

Opinion on SMEs and Craft Industries

(92/C 332/13)

On 26 March 1992 the Economic and Social Committee, acting under the fourth paragraph of Article 20 of its Rules of Procedure, decided to draw up an Opinion on: SMEs and Craft Industries.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 30 September 1992. The Rapporteur was Mr Schleyer.

At its 300th Plenary Session (meeting of 22 October 1992), the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction

1.1. On 27 May 1991, the Council adopted a Resolution on the action programme for small and medium-sized enterprises (SMEs), including craft industry enterprises⁽¹⁾.

1.1.1. Referring to its Decision 89/490/EEC of 28 July 1989⁽²⁾, the Council reaffirmed the common will to make substantial and effective progress in the area of SME policy and emphasized the need to take into account the final recommendations of the Community conference on the craft industry and small enterprises, held in Avignon on 12 and 13 October 1990. (Cf. Euro-Info 46/92/EN Jan./Feb. 1992, p. 5. The conference documents were published as a collection which was sent to all national and European craft organizations participating in the European Craft Industries Conference held in Avignon on 12/13 October 1990.) The Committee would, however, point out that, unfortunately, not all the groups represented within the ESC had the opportunity of participating in the conference and that the Commission has not yet published the conference documents.

1.2. The present Own-initiative Opinion suggests ways in which the Commission can implement the Council Resolution. At the same time, since the SME action programme⁽³⁾ runs out in 1993 and is due to be reviewed in the second half of 1992, guidelines are proposed for the future shaping of EC enterprise policy for SMEs and especially for the economic and social development of craft industries.

1.3. The Committee has emphasized the importance of SMEs for the Community economy and Community society in a number of Opinions. These Opinions stress how important it is for the social partners to be involved in developing an EC enterprise policy for SMEs, and

urge the EC Commission to pay attention not only to the size of firms but also to the specific problems of individual sectors. The present Own-initiative Opinion takes up these recommendations and adds proposals for the craft sector.

1.3.1. The present Own-initiative Opinion takes into consideration the second EC Commission report (covering 1991)⁽⁴⁾ on implementation of the Council Decision of 28 June 1989, the first EC Commission report (covering the period from July 1989 to December 1990) on the various Community programmes not covered by that Decision, insofar as these concern SMEs and craft industries⁽⁵⁾, and the Council Resolution of 17 June 1992 on Community action to support enterprises, in particular SMEs, including craft industry enterprises⁽⁶⁾.

2. Historical survey of EC enterprise policy for SMEs and craft industries

2.1. The Treaties of Rome did not provide for an EC enterprise strategy. It was first developed in the 1980s, when the White Paper on the Single Market programme was implemented and common policies were drawn up for the purpose of creating a favourable business environment for Community firms and ensuring equal opportunities for SMEs, subject to the subsidiarity principle.

2.2. In 1986, this strategy was given a legal and financial foundation (110 MECU between 1990 and 1993) by the first action programme for SMEs⁽⁷⁾. In 1989, the action programme became the EC enterprise policy by virtue of a Council Decision⁽⁸⁾. The milestones were:

— the European year of the small, medium-sized and craft enterprise (1983);

⁽¹⁾ OJ No C 146, 5. 6. 1991, p. 3.

⁽²⁾ OJ No L 239, 16. 8. 1989, p. 33.

⁽³⁾ OJ No C 287, 14. 11. 1986, p. 1.

⁽⁴⁾ SEC(92) 764 final, 11. 6. 1992.

⁽⁵⁾ SEC(92) 704, 26. 5. 1992.

⁽⁶⁾ OJ No C 178, 15. 7. 1992.

⁽⁷⁾ OJ No C 287, 14. 11. 1986, p. 1.

⁽⁸⁾ OJ No L 239, 16. 8. 1989, p. 33.

- the establishment by the European Parliament of an all-party working group on small firms (1984);
- the appointment of a Commissioner with responsibility for SME policy (1986);
- the creation of an SME task force at the Commission (1986);
- the action programme in favour of small and medium-sized enterprises (Council Decision of 3 November 1986) and
- the establishment of Directorate-General XXIII (Enterprise policy, distributive trades, tourism and cooperatives) (1989).

2.3. In June 1991, the Council adopted new guidelines for EC enterprise policy under the heading 'A new dimension for SMEs' ⁽¹⁾ and provided an additional 25 MECU, thereby bringing total funding to 135 MECU.

2.4. EC enterprise policy for SMEs and craft industries will continue to be primarily the responsibility of Member States, even after the Treaty of Maastricht on European Union. However, under Article 130 of the Treaty on European Union, the Community wishes to achieve open and competitive markets and, in particular, to encourage an environment favourable to SMEs. The Community is also specifically required to further this main objective in its research and technology policy (Article 130f of the European Union Treaty) in its moves to bring Member States' policies closer together and also as part of EC cohesion policy (Article 130a). In social policy, EC directives must avoid imposing administrative, financial and legal constraints which hamper the creation and development of small and medium-sized enterprises (Article 118a of the European Union Treaty and Article 2(2) of the Maastricht Protocol on social policy signed by eleven Member States). The declaration on Article 2(2) by the signatories to the Protocol also states that the definition of minimum requirements for the protection of the safety and health of employees must not lead to discrimination in a manner unjustified by circumstances against employees in small and medium-sized undertakings ⁽²⁾. For the present, the Committee can only note the legal basis in the Treaty on European Union cited here, reserving the right to comment in detail later.

