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Report

drawn up on behalf of the Committee on Economic and
Monetary Affairs

on Community policy on small and medium-sized under-
takings and craft industries

- Part B: Explanatory statement

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Or. Fr.

EXPLANATORY STATEMENTINTRODUCTION

Since being launched as a European Parliament initiative called for in paragraph 18 of its last resolution on the situation of small and medium-sized undertakings in the Community¹, 1983, the European year of SMUs and craft industries, has been an undeniable success.

An opening conference in Brussels which attracted several hundred participants drew up an action programme, the principal points in which were taken up and developed at various national conferences and colloquys held throughout 1983 in the Community.

The body of information, analyses and proposals thus accumulated then formed the basis for an overall appraisal and synthesis at the Closing Conference in Strasbourg on 8 and 9 December.

Following discussion in the ten drafting committees, an action programme for Community policy on small and medium-sized industrial and commercial undertakings and service and craft industries was adopted unanimously.

The closing proceedings of the European year of SMUs and craft industries reflected the growing awareness in economic and political circles and in public opinion generally of the significance of SMUs and crafts, their difficulties, and the specialized nature of the action to be taken to assist their establishment and growth. On this occasion the European Parliament, the Commission and the Economic and Social Committee, together with large numbers of government ministers who attended, gave a commitment to assist in building the Europe of the SMU and the craft industry.

Now, at the beginning of 1984, this own-initiative report on the SMUs and craft industries is intended to reaffirm the European Parliament's commitment to implement, rapidly and efficiently, the action programme adopted in Strasbourg. To this end, this report will outline the principal features

¹ OJ No. C 66 of 15 March 1982, p. 101

of the policy to be implemented, and the priorities, resources and mechanisms necessary to the success of the programme. The growth of SMUs and craft industries will play a major part in securing the competitiveness of production and economic revival in the Community. The establishment and growth of SMUs and craft industries in the Community, the opening up of the Community to these types of undertaking, their world role, and, finally, the implementation of the programme itself, will be considered in turn.

I. ESTABLISHMENT AND GROWTH OF SMUs AND CRAFT INDUSTRIES IN THE COMMUNITY

1. Financial promotion of SMUs and craft industries

A significant number of conferences in the course of 1983 was devoted to consideration of SMU access to finance. This helps to highlight the urgency of the question, particularly in the present period of inadequate investment and very high interest rates. One characteristic of the SMUs is the advancing of personal capital by the head of the undertaking, and the risk that this entails. This characteristic must be recognized by the public authorities, both from the administrative and the fiscal point of view.

It appears necessary, at a European level, to increase the availability of finance for the establishment, growth and maintenance of SMUs and their associations. Indeed, in the present economic situation, undertakings have a reduced capacity for self-financing, and the availability of loan funds assumes a correspondingly greater importance.

It will therefore be particularly desirable for the EIB to maintain and enlarge the volume of its total lending to SMUs (842 million in 1982, 1.2 thousand million in 1983) and the tendency to diversify these loans according to sectors.

The same also applies to the ECSC, to ERDF aid and the volume of NCI allocations. It would also be appropriate to allocate 5% of the ERDF to interest-rate rebates on Community loans to SMUs and craft industries.

An effort must also be made to improve arrangements for access to finance for SMUs. In this connection it might be appropriate to envisage the establishment of a central credit office affiliated to the EIB to centralize SMU and craft industry applications, making it easier for these undertakings to obtain credit.

In general terms, simplification at Community level and in the Member States of the procedures for granting Community finance, and rapid access at a sufficiently decentralized level to Community loans on terms at least equivalent to those available to large undertakings on the free market must be sought.

At European level, the comments contained in the previous report on improving the allocation of Community loans continue to apply. It will in fact be necessary for the Community institutions to have access to qualified intermediaries to secure optimum distribution of Community funds. This could be done by setting up financial establishments throughout the Member States to coordinate the activities of approved banks and institutions specializing in the financing of SMUs and craft industries, such as mutual security associations and loan guarantee associations.

The possibility should also be considered of supplementary security being provided by the Community, and solutions should be sought to the problem of exchange-rate risk cover. One such solution would be to set up an EIB guarantee fund secured by drawing a fraction of the interest-rate percentage. At all events, a rapid solution to this problem must be found, since exchange-rate risk cover, as we have repeatedly stressed, is at present a cause of distortion of competition, inasmuch as certain Member States, or certain credit establishments only are prepared to take it on; moreover a solution to the exchange-rate risk problem is fundamental to the success of Community SMU loan policy.

