

Position Paper

UEAPME's¹ reply to the public consultation on the Europe 2020 Strategy

General remarks

UEAPME, the European Association for Crafts and Small and Medium-sized Enterprises representing more than 12 million SMEs at European level, welcomes the public consultation in the framework of the review of the Europe 2020 Strategy. Ahead of the start of a new term of the European Institutions, UEAPME considers it is the right time to make such a stock taking exercise and to review the Europe 2020 Strategy four years after its adoption.

Especially the fact that the current strategy was adopted before the second phase of the economic crisis, which brought the aims and the targets of the strategy out of reach, makes a review of the current strategy unavoidable. This sovereign debt crisis caused another recession with a further decrease of economic activity, record levels for unemployment and dramatic high figures for youth unemployment to which the strategy has to be adopted.

At the same time the debt crisis resulted in non-sustainable economic imbalances, especially within the Euro zone affecting the economic development in all countries.

In addition, jointly agreed strategies and reforms as well as policy measures promised by the flagship initiatives have not been sufficiently implemented by national governments, which are facing strong opposition from certain stakeholders.

The three main lessons learned from the past are:

- (1) Economic growth and job creation has to come predominantly from the private sector, as public spending and increase of public debt cannot create sustainable growth and jobs. Therefore, future EU policy has to give priority to competitiveness, in order to attract private investments in Europe.
- (2) The need for strengthening economic policy coordination to avoid imbalances and negative spill-over effects between Member States. Therefore, a better integration of the Europe 2020 Strategy into the new instruments of economic governance (European Semester, Macroeconomic Imbalances Procedure, etc.) is necessary.
- (3) To make jointly agreed policies a reality, Europe needs to make the effective implementation of agreed reforms by Member States conditional for financial solidarity measures provided to Member States and to

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

increase the ownership of national stakeholders like social partners for national reform agendas by better involving them.

In reacting to these lessons, the reviewed Europe 2020 Strategy needs to lay the foundations for post-crisis growth and modernisation. To make this happen, a stronger Crafts and SME policy has to be put forward as one of the top priorities of all European Institutions over the next five year period. SME policy has to become part of the revised EU 2020 Strategy and has to include the identified SME policy areas in order to attract investment, to improve competitiveness, to boost economic growth and to reduce unemployment. To make a real recovery happen, Crafts and SMEs request structural reforms, efforts towards re-industrialisation as well as a shift of financial spending towards the real economy and an energy policy taking into account the competitiveness of SMEs.

For its reply to this public consultation UEAPME will not use the questionnaire provided by the European Commission, but focuses mainly on the needs for the future. The reply of UEAPME as regards the content of the strategy refers to the UEAPME Document "[SMEs mean jobs and growth](#)"², which presents the policy priorities of Crafts and SMEs for the next five years.

Adapting Europe 2020 to a growth strategy for a post crisis Europe

1. Content: Competitiveness has to become the priority

Competitiveness is the key for jobs and growth in Europe. Improving the economic performance of the European Union is the main challenge for the upcoming years. Europe needs to create jobs for the 25 million of unemployed people, to give young people the chance to enter the labour market and to make social systems and public households more sustainable. These goals can only be achieved, if Europe returns to a sustainable growth path driven by the private sector.

UEAPME is convinced that making Europe more attractive for private investments in the real economy is the only way to achieve such stronger growth, which is the precondition of the other goals set out by the Europe 2020 Strategy like increasing the employment rate, reducing poverty and improving education systems. Therefore, Europe's economy has to become more competitive and competitiveness has to be the priority for any future policy initiative. Such a policy has to be cross-cutting, has to focus on the topics presented below and will rely to a large extent on SMEs to ensure economic and social cohesion.

UEAPME proposes for the Europe 2020 review to give highest priority to an improvement of competitiveness of Europe's economy. This should be respected, when new European initiatives are started as well as when Europe requires policy changes from Member States in the framework of the

² http://www.ueapme.com/IMG/pdf/140611_UEAPME-2020_final.pdf

European Semester including the Macroeconomic Imbalances Procedure. Adopting adequate measures to ensure constant legislation monitoring and competitiveness proofing in impact assessments is required.

The most important areas to be tackled are the following:

a. Europe's businesses need to see more efforts to implement structural reforms

Structural reforms at the goods and services markets are necessary to create new business opportunities and to attract new investments. Furthermore, reforms in the provision of services of general economic interests can improve the quality and the price competitiveness of these services.

