

# Observatory of European SMEs

## Summary

Fieldwork of the survey: November 2006 – January 2007

This survey was requested by DG Enterprise and Industry and coordinated by Eurobarometer Team of the European Commission.

This document does not represent the point of view of the European Commission. The interpretations and opinions contained in it are solely those of the authors.

Flash EB Series #196

## Survey of the Observatory of European SMEs

Conducted by  
The Gallup Organization Hungary  
upon the request of Directorate-General for  
Enterprise and Industry



Survey organised and managed by the  
Eurobarometer Team of the European  
Commission

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**THE GALLUP ORGANIZATION**

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## Methodological note

The current survey, a successor of earlier surveys of the Observatory of European SMEs, was carried out in the 27 Member States of the European Union (25 at the time of the fieldwork), as well as in Norway, Iceland and Turkey – in the countries participating in the Multiannual Programme for Enterprise & Entrepreneurship (MAP)<sup>1</sup> – under the framework of the Flash Eurobarometer survey series. The purpose of this specific contract is the provision of information, through a survey, on the characteristics and specificities of small and medium-sized enterprises (SMEs; enterprises with less than 250 persons employed) across Europe. For this purpose, the replies of SMEs are compared to those of large enterprises (enterprises with at least 250 persons employed).

The survey was primarily enquiring general characteristics of firms active in the countries surveyed, perceptions on business constraints, competition and human resources problems and data on internationalisation and innovation. The survey questionnaire was tested and improved in a pilot survey conducted in six countries.

The sample of the survey covered all firms active in the countries surveyed, in any of the following industries (with NACE main codes<sup>2</sup>): D. Manufacturing, F. Construction, G. Wholesale and retail (referenced as “trade”), H. Hotels and restaurants (“hospitality”), I. Transport, storage and communication (“transport”), J. Financial intermediation (“financial”), K. Real estate, renting and business activities (“business services”), N. Health and social work (“healthcare”), O. Other community, social and personal service (“personal services”).

The sample was stratified by country, industry (NACE main codes) and number of persons employed (1-9 categorised as “micro-SMEs”, 10-49 as “small-sized SMEs”, 50-249 as “medium-sized SMEs” and 250+ persons as “large-scaled enterprises” or LSEs)<sup>3</sup>. The sample was selected disproportionately to have a minimum number of cases in each cell of this three-dimensional matrix.

Overall, Gallup interviewed **16 339 SMEs** (17 283 enterprises in total) across the survey area, and 14 683 SMEs in the 27 Member States of the European Union (EU), dominantly between the 17<sup>th</sup> of November and 15<sup>th</sup> of December<sup>4</sup>, 2006, over the telephone. The country breakdown of case numbers and field periods is explained in the Annex of this report. Eligible respondents were top company managers, responsible for strategic decision-making, who are typically General Managers, owners or financial managers.

Post-stratification weights were used to restore the artificially distorted proportions according to company size and industry sector. When we are discussing EU-wide or other international estimations, results are weighted to correct for the disproportional selection of countries, and the various segments within the countries. The weighting was based on the estimated number of SMEs in the sampled segments of the total economy.

A technical note indicating the manner in which the Gallup partner institutes conducted the survey is presented at the end of the main analytical report. It provides further detail on interviewing methods, sampling and the statistical margins of error.

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<sup>1</sup> [http://ec.europa.eu/enterprise/enterprise\\_policy/mult\\_entr\\_programme/programme\\_2001\\_2005.htm](http://ec.europa.eu/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm)

<sup>2</sup> NACE Rev. 1.1, see <http://ec.europa.eu/eurostat/ramon/nomenclatures/>

<sup>3</sup> See SME definition at: [http://ec.europa.eu/enterprise/enterprise\\_policy/sme\\_definition/index\\_en.htm](http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm)

<sup>4</sup> Appointments set up during the fieldwork period were followed up until the 3<sup>rd</sup> January, 2007.

## Main findings

- The most important individual business constraint reported by SMEs is the limited purchasing power of customers: 46% of the managers interviewed in the EU reported that this issue was a business constraint in the last two years. Two other business constraints affect a large number of SMEs in the EU: excessive administrative regulations (more than a third – 36% – of SMEs claim to have faced difficulties in this area over the past two years) and the issue of the availability (35% reported problems) and cost of appropriate human resources (33%).
- Relatively fewer (29 %) large businesses encountered problems with the purchasing power of their customers within the last two years. Large enterprises were most troubled by administrative regulations (42%) and the lack of manpower (35%). On top of the widespread confirmation of these constraints, the perceived recent change of these constraints is quite negative as well.
- At the EU level, 44% of SMEs consider themselves as operating in an over-regulated environment. On the other hand, 29% are satisfied with the current regulations, and an additional 12% would even welcome additional measures to achieve the given goals: for example, financing of public services or a cleaner environment. Hence, on balance, SMEs that find regulations fair, or too modest, are only slightly fewer in number than those who think that the regulations go too far.
- Overall in the EU, less than one in ten SMEs (8%) reported turnover from exports. However, in some small open economies, SMEs export much more frequently (e.g. in Estonia 23% of companies generate turnover from exports, Slovenia: 21%, Finland: 19%, Denmark: 17%). At the same time, SMEs in some of the largest EU countries are not particularly involved in cross-border trade. These include Spain (3% have turnover from exports) and France (6%). Overall, the larger the enterprise, the more likely it is to have turnover from exports: almost three in ten – 28% – of LSEs, but only 7% among micro-enterprises reported exports. While 19% of the turnover of those LSEs which reported export activities came from exports, the figure for the exporting micro-enterprises was only 5%. However, SMEs are increasingly involved in exports: the reported value of their exports increased in 2006 by 12% (compared to 2005).
- Only 5% of EU SMEs have reported that they have subsidiaries or joint ventures abroad. These foreign business partnerships seem to have a positive direct impact on employment in the home countries of EU SMEs: 49% of the involved SMEs confirmed that their partnership does not affect employment in their home country, while 18% reported that it increases and 3% that it decreases their respective employment in the home country. The main reason for SMEs to invest abroad is the geographic proximity as supplier to other enterprises.
- The main constraint that exporters faced is the lack of knowledge of foreign markets (13% of exporting SMEs mentioned this as their prime concern), followed by import tariffs in destination countries and the lack of capital (both 9%).
- SMEs in the EU believe that competition in their markets has increased over the past two years. Six out of ten managers stated that competition had intensified recently. The perception of increased competition is even more widespread among LSEs. To respond to tighter competition, the primary strategy of SMEs is to enhance product quality and intensify marketing efforts. Increasing working hours, looking for new markets abroad, and especially cutting production are seen as last resort strategies.
- 12% of the turnover of EU SMEs comes from new or significantly improved products or services. About 3 in 10 SMEs indicated that they have new products or that they do have income from new products. The share of SMEs which reported innovations was higher in the old EU Member States than in the new Member States.

- EU SMEs regard four factors as constituting equally important barriers to innovation: problems in access to finance, scarcity of skilled labour, a lack of market demand and expensive human resources. The larger an enterprise, the more likely it is to report problems in finding the necessary human resources, and the less likely it is to report difficulties in getting the financial resources that are necessary for innovative activity.
- Comprehensive systems for energy efficiency (environment management system) are much less in place in SMEs (4%) than in large enterprises (19%); the same applies for simple measures to save energy, which are used by 30% of SMEs but 46% of large enterprises.
- The larger the firm, the more likely it is to hire non-local labour: while 89% of workforce in the SMEs employing more than one person is local, only 77% of the workforce in LSEs comes from the region of the enterprise. LSEs are also the most likely to employ people from other EU countries: 5% of their workforce comes from different EU Member States.
- Finding and hiring the appropriate workforce is a challenge for many SMEs in the EU. Especially in the new Member States, a significant number of jobs remain unfilled. Less than half of the SMEs managers said that they have *no* recruitment problems. Those which experience problems reported as a primary problem the availability of an appropriate workforce; excessive wage demands are a relatively distant second issue.

## 1. Business performance and outlook for European enterprises

SMEs were asked to report their turnover, and the number of persons employed by them, for 2005 and 2006. We also asked them about their views on the future, in particular their expectations for the year 2007.

In 2005, a LSE in the EU achieved an average annual turnover of almost 206 million € this was 179 times the amount that micro-SMEs reported (slightly above 1 million €).

Still, it seems that workers in those small SMEs that provided the survey with a turnover figure are more productive.