Finally, favourable conditions must be created for the investment of SMU venture. To this end, credit establishments and/or financial intermediaries must be established, where they do not already exist, to provide SMUs with share capital or venture capital on a temporary basis. The role of regional stock exchanges should be strengthened and unquoted-market operations rationalized, so as to facilitate investment in SMU shares by modernizing and revitalizing European securities markets, as the European Parliament has already had occasion to propose¹.

2. Promotion and innovation in new technologies

SMUs have been shown to be better geared to innovation than large undertakings. But their innovating potential can only be realized if they secure

¹ COLLOMB report (Doc. 1-290/81)

the necessary financing facilities. More than any other activity, innovation can show wide and unpredictable variations in profitability.

The Commission has submitted a very interesting proposal in this connection for European innovation loans, free of interest for the first three years and without a security requirement, the risk being assumed by the Community and approved credit institutions.

It is to be hoped that the Council will rapidly adopt this proposal, and that this experiment will be repeated if - as there is every reason to expect - it proves successful. In general terms, innovation financing must be secured in the Community, in terms of introducing, developing and distributing new technologies. This implies substantial research and development loans in economic sectors where SMUs predominate. It would also be appropriate, in addition to capital for management assistance, to consider the possibility of granting tax relief to investors of capital in innovatory projects.

3. Training for heads of undertakings and employees

The subject of a major colloquy organized by the Luxembourg National Committee in conjunction with the European Professional Training Centre (CEDEFOP), occupational training and expertise for heads of undertakings and their employees was highlighted as a major topic. There is a clear need to promote training for heads of undertakings, in particular in marketing, to enable them to adapt more readily to the changing conditions of economic life. The call for the Commission to draw up a list of existing training opportunities, and to recommend measures to be taken in this area, both at national and Community level, was reiterated by the Closing Conference. In view of the cost of occupational training, it was also suggested that the financing of occupational training activities common to a number of undertakings should be covered.

Provision should also be made for allocating increased European Social Fund appropriations so as to stimulate flexible new developments in the training process to assist SMUs and craft industries. The European Social Fund should also be strengthened as a mechanism for creating jobs for young people.

Occupational training and expertise would thus be considered from the end of school education, in much the same terms as a financial investment. Here too, the situation of women and their occupational training in small and medium-sized undertakings, including family businesses, should be taken into consideration. Women, who often play a key role in running small and medium-sized undertakings and craft businesses, should be given every facility to complete their occupational training and assume the necessary responsibilities. This of course presupposes appropriate information campaigns and funding, both at Member State level and through Community financial instruments.

4. The administrative environment of the SMU and craft industry -
information, counselling and assistance

As already stated, it is often the case that a lack of adequate information on the economic situation and on conditions on European and world markets causes SMUs and craft industries to miss significant opportunities for growth. The Commission should therefore support and encourage existing counselling services, and give an impetus to their establishment where they do not exist. The Commission should also help these services to compare experiences and exchange information at European level.

In a general way, therefore, the Commission must take all necessary measures to facilitate SMU and craft-industry access to information, and should use both new information technology and databases, as well as traditional methods, to this end. The Commission must, in particular, support efforts to expand distribution of software adapted to the specific needs of SMUs and craft industries. But any such development will of course only be successful if the public authorities in the Member States play their part by giving an impetus to training for heads of undertakings and their assistants in the use of information technology and data-processing equipment.

Assistance to SMUs must go hand in hand with a general simplification of the administrative burdens imposed on them. This is a condition for their dynamic growth and flexible development. The relevant departments in certain Member States have already begun to rationalize their services 'under one roof' in such a way that all necessary information can be obtained and formalities completed for setting up a new undertaking in one place. The 'one-roof' system should be more widely adopted.

Improvements in SMU and craft-industry support services on a European level necessarily implies that the Commission departments responsible for these undertakings will be strengthened. These departments could then play an authentic coordinating and training role within the Commission, and improve the standards of information to SMUs and craft industries.

Similarly, the Closing Conference, like the European Parliament in its vote on the relevant item in the Community budget for 1984, recognized the need to establish a European centre for SMUs and craft industries. Such a representative and independent private law institution would be established to provide information, incentives and new ideas to help stimulate the growth of SMUs and craft industries and their incorporation into Community economic activity; it would also assume non-profit making activities and services on behalf of these categories of undertakings. It should be appreciated that the Small Business Administration Office, which has existed in the United States since 1953 and commands extensive financial and administrative resources, has played a crucial motor role in assisting SMUs and craft industries. The office intervenes decisively to improve SMU access to financing, to enable them to take best advantage of economic and social policies in implementation, and to secure for them a fair share of public-sector contracts or to act very advantageously on their behalf as an ombudsman.

