



European Economic
and Social Committee

INT/823 The digital single market – trends and opportunities for SMEs

Highlights from the fact-finding visits organised in the framework of the opinion

Introduction

Between July 2019 and February 2020, the EESC organised fact-finding visits in four Member States (Belgium, Germany, Portugal and Romania) as part of the preparation of its own-initiative opinion on *The digital single market – trends and opportunities for SMEs*. Two visits, to Estonia and Ireland, had to be cancelled due to the COVID-19 crisis.

The main objective of the visits was to debate with civil society organisations on the conditions for creating a level playing field that benefits SMEs in the context of the digital transformation of our societies and economies. The COVID-19 crisis shattered our economies, but the findings of the visits remain valid as the background to enable SMEs to grow.

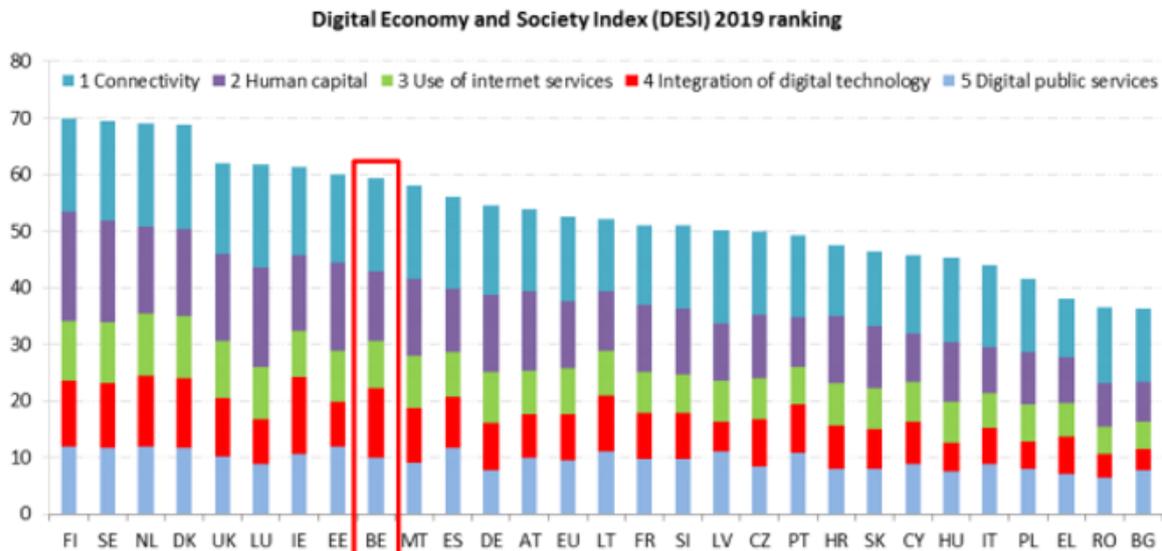
The selection of countries for the fact-finding visits was based on their position in the Digital Economy and Society Index (DESI) ranking, and was aimed at representing countries at different stages of their digital transformation.

The [Digital Economy and Society Index \(DESI\)](#) is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness.

The following pages include the highlights of the fact-finding visits in the different Member States in chronological order.

EESC fact-finding visit in Brussels, Belgium on 18 July 2019

Belgium ranked 9th in the 2019 DESI index. It performed well in connectivity, thanks to the wide availability of fast and ultrafast fixed and mobile broadband networks and to the increasing take-up of these technologies. However, networks are not being upgraded to very high-capacity status all over the country. There is also a need to motivate more young Belgians to start a career in digital technology. Investing in the re-skilling of the labour force and reducing the IT gender gap would help Belgium to tap the full potential of the digital economy.



