There are currently around 21 million small and medium-sized businesses (99% of EU businesses) employing around 33 million people across the EU. SMEs are a crucial source of entrepreneurship and innovation, providing two thirds of private-sector jobs and over half of the total added value created by businesses in the EU.

The SME sector has a positive impact in a number of areas: it improves competitiveness (SMEs fragment the market, boost competition, undermine monopolies and are very receptive to market needs, as they offer individualised goods and services), creates the most new jobs (with a lower capital cost, cushioning labour market fluctuations and offering the best alternative for...
combating unemployment) and creates opportunities for local and regional development and prosperity. In a rapidly changing global landscape, with constant structural changes and strong competitive pressure, SMEs play an increasingly important role as employers and key actors in local and regional prosperity.

The role played by SMEs in the European economy has been acknowledged time and again, at the highest political level. The Commission communication on Think Small First - A Small Business Act for Europe [COM(2008) 394] aimed to improve the overall strategic approach to entrepreneurship, to factor the Think Small First principle into policies, and to identify a set of 10 principles to steer policy framing and implementation at EU and Member State level in order to promote SME growth.

The review of the 2011 Small Business Act for Europe aimed to provide a comprehensive picture of the progress made in the first two years of implementation, identifying new measures to meet the challenges triggered by the economic crisis, assigning a clear role to stakeholders and bringing business organisations to the fore. The Small Business Act for Europe has not been reviewed since 2011.

Implementation of the principles set out in the Small Business Act has been patchy or non-existent in some Member States and sometimes at European level and some key areas need improvements given the current challenges, and so SMEs expect an immediate review and a bolder approach. A decade after the act was adopted, we need to move on to a new and decisive stage in the political recognition of SMEs at European level, shifting from Think Small First to Act Small First. This will entail developing new measures (to meet the current challenges) which are legally binding (to guarantee that the principles will be enacted efficiently and tangibly at both EU level and in the Member States and regions) and taking a bolder approach to supporting SME development, including promoting international good practices.

The review of the Small Business Act for Europe must provide increased and more efficient support for European SMEs which covers the various types of business, and an inclusive, cross-cutting policy approach in this area, to include the promotion of good practices from the USA. There are important differences between the American Small Business Administration and the Small Business Act for Europe, in terms of general approach, measures and outcome.

While the Small Business Act for Europe sets out a set of 10 principles for policies at EU and Member State level in a document which has no binding value, the American Small Business Administration (SBA) is an independent government agency which provides support for small businesses at federal level. It was set up by President Eisenhower in 1953, following the adoption of a Small Business Act and its role is to advise, provide assistance and protect the interests of small businesses. Its 2013 budget was around USD 1 billion (excluding the budget for activities not related to businesses). Some of its measures are legally binding. The SBA has offices in every American state and a thousand local centres.

The SBA focuses on:
- financing (loans, guarantees for small businesses, microcredit granted within 36 hours, and improved access to venture capital for small businesses);
- contracting programmes for small businesses;
- R&D programmes (with a strategy to boost SME involvement by stepping up the targets);
- business development programmes;
- the Office of International Trade (which offers assistance with exports, rapid loans granted within 36 hours, grants for participating in trade shows abroad, documentation and audiovisual material);
- special offices (Office of the Inspector General which is tasked with ensuring that the SBA is managed more efficiently, combating fraud in its programmes and reviewing existing or proposed legislation, and the Office of Advocacy which acts as an independent spokesperson for small businesses with the federal government, encouraging policies which support small businesses, intervening in federal agencies’ regulatory processes and carrying out research on the impact of federal regulation).

If similar activities and programmes were in place at European level, European SMEs could make the most of their capacity to create jobs, to deliver prosperity at local and regional level and to help Europe cope with the challenges facing it.

The new Small Business Act for Europe must be legally binding (code of conduct, inter-institutional agreement, Council decision), include a safeguard principle and Act Small First principle as well
as the 10 principles, and be bolder (identify new measures, extend the scope of these principles, make more use of provisional targets, etc.). It must establish a detailed roadmap, covering priorities, specific measures, deadlines, methods and, on a case by case basis, financial resources, guaranteeing that all measures proposed will be implemented and that monitoring and assessment mechanisms will be put in place. It must assign a European commissioner responsibility for implementation and appoint an SME contact in every Commission DG to ensure that the legislative measures and programmes factor in the priorities and expectations of SMEs and microenterprises. It must include recommendations in the European Semester process, and keep up the REFIT exercise to ensure that legislation is fit for purpose. A European management committee must also be set up, including delegates from the representative European organisations involved and the social partners, as well as representatives of the Member States.

