

European Craft and SME Policy 2010 – 2014

Towards Growth, Prosperity and Stability

**UEAPME's policy proposals to
the European Commission and the European Parliament**

European Crafts' and SMEs' contribution to the EU 2020 debate

Foreword

The new legislative period of the European Union that is currently starting will face a wide range of serious challenges, which include policies to get out of the current financial and economic crisis, the reorientation of its overall policy agenda (post Lisbon process), the implementation of the ambitious climate and energy policy targets and how to ensure financial and economic stability in times of demographic changes.

UEAPME, the European association representing Crafts and SMEs at European level, wishes to contribute to the ongoing debate on these issues by providing some policy orientations for the main challenges for Crafts and SMEs in Europe and by presenting comprehensive proposals for concrete policy needs from an SME angle.

While the current policy debate at European and national level is mainly dominated by short-term measures to tackle the current crisis, the start of a new legislative period must be used for a more mid-term oriented strategic debate about the appropriate policies for the next 5 years, which the recently elected European Parliament and the incoming European Commission should implement.

From a Craft and SME point of view, the most urgent problems to be tackled are how to guide Europe's economy out of the crisis, to improve the environment for doing business in Europe, to strengthen SMEs' competitiveness of and their capacity to innovate and to increase the efficiency of public regulations and of the public sector itself.

This document summarises the results of an extensive debate with national craft and SME associations as well as European branch organisations, which UEAPME has led during the last months, and provides a comprehensive **European Craft and SME policy agenda from 2010 to 2014**. The general aim of this policy document is to give policymakers at all levels an orientation about what is needed to ensure growth, prosperity and stability in Europe's most important economic sector, i.e. Crafts and SMEs.

The document starts with a short description of the role that Crafts and SMEs play in Europe's economy and society to demonstrate the relevance of a well-designed SME policy for the future of the European Union. The second part of the document will deal with the main challenges Crafts and SMEs will have to face in the coming years and will give policy orientations how to tackle them at the different institutional levels. In the third part we will present concrete policy proposals for all areas relevant for Crafts and SMEs, on which we expect progress during the new legislative period of the European Institutions. Finally, the document will present some ideas on how to improve the involvement of Crafts and SMEs in policymaking and how to give them a stronger voice in Europe.

Georg Toifl
President

Andrea Benassi
Secretary General

1. The role of Crafts and SMEs in Europe's economy and society

Of the 23 million enterprises in the European Union today, 99.8% are SMEs. There are only 42,000 enterprises with more than 250 employees, but more than 18 million enterprises employ less than 10 people – the so-called micro-enterprises. The average European enterprise provides employment for 6 people, including the owner-manager, and SMEs count for close to 60% of the added value in Europe's economy. In the last decade SMEs were the creators of new jobs, while on average big industries have reduced their employment. SMEs are thus the most dynamic force within our economy. Turnover growth in SMEs over the last economic cycle has proved greater than in large enterprises.

The current crisis has demonstrated once again that SMEs act as an important buffer in economic downturns and are much more reluctant to dismiss employees in difficult times. At the beginning of 2009, the number of large enterprises that reported a decrease in employment was twice as high than for small enterprises and three times higher than for micro enterprises, which makes SMEs an important stabiliser throughout business cycles. Craft and SMEs also play a central role in providing vocational education and training on the job. Furthermore, SMEs are crucial for the integration of migrants into the official labour market, who start often as independents, as small entrepreneurs or as employees in SMEs.

Most SMEs are not exercising R&D activities, as officially defined. However, they play a key role as innovators in Europe's economy. Innovation in SMEs relies to a large extent on qualified entrepreneurs and employees and on cooperation with suppliers and customers. The economic success of these enterprises in a competitive environment depends on their capability to improve their products, services and distribution models. At the same time, due to restricted resources, many Crafts and SMEs are challenged by structural changes and have difficulties to follow technical developments.

Furthermore, Crafts and SMEs play a crucial role for economic stability at local and regional level, and SMEs are at the centre of the so-called European Social Model. Owner-managers of these enterprises are, in general, more interested in the long-term development of their local economy, while shareholders and management are primarily concerned with short-term profit and boosting turnover. In general, SMEs are more responsible towards their employees and more integrated into local society. They play an important role in stabilising society and have a bridge-building function between workers and capital/equity owners.

Finally, Crafts and SMEs have always been a pacemaker for cultural developments in Europe and play an important role in driving sustainable changes and preserving heritage and values. This is especially true for craft-type enterprises, which are a relevant part of in the whole SME sector.

During the last years, politicians at all levels have increasingly recognised the important role of SMEs in Europe's society and understand more and more that SMEs have different needs compared to large enterprises and that the regulatory environment for SMEs has to reflect these differences. However, new approaches like the "Think Small First Principles" and the promises made in the Small Business Act have not yet become a reality for SMEs.

2. The main challenges for Crafts and SMEs in Europe

There is no doubt that the first part of the new legislative period for the European Commission and the European Parliament will be dominated by bringing Europe's economy out of the current crisis. At the same time, the European Institutions must continue their work to make Europe more competitive and to respond to the demographic and climate change challenges.