2.5. The definition, productive capacity, structure and environment of craft industries differ greatly from one Member State to another. This was why it was decided at the first Community conference on craft industries in Avignon to develop Community measures in favour of craft industries covering: right of establishment and freedom to provide services, basic and further

vocational training, access to new technologies and their application, access to new markets, and the gathering of information on the European business environment for craft industries.

2.6. The Resolution on the action programme for small and medium-sized enterprises, including craft industry enterprises ⁽³⁾, which was presented by the Luxembourg Presidency and adopted unanimously by the Council on 27 May 1991, together with conclusions and recommendations of the Avignon Conference, supplies the framework for the first specific EC action programme to improve the business environment for craft industries and small firms ⁽⁴⁾.

2.6.1. The action programme covers eight subject areas and aims to allow small firms and craft industries better access to all EC measures. Contacts between trade associations are to be promoted, so that they can exchange information, cooperate and build up networks. Cooperation between craft industries and small firms, particularly in frontier areas, is also to be supported, as are measures to improve management. The action programme is currently in the evaluation phase. Initial results are expected at the end of the year.

2.7. This programme will complete the range of facilities already available to SMEs and craft industries in the following areas: information (Euro-Info-Centres), cooperation (BCC, BC-Net, Europartenariat, Interprise), basic and further training (Force, Euroform, Lingua, Sesam) and technological development (Brite/Euram, Value, Sprint, Craft). Furthermore, at its meeting in Lisbon, the European Council asked the EC Council to encourage increased SME participation in Community research and innovation programmes ⁽⁵⁾.

3. SMEs and craft industry enterprises in the overall economy

a) SMEs

3.1. The central economic and social role of SMEs in the EC can be seen not only from their high share of production and employment but also from their disproportionate achievement in creating jobs, applying innovations and adapting flexibly to changing markets.

⁽¹⁾ OJ No L 175, 4. 7. 1991, p. 32.

⁽²⁾ EC Council/EC Commission, *Treaty on European Union*, Luxembourg 1992.

⁽³⁾ OJ No C 146, 5. 6. 1991, p. 3.

⁽⁴⁾ OJ No C 334 and S 245, 28. 12. 1991.

⁽⁵⁾ EC Commission Office in the Federal Republic of Germany, *EC-Nachrichten* No 7 of 1 July 1992, European Council, Lisbon 26-27 June 1992. Conclusions of the Presidency. Point C 3.4.

3.2. In the light of the forthcoming completion of the Internal Market and the deepening of European integration, the creation of a business environment which strengthens the competitiveness of SMEs is one of the Community's priority objectives⁽¹⁾.

3.3. In 1988, there were 11,6 million enterprises in the Community (excluding primary agricultural production), employing 80,7 million people. 92% of these firms were very small (0-9 employees) and 7,9% were small (10-99 employees) or medium-sized (100-499 employees). The share of employment of the very small and small/medium-sized firms was 29% and 41% respectively and their share of turnover 22% and 48,5%. The average EC firm had 7 employees. The northern Member States had a relatively high number of small and medium-sized enterprises whilst the southern Member States had a high number in the very small category⁽²⁾.

b) Crafts

3.4. There are no generally accepted definitions of 'very small', 'small' and 'medium-sized' enterprises; the Committee also agrees with the Commission that there is no need for any. [See the Commission report to the Council on SME definitions, SEC(92) 351 final of 29 April 1992, p. 2: 'There can be no absolute definition of SMEs. The question of the appropriate definition of SMEs is meaningful only in the context of a specific measure for which it is considered necessary to separate one category of enterprises from others for reasons of their «size». The criteria adopted for making this distinction necessarily depend on the aim pursued.'] Different definitions are given depending on the country and body concerned; the range of definitions is also apparent in the various Community support measures on behalf of SMEs⁽³⁾.

3.5. Although craft industries do not form a separate category in the 'Enterprises in Europe' statistics, a considerable proportion of firms in the very small category and a large number of SMEs can be classified as craft enterprises. The number of Community craft enterprises is probably between 3,9 million and 5 million.

3.6. Firm size, staff numbers and turnover are of limited value for distinguishing between craft industries and commercial firms in the very small, small and

medium-sized categories. (In the Federal Republic of Germany, for example, there are craft industries with 350 employees and more, but there are also industrial firms with fewer than 10 employees. Here, the legal situation in Germany is different from that in France and Italy, for example, where the law limits the size of craft firms; should they exceed the stipulated number of employees they are automatically labelled as industrial firms. In Luxembourg, on the other hand, there are no employee limits affecting craft industry size.) The hallmark of the craft sector is the provision of individual services to private consumers, and to trade, industry and the public sector, often using the most modern production and sales methods in both technical and business management terms (NC/CNC, CAD/CAM technologies, EDP, marketing, etc.). Other typical features of craft industries include:

- ownership and management in the same hands;
- close links between family and firm;
- legal and financial independence vis-à-vis large firms;
- usually personal involvement by the firm's owner;
- relatively high proportion of the staff trained and qualified in crafts;
- labour-intensive production, although many firms also use advanced technology;
- shortage of capital, with funds coming in many cases from the owners since risk capital and capital from external sources is difficult to obtain;
- predominance of customized production/working-to-order.

