wecoop, ESCOOP and Fondo Salute in Italy; Consen, Euskal Herriko Ikastolak and iesMed registered in Spain; Campus ReDesign SCE in Sweden; Cassia Co-op in the Netherlands; Flandria in Poland; New B in Belgium; and FEUVA Európai Szövetkezet SCE and Ha-Mi-Összefogunk Európai Szövetkezet in Hungary. The project identified a new SCE that is being currently setting up in Italy. Most of these SCEs work in the social field but there are exceptions (such as Euromovers) and they all pursue a social purpose and a social aim.

The first part of this report will present the SCEs, their activities, goals and histories. As information was collected through interviews carried out with the SCEs' entrepreneurs, the amount of detail provided varies.

### **EUROMOVERS SCE (Germany)**

Euromovers International SA is a corporation headquartered in Luxembourg encompassing a group of leading international movers. The network includes more than 70 companies in China, Australia, the USA, Russia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Slovakia, Spain, Switzerland and the United Kingdom. The company offers a full range of services for national and international removals.

With regard to the international network, however, it should be noted that in overseas operations businesses simply enjoy the status of agents and not of shareholders. However, they may use the brand on the basis of a partnership agreement. In addition to Euromovers International SA, Euromovers Niederlande is still operational with over 20 Dutch companies, as well as Euromovers SCE mbH.

The history of Euromovers started in 1995. At this time, a number of companies operating in the field of removals logistics, in the broadest sense, set up an association under the Euromover brand. Since Euromovers found itself entering into framework agreements, acquiring customer contracts and performing removals, the legal status of an association proved to be inadequate. Therefore, in 1997-1998, Euromovers Deutschland GmbH also joined the association, with the purpose of including a corporation under the umbrella of the association. However, since the legal entities of association and corporation did not turn out to be particularly suitable for Euromovers, a more suitable legal solution was explored. In 2010, the decision was made to **create a European cooperative** from the association and the GmbH. In contrast to the previous legal forms, the legal status of an SCE on the one hand ensures coordination between member companies and on the other hand is well suited for business enterprises. The idea of founding an SCE resulted from the personal contacts of the current Executive Board with a cooperative auditing association. During discussions with the representatives of the auditing association, the Executive Board was advised of the possibility of founding an SCE. On 6 May 2011 Euromovers SCE (Societas Cooperativa Europea) with limited liability was finally incorporated. Euromovers SCE has its registered office in Bonn.

Although the process of establishing the SCE has many similarities with the German cooperative regulations and laws, the transformation into an SCE did prove to be very difficult. The SCE was founded by 25 German members and a Spanish one. The 26 members are divided into 20 legal entities and 6 natural persons. All member companies operate in the business of removals logistics.

The Spanish company was included as member of the SCE to meet the EU Directive criteria. The Spanish company met the requirement following which at least two countries must be involved to be able to set up an SCE

Although the founding meeting took place on 6 May 2011, the SCE acquired full legal capacity only at the end of March 2012. Since the competent authorities had no experience with the establishment of an SCE, the process of issuing a cooperative register number and a tax number took almost a year.

It was unclear to the authorities, for example, that under German Law, an SCE must have a share capital of €30,000 and that the acronym "mbH" (limited liability company) must be added to the name. This addition initially led the authorities to the mistaken notion that the SCE mbH might be an actual corporation. It took almost a year for all these doubts and uncertainties to be overcome, and hence the SCE did not become operational until the end of March 2012. In 2013, Euromovers International and Euromovers SCE mbh agreed on reciprocal membership. Euromovers SCE holds 16 out of a total of 320 shares of €100 in Euromovers International SA. Conversely, Euromovers International SA owns a share of €500 in the SCE. Thus each company has a voice in the other company too.

### **ESCOOP European Social Cooperative (Italy)**

ESCOOP is based in Italy and was created on 6 July 2006. The SCE has 23 members (in January 2014), including associations, cooperatives, educational centres, individuals and public institutions from Finland, Germany, Italy and Spain.

ESCOOP pursues the general interest of the community, working for human advancement and the social integration of citizens through the management of social, health, education and training services for the benefit of underprivileged people, and productive activities in which the work integration and work placement of socially underprivileged people would be realised. The cooperative also has the purpose of achieving continuity of employment opportunities in the best possible economic, social and professional conditions, through appropriate management in associate or collective forms of the enterprises in which the employees (members and non-members) work. Their work is in the fields of social, health, education and training services and the work integration of socially underprivileged people.

The SCE has been built by a European project ready to analyse the different situations in the three participating countries which were Italy, Finland and Spain. After the study, the consortium of partners decided to create the SCE in Italy where there is a stronger culture of the cooperative movement. In 2006, all the participating partners became members of the SCE. The creation of the SCE was very difficult because it was in 2006 when the directive was unknown from the public administration.