II. OPENING UP OF THE COMMUNITY TO SMUs AND CRAFT INDUSTRIES

It is not enough to give SMUs and craft industries the necessary financing and training. They must also be assured of access to a real Community where they have too often hitherto been absent. It is thus essential to give a Community impetus to effective participation by SMUs and craft industries in economic and social life, by improving and adapting the legal, fiscal, administrative, economic, social and regional environment.

1. The Community market

The Council and the Commission must make every effort, pursuant to the conclusions of the Copenhagen European Council, to secure more firm progress towards harmonization of technical standards and regulations, and the effective elimination of technical and administrative barriers to trade. Barriers at internal Community frontiers hit small and medium-sized undertakings particularly hard. Because of these barriers there effectively

exist two classes of undertaking: the large undertakings whose infrastructure enables them to overcome currently existing barriers more easily than smaller undertakings are able to do. These large undertakings also often have branches in the different Member States, the existence of which makes it easy for them to operate throughout the Community. Consequently, the elimination of barriers and the establishment of a unified market will be essential to the growth of SMUs¹. The Council and the Commission should therefore promote cooperation between the SMUs in the different Member States, step up trans-frontier cooperation between national administrations and make appropriate allowances for the specific problems encountered by SMUs and craft industries located in the peripheral regions of the Community.

This Community action should also cover arrangements for subsidies and national aid, whether direct or indirect, liable to distort competition in ways that hit SMUs particularly hard.

2. The legal environment

On the legal side, there are two basic ways in which the Community can help SMUs to find their place in economic activity, namely harmonization and appropriate implementation of rules of competition.

(a) Harmonization of economic law

Community legislation must make more allowances for the needs of SMUs and craft industries. The Commission is urgently invited to take explicit account of the impact of proposed legislation on SMUs and craft industries. Article 100 of the EEC Treaty in particular gives the Commission real powers to secure harmonization of legal structures. It was this that empowered the Commission to submit a proposal for the establishment of a European cooperation grouping, a flexible and temporary form of association between undertakings from different Member States, which the European Parliament adopted in 1970, but which is still formally before the Council. Consequently, the Council should adopt this regulation without further delay, with due regard to the rights of workers applicable in the Member States. The Commission too should also prepare a regulation on the creation of a European legal statute for limited companies.

¹ See report by Mr MOREAU and Mr von WOGAU on the internal market (Doc.

An improved legal and economic status should also be provided for travelling salesmen, who provide an essential distribution service, especially in rural areas. The European Parliament¹ has, in particular, stressed the need to give priority to the study of harmonization of freedom of establishment and freedom to provide services in respect of the activities of travelling salesmen. Real freedom of movement unimpeded by harassment and discrimination must be secured for this category of traders. Similarly, the European Parliament has asked the Commission to submit proposals to improve the economic status of these categories of operators, in terms of authorizations to sell, conditions of access to markets and trades fairs, safeguards for the existence of these markets and access to finance.

(b) Appropriate implementation of rules of competition

More than other types of undertaking, SMUs need authentic equalization of conditions of competition; this means effective and flexible implementation of these rules, in particular Article 86 of the EEC Treaty. The procedure for granting negative clearance or issuing individual exemption decisions under Article 85(3) should also be simplified and streamlined. The policy pursued should also be more closely related to the specific features and needs for protection of SMUs and craft industries in these regulations relating to selective distribution agreements and exemptions by categories of patent licence agreement. In general terms, all forms of association between SMUs should be regarded favourably and supported by legal guarantees, having regard to rules of competition. Finally, as was particularly stressed at the Greek national colloquy in Athens last September, efforts should be made to secure adoption of a good-conduct code to which large companies would adhere in their dealings with SMUs, in particular in the field of subcontracting, which is notorious for domination by large companies. Finally, throughout the Community, public-sector markets should be organized so as to improve the prospects for SMUs and craft industries. Although it would not be appropriate to set a minimum percentage that must be allocated to SMUs in awarding public-sector contracts, there is a clear case for the Commission to submit proposals for a directive to secure SMUs a fairer share in public-sector contracts in the Community.

