How best to harness the job creation potential of small and medium sized enterprises (SMEs)?

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The Committee on Employment and Social Affairs adopted the own-initiative report by Zdzisaw KRASNODBSKI (ECR, PL) on how best to harness the job creation potential of small and medium-sized enterprises (SMEs).

Members recalled that almost **99 % of European companies are SMEs**, and that they create more jobs than other private sector companies, providing about two thirds of all private-sector employment in the EU.

Job creation potential and skilled labour force: the report stressed that for achieving a sound environment for business development and boosting its job creation potential, national and European polices must in priority address the issues of skills (shortages, mismatches, brain drains), regulatory uncertainty and administrative burdens, as well as the problem of undeclared work and the de facto privileged position of multinational companies (MNC).

Favourable and stable regulatory environment: Members called for a favourable and stable regulatory environment, including intrinsic clarity of rules are essential prerequisites for sustainable quality job creation in SMEs.

The Commission and the Member States should consider that if the impact of administrative requirements is felt disproportionately by SMEs. Measures to **minimise the burden and obstacles** should be systematically considered while ensuring that employees receive adequate health and safety protection.

The report called on the Member States to review the rules affecting SMEs and fully apply the 'Think Small First' principle in order to remove unjustified burdens confronting SMEs and achieve regulatory and fiscal certainty as a precondition for job stability and quality.

Moreover, SMEs should enjoy **favourable tax treatment** for two specific reasons: (i) to remedy the inherent inequalities between SMEs and multinationals; (ii) to make it possible to use additional resources, together with public investment, to create jobs.

The report highlighted **regional disparities and imbalances in SMEs' access to funding** from national promotional banks, EU-funded programmes and other private and public funding institutions. It called for a level playing field for all SMEs – with special focus on less developed, poorer and more remote or isolated regions – in accessing funding from EU-supported financial instruments while using intermediaries.

Members would welcome smart simplification initiatives aimed at improving the efficacy of the assessment of projects needing **microcredit**. Stressing the insolvency and bankruptcy risks for SMEs facing **delays in payments**, the Commission and the Member States to improve the enforcement of the Late Payments Directive and to consider adequate financial mechanisms, such as bank guarantees.

The Commission is also called upon to:

- create the **European framework regulation** to facilitate the creation of pan-European crowd-funding and crowd investing markets;
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- facilitate the **securitisation of loans to micro-companies and SMEs** to increase their available credit;
- improve the regulatory framework for social businesses;
- continue taking into account the specific nature and situation of SMEs and **micro-enterprises** when revising the strategic framework in order to help these companies meet the objectives set out as regards health and safety in the workplace;
- adopt, when appropriate and in the framework of the European Semester's country-specific recommendations, a **differentiated approach** to improving the environment for SMEs, taking into account the country-specific circumstances and the EU regions' specific structural differences.

The report highlighted the need to facilitate access to the single market by removing the remaining unjustified administrative barriers and by combating unfair competition, market distortions, bogus self-employment and 'letter box companies'. It called on the Member States to **adopt favourable legislative frameworks** for setting up businesses as one of the ways to tackle the shadow economy, which disadvantages SMEs.

Member States are urged to develop forms of cooperation that involve all governance levels, businesses (including businesses linked to the social economy), trade unions, educational institutions and other stakeholders with a view to **adapting their education and training systems** to address the disparity between skills/qualifications and the needs of the job market, particularly those of SMEs.

A level playing field: the report noted that in some cases EU competition policy could result in an advantage that mostly benefits big market operators that are characterised by greater economies of scale than SMEs. In regions where economic development is focused on attracting foreign direct investment (FDI), MNCs could be in some cases treated preferentially in legislative matters.

They stressed in this regard that EU competition rules must guarantee a level playing field for small, medium-sized and large enterprises to overcome the lack of economies of scales of SMEs thus enabling their internationalisation and boosting their job creation potential, in particular in the context of new international trade agreements.

Moreover, they called on Member States to adopt the **principle of income taxation in the place where it is generated** and other measures against profits shifting practices of MNCs in order to ensure a level playing field for SMEs.

Lastly, the report encouraged SMEs to promote teleworking and smartworking, enabling workers to balance their professional and personal lives better.