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DRAFT REPORT

on How can the European Union contribute to creating a hospitable environment for enterprises, businesses and start-ups to create jobs?
(2013/2176(INI))

Committee on Employment and Social Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on How can the European Union contribute to creating a hospitable environment for enterprises, businesses and start-ups to create jobs?
(2013/2176(INI))**

The European Parliament,

- having regard to the Treaty on the Functioning of the European Union,
 - having regard to the Commission communication of 3 March 2010 entitled ‘Europe 2020: a strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
 - having regard to the work of the Commission’s High Level Group of Independent Stakeholders on Administrative Burdens,
 - having regard to the Commission report ‘Minimising regulatory burden for SMEs – Adapting EU regulation to the needs of micro-enterprises’ COM(2011)0803),
 - having regard to the Commission communication on EU regulatory fitness (COM(2012)0746),
 - having regard to the Commission’s Entrepreneurship 2020 action plan,
 - having regard to the Commission communication ‘An action plan to improve access to finance for SMEs’ (COM(2011)0870),
 - having regard to the Late Payments Directive (Directive 2000/35/EC of the European Parliament and of the Council),
 - having regard to the survey conducted by the Council of European Employers of the Metal, Engineering and Technology-Based Industries (CEEMET) entitled ‘Flexible employment contracts responding to changing market circumstances and meeting employee needs’,¹
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committee on Industry, Research and Energy and the Committee on Regional Development (A7-0000/2013),
- A. whereas it takes between 13 days (UK) and 40 days (Malta) to set up a business in Europe;²
- B. whereas labour market rigidities have been identified as having a negative impact on job creation;

¹<http://www.ceemet.org/en/News/News/CEEMET-Survey-Flexible-employment-contracts-responding-to-changing-market-circumstances-and-meeting-employee-needs.htm>

² <http://data.worldbank.org/indicator/IC.REG.DURS>

- C. whereas the single market can play a key role in achieving the Europe 2020 employment targets;
- D. whereas SMEs are the backbone of the EU economy and have a huge potential for job creation;
- E. whereas 20.7 million SMEs account for over 67 % of private-sector employment in the EU, with 30 % deriving from micro-enterprises;

Job creation

- 1. Is concerned at the cost, complexity and time involved in establishing a business in some parts of Europe; believes that if the EU is to regain competitiveness, Member States must work to simplify and speed up this process;
- 2. Notes that global trends have created competitive pressures as well as opportunities for businesses; stresses the need for Member States to create the right regulatory framework to help businesses create jobs;
- 3. Believes that in order to create a hospitable environment for job creation, Member States must, with support from the EU institutions, address the following factors: skills, entrepreneurship, demographics, market access, finance and the labour market;

Skills

- 4. Believes the EU is faced with serious skills shortages and mismatches which are hindering economic growth;
- 5. Notes the trend towards more skill-intensive jobs, with almost 90 % of jobs expected to be created or become vacant by 2020 requiring medium or high qualifications;
- 6. Is concerned that Europe's education and training systems are not adapted to businesses' skills needs; notes with concern that in 2015 the estimated shortage of qualified ICT personnel in the EU will rise to between 384 000 and 700 000 and that the supply of science, technology, engineering and mathematics skills will not match the increasing demands of businesses in the coming years;

Entrepreneurship

- 7. Is concerned that the number of EU citizens who want to be self-employed has dropped from 45 % to 37 % in the last 3 years almost one half being afraid of going bankrupt and more than 50 % saying it is difficult to obtain sufficient information on how to start a business;
- 8. Welcomes the Commission's Entrepreneurship Action Plan supporting Member States' efforts to make it easier for sound businesses to survive and for honest entrepreneurs to get a second chance;
- 9. Welcomes schemes such as Erasmus for Young Entrepreneurs that are aimed at helping new entrepreneurs to acquire relevant skills for managing a business, and believes that

such programmes should be further promoted in order to help more entrepreneurs develop and create jobs;

