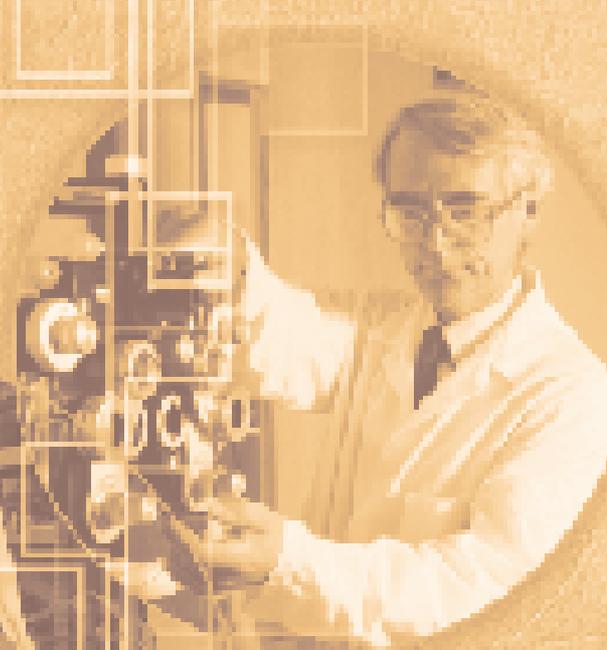


Craft, Trade and SME Policy Agenda for Europe

UEAPME 2000



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FOREWORD

At the dawn of the new Millennium, UEAPME is the single pan-European Craft, Trades and SME representative organisation. This is the result of our merger with EUROPMI in July 1999, and the agreement with UNICE concerning our all-embracing participation in the European Social Dialogue. To fulfil the expectations of our members and the obligations emanating from this role, UEAPME has to be an even more effective follower of the European policy decision-making process than it is today. On the basis of clear analyses of the situation, the challenges and the problems of SMEs, UEAPME must present proposals for solutions that can improve the business environment for our members. Therefore, the organisation must play the role of principle "agenda setter" in European Enterprise policy.

The strengthening of our role within the policy-making process in Europe is not the only necessity if UEAPME would like to improve its profile further. Also, the organisation must intensify its work with its members in the accession countries and strengthen supportive organisations, such as the Academy Avignon and NORMAPME, in addition to its role in the Social Dialogue.

With "UEAPME 2000 - Craft, Trades and SME Policy Agenda for Europe", UEAPME is presenting for the first time an overall policy strategy for the private owner-managed enterprises in Europe. The strategy paper is a result of an intensive discussion process with all UEAPME Member Organisations. Starting with a description of the role of SMEs in Europe, UEAPME 2000 contains an encompassing analysis of the challenges for our enterprises and our proposals in overcoming these challenges. Finally, we present UEAPME's new "Mission Statement", in order to explicitly set out our goals to the wider public.

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THE ROLE OF CRAFTS, TRADES AND SMEs IN EUROPE

1 SMEs: THE MOST DYNAMIC ECONOMIC ACTORS AND CREATORS OF EMPLOYMENT

Of the 18.6 million enterprises in the European Union today, 99.7% are SMEs. There are only 35,000 enterprises with more than 250 employees, but 18 million enterprises employ less than 10 people – the micro-enterprises. The average European enterprise provides employment for 6 people, including the owner-manager. 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.

The growth of SMEs was largely export-led as a result of the gradual increase of SMEs fulfilling their desire to trade abroad and of the expanding service sector, respectively. Turnover growth in SMEs between 1988 and 1998 has proved greater than in large enterprises. In general, 10% of total SME turnover comes from outside national boundaries. Many SMEs are also acting as 'intermediate exporters', through their role of supplier of intermediate goods and services. The reduction of inflation, and, moreover, economic convergence (particularly with the introduction of the Euro) have contributed to making business better for SMEs. Between 1988 and 1998 there has been a 15% growth in the number of enterprises in Europe. Since 1993, micro-enterprises have also begun to recover from recession, and are growing at a faster rate than all other enterprise size bands.

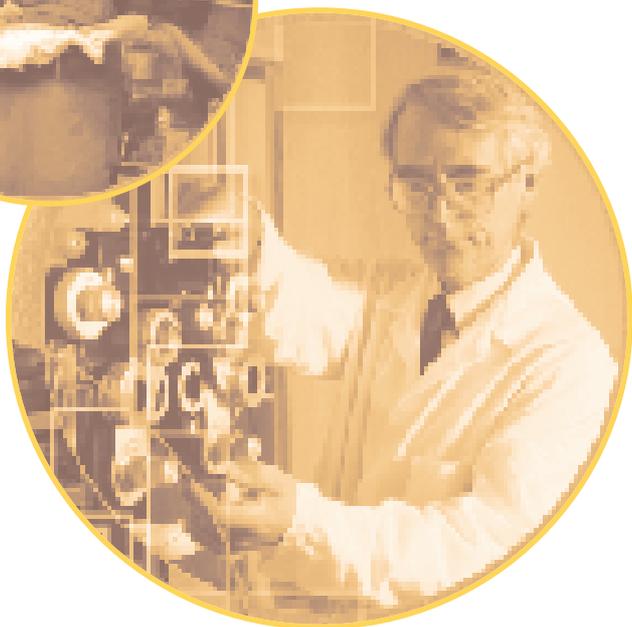
2 LEADERS AND FOLLOWERS OF STRUCTURAL CHANGE IN THE EUROPEAN ECONOMY

The critical role of SMEs in European economic development and structural changes must never be under-estimated. The future of the European economy, as in the fields of electronic commerce, the information society, sub-contracting, outsourcing and cross-border service provision,