3.7. Attempts to lay down a standard definition of the term 'craft sector' at Community level and to collate statistics on the sector have been unsuccessful, or only partially successful, because of the many different types of firm active in this branch of the economy (manufacturing, services, arts and crafts, industrial subcontracting, commercial) and the large number and variety of craft trades.

3.8. Certain inherent features are common to craft work throughout Europe, despite the extensive differences between the craft sector definitions and job profiles of the Member States, the demands placed on self-employed craftsmen in their work, the training systems and the trade organizations. These features include: the importance of crafts for the European economy; their role in support of European culture; the importance of occupational skills and particularly dual vocational training (i.e. both on the job and in a vocational training school) for maintaining the productivity, competitiveness and continued development of the sector; and

⁽¹⁾ COM(92) 2000, 11. 2. 1992.

⁽²⁾ *Enterprises in Europe* (Preliminary Version), Eurostat/DG XXIII, May 1992, p. 2 et seq. Covers very small, small and medium-sized enterprises in areas 1-8 of the NACE classification.

⁽³⁾ See SEC(92) 351 final, 29. 4. 1992.

the diverse tasks incumbent on the craft industries, especially in environmental and consumer protection, health care, energy supply, the application of new technologies and standards at work and the shaping of a decent living environment.

3.9. Craft industries are of great importance for the balance of the local, regional and national economy, as they can adapt their production to demand, which often depends to a great extent on cultural factors; they can also respond to specific needs on local, regional or supra-regional markets. Craft industries are an indispensable source of sub-contracting, manufacturing, assembly, maintenance and development services to mainstream industry and its products and plants. Craft industries make a fundamental contribution to ensuring a wide range of supply of goods and services. They are also an important employer and source of new jobs. The craft sector is as important in the field of basic and further training as it is for the development of decent modern forms and conditions of employment and cooperative management systems. Craft industries make an important contribution to social stability and give skilled workers and managers an opportunity to set up in business.

3.10. SMEs and craft enterprises are also affected by the opening up of markets and the deepening of European integration — although the extent to which this is so depends on the region and sector/craft activity concerned. Greater opportunities for sales and purchasing, openings in sub-contracting as a result of reduced in-house manufacturing in industry and the freedom to recruit new and specialized staff in other Member States will provide a counterweight to the challenges and risks inherent in tougher competition and structural adaptation. Hitherto, only a minority of craft enterprises have operated internationally, but more and more firms may be expected to become enthusiastic exporters of goods and services and take advantage of the Internal Market. This is the conclusion reached, inter alia, in studies carried out by German chambers of crafts in border regions. The ESC regrets that the transitional VAT arrangements applicable from 1 January 1993 will impose a heavy additional administrative burden on exporting SMEs and thus form a further obstacle to these firms' cross-border activities.

3.11. A genuinely open market, which is a vital requirement for effective competition, must provide a level playing-field for all firms irrespective of their size. An EC enterprise policy which takes account of the

special needs of the craft industries without neglecting the social dimension of the Single Market can make a major contribution here.

4. Requirements for an EC enterprise policy for SMEs with special reference to craft enterprises

a) General requirements

4.1. The Committee notes that the foundations of a future Community enterprise policy for SMEs, with special reference to craft enterprises, are already in place. The detailed formulation of this policy must be speeded up and given a solid political basis, with due regard to the principles of subsidiarity and proportionality.

4.1.1. The Committee thinks that, when the Commission proposes Community provisions, it should explain why these have to be enacted at Community, and not at national or regional level or by industry. This could be a suitable way of applying the subsidiarity principle.

4.1.2. In this context, measures taken by the Community to assist SMEs must be coordinated more intensively with the relevant national authorities. The Committee therefore welcomes the UK Presidency's plan to hold a conference in Birmingham in October on how to make national and Community SME policies more consistent with each other.

4.1.3. If the Community's enterprise policy is to be based on practical needs, European associations representing SMEs and the craft sector and workers' organizations should participate in all EC bodies of relevance to SMEs. The Committee would stress that employers' and workers' organizations must be fully consulted at the earliest possible stage on proposed Community measures. The Commission should make greater use of the 'Green Paper' procedure so that all interested parties have the chance to comment before draft legislation is put forward. The Committee also thinks that European associations which represent SMEs must be involved in the selection of impact assessment proposals.

4.1.4. In view of the Commission's greater powers in regulating social policy matters and the closer involvement of the European social partners, it is important for the European craft sector to participate in the Social Dialogue and social consultations as an equal partner.

4.2. The Committee would reiterate that Community enterprise policy for SMEs must become an

integral part of Community policymaking. It thinks that the Commission's Directorate-General XXIII, as the guardian of SMEs' interests, must be consulted as a matter of course on all Community policies which affect small and medium-sized businesses and must be assigned the personnel needed to carry out this task.

4.2.1. Within the framework of DG XXIII's coordination of legislation, the following areas in particular — some of which have already been referred to by the Committee in its Opinions on industrial policy⁽¹⁾ — will have to be addressed in the post-Maastricht period: creation of a transparent body of commercial, tax and competition law to assist SMEs; systematic consideration of the interests of SMEs and craft enterprises in social-policy measures, vocational training, consumer and health protection and environmental and R&TD policy and in the establishment of trans-European infrastructure networks; systematic action against all distortions of competition and cases of over-regulation. The Committee would stress that, when the impact assessment is carried out, a careful balance should be struck between administrative burdens on the one hand and justified environmental and social policy concerns on the other. The flexibility which firms require should not compromise the level of social protection enjoyed by workers.