No less importantly, bold and tangible measures are needed to support entrepreneurship and SME competitiveness. These should include European support for a million start-ups, programmes offering business counselling for a million SMEs and programmes supporting European, national and regional SME organisations with a view to providing information and counselling for businesses (2% of ESF funds should be assigned to the social partners and SME organisations).

Other measures should include adapting vocational training systems to labour market needs, boosting basic, business, digital and environmental skills and programmes to strengthen entrepreneurship among young people and women. A single portal should be established for all SME support initiatives, with a clear, user-friendly design. Steps should be taken to ensure equal access to data for SMEs, investments in cybersecurity, and financial support for developing digital capacity and suitable infrastructure, with each SME provided with a digital kit and website.

Measures are needed to cut red tape to give SMEs easier access to financing, bank credit, state aid and European programmes. SME competitiveness should be supported through coaching/mentoring, the European programme to help at least 500 000 SMEs to go international and instruments to help SMEs to take part in exhibitions, conventions and trade shows abroad. All barriers preventing SMEs from accessing the circular economy should be removed, specific measures and instruments introduced at EU level to promote eco-innovation in SMEs and a single energy market established with more room for decentralised energy generation by SMEs. Measures should be rolled out to reduce late payment, including more vigorous enforcement of current legislation, and efforts to boost small business participation in public procurement should be stepped up.

The Employers’ Group will organise a high-level event entitled the European Entrepreneurship Forum, together with the Romanian National Council of Small and Medium-Sized Private Enterprises (CNIPMMR). The event will be held as part of the Romanian Presidency and under the auspices of the President of Romania.

The aim of the conference is to develop a new vision to support entrepreneurship and competitiveness of SMEs and to contribute towards a more SME-friendly business climate in the European Union. Discussions will aim towards defining a mature, proactive and perennial policy that will strengthen Europe in the face of today’s challenges, with an accent on internationalisation and digitalisation as key tools for dealing with all these challenges.

The objective is to outline a new, reformed and bolder “European Small Business Act”, by moving to the next level: from "Think Small First" to "Act Small First". The conference will be divided into four discussion panels, covering the following subjects: Finance Entrepreneurship, Young and Women Entrepreneurs, Digital Europe and European Cohesion and Regional Development.

The conference will take place on 10 April at the Presidential Palace (Palace Cotroceni) in Bucharest. The results of the conference will be presented at the Sibiu Summit in May.
Employers' organisations on the European Elections

The business community has to speak up loud in the campaign for the European elections. Employers’ organisations should not only emphasise their needs and expectations for the next term of the Parliament but also underline the benefit that the European Union brings to their operations and everyone’s daily lives. These are some of the conclusions of the debate with representatives of BusinessEurope, SMEunited and CEEP during the Employers’ Group meeting in February.

High-level officials of the employers’ associations presented their plans for the European elections and elaborated on the main proposals that they will bring to the next European Commission and the Parliament.

**SMEunited – shape Europe for SMEs**

For SMEs, digitalisation, greening of the economy and access to skilled staff and affordable technology are seen as the greatest challenges for which they need support from the EU – said Véronique Willems, Secretary General of SMEunited. The organisation has issued a memorandum containing ten priorities for the European elections.

“In the discussion on the Multiannual Financial Framework (MFF) we advocate paying particular attention to SMEs and programmes that promote them, such as InvestEU, Horizon Europe, the cohesion funds, and Erasmus+,”, underlined Ms Willems. Cohesion policy needed to take civil society into account. She underlined the importance of showing local businesses and SMEs that Europe is there and that it is providing for them.

Referring to trade, she emphasised that unfair treatment and power plays against SMEs is also an issue that needs to be addressed. SMEs need to be in a balanced position in relation to larger players.

The organisation takes the position that horizontal policy for SMEs is a better solution to achieve good results than the sectoral approach.

**BusinessEurope – business ambition for 2030**

We have to get people to realise that the European way of life is the best way of life in the world and this is thanks to the EU. This is a joint responsibility for the whole business community – said Markus Beyrer, Director General of BusinessEurope. His organisation is involved in pro-participation campaigns at both the European and national level through its members.