depends largely on the development of SMEs. SMEs are an important connecting link in the economy and to customers. Therefore, they are essential for the functioning of the economy and the local supply of the people.

3 SMEs ARE THE CRUCIAL ACTORS FOR THE SUCCESS OF THE EUROPEAN SOCIAL MODEL

SMEs have not only an important role in the economy, but also in society, and are at the nucleus 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. Therefore, many EU Member States have created a regulatory framework, which tries to secure continuity and quality among SMEs, as well as special schemes for vocational training and rules for access to certain professions. Other countries are trying to reach a similar goal through standardisation and certification. For healthy and sustainable economic and social development, the right balance must be found between structural changes and dynamism, on the one side, and a certain degree of security for the actors in the economy on the other. Concurrently, modern economic societies need a sustainable combination of short-term market efficiency and favourable conditions for long term investments in capital, qualification and infrastructure. For this reason, the institutional settings and the regulatory framework play an essential role for the capacity to modernise an economy and to stabilise society. SMEs are affected to a greater extent by economic and social tensions and are therefore traditionally more sensitive to changes in society than big industry and capital owners.



4 SMEs: CONTRIBUTORS TO EUROPEAN CULTURAL VALUES AND HUMAN SKILLS

The role of craft, trades and SMEs as the pacemakers for stable and gradual cultural development in Europe for the last two Millennia should not be underestimated. That role in pacing sustainable change and preserving heritage and values attached to it must be encouraged and fostered in the new Millennium.

Through flexibility, plurality, entrepreneurial thinking, ingenuity and inventiveness craft enterprises & trades, in particular, have helped create clear lines of co-operation and understanding / appreciation between different groups within society – races, nationalities, classes, sexes, young and old, and so on. The preservation of yesterday's culture as today's heritage and the building of tomorrow's heritage are the sole preserves of our enterprises.

5 SMEs – A NEW TARGET OF EU POLICY

Until the creation of the Single Market, SMEs were not greatly affected by EU developments. It was a game for big industry and their representatives who were the key players in building up the European economic framework. Especially with the introduction of free movement of services and freedom of establishment, major steps in harmonisation and mutual recognition (for example in the areas of qualifications and standardisation), as well as the establishment of a common legal framework in the whole business area, EU developments and policies also began to directly affect SMEs. As there was then no powerful representation for SMEs, the interests of big industry, employees and different Member States dominated economic and structural policies, but not principally according to the needs of SMEs. Since then, however, UEAPME has become the European "voice" of SMEs and stressing their crucial role for the economy of the European Union, for its competitiveness, growth and potential to create employment. This is widely recognised by policy-makers all over Europe. UEAPME will present its general aims for a European SME policy in chapter 3 of the strategy paper.

CHALLENGES AND STRATEGIES FOR CRAFTS, TRADES AND SMEs

1 SMEs HAVE TO COMPETE ON AN EQUITABLE BASIS

Compared with big business, SMEs are an even more heterogeneous group, and require greater policy attention as such. Originally, the suppression of frontiers had to be in favour of big industry - the fashionable phrase was "economies of scale". Today, however, we know that this is not enough for the creation of welfare throughout the EU. SMEs must be put in a position from which they can compete with big industry within a global economy. In some sectors, SMEs also have to compete on the open market with services provided by the public sector, which works under a very different administrative and legal regime. Policy-makers at European level have to take into account the specific characteristics and needs of SMEs as compared to big industry. SMEs suffer from the disadvantage of having limited human and financial resources and of being more locally bound. However, in being small there is also strength: flexibility, innovation, and the capacity to rapidly adjust to changing market situations. A "think small first" approach should become the guiding principle in the definition of European policies.

ADMINISTRATIVE BURDENS

The "reduction of red tape" for SMEs, both at European level and at Member States' level, is an essential factor for the creation of a positive enterprise climate. Therefore, the impact of legislation on businesses must be an important consideration in determining its form and content. In this context, real regulatory impact analysis and instruments for evaluating compliance costs and administrative burdens should be developed or improved (Business Impact Assessment). Administrative procedures faced by enterprises should be simplified. Business support services should be improved.

ELECTRONIC COMMERCE

The fast growing market of E-commerce affects SMEs both as suppliers and as recipients. A new legal and regulatory framework is necessary for creating secure and fair conditions for all market

participants. In this process, representatives of all involved groups have to be included in agreeing solutions that can be accepted by all participants. The principles must be: no discrimination and no additional administrative burdens for "on-line" vis-à-vis "off-line" business; equal treatment for electronic contracts and contracts concluded in paper; "country of origin" principle regulation on the basis of minimum harmonised standards for consumers.