4.2.1.1. One question facing SMEs, including craft enterprises, is that of their competitiveness in the European Economic Area. In particular, new and established SMEs must be able to keep their administrative burdens and their capital and personnel costs at acceptable levels. The Committee trusts that the Sutherland Report on the post-1992 Internal Market, which is due out in the autumn, will make suggestions on this matter.

4.3. In order that small and medium-sized enterprises can master the challenges which the deepening of European integration will bring, the SME action programme will have to be upgraded to cater for the needs of craft enterprises and other specific sectors and their labour forces.

4.3.1. The Committee calls on the Commission to make an early start on its preparatory work so as to be in a position to submit proposals to the Council by the end of 1992. It also appeals to the European Parliament and the Council to provide adequate funds for the action programme's update. The Committee trusts that the new action programme will be drafted in agreement with the relevant employers' and workers' organizations.

4.3.2. The specific needs of craft industries were taken into account for the first time within the framework of SME enterprise policy when the action programme for small firms and craft industries was adopt-

ed. The Committee would point out, however, that considerable work still has to be done to translate the Avignon Conference's conclusions into Community measures.

4.3.3. The Committee thinks that the Commission's DG XXIII, which already has special departments for the trade, tourism and cooperative sectors, should set up an appropriately funded and staffed department for the crafts sector which would also liaise with craft industry workers' organizations. This is in line with the demands of the Avignon Conference and the Council Resolution of June 1991. Only by doing this will it be possible to act swiftly in implementing and developing the first action programme for craft industries and hold a second conference on craft industries before the end of 1993⁽²⁾. The Committee calls on the budget authority to make funds available in the 1993 budget.

4.3.3.1. The Committee also calls on the Commission to ensure that all the social groups represented at the ESC participate in the Avignon follow-up conference. The Committee has repeatedly stressed — in particular in connection with the representation of workers' interests in firms — that worker participation in certain business and social decisions is an important precondition for the development of a democratic society.

4.4. The Committee supports the Commission's initiative — as part of its horizontal industrial policy strategy — to facilitate, underpin and accelerate the structural adaptation of the economy⁽³⁾. The Committee feels that all Community policies should be framed with small firms, including craft enterprises, in mind, thus creating stable conditions for their competitiveness in the Internal Market. In this way, a balance can be maintained between very small, small, medium-sized and large firms in the European Community, creating greater variety in the size profile of firms.

4.4.1. In this context, the Committee welcomes the Commission's plan to target more specific groups of firms, and to give special encouragement to small firms or let them be the first to benefit from Community measures⁽⁴⁾. The Committee also supports the Com-

⁽¹⁾ OJ No C 40, 17. 2. 1992, p. 46, p. 101.

⁽²⁾ Statement by the Commission at the Council meeting of 29 April 1992 — *Enterprise policy: a new dimension for small and medium-sized enterprises — guidelines for small enterprises and craft industries* DG XXIII/353/91 — EN, p. 4.

⁽³⁾ COM(90) 556 final, 16. 11. 1990.

⁽⁴⁾ SEC 92/351 final, 28. 4. 1992.

mission's intention to define SMEs on the basis of a combination of criteria: number of persons employed, turnover, balance-sheet totals and independence.

4.4.2. Size-related disadvantages suffered by SMEs must be neutralized in all policy areas as far as possible. This will be especially urgent in the Internal Market as distortions of competition will be particularly important when frontiers are opened. The Committee calls on the Commission to make full use of the instruments available for keeping a strict check on national support measures and for monitoring these measures continuously and making them more transparent.

4.4.2.1. The publication of guidelines on state aid for SMEs is regarded as a positive move by the Committee. For the first time, these guidelines contain rules defining SMEs for the purposes of public aid and the types and levels of aid which Member States may grant them. The rules on investment aid are based on the principle that aid in the central, structurally stronger parts of the Community should not counteract that offered in the structurally weaker peripheral areas. The Committee points out that, in this way, a balance can be established between SME policy and economic and social cohesion⁽¹⁾.

4.5. Suitable and sound EC framework legislation is needed to improve the competitive chances of SMEs, including craft enterprises in the Internal Market. If craft enterprises are to operate throughout the Community, the legal environments in the different Member States must be comparable. Whilst the EC has made tangible progress in the approximation of laws, a whole series of further measures are still needed — not least in the fields of company law and the protection of intellectual and commercial property.

4.5.1. It would, for example, be worth adopting Community-level rules on the sale and transfer of ownership of firms (parts of firms) and measures providing for the retention of ownership rights in goods supplied across borders. The Commission is asked to ensure that the Committee can attend the conference planned for the second half of 1992 on the sale and transfer of firms' ownership. Furthermore, the Committee thinks that legislation on petty patents ought to be adopted at Community level. This form of legal protection already exists in some Member States and it provides SMEs in particular with a relatively cheap and easy way of protecting new inventions for a limited period. The Committee calls on the Commission to submit proposals in this area.

4.5.2. The Commission's annual report on the simplification of administrative procedures⁽²⁾ must address the unresolved problems of the removal of bureaucratic obstacles to cross-border business activities.