The current strategy for growth and employment (revised Lisbon Strategy) formally ends in 2010, but already now it is obvious that for different reasons European policymakers cannot just continue this strategy after 2010:

- The current strategy was only successful to a certain extent and by far not all "Lisbon goals" have been achieved.
- The already agreed targets for a joint energy and climate change policy have to be integrated into the current strategy.
- The current financial and economic crisis has added important issues to the policy agenda, such as reregulation of financial markets, exit strategy for excessive budget deficits and stabilisation-measures ensure sustainability of public households and social systems, to the policy agenda.

All these policies will also have an important impact on Crafts and SMEs in Europe, which are the backbone of Europe's economy. Their future depends to a large extent on how Europe manages to get out of the crisis and give the right policy answers to the challenges described above. Therefore, policymakers at all levels have to listen carefully to the concerns of the SME sector and have to integrate its needs into a new, forward-looking policy agenda for Europe.

Furthermore, concrete policies must be developed and implemented at the right level, respecting the principles and requirements of the internal market and the perspectives for further integration within the European Union as well as the principles of subsidiarity and the regional differences in Europe.

2.1. Crafts and SMEs suffer from the current financial and economic crisis

Although the confidence of Europe's SMEs has slightly improved during the last month (see [EU Craft and SME Barometer 2009/H2¹](http://www.ueapme.com/IMG/pdf/091019_Barometer_2009-H2_final.pdf)), there are no real signs for a significant recovery. The anti-crisis measures so far have contributed successfully to avoid a financial crash and to stabilise economic activities, but at a worsening low level. Despite the enormous and unprecedented recovery programmes, unemployment will further increase and neither investments nor turnover are significantly picking up. Both will put additional pressure on public and social households and will reduce the room for manoeuvring for the public sector further. The main challenges for Crafts and SMEs in the current crisis are:

¹ http://www.ueapme.com/IMG/pdf/091019_Barometer_2009-H2_final.pdf

A significant number of SMEs complain that they have difficulties to get access to finance and report plans to reduce investments and employment due to financial restrictions. Moreover, there is still a lack of confidence in the financial system.

To tackle these challenges UEAPME proposes:

- A far-reaching reregulation of the financial sector, which aims to stabilise the financial markets and guarantees efficient supervision at all levels, without endangering access to finance for Crafts and SMEs.
- Financial institutions, which are “too big to fail”, have to be down-sized by splitting their different activities into independent business entities or must be regulated to an extent that will avoid a similar crisis in future.
- Joint efforts to develop new support instruments for access to finance for SMEs, which are able to carry risk better than traditional credits and loans.
- Any national rescue or recovery plans involving public money as well as the provision of funds from European Institutions (including EIB/EIF) must include rules, which ensure that support measures for SMEs are reaching their addressees and are not used to restructure bank balance sheets or lending portfolios.

Crafts and SMEs in more or less all economic sectors are now affected by the real economy crisis and public interventions are still needed to avoid a further decrease in economic activities.

To tackle these challenges UEAPME proposes:

- There is a high risk that the continuing increase in unemployment rates all over Europe will have a negative impact on private consumption. Therefore, the recovery programmes at European and national level must continue in order to avoid the appearance of a “W-shaped” recession.
- Recovery programmes have to support structural reforms and strengthen future growth and should not be used to protect uncompetitive structures and overcapacities. Therefore, such programmes have to focus on investments in innovation, qualification and infrastructure, which contribute to an increase in potential output in the future.
- Due to budget restrictions recovery programmes should focus more on mobilising private demand (investment and consumption) than public spending and should aim on reducing private saving by re-establishing confidence in the banking system as well as in consistent fiscal and social policies.
- Recovery programmes must be open and must support all enterprises, including the smaller.
- At the same time, the European Union and the Member States have to agree now on exit strategies including realistic consolidation paths for public households, in order to stabilise market expectations and avoid unnecessary inflationary pressure.
- Furthermore, the European Commission must re-establish State aid discipline to ensure the proper functioning of the internal market and to avoid subsidy races at the expenses of taxpayers in Europe.

2.2. Economic actors have lost confidence in the public sector to implement and enforce public regulations in an efficient and effective way

Market economies rely on efficient and effective regulations, which ensure fair competition and a reliable legal framework. One of the fundamental obligations of public regulations in a market economy is to avoid structures, processes and behaviours which undermine competition and/or could lead to suboptimal economic results at the expense of others and finally of the whole economy. As a consequence of the current crisis many economic actors and especially SMEs have lost confidence in the capacity of public entities at European and national level to provide such regulations to the necessary extent.

To tackle these challenges UEAPME proposes:

- All economic regulators have to be fully and effectively independent from any company under their remit. This must also include independence as regards access to qualified information about the respective economic sectors and must rule out any personal, economic or functional interrelation between the regulator and regulated entity.
- Policymakers and regulators have to accept that large economic entities can and may also fail and should not be rescued at the expenses of other actors, just because of pretended “systemic risks”.
- While decisions of regulators on concrete cases must be taken independently by the regulator, political decisions on regulatory affairs must be based on proper consultation of all relevant stakeholders, including Crafts and SMEs.

2.3. The economic and financial crisis and the ongoing demographic changes endanger the stability and the sustainability of Europe’s Social Models

UEAPME is committed to the general principles of the so-called “social market economy”, in which economic progress is achieved within a system of market competition on one side and social welfare on the other, while both are connected and interdependent. Although there are significant differences in how these principles are implemented in the various Member States, all systems face similar problems, accentuated by the current crisis, which endanger the stability of social protection systems and their financial sustainability.

