

Extraordinary Employment Summit  
Prague, 7th May 2009

## SME suggestions to get out of the economic downturn

SMEs' economic situation is clearly deteriorating. European small businesses are now strongly feeling the crisis and will not be able to maintain the current employment levels unless urgent actions are put in place. This document contains a set of priority measures for SMEs as a contribution to the extraordinary Employment Summit that will take place in Prague on 7 May and in which UEAPME will participate.

**The policy answers given now will determine whether the crisis will feed through the whole economy or, on the contrary, whether the recovery process will kick off.**

**In order to maintain jobs and create new employment, SMEs need the following:**

1. **Secure access to finance.** SMEs lack access to liquidity following the credit crunch. Credit is becoming more scarce and expensive, so investments are being put off, working capital reserves are rapidly decreasing and workers' wages are equally at stake. The number of bankruptcies is increasing. It is a matter of urgency to put in place what has been decided by the European Union and the European Investment Bank in the last months. SMEs must have immediate access to sufficient guarantee schemes including working capital.
2. **No tax increases.** Discussions on possible tax increases are taking place all over Europe. However, such a measure would not be favourable in the present economic climate and would lead to more burdens for small entrepreneurs, which are as affected by the crisis as their employees.
3. **Support to keep employment levels stable.** Our recent Craft and SME Barometer has showed that SMEs are much more reluctant to lay off workers compared to their larger counterparts. Small entrepreneurs value their staff and their competences, which are so difficult to find in the present labour markets. However, they need support throughout the crisis to continue in this responsible behaviour in terms of flexible working arrangements, temporary unemployment benefits as well as measures for staff training and requalification.
4. **Equal access to labour market instruments,** such as short term employment schemes or "part time work" or other types of partial unemployment, is crucial to keep workers employed and avoid redundancies. These instruments can protect employment for a limited time span. However, subsidised employment in the "social economy" is a different matter and often leads to a distortion of competition for SMEs, putting regular jobs in SMEs at risk. That is why it should be avoided.
5. **Reduced non-wage labour costs,** especially for labour intensive SMEs. This is crucial to create more and better jobs, by ensuring that enterprises stay and/or get back in the business and thus create employment.
6. **Targeted labour market policies** avoiding "blind activism" and favouring measures with a clear focus, such as those related to training, and limited from the outset to a short period. Any change in labour market policies must be paid for via taxes and not contributions to keep the direct labour cost burdens for SMEs low.
7. **Better support in case of restructuring and mass redundancies in larger companies,** both for subcontractors and other indirectly affected small businesses. SME owners and their staff should have access to social plans and all kind of re-skilling and re-qualifying measures put in place in these cases.
8. **Readjusting and making social protection systems and benefits accessible to all workers.** These "social absorbers" should notably be open to small business workers.
9. **Further implementation of structural reforms** by implementing the flexicurity principles in all Member States notably to facilitate transitions on the labour market (from inactivity to work, from school to work, from employed to self employed) and to foster access to continuous training.