4.6. The Committee considers that a European academy for the craft sector and small and medium-sized enterprises is urgently needed to handle information and act as a further training body. Its aim would be (a) to improve the decision-making bases for a successful Community policy on SMEs and craft enterprises and, in so doing, to provide an institutional framework for European cooperation in the field of research and know-how transfer and (b) to increase the skill levels of entrepreneurs, managers and workforces. It should serve primarily as a clearing house for information and for coordinating the work of existing national SME and craft sector institutes at Community level. Such an academy would also take some pressure off the EC's SME observatory⁽³⁾, whose work it would complement. In this connection the Committee would point to the need to take appropriate account of the relevant employers' and workers' organizations on the administrative boards of the European academy.

4.6.1. The Committee urges the Commission to continue its work on improving the transparency of the craft sector. The following action is recommended:

- establishment of an inventory of craft enterprises in the individual Member States. Information on craft industry organizational structures and contacts in the Member States will be made available in mid-1993 in the form of a Who's Who. The ESC feels that one of the tasks of the EC's SME observatory will be to publish an annual report on the situation and prospects of craft industries in the Community with the help of the statistical information service currently being developed;
- improvement of statistics on craft industries. In collaboration with Eurostat and the statistics offices of the Member States, a start should be made on pilot studies of craft industries along the lines of the statistical work done for the distributive trades, tourism, the 'économie sociale' and services. To avoid creating administrative work for firms, secondary statistics should be used. Data kept by the Member States and craft industry associations

⁽¹⁾ OJ No C 213, 19. 8. 1992 — Community guidelines on state aid for SMEs.

⁽²⁾ OJ No L 141, 2. 6. 1990, p. 55.

⁽³⁾ OJ No C 208, 9. 8. 1991, p. 22.

could, for example, be further analyzed. Furthermore, a special nomenclature for the craft sector could improve the scope for statistical evaluations;

- creation of a regularly updated data bank covering national legislation relating to the exercise of the right of establishment and freedom to provide services (registration requirements, rules on access to a profession and similar admission regulations). Existing data could be used for this purpose⁽¹⁾.

b) Special requirements

4.7. Access to new markets

4.7.1. The establishment of the European Economic Area and the opening-up of the markets in Eastern Europe provide new opportunities for SMEs and craft enterprises which operate beyond the confines of their region. The Committee trusts that more will be done to help such firms gain a foothold in these markets by promoting structural studies of markets and sectors, brochures on non-Community markets (Doing Business in ...), management seminars on the Internal Market (for heads of firms, managers and workforces) and attendance at trade fairs inside and outside the Community.

4.7.2. The establishment and development of Euro-Info-Centres is seen as a positive step in this context. The same applies to the computerized network for cross-border cooperation (BC-Net) and the Europarteneriat programme, which aims to promote contacts between firms in structurally weak areas of the EC and firms based in other regions. The Committee thinks that ways and means must be found of involving craft enterprises more closely in Europarteneriat and BC-Net.

4.7.2.1. The Committee considers that the simplified form of Europarteneriat known as Interprise (promotion of cooperation and partnerships between industrial and service enterprises) can provide craft enterprises in particular with plenty of scope for cooperation.

4.7.3. The Committee also supports the establishment of pilot centres to help SMEs and craft enterprises

to deal with legal, tax and administrative formalities in other countries.

4.8. Access to financial markets

4.8.1. Despite numerous initiatives in the Member States and at Community level, SMEs and craft enterprises still do not enjoy easy access to the financial markets. Even if they can provide the guarantees demanded by the banks, these enterprises often have to pay considerably higher interest rates than larger firms. The Committee therefore welcomes the Commission's initiative on the establishment and promotion of mutual guarantee systems⁽²⁾, as well as the Commission's efforts to dismantle barriers to cross-border payments⁽³⁾.

4.8.2. As part of the process of adapting to the new economic environment created by the opening-up of markets, SMEs and craft enterprises will have to make internal adjustments in the areas of technology, management, trading policy and marketing in particular. Because of their high proportion of specialized staff and their concentration on services, the average productivity of non-farm SMEs can be lower than that of mainstream industry. This limits their capital accumulation, especially in view of the taxes on corporate profits. The need for finance for technological innovation (e.g. lasers, CAD, CIM, quality-assurance systems) is rising sharply. The Committee calls on the Commission to consider what specific tax and financial instruments could be developed to enable SMEs and craft enterprises to overcome these problems.

4.9. Access to public contracts

4.9.1. Access to new markets will be improved by the EC-wide award of construction and supply contracts. This procedure will be supported by directives providing legal remedies for non-compliance with Community law. EC rules on public service contracts are also planned.

4.9.2. The Committee notes with concern, however, that current tendering and contract award arrangements work very much to the disadvantage of SMEs and craft enterprises. These enterprises' cross-border access to public procurement contracts could be improved, inter alia, by breaking down the TED data bank by sector (the purpose of the German pilot project Point (Public Orders Information Network) currently

⁽¹⁾ *Guide to the establishment of enterprises and craft businesses in the European Community*. ISBN 92-826-0185-4. Klinge, Gabriele: *Niederlassungs- und Dienstleistungsrecht für Handwerker und andere Gewerbetreibende in der EG*, Nomos, Baden-Baden 1990; Schwappach Jürgen; *EG-Rechtshandbuch für die Wirtschaft*, Beck, Munich 1991.

⁽²⁾ OJ No C 169, 6. 7. 1992.

⁽³⁾ SEC(92) 621 final, 27. 3. 1992.

in progress). Above all, Euro-Info-Centres in border regions will play an important part in the selection of small local tenders⁽¹⁾.