Today, ESCOOP is represented in five countries: Greece, Germany, Spain, Italy and Finland. The legal head office and executive offices are in Italy, while the legal official headquarters is in Finland. In the other countries, representation is informal but it exists. The members are physical persons and also organisations. In 2012, turnover was €149,856.

### **Fondo Salute SCE (Italy)**

This SCE is also based in Italy and was created on 14 April 2010. It was set up by two founder members: the *Società nazionale di mutuo soccorso Cesare Pozzo* in Italy and *Harmonie Mutuelle* in France. The purpose of the SCE is to provide and manage integrated healthcare funds, as a result of collective agreements or contractual agreements with businesses, to ensure health care to workers and their families. The two actors decided that the SCE statute was the best to combine insurance tools for health in order to be able to compete with private insurances, which have an oligopoly in the market. This results from the lack of national laws allowing non-profit organisations to be competitive. In fact, a second reason for creating this SCE was to have a more powerful voice at the EU level in order to push for legislative change and to attract more attention to the difficulties of the mutual sector. Fondo Salute works in finance in the health sector.

### **Wecoop (Italy)**

Wecoop is a very interesting SCE located in Italy and it was created by individuals in October 2011. Wecoop is represented in Italy, Spain, France and Slovakia. This European Cooperative Society is entirely composed of employees of the CCPL Group. This is one of the largest Italian cooperative Industrial groups, which is broadly diversified and became a multinational group after acquiring a company abroad.

Culminating a process that began in 2008, Wecoop quickly surpassed 500 members, of whom about one-third are non-Italian. In 2013, there were 517 members, all individuals. The aim of Wecoop is to make the employees active in cooperative management in order to understand and to acquire knowledge about the cooperative movement and also to satisfy the requirements of its business and social activities. It is a cooperative of employees based on the principles of internal democracy, whose activities range from the economic to the social and cultural, and which employees join on a strictly voluntary basis. In April 2012, Wecoop became a member of CCPL and its president joined the board of directors. its activities are in the economic, social and cultural fields.

### **Social Economy Agency Coop (Italy)**

SEA SCE is not yet established but will be set up in the next few months and should be registered by summer 2014. The new SCE will be based in Trieste, in the Italian region of Friuli-Venezia Giulia, and will have individual founding members in Italy and Slovenia. The SEA will act in the interest of its members and will adopt a cooperative management structure with a board of directors, an annual general assembly and a democratic management procedure. As regards the characteristics and interests of its members, the SCE will have the objectives of planning, organising and managing vocational training, increasing qualification and competences, and offering training activities to promote the principles of social economy and

the practice of social entrepreneurship. The purpose is also to encourage the creation of social enterprises in Italy and in Slovenia, in order to create jobs, especially for young people. The SCE will study and monitor the evolution of social enterprises in their various forms (cooperatives, associations, foundations and mutuals) in different fields and sectors of activity. The SCE will act as an agency to assess the effectiveness of the social integration of citizens and corporate social responsibility and to guarantee the quality standards of social enterprises. In this perspective, SEA will mainly support the development of social businesses. SEA will be the ambassador of its members in conferences, exhibitions, studies and researches. It will be also a centre of knowledge and sharing in order to create new pilot projects at the European level, specifically between Italy and Slovenia but also involving other member states. This action aims to support social business interests and the emergence of new sources of employment related to the fulfilment of social needs.

In addition SEA SCE will give technical and economic assistance to businesses to facilitate their relationship with public authorities in order to create public-private partnerships. The SCE will be the centre of sharing competences and knowledge among the members.

### **Consen SCE (Spain)**

Consen is located in Spain and was created in November 2004. It has 10 agencies in eight EU countries. Its purpose is to maximise socio-economic benefits by promoting the information society and open technologies. It works in research, development and business networking.

### **Euskal Herriko Ikastolak (Spain)**

This SCE was created on 2 December 2009 and is located in the Basque country of Spain. Its main goal is to give the same education in the French and Spanish Basque countries. Its objectives are to develop cooperatively an education project entirely in the Basque language, to represent members as one entity and to promote Basque education. The SCE is composed of *ikastolas*, which is the name of the schools. The co-operative was legally founded by 12 organisations (3 in France and 9 in Spain), already constituted as cooperatives at national level. Most of them are organised as cooperatives whose members are the teachers and the students' parents. The concept of the *ikastola* appeared at the beginning of the 20th century but the first *ikastola* was created in the 1960s. Now officially recognised by the public authorities and expanded to all the Basque Country, Euskal Herriko Ikastolak has financial support from the public authorities. It produces its own teaching materials and works in cooperation with the other *ikastolas* of the Basque Country. Nowadays, the SCE serves 50,400 children and 4,300 teachers. In 2013, 103 *ikastolas* are members of the SCE and 76 (out of 103) are cooperatives. In addition, Euskal Herriko Ikastolak was the second European Cooperative Society to be registered in the European Union and is the only Basque social organisation with supranational administrative recognition. The SCE turned over €5,358,000 in 2011.