¹ Report by Mr DELEAU on the status of mobile or travelling salesmen
(Doc. 1-462/83)

(c) The fiscal environment

The fiscal environment can exert a strongly favourable or unfavourable influence on the growth of SMU and craft-industry activity. A fiscal policy favourable to the SMUs must therefore eliminate penalizing fiscal provisions and include a number of incentives. Indeed, implementation in the Community of an incentive-oriented fiscal policy can strongly influence the formation and accumulation of capital necessary to secure the ever larger investment required by technological progress and the imperatives of reorganization, rationalization and revival of production. The principal measures to be recommended will include the following:

- significant relaxation of the fiscal burden on profit reinvested in SMUs and craft industries, and adjustments to the various taxes on capital invested in these undertakings and on profits;
- tax-relief measures to assist newly launched SMUs and craft industries and incentive premiums for their establishment;
- the possibility of securing reasonable amortization, which will improve the scope for modernizing equipment;
- introduction or extension, as required, in all the Member States of tax arrangements enabling losses to be spread over a number of years;
- allowance by the tax authorities for the administrative burden incurred by SMUs and craft industries to conform with fiscal and other regulations, and which are proportionately greater than in the case of large firms;
- systematic and transparent tax relief for research and innovation, both as regards staff employed in these areas and depreciation of research and development investment, and the tax treatment of profits and return on capital arising out of successful innovation and the injection of outside capital for this purpose.

Appropriate tax arrangements where ownership of SMUs passes to heirs or to other persons - legal or natural - who keep the business running.

In view of the many difficulties SMUs and craft industries encounter in peripheral regions, steps must be taken to ensure that measures intended to assist SMUs and craft industries are not neutralized by other measures taken by the different governments to increase revenue, in particular increases in charges on production and transport.

The Commission must, whenever it is in its power to do so, encourage the development of fiscal policy in this sense, in particular by calling on the governments of the Member States to implement measures to facilitate self-financing by SMUs and craft industries, and by seeking convergence towards a harmonized taxation system at Community level.

(d) The economic environment

The problems of the SMUs must not be considered in isolation from other Community policies. To this end, the Commission and the Council must consolidate their approach to the problems of the SMUs and craft industries under an overall Community economic policy, taking due account of their diversity and their specific characteristics in relation to such matters as industrial cooperation, competition policy, and fiscal or trade policy.

The Commission and the Member States are asked to create conditions and mechanisms to meet the specific needs of SMUs and craft industries, including:-

- inclusion of the SMU sector and craft industries in common industrial research and investment programmes with a view to promoting cooperation and technology transfers between SMUs and between SMUs and large firms, universities and government bodies;
- access to subcontracting and patent licencing in all Member States of the Community to be secured by such means as the establishment and dissemination of data-bank networks using a harmonized terminology;
- making it possible for SMUs to display in an adequate and appropriate way their capabilities in all fields (for example, encouraging Community SMU and craft participation in international fairs and exhibitions, both in the Community and in non-Member countries),

- protection for Community SMUs in the area of industrial property; the Community patent convention should be ratified by all Member States as soon as possible, and it should be made easier for SMUs to obtain a European patent and maintain its validity by lowering the cost,
- the measures necessary to pursue an effective campaign against the 'parallel economy', which is detrimental to society at large and to SMUs in particular; aspects of the general situation which can give rise to phenomena of this kind should also be tackled.

3. The social environment

On account of their ability to adapt, and their potential for innovation, SMUs and craft industries can play a key job-creating role in the Community. One way of reducing the transition period between traditional and modern production processes and its impact on employment would be to devise a strategy recognizing a fundamental role to be played by SMUs and craft industries. Without calling into question the social provisions in force in the Member States, account should be taken of the specific features of this type of undertaking so that the necessary legislation can be introduced to foster their development.

To this end the Commission and the Member States are asked to consider:

- the possibility of securing a more balanced distribution of the burden of social-security contributions among firms, so as not to penalize labour-intensive undertakings,
- the introduction and improvement of a series of basic social protection measures so as to cover heads of SMUs and craft undertakings against sickness, old age and invalidity or, pending implementation of such measures, coverage of the major risks through fiscal or other measures.

Ways of protecting and ensuring the advancement of spouses who help out in small and medium-sized undertakings and craft industries should be sought, specifically in the form of a legal and social status enabling them to acquire independent and equal rights. For if it is true that SMUs represent the future of European industry, society must acknowledge the part played by the spouse in the work of the undertaking, and this must mean a special vigilance as regards the applicability to female employees of SMUs of Community

directives on equality of earnings and terms of employment. Women working in the undertaking, regardless of their relationship to its head (spouse, daughters, sisters) must also be guaranteed the right of legal and financial participation on the same terms as the husband/father, in particular recognition of independent social security rights for wives working jointly with their husbands.

