

"Strategy for the Future of the Skilled Crafts in Europe"

Speech

by

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Vice-President Verheugen,
Minister-President Oettinger,
Honorable Ministers,
President Kentzler,
President Toifl,
Ladies and Gentlemen:

1. Welcome

Welcome to Stuttgart for the 4th
**European Conference on Craft and
Small Enterprises.**

Believe me! You could not have chosen
any better place for your meeting.

Baden-Württemberg is a state with an
especially large number of **small and
medium-sized enterprises**, competitive

both nationally and internationally.

To a large extent, this also reflects the hard work of the government of the state of Baden-Württemberg and its Minister-President, Günther Oettinger.

Let me take the opportunity to extend my sincere **thanks to the organisers** of this Conference, especially:

- the EU Commission,
- the state of Baden-Württemberg, and
- the skilled craft sector of Germany and Baden-Württemberg,

who collaborated to make this Conference possible.

2. Roll of the crafts

Small and medium-sized enterprises are of fundamental importance for growth and jobs:

They account for 99 % of all businesses in the European Union.

Throughout Europe, some 23 million enterprises with 75 million jobs are classified as SMEs.

In Germany, roughly 20 million people have jobs at 3.5 million small and medium-sized companies or in self-employment.

And the **crafts** are **one** of the main pillars

of support.

3. Economic conditions in Germany

In overall terms, 2006 was a successful year for small and medium-sized enterprises in Germany.

The SME sector has become a motor to power the economic upturn.

Turnover has risen significantly in the licensed crafts alone.

The number of firms in the craft sector has continued to increase.

The 2.7 % growth of the overall economy surpassed all our expectations

for 2006. That was the fastest growth rate in Germany since the boom year of 2000.

For the year 2007, I expect that the rate of economic expansion will begin with the numeral „two“ in front of the decimal point again.

Unemployment has been pushed back by almost 870.000 over the last twelve months. That is the sharpest decline in the jobless figure since 1949.

The number of the gainfully active persons has now reached the highest level since German reunification.

4. Policy for SMEs

To strengthen the private sector and SMEs, the German government is launching a number of initiatives.

First: We have adopted the draft text of a **corporate tax reform bill.**

We will be lowering the rate of tax to below 30 % - independently of the legal form in which companies are organised.

I am aware of the fact that some improvements for the SME sector still have to be made.

Not all owner-managed small firms profit from important new legal provisions.

Second: We want to do more to make it easier for firms to be **handed down from one owner to the next.**

After all, there will be a need for successors in 350.000 firms over the coming five years in Germany alone.

Since demographic conditions are similar in other EU Member States, they will face similar problems.

An important step in this direction is the planned **reform of the inheritance tax.**

Third: We have laid the **roadbed for decisions of importance for the crafts and for the SME sector:**

Let me call attention to the **CO2-building-modernisation measures**.

With the 1.4 billion euro we will spend on such improvements every year, the craft sector receives new orders.

The investment total generated by these measures amounted to 11 billion euro last year.

Consumers thus cut back on their heating costs, and we help protect the climate.

This is another topic of a pan-European dimension.

Another measure is the **tax write-off for maintenance and renovation work in households**.

The benefits of these programmes are obvious: new orders for the craft sector and less moonlighting. This is another EU-wide topic.

And I also want to mention our **support for innovation** and for the translation of innovative processes into competitive products:

The crafts need modern technologies as well in order to be able to hold their own in competition.

For this reason, my Ministry will inject every year up to 2009 **over 10 %** into its programmes on promotion of **innovative SMEs**.

Fourth: We are counting on **good framework conditions** for **business start-ups**.

- We are making it easier to establish private limited companies called GmbHs in Germany.
- We are fostering self-employment by providing financial assistance for obtaining master-craftsman qualifications.
- We are re-aligning the financial assistance for the training and consulting provided for start-up enterprises.

5. Training in the crafts

The crafts and the SME sector can remain

competitive only if there is the continued guarantee of solid training for skilled workers.

It is all the more satisfactory that Germany's favourable cyclical conditions have made themselves felt on the market for training positions as well.