The per-person turnover is the lowest among SMEs in healthcare (59,000 €) and the highest in wholesale and retail (405,000 €).

The turnover structures in the new and old Member States are very different: more than twice as many SMEs in the NMS12 zone earned less than 150 thousand € (49%) compared to the EU15 countries (22%). Bulgaria (86%), Turkey (63%), Latvia (62%) and Romania (59%) are the countries with the most SMEs belonging to the lowest turnover category, while only 11% in Italy and 12% in France earned less than 150,000 € in 2005.

From a growth perspective, the year 2006 seemed to be better for SMEs in the new Member States; they reported a 15% increase in turnover in 2006 compared to 2005. On EU level (and according to the 41% of interviewed enterprises that agreed to give their turnover figures for both years) 2006 is a better year than the previous one, with 110% of the 2005 turnover achieved. The highest growth was reported in Estonia (growth of 24%), Romania (24%) and Turkey (24%). Portugal and Cyprus reported the lowest turnover growth rates (4%).

Like the reports about the recent business development, the outlook for 2007 is rather positive as well. On EU-27 level, 41% expect an increase in income in 2007, 35% anticipate no change, and 12% count on decreasing turnover for 2007. The least optimistic are Hungarian SMEs; this was the only economy where more SMEs anticipated shrinking turnover (32%) than turnover growth (26%). One third or less of the SMEs in Cyprus (30%), France (30%), Portugal (30%) and Germany (31%) expect an improvement in turnover. On the other hand, Romanian (68%), Irish (63%) and Polish (62%) businesses are extremely optimistic: around two thirds of them expect income growth for 2007.

An average a SME in the EU employs 6.8 persons (on EU-27 level, only 6% did not answer this question). SMEs report the largest number of employed persons in Slovakia (12.5 persons), Estonia (10.4 persons) and Malta (9.7 persons). On the other hand, SMEs are the smallest on average in Turkey (with 4.7 persons employed), Cyprus (5.1) and the Czech Republic (5.2).

### Turnover and number of persons employed by size-class\*, EU-27

	2005 turnover (thousand €) per enterprise	Number of persons employed per enterprise, 2005
EU27 SME	1 724	7
<b>Size class</b>		
1-9 persons employed	1 151	4
10-49 persons employed	3 657	20
50-249 persons employed	16 847	100
250+ persons employed	205 901	1278
<b>SME Activity sector</b>		
D. Manufacturing	1828	10
F. Construction	1382	7
G. Wholesale and retail	2685	6
H. Hotels and restaurants	685	8
I. Transport, storage and communication	1290	7
J. Financial intermediation	1521	5
K. Real estate, renting and business activities	1145	6
N. Health and social work	404	7
O. Other community, social and personal service	2003	7

\* The averages for the total of SMEs and the averages for the SME sub-categories by sector are based on the replies of all those enterprises which were identified and sampled as SMEs. As some of them did not disclose their number of persons employed during the survey, the averages for the SME sub-categories by size class are based on a smaller sample.

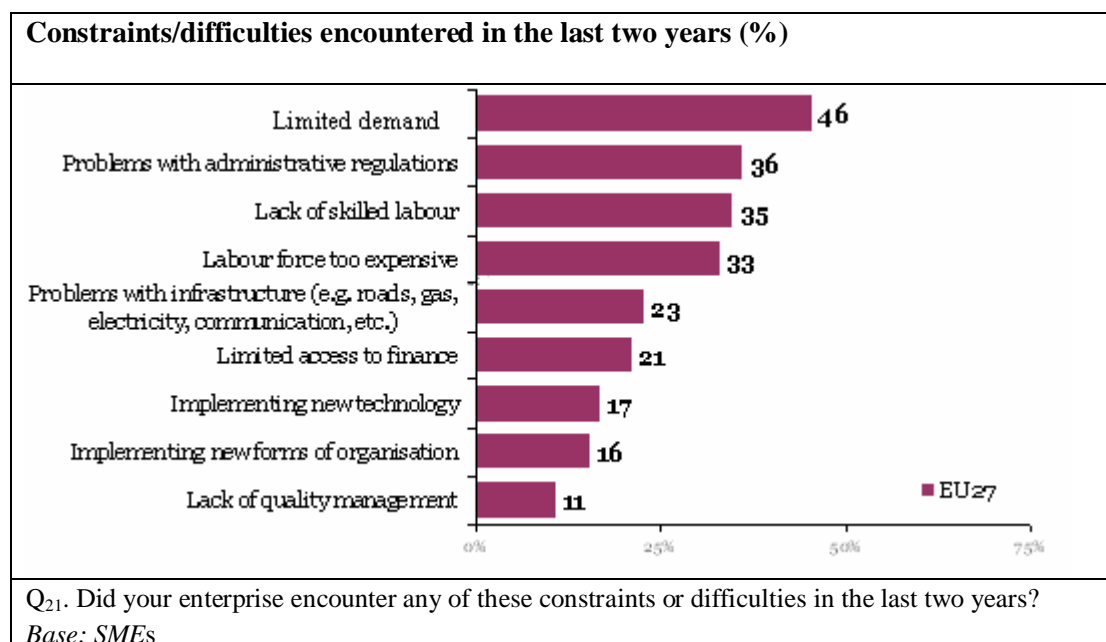
In contrast to turnover expectations for 2007, SMEs expect much more stability regarding the number of persons employed. Almost seven in ten SMEs (67%) do not anticipate significant changes in the number of persons employed in 2007.

Those which *do* expect change are overwhelmingly optimistic, with 18% expecting increased employment, and 10% expecting a decrease (5% could not tell). Again, outlooks seem to be even more optimistic in the new Member States, some of which are the most optimistic of all the 30 countries investigated. In Romania, 48% anticipate increased employment, 46% do so in Lithuania, and 41% in Poland. On the other hand, the number of pessimists outscored optimists in the UK (22% anticipate a decrease and 7% an increase in employment) and Ireland (26% vs. 4%).

## 2. Constraints on business performance

The demand side – defined in the survey questionnaire as customers' purchasing power - is a prime concern of SMEs and especially micro-enterprises (enterprises with less than 10 persons employed). Almost every second manager leading a SME or a micro-enterprise in the EU reports having encountered such difficulties in the recent past.

Beyond the demand side problem, two problem areas emerge as affecting most EU SMEs: the problems of stringent administrative regulations (over one third of SMEs claim to have faced difficulties in this area over the past two years, 36%) and the issues of the availability (35% report problems) and cost of appropriate human resources for the enterprise (33%).



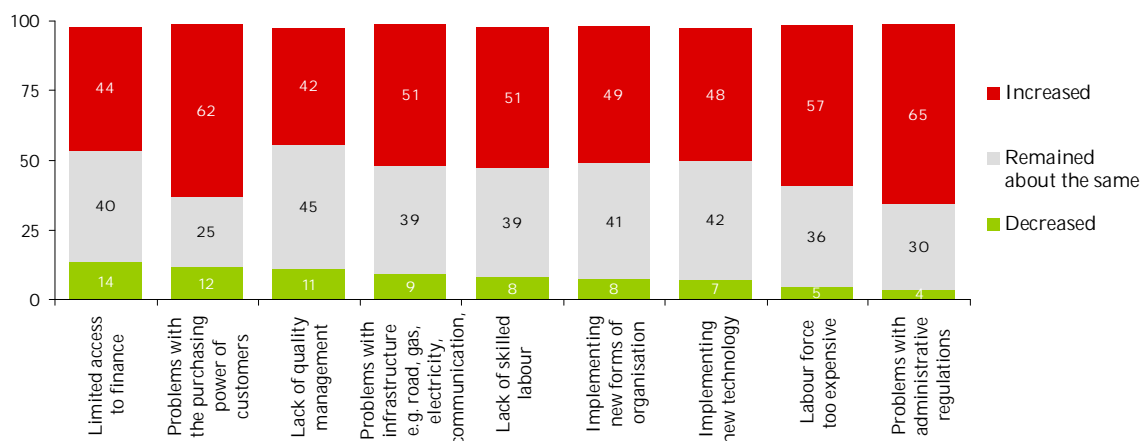
Large enterprises in the EU are the least concerned about the demand side which was seen as a constraint by 29% of LSEs, while 46% of the SMEs are affected by such difficulty. LSEs are most troubled by administrative regulations (38% with almost as many among the SMEs sharing this concern: 36%) and the lack of manpower (42%, vs. 35% among SMEs).

