

Activating jobseekers through entrepreneurship: Potential of the concept of *Sociedades Laborales* as an EU active labour market policy

- The key to success of SLs: Survival rates, secondary employment, access to capital
- Focus: New empirical data on “*Sociedades Laborales*” in the Basque Country
 - The capitalisation of unemployment benefits as a lump sum for start-ups
 - The problem of disqualification – SLs becoming “victims of their success”
- Overview: Low-threshold limited liability companies in the EU-28
- Overview: ALMP start-up incentives in the EU-28

5/6/9 ECTS / MES modules: ZB Wirtschaft, ZB Politik, ZB Recht, WPM 1, WPM 6 // IBA modules: S-Module (old SPO also E-Module); Faculty of Law: Master of German and Polish Law (Module 3); SPB 5 (European Law) (without ECTS)

Dates / Termine: Introduction Tuesday 12 April 15h-16h, Room GD 305;
/ Tuesdays 16h c.t. – 18h pm / Venue: Room GD 202

This course is a continuation of the seminar from the previous semester; an introductory session at the beginning of the semester will give an overview to the topic. The course is held in English language.

Introduction

Spanish *Sociedades Laborales* (SLs) – mostly small and micro enterprises – are a qualified form of conventional corporation, majority-owned by their permanent employees. Unemployed persons can capitalise their unemployment benefits as a lump sum to start a new SL or to recapitalise an existing SL by joining it. This makes SLs similar to start-up subsidies for the unemployed, an established instrument of active labour market policy across the EU. The new Law on Worker-Owned and Participatory Companies of November 2015 substantially modernised the concept of SLs 30 years after its inception.

SLs provide an unemployed person who joins or sets up an SL not only with access to capital but with business and entrepreneurial mentoring and practical expertise. These enterprises also play an important role in job creation and expanding secondary employment. They are based on employee ownership whose demonstrated benefits complement the policy aims of ALMPs. While there are no obstacles to transferring the *Sociedad Laboral* to other Member States, the model has important benefits that make it particularly suitable for combination with existing national start-up incentives for the unemployed.

This seminar investigates the potential of SLs as an instrument of ALMP for returning the unemployed to the labor market and also the transferability of the scheme to other EU Member States.

Focus: New empirical data on “*Sociedades Laborales*” in the Basque Country and Spain

The concept of *Sociedades Laborales* is probably the only employee share ownership scheme across the EU applying to small and micro enterprises. Benefiting only from insignificant fiscal incentives, SLs have flourished over the past 15 years. By the end of 2013, there were over 11,300 SLs providing over 63,000 jobs. However, these official employment figures do not capture independent workers, which according to new CIRIEC data are estimated to account for between 15 and 25 per cent of overall employment.

One of the key reasons for the steady growth of the population of SLs is that since 1985, unemployed persons can capitalise their unemployment benefits as a lump sum (instead of monthly payments) either to start a new or to recapitalise an existing SL by joining. Prerequisites to using this mechanism when creating a new worker-owned company are: (1) To present a viable business plan and; (2) that the new business agrees to be monitored for three years after its founding. In this regard, the setting up of SLs has some similarity with start-up subsidies for unemployed, which is an established instrument of active labour market policy (ALMP) practised in many countries. It is estimated that about a third of SLs involve the capitalisation of unemployment benefits when being founded; however this proportion needs to be investigated more closely using new empirical data.

Unlike the start-up subsidies for unemployed, however, SLs are not only set up by unemployed persons but by normal entrepreneurs and typically involve external investors. New data from the Basque Country will be used to calculate the proportion of unemployed as well as regular entrepreneurs in newly founded SLs. As such they are a means of creating social capital and provide an unemployed person joining an existing SL or the setting up of an SL with expertise, entrepreneurial experience as well as with access to capital and not only with a job. This is important as the scarcity of entrepreneurial skills and knowledge, lack of business and financial support as well as insufficient access to finance or capital resources are among the main barriers to entrepreneurship (European Commission 2014). In this sense support for SLs differs significantly from start-up subsidies employed exclusively in the context of ALMP.

Finally, unlike the majority of classical ALMP start-up tools these enterprises have the potential for creating additional jobs.

Registration until 15 April 2016 at kelso-professorship@europa-uni.de.

Participation requirements and performance test: Proficiency in English; regular attendance; presentation (5-7 min.) of the term paper concept by end-May; first draft of the term paper by mid June; submission of the final term paper by the end of the semester.

Literature:

- Lowitzsch, J. , Dunsch, S., Hashi, I., Séne, A. et al (2016 forthcoming), „*Activating the unemployed through Sociudades Laborales in Spain Potential of the concept as an EU active labour market policy*”.
- European Commission (2014), „European Employment Policy Observatory Review - Activating jobseekers through entrepreneurship: Start-up incentives in Europe“ Directorate-General for Employment, Social Affairs and Inclusion Unit C.1, Brüssels.
- German Federal Ministry of Labour and Social Affairs, BMAS (2010), *From unemployment to self-employment: Facilitating transition in the recovery*, International Conference organised by the Federal Ministry of Labour and Social Affairs (BMAS), in cooperation with the OECD (ELSA and LEED), Berlin, 7–8 October, http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/a809e-unemployment-to-self-employment.pdf?__blob=publicationFile.