



MEMORANDUM FOR THE EUROPEAN ELECTIONS 2019

STRENGTHENING CRAFTS AND SMEs
FOR THE FUTURE OF THE EUROPEAN UNION

CRAFTS AND SMEs STEP INTO THE FUTURE

SMEs
want an
entrepreneurial
society

Shaping
Europe for
SMEs & shaping
SMEs for
Europe

SMEs
interna-
tionalise

SMEs
digitalise

SMEs
drive
social
progress

SMEs
request a true
implementation
of the Single
Market

SMEs
look for
skilled
staff

SMEs want
a level playing
field

SMEs go
sustainable
and circular

SMEs look
for finance to
innovate and
invest

FOREWORD

SMEs FOR A STRONGER EUROPE

Instead of talking about Crafts and SMEs, European decision makers need to act in their favour, allowing them to invest and create jobs. Micro, small and medium-sized enterprises ask for a coherent policy approach and considerably improved framework conditions for running their business.

Micro, small and medium-sized enterprises are the backbone of Europe's economy and society. These 23,8 million Crafts and SMEs provide 67% of the jobs and create nearly 60% of the added value in the European Union. Europe will only be able to tackle the challenges ahead and increase welfare, growth and employment with prosperous SMEs. Our enterprises are more than willing to contribute to a stronger Europe, but can only do so if they stay competitive, if they can innovate and exploit business opportunities offered by digitalisation and circular economy.

Entrepreneurs across Europe have taken the personal commitment and risk to set up their own company, investing their own resources, creating jobs for millions of people. A company in the European Union has, on average, four employees. The owner-manager is generally working side by side with his employees, providing quality products and services to his customers. But in addition, the entrepreneur also manages the enterprise, takes care of administrative tasks, stays up to date with new legislation and requirements and implements them in the company. Without a legal or HR-department this generally happens in the evening and at the weekend.

Most of these Crafts and SMEs develop activities in rural areas, providing for our day-to-day needs, some of them have the ambition to become a unicorn and go cross-border, but also those who do not, contribute to employment, social cohesion, quality of life in cities and rural areas alike. Thus, they provide a substantial contribution to the European economy and society

We represent around 12 million SMEs from all over Europe and since 1991, UEAPME acts as their voice at European level also as a recognised European employers organisation and Social Partner. Now, UEAPME has become SMEunited, and we are standing together for all micro, small and medium-sized enterprises at European level. SMEunited gives Crafts and SMEs a strong, unique voice towards European Institutions and stakeholders.

SMEunited's mission is to shape the European Union for SMEs and shaping SMEs for the European Union. We act to create an SME friendly climate in the EU, in which SMEs can thrive, and we built capacity with SMEunited's member organisations and entrepreneurs across the EU, so that SMEs benefit from the opportunities offered by the European Union.

Ulrike Rabmer-Koller
PRESIDENT

Véronique Willems
SECRETARY GENERAL

CRAFTS AND SMEs CONTRIBUTE TO EUROPE'S ECONOMY AND SOCIETY

Crafts and SMEs are the backbone of the economy and the fabric of society, crucial for providing services and local products for the daily life of Europeans. They are your baker around the corner, the high-tech start-up driving innovation and creating jobs in your region, the supplier to the car industry in your district, the highly praised family restaurant downtown, the accountant facilitating a smooth running of your own business, the innovative IT-developer in your neighbourhood and the artisan designer to whom people travel from far for the quality produced.

SMEs play a decisive role for social stability at local and regional level, where SMEs are the “basic fibre”. SMEs are at the centre of the so-called European Social Welfare Model. Owner-managers of these enterprises are interested more in the long-term development of their company and the local economy, than in short-term profits and boosting turnover. Furthermore, Crafts and SMEs have always been pacemakers for cultural developments in Europe and play an important role in driving sustainable changes and preserving heritage, values and know-how.

SMEs make up 99,8% of all companies in Europe, the big majority (93%) having even less than 10 employees. SME employment from 2013 to 2016 grew almost 50% faster than in the whole economy. Yet, SMEs should not only be seen in their importance for the overall economic development, they also play a central role in providing on-the-job vocational training. This is highly relevant for the transition from education to employment and to ensure a qualified workforce with upskilling and reskilling, especially in times of high youth unemployment, skill shortages and mismatches.