Source: DESI 2019 Country Report, Belgium

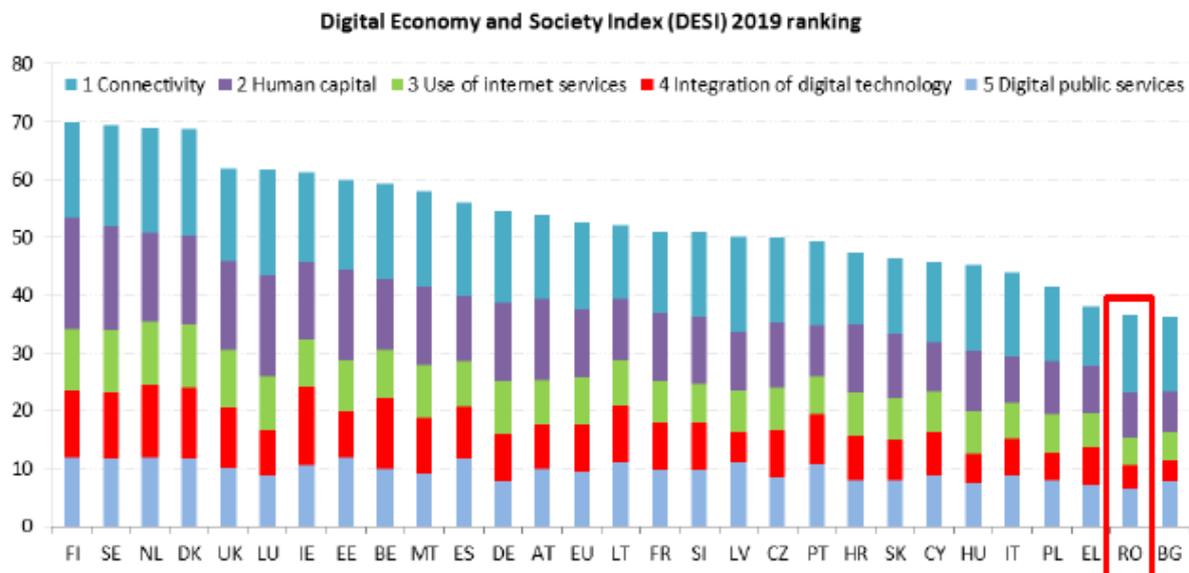
The meeting was held at the EESC and the following stakeholders took part in it: Antwerp World Diamond Centre (AWDC), the Belgian Pharmaceutical Association (APB), the Federation of Publishers from Flanders Boek.be, the Belgian Trade and Services Federation COMEOS, Drone-valley, FED.Ho.Re.Ca. Brussels, the organisation of French-speaking independent booksellers/press Prodipresse, the Union of Independent Entrepreneurs UNIZO, the Federation of Free Professions and the Liaison Agency Flanders-Europe VLEVA.

During the meeting, the following points were raised:

- The main obstacles for SMEs are related to the administrative burden and to compliance with standards, which translate into additional costs for SMEs. The General Data Protection Regulation (GDPR) is too complex for many SMEs, who have to deal with too many issues on top of their core business activity (e.g. knowledge, access to finance, skilled staff, etc.).
- Legislation does not adapt fast enough to the digital environment, which evolves very rapidly.
- Divergences between national tax regimes induce distortions of competition and should be avoided.
- Upskilling workers with digital competences is not an easy task because of the lack of infrastructure and qualified staff in the education sector. A didactic approach to digitalisation is missing, e.g. on the part of SME organisations.
- The legal definition of SMEs is too vague and should be extended to cover local service enterprises.
- The transition to digitalisation implies greater cybersecurity concerns because it is easy for malevolent people to access digital data. There is an urgent need to carry out awareness-raising campaigns for businesses and urge SMEs to develop digital skills and protect themselves against cybercrime.
- Wage costs are high in Belgium: there is a risk that businesses will delocalise to cheaper countries.

EESC fact-finding visit in Bucharest, Romania on 14 October 2019

Romania ranked 27th in the 2019 DESI index. Although Romania showed slight improvements in performance in almost all of the DESI dimensions measured, its ranking remained stable given that the overall progress was slow. Romania performed best in the *Connectivity* dimension, thanks to the wide availability of fast and ultrafast fixed broadband networks (especially in urban areas). However, digitisation of the economy is lagging behind: more than one fifth of Romanians have never used the internet, and less than a third have basic digital skills.