BusinessEurope has developed a vision for Europe 2030, setting out how to create the right framework conditions for enhancing competitiveness and entrepreneurship and enabling business to play its role, in the interests of society.

With reference to Brexit, Mr Beyrer underlined that its impact on business would be huge. BusinessEurope advocated a systematic approach that would protect the economy on both sides.

BusinessEurope also called for a more strategic and robust approach to industrial policy. Concepts such as public procurement, trade, state aid, research and competition policy should be rethought. It is necessary to support European competition policy, which is crucial for the single market.

According to Mr Beyrer, adapting the rules to the changing reality of world trade will be one of the challenges for the next European Commission and the Parliament.

**CEEP – more cooperation on the three Ds**

Digitalisation, decarbonisation and demographic ageing – these are the three Ds that CEEP intends to focus on during the next term of the European Parliament. “We want to work together with the new Commission to give more direction to the European semester, benchmark exercises and developing the Pillar of Social Rights,” said Valeria Ronzitti, General-Secretary of CEEP. Such engagement would enable employers to push for the reforms that are so necessary at national level.

Employers should join forces and agree to speak together to encourage stakeholders in the Member States to be vocal about Europe being the best place to live, work and do business. Broadening support for business policies, recognition of a horizontal policy on SMEs, and an inclusive approach to all employers were other topics addressed by Ms Ronzitti. She expressed her appreciation for the active participation of EESC members in the REFIT platform and progress made thanks to the opinions on subsidiarity and goldplating.

*The debate with key partner organisations of the Employers’ Group will continue during the March group meeting. This time, the Members will have an opportunity to discuss priorities for 2019 with representatives of EuroChambres, EuroCommerce and Copa-Cogeca.*
A future-proof Single Market: IT'S ABOUT INTEGRATION AND RESPONDING TO NEW DEVELOPMENTS

While being fundamental for doing business, the single market must be developed to respond to the ongoing trends. The improvement of the single market of data is essential, as data is closely linked with other production factors, products and services. The single markets for goods and services also need to be developed hand in hand. Investment in energy, transport and digital infrastructure must contribute to the single market connectivity and decarbonisation. Mobility of labour needs to be enhanced to respond to skills mismatch.

To be able to grow and develop, enterprises need access to markets both in the EU and globally. The EU must continue the integration of its internal market on terms that promote fair competition and prevent protectionism. This is necessary for trade in goods and services but also for the transfer of production factors such as energy and capital, and for facilitating mobility of workers. As transport is necessary for the movement of goods and people, the role of a well-functioning transport market is crucial as well.

Businesses are transforming

The development of the single market is not only about market deepening. It is also about following the trends in the economic and societal environment. These developments, such as changes in the global economy, demographic changes, digitalisation and the transfer towards a low-carbon and circular economy, drive businesses to shape their products, services and business models. Consequently, the roles of various production factors also change. Skilled people and data are increasingly important for companies, while capital, energy and raw materials are still indispensable. Their availability with competitive conditions lays the ground for doing business.

… and the single market must evolve accordingly

As production factors, products and business models adapt, the EU must ensure that the conditions in the single market enable and enhance these shifts. Single market-related legislation must make it possible to respond to fast changes, reduce market barriers and encourage innovation. It must follow better regulation principles and be enforced in a proper manner.

In order to enable the data economy to develop, it is crucial for the EU to ensure the appropriate availability, accessibility, interoperability and free flow of data, while securing adequate data protection. The single market of data is particularly significant, as it is not separate from the markets of capital, goods and services.

Goods and services are also increasingly interlinked, and the distinction between industries and industrial services is blurring. Business ecosystems, comprised of enterprises of different sizes and from different sectors and different parts of value chains, are ever more common. Due to evolving business models, the development of the single markets for goods and services must take place hand in hand. More integrated markets are also needed for those services that operate more separately.

The mobility of people plays an important role in responding to the skills mismatch that is evident in several sectors. The EU must therefore actively facilitate the free movement of labour. Possibilities for studying and training in other Member States also need to be enhanced.

Work must be done in the field of the Capital Markets Union. The necessary confidence between Member States and in the markets needs to improve, to fully grasp the advantages of the single market and to allow a reorientation of capital flows towards more sustainable investments.

Energy and materials continue to play their role as important production factors, although their management will be profoundly shaped by digitalisation, and the transition towards a low-carbon and circular economy. A circular economy requires a more advanced single market for secondary raw materials. A low-carbon economy needs an electricity market that is adapted to intermittent wind and solar energy. Climate change mitigation also requires a proper single market for emissions trading.