ENVIRONMENTAL REGULATION

SMEs are affected severely by most developments in environmental policy: emission limit legislation; environmental and resources taxation; product life-cycle concepts; environmental certification. However, these developments also open-up new business opportunities for many SMEs, especially in the service sector.

For mastering these challenges, SMEs need a more "market-based approach" instead of increased "command and control". Furthermore, regulation has to take into account the specific way of running businesses as SMEs.

CONSUMER PROTECTION

In recent years, the European Commission and the European Parliament have greatly extended their efforts to improve consumer protection (associated guaranties, e-commerce, etc.). Thereby, they neglect the negative impact on the competitiveness of SMEs, which are acting mainly on regional or local level.

For equal treatment, more flexibility is essential: mutual recognition instead of harmonisation; and, harmonisation should only be deemed necessary where the development of the Internal Market is hampered.

EMPLOYEE PROTECTION

Health and safety of workers is essential for employees' well being and, consequently, for high economic performance of the enterprise. Safe and healthy work environments also require close co-operation between the businesses' management and the workforce.

During the past ten years, considerable progress in

the field of health and safety at work has been achieved. Instead of concentrating on new legislative measures it is now important to consolidate the present results. This goal can best be reached through the elaboration of guidelines and other non-legislative measures in order to facilitate the application of safety and health, especially for SMEs. The level of protection for employees has to remain the same, but the choice of means to achieve this goal might be different according to the size of the enterprise. Evaluation and analyses should lead to a simplification of the legal framework, in order to avoid unnecessary constraints for SMEs.

COMPANY LAW

Harmonisation of European Company law has, until now, had very limited success. The main achievement was the "European Economic Interest Group" (EEIG). The applications covered by this company form remain very limited. Furthermore, the discussions on the "European Public Limited Company" show very little progress, owing to substantial differences in opinion throughout the Member States. Moreover, the latter would only be of any use for a restricted number of large companies. Therefore, specific legislation for a European Company structure applicable to the millions of SMEs throughout the EU is needed to facilitate SMEs' taking full advantage of the Internal Market. The aim must be to make it easier for SMEs to establish cross border branches and sales companies.

SUB-CONTRACTING

Subcontracting is a fast growing business and an important way of succeeding in markets for many SMEs. Increasing dependence and relatively weak bargaining power is the negative side to this field of business for the subcontractor. Non-compensated changes of the contract and late payment are just a few of the most frequent problems derived from this constellation. One way of helping the sub-contractors would be to elaborate guidelines for sub-contracting. SMEs need a common solution and not a dictate from the main-contractors, as was elaborated by big industry.

2 SMEs HAVE TO GO INTERNATIONAL

In recent decades, Europe has been drawn closer together. Dispersed and scattered markets have opened up. The internal market has abolished a large number of cross-border economic barriers. The full realisation of the Economic and Monetary Union, in 2002, will further complete the European Internal Market. Furthermore, the European Union enlargement process and the creation of the Euro-Mediterranean zone will considerably widen the European market during the coming period. The continuation of the Uruguay Round (in-built agenda) in the framework of the WTO and market evolutions such as the development of information and communication technologies and electronic commerce will suppress economic frontiers on an even larger scale. All this is contributing to the realisation of a global world economy.

This globalisation of the markets has a strong impact on the competitive situation of European SMEs. They need to adapt their strategies on the basis of improved awareness, both of strategic advances made by third country competitors, and of the third country markets they want to access. The degree of internationalisation of European SMEs is still too low, both within the Internal Market, as well as outside of the EU. Therefore, SMEs need better regulatory conditions for market access and additional measures for business-to-business partnerships on international level.

INTERNAL MARKET

The Internal Market and the Euro are essential pillars of Economic and Monetary Union. As the Internal Market matures, the focus is shifting away from establishing a legal framework for the integration of national markets. Failure to transpose into national legislation, implement and properly administer agreed directives remains, nevertheless, a specific point of attention. European SMEs still suffer from: a lack of acceptance of the principle of mutual recognition; an over-sluggish progress in the European standardisation process; a low degree of participation of SMEs in this process; an information gap on the European public

procurement market; a lack of harmonisation and high administrative burdens in the field of indirect taxation; and a lack of access to finance on the right terms for the right price, as well as information on how to get access. Hence, for SMEs the 'common market' is far from being completed.

EU ENLARGEMENT

In the Central & Eastern European Countries (CEECs), where the economy was formerly dominated by huge industrial entities, private sector SMEs are rapidly developing. Their creativity and flexibility are prerequisites to successful completion of the transformation process. EU membership will accelerate this process and the preparation for that is also a huge challenge for their SME organisations.