### **iesMed (Innovació i Economia Social en la Mediterrània) (Spain)**

iesMed is based in Spain and was created on 23 September 2011 by five persons resident in two member states (Spain and France) and one Spanish company. Its members comprise

physical persons plus one legal entity. iesMed is a cooperative platform which boosts the Mediterranean social economy. It was one of the first European cooperatives created within the EU and the very first created in Catalonia. iesMed defines itself as a social and solidarity-based broker between social economy actors (companies, federations, networks), social economy support services (especially funding and consultancy services), and the private and public sectors. Born from a blend of various traditions, the iesMed project has from the start given priority to transnational cooperation in order to build an “economy without borders”. It can be viewed as a laboratory for applied cooperative innovation. iesMed develops for its members products, services, and R&D projects that fall under the definition of collective and solidarity-based entrepreneurship within the Mediterranean region. It offers the identification and the rationalisation of assistance services (sourcing and consultancy). iesMed is geared towards leadership-driven and scalable projects. It also helps organisations that request assistance and puts forward made-to-measure solutions. Pursuing its mission of offering social and solidarity-based brokering, iesMed promotes the services that are most appropriate and innovative for social enterprises (financial services, consultancy, assistance, social and financial innovation, and organisation of international events) with the aim of amplifying and internationalising their action. The SCE brings resources together through network-based cooperation. It stimulates cooperation, alliances and resource consolidation. It essentially structures and promotes innovative and multifaceted programmes on behalf of public and private institutions. iesMed takes part in the import and export of entrepreneurial initiatives that have a powerful social impact as a way of meeting priority local needs. Finally iesMED promotes and assists the internationalisation of a modern, creative, innovative, and ambitious social and solidarity economy as a response to the main challenges it will encounter, on both sides of the Mediterranean (replication of successful experiences, market internationalisation, etc).

### **Campus ReDesign SCE (Sweden)**

Campus ReDesign is based in Sweden and was created in 2009 by five physical persons in two member states. It is represented in France, Belgium and Sweden. It is active but since January 2013 has no employees. Campus ReDesign SCE promotes the concept that every business, product and service should be ecologically and socially sustainable in order to be successful in the future. It drives innovation and organisational change towards sustainability with an ever-increasing speed. It makes the innovative knowledge to redesign business and society towards sustainability easily accessible to professionals so that they can minimise risks, avoid costs and create opportunities. The vision of CAmplus ReDesign SCE is to be a global provider of expert online sustainability training. It gives professionals worldwide – from the business, public and academic sectors – training to redesign their operations, products and services towards ecological and social sustainability and success. The SCE works in the fields of training and courses on sustainable development.

### **Cassia Co-op (Netherlands)**

This SCE is located in the Netherlands and was created at the end of 2009. Its activities are in the Netherlands, Italy, France and Indonesia. The aim of Cassia Coop is to export cinnamon products and patchouli oil from Indonesia while removing middlemen from the supply chain.

Cassia Coop sees its work being to link farmers with end-users and vice-versa in order to create transparency and interdependency. It thus creates a fair and efficient supply chain while having a sustainable positive impact in Sumatra, Indonesia. It has six members: two from France, two from Italy and two from the Netherlands. The company in Indonesia is a sister company. Its activities are mainly located in Indonesia. The members created the SCE because they were interested in gathering together clients and suppliers from Switzerland, the Netherlands and Indonesia. Cassia coop works in the fields of fair agriculture and fair trade.

### **Flandria SCE (Poland)**

This SCE is based in Poland and was created in 2011. It was initiated by SWP, the Flandria Association of Mutual Help, the first association for mutual help established in Poland since the Second World War. Flandria has its activities in Poland. Flandria is the first European Cooperative to have its activities in Poland, and it received a lot of support from its Belgian partners Escapo, De Lindeboom and Nationaal Hulpfonds. The new-born SCE Flandria SCE operates health shops and social pharmacies in many Polish regions. It works closely with the branches of the mutual association SWP Flandria, including the volunteer movement. Flandria choose to create a cooperative in 2011 because it was the best common legal form they could have, considering the fact that the partners work under different legal systems. This binational cooperation (Poland and Belgium) developed a partnership to support the “common management” of the SCE. The current tendency is to make the two national confederations to converge to be more efficient. The final aim is to create a new social organisation, which can make a profit. The SCE has five members, of which three are in Belgium and two in Poland. Flandria is a non-profit organisation and operates under the law of mutual associations in homecare and public health insurance.

### **New B (Belgium)**

The SCE is based in Belgium and was created on 6 May 2011. It has over 47 222 members, who are individuals, societies and investors. The purpose of New B is the creation of a cooperative bank in Belgium for individuals, associations, cooperatives, social movements and entrepreneurs. its sector of activity is banking.

The SCE promotes the creation of a new cooperative bank in Belgium in order to provide a simple, reliable and sustainable service for all citizens which meets their needs, and organises economic and social activities among its members, whether associations, social movements and entrepreneurs.