Development of future-proof infrastructure is vital. The EU should support projects that contribute to the improvement of the digital, energy and transport single markets, also considering that they are increasingly linked to each other.

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On 20 February 2019 the EESC adopted an opinion calling for an EU framework directive on minimum income. The Employers’ Group fully shares the view of the EESC that fighting against poverty is a necessity. However, for us the instrument proposed in the opinion is not the correct one. For this reason, the Group tabled a counter-opinion, presenting its views on measures needed to reduce poverty. The counter opinion was supported by almost 40% of the EESC Members.

Reducing poverty should be a joint commitment of the EU and Member States. The EU should focus on reforms and on creating good conditions for companies to create jobs. Well-functioning economy and sound economic and labour market policies are a starting point to be successful in this.

Member States’ minimum income systems have an important role in the fight against poverty. The Employers’ Group believes that national level action is appropriate but also the most efficient. It ensures that minimum income systems are tailored to fit in the traditions and characteristics of each Member State’s social protection systems.

However, minimum income alone cannot deliver results in fighting poverty. Besides the foundation formed by sound economic and active labour market policies, a targeted mix of other policies and actions such as adjustment of employment policies and services, social and health services is needed. There is also an important role for the EU: it should encourage and guide Member States, in the framework of the European Semester, in developing and further improving their minimum income systems through benchmarking and mutual learning.

The Employers’ Group believes that the constructive and comprehensive approach proposed in the counter opinion is fully in line with the spirit of the European Pillar of Social Rights which should be implemented in full respect of the division of competences between the EU and the Member States and taking into account diversity of national systems and different socio-economic circumstances.

The result of the vote at the EESC Plenary Session – almost 40% in favour of the counter-opinion – clearly shows that the Committee is divided on the means to reach the EESC’s shared goal of poverty reduction.

The Employers’ Group believes that any proposals in that field must reflect current conditions, needs and economic performance in the Member States as well as economic sustainability in a long term. It must also respect the principle of subsidiarity.

For all these reasons, the Employers’ Group put forward its approach to reduce poverty as described in the counter-opinion and has systematically been against the idea of a European framework directive on minimum income.

Discussions on the posting of workers touch upon the very essence of the European Union – the free movement of goods, services, labour and resources. That is why making any exception to freedom of movement could cause serious harm to the single market in the long-term perspective – stated Jacek Krawczyk, President of the EESC Employers’ Group, in his keynote speech at the European Labour Mobility Congress in Kraków.

Mr Krawczyk summarised the debate on the revision of the Posting of Workers Directive that had taken place in the EESC. He pointed out that the Employers’ Group had not been able to agree on the text proposed and had submitted a counter opinion.
For the Employers’ Group, the existing EU rules on the posting of workers (namely the original 1996 Posting of Workers Directive and the 2014 Enforcement Directive) struck a proper and fair balance between promoting cross-border provision of services and protecting the rights of posted workers.

"The revision of the Posting of Workers Directive has been adopted is there, and we will have to live with the consequences", said Mr Krawczyk. The Employers’ Group strongly believed that focusing on efficient implementation of the Enforcement Directive would have been the correct way forward.

Mr Krawczyk also expressed his hope that further work on the posting of workers in the transport sector (something that might be postponed until after the EP elections) would take greater account of scientific and economic data on the real impact of posting.

The European Labour Mobility Congress is the biggest European event dedicated to the posting of workers; this year’s congress, the sixth, took place on 14 and 15 March in Krakow, Poland. On 14th March In the afternoon, three EESC members took part in the discussion panel entitled "The EU legislative process as regards the posting of workers: the role of organised civil society". The initiator of the event was the Labour Mobility Initiative Association – an NGO bringing together scholars, business and public administration representatives involved in the posting of workers and labour mobility.

The ELCM is a forum for exchanging knowledge on the rules on the posting of workers among all stakeholders. It makes it possible for employers, politicians, public administration, lawyers, researchers and trade unions to be jointly present.

SMO’s work on the new economic models

After the EESC’s mid-term renewal, the Single Market Observatory (SMO) was asked by the INT Section president to focus on new economic models (NEMs) as one of the Section’s priorities for the duration of the current mandate (2018-2020).