In 2006, the number of training contracts concluded was +4.0 percent up on that of a year earlier, overall.

In the craft sector, the corresponding number was **as much as 3.7 percent**. Last year, 169.000 young persons started their vocational lives in this sector.

The German craft sector accounts for a

total of half a million training contracts, overall. This corresponds to almost one-third of all training positions.

I should like to express my sincere gratitude to the craft sector as a whole for its enormous efforts for creating training opportunities on so large a scale.

In an integrating Europe, it is necessary to make our **occupational qualifications more comparable throughout Europe.**

The European Qualification

Framework will give us new possibilities in this regard.

And we must confront demographic effects more energetically than so far:

It can already be seen at this stage that we are heading towards a shortage of skilled personnel in Germany and in Europe.

The EU population will decrease by some 40 million till 2050.

For this reason, it is necessary to subject initial and further training in the craft sector to continuing modernisation of training schemes and to targeted qualification concepts.

6. Reducing bureaucracy

Lowering bureaucratic burdens on small businesses and craft firms in

particular is a matter of great importance. The smaller the firms, the more they suffer from bureaucracy and over-regulation.

Herr Verheugen: You have made the reduction of bureaucracy at the European level a focus of your own activities.

You have my full support, because this important topic must be tackled with determination also at the EU level.

Under my chairmanship, the Council on Competitiveness decided on 19 February 2007 to lower **bureaucratic burdens** in the process of European legislation by 25 percent.

In order to make a start with cutting red tape, the Federal Government will examine **70 concrete projects** to see whether **existing bureaucracy-based obligations**:

- in statistics,
 - in taxation and social law, and
 - in doing business,
- can be eliminated.

We will continue on this road with determination.

7. Developments at the EU level

From the perspective of the crafts and the small business sector, we are on the right path in Germany.

But no policy is so good that it can't be improved: We also want to learn from our European neighbours.

For this reason, the German government as the EU Council Presidency has – in cooperation with the EU Commission – extended invitations to the **Fourth Conference on the Charter for Small and Medium-sized Enterprises**. This Conference will take place in Berlin, 4 – 5 June 2007.

Member States are called upon not only to strengthen their efforts to exchange **exemplary best-practice approaches**.

They must also cooperate more strongly on SME policy. One example is **technical standards**.

Standards are decisive for opening up markets and supporting the transfer of technology.

Small and medium-sized enterprises must therefore be able to make their interests heard in connection with standardisation activities.

This was at the focus of the **European Standards Conference** we organised in Berlin at end-March together with the EU Commission.

And the radius of the business activities of craft firms does not stop at national borders either:

Business opportunities must be more intensively utilised in the single European market and beyond.

The new **EU directive on recognition of vocational qualifications** will make it easier to provide services also across national borders.

This will make it easier for Europe to make better use of its potential.

8. Services directive

We intend to properly prepare our activities to transpose the EU services directive. We will do this in a **business-friendly manner**.

After difficult negotiations, the directive is a good balance between market opening on the one hand and legitimate expectations of protection on the other.

For the first time will licensing requirements and other government specifications **in all Member States** be subjected to **systematic examination with respect to unjustified obstacles**.

This will be to the benefit of the crafts,

Europe-wide.

Here my **appeal: Do make use of the new business opportunities abroad afforded by the services directive.**

The directive requires so-called „**single points of contact**“ to be set up throughout Europe:

From such points of contact, service providers can obtain in future all the information they need for carrying out their vocational activities.

All dealings with government agencies can then be conducted centrally under a single roof.

In Germany, the capacity for decision-making in this regard exclusively rests with the state governments. In the interest of the small business and the craft sectors, it is necessary for us to identify a consistent and efficient solution.

9. Conclusion

It is my wish that, at the end of 2007, all of us can say:

Our work has been successful – in the interest of the skilled crafts and in the interest of people in Germany and in Europe.

Thank you for your kind attention.

May the 4th European Conference on
Craft and Small Enterprises produce
worthy, successful and sustainable results.