Thus, as already stated, the spouse working in the undertaking must be enabled to appreciate the value of her contribution to it, and that contribution must give her the right to independent occupational status and social security entitlement. The concept of a spouse working in the business must stop being associated with the idea of unskilled labour. To this end, such spouses should have access to a basic occupational training grant, and to permanent training facilities. Thus, a specific European Social Fund budget line should be allocated to occupational training, retraining, and supplementary training for women working, or wishing to work, in SMUs or craft industries.

The human dimension of the SMU can also enable it to become a focal point of social dialogue and innovation. Priority should therefore be given to the SMU in seeking ways of reconciling the maintenance and improvement of general working conditions, with a certain flexibility in the application of the rules made necessary by the requirements of competitiveness and economic revival.

4. SMUs, craft industries and regional development

SMUs can play a major role in regional development, especially in backward regions. The investment cost of each job is, moreover, generally lower in an SMU than in a large undertaking. Jobs in SMUs in rural areas also appear to be more secure and less vulnerable to the impact of crisis.

Consequently, ERDF intervention, which has hitherto been on a limited scale, should be expanded to assist SMUs. When the fund regulation is reviewed, the following should be considered:

- a larger share of fund resources should be allocated to industrial-sector SMUs, craft industries and services,
- the ceiling for fund participation, in the form of aid to SMUs, should be raised from 50 to 65% of the aid granted by the public authorities for the investment in question.

In general, it should be made easier for SMUs established in backward regions to gain access to capital.

Taking the backward regions as a whole, the difficulties confronting SMUs are more serious still in the peripheral regions of the Community, principally on account of remoteness from markets and the cost of transport. Consequently, each Community policy should be reappraised, and where necessary adapted in an appropriate and specific way to allow for the impact on SMUs and craft industries in the peripheral regions.

A special effort should be made to overcome the logistical and local difficulties encountered by SMUs and craft industries located in remote regions by providing them with:

- access to training and information infrastructures using advanced information technologies (TV, teletext, etc.);
- assistance in setting up joint undertakings and cooperative organizations for groups of individuals, and SMUs and craft industries;
- assistance in establishing contact with agents and partners in other regions of the Community, including the services provided by the Business Cooperation Centre, the effectiveness of whose activities should be urgently reviewed.

5. The role of SMUs and craft industries in the socio-cultural sector

The social and cultural role of SMUs and craft industries must be stressed. Trade and crafts clearly play an essential role in maintaining the social fabric: the social life of towns, services to rural populations, maintenance of cultural traditions and social relationships on a human level. There has also been a growing revival of interest in cultural pursuits requiring active participation. Leisure industries are also being called on to play a major role in cultural activities: training, retraining, socio-cultural events, tourism. Leisure activities certainly have the potential to become a major source of SMU growth by providing scope for a wide range of enterprise and job creation.

Nevertheless, SMU activities in the social and cultural areas cannot exist in a vacuum. Here, as in other areas, SMUs must face competition from large undertakings be it department stores selling books at unbeatable prices, or property agents, whose assertive marketing techniques can overwhelm traditional builders or restorers of old buildings. In general, and given the nature of socio-cultural activities that cannot be subordinated to pure economic criteria, financing of SMUs in this sector is always a low-profitability, high-risk enterprise.

This means therefore that a set of measures must be drawn up at national and Community level to improve access to financing, advisory services and training for these undertakings. A Community definition of craft industries and SMUs in the socio-cultural sector, harmonization of VAT for craft products and services or works of art would also appear to be among the necessary measures. Consideration could also be given to establishing a European craft trade fair modelled on the Frankfurt Book Fair under Community patronage.

III. SMUs AND CRAFT INDUSTRIES OPEN TO THE WORLD

The growth of SMUs and craft industries is currently recognized throughout the world as a major objective of any policy for economic recovery and job-creation. The European Community must not confine itself to promoting SMUs and craft industries in the Member States alone. It has every interest in improving access for SMUs and craft industries to external markets and in giving an impetus to the establishment and growth of SMUs and craft industries in the Third World.

1. Relations with the EFTA countries

The Community provides more than half the imports of EFTA countries as a whole, and itself imports more than half of their exports. It is also one of their partners in free-trade agreements that have eliminated practically all tariff and quota barriers on trade in industrial products between the EEC and EFTA. In addition, Members of the two organizations exchange information and consult regularly throughout the year on the operation of free-trade agreements, on ways of improving their effectiveness and on progress in cooperation in other fields. In each of these agreements, a so-called 'future development' clause sets out a procedure for extending cooperation to new areas.