Source: DESI 2019 Country Report, Romania

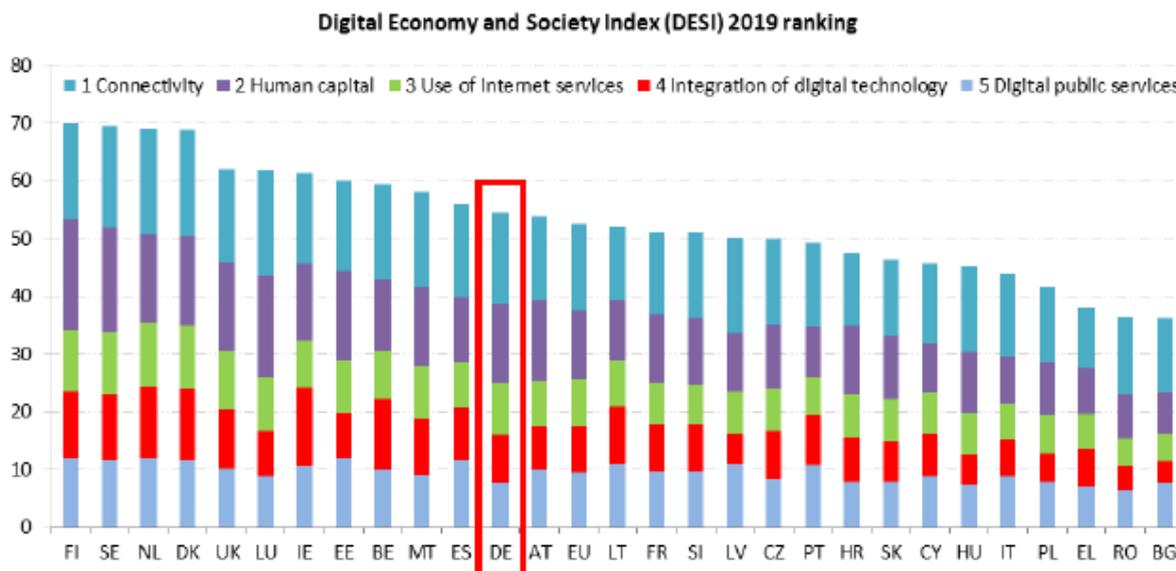
The meeting was held in the headquarters of the Confederation of Democratic Trade Unions of Romania and the following stakeholders took part in it: the National Authority for Consumer Protection, the Ministry of Communication and Information Society, the Business Environment Directorate of the Ministry for Business Environment, Trade and Entrepreneurship, the National Research and Development Institute for Mechatronics and Measurement Technique (INCDMTM), the Romanian Software Industry Employers' Association (ANIS), the Chamber of Commerce and Industry, the National Council of Small and Medium Private Enterprises in Romania (CNIPMM), the Romanian Association of Construction Contractors (ARACO), the Free Trade Unions of Romania (BNS) and the Democratic Trade Union Confederation of Romania (CSDR).

During the meeting, the following points were mentioned:

- In order to be ready for the digital transition, SMEs need digital skills and need to attract skilled workers from other countries with attractive and competitive wages.
- The country's overall backlog in the digital area, e-skills and infrastructure affects SMEs negatively. Digitalisation is not yet a priority for the public administration: there is no national strategy, despite SMEs' appetite for digitalisation.
- It would be useful to set up a body that could collect and centralise information from all relevant ministries on the digital strategy. Competences in this field are split among various ministries and coordination is difficult.
- Training is key in the digital transition: the education system should be restructured around this need, i.e. by including IT in school curricula and by providing workers with the possibility to train and upskill.
- Trade unions and social partners must be included in the social dialogue so that the digital transition is as inclusive as possible and nobody is left behind.

