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## EU2020-STRATEGY

Håndværksrådet (The Danish Federation of Small and Medium Sized Enterprises, DFSME) agrees with the analysis and overall aims of the Commission to reshape the public expenditures and aim for a greener economy created on the basis of innovation and using the resources better and thereby creating new jobs.

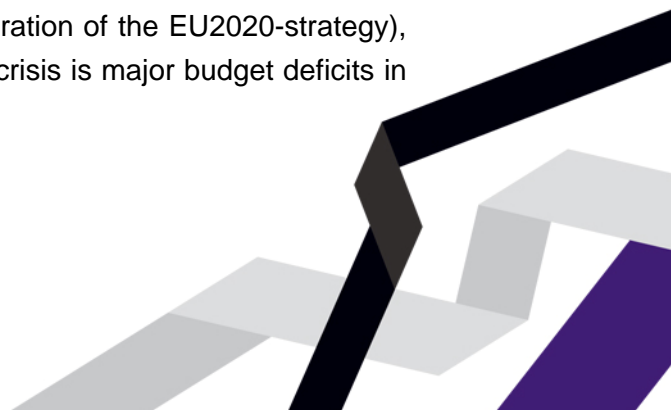
Even though the financial crisis momentarily has caused high unemployment rates the challenge of the European demography with the aging population must still be in focus.

The Commission rightly states that Europe needs a strengthened and competitive industrial base, a modern service sector and a thriving agriculture, rural and maritime sector. SMEs are of course a part of all these sectors, but as the SMEs are the backbone of the European economy and the place where jobs are created and maintained a special emphasis and focus must be put on creating the optimum conditions for the SMEs. Therefore Håndværksrådet proposes to add an additional separate priority, namely creating a competitive SME-sector to fully unlock the potential of SMEs.

### 4. Fully unlock the potential of SMEs

#### **Responding to the crisis and preparing an economic strategy for the future**

One of the biggest crisis of our time calls for extraordinary actions undertaken by governments all over the world. Governments had to rescue the banking sector (Bailouts) and so they did - in the same time stimulus plans were initiated to help recovering the economy. But these steps are only the beginning. The bills of the stimulus plans have to be paid for years to come (probably beyond the expiration of the EU2020-strategy), as one of the results of the immediate responds to the crisis is major budget deficits in



the countries and governments debts are heavily increasing. Therefore a key point in the EU2020-strategy has to be forming an exit strategy and recovering from the crisis.

Because of the rising pressure on the public spending in the future fiscal sustainability is very important. The European population is getting older and less people working will have to finance the well-fare society and the increasing population outside the labour market, as well as paying the bill from the crisis. In order for this to be possible fiscal discipline of the member states is demanded. This includes observance of the Stability and Growth Pact. The more the policy actions that deal with the crisis are consistent with long-run goals, or at least accompanied by a clear strategy and time-plan for making them consistent later on, the more markets will see these actions as credible. The SMEs will in the long run benefit from a holistic approach taken by the governments.

Credibility and transparency are vital for the markets and private agents. Banks and businesses are deeply dependent on each other. A crisis will create difficulties between the two parties. It is therefore of utmost importance that break-downs in the financial sector, such as the recent, are avoided in the future. A means to this is a better regulation of the financial institutions with increased capital requirements for the banks. This would strengthen the banking sector and would diminish the risk of future break-downs. In particular SMEs are vulnerable in such a situation because they have fewer channels to access finance. They rely on the banks – and usually only one bank – to provide financing of their business. And healthy, robust banks are more willing to lend to small businesses.

### **Greener Economy**

Håndværksrådet agrees with the aim of turning the European economy green and to try to create business opportunities out of the climate challenge.

In the aim for a greener economy the SMEs play a vital role in two different ways.