4.9.3. The establishment of more cross-border SME or craft cooperatives and consortia aimed at securing large public contracts would also help open up markets and should be promoted by means of pilot measures in the framework of BC-Net. The Committee points to the need to use Community initiatives like Prisma to help firms based in the peripheral regions of the Community to obtain public contracts.

4.10. *Cross-border cooperation between firms*

4.10.1. Inter-firm cooperation is another important instrument in helping SMEs and craft enterprises to thrive in the Internal Market. The main criteria here are cost levels, closeness to the market and customers and, not least, receipt of know-how. Cooperation also has synergistic effects which help increase R&D capacity.

4.10.2. Although the EC already has certain instruments to facilitate cross-border cooperation, e.g. the European Economic Interest Group (EEIG), these are rarely used by craft enterprises.

4.10.2.1. The Committee therefore welcomes the study of the EEIG instituted by the Commission, but feels that, above all, pilot projects on cross-border Europartnerships in craft activities (European craft regions, inter-regional trading agreements, networks of European craft centres, etc.) will help to improve sales on new markets. Support measures should, for example, include aid for the marketing of craft products and the development of infrastructure for quality marks and environmental protection certificates.

4.11. *Vocational training*

4.11.1. Entrepreneurs, managers and workforces must be highly skilled. Customers' demands for customized and better-quality products and services require this, but the acquisition of qualifications is also a key factor for competition on the markets. Cooperation between the social partners is essential in this important area of vocational training and skills.

4.11.2. In future, the quality of the workforce will play an even bigger role in entrepreneurial success than it does today. Investments in 'human resources' are just as important as capital expenditure on physical resources. Technological and social progress — and the concomitant progress in work organization — also calls for changes in employer-worker relations. The far-reaching changes in management methods, markets and technology heighten the need for intensive further training which takes in the European dimension.

4.11.3. The promotion of vocational training is now given priority by the Commission. In its end-of-1991 memorandum on vocational training policy in the 1990s⁽²⁾, the Commission mapped out its objectives against the backcloth of the agreements reached at Maastricht (and the powers laid down in Article 127 of the Treaty on European Union). These objectives are: more investment in training; improvements in the quality of training; transparency; and special allowance for the needs of small businesses.

4.11.4. The Committee thinks that the Community's vocational training policy should give greater consideration to the special features of SMEs and the craft sector. Firstly, these enterprises should be given better access to Community research and further training programmes, which have so far focused too much on large firms and universities. Secondly, vocational training programmes should be tailored to the special needs to SMEs and craft industries with regard to new technologies, materials, environmental protection, production and marketing, etc.

4.11.5. The Committee supports the Commission's plan to step up the exchange of ideas and information on vocational training. The dialogue between Member States' bodies, the Commission, CEDEFOP, trade associations and workers' organizations should be intensified, coordinated more effectively and organized with greater urgency.

4.11.6. The Community's vocational training policy has so far not made sufficient allowance for the special benefits which the dual training system offers for SMEs and craft industries. The Committee welcomes the Commission's intention to rethink its policy here, and proposes the exchange of experience and launching of pilot projects on dual training courses. In this context, the Committee endorses pilot projects such as the one under which apprentice craftsmen from the Community's peripheral regions attend dual training courses

⁽¹⁾ SEC(92) 722 final, 1. 6. 1992.

⁽²⁾ COM(91) 307 final, 12. 12. 1991.

in Germany. The dual system in SMEs and craft enterprises must be complemented by inter-firm cooperation on training to ensure that training is comprehensive and of high quality.

4.11.7. The Committee would also point out that more weight should be attached to the teaching of foreign languages for vocational purposes. The Community's foreign languages programmes (e.g. Lingua) are mainly intended for university students or are concerned with the teaching of foreign languages in general. However, the teaching of foreign languages must also be a part of basic and continuing vocational training.

4.11.8. The Committee thinks that the liberalization of the Community's labour market can be improved by laying down rules on the comparability of vocational training qualifications⁽¹⁾. Because of the craft sector's poor response to the comparability procedure, the Committee proposes that CEDEFOP's comparability of vocational training qualifications for craft activities be made more transparent. In addition, experts from the craft sector should participate more in the extensive work on the comparability procedure.

4.11.9. The Committee also proposes that CEDEFOP, working in liaison with the EC Commission, should play a more active role in training managers. For example, the project on regional cross-frontier cooperation for the training of SME and craft industry managers should be extended, evaluated and implemented throughout the Community craft sector. In order to improve the performance and competitiveness of craft enterprises, the owners and workforces concerned should be taught extra skills. In addition, wives and other female workers in craft enterprises should be included in the Community programmes. Careers in SMEs and craft enterprises should be attractively structured. This would include opportunities for further individual training and work experience abroad.

4.11.10. The EC Commission has made an important contribution to the acquisition of skills by supporting Community-sponsored pilot projects which enable German, French and Irish workers to qualify as master craftsmen; these and similar pilot projects should be extended to workers in SMEs and craft enterprises.

4.11.11. The mobility of skilled workers and journeymen within the Community should be furthered by introducing a vocational-training pass in which details

of the basic and further training received by the passholder are entered by the relevant authorities.

4.11.12. Master craftsman examinations and the examinations which are equivalent to the German 'grosser Befähigungsnachweis' (which entitles master craftsmen to train apprentices) bear witness to a high skills level. This high level must be maintained and safeguarded by ongoing further training. These examinations have to be passed by craftsmen wishing to become self-employed and entitled to train others, and thus guarantee the quality of the work performed by craftsmen and the training they receive. Other Member States' efforts to introduce comparable examinations would facilitate the mutual recognition of national qualifications and deserve the full support of the EC Commission.