The bank offers a range of products and services in order to become the country’s only customer-owned bank. New B wants to be a strong economic support for social intermediaries and aware citizens. The bank is based on the following values. First, social inclusion, because the bank relies on the contributions of organisations and thousands of customers which together are co-owners of the bank. New B wants to be simple in order that customers and cooperators understand the structure and banking products. Financial resources are invested in the “real” economy. Profit is not a goal in itself, but is the result of good management. In addition, the bank is attentive to anything that promotes a social and sustainable economy. Socially harmful activities and products are prohibited by the SCE. All the banking activities are open to a greater transparency. The innovation constitutes an important aspect as the bank develops, together with its cooperators, new products and innovative solutions for social and

ecological economics. Participation by cooperators is a condition of being a member of the bank but is also essential to the search for innovative solutions. The balanced sharing of profits between deposits and cooperators, access to credit for all, and the diversity of its people in order to be truly a bank for all are also principles of the bank.

New B may also intend to meet the needs of its members by promoting, in the same way, their participation in economic activities in one or more national or European cooperative societies.

### **FEUVA Európai Szövetkezet SCE (Hungary)**

The SCE was created in 2008 in Hungary and has 16 members. Among the SCEs in Hungary, FEUVA performs relatively well: its income exceeds 6 million HUF (c. €20,000). The registered SCE FEUVA is scattered all over the country and is an active co-operative with the clear-cut strategic aim of mobilising social resources among individual car repair workshops. The workshops continue to be independent economic operators but they will start exploiting business opportunities that result from clustering as a network. FEUVA has its own story about its creation. Set up by 35 individual SMEs, FEUVA had a strategic goal of strengthening its activities at the European level. When it registered as an SCE, the news was published in the Official Journal of the EU as a European Economic Interest Group.

### **Ha-Mi-Összefogunk Európai Szövetkezet (Hungary)**

Ha-Mi SCE is registered in Hungary and has 213 members. It is an interregional issuer of a local currency aiming to promote multilateral exchange among its members. Ha-Mi is already well-known in the region and in May 2010 it got into full swing and started issuing its local currency in order to promote trade among 500 firms to the tune of several millions of HUF, and mobilise the resources of member firms. The members are taxi drivers, pharmacies, wineries, hotels and restaurants. Members pledge that customers receive a discount of up to 10 percent if they purchase with the alternative local currency. The co-operative focuses exclusively on city entrepreneurs and on local SMEs, and extends its target area to Croatia and Austria – but not to Slovenia. Multilateral barter among the members is envisaged as an auxiliary channel to boost the local economy by selling unsold products and services. To start up the SCE, they received encouragement from a financial expert who is now a top manager in the National Bank. This expert, a follower of Gesell, a Swiss social reformer of the early 20th century, has been searching ways to stand up to global economic competition by transplanting experiments with local alternative money that help to keep income in the region.

The presentation of the SCEs shows that the sectors are very various and different. In other words, the SCEr project aimed to study the real impacts of being an SCE.

## **B. Being an SCE means...**

The SCE statute gives a number of advantages to entrepreneurs with a specific interest in expanding their activities in Europe. Being an SCE could be also limiting factor, especially in the constitution process. The second part of the report will provide details of the advantages and limitations that the SCE statute brings to entrepreneurs.

### **1. Advantages of being an SCE**

The common advantage of setting up an SCE is that member companies can operate under a unified brand at the European level. All the SCEs mentioned that they wish to expand their activities at the European level. The cooperative statute gives them more legitimacy to try to develop good practices by sharing knowledge and experience among members at the European level. The competitiveness and the economic aspects are also a strong motivation in becoming more efficient, competitive and aware of the European market. Most of the SCEs interviewed declared that being an SCE gave them a simpler way to run their business under a single European label. It also offered greater mobility in the integrated EU market.

The following part presents the advantages mentioned by the SCEs interviewed.

**Euromovers:** The SCE statute helped the cooperative in many ways. To have one unique structure reduced administrative work dramatically. Furthermore, it permitted the cooperative to save money in terms of purchase of material, as only one company makes the orders. It also provides mandatory audits, which gives the co-operative a higher credibility and trust with clients. Before becoming an SCE, it was more difficult to manage the different companies.

Euromovers has set Quality Standards as well as a Total Quality Assurance System, which is complied with by all its members. In order to ensure a uniform quality standard at European level, the ISO 9001 quality management system is applied to all the members of the SCE. The certification requires mandatory training courses for the employees. To ensure the same service standards abroad, the employees of Euromovers International SA and Euromovers SCE mbH are provided with the appropriate training in the different countries. Moreover, general standard quality criteria have been collectively agreed. The goal is therefore that customers on an international scale are able to connect the Euromovers brand with a certain level of quality.