First of all SMEs have a large potential for reducing their energy consumption. The reduction of the individual business might be minor and therefore the individual company also has little focus on the issue, but seen as a whole the SMEs are of crucial importance if the aim of reducing the CO<sub>2</sub>-emissions is to be met. It is therefore important that consulting services do not solely focus on the large companies, but that they also tailor make advice for SMEs and that clean tech is also made available for SMEs.

Secondly the SMEs play a central role, when it comes to reducing the energy consumption from the private homes and public buildings. 50 % of the overall energy consumption comes from buildings. This area is therefore of vital importance. The larger companies do not see a market in maintaining private homes, and thus the SMEs need to be ready to meet the challenges of the new market. To be this and be able to exploit the new opportunities, focus has to be on education, that is including energy efficient construction at all levels in the educational system, in the vocational education as well as in the supplementary training.

### **Implementation of the Small Business Act for Europe**

Håndværksrådet was disappointed not to see the Small Business Act (SBA) mentioned at all in the consultation paper from the Commission. If the SMEs of the EU shall be competitive and be able to grow in the coming decade it is crucial that the SBA is given a central role in the EU 2020 strategy. The SBA with its fundamental principles, especially “Think-Small-First”, must be an integral part of the strategy and Håndværksrådet proposes to make the national implementation of the SBA a mandatory part of the annual national reports to the Commission. The report on the implementation of the SBA must also contain an evaluation of the implementation of the SBA at a local level. The SBA can never become the success that the SMEs need if the SBA does not arrive in the minds of the local administrations, with which the SMEs have their most frequent contact within the public administration and whose decisions have an important influence on the lives of SMEs.

### **Administrative burdens and better regulation**

The work on reducing administrative burdens within the EU system is hugely important, because the ability of the EU system to reduce red tape will be seen by many European citizens as an indicator of the willingness of European politicians and “the bureaucracy in Brussels” to listen to and react on the concerns businesses and citizens have regarding excessive administrative burdens. Failure to act – and produce concrete results – will by many be seen as confirmation that the EU is a technocratic monstrosity with little positive impact on Europe.

Seen from the view of businesses – and particularly SMEs – excessive and unnecessary administrative burdens are simply detrimental to their competitiveness. There is a cost involved in having to produce reports to European Agencies that is perceived as unnecessary by businesses – and that take valuable time away from “doing the job” and “running the business”. As the European Commission estimates that GDP in the EU area could be 1-1½ per cent higher – were the excessive administrative burdens

removed – there is a clear link from red tape to growth, employment and welfare. This is of even greater relevance at a time of recession and recovery.

One way to limit administrative burdens on businesses is for policy makers to reflect thoroughly on the real need for new regulation and the information obligations on businesses that it entails. For that purpose an “administrative burden reduction check list” is a good starting point.

One prominent lesson from the work on reducing administrative burdens in Denmark has been the value of actively involving relevant stakeholders in the process regarding administrative burden reduction. It has been obvious that stakeholders often have a clear opinion on both the actual and perceived burdens of the various legal acts. A healthy skepticism regarding the need for specific regulation has often been introduced as well as a fruitful dialogue that leaves both policy makers and business representatives wiser on the issues at hand. Stakeholder dialogue can in and of itself lead to both better regulation and a broader understanding of the needs of businesses as well as the need for regulation. We therefore strongly urge the Commission to continue and expand its stakeholder dialogue as a means of insuring better regulation and administrative burden reduction.

### **More successful start-up companies and equal social rights to self-employed**

The aim for 2020 is better conditions for start-up companies and business transfers in small and medium-sized companies. It is important to support successful start-up companies, because they create more jobs faster than others. There is a need for easier access to start-up and investment capital, less administrative burdens and specific supporting programmes for start-up companies in local centres, where they can get free consultancy advices. Furthermore these companies need better access to knowledge, innovation and competences, which can be used directly in small companies.

To promote better conditions we recommend the following initiatives:

- A special EU Task Force where the purpose is to suggest concrete ways to make it easier to start a new company and in general to be self-employed in a small company
- A new EU Small Business Programme which give funding and loans to new ideas and innovations from start-up companies. One main criteria is that the programme should not demand long applications and administrative demands.