Every effort should therefore be made to improve relations between Community SMUs and craft industries and those of EFTA, and to promote trade and economic cooperation, in particular by relaxing administrative formalities.

The EEC must support the Council of Europe's recommendations on, in particular, SMUs and craft industries in terms of occupational training, cooperation between undertakings, harmonization of taxation and social-security arrangements, protection of declining craft trades, and preservation and renewal of the architectural and folk heritage.

The Community should also encourage contacts and sharing of experience as between European SMUs and craft industries and those of other industrialized countries and countries having recently industrialized.

2. Relations with the developing countries

As a matter of mutual interest, the European Community must play a major role in helping SMUs and craft industries to develop regardless of their legal status in the Third World countries, in particular the ACP states, so as to endow these countries with an economic and occupational structure and a social environment capable of giving an impetus to their development in terms of their real needs, and their traditions and potential.

It will also be desirable for European SMUs and craft industries to be encouraged to cooperate with comparable undertakings in the Third World, not only to promote trade between Europe and the developing countries, but also to enable the latter to develop a balanced economic and social structure. SMUs are generally more eager than multinationals to adopt forms of association not relying on control through a majority subscribed-capital shareholding.

It will be necessary, under the Lomé Convention in particular, to improve understanding of the real local needs of developing countries and to promote the growth of European international trading companies and groupings of SMU exporters. It will also clearly be necessary to ensure that these investments and technology transfers take place in a climate of real cooperation and mutual confidence, which will be essential to harmonious development. In all these areas the Commission's resources should be strengthened to enable it to play the necessary role as a coordinator and orchestrator in encouraging cooperation between European SMUs and Lomé Convention-country undertakings.

CONCLUSION

On the occasion of the Closing Conference of the European year of the SMU and craft industries, the European Parliament, the Commission and the Economic and Social Committee, together with several ministers present, affirmed their commitment to help to build the Europe of the SMU and the craft industry.

In view of the magnitude of the task, the resources and mechanisms necessary for implementing the Community action programme adopted in Strasbourg and the overall policy set out in this report should be assembled as quickly as possible.

Thus in addition to the renewal of the national and European committees of the European year, which should be secured to enable these bodies to play a vital coordinating role, the European centre for SMUs and craft industries should be enabled to take up its duties as quickly as possible.

The credibility of the Community will be judged by the SMUs and craft industries in terms of its ability to keep the commitments entered into in the course of the European year of SMUs and craft industries.

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENT

Rapporteur: Mr D. CERAVOLO

At its meeting of 29 - 30 September 1983, the Committee on Social Affairs and Employment appointed Mr D. CERAVOLO draftsman of the opinion.

At its meetings of 31 January - 1 February 1984 and 23 - 24 February 1984, the committee considered the draft opinion. At the last meeting it adopted the conclusions unanimously.

The following took part in the vote: Mr Peters, acting chairman; Mr Ceravolo, rapporteur; Mr Boyes, Ms Clwyd, Mrs Maij-Weggen, Mr Ouzounidis (deputizing for Mr Didò), Mr Patterson, Mrs Salisch and Mr Vernimmen (deputizing for Mrs Duport).

GENERAL COMMENTS

1. In the view of the Committee on Social Affairs and Employment, the most important factor in the Community's present situation is the role that the SMUs and craft industries can play in creating jobs, particularly for young people.
2. As a result of the technological revolution and the consequent reorganization of industrial sectors and the production pattern, SMUs, craft industries and cooperatives have taken on a new and crucial role in economic and social life.
3. Today, SMUs and craft industries, which occupied a marginal and auxiliary position in the production apparatus during the industrial revolution some decades ago, are increasingly becoming the key to future development.
4. Small and medium-sized businesses, once regarded as fragile and precarious, more or less a primitive and immature form of undertaking in comparison with large dominant concerns, are now displaying a dynamism very well adapted to the versatility of modern technology.
5. Whereas investments by major concerns are largely directed towards restructuring old production processes and therefore towards manpower savings, investments by SMUs and craft industries in technological innovation very often although not always or and do lead to new jobs, since they increase their production capacity and influence on the market and in general lead to growth in both qualitative and quantitative terms.
6. SMUs and craft industries have also acquired importance because of cutbacks by the major industrial concentrations which at one time provided mass employment: the iron and steel, shipbuilding, cars, textiles, chemicals etc.
7. Although it would be premature to forecast that the long-term trend will be towards permanent deindustrialization, it is undoubtedly true that in the short and medium terms there will be no major labour-intensive concerns similar to those of the past.