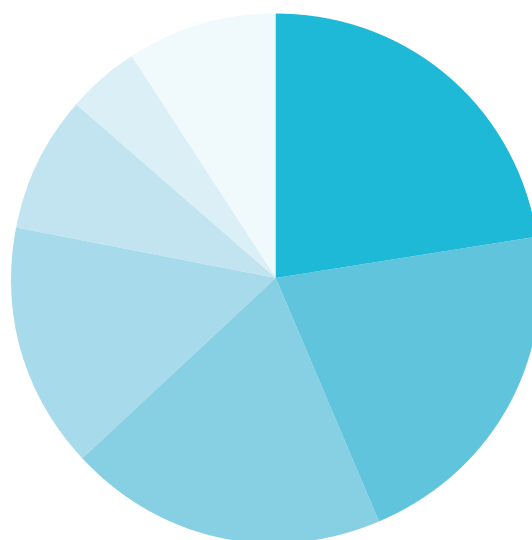
In the past years, politicians at all levels have increasingly recognised the important role of SMEs in European society and have understood that Crafts and SMEs have different characteristics compared to large enterprises. However, new approaches to reflect these differences, like the “Think Small First Principle” and the pledges made in the Small Business Act have not yet become a reality for Crafts and SMEs in Europe. SMEs are missing action and we want this to change.

ADDED VALUE OF THE EUROPEAN UNION FOR CRAFTS AND SMEs

SMEUnited surveys show that European SMEs perceive the EU to have an added value for the overall economy and believe it is able to have a positive impact on their company. Financial assistance and support to innovate, develop the company and go international are highlighted as some of the most important contributions of the EU to their business.

Graph: Threats of a non-EU

Next to the threats of political instability (22.6%) and worsened trade positions (21.2%), it is important to notice that almost 20% of respondents list a return to national currencies, with increased exchange rate risks, as their major concern of a non-EU.



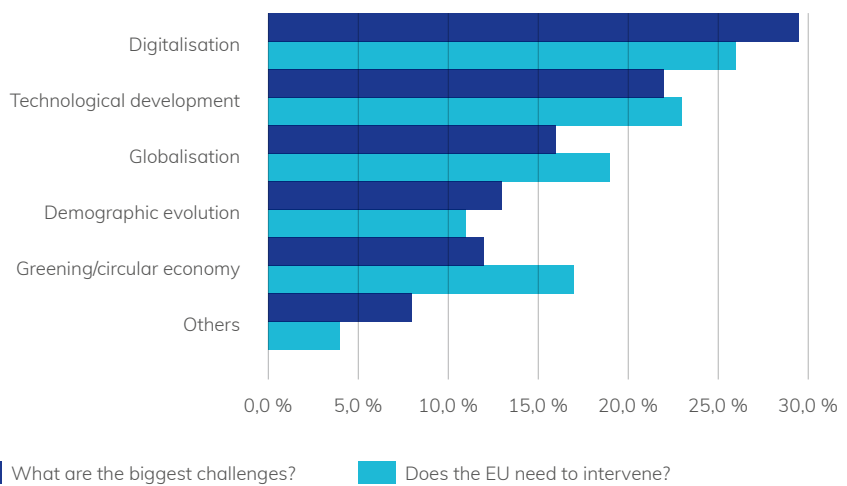
- Loss of power at global level
- Difficulties for import/export
- No more Euro
- Loss of common rules
- Set up of border controls
- Military conflicts in Europe
- Others

Source: SMEUnited survey "The Future of Europe" 2017

EXPECTATIONS OF CRAFTS AND SMEs FOR THE FUTURE

While in general, entrepreneurs have a positive view about the European Union, SMEUnited surveys show businesses perceive bureaucracy and red tape to prevent SMEs from reaching their full potential. In fact, 29.2% of respondents list excessive regulation as the EU's biggest shortcoming. According to the respondents, these administrative burdens mainly come from tax systems and regulations on labour markets, followed by food safety, environment, occupational safety and health and consumer rights legislation.