- Full implementation of “The Small Business Act”; that is all new legislation must not discriminate small companies
- A new EU Programme “New science and knowledge in small businesses” where universities and small companies can get funding to implementation of scientific research in small firms.

In 2020 it is necessary to secure that all self-employed in Europe have equal access to the same social security systems as employees. There should be no discrimination between self-employed and employees concerning social and pension rights. Therefore we suggest the following initiatives:

- A common European policy for Equal Social Rights for Self-employed.
- A new European Charter for Equal Social Rights for Self-employed.

### **Company Ownership Transfers**

Small and Medium Sized Enterprises represent a considerable share of the society’s potential growth, innovation and value creation within EU. Successful business ownership transfers among SME’s benefit society in a number of ways. I.e. knowledge, competencies and jobs in SME’s can be saved and even be developed to increase future economic value.

It is important that commercial law, taxation policies and industry and business promotion agencies help ease and minimise the cost of transaction when companies are traded. This will secure and facilitate the business potential of SME’s - also when their ownership is transferred.

Successful SME company ownership transfers will help create jobs, growth and economic prosperity within the EU. In order to create the optimum conditions for businesses in the EU, business transfer must be a part of the EU2020-strategy.

### **Greater focus needed on SME innovation potential**

Håndværksrådet suggests a comprehensive and significant focus on enhancing SME innovation by ensuring access to research and funding. In this regard it is important to keep in mind that innovation not only is in the area of high-tech solutions, but is also more low-tech products and solutions that can be equally important as high-tech innovations.

Large businesses often have resources to work systematically with innovation, marketing, and product-development activities. In smaller businesses these tasks are the owner's responsibility - on top of many other managerial tasks. The lack of time and resources often results in very little innovation in many smaller businesses. Without more focus on innovation in smaller businesses, we risk a strongly decimated group of companies having to fight for their survival.

Yet SMEs are in fact naturally more flexible and able to adapt to new circumstances. Furthermore, SMEs have the advantage of being able to test new business ideas immediately and at low cost. It is crucial to start focusing on the inherent innovation potential of SMEs.

Håndværksrådet therefore proposes a determined and comprehensive focus on knowledge and service development tailored for the needs of SMEs

DFSME recommends a total innovation package for SMEs, consisting of:

- Research focus on innovation adapted to the needs of SMEs, with a user-oriented focus applicable to everyday customer relations.
- Increased funding for research institutions focusing on SME-centered technology.
- A continued focus on the availability of 'innovation agents'/consultants for practical guidance on how to access funding and services, offering innovative methods and technologies for SMEs.
- A renewed effort to strengthen co-operation between universities, researchers and SMEs with a focus on initiatives that facilitate academics working for SMEs under favourable conditions.

### **Digitalization**

In terms of reducing the administrative burdens digitalization plays an important role. This can be in shape of creating a web portal as a single electronic entry point for businesses to the public sector where it is possible to register a company as well as find all the relevant forms that a company needs in dealing with the public sector on an everyday basis.

There are several advantages to such an electronic approach. First of all, it makes it a lot easier for businesses to quickly find all the relevant forms instead of having to find

them at the websites of 5 or even 10 different authorities. Secondly, it becomes much easier for the public sector to aid the businesses through the reporting jungle. This can for instance be help to identify which forms to use and electronically notify the company when a certain reporting deadline is near. A central single entry point will furthermore make it possible to recycle data and thus reduce the administrative burden when businesses do not have to submit the same data twice to two different authorities.

#### *Create real value*

However, in order for the businesses to perceive a web portal as an advantage and not just as another useless website, it is essential that they experience a concrete value added by using it. For instance in shape of recycling data. The real advantage of electronic data is exactly that it is much easier to copy/paste and recycle.

Furthermore, it is essential to set up a telephone hot line, ensuring that businesses who experience problems when submitting data or use the web portal in other ways, can get help immediately via the phone.