The substantial hike in unemployment throughout the current crisis, which will further increase during the next months and is likely to stay at this high level for some years, will also enlarge the financial resources necessary to stabilise the system. Furthermore, the last years have shown rising income differences within our economies, which have led low income households or low qualified persons to request more redistribution. Finally, in a mid-term perspective, Europe’s social systems will be hit by the consequences of demographic change with an increase of old-age dependency rate within the social systems.

All these challenges will increase the pressure for additional financial resources for the social systems, which already now weigh heavily on labour costs and endanger the competitiveness of labour in the European Union, especially of low qualified labour and labour-intensive enterprises. Therefore, the future of the existing social models can only be sustained if social systems become more targeted and efficient. This requires that any misuse of the systems is avoided, a fair balanced between social rights and obligations is ensured and the systems are

properly managed. At the same time tax systems (tax structure and tax levels) must be analysed as regards their impacts on economic growth and income distribution.

To tackle these challenges UEAPME proposes in the framework of open coordination to encourage:

- reforms of unemployment schemes aiming to activate unemployed persons by training and incentives to re-enter the labour markets;
- social contribution systems, which are not only based on labour costs, especially for social benefits not directly related to employment;
- fair balances between social rights and obligations, in order to avoid misuse of social benefits;
- the provision of minimum social security levels at national level for self-employed persons and small entrepreneurs, in order to strengthen entrepreneurship and risk taking behaviour;
- reforms aiming for better targeted social systems and ensuring an (cost)efficient management of social security institutions.

2.4. Crafts and SMEs suffer from unfair competition in many areas

Fair competition is not only a cornerstone of market economies, but also a precondition for the acceptance of free markets by the different market players. This is especially true for SMEs, which have by nature to face more competitors than large enterprises. Furthermore, only level playing fields between all companies or between private companies and other market players can create a positive competitive environment, which is a key for innovation and growth as well as for the creation of jobs and welfare.

Although this general commitment to the principle of market economies is well accepted throughout Europe, Crafts and SMEs complain about unfair competition especially in three areas:

Many SMEs complain about environmental and social dumping by third-country competitors and need better protection of their intellectual property rights.

While accepting globalisation as important driver for welfare and social cohesion at a general level and recognising the role that comparative advantages play to foster world trade, SMEs see comparative advantages created by regulators or international agreements, such as different environmental or social standards, , as an unfair and unacceptable distortion of competition. Furthermore, more and more SMEs complain about too expensive and inefficient or non-existing protection of their intellectual property rights, especially in cases of counterfeiting and product piracy.

To tackle these challenges UEAPME proposes:

- International agreements, irrespective of whether they are multinational (WTO or post Kyoto) or, at second best, bilateral agreements between the EU and third countries, should also tackle economic and social aspects and include certain minimum standards for environmental and social protection or at least instruments, which can avoid significant imbalances stemming from such unpaired regulations.

- The European institutions and the national administrations have to enforce their own regulations against counterfeiting and product piracy within the internal market and against third-country providers. This is a precondition to ensure public support for free markets in a mid-term perspective.

Crafts and SMEs providing labour intensive services at local level face unfair competition from the shadow economy and undeclared work.

The shadow economy and undeclared work, which are already significant phenomena in many European countries and are growing throughout the current crisis, have not only dramatic negative effects on both tax revenues and social budgets, but they are also unfair competitors for legally acting companies in these economic sectors, especially for smaller enterprises active in the construction and in personal services sectors.

To tackle these challenges [UEAPME proposes](#):

- the reduction of fiscal incentives from the taxation or the social contribution system in favour of undeclared work, by using the possibilities for reduced VAT rates for labour-intensive services or instruments such as vouchers or tax deductibility in the area of income taxation and social contribution systems;
- a simplification of both the creation of legal enterprises as well as the legal employment by small enterprises;
- to strengthen the enforcement of existing regulations, in order to make unlawful behaviour less attractive;
- to improve international cooperation between regulators to prevent cross-border illegal activities.

Crafts and SMEs suffer from unfair competition from public companies, which offer (cross-) subsidised services.

Due to budget restraints more and more public companies and organisations offer next to their traditional purposes – the provision of services of general (economic) interest – also market services, which are often cross-subsidised and create unfair competition for private competitors.

To tackle these challenges [UEAPME proposes](#):

- Any provider of services of public interest, irrespective of whether it is a public or a private company, needs a clear definition of its public service obligation as well as an effective and transparent unbundling between its public service provision and any private economic activity;
- The enforcement of European competition and State aid regulations by national courts should be strengthened and business associations should get the right to complain on behalf or in support of their members and with their approval against misuse of these regulations.

2.5. Crafts and SMEs need the “Think Small First” approach for all regulations in order to avoid unnecessary bureaucratic burdens and compliance costs

Regulators at European and national level must keep in mind that any regulations for businesses creates relatively higher compliance and administrative costs the smaller a business is. Especially regulations that are designed at the first place for - or even worse: together with – large enterprises, do not respect the specific reality

and needs of smaller enterprises. Consequently, the “Think Small First Principle” has been developed and all European Institutions have committed themselves to use this principle to create a regulatory environment for businesses, which respects the reality and needs of small enterprises from the beginning.