On the other hand, enlargement will have considerable effects on SMEs from the European Union, in particular those providing labour-intensive services in the border regions between the EU and the candidate countries. They will come under considerable price pressure due to lower wage costs in the CEECs. A considerable number of jobs in the EU border areas will be at stake when CEEC citizens come to work in the EU, while maintaining domicile in the CEECs, enabling them to accept much lower wages. Furthermore, mass-movement of skilled labour from the CEECs to the current 15 EU Member States will create skills shortages in the CEECs that would affect their ability to adapt and undergo the necessary economic advancements.

SMEs on both sides need a well-prepared pre-accession strategy for overcoming these challenges.

- The impact on the existing EU countries (both financially and in terms of migration) will be lower the faster the candidate countries' economies adjust to EU standards.
- Thus, SME organisations in the accession countries have to be strengthened so that their interests are taken into account when preparing the enlargement. UEAPME, together with its national members and with support of the EU, is willing to help them.
- The EU should be granting SMEs in the candidate countries longer periods for the implementation of the "acquis communautaire"

on condition that distortions of competition are avoided, as these countries may not have the financial means to respect the European Commission's timetable.

- EU cross-border co-operation should be strengthened, since business-to-business co-operation projects between the EU and the candidate countries can speed up the adaptation to enlargement-related effects in the border regions, and increase mutual confidence.
- Temporary quotas for CEEC manpower (including the self-employed) wishing to work in the present EU countries could be helpful to reduce distortions on the labour and service markets.

WORLD TRADE ORGANISATION (WTO) - NEW NEGOTIATIONS IN THE SERVICE SECTOR

SMEs are still convinced that a comprehensive round of negotiations within the WTO Millennium Round would have been the best means to reflect the interests of all WTO members so that possible benefits could have been shared by all. A comprehensive round of negotiations would have been so important, because only in that way could a balanced package of rights and obligations have been assured. Many advantages for European SMEs could have been secured.

In the sector of tariffs and customs procedures the following demands are still not yet realised: For strengthening market access, SMEs need further improvement in the reduction of tariffs (abolition of minimal tariffs, widening market access for less developed countries, reduction of differences between bound and applied tariffs and other uncertainties); more effective curbs on non-tariff barriers (licensing, certification procedures), which prove to be a bigger challenge for SMEs than for big enterprises; simplification of trade facilitation (replacing pre-shipment inspections, reduction and harmonisation of data and documentation, modernising customs administration), because all these impediments are more obstructive towards SMEs than to bigger enterprises.

In the area of GATS, the negotiations concerning the so-called in-built agenda have started. These negotiations should correct the current imbalance in commitments across the countries and service

sectors. The next agreement on services should bring about broader commitments from all WTO members to market access and national treatment. In principle, cross-border services without movement of natural persons and movement of consumers should be free from restrictions. Majority ownership restrictions should also be addressed. Restrictions on the number of service suppliers should not be applied to real investments, as long as the establishment does not provide the owners with the possibility to enter the national labour market. An expansion of global trade without common rules for fair competition between the partners may endanger the balance of the world economy and reduce the level of support of open markets by the public. Therefore, the WTO rules must be supplemented by horizontal regulations in the areas of competition, environment and labour standards, in order to guarantee a fair treatment for all market participants. However, these rules may not be used as new instruments for protection of national interests.

3 SMEs HAVE TO CLOSE THE TECHNOLOGY AND INNOVATION GAP

SMEs are, on average, more flexible and can react much quicker than big industry. However, the reality shows that there is a substantial gap through the introduction of new technologies, modern communication systems and innovation. It is clear that the research work will normally not be done in SMEs, but SMEs need efficient access to new technologies and have to use them for improved competitiveness. Every SME has to make its own efforts to close this gap, but R&TD is one of the areas in the economy where support from public authorities is essential, not least because of the positive "spill-over" effects of R&TD. Such support must be organised in a way through which the different instruments meet the concrete demand of SMEs:

SMES NEED A LOCAL OR REGIONAL APPROACH.

Even though the need for a European research effort has been proven by the success of the EC

Framework Programmes on R&D, it can never become effective unless there is, at the same time, a solid national and, more importantly, a sound regional level, of R&TD activity. SMEs, which work on local or regional level, need access to funds in their regions.

SMES NEED CO-OPERATION WITH UNIVERSITIES AND RESEARCH INSTITUTES.

The lack of interaction between SMEs and universities and research institutes is a key concern in the EU. As a result of this, these bodies are producing too few marketable results and products. SMEs also have trouble in finding partners for their research. A solution must be found which could stimulate researchers to move towards SMEs.

SMES NEED MORE FLEXIBLE R&TD PROGRAMMES.

Greater flexibility with regard to formulation, the possibility to put forward proposals at any given moment, the possibility to enter programmes without a specific theme approach at the beginning, and not within strict, fixed deadlines and a reduction of the time-span, can all increase the participation of SMEs in R&TD programmes.

