



"The voice of crafts and SMEs in Europe"

Economic recovery plan deserves Member States' full cooperation, say SMEs

UEAPME welcomes EC document despite shortcomings on downsizing and on Small Business Act

Brussels, 26 November 2008 – UEAPME, the European craft and SME employers' organisation, welcomed the European Economic Recovery Plan released by the European Commission today. According to UEAPME, the EC communication is a strong signal of its willingness to take decisive action against the deepening economic crisis. A rejection of this plan by Member States would darken Europe's already bleak economic outlook, warned UEAPME. Commenting on the text, the SME organisation particularly appreciated the EC proposals for additional measures to secure access to finance for SMEs, to speed up the reduction of VAT rates for labour intensive services and to cut labour taxes at the low end of the wage scale. However, UEAPME was less satisfied with the chapter on employment support, which does not mention the consequences of downsizing in large enterprises for smaller service providers, suppliers and subcontractors. It also expressed worries on the links between the plan and the Small Business Act, which is mentioned only in passing in the text.

Secretary General **Andrea Benassi** offered the following comments:

"The recovery plan released today is a bold, coherent and proactive answer to tackle the economic downturn and promote a swift recovery process in Europe, without jeopardising Europe's mid-term economic objectives."

"On the positive side, the European Commission has understood the importance of access to finance in these tough economic times. If properly applied, the new rules on State aid for working capital will go a long way towards answering SMEs' financing needs. The EC is also right in its bold call on Member States to reduce labour taxation on lower incomes and to provide a permanent answer on reduced VAT rates for labour-intensive services. Both measures have to potential to promote the employability of lower skilled workers while tackling undeclared work, a source of unfair competition that SMEs cannot withstand any longer, especially at a time when private consumption is clearly shrinking."

"On the negative side, the European Commission failed to properly assess the consequences of downsizing in large enterprises on local SMEs. When large industries reduce or cease operations, small suppliers and subcontractors are hit as hard as the industry's own staff. However, the current recovery plan does not include the former while promising support to the latter. This is unacceptable. Restructuring support must include SME employees and owners, especially if it is based on EU-wide resources such as the Globalisation Adjustment Fund or Social Funds."

"Another shortcoming is the scarce attention for the Small Business Act, which is mentioned half-heartedly throughout the text. The European Commission seems to have lost sight of the bigger picture and chose to concentrate instead on a limited number of simplistic proposals in the business chapter. If it is meant to be a serious contribution to economic recovery, the rescue plan must include an action plan on the implementation of the Small Business Act, an idea that seems to have lost momentum in the last weeks. We are surprised by this change of attitude, which must be swiftly corrected."

"It is now up to the European Council to endorse the document, correct its shortcomings and devise concrete policy measures in line with the text. Failure to do so would further reduce the remaining confidence of investors and consumers. Today's text is also a call on the European Parliament to prove its sense of responsibility by quickly adopting the pieces of legislation included in the recovery plan. This is a chance that both institutions cannot miss", concluded Mr Benassi.

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EDITORS' NOTES: 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: <http://www.ueapme.com/>

FOR FURTHER INFORMATION PLEASE CONTACT:

Gerhard Huemer, Director for Economic and Fiscal Policy, Tel. +32 (0)476 461 907, Email: g.huemer@ueapme.com
Francesco Longu, Press and Communications Officer, Tel. +32 (0)496 520 329, Email: pressoffice@ueapme.com