Only in the construction sector does customer purchasing power drop down to second place in the list of concerns of SMEs. This sector is most affected by constraints related to the lack of skilled labour, half of managers (50%) pinpointed human resource problems as the issues most affecting their business performance. This concern is especially prevalent in the small (10-49 persons employed) enterprise segment (44%), while micro-enterprises are the least troubled by this issue (33%).

Of all sectors in Europe, privately owned healthcare reported the least difficulties in hiring appropriate personnel (21%). Healthcare sector SMEs, on the other hand, are by far the most challenged by the various administrative regulations they have to comply with (43%).

The survey also inquired about **respondents’ perceptions regarding the recent change** (over the past two years) in the constraints they encounter. The overall picture was skewed by a handful of Member States (see graph on page 10), while for the majority of Member States the situation has improved. SMEs that report having faced difficulties with administrative regulations pre-dominantly believe that the situation is further deteriorating (on EU27 level the perception of improvement and stability is altogether outscored by the perception of deterioration by 30 percentage points). The same can be said about those small and medium sized enterprises that reported difficulties with the purchasing power of customers (balance of -25 percentage points), and expensive labour costs (-16).

Evolution of business constraints, EU27



Q22. How did these business constraints change during the last 2 years?  
 Base : SMEs, % among those who report such difficulty , DK/NA not shown

Regarding the problems with lack of skilled labour, the situation is somewhat less unfavourable, but still the sum of stability and improvement is outscored by deterioration by 4 percentage points. SMEs do not predominantly count on a worsening situation in problems related to infrastructure (-3), organisational change (0), or introducing new technologies (+2)<sup>5</sup>.

Finally, SMEs give somewhat more positive – however still fundamentally gloomy – reports regarding the difficulties associated with limited access to finance (where improvement and stability outscored the perception of further deterioration by 9 points) and lack of quality management (+14). But even in these aspects, as the graph shows, only a handful of SMEs report improvement; most experienced stability.

The average perception of change is markedly different in the various enterprise categories. Clearly, the situation is least improving in the segment of medium-sized enterprises; these are reporting the most unfavourable recent change in their situation with a -6 balance score. In the other SME size classes enterprises are split in assessing the recent trend, with about as many witnessing improvement as deterioration or stability, while LSEs dominantly do not expect further deterioration (+8). Among the industry sectors, difficulties seem to be especially increasing in the hospitality and the financial services sectors (-17 and -16, respectively).

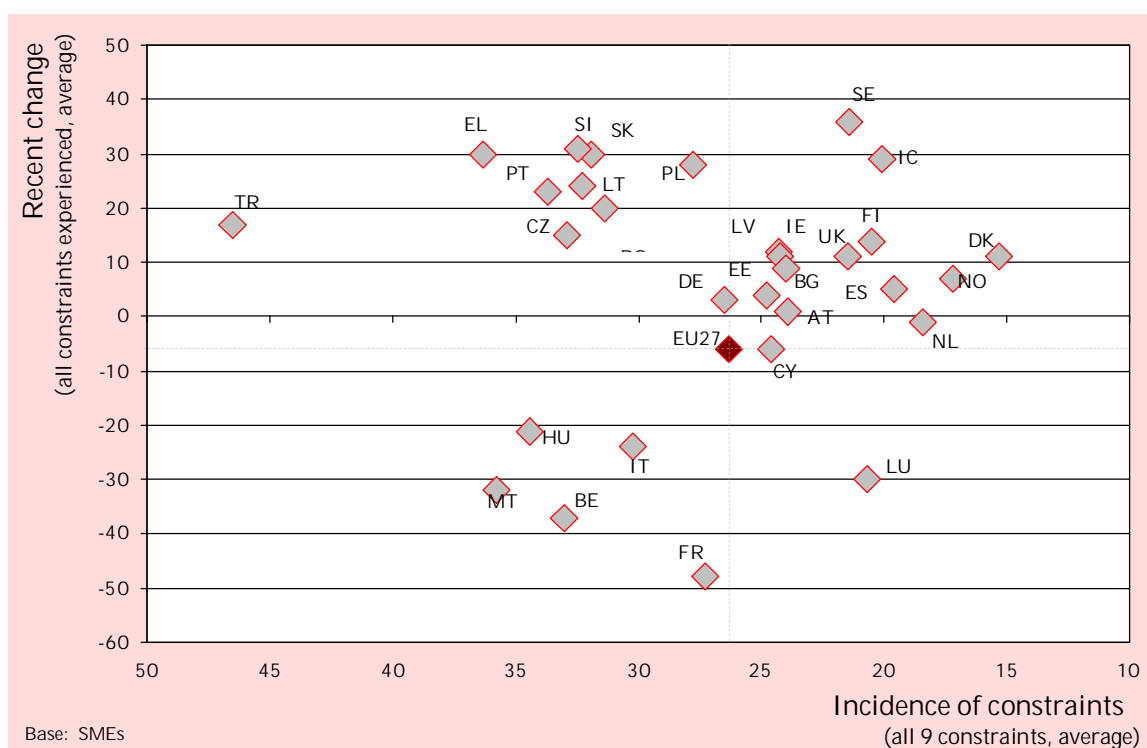
<sup>5</sup> The calculated percentage point differences might differ from similar figures that are derived from the illustrations or the Annex tables by 1 percentage point, due to rounding. The +/- figures are calculated on a non-rounded basis.

In some areas, an overall tendency of further deterioration is observable: for example in the burden created by administrative regulations or by purchasing power problems: all size classes and SMEs in all industries dominantly report an increase of those burdens.

We find relatively positive assessment of the trends (meaning that the dominant perception is *not* further deterioration) in each area in Slovenia, Sweden and Turkey. We find the opposite in Belgium, France, Italy, Luxembourg and Malta, where the problems have been *increasing* in each aspect surveyed.

To complete this overview of the constraints experienced by European enterprises, we created an overall map presenting the current situation and the recent experience of change.

### Current level of constraints & recent change of situation



The upper right square is the most advantageous one, where SMEs face only a few obstacles, and most of those who do face obstacles do not consider their situation to be further deteriorating. Especially Nordic countries (Norway, Denmark, Iceland, Finland and Sweden) are in this situation, along with the UK, Spain and the Netherlands. In the upper left square we find those countries where SMEs are constrained more than the EU average, but their situation has not been deteriorating further. The countries belonging to this group are predominantly new Member States (Czech Republic, Slovakia, Slovenia, Lithuania, Poland, and Romania) accompanied by Greece and Portugal. Turkey is the negative extreme in the reported number of problem incidences.

In the bottom right square we find those economies where a relatively low proportion of the SMEs face the difficulties we investigated, but which dominantly report a worsening situation (Luxembourg and – marginally – Cyprus)

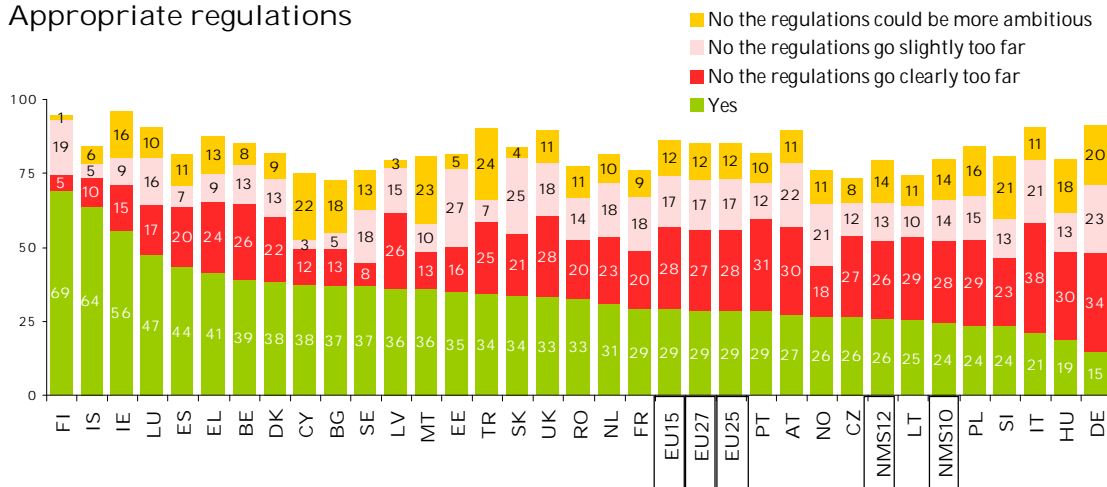
Finally, the most disadvantageous location on this map is its bottom left square with countries where SMEs are not just troubled by the various constraints, but have been experiencing further deterioration in their situation: France, Belgium, Italy, Hungary and Malta.

