



"The voice of crafts and SMEs in Europe"

Tripartite Social Summit: austerity alone will not work, warn SMEs

UEAPME demands structural reforms and growth-enhancing measures; calls for ambitious and growth-friendly 2014-2020 EU budget

Brussels, 18 October 2012 – The European Union will not escape the current recession unless austerity and fiscal consolidation measures are matched with structural reforms and growth-enhancing actions, according to UEAPME, the European craft and SME employers' organisation. Speaking today at the Tripartite Social Summit ahead of the European Council, President Gunilla Almgren stressed that the downturn we are witnessing is due to a very large extent to the consolidation programmes put in place to tackle soaring public debts and deficits. These measures were obviously necessary but triggered a slump in internal demand in the EU, a key source of revenues for SMEs, as shown by our latest "Craft and SME Barometer" that registered highly negative turnover figures for the services and construction sectors (1). Against this background, Europe needs an approach based on three pillars: restabilising the financial sector and public finances to restore confidence, putting in place the needed structural reforms for new business and job opportunities, and providing growth enhancing and supporting measures to kick-start the recovery, said Ms Almgren, who also called for an ambitious 2014-2020 EU budget.

"Our latest survey among European SMEs leaves little doubt about the fact that we are in a recession. Austerity was clearly a needed medicine, but it has triggered harmful side effects for SMEs, starting from a decline in the internal demand as disposable incomes shrunk and uncertainty permeated Europe. Back in June, the European Council rightly decided to rebalance austerity with growth, by agreeing on a 'Compact for Growth and Jobs' to go alongside the 'Fiscal Compact'. However, this attempt to rebalance our economic policies has not borne fruit yet, and much more remains to be done to trigger growth and lay the foundations for Europe's economic recovery", Ms Almgren told participants.

The priority given until now to pro-cyclical consolidation measures led to a downward spiral that depressed private consumption and set the basis for the current recession, explained President Almgren. As public authorities are increasingly cash-strapped and short of options, only the private sector has the potential to lift Europe out of the crisis. However, for this to happen Europe needs a change of pace and a new strategy, which should be based on three pillars, namely:

- **Restore confidence** by restabilising the financial sector and public finances. This will ensure sufficient financing for the real economy, but also a reduction of the fiscal burden created by high yields on public debts. *"Unless confidence is restored, SMEs will not invest and will not hire. It's that simple",* said President Almgren.
- **Put in place structural reforms**, which are fundamental to promote competitiveness and to create new business and job opportunities. National security systems, public administrations, labour markets are the most blatant examples of areas that need a serious overhaul in many Member States, stressed President Almgren.
- **Introduce growth enhancing and supporting measures**, which will be needed to kick-start the recovery. The "Compact for Growth and Jobs" adopted in June contains all the elements to act in this respect, stressed Ms Almgren, particularly when it comes to access to finance and investments in energy efficiency, in vocational education and training and in infrastructures. However, this pact cannot remain on paper, continued Ms Almgren: *"In preparation for today's Summit, both President Van Rompuy and President Barroso have clearly stressed that progress is lagging behind on these commitments. This is not something that we can afford at the moment."*

This week's summit and the next one in November will be crucial to make progress in this respect, but also to secure a budget for 2014-2020 that is really capable of supporting growth, continued President Almgren. *"An ambitious and growth friendly European budget can make the difference between a slow, jobless recovery and an economic surge. Heads of State and Government must put their money where their mouth is, particularly when it comes to financing innovation and SMEs' competitiveness via cohesion policy and via the 'Horizon 2020' and 'COSME' programmes",* she concluded.

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(1) The full survey results can be downloaded at http://www.ueapme.com/IMG/pdf/Barometer_2012H2_final.pdf

EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has more than 80 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:

Liliane Volozinskis, Social Affairs and Employment Policy Director, Tel. +32 (0)2 230 7599, Email: l.volozinskis@ueapme.com

Gerhard Huemer, Economic and Fiscal Policy Director, Tel. +32 (0)2 230 7599, Email: g.huemer@ueapme.com

Francesco Longu, Press and Communications Officer, Tel. +32 (0)496 520 329, Email: pressoffice@ueapme.com