

Acting now to trigger a new start

UEAPME memorandum
to the European Parliament
for its first year in office

September 2009

FOREWORD



The new term of the European Parliament starts against the gloomy background of the current financial and economic crisis. Therefore, policies that aim to master these crises and to support a recovery of Europe's economy must be and will be at the centre stage in its first months in office. It is evident that such a recovery cannot happen without strengthening the SME sector.

Our recently published "European Craft and SME Barometer" demonstrates that the current crisis is to a large extent a trust crisis due to lack of confidence in the financial system, in the future economic developments and also in the policies put in place.

With the European Small Business Act (SBA) the European Institutions have finally recognised Crafts' and SMEs' central role, but this will only have positive effects on SMEs if the commitments made with the SBA are fulfilled at European, national and local level. The European Parliament will have the chance to shape this policy – but to do so, it will have to tackle the real needs of European Crafts and SMEs.

In this document, UEAPME wishes to summarise the most important policy actions that are needed to allow SMEs to master the current crisis and to fully use their potential for growth, job creation and innovation. All these actions should be undertaken after engaging in a close dialogue with representative organisations of SMEs, micro and craft enterprises.



Georg Toifl
President



Andrea Benassi
Secretary General

In order to master the current economic crisis, European crafts and SMEs call on the European Parliament to:

- Help SMEs to survive the crisis and provide support for an economic recovery
- Provide SMEs with space to breathe and promote entrepreneurship
- Protect SMEs against unnecessary burdens

HELP SMES TO SURVIVE THE CRISIS AND PROVIDE SUPPORT FOR AN ECONOMIC RECOVERY

The current and ongoing financial turmoil has significant negative effects on access to finance for SMEs. Credits and loans are not obtainable or only available under unacceptable conditions as regards price and collaterals. Everything must be done to avoid a decrease of economic activity (investments, production and consumption) because of a lack of finance.

Therefore, UEAPME calls on the European Parliament to help in re-stabilising financial markets by:

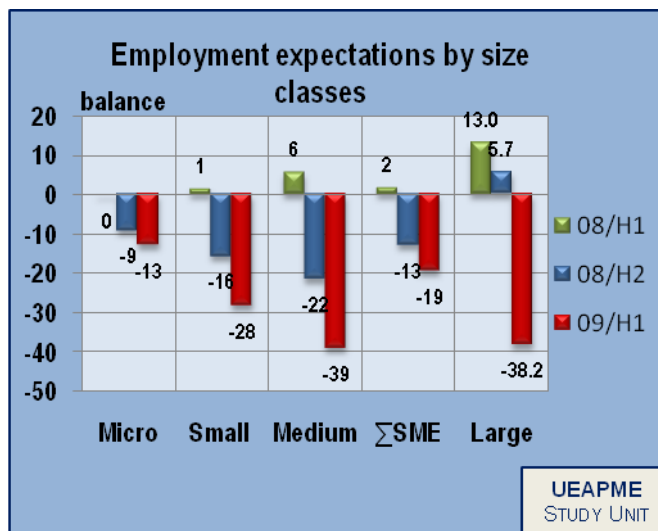
- *Ensuring that the financial markets are better targeted to real economy than to financial speculations;*
- *Reforming the global regulatory system for the financial market (including rating agencies) to avoid the repetition of such crises in future (increase of transparency, no off-balance operations);*
- *Reregulating financial markets, also with the aim to avoid future pro-cyclical effects coming from IFRS and Basel II;*
- *Including deposits from small enterprises in deposit guarantee schemes.*

The financial crisis has already triggered significant negative effects on the real economy and Europe will be in a serious recession at least for this year. Discussions about the right policy reply will dominate the new elected European Parliament. The recovery must be supported by policies which aim to bring back confidence to all economic actors and to stabilise economic demand, without endangering fiscal stability in the long run. The SME sector represents not only 99.8% of all enterprises, 2/3 of private employment and close to 60% of added value, but was also the most dynamic part of Europe's economy during the last years as regards growth, job creation and innovation. Consequently, Crafts and SMEs have to – and will – play an important role if Europe wants to master the economic crisis.

Therefore, UEAPME calls on the European Parliament to contribute to a policy mix, which:

- *Allows automatic stabilisers within taxation and social protection systems to work;*
- *Uses the possibilities provided by the Stability and Growth Pact to increase public investments without endangering the long term targets for budgetary consolidation;*
- *Stimulates additional private demand by setting the right incentives, i.e. for energy saving investments in private houses;*
- *Stimulates public and private demand by investments in infrastructure (research, training, ITC, transport) also via Public-Private Partnerships (PPPs);*
- *Avoids the bailout of industries, which are experiencing structural problems or facing overcapacity.*

Our recent “European Craft and SME Barometer” demonstrates that smaller businesses have been so far more reluctant to lay off workers compared to larger enterprises. However, small enterprises have specific problems as regards labour market regulations, access to social benefit systems, to restructuring supporting measures, to EU structural funds subsidies and to training, which they cannot solve alone.