## Administrative burden

As we saw in the previous analysis, coping with administrative regulations is a significant constraint for many SMEs in Europe – second only to the problem of customers’ (lack of) purchasing power. We also detected an unfavourable tendency in this regard: most companies that claim to be overburdened by administrative regulations report that the situation has gotten worse in the past two years.

At EU-27 level, 44% of SMEs consider themselves to be operating in an overregulated environment (27% say that regulations clearly go too far, and 17% say that they go “slightly” too far). On the other hand, 29% are satisfied with the current regulations, and an additional 12% would even welcome additional measures to achieve goals like the financing of public services or a cleaner environment. On balance, only slightly fewer SMEs in the EU think that regulations are proportional or even too modest, than that they go too far (41% vs. 44%, -3). While 69% of Finnish SMEs are content with the regulations they are subject to, only 15% of similar businesses in Germany are happy with the provisions they are confronted with.

### Appropriate regulations

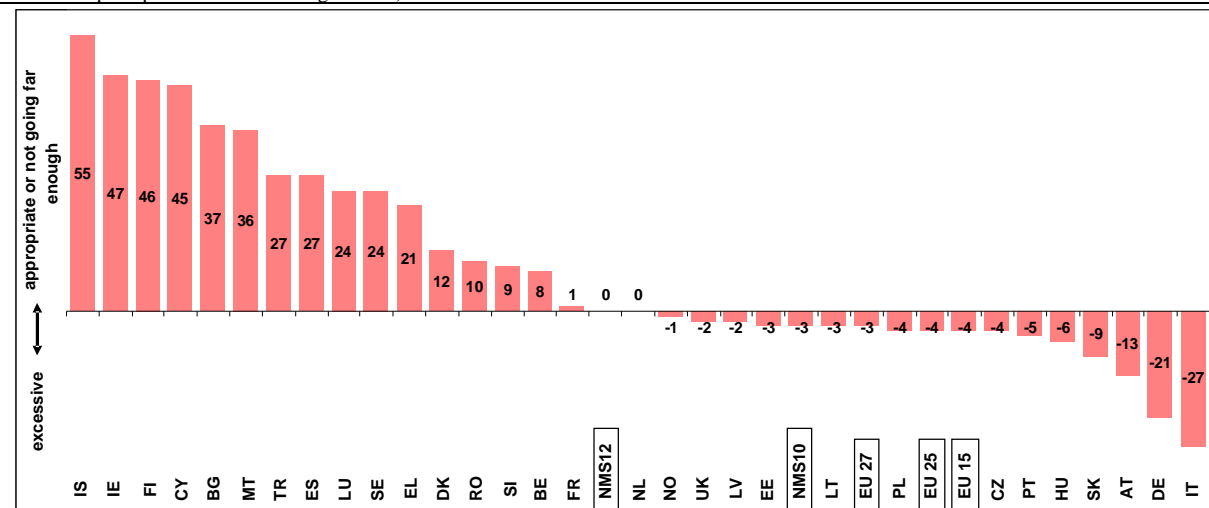


Q24. Governments impose various regulations for businesses in order to achieve some goals, Do you think that the regulations that apply to your company are appropriate to achieve their goals, for instance the protection of the environment or the financing of the provision of general public services?  
Base : SMEs, % by country, DK/NA not shown

The five economies where regulations are considered to be the most excessive are Italy (38% answer that regulations go “clearly too far”), Germany (34%), Portugal (31%), Hungary (30%) and Austria (30%). Looking at various SME segments, the micro SMEs with 1-9 and the small ones with 10-49 persons employed are most likely to answer that regulations go “clearly too far” (28 of micro and of small enterprises alike). SMEs active in the hospitality sector (33%) and in transportation / communication industry (32%) are the most likely to share this opinion.

## Regulations are...

(percentage point difference between % appropriate+modest and % slightly+clearly excessive regulations, negative numbers show a dominant perception of excessive regulations)



Q24. Governments impose various regulations for businesses in order to achieve some goals. Do you think that the regulations that apply to your company are appropriate to achieve their goals, for instance the protection of the environment or the financing of the provision of general public services ?

Base : SMEs, % by country, (enterprise which answered "don't know" or gave no answer to this question are not shown in this graph)

On a more general level, we found a favourable evaluation of the situation in 13 Member States (and two non-EU countries), with a positive balance between "appropriate" or even "not ambitious enough" answers and "clearly" or "slightly" excessive responses. This is especially the case in Iceland (+55), Ireland (+47), Finland (+46) and Cyprus (+45). In some of the largest EU economies, on the other hand, this balance is negative: in Italy (-27), Germany (-21) and Austria (-13), managers dominantly think that their businesses are over-regulated.

A similar analysis shows a greater dissatisfaction among the small sized companies with 10-49 persons employed (-8), and in the hospitality sector (-10) as well as the transportation/ communication industries (-12). The only SME segment where the balance is clearly positive, (that is, where firms are generally content with the current level of regulations or would even accept more) is the community, personal and social service industry (+11).

European Union SMEs spent last year, on average, 69 man-days with satisfying the regulatory requirements. On average, reportedly 8% of the total time spent at SME workplaces in the EU is spent with paperwork, fulfilling administrative obligations. While this might reflect an overstatement of the issue, and many managers could not even recall the volume of necessary work, this proportion is rather high. The bureaucratic time-burden is a bit lighter in the New Member States, with a reported 7% of working hours spent with administration in 2006.

The reported relative burden on companies is the highest in Slovenia, where managers claim that a fifth (20%) of all cumulated days (spent with work by all persons employed in their SME) was spoiled by completing various administrative tasks. The reported situation is not much better in Spain (17%) or Portugal (17%) where SMEs reportedly sacrifice almost one fifth of all their time spent working to fulfil bureaucratic requirements. The situation reported from Belgium and Slovakia is also worse than the EU average; here respectively 12% of working time is spent satisfying bureaucratic requests.

On the favourable end of this scale we find Estonia – a country with great advances in implementing e-government. Here, reportedly 1% of all working hours were spent dealing with administrative tasks. A nearly as favourable situation was reported from Iceland, Finland and Cyprus: in these countries, SMEs said they spent about 2% of their total human efforts to comply with bureaucratic requirements.

Administrative tasks can be better absorbed by larger organisations. Micro SMEs sacrifice most resources in complying with the required paperwork (9%), while this burden does not reach half percent at LSEs. There is limited variation across the various industry sectors; manufacturing reports the lightest burden (5%) and the transportation / communication and the financial intermediation sectors the greatest (10-10%).

The survey asked those enterprises which reported a decrease in experienced administrative difficulties (among the various business constraints) about the *main cause* to which they attribute this favourable tendency. Many SME managers had no clear opinion on this issue or could not decide between the various options provided (20%). Although nominally the most numerous group of managers praise the effects of e-government in ensuring easier administration and communication with authorities (31%), almost as many attribute the favourable change to simplified provisions and procedures (27%). A somewhat smaller group report a decrease in the number of regulatory obligations (22%). In the twelve countries that joined the EU recently, the positive effects of e-government tools (44% mentioning this option) are more pronounced.

## EU internal market

The EU offers several opportunities meant to decrease the constraints on businesses operating in the common European marketplace. When asked about the relative importance of the major features of the **internal market**, over one third of managers (32-35%) commented that these opportunities were not relevant to them, either because they only operate domestically, or for some other reason. Especially micro enterprises and those in construction, financial intermediation, healthcare and other social / personal services tended to answer that the question was irrelevant in their case.