4 SMEs HAVE TO COMPETE WITH THE SHADOW ECONOMY

Increasing mobility of the bases for capital, environmental or business-related taxes resulted in national governments being forced to increase the non-wage labour costs for financing their budgets and social benefits, because they were not able to reduce their spending sufficiently. Especially in the labour-intensive services sector, this has resulted in additional increases in total labour costs and the sector was partly priced out of the official market, mostly into the shadow economy. This also may be one reason for much lower employment rates in Europe's 'official' services sector compared with the US (39.2% to 54.2%, 1998). Inflexible labour markets in many European

countries are the major reason for this as there are a lack of possibilities to employ people in an easy and flexible manner. Furthermore, high non-wage labour costs, on the one hand, and minimum wages by law or collective agreements, on the other, make a match of productivity and total labour cost impossible, but these are preconditions for creating employment. Therefore, a reduction of the gap (non-wage labour costs) between high total labour costs and low net income is essential. However, this means that, next to essential restraints on expenditure, other bases for taxes have to be found. As, above all, future new tax bases are mobile, this can not be done on national level. A European reform of the structure of taxation would be a precondition for creating a sufficient number of new jobs.

5 SMEs NEED MODERN FORMS OF WORK-ORGANISATION

A better organisation of work, which is the first condition to improve productivity and guarantee competitiveness of the enterprise, can only be achieved with the recognition of firms' needs for flexibility, and workers' needs for security in change. This new so-called "flexi-security" concept must ensure a win-win situation for employers and employees. This would be one of the main issues to be tackled within the European Social Dialogue negotiations.

To create better conditions for competitiveness and employment, new flexible forms of work must be introduced in every type of enterprise. This new organisation of work, which is a key role of management, requires a proper involvement of workers. Internal flexibility not only promotes productivity of the enterprise, but also the quality of working life. Security for workers can also give benefits to the enterprise in the form of a more stable, versatile and motivated workforce. The realisation of this concept requires pre-conditions such as:

- facilitating the adaptation of workers' skills to company needs, and, at the same time, considering training as an investment for companies and employees;
- developing new working time arrangements at

the enterprise level, including part-time work, flexible-working time, working time packages in order to stick to the variations in market demand. However, working time reductions / redistribution / early retirement schemes per se are not appropriate tools to assist SMEs in overcoming the challenges of work modernisation;

- ensuring access to high qualification due to the introduction of new technologies in order to promote qualified jobs with high productivity;
- worker involvement in the process of improving work organisation.

All these changes and new work patterns can only be introduced and accepted if they are put into force in partnership with the workers and their representatives.

6 SMEs NEED BETTER ACCESS TO FINANCE

Another significant area, which remains to be successfully tackled, is the gradual improvement of the business/bank relationship. SMEs throughout Europe do not have equal opportunities to acquire funding from banks or other financial institutions. There is also an acute shortage of seed and early stage capital, which restricts start-ups, and long-term prosperity and growth of SMEs. Improvements need to be made in risk assessment procedures and SMEs should be encouraged to assess the merits of their own businesses in order to get better value for money and lower interest rates from their banks. Current EU (e.g. EIF/EIB) programmes offering financial support to SMEs need to be made more accessible, attractive and less costly for potential beneficiaries.

7 START-UPS, FAILURES AND BANKRUPTCIES

New enterprises play an important role in the creation of jobs. In the EU about 1 million businesses are started-up every year. Specific start-up regulations, in general, and proof of proficiency, in particular, are considered, in many

EU Member States, as valuable instruments for ensuring minimum quality standards, for promoting apprenticeship systems and for securing survival rates. Nevertheless, it should be avoided that, through over-burdensome start-up regulations, competition is unnecessarily restricted and potentially successful entrepreneurs are prevented from entering the market. Some European countries have a low rate of business start-ups and the number of self-employed people is below average. However, if one compares the risks of new starters in the Anglo-American area with most of the countries in continental Europe, one can realise that in Europe it is much more dangerous to go wrong with a business. This is partially a result of the lack of venture capital. SMEs have to be financed by credits and loans, which must be guaranteed by private assets, and, in the case of insolvency, one loses credibility and one's private assets. Furthermore, it is often prohibited to start-up a new business after insolvency. Member States should totally review and, if necessary, revise their insolvency legislation to differentiate between pure economic failures and negligent / incompetent entrepreneurial bankruptcies. In time, the "anti-failure culture" in Europe will change. In order to increase the survival rate of SMEs in the EU, special attention should be given through the further development of appropriate business and financial services to:

- young enterprises (more than 50% of failed enterprises have been trading for less than 10 years);
- enterprises in sectors and regions exposed to structural change;
- improve skill and qualification levels of entrepreneurs in order that they have a broad capacity to run a business, as well as to develop and sell their product or service.

