

Think and Act “Small First”

Four actions to get out of the crisis

UEAPME Craft and SME Convention

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European crafts and small enterprises are finding it increasingly difficult and expensive to get access to finance and to keep employment levels in the present economic crisis, with dramatic developments particularly in sectors such as construction and manufacturing. UEAPME’s recently published “Craft and SME Barometer” demonstrates that the current crisis is due to a large extent to a lack of confidence in the financial system, in the future economic developments and also in the policies put in place so far.

Measures that aim to master the downturn and to support Europe’s economic recovery must be and will be at the centre stage in the next months. We have witnessed a number of very helpful policy responses in the last months, such as the coordinated rescue of the financial sector, the new temporary State aid framework presented by the European Commission and the increase of the SME loan facility by the European Investment Bank, to name but a few. However, **a stronger focus on the real needs of crafts and SMEs is needed.**

1. Securing access to finance

The “credit crunch” is the first and most obvious effect of the crisis on small businesses. Investments have been put off and day-to-day activities are equally at stake for SMEs, which means that working capital for small businesses must also be secured. Guarantee schemes have proved to be very helpful in this respect, and have been rightly prioritised in the last months by many European policymakers.

However, not all Member States have reacted equally. In some countries, the money put aside does not meet the needs of SMEs, which are not included at all in other cases. **We believe that SMEs in the EU27 should be granted access to sufficient and inclusive guarantee schemes, and that public support given to banks to this end must be passed on to their clients rather than kept in their coffers. In all cases, the future financial sector must serve the real economy rather than financial speculators.**

2. Supporting the demand side of the economy

The stimulus plans put in place in the last months can transform the crisis into an opportunity. However, they must **promote durable investments**, for instance on energy efficiency. Well-designed incentives in this area can create additional jobs, act as a stimulus to private consumption and last but not least contribute to achieving Europe's goals on climate change and energy policy. The same is true for other important areas such as investments in infrastructure or in ICT technologies.

Recovery plans must also **promote long term financial stability**. That is why we believe that **Member States must avoid the bail out of industries with overcapacities and the protection of uncompetitive structures**.

3. Ensuring equal treatment in tackling unemployment and re-qualification

Unemployment levels are on the rise and expectations for the next months are clearly negative. Despite the crisis, however, our "Craft and SME Barometer" showed that small enterprises are more reluctant to lay off staff. This is due to the closer relationship owners have with their staff, but also to the difficulties they experience in finding qualified workers.

However, small entrepreneurs need support to continue in this responsible behaviour, in terms of flexible working arrangements, temporary unemployment benefits as well as measures for staff training and requalification. We believe that everything must be done to **avoid losing competences during this downturn**, for instance by combining partial or total unemployment with measures to increase and update workers' skills. We also believe that **SMEs should be treated equally when restructuring support is given, and that it must be accessible both for SME owners and for their staff**.

4. Thinking and acting "small first"

The first results of the "Think Small Test" and of the "Small Business Act Scoreboard" that were released today demonstrate that **there is further room for improvement** in designing policies that directly or indirectly affect small businesses. The European Commission's efforts to reduce red tape, for instance, have not changed the situation on the ground so far.

Small enterprises have shown during this crisis to be one of the most important economic stabilisers in Europe, whose richest regions are those with a higher density of SMEs. All policies must therefore be designed according to their needs, at all levels and in all areas. Unfortunately, this is far from being the case at the moment, with policymakers still indulging in protectionist temptations and giving in to larger industries' more vocal calls.

We believe that it is now time for policymakers at all levels to start thinking and acting "small first", if they are serious about finding ways to get out of the crisis. We shall closely monitor the situation in the next months to ensure that this is the case.