EESC fact-finding visit in Berlin, Germany on 27 October 2019

Germany ranked 12th in the 2019 DESI index. As regards digital skills, Germany was among the EU's top performers: the share of ICT specialists increased considerably in the last few years. Germany also ranked highest in *Use of internet services*: Germans are keen to engage in online activities and only 5% of them have never used the internet. The country also performs well in most DESI dimensions, thanks to the wide availability and high take-up of basic fixed broadband. The country's greatest digital challenge is to improve online interaction between public authorities and members of the public: Germany ranks 26th² in the use of e-government services, with only 43% of internet users being e-government users, while a mere 7% of individuals use e-health services.



Source: DESI 2019 Country Report, Germany

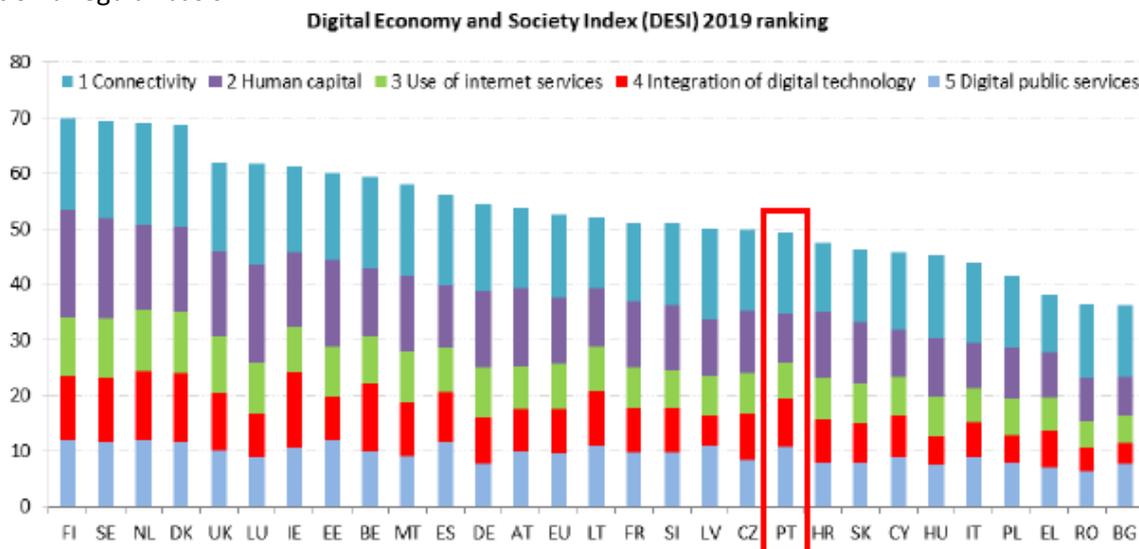
The meeting was held in the European Parliament's office and the following stakeholders took part in it: the German Employers' Federation BDI, the DGB Trade Union, the German Chamber of Commerce and Industry DIHK and the German Confederation of Skilled Crafts ZDH.

During the meeting, the following points were addressed:

- Digitalisation can be seen as a threat, especially regarding job losses across various sectors through automation.
- In terms of digital infrastructure (e.g. broadband), there are large differences between urban and rural areas. Large investments are necessary.
- SMEs need access to the data economy in order to be able to compete fairly against big players. However, they often lack IT competences to manage data and financial resources to hire specialists.
- The issue of data sovereignty is crucial for the industrial sector and SMEs across all sectors. Some form of security is needed for collecting, storing and using the data.
- Data protection is a core issue as it raises the question of personal data and the threat posed by cyber-criminality and fake news, and young people are very exposed to it via social media.
- Vocational training is crucial, especially because general knowledge and use of digital tools remain superficial even among young people.
- The definition of SMEs should be adapted to specific contexts and challenges of each type of company.