Source: [UEAPME EU Craft and SME Barometer 2009/H1](#)

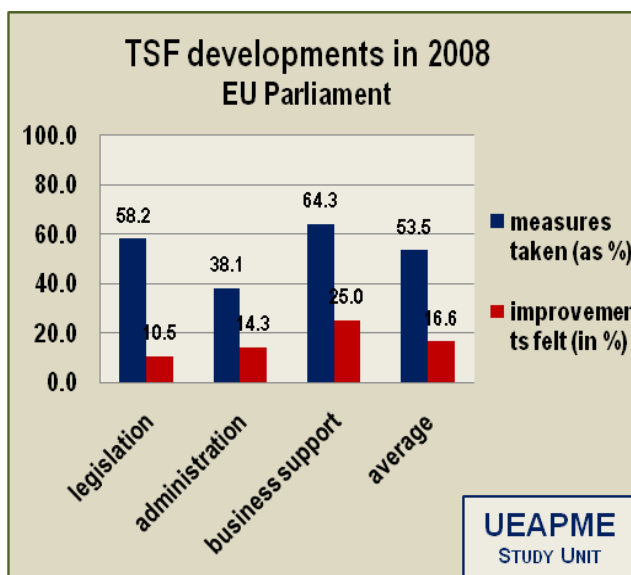
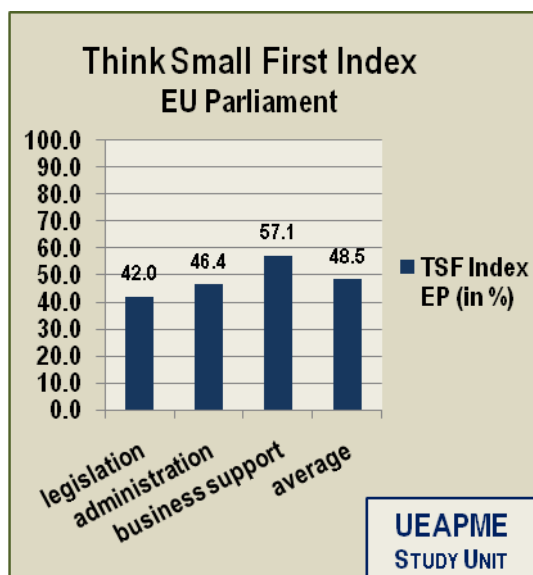
Therefore, UEAPME calls on the European Parliament to support employment in SMEs by:

- *Ensuring equal access to labour market instruments, such as temporary short time working arrangements combined with training/re-qualifying measures, “part time work” or other types of partial unemployment, like large enterprises have;*
- *Avoiding distortion of competition for SMEs coming from subsidised employment in the public or semi public sector;*
- *Opening all social protection and benefit systems to all employees, including those from small businesses;*
- *Supporting the creation of support programmes such as internships and apprenticeships for young people;*
- *Promoting the occupational and geographical mobility of workers and notably the mobility of young people in vocational education and training in alternating training schemes such as apprentices;*
- *Enhancing partnerships between education and training institutions and social partners, in particular employers organisations, in the context of lifelong learning to guarantee a better employability of workers;*
- *Ensuring equal treatment between SMEs and larger companies when it comes to real access to fiscal incentives, flexicurity measures and social plans designed in recovery plans.*

PROVIDE SMEs WITH SPACE TO BREATHE AND PROMOTE ENTREPRENEURSHIP

Craft and SMEs can only use their full potential for growth and job creation if the remaining barriers to markets are removed. The European Small Business Act, which was endorsed by the European Parliament in March 2009, includes a strong commitment to respect the “Think Small First Principle”, whenever policy action are taken that impacts small and medium sized enterprises and it includes an encompassing catalogue of concrete measures to be taken at all levels to improve the business environment and to give SMEs enough space to breathe. It will be also up to the European Parliament to ensure that these intentions become actions in the next months.

The recently published first [UEAPME Think Small Test](#)¹ shows quite mixed results for the European Parliament. The Think Small First Index as regards legislation and administration is significant below 50% and even several measures have been taken in 2008, the impact on SMEs has been very limited. More on about the UEAPME Thinks Small Test as well as the UEAPME SBA Implementation Scoreboard can be found at [UEAPME web page](#)².



Source: [UEAPME Think Small Test 2009](#)

A key contribution for achieving an SME-friendly environment is a change in the perception of the role of entrepreneurs and risk-taking: entrepreneurship and the associated willingness to take risk should be applauded by political leaders and the media, and supported by administrations. This means at least respecting the voluntary nature of Corporate Social Responsibility for instance.