Graph: Biggest challenges according to SMEs

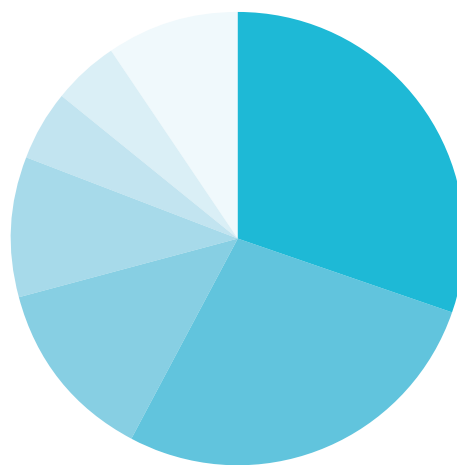


Digitalisation and technology are listed as the biggest challenges to micro, small and medium-sized enterprises, with respectively 29.8% and 22% of respondents concerned about the impact. Most enterprises are convinced that the EU should take action facilitating them in tackling these challenges.

Source: SMEUnited survey "The Future of Europe" 2017

Graph: Main concerns for access to resources

Obstacles in doing business for entrepreneurs are not only caused by administrative burdens, but also by issues accessing specific resources. The vast majority of SMEs raises a lack of skilled staff and access to finance. Other areas where SMEs fear limited access to resources are technology, especially ICT, affordable energy and raw materials.



■ Skilled staff ■ Finance ■ Technology ■ Affordable energy
■ Infrastructure ■ Raw materials ■ Others

Source: SMEunited survey "The Future of Europe" 2017

TEN PRIORITIES FOR CRAFTS AND SMEs IN EU POLICY

SMEs WANT AN ENTREPRENEURIAL SOCIETY

Even though the Commission has a role in guiding SME policy in the EU, most of the competences lay at national level. A European policy for Crafts and SMEs requires a holistic approach in which all policy aspects and the impact of new rules for SMEs are taken into consideration. This policy should address all SMEs, while at the same time taking into account their diversity as regards their type (crafts, micro, small, self-employed, liberal professions, etc.), their sector and their place in the value chain. It should also cover the whole lifecycle of an SME from creation, development to transfer or second chance. Teaching of an entrepreneurial mindset is of utmost importance and should already start at early age, as we need future entrepreneurs to create and takeover enterprises, SME employees with a spirit of initiative and civil servants understanding the nature of entrepreneurs.

SMEUnited asks for:

- a horizontal inclusive policy approach, through a review and strengthening of the SBA, to ensure an effective European SME policy covering the different types of enterprises
- an inclusion of the recommendations of the SBA in the European semester process
- the development of an SME policy based on a strong evidence base, in line with the better regulation rules and the Think Small First principle
- a continuation of the REFIT exercise to ensure that legislation is fit for purpose
- support programmes to coach, train and advise entrepreneurs in close cooperation with business organisations and an exchange of best practices in these fields

SMEUnited and its members will continue to work in cooperation with the SME Envoy network to implement the SBA as well as the SME Action Programme and further develop a coherent SME policy agenda for the European and national level

SMEs DRIVE SOCIAL PROGRESS

Crafts and SMEs are the main source of job creation and the main contributor to a social Europe. However they need well performing labour markets and well-designed welfare systems to further ensure economic and social progress. The world of work is changing rapidly with new forms of work arising by digitalisation. Structural reforms are necessary in the field of employment and labour policies and in social protection systems to maintain growth, jobs and competitiveness and ensure the sustainability of our welfare systems. Employers and workers need to adapt with a renewed balance between flexibility and security.

SMEunited asks for:

- full involvement of social partners at all levels in labour and social protection reforms, while respecting their autonomy and the subsidiarity principle
- ensuring fair transitions between different employment status, including self-employment
- guaranteeing access to social protection for entrepreneurs
- adapting labour legislation at all appropriate levels to contribute to a renewed flexibility and security for employers and workers

As a European social partner SMEunited and its members will further contribute to strengthening social dialogue and foster their role in the labour market reform process for economic and social progress

SMEs EAGERLY LOOK FOR SKILLED STAFF

SMEs are suffering from a lack of skilled staff due to growing skill-mismatches, a decreasing and ageing workforce and a changing demand for labour. The majority of SMEs require higher and better qualifications, based on a good balance of general, technical and transversal skills. Such skills are better obtained through vocational education and training (VET), work-based learning and apprenticeship, largely provided by SMEs. Stronger support to “on-the-job” learning, including digital skills, will reduce the existing skills gap and ensure higher employability of workers.