Furthermore, the purpose of the cooperative is to promote its members. A joint purchasing system, with its economies of scale and price reductions, is certainly an advantage. On the other hand, the international network also promotes greater know-how, innovation and teamwork. International cooperation triggers innovation processes that can be immediately implemented across countries.

Business areas include private individuals, businesses and public institutions. In economically weaker regions member companies are usually more focused on households, while conversely in industrial conurbations and with local authorities the priority is instead given to project applications. For example in the Cologne region, which has many government authorities (e.g.

the Bundeswehr) as well as insurance and industrial companies (e.g. Bayer), 80% of the business of a member company consists of corporate relocations.

An additional advantage of the cooperative is that it combines member companies with different specialisations. As a consequence, the expertise of member companies with their different specialisations can be integrated through the cooperative in getting finance from banks.

**FEUVA** had good cause to register as an SCE. As a strategic goal, it had in mind to extend its activities to surrounding regions within Hungary but also to the adjacent regions in Slovakia and Romania, where the Hungarian language is often well-understood. In its services, the language barrier is important and the neighbouring regions are an attractive business goal. The second reason to create an SCE was the possibility of obtaining cheaper prices from suppliers, and more prestigious clients.

Another strategic aim of being an SCE is that it could purchase individual firms (family workshops). The owners of these companies could not easily sell their firms before they retire. As retired members, they certainly prefer to cede ownership to a cooperative in which they maintain their share ownership rather than simply letting their firm decay and go out of business. Small and medium-sized entrepreneurs are not really sensitive to economic terms such as growth, interest and company value. They are also not open to investors when it comes to selling their company. This gives FEUVA the possibility of buying and integrating family firms, while keeping their owners active in the management role.

**iesMED:** The choice of becoming an SCE was first of all symbolic, to foster the ideals of Europeanism and internationalism. Second, it was useful to survive in the market because it offered the opportunity to different organisations to coordinate themselves at the international level. An SCE also brings advantages in terms of visibility and accountability at the European level. The main specific advantage of being an SCE for iesMed was that the SCE statute permits it to ask for funding in different European states, and not only in Spain.

**Fondo Salute:** The advantages of being an SCE are not evident today, mostly because Fondo Salute is mainly working as a national entity. The managers of the SCE have not yet developed a proper strategy for transnational cooperation among the members. In the future, Fondo Salute would like to find synergies between the members in order to be able to participate in EU call for tenders and calls for proposals. This aspect will amply justify being an SCE and also will develop concrete activities at the SCE level and not only at the national level.

**Wecoop:** The advantages of the creation of Wecoop were its success in making the employees active in the management of the CCPL cooperative and also in learning more about the cooperative movement. CCPL tried to use the SCE as a link between the cooperative and its employees by making Wecoop a member of CCPL. Now workers at CCPL can exercise a vote in the board of directors like any other member in order to take part in the decision-making process.

**Flandria:** Flandria SCE is now open to other partnerships in Europe and it is easier for it to be more involved in the European social economy movement. It is trying to organise a platform



to lobby for the social economy. It is looking to extend its patient movement and to be more active in strategic health care decisions at the European level. This partnership was also useful in giving them more importance at the Polish level to explain how health care works in Belgium and to make suggestions on how to make improvements in the sector, especially in Poland.

**ESCOOP:** The SCE appreciates the statute because it confers a certain recognition from other European organisations. With the SCE statute, Escoop can participate easily in European projects and has noticed that it finds better partners. The SCE statute gives credibility in the eyes of potential partners.

Another advantage of being an SCE is the composition of its members. The members are very different and represent different sectors. This brings a richness to the SCE in terms of comparing cultural points of view and different realities, and exchanging experiences at the European level.

**Cassia Coop:** The only advantage that Cassia Coop noticed is that it could easily transfer the SCE to another member state if it wishes to extend its activities. Cassia Coop is also favourable to being an SCE because it pays less tax than a Dutch cooperative.

## **2. Difficulties and limitations of being an SCE**

The creation of an SCE causes difficulties for entrepreneurs. Depending on the country where the SCE is registered, the administrative procedure could be long and costly, especially in terms of time spent in most of the cases. All the SCEs interviewed claimed that they faced administrative difficulties because the statute was not very well known in their country.

iesMED declared that the problems that arose in the creation of the SCE were mostly administrative. Similarly, Fondo Salute reported that the difficulties were related to understanding the administrative procedures to be followed at the national level. During the creation of the SCE it took one year to overcome the administrative obstacles and to understand how to connect national laws to the European directive. In addition, there are still some unresolved issues, especially concerning eligibility to participate in EU calls for proposals. For the very enthusiastic SCE Euromovers, the main difficulty in creating an SCE was putting together companies with different structures: Euromovers needed six months to certify the signatures for the foundation of the company. Another difficulty was convincing the different partners to be absorbed under one organisation. This required a lot of negotiation especially considering the different cultural backgrounds and legal frameworks of the partners of an international company.