4.12. *Access to new technologies and Community R&TD programmes*

4.12.1. SMEs and craft enterprises play an important role in R&D and the exploitation of innovative technologies by interfacing between industry and the market (consumers), by acting as an innovator and by developing the skills needed for the rapid exploitation of innovation within the framework of industrial vocational training.

4.12.2. SMEs and craft enterprises will only retain their economic and social importance if they are able to use new technologies in a way suited to them. This confronts them with a large number of organizational and technological challenges, such as:

- further development of computer-assisted technologies, planning and production methods adapted to the special needs and working conditions of SMEs and craft enterprises;
- development of new production and marketing structures in connection with SMEs' and craft enterprises' role as sub-contractors for industry;
- use and further development of recycling technologies, e.g. for vehicles and construction;
- design of new heating systems and new environmentally friendly supply and disposal systems;
- advice on the appropriate and environmentally sound use of various (alternative) materials in many sectors.

4.12.3. It is clear from the above that a variety of R&D projects and many of the pilot and demonstration projects supported by the Commission are likely to be

⁽¹⁾ OJ No L 141, 2. 6. 1990, p. 55.

of interest to craft industries in the short and medium term. To cite but a few examples, programmes such as Joule, Thermie, Sprint, Brite/Euram, Craft, Esprit, Delta, Force, LIFE, Stride and Flair could be of particular interest.

4.12.4. The need to involve SMEs and craft enterprises more in EC research programmes and to simplify support procedures is as strong as ever. Information on Community initiatives relevant to SMEs and craft enterprises should be improved; the exchange of experience of innovation transfer projects between enterprises should also be improved and encouraged by awarding premiums for technology transfer and feasibility studies.

4.12.5. The application procedure is time-consuming and costly. The general introduction of a two-stage application procedure, which is already being tried out in the pilot phase of Craft, would be a help.

4.12.6. The Committee feels that it would be worth considering setting up an advice centre for SMEs, including craft enterprises, in order to facilitate participation in R&TD programmes. A special body could also be set up to speed up the distribution and analysis of research results. The Comett programme can also play an important role here.

4.12.7. The Committee would point out in this connection that SMEs and craft industries and also workers and their unions must be actively involved in the Community's R&TD policy. There must also be a stop to the duplication of aid (i.e. aid from both national and EC sources), in order to avoid distortions of competition.

4.13. *Sub-contracting, standards and inspection and certification procedures*

4.13.1. Sub-contracting will expand further as industry increasingly cuts back on in-house manufacturing. Craft enterprises should be made aware of this market opening. The following are essential: more complete information on sub-contracting services for industrial buyers, the availability of as complete as possible a range of components, and greater creativity in the sense of diversification of the services offered by the craft sector, coupled with cast-iron delivery and quality guarantees. Industrial firms now purchase worldwide. As the Internal Market will be open to the world, craft sector sub-contractors must expect competitors from non-Community countries to gear their production programme to Euro-standards and compete in the Internal Market.

4.13.2. The Committee welcomes the Commission's proposed activities in the field of sub-contracting set

out in its Communication on the subject⁽¹⁾. It welcomes, in particular, the study which the Commission has ordered to be carried out on the costs of multiple certification. The establishment of data banks, the inter-connection of existing data banks to form a 'sub-contracting catalogue' and the maintenance and further development of multi-lingual sub-contracting terminologies are also regarded as necessary.

4.13.3. It is vital for SMEs and craft industries that they be involved in the establishment of standards, technical rules and inspection and certification procedures⁽²⁾. The issue here is not just the acceptability of EC-wide harmonized technical regulations, but also information on rules which are mutually recognized in the individual Member States, and greater awareness on the part of the European standards bodies of the interests of the craft sector.

4.13.4. The Committee calls on the Commission to encourage participation by experts from small firms and craft enterprises in the technical committees of the European standards organizations, via financial incentives and measures to alleviate the language problem. The Committee welcomes the steps taken by the Commission to air problems of standardization and certification in separate discussions with the construction and food industries.

4.13.5. Quality guarantee systems tailored to the craft sector also need to be developed. Here there is a need for applications-centred research, since the standardized worldwide systems of quality guarantees, such as the standards in the ISO 9000 et seq. series which have been translated into the European standards EN 29.000 et seq., cannot be applied unchanged to craft industries.

5. Conclusions

5.1. The central economic and social role of SMEs in the EC is evident not only in their high share of production and employment, but also in their disproportionate contribution to job creation, applying innovation and flexible adaptation to changing markets. SMEs are also vitally important for regional development. They are the sine qua non of a thriving economy.

⁽¹⁾ SEC(91) 1286 final, 17. 1. 1992.

⁽²⁾ Cf. COM(90) 456 final, 8. 10. 1990, OJ No C 96, 15. 4. 1992, p. 2 and OJ No C 173, 9. 7. 1992, p. 1.

The 11,6m. firms in the EC include between 3,9 and 5 million craft enterprises.

5.1.1. In the light of the forthcoming completion of the Internal Market and the deepening of European integration, the creation of a favourable business environment which strengthens the competitiveness of SMEs must be one of the Community's priority objectives.