SMEunited asks for:

- increasing basic skills across Europe through targeted policy actions to invest more in high-quality vocational education and training and apprenticeship, including at tertiary level
- promoting continued training to improve competitiveness and employability
- supporting acquisition of digital and green skills for all, including entrepreneurs
- targeting VET learners and SMEs through the new Erasmus programm to boost cross-border mobility
- easing access to EU's labour market of skilled third country nationals through a revision of the blue card directive

SMEunited and its members will continue to promote vocational education and training towards SMEs and public authorities and will increase awareness of SMEs on digital and green skills

SMEs DIGITALISE

Crafts and SMEs are – as all others – confronted with an uncertain, complex and ambiguous world. Seizing the opportunities offered by digitalisation requires a change of mindset within SMEs and room for them to develop new products, services and business models. In addition, entrepreneurs are looking for know-how on digital transformation, the right framework conditions and financing to get the necessary investments done.

SMEunited asks for:

- a holistic approach among Commission initiatives, alignment between the DGs and involvement of representative organisations to reply to concrete needs on the ground
- an enabling legal framework which is flexible enough, neutral and future-proof for digital front-runners, and on the other hand ensures fairness, transparency and a level-playing field for all companies
- an equal access to data for SMEs, investments in cyber security and involvement in steering Artificial Intelligence
- a facilitating environment ensuring the right level of skills development, financial support, capacity building, appropriate infrastructure and standardisation
- supporting the set up of a Digital Knowledge Centre as part of capacity building

SMEunited and its members will set up a Digital Knowledge Centre to allow SMEs and their organisations to access accurate information, exchange of best practices and gain knowhow on support programs

SMEs LOOK FOR FINANCE TO INNOVATE AND INVEST

Strengthening innovation and private as well as public investments are crucial for a strong European economy. For this, SMEs still depend a lot on bank lending and a large majority will do so also in the future. However, SMEs are in an increasing need for other forms of finance, allowing them to realise riskier projects, which are not accepted by banks. Therefore venture capital, equity and bond markets have to become more attractive for SMEs and SMEs should become more interesting for investors. Alternative forms of finance should be developed and made accessible for innovative SMEs. Finally, guarantees for loans, mezzanine instruments and securitisation have been proved as most effective tools for public support of SME finance.

SMEunited asks for:

- banking regulations, which incentivise lending to SMEs and do not create barriers for locally active, decentralised and non-commercial banking structures
- supporting alternative forms of finance like lending platforms and crowd-investment to provide new possibilities to finance riskier innovation and investment projects
- new financial instruments within the next MFF, which focus on innovation and investments by providing guarantees for long-term loans and mezzanine finance for riskier projects
- fostering productive public investments with new European programmes and by fiscal rules rather supporting investments than consumption

SMEunited and its members will promote alternative forms of finance towards SMEs and will contribute to increase their financial literacy

SMEs GO SUSTAINABLE AND CIRCULAR

Some SMEs are already champions of sustainability, for instance in the eco-industry sector and in eco-innovation. However, this can still be considered as a niche. Most SMEs are active in traditional sectors and still have potential to become more sustainable. It is of paramount importance that the European policy and legislation in sustainable development provide the right framework for the switch from traditional to a greener and more circular economy.

SMEunited asks for:

- the removal of all barriers hampering SMEs' access to the circular economy, including the uniform application of the definition of waste in all Member States and extended Producer Responsibility schemes proportional to SMEs' features
- continuing the efforts made by the Commission and ECHA to make the EU chemical policy more suitable for SMEs thus safeguarding their competitiveness
- the introduction of specific measures and instruments at EU level to foster eco-innovation in SMEs
- a Single Energy Market giving more room to decentralised production of energy by SMEs to reduce energy prices, fight climate change and decrease EU's energy dependency

SMEunited and its members will strengthen their awareness-raising activities and support services encouraging SMEs to become more sustainable

SMEs INTERNATIONALISE

Crafts and SMEs still do not fully benefit from global market opportunities. Therefore, international trade agreements have to take better into account the specific characteristics of SMEs and the European Union should facilitate activities of SMEs at international markets. This will become especially important for the design of the future relationship with the UK after Brexit.