10. Believes that university programmes such as the Birmingham Skills for Enterprise and Employability Network (BSEEN) in the UK, financed by the ERDF, which nurture enterprise and entrepreneurial skills by providing mentoring, intensive start-up support and incubator space for new ventures, are key to future job creation;

Demographics

11. Believes Member States should be encouraged to promote the retention of older workers on the labour market by encouraging the extension of working lives, developing flexible labour markets and valuing experience;

Market access

12. Stresses that the opportunities afforded by the single market must be used to inject new life into Europe's economies by opening up borders and creating new business opportunities;

Finance

13. Believes there are real benefits in new forms of financing through innovative schemes and non-bank routes, such as peer-to-peer lending, micro-lending and other tools, which can provide vital investment for start-ups to grow and create jobs;
14. Welcomes initiatives to make it easier for businesses to access EU support via a single portal offering information on the Structural Funds, including the ESF; believes that more must be done to disseminate information to existing and potential entrepreneurs through 'one-stop-shops';

Labour market

15. Strongly believes that businesses can only create jobs if the right conditions exist, including access to a qualified workforce, availability of flexible contractual arrangements, and keeping administrative burdens to a minimum;
16. Believes Member States must be more responsive to labour market needs, notably by fostering work-based learning and apprenticeships;

SMEs and micro-enterprises

17. Believes SMEs are among the most innovative businesses in the EU, playing a crucial role in providing pathways into work;
18. Underlines the ‘think small first’ principle; recognises the benefits of e-commerce in providing new opportunities for SMEs to access the single market, reduce costs and compete globally;
19. Notes that the main barriers facing start-ups and affecting the development of high-growth SMEs are access to and cost of finance, burdensome regulation, indirect labour costs, access to export markets, average payment times and skills shortages;
20. Welcomes the introduction of the ‘SME test’; believes that mitigating measures must be introduced, e.g. longer implementation time, fewer inspections or lighter paperwork, but without creating a two-tier labour market;
21. Welcomes initiatives such as the CREATE project which address the barriers to growth and competitiveness experienced by SMEs in rural areas;
22. Believes that Member States must be encouraged to share best practice on innovative ways to reduce bureaucracy and red tape, particularly for SMEs and micro-enterprises;

Better regulation

23. Stresses the need for efficient regulation that can be implemented in a simple manner and can help entrepreneurs operate within the rule of law and benefit from the opportunities and protection afforded by employment and health and safety legislation;
24. Welcomes the Commission’s review of the ‘Top 10’ most burdensome laws for SMEs; believes there is a need to ensure that the EU takes account of the specific needs of businesses, in particular SMEs and micro-enterprises, in the policy process;
25. Welcomes the new health and safety strategy; hopes it will focus on simplification, prevention and better implementation of existing legislation instead of additional regulation;
26. Notes that one response to the top ten consultation conclusion is that the Working Time Directive is complex and inflexible and in many cases requires SMEs to obtain costly specialised legal assistance; calls on the Commission to produce its detailed impact assessment as a matter of urgency;
27. Notes that the Temporary Agency Workers Directive has also been identified as hampering businesses’ ability to work across borders by creating administrative burdens and disproportionate requirements;

Recommendations

28. Calls on the Commission and the Member States to act with speed and ambition to reduce the regulatory burden on SMEs, while ensuring that any proposed solutions are evidence-

based;

