



SMEs and Entrepreneurship

SMEs

Definition

Small and medium-sized enterprises (SMEs) are defined in the [EU recommendation 2003/361](#).

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: [European Commission](#)

The European Commission regularly monitors the implementation of the definition of SMEs.

SMEs are the backbone of the EU's economy. SMEs constitute **99.8 % of businesses in the EU**: there are currently around **24 million** SMEs in the EU. They are also a social element of the economy: they do not delocalise when new opportunities arise abroad.

SMEs **employ over 94 million people**; they provide **2/3 of private sector jobs**. In the past five years, they have created around 85 % of new jobs.

More than 9 out of 10 EU SMEs are micro enterprises.

Entrepreneurship

Entrepreneurship is an individual's ability to turn ideas into action. It includes creativity, innovation, risk taking and the ability to plan and manage projects in order to achieve objectives.

Only 37 % of Europeans would like to be self-employed, compared to 51 % of people in the US and China. Some of the challenges to be tackled to reverse this trend include:

- education providing the right foundation for an entrepreneurial career;
- difficult access to finance/markets;
- difficulty in transferring businesses;
- the fear of 'punitive' sanctions in case of failure;
- burdensome administrative procedures.

What does the EU do for SMEs and entrepreneurs?

- Creates a business friendly environment**
The [Small Business Act for Europe](#) (SBA) from 2008 provides an overarching framework for the EU policy on SMEs. The SBA promotes the 'Think Small First' principle and entrepreneurial spirit among European citizens.
- Promotes entrepreneurship** through the [Entrepreneurship Action Plan](#), which supports entrepreneurial education and provides support tools for aspiring entrepreneurs.
- Improves access to new markets and internationalisation**
Only 25 % of EU-based SMEs export at all and an even less export beyond the EU. To make sure that SMEs make the most

of cross-border activities, the EU created several networks: [Your Europe Business Portal](#), [Enterprise Europe Network](#) and [SME Internationalisation support](#).

- Facilitates access to finance**
Access to finance is the most pressing issue for many small enterprises. The EU works on improving the financing environment for SMEs and provides information on funding. The [EU Access to Finance portal](#) helps SMEs to apply for loans and venture capital supported by the European Union. The **main funds for SMEs** are available via the [COSME programme](#), the [European Fund for Strategic Investments](#) (EFSI), the [European Structural and Investment Funds](#) and the [Programme for Employment and Social Innovation](#). For the most innovative SMEs, [Horizon 2020](#) is applicable as well.
- Supports SME competitiveness and innovation**
This is a key aspect of EU policy. In particular, [European Standards](#) are an important tool for enhancing SMEs' competitiveness. Standards help reduce technical barriers to trade, reduce costs, and facilitate SMEs' access to markets. SMEs are represented in the standardisation process by [Small Business Standards](#) (SBS), a European non-profit association.
- Provides key support networks and information for SMEs**
 - the [Your Europe Business Portal](#) is a practical guide to doing business in Europe. It provides entrepreneurs with information and interactive services that help them expand their business abroad
 - the [Enterprise Europe Network](#) helps SMEs and entrepreneurs access market information, overcome legal obstacles and find potential business partners across Europe
 - the [SME Internationalisation support](#) page provides information on foreign markets and helps European businesses internationalise their activities
 - the [single portal on Access to Finance](#) helps SMEs find finance supported by the EU
- Supports start-ups and scale-ups**
Since 2016, the [EU's 'Europe's next leaders: the Start-up and Scale-up Initiative'](#) provides comprehensive support to start-ups and innovative firms. This initiative combines a range of new and existing actions to reduce existing barriers to growth to enable start-ups and scale-ups to expand their business across Europe and beyond. According to the European Commission, too few European start-ups survive beyond the critical phase of 2-3 years, with even fewer growing into larger firms. It has also estimated that up to 1 million new jobs could be created and up to €2 trillion added to GDP in the EU over the next 20 years if the share of scale-ups matches that of the United States.