#### *Are businesses ready?*

It is no secret that some of the smaller businesses are less it-ready than large companies. However, in a Danish context we made a study of the it-readiness of the small and micro enterprises in 2005. The surprising conclusion was that already then just 6 % of the businesses with less than 50 employees were strictly non-digital. On top of that some 15 % didn't use it professionally on an everyday basis, but had access to internet and possessed the basic it-skills enabling them to submit forms via a web portal.

#### **Education**

In the year 2020, business and industry in Europe will have much less need for low qualified persons in the workforce. Therefore, it is of great importance that the EU focuses on educational issues. The draft of the Commission on a EU2020-strategy focuses solely on higher education and the universities. But from the point of view of SMEs, there is a strong need to focus on all sectors of education, especially in the area of vocational education and training. This part of the educational system is one of the least comparable parts of education within the EU but at the same time VET is essential to the future development of strong SMEs that are able to act and work across boundaries. In the future, the need of SMEs for low or unskilled labour will continue to decrease. Furthermore, SMEs' need for skilled labour will develop into a need for

skilled labour with a broad horizon, language qualifications, and an ability to work together with people from other countries and cultures. This is a prerequisite for SMEs ability to act in a market where the home market is constituted rather by the boundaries of the EU than the boundaries of the home country.

VET does not exist in a vacuum and a necessary prerequisite for a well-functioning VET system (as well as a well-functioning system of further education) is a primary school that works and delivers well educated young people to the next step. A focus on primary school quality is therefore from an SME point of view one of the most important, educational issues of the next 10 years.

Therefore, we suggest the following:

- The VET systems of the European countries are profoundly different and it is very difficult for apprentices to move across borders because of economic and legal obstacles. Easy access to funding and advice on how to take part of a vocational education abroad is needed in order to create better possibilities for mobility within VET. The development of an “Erasmus for apprentices” could be a starting point.
- Better possibilities for migrants to have their qualifications easily assessed. This is of course possible today, but the paper work and legal regulation connected with the assessment are not in favour of persons with a vocational education, especially in the light of the very different VET systems across Europe.
- Serious considerations on the development of a European institution that gathers knowledge on the primary and lower secondary school in all member states. This aim of this institution would be not only to gather knowledge but also to be responsible for spreading best practice – a reference point for knowledge, for research in and development of the better primary and lower secondary school and for developing quality standards in this sector.

### **Local and Regional Industry/Commercial Development**

Sound local and regional conditions for industry and commercial development create a solid base for local prosperity i.e. job creation, economic development and an attractive place for families to settle. Infrastructure (financial, technological and physical) is a critical factor for a positive economic development in remote areas. A developed infra-

structure help, maintain and attract knowledge/knowhow, hence create economic growth.

Local/regional authorities should also create the best industry/commercial conditions for businesses and make their area a good place to start, run and develop a company. For example, the right infrastructure, planning and an effective local public service for businesses, etc.

The local governments can facilitate an industry/commercial development policy which is attractive to the most companies in their area. By shaping public procurement and tenders - issued by local and regional governments - so that SME's have a fair chance to participate in the competition for public assignments. This can attract (and maintain) companies in a region and help job creation and economic development.

### **The Structure of the EU2020-Strategy**

The structure of the EU2020-strategy must be reviewed in comparison to the Lissabon-strategy. The EU2020-strategy must be more dynamic/flexible in its structure than the Lissabon-strategy and the MS shall to a higher degree be able to set individual aims. The MS have different starting points, therefore it is more meaningful that the individual aims for MS are set according to the starting point of the MS, as common goals might be unrealistically high for some MS and too low and already achieved for others. This would make the strategy more relevant to the individual MS at all levels and secure progress for all MS.

A more flexible/dynamic structure would possibly also contribute to a higher degree of MS ownership of the strategy, if the MS view the strategy as realistic and relevant to them. MS ownership is an absolute precondition if the strategy shall be able to succeed.