Therefore, UEAPME expects from the European Institutions:

- to make structural reform a priority for Country Specific Recommendations;
- to ensure that social protection systems are more targeted and financial sustainable;
- to propose to accompany structural reforms with support measures to help those harmed most by reforms to adapt to new circumstances and to reintegrate them into the labour market;
- to make the implementation of jointly agreed reforms conditional for access to European solidarity measures;
- to ensure competition and up-hold a market-based approach in the provision of services of general economic interests and
- to engage effectively and regularly with a range of pertinent local, national and European stakeholders in defining reform agendas and monitoring their implementation and effectiveness.

b. Europe's businesses need qualified work force and modernised labour markets

The availability of qualifications needed by businesses, supported by vocational education and training systems that include work based learning is crucial to improve competitiveness. However, the full potential of a qualified workforce can only be exploited, if labour market regulations are adapted to the needs of modern businesses and production processes. In that sense the employment guidelines adopted in 2010 are still valid.

Therefore, UEAPME expects from the European Institutions:

- to strengthen the vocational education and training systems;
- to ensure better knowledge transfer between SMEs and higher education systems,
- to provide financial incentives to tap fully the potential of training placements and fostering the recognition of competences;
- to reduce the tax burdens on labour;
- to fight undeclared work and
- to ensure sufficient flexibility through the availability of different types of contractual arrangements while taking into account an adequate employment protection that avoids segmentation;
- to promote wage setting mechanisms, which fulfil companies' needs for flexibility and keep wages in line with productivity and respect the autonomy of systems, which deliver these results.

c. Europe's businesses need better access to the internal and to third country markets

The EU needs to ensure that businesses are able to exploit the full potential of the internal market. Both, the completion of the Internal Market and better access to third country markets will improve the competitiveness of Europe's economy. However, market access has to be based on fair competition and has to provide a level playing field for companies of all sizes.

Therefore, UEAPME expects from the European Institutions:

- to address the many remaining obstacles to a fully functioning single market for services, notably through ensuring that the Services Directive is fully implemented, correctly applied and strongly enforced in all Member States; this should be supported by an EU-wide administrative enforcement instrument;
- to create a level playing field by enforcing a correct and full implementation of agreed rules;
- to support the access of SMEs to standards and the participation of SMEs in the standardisation process;
- to address the legal fragmentation, which hampers the development of the digital single market;
- to negotiate further Free Trade Agreements, which include effective and accessible trade defence instruments to ensure fair competition and enforce Intellectual Property Rights,
- to better capitalise on the leverage of the EU's 500 million consumers in negotiations with third countries and
- to support the promotion of European products and services.

d. Europe's businesses need better regulations as well as effective administrations

Europe's businesses suffer from complex and burdensome regulations and especially SMEs waste too much time dealing with administrative requirements. Regulations need to be properly designed by strictly applying the Think Small First principle, based on independent impact assessments and a compulsory SME test. The EU needs an ambitious smart regulation programme including competitiveness proofing.

Therefore, UEAPME expects from the European Institutions:

- to take all adaptation, compliance and administrative costs into account, when impact assessments and SMEs test are made;
- to apply such assessments also if substantial changes occur during the legislative process;
- to apply rigorously the 'think small first' principle at EU and national level, giving full consideration to SMEs throughout the policy making cycle;
- to ensure the correct implementation of legislation, deterring "gold-plating" and adopting a zero tolerance policy to cases of poor transposition or implementation; and
- to apply the REFIT programme first on the most burdensome regulations, such as REACH.

e. Europe's businesses need sufficient access to finance for investments

Sufficient access to finance is a prerequisite to allow companies to finance investments, innovation, and internationalisation as well as of business start-ups. Currently, especially SMEs are suffering from reduced supply of credits and loans and from access to alternative funding instruments.

Therefore, UEAPME expects from the European Institutions:

- to complete the Banking Union as precondition for restabilising financial markets;
- to review financial market regulations with the aim to make financing of the real economy more attractive;
- to improve the framework for alternative forms of finance and for risk finance instruments;
- to extent public support for guarantee instruments, mezzanine finance and securitisation in order to ensure the provision of liquidity towards SMEs, and
- to facilitate the access to European financial instruments.

f. Europe's businesses need guaranteed access to energy at affordable prices

Improving economic competitiveness will not be possible without a secured access to resources, especially to energy, which has to be ensured at affordable prices.

Therefore, UEAPME expects from the European Institutions:

- to set realistic targets for the EU climate and energy policies and to ensure proportionality with other parties' commitments;
- to ensure further reduction of energy costs by continuing the liberalisation, decentralisation and integration of energy markets;
- to grant the security of energy supply also by realising an internal market for energy, by better using European natural energy resources and allow exploratory drilling of shale gas and
- to tap the business potential of improved energy efficiency and to make resource efficiency a new business opportunity.

In order to make growth and job creating a reality, UEAPME asks to counter-check all policy measures as regards their impact on competitiveness.

Finally, a revised Europe 2020 Strategy has to ensure that SME policy becomes part of it. The future Small Business Act, which is currently also under revision, has to be coherent with this strategy and has to be built on entrepreneurship, better regulation, access to markets, access to finance and better skills and it must foresee more effective instruments for implementation at European and national level. Both documents, even if they will stay separated have to mutually reinforce themselves.