The SCE Wecoop found that the difficult part was trying to make the standard constitution normally used for all cooperatives fit with Wecoop's particular situation. In addition, the relationship with the trade union created some problems, especially because the constitution of Wecoop was very innovative and new. The consequence is that Wecoop acted in parallel with the trade union and chose not to consider the trade union's battles or claims as part of its responsibility. For its part, Flandria also faced administrative problems during its foundation. Registration took more than a year because the administrative authorities did not



know how to register this new entity in their databases. Finally, Cassia Coop confirmed that being an SCE brought no advantage and had no impact on their activity as it is a very small organisation. In 2013, it did not feel the benefits of being an SCE because it noted that clients and suppliers are suspicious of joining the SCE as member, probably because they do not know the statute. Escoop noticed that it has financial and economic difficulties in organising physical meetings. As the members are located in different countries, it feels that they need to meet physically more regularly to organise their work and to increase quality and efficiency. For the moment, it organises virtual meetings.

In Hungary, FEUVA Európai Szövetkezet and Ha-Mi-Összefogunk Európai Szövetkezet declared that they had difficulties because the statute was unknown by the public authorities. In Hungary, it seems there is no public authority where the legal form of a cooperative is mentioned as eligible for submission. The capital requirement is quite high by the standards of Hungary.

In addition, the study identified prospective founders who have given up due to the complex nature of the legislation.

### C. Corporate governance and worker involvement in SCEs

During the study, the experts found no SCE with more than 50 employees apart from the Basque SCE **Euskal Herriko Ikastolak**. This is also the only SCE which is in the process of creating a Special Negotiation Body (SNB) in coming months.

**Euromovers** has few direct employees, who embody the company's know-how. In fact, the entire production process is split between the different companies. Worker participation is limited to sporadic communication between the SCE's board of directors and the workers of all the partners through participation in international workshops.

Following the bylaws of the SCE, members who have their headquarters or domicile in the same country and more than 11 percent of the voting members of the SCE have the right to propose board candidates to the General Assembly.

Euromovers SCE has an Executive Board, which consists of one person, and a five-member Supervisory Board. Workers are not represented on the Supervisory Board.

The member companies of the SCE have a total of approximately 1,000 employees and sales of almost €50 million a year. The number of employees of member companies ranges from 10 to 100. The Spanish member company has approximately 20 employees while Euromovers SCE has only its one employee, the Managing Director.

The legal provisions covering Euromovers SCE do not envisage that employees can become members of the cooperative. This possibility was excluded to avoid unnecessary complications in the process of establishment of the SCE.

Before the establishment of the SCE, member companies did not have any workers' representation body. Consequently, no form of employee participation is provided for at European level in the SCE.

The industry is characterised by a high turnover of employees. This is a challenge since companies are increasingly dependent on skilled workers. Since the latter are more and more difficult to find in the labour market, companies need to work out retention strategies for their employees, relying on forms of motivation and participation. One reason for the difficulty in finding qualified employees and retaining them is certainly the low level of wages in the industry.

Generally speaking, one might say that industrial relations in the removal business are only very weakly structured. The level of representativeness of both the employers' associations and the trade unions is comparatively low. Evidence of the weakly developed industrial relations is the lack of a common nationwide collective agreement for the industry.

While collective agreements exist and are applied at a regional level (*Land* level), the challenge is that for example for the new region of Thuringia an extremely low hourly wage is envisaged

for low-skilled workers, about €6. The consequence is that companies that need skilled staff unilaterally decide to pay higher wages.

For **Euskal Herriko Ikastolak**, the corporate governance structure of the two founding companies comprises an Executive Board and an Administrative Board. Following the same logic, its system of governance comprises a Board of Directors (*Consejo de Dirección*) and an Executive Board (*Consejo Rector*). Employees do not have the same role and the same degree of involvement in the SCE but everybody participates in the SCE's activities. The employees do not have a specific impact in the decision-making process of the SCE. Considering that Ikastola has 74 employees (2013) of which only four are in France, one representative of the employees participates in meetings of the 15-strong Board. Ikastola confirmed that since the launch of the cooperative, it has considered employee participation and the application of Directive 2003/72 as a priority. In addition, Ikastola hopes to set up an SNB in the next few months.

In the cases of **Ha-Mi and FEUVA**, the question of how best to involve employees is delicate as the members are exclusively entrepreneurs. For **FEUVA**, this question is unresolved and it does not have employee representation. For **Ha-Mi**, there is an intriguing component that deserves more attention: employees (pharmacies, restaurants, winegrowers, etc.) are paid in part with the coupons (Kékfrank) issued by the cooperative. Employees' fringe benefits are paid in these coupons. Normal cafeteria practices allow employees to select their favourites, which is not the case with the fringe benefits provided by Ha-Mi. Enabling employees to choose what tax-sheltered fringe benefits could be put on the agenda as an important element in improving social dialogue within the cooperative. The research showed that these two SCEs uphold mainstream corporate behaviour without establishing an internal social dialogue or elements of workers' participation. According to these two cases, it is certain that the SCE Regulation has not engendered a new generation of cooperative laws in Hungary.