8 QUALITY STANDARDS: REGULATION VERSUS CERTIFICATION

Europe features a large variety of cultures and traditions. One outstanding example is the various approaches of EU Member States regarding to right to set up a business in certain sectors. Whereas the Anglo-Saxon approach does not always require any specific qualifications or diplomas, countries such as Germany, Austria and Luxembourg ask for a so-called "Master Certificate". This system has shown impressive results. For example, in Germany, only 8% of craft companies fail within the first 5 years of their existence. The European average is 50%. On the other hand, it has to be recognised that other systems, such as the Anglo-Saxon approach have also proved viable. Whatever the system applied, the quality of products and services can best be assured when the entrepreneur and his employees benefit from first class education and training (vocational schools or universities) and participate regularly in professional qualification schemes. Thus, training is a prerequisite to quality. However, the absence of quality assurance systems led to a situation where industry and authorities were seeking to introduce quality certificates. Today, the ISO 9000 system, which is working on a totally different basis to the "Master Certificate", is firmly established in the European economy. Many SMEs, in particular those working as subcontractors for big companies were obliged to become certified. Certification costs turned out to be relatively higher than for larger companies. However, the ISO 9000 system is well established and SMEs have to deal with it. Nevertheless, it cannot be accepted that SMEs are faced with relatively higher certification costs than large companies. SMEs need simplified procedures and financial incentives. In recent years, several other certification systems were introduced either by public authorities (CE mark, EMAS) or by big industry (ISO 14000, Keymark). This multiplicity of "voluntary" and compulsory certification systems imposes an unbearable financial burden and excessive red tape, especially upon SMEs. It sometimes appears to generate profitable business for certifying bodies, rather than improving the quality of

products. SMEs need simple and coherent certification systems with a minimum of external certification requirements.

9 SMEs NEED BETTER ACCESS TO QUALIFICATION

For many years, Europe has faced the problem of an increasing number of young unemployed. At the same time, the enterprises in Europe have to tackle the challenge of finding qualified employees. This already leads to major social and economic tensions. Thus, the preparation of a professional generation that is trained according to the needs of the economy and the enterprises is of major importance. This is also proved by the problems associated with the birth of a new generation of entrepreneurs. During the next few years, more and more labour-oriented SMEs will shut down, because the current owner will retire. Up to 5 million entrepreneurs are required, of any gender or age, which would be able to take over these existing enterprises. What are needed are people having the will to achieve, with very good knowledge of the business, creativity and the courage to be self-employed, and to remain independent.

One effective answer to the problem of qualification, both for the employees and owners is apprenticeship training, which, on the one side, prepares young people to the needs of the market, and, on the other side, provides the basis for becoming well-prepared entrepreneurs.

In order to ensure results in this field, SMEs have to support the improvement of apprenticeship or other vocational training. Quality apprenticeship is a key element for the success of young people and of enterprises. Another important task in the near future is to create a closer link between the completion of a qualification and the immediate application of it on-the-job.

10 SMEs NEED A POWERFUL INTEREST ORGANISATION

SMEs can only put through their interests in the policy making process, if they have a powerful representation. That is true for regional, national and also European levels. On the other side, it is much more difficult to organise a large group of small businesses, than a small group of large ones. Thus, the representative organisations of big industry are normally much stronger than SME representatives. To compensate for this imbalance, many countries have created special regulations (obligatory membership, privileged access to information, exclusive rights, public support etc.). To become an accepted partner in the policy-making process, it is also essential that an organisation can speak for the whole economy or important parts of it (encompassing organisation) and not only for specific interests (lobby group). UEAPME, after all its mergers and membership expansion, is already Europe's largest umbrella business organisation, but further steps are necessary:

- UEAPME relies on its national members playing a key role in their countries in order for it to be powerful at European level; however,
- Only if UEAPME is successful in defending SMEs' interests in Europe will its members be willing to support UEAPME with know-how, input and financial resources:
- If the European Institutions (Commission, Parliament, Council) want to have a competent and strong partner from and for SMEs in dealing with all areas of business-related policies, rather than just "contacts" with lobbying groups, they have to give UEAPME organisational support, as they are doing for UNICE. A balanced representation of the whole economy needs equal treatment for big industries and SMEs. Therefore, UEAPME must be fully recognised as an independent horizontal employer' organisation and a full negotiating social partner by all political and economic actors and authorities.

A NEW EU POLICY AGENDA FOR CRAFTS, TRADES AND SMEs



This section sets out the key actions that should be carried out in terms of policy provision at European Level in order to help SMEs face the numerous challenges set out above.

1 ENTERPRISE POLICY FOR SMEs – STRENGTHENING THE DYNAMICS

Enterprise policy is a horizontal policy with an objective to create a favourable environment for the development of economic activities as a whole in an open and transparent context.

To ease the problems of legislative and administrative burdens upon SMEs, it is vital that the recommendations contained within the BEST Report are implemented without further delay. This is one of the most significant components of the new Small Business Charter.

An European enterprise policy which encourages innovation, sustainable development, which stimulates flexibility, investment in knowledge, risk-taking, and the dissemination of information and know-how, should adopt a "think small first" approach. This should be the guiding principle in defining concrete policy actions. One of the core elements in European enterprise policy should be the reduction of red tape both at European and

Member States' level. In this context, real regulatory impact analysis and instruments for evaluating compliance costs and administrative burdens should be developed.