Furthermore, in order to ensure the functioning of the single market, there is a need for a coherent set of rules, which allow market access for all companies and create a level playing field for all market participants. This means that in principle all regulations, regardless if they are about technical standards, the protection of consumer, environment, health or safety, have to cover all enterprises irrespective of their size and should focus in their scope at the needs of SMEs.

At a first glance these arguments may look like a contradiction, but the differences in the consequence and impact of activities carried out by small enterprises compared to large companies, allow differentiating as regards requirements for compliance and administration, in order to balance the costs and benefits of regulations in a proportionate way and to ensure a level playing field between all sizes of companies.

Such a level playing field would not be provided if small enterprises would be fully exempted from European regulations. This could lead to a second class of enterprises, which are not obliged to fulfil the agreed European minimum standards, with all the consequences for their competitiveness. Furthermore, total exemption of such standards may also be used as an argument to exclude SMEs and their representatives from the standard setting process or the legislative process for new regulations. Moreover, small enterprises may be forced by main contractors or public procurers to fulfil these standards at a later stage.

To tackle these challenges UEAPME proposes:

- The application of the “Think Small First Principle” to any new regulation affecting small enterprises at all levels. This must include a proper consultation of representative Craft and SME associations, independent impact assessments (SME test) and the respect of the “only once” principle.
- Respecting the proportionality principle, when it comes to compliance and administrative requirements, without excluding small enterprises fully from regulations relevant for access to the internal market. This principle means that legislative or political provisions should focus on the needs of SMEs and the impact of their activities compared to large enterprises and be limited to the absolutely necessary. This is especially the case for reporting, record keeping, documentations, publications, information (statistics) and similar requirements.
- A new and encompassing better regulation initiative at European level, which covers all existing European legislations and regulations relevant for Craft and SMEs.
- All European programmes should in principle be open for SMEs and SME organisations, which also means the different programmes have to be made better accessible for SMEs , which includes a reduction of red tape and faster reimbursement.
- Furthermore, the existing programmes targeted to SMEs have to be screened in order to better respond to the needs of SMEs.

2.6. Craft and SMEs have to be compensated for market failures to strengthen their capacity for innovation and to improve their competitiveness

Although Crafts and SMEs are quite heterogeneous, similar problems as regards different forms of market failures can be observed for most of them:

- Due to asymmetric information smaller companies have difficulties with access to finance. The market is not providing sufficient offers for credits and loans as well as for risk capital, because the costs for risk mitigation and the management of investments are too high in relation to potential profit margins.
- Positive external effects of investments in training, R&D or environmental protection, which are relatively higher the smaller a company is, are not compensated by the market, which results in a structural underinvestment in these areas and leads for the whole society to an activity and welfare level below the optimum.

Crafts and SMEs are in general rather sceptical about the provision of State aid, acknowledging that any State aid has to be paid by taxpayers and that State aid to a very large extent is directed towards large enterprises. Despite of this scepticism, we understand that a compensation of market failures is justified, if it fosters innovation, competitiveness and growth and increases the overall welfare of a society. However, UEAPME also expects a strict application of existing State aid rules, in order to avoid distortion of competition and any inefficient use of tax payer's money.

To tackle these challenges UEAPME proposes:

- to convince policy actors at all level to use the new framework for State aid to compensate Crafts and SMEs for existing market failures, especially in the areas of access to finance and new technologies, investments in R&D, innovation, training and environmental protection.
- to ensure State aid discipline by a consequent application of the existing State aid regulation to avoid any overcompensation, protection of inefficient economic structures and free riding.

3. A European Craft and SME policy for Growth, Prosperity and Stability

This chapter presents concrete policy proposals and demands at European level, which are needed to explore the potential of Crafts and SMEs to growth, create jobs and provide stability. These proposals aim to make the policy orientations given in chapter two operational and will be the basis for our lobbying activities towards the European Commission and the European Parliament for the new legislative period.

3.1. Towards an entrepreneurial society

In order to promote entrepreneurship, society in general has to be made aware of the issue. It is necessary to restore the image of the entrepreneur, which is mainly dominated by prejudices and disadvantages, and to raise understanding of the advantages of entrepreneurship. School curricula and the media play an essential role in creating and communicating a more realistic and dynamic image of an entrepreneur and its important role in the social-economic framework.

Entrepreneurial education is the key to an entrepreneurial society

The development of the teaching of entrepreneurship is of the utmost importance. Europe does not need only future entrepreneurs, but also employees and public administrations with the spirit of initiative and creativity.

Therefore, UEAPME proposes:

- to integrate Entrepreneurship and the spirit of initiative into all programmes of education and training from the youngest age. This subject should also be integrated in school curricula, especially with a focus on SMEs (start-ups, entrepreneurship). A European programme to foster this action is still lacking.
- to encourage and motivate highly educated people to set up their own enterprise. Although well-trained people are the ones most able to set up and develop high potential ventures (50% of all high potential ventures are set up by people with a university or post-graduate degree) surveys indicate that becoming entrepreneur is not a natural career choice for them.

Entrepreneurial behaviour needs an entrepreneurial and supportive environment

The appearance of entrepreneurial behaviour needs the right regulatory framework and the necessary support structures. Therefore, public authorities and policymakers at European, national, regional and local levels have an important role to play in order to create the right environment.

