



SMEs in the crisis: employment, industrial relations and local partnerships

Executive summary

Introduction

This report looks at the situation of SMEs, with a specific focus on the impact of the recent crisis. It examines the actions of governments and the social partners to help SMEs to weather the crisis and the extent of social dialogue in SMEs, including trends and new initiatives. It examines in detail the role of local partnerships in helping SMEs to maintain employment levels during the crisis, and also presents the views and positions of the social partners on the situation of SMEs.

Policy context

SMEs are a vital part of the EU's economy, accounting for more than 99% of all EU businesses, two-thirds of private sector jobs and more than half of the value-added. However, SMEs face specific difficulties related to their size: they have limited financial and time resources and so find it hard to invest in the training and development of their workforce. They are also more affected by issues such as high levels of bureaucracy and late payment by clients. Most recently, the economic downturn has hit SMEs hard in nearly all EU Member States, as they have fewer resources to tackle the effects of the crisis.

Recognising that SMEs face specific difficulties, the EU adopted the Small Business Act (SBA) in 2008, which comprises an ambitious package of policies designed to support SMEs' interests. The implementation of the SBA in its first year focused on: reducing the administrative burden for SMEs; improving access to finance and to markets; and promoting entrepreneurship. One initiative undertaken recently by the social partners at the EU level is a joint project initiated by the European Trade Union Confederation (ETUC) and UEAPME that aims to identify common economic and social concerns between trade unions and SMEs, including regional and local development and its impact on SMEs.

In some countries SMEs themselves have developed local networks and partnerships to try to pool resources with other SMEs in areas such as training, attracting and retaining specialist talent, and maintaining employment levels through the crisis.

Key findings

SMEs play a vital role in national economies in the EU and account for a significant proportion of employment in all countries. However, the crisis has had a severe impact on SMEs in some countries, causing many to cease operations and lowering the overall level of employment in these types of companies (for example in Hungary and Ireland). In other countries no significant change was experienced between 2007 and 2009 in terms of employment levels (for example in Germany and the Netherlands).

Although data on contractual arrangements and work organisation in SMEs are relatively hard to find, it would seem that in many countries working conditions, working hours and the organisation of work are more flexible and informally arranged than in larger companies. The crisis seems to have had the effect of increasing existing 'internal' flexibilities, as organisations try to cope with shifting external circumstances and demands.

Employee representation and social dialogue/collective bargaining arrangements have been well documented as being not as widespread in SMEs as in larger companies, although there are considerable differences between countries. Figures from the European Company Survey 2009 show that employee representation in the form of trade unions existed in 4% of companies with 10–19 employees and works councils were present in 20% of companies in this size category.

The governments of many Member States have put in place measures aimed at helping SMEs weather the current crisis. These include temporary lowering of corporation tax for SMEs in Spain, and initiatives aimed at helping SMEs to innovate and concentrate on research and development, in Germany, Italy and Romania. However, commentators in some countries feel that the measures do not go far enough, or are not effective enough.

The social partners in most countries are also aware of the difficulties facing SMEs. Social partner initiatives aimed at helping SMEs include joint initiatives such as a revision of short-time working arrangements in Germany, the revision of the French system of partial unemployment, which now foresees higher rates of payment for employees in SMEs, and a specific job-creation initiative in the Irish construction sector, which includes a significant number of SMEs. Initiatives carried out by employer associations mostly concentrate on lobbying activities for support in various fields (training, tax reductions, public procurement, access to finance).

Networks and local partnerships are extremely important to SMEs as a way of helping maintain employment and offering training to their workforce. The incidence and type of networks varies across the EU, ranging from business associations providing support for a group of SMEs, to publicly funded networks and cooperation projects between SMEs. Examples of local partnerships include a scheme in Germany that enables SMEs to move staff around between them in accordance with peaks and troughs in demand, thus avoiding layoffs, and a scheme in Hungary that promotes job creation at regional level, within the framework of an agreement between local government, national government, social partners, companies and other interested parties.

The concerns of employers representing SMEs focus on areas such as the competitiveness of SMEs, which in turn is related to issues such as reducing bureaucracy, increasing access to credit and reducing taxes and other types of costs, such as social security contributions, whereas unions emphasise that policy actions should consider conditions of employment and encourage the promotion of employee representation in small workplaces. Both agree on the importance of skills development and the need for job creation support.

Policy pointers

- The specific situation and needs of SMEs should be kept at the forefront of EU industrial, competitiveness and employment policy, given the key role that SMEs play in the European economy. Efforts need to be made at EU level, and subsequently also at national level, to ensure that SMEs have the flexibility they need to operate effectively and to bridge temporarily difficult situations.
- There is a need to ensure that SMEs have easy access to the various government-funded support initiatives for employment creation and business development.
- Although national governments are already aware of the issues facing SMEs, and many countries have put in place measures designed to help them gain access to credit, cut red tape and generally make life easier for them, SME representative bodies in many countries argue that these systems are not adequately developed. National governments therefore need to be urged to take a more proactive stance to help SMEs, particularly in times of recession, to ensure that they can operate effectively, continue to innovate, and are not forced into bankruptcy.
- SME networks and local partnerships are an effective way of helping SMEs operate more efficiently. They are, however, unevenly spread across the EU, due to differences in national traditions and cultures. It would therefore be useful to develop, at EU level, an information-sharing system that emphasises the advantages of such networks and partnerships, highlighting examples of good practice and facilitating contacts between SMEs at EU and national level that wish to establish such networks.
- Social dialogue can play an important role in improving the operating environment. National governments should be encouraged to develop forums in which SME representatives from both the employer and the employee side can voice the concerns and needs of SMEs and work with governments to develop policy solutions.

Further information

The report *SMEs in the crisis: employment, industrial relations and local partnerships* is available at <http://www.eurofound.europa.eu/eiro/studies/tn1010039s/index.htm>

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