5.2. In order to meet the challenges which will face SMEs and craft enterprises in the Internal Market, the SME action programme will have to be upgraded in good time to cater for the needs of craft enterprises and of other specific sectors and their labour forces.

5.3. The Committee reiterates its view that future EC enterprise policy must form an integral part of the Community's policies and calls for the following structural adjustments with a view to attaining this objective.

- a) DG XXIII, as the guardian of SME's interests within the Commission, should be consulted as a matter of course on all Community policies which affect SMEs and must be given the personnel needed to carry out this task;
- b) the coordination of EC enterprise policy with the relevant national authorities must be intensified;
- c) European associations representing SMEs and craft enterprises and workers' organisations must be represented on all EC advisory bodies dealing with small businesses;
- d) in view of the Commission's greater powers in regulating social policy matters and the greater right of participation enjoyed by the European social partners, it is important for the European craft sector to participate in the Social Dialogue and social consultations as an equal partner;
- e) a craft sector unit must be set up within DG XXIII and appropriately staffed and funded. This is in line with the demands of the Avignon Conference and the Council Resolution of June 1991 and necessary for extending and upgrading the action programme for SMEs and craft enterprises and launching the Avignon follow-up conference in 1993.

5.4. The Committee calls on the Commission, the European Parliament and the Council to transpose the above proposals into Community-wide provisions and

support mechanisms appropriate to the needs of small firms. This must be done with due regard for the principles of subsidiarity and proportionality and in agreement with the relevant employers' and workers' organizations.

5.4.1. In the Committee's view, action is needed, in particular, to:

- a) improve the competitiveness of SMEs and craft enterprises by creating a generally favourable EC environment for small businesses. Priority should be given to pressing ahead with measures for reducing red tape and increasing flexibility, making it easier for businesses to operate across frontiers and abolishing the remaining bureaucratic obstacles facing businesses operating in other Member States. However, the level of social protection enjoyed by workers should not be compromised by the reduction in bureaucracy.
- b) pave the way for a differentiated and specially targeted support policy for SMEs and craft enterprises through the combined use of the various Community information, cooperation and financing instruments. The aim of this policy will be to:
 - improve information about SMEs and craft industries;
 - ease access to information and new markets through: the establishment and development of Euro-Info-Centres in the crafts sector, also; the promotion of management seminars on the Internal Market; encouragement for firms to attend special trade fairs; the establishment of pilot centres for assisting cross-frontier business activity; greater transparency and better access to public contracts;
 - improve access to the financial markets through: the establishment and promotion of mutual guarantee systems; the dismantling of barriers to cross-frontier payments; study of the development of suitable financial instruments for SMEs and craft enterprises;
 - promote cross-frontier business cooperation through: greater participation by the craft sector in BC-Net, Europartenariat and Interprise; the establishment of cross-frontier Europartnerships in craft activities (quality marks, quality assurance systems, petty patents); action to ensure that competition law does not impede cooperation;
 - improve access to and the transparency of standards, technical regulations and inspection and

- certification procedures; provide financial support for participation by experts representing employers and workers in the technical committees of the European standardization bodies;
- develop a dialogue concerning market openings for sub-contractors; extend and interconnect existing data banks; maintain and develop multilingual sub-contracting terminologies;
 - continue efforts to facilitate participation in Community R&DT programmes and to make tender procedures simple and transparent, plan pilot projects; extend the Brite/Euram programme's feasibility premiums to other large R&TD programmes, establish an advice centre for R&TD programmes and a special agency to distribute and analyze research results.
- c) reduce educational and language barriers and prejudices by promoting basic and advanced vocational training throughout the Community. The main priorities here are:
- continuation of Community vocational training programmes with greater emphasis on the needs of SMEs and craft enterprises, e.g. in the fields of new technologies, materials and environmental protection;
 - more efficient coordination of training policy between the relevant bodies in the Member States, the Commission, CEDEFOP and the relevant employers' and workers' organizations;
 - development of transnational, dual pilot projects catering particularly for young people from the Community's peripheral regions to be determined by the social partners and the EC;
 - improvement of SMEs' and craft enterprises' access to Community basic and advanced training programmes;
 - support for basic training by the organization of exchange programmes, ensuring that instructors are qualified and making qualifications more transparent;
 - greater promotion of youth training schemes and trainee discussions;
 - more vocational teaching of foreign languages under Lingua; support for study trips abroad and management placements;
 - continuation, evaluation and implementation of the regional cross-border cooperation project for training the managers of SMEs and craft enterprises; inclusion of working wives and female workers in EC support programmes;
 - support for the training of (master) craftsmen, through Community-wide projects such as the 'journeymen project'.
- d) improve the decision-making bases for a successful EC enterprises policy (thus providing an institutional framework for European cooperation on the transfer of research findings and know-how), and enhance the skills of entrepreneurs, managers and workforces by creating a European academy for the craft sector and SMEs. Such an academy — which was called for at the Avignon Conference — would take some pressure off the EC's SME observatory, whose work it would complement. Appropriate account should be taken of employers' and workers' organizations in the membership of the academy's administrative boards.
- 5.5. The Committee calls on the Commission, Parliament and the Council to provide sufficient financial resources as evidence of their firm intention to bring about effective and substantial progress in EC enterprise policy as it affects SMEs and craft enterprises.

Done at Brussels, 22 October 1992.

*The Chairman
of the Economic and Social Committee*

Susanne TIEMANN