The majority of SMEs in the EU consider the same currency in several Member States to be the most important feature of the internal market from their enterprises' point of view (26% consider this very important and an additional 15% say it is "rather" important for them). This proportion is not significantly higher in the eurozone (26% important and 18% rather important), which means that SMEs inside and outside of the euro area benefit nearly equally from the common European currency. The larger an enterprise, the more likely it is to consider the euro as an important opportunity: 35% of LSEs regard having the common currency as *very* important (and an additional 22% say it is rather

### Relative time-burden of administrative tasks\*

(% EU27, man-days spent with bureaucracy / total AWU in enterprise)

	Estimated relative time-burden of administrative tasks, %	
EU27 SME	8	
Size class	1-9 persons employed	9
	10-49 persons employed	2
	50-249 persons employed	1
	250+ persons employed	0
	SME Activity sector	D. Manufacturing
F. Construction		9
G. Wholesale and retail		8
H. Hotels and restaurants		6
I. Transport, storage and communication		10
J. Financial intermediation		10
K. Real estate, renting and business activities		9
N. Health and social work		9
O. Other community, social and personal service		8

\* The averages for the total of SMEs and the averages for the SME sub-categories by sector are based on the replies of all those enterprises which were identified and sampled as SMEs. As some of them did not disclose their number of persons employed during the survey, the averages for the SME sub-categories by size class are based on a smaller sample.

important), while ‘only’ 25% of the micro enterprises regard the common currency as very or rather important from their own perspective.

SMEs in the EU – at least those who do not dismiss the idea of doing business in the internal market – also acknowledge the importance of EU-wide harmonised standards; significantly more managers think this is an important feature of the internal market (39% say it is very or rather important) than who think that it is not important (24% say it is not at all or rather not important for them).

Naturally, those harmonised standards apply to all companies, not only those for whom a more uniform European market facilitates business. In a separate question, most EU SMEs answered that they **do not see any benefits for their enterprise from EU standards** (52%), and only less than one third (29%) claimed that this process is beneficial for them. However, adding the “it depends” category to the affirmative answers (also recorded by interviewers when this reply was provided spontaneously<sup>6</sup>) we find that in 10 Member States, more managers agree – even if conditionally – that harmonisation has benefits. In another 15 Member States, the majority of responses are “unconditionally” negative.

Results show significant difference between SMEs (30% see benefits in EU standards replacing national ones, 53% do not) and large enterprises (38% vs. 46%). Still, the “yes” answers do not outscore negative answers in any of the industry sectors or size classes.

In the manufacturing sector (where the difference between any, even conditional yes and the no answers is +7 percentage points) and the trade sector (+6) the majority *might* see benefits in EU regulations replacing national ones. On the other hand, in the healthcare (-25), personal services (-20) and hospitality (-23) sectors, even if we include the conditional confirmation of perceived benefits, most managers are clearly pessimistic about possible gains from EU standards substituting national ones.

### 3. Enterprises in the global economy

#### Exports

According to the claimed turnover from exports, a large number of European SMEs does not export at all. Overall, about one in ten SMEs in the EU reported some export figures (8 % of all SMEs). While some small open economies report a much higher involvement in exports (Estonia: 23% of companies have some turnover from exports, Slovenia: 21%, Finland: 19%, Denmark: 17%, etc.), SMEs in some of the largest EU countries are not particularly involved in cross-border trade: most notably in Spain (3% have turnover from exports) and France (6%). But some of the smaller economies are quite closed as well, with a low proportion of SMEs involved in exports: Cyprus (3%), Bulgaria (4%), Malta (6%).

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<sup>6</sup> On EU-27 level, 9% of SMEs responded this way.



Q31. How much turnover was generated by exports in your enterprise in 2005?  
Base: SMEs, % gaining any revenue shown, by country

On average, the exporting SMEs in the EU had an export turnover of 83 700 € in 2005. Exports made up 4.6% of the turnover of those SMEs in the EU which reported export activities (as the table to the right indicates).

In contrast, 19% of the turnover from exporting LSEs was attributed to exports, and even within the SME sector larger size classes reported higher relative income from exports. The most significant proportions of export incomes were found in the transport/storage/communications (9%) and manufacturing (8%) sectors. SMEs in trade also report a turnover ratio from exports that exceeds the overall average (6%). Only a negligible part of the sales income in healthcare (0.4%) and hospitality (0.8%) comes from exports.

The similar proportions show significant variance across countries in Europe, with exporting SMEs from Belgium (15% of their 2005 income came from exports) Estonia (12%) and Slovenia (11%) appearing to be the most reliant on income from export, followed by firms from Iceland (10%). On the other hand, exports are the least important source of income in Greece (2%) and Cyprus (a little over 2%).

On the EU level the reported amount of exports increased quite markedly in 2006 (by 12% compared to 2005). The reported outlook for 2007 was generally optimistic as well. 35% of those who replied from the EU-27 level with a valid answer (i.e. did not refuse or did not spontaneously claim that no exports were foreseen for 2007) expect growing export turnover in 2007, the majority (59%) anticipating no change, and only 6% expecting decreasing income from exports in 2007.

#### Exporters by industry segments, % EU-27

	Any export turnover in 2005	Proportion of income from exports, 2005
EU27 SMEs	8	4.6
<b>Size class</b>		
1-9 persons employed	7	5.0
10-49 persons employed	13	7.9
50-249 persons employed	24	14.9
250+ persons employed	28	19.4
<b>SME Activity sector</b>		
D. Manufacturing	14	7.8
F. Construction	5	2.0
G. Wholesale and retail	12	5.9
H. Hotels and restaurants	1	0.8
I. Transport, storage and communication	9	9.0
J. Financial intermediation	2	1.7
K. Real estate, renting and business activities	6	4.2
N. Health and social work	2	0.4
O. Other community, social and personal service	3	2.0

\* The averages for the total of SMEs and the averages for the SME sub-categories by sector are based on the exports of all those enterprises which were identified and sampled as SMEs. As some of them did not disclose their number of persons employed during the survey, the averages for the SME sub-categories by size class are based on a smaller sample.  
The proportions of income from exports are only related to those enterprises which disclosed export figures in the survey.

Overall, seven out of ten firms indicated a country in the EU-27 as their main export target. Most of the exporting EU SMEs indicated that their primary export destination was Germany (12%). The other EU countries most frequently indicated as key export destinations were France (10%), Spain (6%), the Netherlands (6%), Italy (5%), the UK (4%), Austria (4%), Belgium (3%), Ireland (3%), Greece (2%) and Sweden (2%). 7% traded primarily with Asia, 5% with North America, and 4% with Africa.

Almost half of the exporting SMEs in the EU did not report any particular **constraint related to their foreign trade activity**: 36% declared no problems and 10% could not identify any of the offered possible difficulties. The top ranked constraint exporters faced was information problem: 13% of those SMEs answering this question said they lacked knowledge of foreign markets (which might be related to current or new export destinations). The second most frequently mentioned problem was that of decreased price competitiveness due to import tariffs in destination countries (9%). Almost as important was the lack of capital to operate within the internal EU market, 9% mentioned this as their prime concern.

Relatively less important constraints were the difficulty that different regulations still prevail (8%), the lack of management resources (6%), and different regulations in non-EU destinations (4%). Language problems (3%) and the limited export-suitability of products and services (2%) were the least frequently mentioned primary concerns.

Among the various industry sectors, trade SMEs are the most troubled by import tariffs (14% mentioning this as the primary constraint to exports). In the manufacturing and construction sectors, the lack of knowledge of foreign markets poses the most important challenge (indicated by 15% and 22%, respectively). SMEs in the financial sectors complain most frequently about non-harmonised regulations across the EU (15%), followed by those in the transport/logistics/communication sector (10%). Exporters in the latter sector suffer the most from the lack of capital to support their exporting activity (24%).

## Inputs purchased abroad

Enterprises do not only sell their products in global markets, but also **purchase** significant amount of their **inputs (raw materials, energy, capital, etc.) on foreign markets**. 12% of the inputs of an average EU SME are purchased abroad, excluding labour (4% of workers come from abroad).

The percentage of inputs purchased abroad is the highest in the smallest and most open economies in Europe: Malta (46%), Luxembourg (40%), Ireland (35%), Estonia (31%), Iceland (27%) and Cyprus (27%). On the other hand, some of the largest European countries are the least reliant on foreign resources, especially France (6%), Italy (8%), Germany (9%) and Spain (10%), but also the Czech Republic (9%) and Norway (10%).