2. Tools and Implementation: provision of incentives and strengthening of ownership

There is no doubt that common targets and policy initiatives like the "flagship initiatives" contribute to a more focused policy making and steer public debates towards the needed reforms and policy actions. However, if targets are far from being achieved or achievable and if initiatives like flagships, action plans and roadmaps are not resulting in concrete policy decisions, which are properly implemented and enforced, they can become counter-productive and contribute to negative perceptions of the European project as a whole.

Therefore, UEAPME does not see the need for new flagship initiatives, but sees an urgent need for concrete policy measures to be taken and implemented.

The main challenges for the Europe 2020 Strategy as regards this implementation are threefold:

(1) Better integration of the new economic governance instruments with the Europe 2020 Strategy

Most of the new economic governance instruments responding to the crisis (European Semester, 6-pack, imbalances procedure, 2-pack, Stability and Growth Pact, fiscal pact) have been developed after the adoption of the Europe 2020 Strategy and were inter-governmental driven, at least at the beginning. In reality the Annual Growth Survey (AGS) and the Country Specific Recommendation (CSR) in the framework of the European Semester have become the strategic guidelines for economic policy making and have put aside the goals of the Europe 2020 Strategy to a certain extent.

UEAPME recommends to better integrate these two policy instruments. The AGS and the CSR have to become the main implementing instruments for a reviewed Europe 2020 Strategy, which puts jobs and growth via improved competitiveness in the centre of policy making.

(2) Provide incentives for reforms and link their implementation with support measures

Not only the Europe 2020 Strategy, but also the Country Specific Recommendations, the Small Business Act and others, are suffering from lack of implementation at national level. This is no longer a problem for a Member State alone, because the crisis has demonstrated that failures in implementing the needed policy measures have significant spill-over effects to other Member States, especially in the Euro zone.

Therefore, UEAPME fully supports any attempts to link the implementation of agreed policies with the access of Member State to European solidarity measures and to make solidarity measures conditional with effective reforms at national level. Furthermore, it has to be respected that some types of reforms create burdens before an economy can profit from its benefits. Therefore, UEAPME supports the provision of incentives, like adaptation of the fiscal consolidation programmes or support programmes, if effective reforms are implemented.

Important instruments to support implementation are the European Structural and Investment Funds and the European Social Funds, which have to be targeted towards the aims and policy priorities of the Europe 2020 Strategy.

(3) Improve the commitment and the ownership of national governments and stakeholders

The new appointed President of the European Commission, Jean-Claude Juncker, once made the point that Heads of Governments know exactly what they should do, but nobody knows how to get re-elected after having implemented the needed reforms. This is due to the fact that governments face tough opposition from other parties. Therefore, governments have to accept that reform projects have to be developed and implemented together with their stakeholders at home and they have to better explain the rationale behind reforms, because it is not enough to tell the national public that “Brussels” request these reforms.

Therefore, UEAPME strongly recommends to involve national stakeholders, especially the national social and economic partners in the design of reform programmes, in order to increase their ownership in the

needed policy measures. This is especially important for the Country Specific Recommendations, the National Reform Programmes and the Stability Programmes as the European Social Partner explained and demanded in their [Joint Declaration on the Involvement of the Social Partners in the Economic Governance](#)³

Finally, UEAPME accepts that targets are important elements of the Europe 2020 Strategy, especially for employment and social policy. They give a similar ambitious goal to all Member States and support them to set-up their own targets and to compare their national performances. However, they have to be adapted and completed by qualitative targets, if needed.

- The 75% employment target remains relevant, despite the fact that national targets decided by Member States from the very beginning in cumulative terms were under the 75% and therefore should be adjusted in a more realistic manner.
- On the 40% of tertiary or equivalent education attainment, UEAPME considers it essential to have the Higher Vocational Education and Training (VET) pathway more visible in the 40% benchmark, which is currently biased towards academic tertiary education.
- The 10% target on early school leavers is essential and should be maintained since it is a very worrying phenomenon which might hamper future career prospects of early school leavers.
- The target on poverty and social exclusion is more questionable. Due to the severity of the crisis it is most likely that the EU will not succeed in lifting at least 20 million people out of the risk of poverty or social exclusion. Furthermore, the crisis in combination with a high number of bankruptcies has also increase the number of entrepreneurs living under the line of poverty. Therefore, UEAPME proposes to give priority to a concentration of social protection means towards the people most in needs, including entrepreneurs in poverty, and to improve efficiency in social spending and outcomes.
- Due to the very worrying youth unemployment situation, UEAPME is proposing one additional target which is “reducing the rate of youth unemployment by 2020 by 50% on EU-average”.

For further information on this document, please contact:

Gerhard Huemer
 Director of Economic and Fiscal Policy
 Tel: +32 2 2307599
 E-mail: g.huemer@ueapme.com

³ http://www.ueapme.com/IMG/pdf/Joint_Declaration_on_the_Involvement_of_the_Social_Partners_in_the_Economic_Governance.pdf