

SMEs DRIVING THE TRANSITIONS

Memorandum for the
European elections 2024



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SMEUnited is the voice of Crafts and SMEs in Europe with around 70 member organisations from over 30 European countries. SMEUnited is a recognised employers' organisation and European Social Partner. We speak on behalf of the 22,5 million SMEs in Europe which employ almost 82,4 million people.

An entrepreneurial Europe in the world

We discussed with the SMEUnited membership what the European Union represents for them. And we boiled it down to these words out of the preamble of the Treaty on the Functioning of the European Union: The EU was founded to preserve peace and democracy in Europe. Economic and social progress are to be achieved through common action, eliminating the barriers between Member States. With the essential objective to constantly improve the living and working conditions of their citizens, to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions.

Our members believe this fundamental objective of the European Union will become reality thanks to the efforts of 24,3 million small and medium sized enterprises (SMEs). Small companies, in rural and metropolitan regions alike, provide for the daily needs of citizens, ensure employment and foster social cohesion. Owner-managers are interested in the long-term development of their company and the local economy, rather than boosting turnover and short-term gain. Crafts and SMEs are pacemakers to drive sustainable change and preserve heritage, values and know-how.

For SMEs to play their role successfully, policy makers in the European Institutions must respond to SMEs' specific characteristics. We want to remind decision makers that the big majority of companies in Europe – 93% – have less than 10 employees. In these micro companies, the owner-managers work side by side with their employees, providing quality products and services to their customers. In addition, the entrepreneur manages the company, keeps up with new legislation and business developments, implements them in the company and takes care of administrative tasks. The past years have been demanding for all of us, and in particular for SMEs. The pandemic resulted in the deepest recession Europe has

seen since the Second World War. The war against Ukraine, the related sanctions and the energy crisis hurt the whole society when recovering from the health crisis. Support measures allowed companies and households to weather the storm. Nevertheless, the impact resulted in high inflation, indebted companies and high public debt levels. At the same time, the European Union put in place an ambitious legal framework to drive the digital and green transition. These regulatory changes generate considerable adaptation requirements, especially for SMEs.

The SMEUnited membership sees the new legislative mandate 2024-2029 approaching with a European Union still in troubled waters. Geopolitical shifts, climate and demographic changes shake up the competitiveness and resilience of the European economy. Mastering the challenges together will be decisive for the wellbeing of our citizens, the stability of our society and our democratic systems.

With this memorandum we highlight the priorities decision makers must tackle for small companies to master the transition. Europe can't buy competitiveness, it has to be built. Entrepreneurs are the ones building it!



Petri Salminen
President



Véronique Willems
Secretary General

1 An entrepreneurial regulatory framework

The current mandate introduced an avalanche of new rules, in particular for the digital and green transition. The general legal framework is in place. The 2024-2029 mandate must now focus on the implementation of these new rules, while supporting SMEs to adapt their business processes and business models. The EU has to shift the modus operandi from delivering on law making to making law deliver.

That means:

- to produce an “SME fit” legislation, with simple and predictable rules that allow SMEs to invest and to calculate risks. The legislators must have the smallest companies in mind and comply with the Interinstitutional Agreement on Better Law-Making.
- to carry out an SME test for every proposal and all policy options on the basis of the think small first and once only principles, and actually act according to the results.
- to keep reporting requirements and administrative burden to a minimum.
- to guarantee a comprehensive and transparent dialogue between the European policy makers and SME organisations. This is the only way to ensure that the reality of SMEs is taken into account.
- to nominate an “advocate” for SMEs in the College of Commissioners.

2 A strengthened (global) competitiveness

Developments in the last years resulted in a loss of competitiveness of Europe’s economy compared to other parts of the world. These include dysfunctional dependencies from raw materials and supply chains related to unreliable trading partners, structural higher energy prices and geopolitical tensions. At the same time, past crises have challenged the resilience of our SMEs,

the Single Market and Europe’s social systems.

In order to rebuild global competitiveness for Europe’s SMEs and to guarantee their resilience and Europe’s (technological) sovereignty, SMEUnited asks for:

- competitive access to skilled workforce, resources and finance.
- level playing field provided by Single Market and international trade rules.
- regulation and taxation conducive to doing business and investing in the EU.
- a stable macroeconomic environment.

3 A skilled workforce

SMEs face huge structural difficulties in recruiting qualified staff, amongst others due to demographic changes. The current tightness of the labour market strongly impacts SMEs’ growth and competitiveness. SMEs call for an increased supply of skilled labour through:

- teaching an entrepreneurial mindset from an early age. We need future entrepreneurs to create and takeover enterprises, SME employees with a spirit of initiative and civil servants understanding the nature of entrepreneurs.
- updating education and training content, with a strong support for dual training and apprenticeships, to increase youth employment, overcome skills mismatch and promote lifelong learning to improve employability.
- delivering on targeted active labour market policies with upskilling and reskilling to attract more people at working age, especially women and youth, into the labour market and keep older workers longer in the labour market. In that way we also contribute to ensure the sustainability of social protection systems.
- evolving to a culture of “make work pay” through in-work benefits instead of relying on social protection systems.