8. Experience in Europe and the world indicates quite clearly that they will be replaced by a wide network of small and medium-sized concerns, craft industries and cooperatives.
9. The reasons for the serious rise in unemployment in the Community, particularly amongst young people who now represent almost half the unemployed, and its qualitative and structural features are to be found in the restructuring which has led to small and medium-sized undertakings taking over the traditional employment role of the major production industries.
10. Increased unemployment is in fact caused by the different rates at which labour becomes available following the restructuring of the major industrial sectors and new jobs are created in the SMUs and craft industries as a result of the technological revolution.
11. International experience shows that 80% of jobs are created in small and very small undertakings (e.g. in the USA). So, although thousands of workers are made redundant in one large undertaking, it obviously takes a long time and is very difficult to re-employ them when hundreds of small undertakings have to be created in new more risky sectors that often require highly qualified manpower that is not yet available in sufficient numbers on the labour market.
12. The SMUs and craft industries, both private and cooperative, have thus assumed a key role not only from a point of view of production but also in employment and social terms.
13. Neither the Community nor individual Member States have become fully aware of this new role.
14. It is only recently that Community directives and the new Social Fund in particular have taken greater account, although not enough, of the need to give more direct support to the SMUs and craft industries in view of the essential role they can play in terms of employment.

15. The important changes now being made in the production apparatus both because of the technological revolution and the international division of labour, factors which act synergically, have radically changed the terms of the general employment strategy.
16. This strategy can no longer be based on major centralized investment options but must be decentralized to local level and comprise a wide range of entrepreneurial initiative.
17. If we are to reverse the unemployment trend in order to avoid serious moral, social and political tension, and if we are to reduce the transitional period between old and new systems, we must devise a strategy that recognizes the prime role of the SMUs, craft industries and cooperatives.
18. Structural investments and investments in technological innovation, vocational training and infrastructures must converge at local level in order to create the micro-economic climate for new agreements and incentives for the development of SMUs, craft industries and cooperatives, and the creation of new firms.
19. The development of data processing, telematics and robotics as well as progress in the field of biotechnology and other technologies, provide openings and needs that must be identified and fostered at local level; new public and private services, new production processes and new products, service industries, maintenance and repair services, basic and applied software etc. Small and medium-sized undertakings and craft industries can develop in response to these openings and needs if they are supported by adequate promotional structures.
20. Environmental policy too can offer the SMUs and craft industries a wide range of production and service initiatives such as:
 - the recovery and recycling of industrial and urban waste;
 - clean technologies;
 - alternative raw materials;

- energy savings;
- alternative forms of energy;
- the restoration of historical sites and related services;
- products and services derived from greater free time and recreation;
- computerization of data on environmental processes;
- preventive and environmental medicine, epidemiological research etc.

There is an almost unlimited range of possibilities connected with primary social interests based on the use of resources that can be borne by the public purse.

21. A major, well-designed and flexible programme of vocational training with a high scientific and technological bias will be required for the managers of SMUs and craft industries and the self-employed. In the new situation, vocational training must be regarded as just as important for SMUs and craft industries, as structures and promotional services are for information, technological innovation and penetration of the market.
22. Business management should be included in all training courses in order to develop the spirit of enterprise that is widespread amongst young people.
23. The fundamental economic and social role of the SMUs and private and cooperative craft industries must be acknowledged without delay and Community guidelines must take account of this as consistently as possible and from all points of view.

CONCLUSIONS

The Committee on Social Affairs and Employment calls on the Committee on Economic and Monetary Affairs to include the following points in its motion for a resolution:

1. Calls for the new and crucial social role of SMUs, craft industries and cooperatives in creating new jobs to be recognized in all Community legislation and rules as equal in importance to the role such undertakings play in the field of economic development and technological innovation;

2. Calls for this recognition to be accompanied by a corresponding increase in the appropriations available for SMUs, craft industries and cooperatives from the various Community Funds concerned with productive investments, incentives, loans at concessionary rates, research and vocational training;
3. Calls, at local level, for action to be taken by local authorities to support SMUs, craft industries and cooperatives with a view to encouraging their creation and development;
4. Considers that it is necessary for the rights of craft workers to be improved and guaranteed with regard to social security, welfare services and other social benefits.
5. Considers that, when the size of small and medium-sized undertakings is being defined, account must be taken of the differences in the sizes of small and medium-sized undertakings in the Member States.

OPINION OF THE COMMITTEE ON REGIONAL POLICY AND REGIONAL PLANNING

Draftsman: Mrs Y. FUILLET

On 19 October 1983 the Committee on Regional Policy and Regional Planning appointed Mrs Y. FUILLET draftsman of the opinion.