Therefore UEAPME proposes,

- that any entrepreneurship policy has to build on the principles agreed on in the European Charter for Small enterprises and on the excellent Green Paper on Entrepreneurship.

- to combine incentives to create enterprises by unemployed people always with preparatory phases, in-depth training and advisory services.
- a particular focus should be put on female entrepreneurship, which still need to be further promoted and on migrants, who are very dynamic and ready to create new activities as self-employed and small entrepreneurs, but who are still facing a number of specific difficulties.

Crafts and SMEs have a specific approach towards Corporate Social Responsibility

Corporate Social Responsibility has to start from the daily reality of SMEs. It should give concrete answers to questions, problems and difficulties that the entrepreneur encounters in the daily management of a company, instead of being a threat and a burden.

Therefore UEAPME proposes:

- to continue awareness raising activities among SMEs;
- to support SMEs with concrete tools and individual advice on how to implement and apply the CSR principles, especially in the area of green and social procurement.

The heterogeneity within the Craft and SME sector has to be respected

Policymakers must understand that the world of Crafts and SMEs, especially in Europe, is extremely varied in terms of scope, size and nature of their activities. Crafts and SMEs are in a range from craft-type enterprises, many of which are active in the so-called “proximity economy” but also as innovation drivers, to fast-growing, international high-tech start-ups, and everything in between.

Therefore, UEAPME expects that the principles and instruments of the internal market and the regulatory environment for enterprises also respect this variety and cater to the needs and the reality of all Crafts and SMEs.

3.2. Craft and SMEs need a regulatory environment supportive to innovation and business creation and which increases their competitiveness

Access to finance for Crafts and SMEs needs public support and better regulations

The European market is not able to finance SMEs in a sufficient way. Market failures in the risk capital and in the credit and loan market prevent SMEs, especially start-ups, business transfers and innovative companies, from getting the necessary financial means. Both result in lower economic growth and less employment in Europe. Due to their high leverage and multiplier effects, risk sharing models (i.e. mutual and public guarantee schemes) have proven to be the most effective instruments to compensate for such market failures.

Therefore UEAPME asks the European Institutions:

- not to endanger SME and retail loans, when re-regulating financial markets and financial supervision.

- to reduce the pro-cyclical effects of Basel II and IFRS on the provision of credit and loans in the upcoming review of capital requirements for financial institutions.
- to improve the market for equity capital by removing of negative tax incentives for both side of the market, the investors and the companies.
- to target the financial support instruments in the next generation of European support programmes for enterprises more towards risk-carrying instruments like mezzanine finance and venture capital for smaller companies.

A simple and inexpensive European patent system is precondition to improve the capacity to innovate

The European Commission and the Council are working on the creation of a Community patent and a unified jurisdiction for patent related disputes. An enhanced patent system in Europe is very important to boost growth through innovation and helping SMEs to face the economic crisis and international competition.

Therefore, UEAPME encourage the European Institutions:

- to overcome the current obstacles in creating a community patent and find a compromise that provides Crafts and SMEs with an affordable and easily accessible patent system.
- to create a unified jurisdiction for patent disputes.

The future Framework Programmes for R&D must be better adapted to the needs of SMEs

Since 1997 the budget allocated towards enterprises within the Framework Programmes for R&D (FP) has dropped from 37% to 26%, which means in practice a budget cut of one billion Euros per year for enterprises. Furthermore, in the current programme (FP7), 80% of the budget foreseen for Crafts and SMEs is dedicated to thematic programmes (which are less in demand from and difficult to access for SMEs) and only 20% to the very much demanded SME specific programmes, where only one out of 10 projects can be financed due to financial constrains.

Therefore, UEAPME asks the European Institutions:

- to allocate in the next programme (FP8) at least 33% of the budget to enterprises;
- to dedicate 15% of the overall budget to SMEs (in FP7 the 15% for SMEs cover only the thematic programmes);
- to ensure a more demand-driven distribution of the “SME budget” between “thematic programmes” and “SME specific programmes”;

The essential role of Crafts and SMEs at regional level has to be supported

The importance of Crafts and SMEs for the stability and the development of territories in economic and social terms is widely recognised but insufficiently reflected at national and regional level.

Therefore, UEAPME asks to ensure the success of territorial cohesion by:

- creating a real dialogue between policymakers and the “real economy” (economic and social partners) at all levels in order to allow an efficient multilevel governance by using the principle of “horizontal subsidiarity”;
- by training regional policy actors in public private partnerships and entrepreneurial culture;
- by promoting the full implementation of the “Think Small First” principles also a regional and local level;
- by facilitating the access for Crafts and SMEs to structural funds and promoting the use of programmes financed with European means.

3.3. Craft and SMEs need better access to internal and external markets

The remaining barriers within the internal market have to be removed

For SMEs, especially in the service sector, the Internal Market is still not a reality. High administrative burden for cross-border operations and missing European standards hold back small enterprises from profiting from a larger market. Lower growth rates and missed employment opportunities are the result.