Access to appropriate finance remains one of the principle challenges for SME development in the EU. SMEs are still under-capitalised; they still have problems accessing bank credits and loans at reasonable rates and fast growing companies are hampered by the underdevelopment of European capital markets. The first step is always to encourage through private sector initiatives with public support, the building of a better business-bank relationship.

At present, there is a fundamental cultural problem in Europe in that the concepts of enterprise and entrepreneurial skills hardly figure in the school curricula and the media. Concrete programmes and incentives to work closely together with schools should stimulate the business community. The media in Europe should be stimulated to promote an enterprise culture. Additionally, more should be done to assist businesses in transition, particularly those transferring from one entrepreneurial generation to the next.

Innovation and new technologies are key elements for the development of SMEs throughout Europe. The 5th Framework Programme for R&TD should interact with other so-called "intangible" factors such as innovation, intellectual capital and new business processes. SMEs in particular have great difficulty in facing these new challenges. They are also lagging behind in implementing information and communication technologies as well as e-commerce within their businesses. Specific actions should be implemented aiming at creating trust among entrepreneurs in the systems, particularly with regard to electronic signatures, secure payments, and so on.

Finally, SMEs should, through their European representative organisation (UEAPME), be fully implicated in the European Commission's benchmarking work on enterprise policy.

2 EXTERNAL RELATIONS AND TRADE POLICY FOR SMEs – OPEN MARKETS, BUT FAIR PLAY

SMEs are affected by the different bilateral and multilateral agreements of the EU with third countries, such as Association Agreements, Stabilisation Agreements, Agreements in the framework of the WTO, ILO and OECD and others. These Agreements, very often, not only deal with market access to third countries, but also with third countries' access to EU markets. This also includes regulation concerning free movement of services and freedom of establishment. As a result, SMEs are affected by such international agreements, even where they are just operating on local markets.

UEAPMEs work in External Relation up to now, was primarily project-oriented. However, if UEAPME wishes to be, as we claim, the "voice" of European SMEs, we also have to defend SMEs' interests in these fields. This means that we must seek to influence negotiations and the transposition of such agreements, which are principally motivated by big industry. Furthermore, UEAPME has to improve its relationship and co-operation with its members in the accession countries and its partners in the MEDA area. This is not only necessary to strengthen the influence of SMEs in the decision-making process, but can also contribute to a better business environment for SMEs on both sides.

3 ECONOMIC POLICY FOR SMEs – GROWTH AND EMPLOYMENT

SMEs also depend on overall economic development. Growing rates of GDP, stability of the fiscal sector and capital markets, inflation rates and wage developments are key factors for development and success of SMEs, as well as the regulatory framework, plus the capacity to adapt to structural changes and overcome external shocks.

The lack of realisation of essential structural changes in the goods, services, capital and labour markets, as prescribed by the European

Commission in the Cardiff I and II Reports, and the Economic Review 1999, is a key factor for Europe's current economic problems, such as low growth rates, high unemployment rates and the relatively small number of enterprises and self-employed people.

Long-term unemployment and the integration of young people in the labour market in many Member States cannot be solved without further reforms on labour market regulations and the social security system. The latter does not provide the right incentives on potential employees to get back to work.

In the field of macro-economy, UEAPME is supporting the stability pact in order to maintain low inflation and low interest rates. For achieving this goal, some Member States need further steps to consolidate their budgets or change their expenditure structure to spend more on investments instead of consumption.

For stabilising the macro-economic framework, wage developments also play an essential role. UEAPME is concerned about inflationary pressure from wage increases in faster growing national economies, as well as a too low level of wage differentiation related to productivity. Even if wage negotiations have to be done on national, regional, sectoral or company level, wage development, because of its influence on the monetary policy of the European Central Bank, has become an important European issue.

Finally, UEAPME is concerned about the increasing tax competition between the Member States, because SMEs have fewer possibilities to use the opportunities coming from different tax regimes, and open finance markets in the EU or the global economy, than big companies. Furthermore, this tax-competition has as a consequence that Member States increase the tax-burden on labour to secure the financing of public budgets and social security systems. Only with effective of co-ordination of different taxation systems, which secure a comparable taxation of both groups of companies, will functional and fair competition be guaranteed and a reduction of non-wage labour costs will be achieved.

4 SOCIAL POLICY FOR SMEs – FAIR LABOUR RELATIONS AND RESPONSIBILITY

Despite the role and the importance of SMEs in the European economy, two-thirds of the work force is currently employed in SMEs; European social policy is still designed according to the industrial relationship model. European legislators must clearly consider that SMEs are not a reduced-sized model of big companies, but rather another type of organisation and social model with different functioning rules.

As a social partner, UEAPME endorses the fact that the contractual dimension and the social dialogue is inherent to European integration and European social policy. Therefore, UEAPME is ready to assume its new responsibilities at European level. Nevertheless, UEAPME considers that the present European social policy, whose scope has been enlarged with the Amsterdam Treaty, should be adapted to SMEs. An active policy oriented towards employment is a top-priority for the EU, and the potential active role of SMEs in this framework is undeniable. A new European social policy must be able to combine simplification of legislation, strict limitation of new legislation to prevent unfair

competition, to ensure an appropriate level for health and safety at work and to better co-ordinate national and European legislation in order to avoid undue burdens for SMEs.

