

UGBN/ABSU and FBEP/BFG lodge a complaint with the European Commission against the uncontrolled aid in favour of the social economy in Belgium

The General Union of the Belgian Cleaning Sector (UGBN/ABSU) and the Belgian Federation of Landscape Contractors (FBEP/BFG) together lodged a complaint with the European Commission in relation to the uncontrolled cumulation of aid in favour of the social economy in Belgium. Both trade associations argue that this aid distorts competition and underline the importance to restore the level playing field.

UGBN/ABSU and FBEP/BFG represent the interests of the 'regular' cleaning companies and landscape contractors active in Belgium. The members of these two organisations together employ circa 38.000 employees, including a large amount of vulnerable employees that have not attained an upper secondary educational qualification or that come from other countries.

Since a couple of years, these 'regular' companies are suffering from an increased competition from the heavily subsidised undertakings that belong to the so-called 'social economy'.

On the basis of the European State aid rules, aid can be provided for the recruitment and the employment of certain employees. In particular, subject to certain conditions, it is possible to provide wage subsidies for the employment and the training of disadvantaged workers and staff members. The basic idea behind these subsidies is to give a financial compensation for the productivity losses or the additional costs that stem from the employment and training of disadvantaged and/or disabled workers, so that the companies that recruit or employ such workers should in principle be able to compete on an equal footing with other companies.

In Belgium, however, this valuable idea has been implemented in a completely wrong manner.

First, it is to be underlined that the aid in Belgium is entirely 'actor-based'. The aid measures only benefit certain undertakings that are specifically recognised or accredited by the authorities. A 'regular' cleaning company or landscape contractor that recruits and trains a low-skilled worker will therefore receive no compensation for this initiative. On the contrary, in the event this same worker would be employed by a social workplace in Flanders or a work-integration enterprise in Wallonia, these companies would be entitled to a subsidy of up to 36.000 EUR per year.

In addition, the various aid measures of the federal, regional and local authorities are often implemented without verifying the different aid schemes that are already applicable. In many cases, this results in an undue cumulation where the total amount of aid exceeds the eligible costs. This means that the wage subsidies not only cover the entire wage costs but in fact provide an additional 'bonus' for each worker that is employed by the beneficiary company.

Finally, the aid measures in favour of the 'social economy' undertakings are on certain points not in line with the specific conditions laid down in the State aid rules. For instance, it is underlined in various reports and statements of the competent national authorities that there is a problem as regards the maximum aid intensity and the maximum duration of a number of aid measures.

In light of the above, it is clear that these aid measures do not merely compensate certain productivity losses that result from the integration of disadvantaged workers, but in fact lead to a situation where 'social economy' undertakings can outcompete the non-subsidised 'regular' or 'commercial' companies. This is especially so in the cleaning and landscape sectors where the wage costs are by far the largest costs and where, due to the nature of these sectors, the 'regular' companies largely depend on disadvantaged workers but receive no compensations.

This evolution is clearly confirmed in the context of public tenders where 'social' undertakings are able to offer prices that are (much) lower than the prices applied by the 'regular' companies.

Eventually, the unlawful aid in favour of the 'social economy' has a contrary and somehow self-sustaining effect. Since the 'regular' companies cannot compete with the prices offered by the subsidised social economy undertakings, they are increasingly losing market share and forced to make their disadvantaged and/or disabled workers redundant. Following this exclusion from the 'regular' labour market, often followed by a period of unemployment, these workers often re-integrate in the social economy. However, this subsidised re-integration comes with poorer labour conditions than those in the 'regular' market and with a substantially higher cost for society.

UGBN/ABSU and FBEP/BFG therefore urge the authorities to restore the level playing field and to provide aid to all companies that are doing efforts for the employment of disadvantaged workers, in line with the European State aid rules. The aim is not only to eliminate existing problems, but also to create opportunities for cooperation between social and regular companies.

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