Therefore, UEAPME asks the European Institutions:

- to observe carefully the implementation of the services directive and to ensure that open markets for services become a reality for all business in Europe.
- to guarantee a level playing field: more has to be done to ensure that all directives are correctly and on time implemented as well as enforced.
- to increase the pressure on the banking industry to improve the market uptake for the new payment instruments in the framework of Single Euro Payment Area (SEPA) by providing solutions in line with their costumers needs.
- to elaborate and adopt a new proposal for an “One-Stop-Shop” for VAT compliance, which allows all cross border services providers to declare VAT in their home country.
- to continue the work on a common base for corporate taxes with the perspective to use the possibility of enhanced co-operation, because some Member States will not support this initiative.

Internal Market must be accompanied by a balanced consumer protection regulation

In the advanced stage of the Internal Market the consumer acquis requires more harmonised rules, which includes the establishment of legally balanced systems between SMEs and consumers. While drafting legislative proposals the European Commission has to take into consideration that SMEs, facing the lack of human and financial sources, are often in the weaker position towards consumers. Through responsible consumers’ behaviour the need for several burdensome regulations for SMEs, e.g. long period for right of withdrawal, could be avoided. These approaches should be applied also in the proposal for a Directive on Consumer Rights, as this text will have long time effects.

Therefore UEAPME calls for:

- a more intensive SME involvement in the European Commission's consumer policy. The consumer legislation cannot be treated separately from SMEs issues, as there is a daily personal contact between the two parties.
- an effective ex-ante impact assessment taking into account the specific situation of SMEs.
- a more active consumer education concerning their obligations and improving the picture of a responsible consumer .
- the establishment of provisions that encourage Crafts and SMEs to more active participation in the Internal Market and avoid additional burdens for these enterprises.
- improving the already existing methods of legal protection instead of introducing inexperienced systems.

Furthermore, in respect of the competitiveness of the Craft and SME sector the European Commission has to consider the **misleading directory companies** as a serious fraud and as a priority by public prosecutors. It is more than necessary to find an adequate remedy to victims, especially for SMEs at European level.

- For this reason UEAPME asks the European Commission in line with the European Parliament resolution of 16 December 2008 on misleading directory companies to address the problem and start to prepare and carry out the review of the affected legislations, e.g. Directive 2006/114/EC.

Europe must enhance its bargaining position vis-à-vis its trading partners

In the area of industrial and commercial goods as well as services, the internal market of the EU is one of the most open and most transparent markets of the world. That is why it is obvious and comprehensible that the bargaining position of the EU vis-à-vis its trading partners must be an offensive one, so as to create comparable market access conditions for European firms on foreign markets. However, there are sensible sectors in Europe which are in danger even after accomplished restructuring, especially due to external causes. They notably suffer from different competition conditions (different norms and standards, non-respect of intellectual property rights, illegal subsidies, etc.). In such emergency situations it should be possible to take temporary "protective" measures.

The existing trade defense instruments such as anti-subsidy and anti-dumping need to be better adapted to SMEs.

Anti-dumping complaints require such an amount of bureaucratic procedures and costs that SMEs cannot afford to file such complaints themselves. The result is that trade defense instruments do not protect SMEs at all.

- SMEs need systematic support of the EU Commission in preparing and filing complaints. Queries by the EU Commission must be reduced to a few pages, and the deadlines for responding must be extended. Representation by lawyers cannot be afforded by SMEs. Additional transparency of procedures is also lacking.

- If an SME receives an anti-dumping complaint in third markets, the Commission should assist SMEs (with consultancy, financial support...) in defending themselves against this complaint. SMEs otherwise risk losing foreign markets, even if the complaint is not justified. Only large enterprises are able to defend themselves at the moment.
- To solve the problems SME encounter in the field of multilateral commercial relations, the European Commission should offer mediation with third country authorities, which may lead to the creation of a "SOLVIT" like system in a midterm perspective.
- Europe's Trade Defence system must be reviewed and must take into account the "think small first" principle.

The fight against counterfeiting has to be intensified.

The customs services of some EU member states are lagging behind in the fight against counterfeiting. There is an apparent absence of political will to tackle the problem.

- Public-Private Partnership in this field have proven their utility in some member states and should be promoted.
- In addition, the EU permanent representations could be used to inform about evolution and trends in the field of counterfeiting.

Craft and SMEs need help to access foreign markets

Only 8% of SMEs are involved in export, although many SMEs are involved in "indirect export" activities. This shows that there is a clear need to help European SMEs to access foreign markets. UEAPME also stresses the need to put forward concrete actions to increase the access of European companies to non-EU markets:

- First of all they need better access to information and qualified advice when considering going international.
- More efficient export tools are necessary as the existing tools are not fully exploited by SMEs. A clear example is the Market Access Database (MADB), which is too complex for small companies. Besides, SMEs need to report quickly and efficiently on the trade barriers they face. Therefore, a new and user-friendly complaint register should be put in place as soon as possible.
- The organisation of general and sector specific transnational cooperation events to find the right partners is a strategic tool in order to help SMEs to succeed in foreign trade. This could be achieved by a re-uptake of an INTERPRISE-type programme and by the organisation and implementation of transnational cooperation events.
- Progress must be made in bilateral and multilateral trade negotiations for further reducing tariff and non-tariff, tax and regulatory barriers to trade. Especially protection against unfair competition should be strengthened.