A middle-term reflection should be organised at European level between social partners about social challenges of the European model. It will include key issues such as:

- wage bargaining;
- flexibility of working time and working hours, new forms of work;
- vocational training and lifelong learning linked with the introduction of new technologies;
- facilitating mobility of workers within the internal market.

A new EU social policy must not systematically exempt SMEs from all these duties, but restrict it to principles and leave detailed legislation for the most appropriate levels and actors of implementation (national, regional, local or business).

A new EU social policy must help to improve the functioning of labour markets only if it takes into account companies' needs for flexibility and avoid imposing constraints and burden which will hamper SMEs from expanding and creating "quality" employment.



UEAPME WORKS FOR CRAFTS, TRADES AND SMEs

1 UEAPME – THE "VOICE" OF SMEs IN EUROPE

UEAPME's 'voice' comes directly from its members and their member enterprises. Today, UEAPME is the employers' organisation representing the interests, at European level, of craft, trades and SMEs in the European Union and countries applying for accession to the European Union. It is non-profit seeking and non-partisan. Its 69 member organisations consist of national cross-sector federations, European branch federations and other associate members who support craft, trades and SMEs. Of the 19 million enterprises in the European Union, UEAPME represents more than 7 million, which employ over 30 million people. Across the whole of Europe, UEAPME represents over 10 million enterprises, which employ nearly 50 million people. Thus, UEAPME is the only encompassing SME organisation at European level.

2 UEAPME – THE PARTNER FOR SME POLICY IN EUROPE

Since UEAPME's real beginnings in 1979, it has emerged as the partner for the European Institutions, International Organisations and other bodies in formulating all policies affecting European SMEs. As the only fully representative employers' organisation (represented across all EU countries and sectors of the economy) at European level for craft, trades and SMEs, UEAPME has reached a level which truly allows it to influence European policies, alongside representatives of big industry and the unions. Admission as a full partner in the European Social Dialogue is just one example of that fact. There is clearly a need at European level for such a partner, both from the point of view of UEAPME's members and potential members, as well as from the policy-makers. Only in recent years has European policy begun to take into account the interests of SMEs in the conception, elaboration and implementation of European legislation. SMEs find it impossible to wade through the EU legislative jungle and cannot have a direct, permanent presence in Brussels, at the

heart of the EU, to represent their specific interests alone. Therefore, they ask UEAPME to do it for them, and to provide, not only the voice element to policy campaigning, but also the focal point for European entrepreneurship in the widest sense, thus, providing a balance to the interests of big industry, which is quite capable of ensuring its own interests on a one-to-one basis.

UEAPME does the following for its members:

- Informs them on all aspects and issues of European policy which in any way implicate crafts, trades and SMEs;
- Informs all the EU Institutions (Commission, Parliament, Council, Economic & Social Committee, Committee of the Regions) about the needs and opinions of its members;
- Represents the common interests of its members vis-à-vis the EU Institutions and other international organisations and associations of a public or private nature;
- Solves their problems at European level, and, where necessary, helps them to secure solutions to national challenges where they impinge upon the aims of UEAPME

In regard to the above, UEAPME's members do act like a family!

3 NORMAPME – SMEs "VOICE" IN EUROPEAN STANDARDISATION

In many cases, large companies dominate the Technical Committees of the European standardisation bodies. Consequently, European standards do not often take into account the specific situation of SMEs and there also is a time lag in information to SMEs. Both will weaken their competitiveness.

Responding to this urgent need, NORMAPME was created in order to strengthen the participation of SME experts in the European standardisation process and to integrate SME interests in the work of Technical Committees, which would be closed to SME experts otherwise.

However, NORMAPME has to strengthen further its activities:

- The number of TCs with NORMAPME

representation has to be increased considerably. However, this can only be done, if NORMAPME members are prepared to participate in this work. Although they will be the first to suffer from a "non-SME friendly" standard, their involvement is still much too low.

- The support from NORMAPME members is the more important as, in the foreseeable future, staff and financial resources will remain strictly limited.
- It is also clear, that NORMAPME members are unable to finance all necessary activities. NORMAPME will, therefore, continue to depend on financial support from the European Commission.

4

ACADEMY AVIGNON – EUROPEAN THINK-TANK FOR SMEs

The Academy Avignon allows craft, trades and SMEs and their organisations to rely, at this moment, on a growth in the European integration process, and of profound changes in communication and international relations, on inheritance of knowledge and resources that can benefit from European added-value.

Therefore, the work of the Academy will be very much directed by the need of the enterprises and of UEAPME and other promoting organisations. This work aims to contribute to reinforce the voice of craft firms and small enterprises within the economic and social actors and to build up, on new conditions, European enterprise policy in the coming years.

Now the Academy is engaged to achieve the results of the pilot phase, which will ensure the scientific reputation of the Avignon Academy, a more appropriate legal form as a European foundation and an institutional role at European level.