- creating a tailored legal economic migration of skilled labour “fit for future”, branding Europe as a good place to work for international talents – and hold Member States, together with stakeholders, accountable to make more efforts to integrate refugees and migrants as workers and entrepreneurs in the labour market. This should be accompanied by a comprehensive strategy towards Africa and wider Mediterranean countries.
- building on social dialogue, which is the underpinning motor for developing well-balanced solutions. It is crucial to have full involvement of the social partners in labour and social protection policies at all levels, while respecting their autonomy and the principle of subsidiarity. SMEUnited – as a social partner – and its member organisations, are committed to represent SME employers and make social dialogue deliver.

An incentive for greening

SMEs in Europe suffer from insufficient or expensive supply of energy and raw materials, caused by disrupted supply chains, the war in Ukraine and related sanctions. Moreover, the Green Deal causes unrest among SMEs, some of them lacking view on the opportunities or support to green their business.

To make the Green Deal a success for Europe, SMEUnited asks:

- to give SMEs room to deliver on the Green deal by providing them a simple, stable and predictable regulatory framework.
- to allow SMEs to decarbonise and green their activities by securing access to renewable energy at affordable prices by increasing renewable energy (self-)production and allowing access to new forms of energy like hydrogen.
- to reduce the volatility of energy markets by incentivising long term-contracts, energy sharing and demand response.
- to re-establish and diversify supply chains for access to raw materials and guarantee access to recycled materials, foster repair and increase resource efficiency to reduce demand for commodities.
- to coordinate water management, mitigating the increases of droughts and floods and their impact.
- to foster business continuity by sharing preparedness and prevention policies and programs.

Finance for twin transition and investments

Strengthening innovation and private as well as public investments are crucial for a strong European economy. SMEs, with cash flows continuously impacted by late payments, depend a lot on bank lending and a large majority will do so also in the future. Moreover, the cost of financing increases due to higher interest rates. SMEs are more and more in need for other forms of finance, allowing them to realise riskier projects, which are not accepted by banks.

Therefore, SMEUnited advocates

- to make alternative forms of finance, like lending platforms, crowd-investment, venture capital, equity and bond markets more attractive for SMEs to finance riskier innovation and investment projects.
- to set up financial market regulations, which incentivise lending to and investing in SME,
- to continue the provision of guarantees for loans, mezzanine instruments and securitisation which proved to be most effective tools for public support of SME finance.
- to ensure SMEs access to green finance and to avoid unproportionate reporting requirements related to sustainable finance.

6 A fair access to (digital) markets

Digitalisation and globalisation have radically changed the way consumers and companies are buying and selling. In a digital world, it is crucial to have data, interfaces and software at your disposal to have access to your customer. Digital platforms and IoT technologies are becoming indispensable for SMEs to sell products and services and develop their business models. The legal framework on access to markets, liability, rights and duties requires a tailored adaptation.

For small companies it is clear that the EU has:

- to deliver on a well-functioning Single Market without unnecessary internal barriers by a stronger focus on enforcement of existing rules before creating new ones.
- to give a better access to information on European programmes and to allow benefits from Europe's Single Market.
- to facilitate support by SME organisations and alignment with the Enterprise Europe Network.
- to improve access to third country markets, the EU has to negotiate and actively engage in well-designed trade agreements. The EU should defend multilateralism against protectionist tendencies whilst effectively protecting its interest by using the available trade defence instruments.
- to enforce respect of competition rules and measures on global dominant operators to guarantee a level playing field for SMEs operating in unbalanced business contexts.
- to improve the involvement of SMEs in standardisation.
- to foster SMEs access to public procurement contracts within the Single Market, as well as at international level.

7 A stable economic environment

Economic prosperity requires a stable macroeconomic environment. Currently, both the prospects on inflation as well as overindebted public households and high public deficit do not provide the needed stability for growth, job creation and welfare. Uncertainties about future developments curb risk taking, innovation and investments.

Therefore, SMEs ask :

- to put in place policy measures which mitigate inflation. These must include avoidance of wage-price spirals by social partners or other measures creating demand not mirrored by supply risking further price increases.
- to review the economic governance framework, aiming at national medium-term fiscal-structural plans combining fiscal reforms and investment policies of each Member State and respecting the specific situation and capacity of each.
- to adapt fiscal rules to ensure mid-term fiscal sustainability and provide leeway for appropriate investments allowing a successful transition to a greener and more digital economy.

Transition: towards an entrepreneurial society

An effective EU policy for Crafts and SMEs requires a holistic approach that takes all policy aspects and the specific impact of rules for SMEs fully into consideration. This policy should address all SMEs and respect their diversity with regards to size and characteristics (crafts, micro, small, self-employed, liberal professions, etc.), sector and position in the value chain. This policy should also cover the whole “lifecycle” of an SME from creation, development to transfer or second chance.

Policy makers as well as public administration should promote an entrepreneurial, business-friendly environment. Administration should be service-orientated and use digital tools to make procedures simpler, faster and cheaper.

SMEs are ready to drive the transitions. Let them.

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