Work in this area is still in the preparatory phase, and to date the SMO secretariat has been carrying out desk research with the aim of providing members with a maximum amount of reliable information on trends, has drafted a guide to interviews with national interlocutors together with the SMO members and has drafted a questionnaire that has been screened by the PAS Unit.

Various subtopics will be covered, such as consumer-related issues, the impact of these new models on labour and taxation issues, as well as skills, industrial policy aspects, trade, the legislative environment, the transition process from a traditional economy to new models, the sustainability of new models, etc.

The purpose of this activity is to identify best practices with a view to formulating recommendations to adapt the EU’s regulatory environment to such irreversible trends. This will touch upon many policy areas, from taxation to consumer rights regarding working conditions and data protection. In doing so, the Committee can follow up on its many opinions on new economic models and contribute to the EU’s action in this respect.

The SMO should be able to issue policy recommendations that focus on the measures necessary to deal with ever-growing innovative economic models. This includes making recommendations in terms of regulatory and tax measures.

The economy is undergoing a major paradigm shift that needs to be assessed from the civil society perspective in order to issue hands-on, workable recommendations for a future-proof Single Market that will position the EU as "a leader in innovative economic models that make the idea of economic prosperity inseparable from high-quality social protection and environmental sustainability, and define a "European brand"."

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The process from start to end, with the issuing of a final report, is designed to produce key facts for the SMO members’ information in the targeted Member States covering practices and the regulatory framework. The aim is also to identify of a limited number of Member States for fact-finding missions by SMO members, with the participation of Sustainable Development Observatory (SDO) and Labour Market Observatory (LMO) members whenever possible, to draft a mission report after each fact-finding mission and to discuss a progress report at each of the three SMO plenary meetings in 2019.

The SMO is planning a public event to be held in 2020 to present and discuss the findings with civil society organisations and the institutions.

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Following a request from the European Commission for an EESC opinion on better implementation of the European environmental regulations by involving NGOs and SMEs, EESC rapporteur Arnaud Schwartz (FR, Group III), co-rapporteur István Komoróczki (HU, Group I) and study group president Ester Vitale (IT, Group II) (all from the NAT section) undertook a visit to Budapest in mid-March.

The purpose of these field trips (this visit will be followed by two others – to France and Italy – in April) is to assist the drafting process by enabling members to meet interested and affected representatives of local organised civil society, green SMEs and senior government and local authority stakeholders. This helps them get a better grasp of domestic issues in environmental protection, government and municipal policies, education and awareness-raising of the population and learning best practices of interest to the European Commission.

The Budapest visit included a truly high-level discussion with Ambassador Csaba Kőrösi and János Áder, the Hungarian president’s Sustainable Development Director, about global environment issues, climate change topics and the use of alternative energy sources to significantly reduce our carbon footprint worldwide. As Mr Áder pointed out, the President of Hungary is not, of course, part of the executive branch, but thanks to his professional interest in environmental protection, climate change and energy issues, as well as his domestic and international standing, he maintains a high visibility on these issues and has a key impact on overall decision-making.

EESC delegates agreed from the outset that this type of visit is of real value only if it involves not just discussions, but also on-site visits to companies directly facing the issues covered in the opinion. For this reason, we visited a medium-sized company, FE-Group Invest Plc., located on the outskirts of the Hungarian capital and engaged in waste handling and processing. Thanks to its contracts with huge industrial businesses, shop chains and FKF Plc. (a Budapest-based, municipality owned waste collecting and processing company), FE-Group Invest is able to regularly purchase raw materials from these suppliers and use at least 70% of its total capacity in waste processing. Raw materials covered include paper, plastic, WEEE and cables in bulk – all important parts of the waste pyramid. This SME employs 120 people and helps Budapest, with its 1.8 million inhabitants, to have better access to a greener and healthier environment. Another visit we made was to Ne Pazarolj Zero Waste Shop & Café, located in a tourist area. Here EESC members were able to talk to an enthusiastic (28-year-old) shop assistant doing all she possibly could to give customers goods only in natural packaging, avoiding anything artificial. Both the increasing interest from customers in the products here and increasing business interest in the shop’s viability and profit-making potential demonstrate there is a real business future for such shops.

Some photos taken over the two days capture some interesting moments from the visit, from which a clear message emerged: active organised civil society involvement in protecting the environment is an absolute must for all of us! This is not a political mantra but a reality of our daily lives in 2019! All of us must respect our own environment, learn to act accordingly and understand that our descendants have the same right as we have to live in a clean and green world.

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