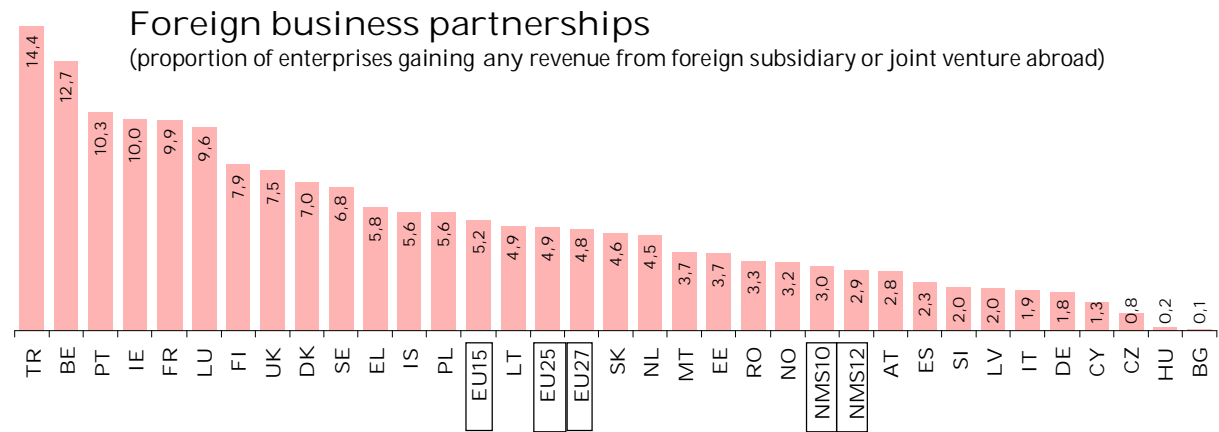
It seems that it is the size of the host economy, rather than the size of the enterprise that really matters in the proportion of inputs purchased abroad. The negative correlation between the size of economies and the proportion of inputs purchased abroad is statistically significant, and relatively strong: the smaller the economy, the higher the percentage of inputs purchased abroad. Consequently, differences by enterprise size are minimal.

The differentiation is more pronounced when we look at the results breakdown by industry. The percentage of inputs purchased abroad was the highest in the wholesale and retail sector (21%, however these might also include redistributed import goods that are not necessarily considered as classical production inputs), in manufacturing (15%), and in the transport/storage/ communication sector (11%). The hospitality industry uses the least inputs from outside the national economy (4%, although it is the most likely to obtain labour from abroad, as we will discuss later), and the financial

intermediation sector as well as the business services sector uses very limited inputs from international markets (5% and 6%, respectively).

### Foreign business partnerships

Overall, 5% of SMEs in the EU receive some income from foreign business partnerships, either from subsidiaries or joint ventures abroad. Belgium stands out among EU economies with the highest percentage of SMEs with foreign business partnerships bringing them income (13%). It is second to Turkey which reportedly has the most SMEs in Europe with foreign subsidiaries or joint ventures abroad (14%). Also significantly more involved in foreign investment than the EU average are Portugal, Ireland, France and Luxembourg (all 10%).



Q37. How much of your total turnover, that is your annual sales in percentages is created in foreign subsidiaries, joint ventures abroad?  
 Base: SMEs % any income from foreign business partnerships, [no subsidiary or joint venture] and [DK/NA] answers were recoded to zero income, by country

On the other hand, such partnerships are the rarest in some of the new Member States: especially in Bulgaria, Hungary and the Czech Republic, where the proportion of SMEs with foreign business engagements does not reach 1%, but also in Cyprus with just over 1% of SMEs reporting some turnover attributed to foreign business partnerships). The patterns are similar in Germany and in the two Southern economic strongholds of the pre-2004 EU: around 2% of SMEs report foreign subsidiaries or joint ventures contributing to their income in Italy and Spain, and the situation is similar in Latvia and Slovenia as well (both 2%).

LSEs are much more likely than SMEs to be involved in foreign business partnerships, with one fifth reporting some income from such sources (20% vs. 5%). But the contribution of such a partnership to the income of large scaled EU enterprises is still quite modest, with only 7% of annual sales being generated from foreign business partnerships even in the largest enterprise segment. The proportion is 2% throughout the SME segment.

The destinations of foreign business partnerships of EU SMEs are overwhelmingly in the EU itself: 77% of the locations of all joint ventures and foreign subsidiaries mentioned are in the territory of the EU-27 versus 72% of all export destinations.

Belgium, France and Germany attract the most foreign interest by SMEs in setting up business partnerships: they are the target destinations for a third of all foreign business partnerships in the EU. Other favourite locations within the EU are Spain (7%), Italy (6%) and Denmark (5%). Seven other Member States hosts at least 2% of the foreign investment from other EU countries: the UK, Ireland, Austria, the Netherlands, Sweden, Finland and Poland. The remaining fourteen Member States are the home of only 9% of foreign business engagements of EU SMEs.

**Prime destination of foreign business partnerships\***  
(% of responses, EU27, among investors who disclosed their target locations)

	EU country	Europe, outside the EU	Asia	Else-where
EU27 SMEs	77	4	9	10
<b>Size class</b>				
1-9 persons employed	72	5	11	12
10-49 persons employed	85	2	5	8
50-249 persons employed	67	10	11	11
250+ persons employed	67	2	17	14
<b>SME Activity sector</b>				
D. Manufacturing	79	2	10	10
F. Construction	85	0	4	11
G. Wholesale and retail	71	4	14	11
H. Hotels and restaurants	78	5	9	8
I. Transport, storage and communication	82	12	6	0
J. Financial intermediation	85	0	9	5
K. Real estate, renting and business activities	81	4	5	10
N. Health and social work	92	3	0	4
O. Other community, social and personal service	70	0	3	26

\* The averages for the total of SMEs and the averages for the SME sub-categories by sector are based on the replies of all those enterprises which were identified and sampled as SMEs. As some of them did not disclose their number of persons employed during the survey, the averages for the SME sub-categories by size class are based on a smaller sample.

Other than the EU, Asia is an important location to do business for EU SMEs: 9% of all joint ventures and foreign subsidiaries mentioned are located in that continent. 5% are in North America (the US and Canada), 4% elsewhere in Europe, 3% in South America, and a negligible proportion in Africa (1%) and in Australia and Oceania (2%).

While small and micro SMEs focus mainly on cooperating with other EU countries and companies, medium-sized SMEs and especially LSEs look for locations outside the EU. 17% of all locations mentioned by LSEs are in Asia. The medium-sized enterprise segment is more likely to have foreign cooperation in Europe, outside the EU (10%). Industries that are most likely to engage in partnerships in other continents are trade (25% name non-European locations) and manufacturing (20%) sectors.

The **prime reason** for investing in foreign subsidiaries or joint ventures is dominantly geographic: to be close to final customers (17%), or key business partners (to corporations that the enterprise is a supplier of, 12%). Labour costs (a constraint for about a third of EU SMEs) is the third most frequently selected reason for engaging in foreign business partnerships (with 11% mentioning it). Lower taxes motivated 9% of SMEs that operate a foreign subsidiary or participate in a joint venture abroad. The hope of less red tape and lower administrative burdens was behind such foreign investments for less than one in ten companies, too (8%). Both the desire to operate under more favourable export regulations and easier access to finance was indicated as the most important reason by 5% of SMEs in the EU.

LSEs (as well as medium sized firms) create partnerships to get closer to final customers (43% and 45%, respectively, versus 23% and 20% among small and micro SMEs), while small and micro enterprises are more likely to indicate the proximity of the corporation(s) they are suppliers of (14% of both, compared to 9% of medium sized firms). Proximity to final customers is the most important

reason for setting up foreign business partnerships for SMEs in community, social and personal services (36%) and in business services sectors (22%).

Foreign business partnerships in most cases do not affect **employment** in the country of the enterprise (49% confirm this option). If they do, it is reportedly more likely to increase employment (according to 18% of SMEs involved in such partnerships) than to decrease it (3%).

## 4. Competition

SMEs in the EU believe that competition in their markets has increased over the past two years. 60% of managers stated that competition has recently intensified. Three in 10 SMEs felt that there was no significant change in this respect, while 5% reported a decrease in the level of competition.

Overall, SME managers in the new Member States are more likely to report intensified competition (67%) than their colleagues in the old Member States are (58%). In each EU Member State, the majority of managers have the impression that competition has recently increased.

The perception of increased competition is even more widespread among LSEs. More than seven out of 10 LSEs report an intensified competition (73%), compared to 60% in the SME sector. The perception of increased competition is dominant in each industry sector, but it is most widespread among SMEs in trade (65%), transportation/logistics/communication (65%) and the financial (64%) sectors. Reports of *decreasing* competition came in highest numbers from the hospitality sector (8%), while *no change* was reported most frequently by construction companies (37%). Still, in each sector, the *majority* perceive markets as becoming more competitive.