3.4. Craft and SMEs need a climate change and environmental protection policy that respects the needs of smaller enterprises

The different instruments selected at EU level to achieve the sustainability objectives as regards climate change and environmental protection in the next years should be based on a transparent, cost/effective method, which avoids new layers of bureaucracy and excessive burdens for companies, particularly for SMEs, compared to the EU competitors. At the same time, though, in order to be successful, these instruments should take account of SMEs' structures, strong points and weaknesses, allowing them to play an active role in the implementation of the EU strategy.

In this context, UEAPME highlights the following priorities for European policies:

- Legislative instruments should be used only when really necessary and their quality has to be improved on the basis of the “less and better legislation” principle. This is due to the fact that any new legislation increases red tape and financial burdens particularly on micro and small enterprises. If legislation is necessary, any provision has to be based on reliable data and statistics and has to avoid target setting merely based on ideology (as often happens, for example, in the framework of the EU waste policy).
- In case of legislation, which involves deep, structural changes for companies impacted upon (i.e. Energy Using Products Directive), specific measures, such as sectoral guidelines, thresholds and longer and/or staged implementation periods, has to be foreseen to avoid SMEs being placed out of the market.
- Most micro and small businesses are still not aware of the existing and, particularly, of the upcoming legislation in the area of climate and environmental protection. Therefore, especially micro-businesses also need a permanent, affordable reference point at local level guiding them through different complicated processes such as understanding and implementing legislation, applying for the right subsidies, making the right investments, for instance to reduce their energy consumption. That is why the European Institutions should strengthen the implementation of the Environmental Compliance Assistance Programme (ECAP) profiting of its revision in 2010 in order to provide up-to-date information and targeted technical assistance to SMEs in co-operation with their organisations.
- Many SMEs do not have the capacity to apply eco-innovation to their products and processes and need support, in order to turn the challenges deriving from climate change into opportunities. Therefore, the European Institutions should, again, enlarge the scope and strengthen the implementation of ECAP, address the Environmental Technology Action Plan (ETAP) more towards the needs and the structure of SMEs and foresee specific support for SMEs in the different EU funds and programmes.
- There are cases of real best practices at national level responding to SMEs' needs and enabling them to make progress towards sustainability. For instance, it is proven that Energy Service Companies (ESCO) using energy performance contracts with third party financing are a very valid instrument to help SMEs improve their energy efficiency. While micro-generation in the form of combined heat and power (fuelled with renewables, whenever possible) and integrated with district heating and cooling systems, can contribute to clean, safe and reliable energy supply. Therefore, the dissemination and the support of these practices in framework programmes aiming at enhancing energy efficiency and sustainability should become a priority.

3.5. Craft and SMEs need more flexible labour market regulations and skilled workforce in line with the needs of a knowledge and services society

A knowledge and services-based society require modern labour market policies based on the flexicurity principles able to tackle the current short and long term challenges companies and workers are facing.

Flexible labour law and contractual arrangements combined with efficient active labour market policies, improved employability of the workforce through adequate lifelong learning policies, and efficient and sustainable social protection systems are key to ensure a smooth functioning of the labour market, social inclusion and the adaptability of enterprises and workers. Higher flexibility would also increase the productivity and competitiveness of SMEs in Europe.

UEAPME proposes the following measures at EU level:

- An improved working time legislation (revision of the working time directive) which fully respects the health and safety of workers but at the same time takes into account the evolution of the working environment, new working methods and new types of jobs and the functioning of SMEs
- A reinforced access to continuous training and adequate lifelong learning measures, to the validation of informal and non-formal acquired competences and to guidance for all throughout professional life to combat unemployment, maintain workers' employability and facilitate Crafts and SMEs' adaptation to fierce competition and trades evolution. Moreover, SMEs need the support of public authorities to set up and/or finance such measures. Furthermore, suitable training offer for SMEs should be available in order to fill in the requirement of new skill needs notably in the field of new jobs related to climate change policy.
- Maximising the potential of the EURES network and services towards SMEs to better match job offers and availability of workers
- Strengthening efficiency and quality of education and training systems to better prepare young people to fast changing labour market needs and enhance their employability, valorising the work-based-training education and fostering learning mobility of young people notably those in vocational education and training including apprentices.
- Specific measures to supporting graduates from schools or universities, who experience more difficulties to find a job because of the crisis, by using the ESF for internships and apprenticeships.
- Reform of social protection systems and notably unemployment schemes by introducing rights and obligations in a balanced manner in order to ensure their sustainability.
- Work/life balance policies applied to the revision of the maternity leave directive that facilitate the better integration of women on the labour markets but also take into account the specific problems of micro and small companies concerning the practical implementation of flexible working arrangements as foreseen in the parental leave agreement
- Occupational health and safety legislation which effectively protects workers from new risks but does not add unnecessary heavy burdens on SMEs as currently provided for in the revision of the electromagnetic field directive or the topic of musculoskeletal disorders.
- Making active ageing a reality in Europe represents a major challenge for our economy. Increasing the senior workers' employment level is crucial to face the shrinking of the workforce. It requires an holistic approach

including the elimination of incentives to leave the labour market early, substantial efforts for bridging the gap between the formal and the real retirement age (gradual retirement schemes combined with part time work, flexible forms of work) and the support for employers to hire and keep older workers (wages linked to productivity, up-skill of the workforce, lifelong learning policies, full abandon of early retirement schemes).

