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

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The European Parliament adopted by 553 votes to 69 with 24 abstentions a resolution on how best to **harness the job creation potential** of small and medium-sized enterprises (SMEs).

Members recalled that SMEs (22.3 million were active in the EU-28 in 2014) create more jobs than other private sector companies, providing about two thirds of all private-sector employment in the EU. In 2014 SMEs contributed greatly to employment growth, up to 71 % in the non-financial business economy. Despite the fact that 90 % of world growth occurs outside the EU, only 13 % of SMEs have conducted international business outside the EU.

Job creation potential and skilled labour force: Parliament 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).

Parliament considered that **tackling these structural problems** would result, inter alia, in fairer competition and the extension of the social contribution and tax base to a higher number of economic operators, giving Member States the opportunity to finance employment-friendly policies, particularly for SMEs.

Favourable and stable regulatory environment: Parliament called for a favourable and stable regulatory environment, including intrinsic clarity of rules are essential prerequisites for sustainable quality job creation in SMEs. It stressed the need to:

- envisage systematically measures to **minimise the burden and obstacles** while ensuring that employees receive adequate health and safety protection;
- 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.
- give SMEs **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.

Given the **regional disparities and imbalances in SMEs’ access to funding**, Parliament 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**, Parliament called on the Commission and Member States to improve the enforcement of the Late Payments Directive and to consider adequate financial mechanisms, such as bank guarantees.

The Commission was also called upon to:

- create the **European framework regulation** to facilitate the creation of pan-European crowd-funding and crowd investing markets;
- 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 resolution 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;
- 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.

Members were also firmly convinced that integrating refugees into the labour market would be impossible without active, solid support from micro-enterprises and small and medium-sized enterprises in the EU.

A level playing field: parliament 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.

Parliament stressed in this regard that EU competition rules must **guarantee a level playing field for small, medium-sized and large enterprises,** thus enabling their internationalisation, in particular in the context of new international trade agreements.

Moreover, it 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 resolution encouraged SMEs to promote teleworking and smart working, enabling workers to balance their professional and personal lives better.