



August 2013

Commission discussion paper (July 2013) on further developing the EU SME policy

A. Introduction

The Commission has circulated a discussion paper taking stock of the implementation of the Small Business Act (SBA) since 2008, and presenting possible directions for:

- Further implementing the SBA at EU and national level
- Including new policy concepts and initiatives under the EU SME policy.

This note presents BUSINESSEUROPE's basic views on these two issues, as an initial contribution to the broader debate that will develop in the coming months.

B. Comments on the focus of the future EU SME policy

The first question raised in the discussion paper (point 3.a) is "Should the focus be put on measures which help SMEs to grow and create employment"?

a) SME growth

BUSINESSEUROPE welcomes the fact that the question above brings in SME growth as a key policy objective.

Developing a strong EU growth agenda is the most critical action that the EU should take to promote growth of SMEs.

The key elements of this growth agenda should be:

- reinforcing the Euro
- moving ahead with consolidation of public finances and structural reforms
- implementing a robust investment and competitiveness policy
- unleashing the single market
- expanding external trade.

This overall growth agenda should be completed by an EU pro-industrial growth framework, for which BUSINESSEUROPE has made proposals in a position paper dated May 2013.



Beyond this, in order to be successful and make a difference at European and international level, European SMEs need to be supported in pursuing excellence in every aspect of their business: from access to finance to innovation through customer service. The European SME policy should foster the supply of innovative, high-quality and high added-value products and services.

A successful future EU SME policy will need to pay close attention to effective policy integration. For example, the EU initiatives taken in the area of industrial policy for enhancing the competitiveness of EU industrial SMEs should go hand in hand with ambitious Member States' initiatives, well aligned with the EU industrial policy concept. The SBA governance process and/or the European Semester should help in monitoring and encouraging this twin-track policy approach.

b) Employment

As indicated above, point 3.a. in the discussion paper also raises the question of whether helping SMEs to increase employment should become a specific policy objective under EU SME policy, while points 5.a.i and 5.a.ii outline possible measures in this area.

The formula saying in point 5.a.i. that "if each of the millions of EU SMEs hired one or more persons on a permanent basis, this would solve Europe's unemployment problem" has the merit of illustrating concretely the weight of SMEs in the European economy. It also helps making people conscious of the impact – positive or negative – that policy measures affecting SMEs can have on growth and hence on employment.

This formula should however not lead to excessively simple job creation concepts and strategies. Sustainable job creation is basically delivered by economic growth, which in turn depends largely on a positive framework supporting companies' competitiveness. Multiple policy levers (structural reforms, better policies for promoting innovation, policies ensuring internationally competitive energy prices, etc) must be mobilized to enhance companies' competitiveness and foster employment creation.

In this context, we feel that a sense of proportion should be kept when assessing the impact on employment creation that could result from the specific job creation incentives outlined under question 5.a.i. of the discussion paper (see more detailed comments in point D hereunder).

C. Priorities for the next steps in SBA implementation

Regarding the relative weight (or priority) that should be given to the various topics that compose the current SBA policy (questions 3.b. and 4), we believe that the 2011 SBA review had rightly put at the forefront the following four policy areas:

- access to finance
- reduction of regulatory and administrative burdens
- promoting SMEs access to international and EU markets
- and entrepreneurship.



These four policy areas should keep a central position in the future EU SME policy, with due attention being paid to the following aspects:

a) Access to finance

Improving SME access to finance critically depends on the following 4 action lines:

- Implementation of an effective banking Union;
- Design financial market reforms that strike the right balance between safeguarding financial stability and the financing needs of SMEs;
- Encourage banks to keep a substantial level of SME lending, and;
- Improve access to capital markets, equity financing and unleash the development of alternatives to traditional bank finance.

b) Reduction of regulatory and administrative burdens

The European Commission and policy-makers in the Member States should present new concrete initiatives such as:

- Defining transparent methodologies, aimed at improving the quality and comparability of data regarding Member States' implementation of EU legislation;
- Initiatives to avoid gold-plating in Member States when implementing EU legislation;
- New ambitious quantitative net reduction targets to reduce the administrative burdens linked to EU legislation;
- Effective monitoring of the progress made by the Commission or Member States to reduce administrative burdens – e.g. by using annual scoreboards.

A high priority should be given to reduce regulatory and administrative burdens in the areas of taxation, environment and public procurement, in line with the outcome of the "Top10 most EU burdensome legislative acts" enquiry.

c) Promoting SMEs access to international markets

Promoting SMEs access to international markets should include the dissemination of information about the existing support activities for EU SMEs in third countries and the most effective measures supporting SMEs internationalization

D. Ideas submitted by the Commission for possible new policy initiatives

a) EU incentives to help SMEs create new jobs

Point 5.a.i outlines possible measures for introducing incentives to SMEs to create at least one new job which would be covered by a young or long-term unemployed person. These incentives would be deployed through a better use of existing mechanisms (e.g. European Social Fund – ESF).



As said above, in BUSINESSEUROPE's view, policy-makers should focus on promoting sustainable job creation through economic growth. BUSINESSEUROPE could therefore not support EU incentives for SMEs that would result in a situation where jobs become subsidized in the medium or long term by the EU and/or by national authorities.

Consequently, we believe that it would be more relevant to talk about incentives for creating *opportunities* for young people that will help to provide them with the skills required by SMEs and, in turn, help them into work, rather than for creating a job.

In line with the suggestion of a better use of the ESF, BUSINESSEUROPE recommends to explore the possibility of providing seed funding for the establishment or strengthening of dual-learning apprenticeship systems, which can facilitate young people's entry into the labour market. The ESF cannot be viewed as a source of indefinite funding to subsidise work.

b) Helping SMEs finding skilled work force

With regard to question 5.a.ii, BUSINESSEUROPE supports the idea of further Commission actions to help SMEs finding a skilled workforce, firmly integrated in an overall competitiveness enhancing policy. BUSINESSEUROPE supports in particular the more targeted matching of supply and demand that is at the heart of the EURES reform (with implementation planned as of January 2014). The contribution made by SMEs to job creation would be helped if the scope of EURES would be expanded to offer cross-border work-related apprenticeship and traineeship placements for young people. The proposal for a "EURES jobs for young people programme" would also be an important means for encouraging the intra-EU mobility of young people.

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