In response to tighter competition, the primary strategy of SMEs is to put more effort into their products and marketing. 64% would improve their product (or service) quality, 62% would increase product differentiation, and 61% would increase marketing efforts in response to increased competition.

Reactions to a tighter competition / profit margin decrease



Q42. If competition becomes tighter and profit margins decrease in your main market, how do you react, what actions do you take?  
Base: SMEs, % EU-27

Cutting costs is the fourth most popular strategy adopted by SMEs keeping an effort to keep up with tighter competition, and the last one confirmed by the majority of SMEs interviewed (53%). Forming

alliances is a solution for 38%, the reduction of prices, for 36% of respondents. Slightly over a quarter of SMEs would opt for increasing working hours if they faced stronger competition (28%), or would look for new markets abroad (26%). Finally, only 11% would consider cutting production if competition became tighter.

LSEs are more likely to adapt each but one strategy to cope with competition compared to SMEs: LSEs are *not* more inclined than SMEs to increase working hours.

The general pattern is very solid across various types of SME: in all but one industry sectors, the same three strategies are mentioned the most often. The exceptions are the transport/logistics/communication and the hospitality sectors, where cost cutting is the second most widely mentioned strategy when facing shrinking margins. Even the relative importance of the top strategies is more or less consistent across the various industry sectors. Only in trade do we find “increased marketing activity” at the top of the list of the strategies.

On average, SMEs in the EU spend 3.6% of their annual turnover on marketing. Marketing expenditures are significantly higher in the pre-2004 EU than in the new Member States. On average, EU-15 companies spend 3.7% of their annual turnover on promoting their products, while enterprises in the new Member States spend on average 3.0%. In absolute terms, SMEs in the EU spend about 57 thousand euro annually on marketing.

Having looked at whether or not there was a connection between the perception of increased competition and the relative size of the marketing budget in each country, we found no significant correlation between the two factors. The size of the marketing budget appears to be a matter of overall business strategy or culture, rather than an ad-hoc response to the changing market landscape.

Obviously, the size of the SMEs have an effect on the proportion of marketing costs, the economy of scales has an effect on relative expenditure: while LSEs spend nominally much more on marketing than micro enterprises, the SMEs are more burdened by the amount spent on promoting themselves and their products, as they spend 3.6% of their annual income versus 1.7% among LSEs companies.

Proportionally, SMEs in the business services sector spend most on marketing (5.0 % of their annual turnover) and marketing costs are relatively massive in the hospitality, and personal services sectors as well (4.6% and 4.4%). Healthcare (2.6%) and transport, storage and communication companies (2.6%) spend proportionally the least on marketing.

**Marketing budget as % of annual revenue\***  
(% EU27)

	Proportion of income spent on marketing, in %
EU27 SME	3.6
<b>Size class</b>	
1-9 persons employed	3.6
10-49 persons employed	2.8
50-249 persons employed	1.9
250+ persons employed	1.7
<b>SME Activity sector</b>	
D. Manufacturing	3.0
F. Construction	2.7
G. Wholesale and retail	3.2
H. Hotels and restaurants	4.4
I. Transport, storage and communication	2.6
J. Financial intermediation	3.2
K. Real estate, renting and business activities	5.0
N. Health and social work	2.6
O. Other community, social and personal service	4.6

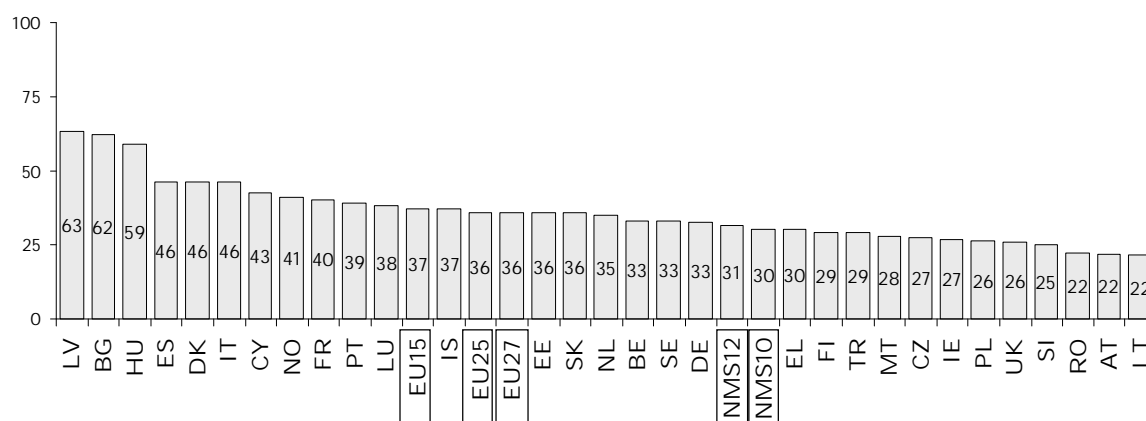
\* The averages for the total of SMEs and the averages for the SME sub-categories by sector are based on the replies of all those enterprises which were identified and sampled as SMEs. As some of them did not disclose their number of persons employed during the survey, the averages for the SME sub-categories by size class are based on a smaller sample.

## 5. Innovation

About every tenth euro spent by SMEs in the EU is spent on a new or significantly improved product or service. At the same time, almost four in 10 SMEs say that they do not have new products or that they do not have income from new products (37%).

Such SMEs (with no recent innovations) were found in greatest proportions in Latvia, where almost two thirds of managers reported no innovation (64%) as well as in Bulgaria (63%) and Hungary (56%). Still, we find *more* firms in the old Member States than in the new Member States with no income from innovation (37% vs. 31%).

### No revenue from innovation



Q51. Could you please estimate the percent of turnover (annual sales) coming from new or significantly improved products or services in the last two years?  
% "zero percent" and "no new or improved products", by country

The larger an enterprise, the more likely it is to capitalize on innovation. While 38% of micro firms (and 37% of SMEs in general) can *not* report any turnover from improved products or services, the similar proportion among LSEs is 24%. The lack of innovation – at least on the product level – is the highest in the transport sector (46%) and in construction (42%). It is of course hard to interpret this question for the trade sector, as most retailers sell new or significantly improved products without any innovative activity (if the products have been improved by the manufacturers or if retailers have broadened their sales portfolio, then there will clearly be sales income from improved products). Accordingly, besides the manufacturing sector trade is where we find the fewest managers claiming that they have no income from innovative products (both 31%).

There is no single most important constraint on innovation at the EU level. On average, SMEs regard four factors as being about equally important: managers in the EU say that problematic access to finance, scarcity of skilled labour, the lack of market demand, and expensive human resources are the key challenges to their innovation plans. Overall, human resources seem to be the more important. 17% complain either about the scarcity or the cost of labour, while a little less managers, 16% are troubled by high interest rates and other problems with access to finance.

These patterns are relatively stable across the various enterprise size classes, only the relative weights of the key reasons are slightly different. The larger the enterprise, the less access to finance is seen as a problem. LSEs are more likely to suffer from human resource problems rather than from the lack of funds to innovate. In fact, it is only the LSE segment where the lack of a market demand for improved products and technologies is a more significant barrier than is the access to finance.

Differences across the various industries remain very modest, but in the transport and hospitality sectors, access to finance seems to be slightly more important than elsewhere. The lack and cost of

manpower is the main obstacle in the construction sector. The protection of intellectual property is a burden mentioned most frequently in the healthcare sector (6% selected this as the most important barrier to innovation), while the lack of ability to use new technologies is a constraint most frequently indicated by financial sector (5%).

## 6. Energy saving

Close to two thirds of SMEs operating in the EU do not even have simple rules or devices for saving energy (63%). Less than three in 10 SMEs (29%) have instituted some measures for preserving energy and resources at their enterprise. Only 4% of EU SMEs have a comprehensive system in place for energy efficiency (environment management system, EMS).

Obviously, the various enterprise size classes have different attitudes towards energy saving: while seven out of 10 micro enterprises just do not care, this proportion goes down to 57% among small, 44% among medium-sized enterprises, and 30% among LSEs. In fact, one third of the SMEs in Europe operate by rules that aim to save energy, the similar proportion is the double among LSEs. Among LSEs 19% also confirm operating an EMS. The top three energy-conscious sectors are the hospitality sector (with 39% of SMEs applying some energy efficient solution), healthcare (35%) and the transport/logistics/communication sector (34%).

