

Activating jobseekers through entrepreneurship: ALMP start-up incentives – The Spanish *Sociedades Laborales*, best practise?

- ALMP-Start-up subsidies across the EU 28: Concepts, problems, empirical evidence
- The capitalisation of unemployment benefits as a lump sum for start-ups
- Focus: “*Sociedades Laborales*” – the Spanish concept of worker owned companies
- EU policy making:

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 20. Oct. 2015, 16-18h, Room HG 104; / Wednesdays 14:15 - 15:45 pm / Venue: PG 271 The seminar will be held in English language.

Introduction

Employee financial participation (EFP) in Spain largely takes the form of *Sociedades Laborales* (SL=Worker-Owned Companies). This concept 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 and representing 3.5% of Spain’s private sector firms with more than two workers.

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 – with a minimum of three founders – are: (1) To present a viable business plan, which is then screened by a SL development program and scrutinised by the unemployment compensation system; and (2) That the new business agrees to be monitored for three years after its founding. The associations of SLs (e.g., ASLE, CONFESAL) play a key role in support and promotion of Worker-Owned Companies in Spain, providing, among others, coaching and assistance.

ALMP-Start-up subsidies across the EU 28: Concepts, problems, empirical evidence

Start-up subsidies such as the German “Gründungszuschuss”, the Austrian „Unternehmensgründungsprogramm“ (UGP) or the Finnish “starttiraha” are important and common elements of ALMPs. In 2014 the European Employment Policy Observatory (EEPO) analysed how EU countries have been supporting unemployed people to set up their own businesses through start-up incentives. This review finds that successful policies are in particular those that (a) supply the unemployed not only with financial but more importantly with business support and targeted coaching; (b) combine ALMP measures with other relevant services for entrepreneurs; (c) develop an appropriate mix of different support measures; and (d) while providing minimum income security embrace the pre-start-up and start-up phase and offer continuing guidance and coaching.

However, start-up subsidies have limitations in tackling unemployment. One problem is that while they bear substantial cost, the employment effect may only be temporary. Another problem can be “false” or “bogus” self-employment, i.e., dependent self-employment. Finally, the scale of any employment effect is limited, as the number of businesses that go on to employ other people tends to be the minority. But even when implemented successfully over time two difficulties with regard to their outcomes arise: (1) deadweight losses, i.e., that a part of the unemployed who are finally hired would have probably found employment without the measure; and

(2) displacement effects, i.e., that subsidies are distorting competition when creating employment in one firm – and increasing its competitiveness – at the same time reduce it in another.

“Sociedades Laborales” as an ALMP-Start-up subsidy

With regard to the mechanism of capitalising unemployment benefits, 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. 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. It is estimated that about a third of SLs involve the capitalisation of unemployment benefits when being founded.

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.

Against this background the seminar investigates the potential of the concept of Sociedades Laborales as an instrument of ALMP to reactivate the unemployed, and the transferability of the scheme to other EU Member States.

Registration until 20 October 2015 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 December; submission of the final term paper by the end of the semester.

Literature:

- Vogel, A. Lowitzsch, J. (2012), „Case Study Spain: Sociedades Laborales“ in Lowitzsch/Hashi et al. Financial Participation of Employees in Companies' Proceeds, Study for the European Parliament, Employment & Social Affairs Committee, Brussels, 2012,
- 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, Brüssel.
- 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.