SMEs and Sustainable Development

EU commitments to climate neutrality and the 2030 Agenda require the increasing involvement of non-state actors, which includes businesses of all sizes. As SMEs make up 99.8 % of all EU businesses, it is difficult to see how the EU can meet these commitments unless SMEs can make savings and report on progress.

The [Green Action Plan for SMEs](#) helps SMEs take advantage of opportunities offered by the transition to a green economy. It presents ways for SMEs to turn environmental challenges into business.

EESC key messages

- ✓ An **inclusive, coherent, effective horizontal European SME policy** that also takes into account the needs of all the different SME sub-groups is needed; it is essential to have a definition for each and every one of them.
- ✓ The EC and the Member States should encourage a **stronger culture of entrepreneurship** in Europe and create an *Action Plan for Entrepreneurial Mind-Set Education*. They should be more innovative in finding ways to tackle the culture of risk aversion. The value of entrepreneurs and companies and their crucial role in creating employment and growth need to be promoted, including by devising a **special Pillar of Entrepreneurs' Rights** and declaring a **Year of Entrepreneurs**. The framework conditions for entrepreneurship, such as access to finance, the regulatory framework and entrepreneurial education, must be improved.
- ✓ The **single market must be deepened**, both for products and services, by **reducing regulatory barriers and administrative burdens**, and by creating instruments to support SMEs' expansion within the single market.
- ✓ The low uptake level by SMEs (particularly microenterprises) of the **digital single market** in their cross-border commercial relations is an important concern. They should be encouraged to participate under the same market conditions and on an equal footing with large international and European online traders. SMEs need to be reassured about their right to choose which market to operate in and about their freedom to contract, in order to restore confidence in carrying out online cross-border transactions.
- ✓ While SMEs create most new jobs in the EU, they face **serious problems in accessing skilled labour**, especially workers equipped with digital economy-related skills, which is also due to the deteriorating demographic picture in many regions in terms of population and ageing trends. Even in regions where the population is growing, it is difficult for SMEs to hire and keep highly skilled labour and to comply with the increasing regulatory and bureaucratic requirements of the labour market institutions. SMEs need assistance in identifying, attracting and training human resources.
- ✓ The European Commission should make the **Small Business Act and its principles legally binding**. The focused efforts of the EC to implement the **'think small first'** and the **'once only'** principles, and especially the approach of taking care of SMEs' interests, as applied in REFIT and the Start-Up and Scale-Up Initiative, are appreciated.
- ✓ Key **support networks** should be maintained and made more user-friendly and comprehensive for SMEs. The potential for ensuring the coordination of existing support networks in a common **one-stop-shop** system that respects the situation in each Member State should be carefully considered by the EC.
- ✓ It is crucial to establish a **strong multi-stakeholder partnership – SME platforms** – with the social partners and public and private stakeholders engaged with SMEs' problems at national and regional level. These platforms can play a key role in overcoming the communication gap existing between SMEs and EU support mechanisms and in providing a new and effective channel to reach out to SMEs.
- ✓ It is key that Member States and the European institutions fully recognise and promote **fairer business models**, which focus on delivering innovation for social development by integrating social impact measurement in parallel with reporting economic progress. The EU must put greater focus on supporting and protecting SMEs, in particular, social economy enterprises, microenterprises and family businesses, and all types of **start-ups in innovation policy initiatives** to improve the conditions for sustainability and replication/scaling.
- ✓ Protecting and preserving the diversity of forms of enterprise that are found in the EU is crucial for achieving the single market and maintaining the European social model, as well as for implementing the 2030 Agenda for Sustainable Development.

EESC opinions on these topics

- [Promoting a Single Market conducive to entrepreneurship and innovation](#) (2019)
- [Single Market programme](#) (2018)
- [Small listed companies](#) (2018)
- [Package on European company law](#) (2018)
- [SME "Think small first"](#) (2018)
- [Europe's next leaders: the Start-up and Scale-up Initiative](#) (2017)
- [Effectiveness of policies for SMEs](#) (2017)
- [Family and traditional businesses in regional development](#) (2017)
- [Promoting innovative and high growth firms](#) (2016)
- [Innovation as a driver of new business models](#) (2016)

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