4. Policymakers have to listen better to the voice of Craft and SMEs

The valuable and irreplaceable role of representative SME organisations in all policies towards Crafts and SMEs has to be fully recognised and supported by the European Institutions. Instead of creating parallel networks, the European institutions should focus on the representative organisations for consultation, disseminating information and awareness rising.

4.1. Full implementation of the Think Small First principles at all levels is a precondition for any effective Craft and SME policy

The 'Think Small First' principle recommended by the Small Business Act should be systematically applied across all institutions throughout the life-cycle of EU legislative negotiations.

Therefore UEAPME reiterates the need for:

- a systematic consultation of the representative business organisations in all policy fields, as the main source of stakeholder consultation (min 12 weeks). Internet consultation and the business test panels should only be used to obtain additional input.
- the participation of representative SME organisations in every advisory committee at regional, national or European level on issues that can have an impact on SMEs, including an official representation at Commissions' delegations in international missions and in international dialogue instruments (e.g. EU-China dialogue).
- implementing a real "Think Small first Approach", meaning that measures and legislation should be conceived from the point of view of small enterprises, taken as the rule, not as the exception. Furthermore, all measures to simplify existing legislation and administrative procedures should also use this "Think Small First" approach.
- the application of the proportionality principle as a basic rule, whenever SME policy is concerned. This principle means that legislative or political provisions should focus on the needs of SMEs and be limited to the absolutely necessary. Should there be a special need for a different treatment of large enterprises, this can be solved by additional regulations.

4.2. The specificities of Crafts and SMEs must be recognised also in the social dialogue

In the European Union Crafts and SMEs provide two thirds of all jobs in the private sector. Although UEAPME is participating as an independent and fully recognised employers' organisation since more the 10 years in the European Social Dialogue, neither the European Institutions nor the other European Social Partners have fully taken into account the fact that SME employers are by far the largest employers group in Europe.

Therefore, UEAPME as the employer organisation for Crafts and SMEs in Europe:

- asks the European Institutions to ensure an adequate representation of SMEs in all meetings in the framework of the European Social and Macroeconomic Dialogue.

- underlines the need of a more proportionate representation of Crafts and SMEs in the employers' delegations at all meetings in the framework of the European Social and Macroeconomic Dialogue.
- invites the European Trade Unions to consider the specific needs and realities of Crafts and SMEs as regards labour market regulations and institutions and to apply a think small first approach also in social dialogue negotiations.
- asks all partners in the European Social Dialogue to strengthen the role of Crafts and SMEs and their employees also in the national, sectoral and regional social dialogue institutions.

4.3. Strengthening the voice of Crafts and SMEs in the European standard setting process

Different types of standards play an increasing role within the internal market and at global level. Crafts and SMEs have significant problems due to their limited resources as regards access to standards and the participation in standard setting processes. Although this problem has been recognised by the European institutions and support for SMEs has been provided, SMEs are still facing unfair competition and competitive disadvantages compared to large multinational enterprises.

Therefore, UEAPME asks to:

- review the remaining “New Approach Directives” on the base of the “Think Small First” principles like the simplified CE procedures for unique products and small series production;
- review the Directive 98/34 on standardisation systems with the aim to include the principles of openness, consensus, transparency, fairness, balanced representation of all stakeholders;
- monitor the implementation of SME friendly measures in standardisation at national and European level such as abstracts of standards, simplification of standards, lower prices for clusters of standards, support for SME participation through better information and financial means;
- continue the financial support for NORMAPME as body which supports access to standards and participation in standard setting processes for Crafts and SMEs
- fund the training of SME experts in standardisation, working within SME organizations.

4.4. A systematic, specific, real and independent impact assessments for Crafts and SMEs is needed

An effective impact assessment (IA) must be published together with all consultation documents and it should assess the costs and benefits of the different political and technical options. IA and consultation of stakeholders are two different things, but there is of course an interaction between the two.

At the moment IAs are not transparent enough and cannot be properly impartial since the Commission assesses the impact of its own proposals in house, especially if it does so relying on data coming from interested parties. The preparation of a proper evidence base to support the EU decision making process must be managed more independently.

Today, data collection for SMEs is totally inadequate. SME associations do not have the financial, personnel and organisational resources to provide data on future legislation impact. Therefore, the data collection for SMEs should be financed by the legislators and different specifications for SME in an IA study have to be analysed.

For effective impact assessments on SMEs (SME Test), UEAPME recommends:

- the use of large statistical samples of SMEs to get a realistic picture from the very heterogeneous Craft and SME sector in Europe;
- the creation of an institutional platform by the European Commission, which ensures the involvement of SME organisations in the design, the implementation and the interpretation of the results of SME tests;
- the participation of SME organisations in establishing representative lists out of which the samples are drawn and the preparation of the SME questionnaires;
- the selection of consultants for the implementation of IAs based on strict criteria to avoid bias, conflict of interest or direct advantage deriving from the results;
- that SME questionnaires always contain a concise explanation of the nature and anticipated impacts of the future legislation;
- that the language of questionnaires should be the national language of the country and it should not contain academic or specialist jargon;
- that specific impacts for small and micro enterprises should be taken into account such as quality of family life of the entrepreneur, added administrative burden, technical capacity of compliance, cost of compliance, technical problems with reuse and recycling of materials;
- that questionnaires should be filled out by professional and specialised interviewers, not directly by the entrepreneur
- that the data should be made available to the SME associations during the report drafting stage for study and comment.

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