## 7. Human resources

### Composition of workforce

The larger the firm, the more likely it is to hire non-local labour: while 89% of workforce in the SMEs employing more than one person is local, only 77% of the workforce in LSEs has been hired locally. LSEs are also the most likely to employ people from other EU countries: 5% of their workforce comes from different EU Member States. Employing foreign persons is by far the most frequent in the hospitality sector, where 11% of the workforce comes from abroad (4% from the EU and 5% from elsewhere).

In the European Union, a quarter of persons employed at SMEs<sup>7</sup> have completed some kind of tertiary **education** (4% of workers have a postgraduate degree, and 22% possess a university diploma or equivalent). Another 54% have completed a secondary school.

The proportion of those workers who did *not* complete a secondary school is the highest in manufacturing (30%), hospitality (28%) and construction (27%). The highest level of educational attainment was recorded in SMEs that are active in financial intermediation (36% of persons employed completed at least some higher education), business services (35%) and healthcare (27%).

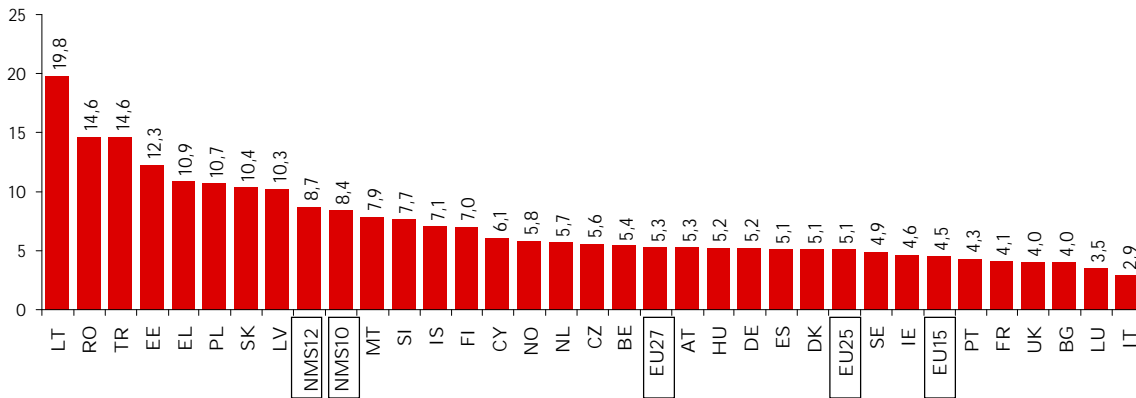
### Human resource problems

Finding and hiring the appropriate workforce is a challenge for many SMEs in Europe. The estimated proportion of unfilled jobs was calculated by dividing the average number of unfilled vacancies in 2006 by the sum of the unfilled vacancies and the number of persons employed for each SME. In the EU27 countries, about 5% of all SME jobs remained unfilled last year.

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<sup>7</sup> Again, this is an average that does not take into account the different size of the companies.

### Unfilled vacancies as percentage of all jobs

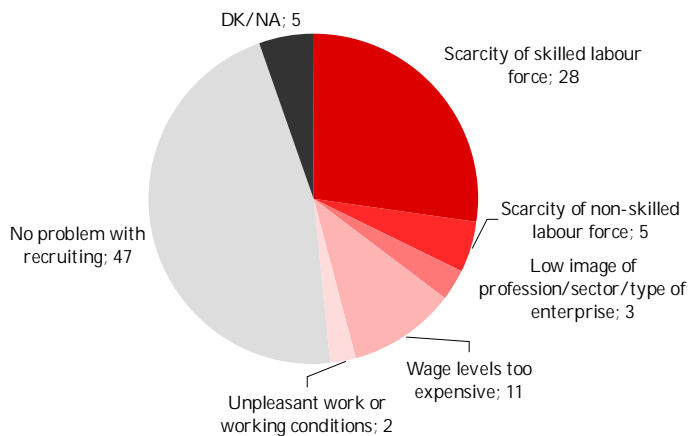


Q65. How many job vacancies did you have in your enterprise on average in 2006 that you could not fill in?  
Base : SMEs, % by country, question was not asked from 1-person firms

Filling up vacancies with the appropriate candidates seems to be more of a challenge in the new Member States than in the old ones. 9% of the job openings remained vacant in the new Member States in 2006. Finding the appropriate co-workers appears to be a real struggle in Lithuania (20%), Romania (15%), Turkey (15%), Estonia (12%), Greece (11%) and Poland (11%). Slovakia and Latvia stand out as well, with 10-10% of jobs being reportedly unfilled. While recruitment problems seem to be quite evenly spread across industry sectors (SMEs in the healthcare sector appear to be more able and construction sector less able than others to find workers), the differences between size categories are very clear. The larger an enterprise is, the less likely it is to suffer from recruitment problems. Allegedly, 6% of all available jobs are unfilled in the micro micro-enterprise segment (among LSEs only slightly over 1% of openings remained unfilled).

Reportedly, almost half of SMEs in the EU say they have no **recruitment problems** (47%). This is true especially of micro enterprises (49%) and of (privately owned) SMEs in the healthcare (55%), financial (52%) and business services sectors (51%). The sense that there are no recruiting problems is most widespread among SMEs in Bulgaria (63%) and Hungary (60%), and the least typical in Lithuania (18%).

### Recruiting problems, EU27



Q63. What is your main recruiting problem?  
Base : SMEs, %, EU-27, question was not asked from 1-person firms

Looking at those who have problems filling their job vacancies, these SMEs are primarily complaining about the scarce availability of a *skilled* workforce. 28% of SMEs in the EU indicate that this is their primary concern in recruiting. If we add the problem of the limited availability of *unskilled* labour (5%), we find that one third of SMEs are struggling with finding the necessary human resources.

The second most widespread complaint are the high wage levels expected by candidates. However, this concern is significantly less prevalent: 11% of managers

mentioned it.

In all but one EU Member State, the *scarcity of labour* is a more significant problem than high wage levels (the exception is Hungary). However, there is a relatively wide range of opinions across the EU regarding this issue. The lack of appropriate labour is most striking in some of the new Member States. 56% of SMEs consider this their primary recruitment problem in Lithuania, 53% in Estonia, and 48% in Romania. In Hungary (15%), on the other hand, this problem seems less significant, and is outscored by the problem of high wage demands by candidates. SMEs in Belgium (22%) and the Netherlands (22%) are also among the least likely to face a shortage of appropriate labour.

High wage levels that complicate the hiring of the desired personnel was indicated most frequently in Hungary (22%), Germany (16%), Lithuania (15%), Ireland (13%) and Turkey (12%). On the other hand, excessive wage demands are rarely a concern in Bulgaria (3%), Portugal, Cyprus, Latvia and Slovakia (all 5%)

Looking at the different SME segments, the (lack of) availability of the necessary labour force is the prime concern everywhere. This is especially the case in the small and medium enterprise segments, and particularly with regard to skilled labour (40% and 43% in these two categories, respectively, named the scarcity of skilled labour as their most pressing recruiting problem). 35% of SMEs in the manufacturing industry and 39% of firms in construction suffer the most from the lack of a skilled workforce. Those in the financial (19%), healthcare (20%) and personal services sector (21%) report this problem the least often.

For the smallest SMEs, wage levels seem to be the most important problem. 11% of micro enterprises declared that this was their most challenging recruiting issue, versus 7% of LSEs. On the other hand, LSEs are more likely to face recruiting problems due to the quality of jobs they are able to offer (6% vs. 2% among SMEs).

The problem of prohibitively high wage demands is the most pronounced in the community, social and personal services sector (16%), as well in business, transport/storage/communication and the financial sectors (12% both). High wages are seen as the least problematic in the construction and hospitality industry (8-8%). These two sectors, on the other hand, are among the most likely to face a shortage of unskilled labour (this is the main concern for 7% and 8%, respectively).

63% of LSEs use formal recruitment channels (especially newspaper advertisements: 31%) to find the employees they consider most difficult to recruit. But formal recruiting methods also dominate in the small- and medium-sized enterprises (the majority, 45% and 56%, mention those, respectively). When looking at industry sectors, however, informal methods are the dominant strategy for recruiting key personnel in all sectors.

#### Recruiting strategies in the various size segments (% , EU27)

	Informal (spontaneous applications, private contacts)	Formal (newspaper or employment agencies)
2-9 persons employed	43	29
10-49 persons employed	41	45
50-249 persons employed	29	56
250+ persons employed	20	63