29. Calls on MEPs to make full use of the Impact Assessment and European Added Value Directorate in order to scrutinise the cost of proposals on draft policy;
30. Calls on the Commission to address the negative effects that the accumulation of legislation has on businesses, particularly with regard to the aspects of lack of knowledge and overall perception of EU legislation, especially in the area of employment and health and safety legislation;
31. Calls on the Commission, in the context of the REFIT programme, to ensure that all legislation is doing what it was intended to do and to identify areas where there are excessive burdens, inconsistencies or ineffective measures, particularly in the area of employment and social affairs;
32. Calls on the Member States to support self-employment, especially among young people, by creating an environment that will encourage entrepreneurs to grow and create new jobs;
33. Calls on the Commission and the co-legislators to consider the impact on future job creation that the excessively burdensome requirements of the proposed Data Protection Regulation may have on businesses, particularly SMEs, potentially affecting their ability to retain and create jobs;
34. Calls on the Commission and the co-legislators, in the context of the Posting of Workers Directive, to ensure that any measures adopted are proportionate and to limit the burdens on businesses seeking to benefit from the freedom to provide services;
35. Calls on the EU to work with Member States and universities to coordinate and make full use of EU funding sources such as ESF, ERDF and Horizon 2020, in order to promote an entrepreneurial culture, particularly among young people;
36. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENT

Unemployment is the biggest social challenge facing Europe at the moment. In July 2013 the unemployment rate for the EU as a whole was 11%, and for a number of member states was over 20%. The EU2020 has set a target of 75% in active employment by 2020, and if we are to have a realistic chance of reaching this goal, we need to focus on how Europe can create the right environment for job creation.

We must also remember the overarching principle that it is businesses, particularly SMEs, micro-enterprise, entrepreneurs and innovators that create jobs, not EU growth plans. SMEs and micro-enterprises currently provide 90 million jobs in the private sector in the EU. This is where there is huge potential for job creation, for growth and innovation. Considering that 85% of all new jobs over the past 10 years have come from SMEs we must ensure that the needs of SMEs are put at the centre of policy making.

The EU and particularly member states have an important role to play in supporting businesses by improving access to finance, encouraging entrepreneurship, and most importantly by exploring new ways of creating the right regulatory environment.

Businesses can only create jobs and recruit more people if the market allows for it, if they can rely on a qualified workforce, if labour markets are sufficiently flexible, if labour costs including wages are in line with productivity, if social protection systems make work attractive and if regulation is proportionate and evidence based.

There are some big challenges to be addressed and while acknowledging the broad spectrum of political views on this issue, this report seeks to address a number of issues including how the EU and member states can improve access to finance, promote entrepreneurship and develop better regulation.

A number of key points have been stressed, first, that businesses and in particular SMEs and microenterprises must be equipped with the knowledge and know how on how to access EU support through for example one stop shops and web portals.

Secondly, given that the number of EU citizens that want to be self-employed has dropped from 45% to 37% in the last 3 years, it is important that an entrepreneurial spirit is nurtured from an early age right through to university and that every effort is made to make it easier for sound businesses to survive and for honest entrepreneurs to get a second chance.

The report in particular welcomes innovative initiatives that help entrepreneurs including the CREATE programme, Erasmus for young entrepreneurs and the Entrepreneurship Strategy 2020.

Thirdly, it highlights that growing international competition driven by increasingly skilled workforces have left the EU facing serious skill shortages and skill mismatches which are acting as a brake on economic growth. There is a clear trend towards more skill intensive jobs. The vast majority of the jobs that are expected to be created or become vacant by 2020 will require medium or high qualifications.

More notably, by 2015, the estimated shortage of qualified ICT staff in the EU will rise to somewhere between 384,000 and 700,000. The supply of science, technology, engineering

and mathematics skills will not match the increasing demand of companies.

Central to this is the need to create the right regulatory environment, by removing unnecessary barriers which impose disproportionate costs on businesses and inhibit their ability to grow, create jobs and compete globally.

It highlights a number of initiatives including ‘think small first’ principle, the "SME test, the REFIT programme, the Commissions ‘Top 10’ most burdensome laws (which identified the Working Time Directive and Temporary Agency Directive as either too complex or containing disproportionate requirements on SMEs) all of which will help ensure that legislation is doing what it was intended to do.

Legislators have a responsibility to ensure that any regulations or proposals they put forward encourage job creation and do not impose disproportionate or ill-considered burdens on business.