In Spain, **iesMED** agreed that there was a problem related to how the Spanish law on cooperatives deals with worker participation. Cooperative in Spain cannot join trade unions because they are considered to be entrepreneurs, who have no right to be part of trade unions. For this reason, IesMed has an autonomous regime. The employees can decide after one year to become members of the cooperative, following the cooperative rules. Until 2013, the corporate governance structure of the founding companies included all five workers as members of the Board of Directors (*Consejo Rector*). The five workers are in direct contact with the worker members. The Spanish member *Proyecto 47* is the only member to have only shareholders and no workers on its board. The SCE is organised by a **general meeting** on the one hand, and on the other hand by an **administrative board**. All the worker members and workers participate directly in all the decisions. There is no workers' representation because under Spanish law this is not required in enterprises with fewer than 30 employees. IesMed has six employees and should not reach 30 workers considering the objectives of its governance model.

The statutes plan the following governance model (which is under implementation): it is based on the search for consensus between the different parties, especially between worker members (direct employees of the cooperative), who have 35% of the votes, and institutional

partners (companies, regions, federation with Mediterranean orientation) which also have 35% of the votes. Users (consultants/clients) with 10% of the votes and skilled partners (professionals/suppliers) with 20% of the votes are also invited to become part of the iesMed network and to participate in its management. The role of the employees and their representatives in the SCE is defined as followed: nine full-time and two part-time worker members/workers. All of them are based in Barcelona, except for a representative in Morocco, one in Tunis and one worker in Montpellier (a "shared" human resource).

The representation of the employees in iesMED is very much respected, as EU Regulation 1435/2003 and EU Directive 2003/72/EC on the information, consultation and participation rights of employees in an SCE require.

**Fondo Salute** has 10 employees (in December 2013) working full-time with long-term contracts, plus two regular collaborators. In this case, employee participation, which is very high at the national level in each mutual, is still to be developed at the SCE level. In fact, in Italy, where the situation is still regulated by a royal decree from 1800, the beneficiaries of the mutual are not considered as clients but as members. They have all the rights of a member: they have an active and passive vote and the right to stand for relevant posts in the governance of the mutual. Clearly, this situation creates an imbalanced governance. On one hand, there are people managing and leading the mutual and on the other hand there are the customers, who are not aware of the internal management of the cooperative, yet, due to their high number, still have more decision-making power than the manager. Fondo Salute is working on solving the problem in order not to repeat it at the SCE level, trying to find new representation structures to allow workers to participate.

**Wecoop** does not have this problem because the SCE was born to allow workers' participation. The representatives of Wecoop attend the reunions of CCPL where they present various guidelines. The discussions of the board of directors are relayed to the members through newsletters. Moreover, the members have found new ways of influencing the governance of the company through specific interviews and meetings. Wecoop organises regular meetings twice a year to improve the interaction between the workers and their representatives. In these meetings, the representatives can answer the questions of the members and identify rules and proposals to discuss with the board of directors. The representatives who constitute the board of directors of Wecoop are 19 in number, which is the maximum number. In order to collaborate together, they use videoconferencing or travel to meet in person, and they try to hold the meetings in different places.

For **Flandria**, the participation of workers (50 people work in the cooperative) is not yet organised. The board of directors comprises seven people who meet every three months. As regards the individual partners, it is also important to underline that they are not all cooperatives, especially the Polish ones, because for historical reasons Poland is not very favourable to the creations of cooperatives.

The corporate governance structure is composed of a management board that works according to the rules of proper management for companies (corporate governance).

In Sweden, the **Campus ReDesign SCE** has no employees, which exempts it from applying Directive 2003/72. The SCE structure is made up of a general meeting on the one hand, and on the other hand a management board with a supervisory board (the two-tier system).

**ESCOOP** has a governance system as the Italian cooperatives. This comprises an advisory board that meets every three months and an annual general assembly. In the advisory board, the employees of the SCE are not represented because they are not closely involved in the decision-making process. With two employees, Escoop does not give a participative role to its employees. The employees of the members of ESCOOP are represented in the advisory board and they participate in the decision-making process.

In Belgium, **New B** is composed of a board, which meets at least every three months, and an annual general assembly of members. The bank is looking for ways to introduce more worker participation. Until 2013, New B has organised general assemblies in which members and workers are invited to participate and give their opinions on future orientations.

## CONCLUSIONS

The SCE legal framework has proved to have a development potential.

The “SCE model” seems to be a suitable tool for companies which need to coordinate on a European scale following the cooperative model.

The fact that different SCEs have come into existence in the few years since the implementation of the regulation and the directive seems to show that the SCE statute is advantageous and that it responds to a real need from European cooperatives.