Therefore, UEAPME calls on the European Parliament to act to fulfil the commitments made in the framework of the Small Business Act and to implement the announced principles and actions – the sooner, the better:

- *Legislation and programme planning at all levels must respect the “Think Small First” principle if they have any effect on small enterprises. This means that rules must respect the majority of those who will use them. This includes independent, specific and rigorous impact assessments for small enterprises, systematic consultation of representative Craft and SME associations for at least 12 weeks, the proportionality principle and the “only once” principle.*

¹ http://www.ueapme.com/IMG/pdf/090506_TST_SBA_no_country_sheets.pdf

² <http://www.ueapme.com/spip.php?rubrique121>

- *The cooperation between the three European Institutions must be improved. Therefore, the policy principles of the SBA should be put into practice by an inter-institutional agreement (IIA) between the European Parliament, the European Commission and the Council. The Institutions will not be credible towards Member States unless they start committing themselves to the SBA principles.*
- *Business transfers, especially during the crisis, must be made easier and close downs has to be avoided by new financial products (i.e. mezzanine instruments), consultative services and more favourable tax provisions.*
- *The participation of SMEs in public procurement procedures must be facilitated, by use of the code of good practices published with the Small Business Act.*
- *Tax systems must be reformed to make investments more attractive and to strengthen private consumption.*
- *Internal market barriers resulting from 27 different tax systems, which are prohibitive for small enterprises, must be removed by a common tax base or by mutual recognition of the home tax system.*
- *The existing rules on late payments must become more effective and include also business-to-consumer relations, fixing a maximum period for public authorities and include measures that avoid that SMEs are pre-financing the big enterprises, in order to avoid a deterioration of the financial situation of SMEs.*

Crafts and SMEs will only be able to lead Europe's economy out of the current crisis if their capacity to survive, grow, innovate and create new jobs is enhanced.

Therefore, UEAPME calls on the European Parliament to increase the competitiveness of the Craft and SME sector by:

- *Making substantial progress on a Community Patent and an EU-wide jurisdictional system for patents, helping to raise awareness for IPR protection in SMEs and enforcing the fight against counterfeiting and organised crime;*
- *Strengthening the European R&D and innovation policy towards SMEs, by taking traditional enterprises and their needs into account, ensuring that the 15% of the budget foreseen for SMEs actually reach this target group and by increasing the budget for demand driven SME specific programmes in the upcoming 8th Framework Programme for R&D;*
- *Supporting the proposal for a council regulation on the Statute for a European Private Company;*
- *Tapping into the unused potential of women entrepreneurs by creating an environment suitable to an increase in women's entrepreneurship;*
- *Strengthening the implementation of the Environment Compliance Action Programme (ECAP) in close cooperation with SME organisations;*
- *Considering misleading company directories as serious fraud and as a priority by public prosecutors. Therefore UEAPME calls on the European Parliament to initiate the strengthening of the administrative and jurisdictional cooperation among Member States in this file.*

PROTECT SMEs AGAINST UNNECESSARY BURDENS

Even if the European Commission is implementing since three years a better legislation and simplification programme, which aims to reduce administrative burdens coming from EU regulations by 25% until 2012, small enterprises have not witnessed concrete improvements so far. This programme will only be successful if all European Institutions and the Member States increase their implementation efforts and if other burdens will not be created in the meantime. The actual standards in the fields of environment, health and safety, consumer protection and others create too often high administrative burdens and compliance costs, especially for smaller companies. Such burdens and costs should be reduced by simplifying procedures and recurring to exemptions only when appropriate and after an independent, specific and rigorous impact assessment.

Therefore, the proportionality principle should be applied as a basic rule whenever SME policy is concerned. This principle means that SMEs should be treated differently according to the level of dangerousness and risks they may impact.

The needs and particularities of SMEs have to be taken compulsorily into account in all relevant policies, programmes and negotiations at EU and national level. Furthermore, the current economic crisis must lead to a review of all pending legislation that may put unnecessary burdens on small enterprises. Policy projects that were started in good economic times must therefore be re-assessed and checked against the new reality.

Therefore, UEAPME calls on the European Parliament to review and reassess the following pending or to come pieces of legislation, which may be especially burdensome for SMEs:

- *The new proposal for a Directive on Consumer Rights: UEAPME supports the full harmonisation approach but calls for more balanced regulations towards SMEs within the new directive.*
- *The recast of the Eco-design Directive so that it only applies to products made in series;*
- *The recast of the Waste Electrical and Electronic Equipment Directive (WEEE);*
- *The new rules on Green Public Procurement (GPP) to avoid complex and costly audit systems or certification measures;*
- *The recast of the Energy Performance of Buildings Directive;*
- *The Renewable Energies Directive without additional rules on professional qualifications;*
- *The Construction Products Regulation with simplified procedures for small and non-series products;*
- *The new proposal for a directive on non discrimination outside the labour market, which is better dealt with through non-binding and supportive measures;*
- *The revision of the Maternity Leave Directive: UEAPME does not see any need to increase the duration of maternity leave and disagrees with the increase of payment allowances, taking into account the changes made by the European Social Partners in the Parental Leave directive;*
- *The further revision of the Working Time directive; UEAPME considers it urgent to find a reasonable solution for the “on call time” issue which fully takes into account the reality of the economy;*
- *The revision of the 4th and 7th Company Law Directives.*
- *The revision of the Euro-vignette Directive on heavy goods vehicles, which might trigger a further increase in transport costs without achieving the desired environmental improvements.*

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UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 83 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner.

For further information please visit our website: <http://www.ueapme.com>