EESC fact-finding visit in Lisbon, Portugal on 28 February 2020

Portugal ranked 19th in the 2019 DESI index. Compared with the previous edition of DESI, Portugal scored slightly better overall, but it did not improve its ranking. The largest improvement corresponds to the *Digital public services* dimension, driven by a considerable increase in the share of e-government users. Progress was also observed in the *Connectivity* dimension, thanks to an improvement in the take-up rates for both fixed and mobile ultrafast broadband services. Portugal performs weakly in both the *Human capital* and *Use of internet services* dimensions, which is partly explained by the relatively large number of people who do not use the internet on a regular basis.



Source: DESI 2019 Country Report, Portugal

The meeting was held in the Portuguese Economic and Social Council and the following stakeholders took part in it: the Portuguese Commerce and Services Confederation (CCP), the Portuguese Association of Electronic Commerce and Interactive Advertising (ACEPI), the Portuguese Tourism Confederation (CTP), the Confederation of Portuguese Business (CIP), the General Confederation of the Portuguese Workers (CGTP-IN), the General Workers' Union (UGT), the National Council of Professional Associations (CNOP), the National Confederation of Solidarity Institutions (CNIS) and the National Confederation of Agricultural Cooperatives and Agricultural Credit of Portugal (CONFAGRI).

During the hearing, the following points were addressed:

- The digital transformation has a considerable impact on Portuguese companies. It is necessary to transform the mind-set. What is crucial is not the digital technologies in themselves, which in the end will be adopted by companies. It is most crucial that companies *think* digital in their daily work. They need to learn to measure value that comes from innovation. They lack the information and the process is too complex.
- Companies are doing more incremental innovation than process innovation, which would be key to their success, e.g. understanding their customers' profile to adapt their business model.
- SMEs feel they are not part of an eco-system: sharing business and knowledge and profiting from it together.
- A solid regulatory framework that protects basic workers' rights is necessary, as well as regulation on e-commerce at national and/or EU level.

- SMEs need a level playing field for internationalising. Traditional SMEs have difficulties in understanding legal and fiscal rules in different countries, and it is complicated for them to find the right people with the right skills.
- Portuguese SMEs lack adequate digital infrastructure. In the interior of the country, digital infrastructure is lacking (e.g. sometimes there is no 4G, etc.).
- Workers' organisations should be more involved in developing legislation. There is also a need to reinforce collective bargaining mechanisms on the new issues raised by new technologies.
- In the professions, workers are on average highly skilled and try to keep up to date with digital developments. However, young people often go abroad where wages are higher. Other considerations are also involved, such as social security, opportunities abroad, medical care, schooling for children, etc.

Summary

European SMEs are the backbone of Europe's economy. Despite their national specificities, they also have common and recurring problems. Several common issues that SMEs are facing in the context of the digital transformation of our societies and economies have been noted in all fact-finding visits that the EESC organised between 2019 and 2020.

Digital technology is a driver for the growth of SMEs but it can also disrupt and lead to upheaval. Following the multiple crises that have occurred since 2008, digitalisation has come to be seen generally as an opportunity, for example in terms of possibilities for accessing the jobs market and the forms these possibilities might take. However, major shortcomings exist with regard to the development of online public services, and the upgrading and integration of national legislative frameworks to ensure a level playing field. Setting up a *European digitalisation observatory* could ensure that the single market develops into a digital single market that is inclusive and properly supported, including through legislation.

SMEs are also struggling to bridge the skills gaps caused by changes brought about by digitalisation and technological advances. SMEs urgently need digital training courses, starting with micro-companies and traditional businesses, which have limited or no experience in digitalisation. Excessive administrative burden, gold plating and the growing corpus and complexities of new legislation at EU and national level continue to weigh on them because of their limited resources and capacities.

On the key issue of data, all companies, especially SMEs need fair access to data and data management capabilities, especially in the light of unfair competition from other parts of the world.

Ensuring both digital sovereignty and the privacy of natural and legal persons are also critical points that need to be addressed by legislators.

The broadband network in the EU needs to be expanded so that companies can become more digitalised, and no one is left behind. Since the EU still lags behind, especially in rural areas where many SMEs are located, all other EU-wide initiatives should take this into account.