SMEUnited asks for:

- to improve the framework conditions for internationally active SMEs through an SME chapter in trade agreements and affordable investment protection and trade defense measures
- to design the future relationship with the UK in a way allowing as many SMEs as possible to continue or develop business relations with this future third country
- to assess the impact of trade agreements on locally active SMEs and the whole SME community and take it into account during the negotiation processes
- to provide capacity building for SME organisations allowing them to improve their support for the internationalisation of SMEs

SMEUnited and its members will cooperate with advisory services for market access at national and European level to reach out to the SMEs and to provide feedback to policy makers about the most burdensome problems

SMEs WANT A LEVEL PLAYING FIELD

Crafts and SMEs still encounter imbalances in relation with economic more powerful market players. Although referred to EU Competition policy, these rules are not adapted to tackle unfair provisions and practices in B2B relations. In addition, SMEs are not only affected by an uneven playing field in B2B relations, but also have to face disadvantages in comparison to other stakeholders, like consumers and employees. Finally, SMEs encounter difficulties within the Single Market due to the unequal implementation and enforcement of EU legislation in different Member States.

SMEUnited asks for:

- a fair balance between SMEs and other stakeholder's interests and particularly respecting the freedom to conduct business
- a legislative initiative to tackle unfair trading practices and provisions in B2B relationships
- measures to reduce late payment, including a stronger enforcement of the current legislation
- a better balance between access to markets allowing companies to benefit from competitive advantages and fair competition by creating a level playing field, as regards posting of workers and freedom of establishment

SMEunited asks for:

- a better balance between access to markets allowing companies to benefit from competitive advantages and fair competition by creating a level playing field, as regards posting of workers and freedom of establishment
- the creation of a tax regime, which ensures that all economic operators, independently from their size and location, pay their fair share of taxes

SMEunited and its members will continue to monitor terms & conditions linked to abuse of market power and exchange best practices to improve these

SMEs REQUEST A TRUE IMPLEMENTATION OF THE SINGLE MARKET

SMEs question more and more the balance between costs and benefits stemming from the Single Market. Existing rules are not sufficiently implemented and enforced. Harmonised rules are put at the highest level protecting consumers and environment, turning Europe into an island at global level. Furthermore, goldplating at national level creates unnecessary burdens for SMEs and adds to regulatory differences between Member States, which increase entry barriers for SMEs.

SMEunited asks for:

- a timely, correct and full implementation and enforcement of EU legislation and decisions in all the Member States
- ensuring an effective cooperation between all Member States to guarantee cross-border enforcement of judgements and fines
- tackling gold plating at national level to avoid additional burdens and barriers
- reducing the barriers within the Single market, which hinder SMEs to grow, like different tax systems, IPR protection and standards

SMEunited and its members will observe, collect and report regularly, when implementation, monitoring or enforcement of European legislation creates unfair competition for micro, small and medium-sized enterprises

SHAPING EUROPE FOR SMEs & SHAPING SMES FOR EUROPE

Applying the Think Small First principle requires a thorough understanding of SMEs' capacity to comply with the envisaged rules and therefore, specific attention during the impact assessment. Furthermore, EU policy should respect the subsidiarity principle and has to be based on real added value. Such smart regulation can be achieved by a comprehensive and transparent dialogue between the European policy makers and SME organisations.

SMEUnited asks for:

- a planning of public consultations and data collection in cooperation with SME organisations to give them the opportunity to organise discussions with, and input from, SMEs on the ground
- fact sheets (max 2-3 pages) for each consultation, including a short context, the initiative proposed, an estimation to which extent SMEs are covered and impact projected. The fact sheet should be translated into all official languages and put in the Your Voice database
- using European funds to strengthen the capacity of Crafts and SME organisations to participate in shaping the European Union for their members
- differentiation between high volume individual submissions and coordinated replies from large representative organisations to public consultations

SMEUnited and its members will observe, collect and report regularly, when implementation, monitoring or enforcement of European legislation creates unfair competition for micro, small and medium-sized enterprises