In this sense, the SCER project has spotted new emerging SCEs such as the Italian-Slovenian SCE *Social Economy Agency Coop* (SEA). This case represents an interesting example: the new SCE aims to encourage social cooperatives and enterprises, to support and develop common projects, to carry out research and to train professionals, in order to support the activities of its members and also to promote social economy values in Italy, Slovenia and other European countries. SEA will involve its workers in the management of the organisation directly and/or indirectly by the representation of the members.

The project has highlighted the advantages and limitations of setting up an SCE, as well as the issues related to worker representation and involvement in SCE governance.

First of all, as mentioned above, SCEs are created for different reasons.

The legal framework seems to perform a function in the process of internationalisation of social enterprises and cooperatives, and in particular in supporting more effective collaboration among members and partners. The SCE statute is also useful in protecting and creating common quality standards within the partnership, to promote a more visible and accountable European brand. Last but not least, creating an SCE helps a partnership to make contact with other actors of the social economy in different countries and to broaden its network.

The main limitations in setting up an SCE are of a bureaucratic, administrative and juridical nature. Many companies needed several months just to understand how to write and sign the SCE statute, and experience costs in terms of time and stress.

The main reason for these difficulties lies in the fact that SCEs are a relatively new phenomenon, of which national institutions have no experience. The SCEs which are presented above are pioneers which are facing the typical problems of going through brand-new legal procedures and experimenting with a new statute. This problem will be easily overcome after these first experiences, that will serve as pace-setter and will show the way forward to future SCEs.

The study revealed a further interesting point, that the worker involvement criteria cannot be considered as an obstacle for setting up SCEs.

Nevertheless, observing the effective implementation of worker involvement and participation in the governance of the SCEs, the situation appears to be ambiguous.

For the above-mentioned reasons, it is very early to draw any conclusion on this issue.

The analysis of the SCEs surveyed during the project showed, on the one hand, very few attempts at full worker involvement at the SCE level. On the other hand, if not at the European network level, workers and their representatives are mostly involved at the level of the single national partners, in the national organisation, in single workplaces.

A reason for the lack of formalised worker involvement schemes in existing SCEs is only partly linked to the matter of the threshold regarding the number of employees. The SCEs analysed are still in a phase of construction, and they are still trying to understand their statutes and their possibilities at the level of boards and decision-making bodies in the EU dimension.

Creating an SCE means matching different areas with different economies, legislations and practices – including those concerning industrial relations and worker involvement. It is therefore very difficult to understand them all, elaborate them and make them work simultaneously in a new European governance scenario. Issues of such calibre are sometimes not fully resolved at the national level either.

Establishing proper worker involvement requires a good understanding and organisation of the internal structure and giving information and training to both management and workers themselves.

However, this remark does not allow any final conclusion.

In time, companies will become familiar with the statute and with the development of the intrinsic aspect of worker involvement in a European-level cooperative.

On the other hand, one good sign is the fact that there is no evidence of a conflictual relationship between the board of directors of the SCE and workers' representatives at national level. Given such conditions, in the future it is possible to expect coordination for worker representation also at the SCE level.

After this first phase of SCE assessment, the next step can reasonably be dedicated to the creation of systems for the representation of workers' interests at the SCE level. This conviction also emerges from the evidence that in the majority of cases, worker involvement exists and is well implemented and developed at national and site level.

This circumstance not only represents the goodwill of company management. It also bears testimony to the importance that cooperative companies pay to worker involvement, which is seen as a characteristic part of the company and business model.

This also means that representative structures could be adapted and transferred at the European level.

If the existing SCEs manage to solve the problems related to the internationalisation of the governance model in general, they will soon also familiarise themselves with the implementation of the representation and involvement of employees.

From both perspectives, the study confirms there are positive signs for the future of SCEs. The SCER study has underlined that it is also necessary to look at a broader level, at the general situation of social enterprises. They sometimes have poor policy support, in particular in this period of crisis in which many public interventions in favour of companies have been

decreased. In the current period of crisis and austerity measures enacted by public authorities, social enterprises and cooperatives have sometimes taken on the role of providing the missing public services. Given this situation, they are now suffering from the economic crisis and the general tendency to cut budgets for social policies in many European countries. An example is the fact that there is a range of European registrations – SCEs, mutual societies etc. – but they have not been used very much. The EU regulation and directive on SCEs are not enough to support the SCE creation process. European companies also need a more comprehensive and supportive law on social economy.

Employment can be created through the cooperative sector, which is a big challenge for member states. This kind of entrepreneurship needs to be supported by actions aimed at increasing knowledge and consciousness of their characteristics and potential role. Stronger links with trade unions can be developed to support their growth as democratic and inclusive economic actors.

Existing SCEs still need time to gain experience and solve the problems related to the internationalisation of their activities and governance systems. Time, experience and support are also needed for this to happen in a democratic way, as is typical of the cooperative model: via the implementation of substantial worker representation and involvement schemes. If they are properly supported in satisfying their needs, there are positive signs for the future of SCEs in Europe.