The committee considered the draft opinion at its meetings of 2 December 1983 and 24 February 1984 and unanimously adopted its conclusions at the latter meeting.

The following took part in the vote: Mr De Pasquale, chairman; Mrs Fullet, draftsman; Mrs Boot; Mr Cingari (deputizing for Mr Glinne); Mr Hutton; Mr Kazazis; Lord O'Hagan and Mr Pöttering.

1. Small and medium-sized undertakings (SMUs) play a vital role in the peripheral regions because they form the basis of economic activity in these areas, which are geographically remote from the Community's centres of activity.

2. The Community should, in its own interest, regard them as an essential part of the machinery for reducing inequalities between the regions; this process is a prerequisite for the balanced development of the whole Community.

3. SMUs and craft undertakings are experiencing specific difficulties in peripheral areas which arise directly from their geographical situation.

4. SMUs are located in areas which frequently have the following characteristics:

- under-developed basic infrastructure, giving rise to communications and transport problems;

- an economic environment suitable for setting up businesses, i.e. a dominant agricultural sector, a very weak industrial sector generally operating in traditional areas using old technology, and low productivity in terms of the high labour input.

5. With regard to information, they suffer from:

- additional costs in obtaining market information;
- serious difficulties in keeping pace with technological developments;
- the problem of inadequate or even non-existent vocational training;
- the problem of SMU owners' unfamiliarity with management techniques and finance and accounting skills;
- a lack of technical back-up.

6. Transport costs for goods and products are higher than in the central areas of Community activity.

7. The present regulation on the European Regional Development Fund makes no mention of SMUs. Until a few years ago there were no provisions for SMUs designed specifically to meet their needs.

8. In 1982 the ERDF quota section allocated the same volume of funds in 34 decisions to grant aid (120 million ECU) as it did in 587 further decisions, which allocated 118 million ECU (see table in Annex II of COM(83) 566 final). The national authorities preferred to propose infrastructure projects or those assisting large businesses.

Moreover, in submitting their projects the Member States have largely opted for those sectors in which there are necessarily few SMUs (the motor vehicle industry, chemical industry, mechanical engineering etc., see several annual reports, COM(81) 370 final, p. 26).

Much as the European Parliament regrets the fact, a constantly growing proportion of Fund aid is used to subsidize infrastructure projects: 70% in 1975, 87% in 1981. This unfortunate trend, which reflects the growing lack of investment in the private sector, has, of course, also affected SMUs. The job creation impact of the ERDF has likewise diminished. (In 1975 some 60,000 jobs were created, whereas in 1982 it was only some 42,000; see Table 28 in the Eighth Annual Report.) Over the same period, SMUs profited less from the Regional Fund.

9. The European Parliament, and especially its Committee on Regional Policy and Regional Planning, has been trying for years to change this trend and is calling for a greater proportion of investment in production to be financed by the ERDF. With regard to regional policy, it has taken a long time for the importance of SMUs to be recognized as a development factor in the less-favoured regions, although this is self-evident:

- the investment cost per job, and thus the level of public subsidy (in this case ERDF subsidy) is normally lower in SMUs. In 1981 it cost

an average of 80,000 ECU to create a job in a large firm, compared with 29,500 ECU in a SMU (see paragraph 61 of the Seventh Annual Report);

- jobs in SMUs in rural areas are normally more secure and less susceptible to crisis. Studies have shown that in periods of economic crisis SMUs, in particular, are able to create more employment, or at least safeguard existing jobs. SMUs form the basis of the industrial fabric in structurally weak rural areas.

10. In 1980, by accepting the Commission's proposals for specific development projects covered by the ERDF non-quota section, the Council enabled programmes to promote SMUs and craft industries (Regulation EEC 2615/80) to be introduced for some Community regions (the Mezzogiorno and French regions bordering Spain). Aid was also provided under Regulations EEC 2616/80, 2617/80 and 2619/80 to promote SMUs in certain regions in the United Kingdom and Belgium. The ERDF can therefore provide SMUs and craft industries with a whole range of facilities and services enabling them to increase their efficiency, such as the following:

- aid for the preparation of analyses to give SMUs information on the potential of national, Community and export markets;

- aid to improve the management and organization of SMUs and encourage the formation or development of consultancy companies or bodies in these fields;

- aid for investment in SMUs in the form of interest subsidies or rebates;

- aid to encourage SMUs to join forces to establish or develop joint services;

- aid for the organization of information seminars to enable SMU owners and managers to keep abreast of changes in production processes;

- aid to organizations responsible for gathering information about new products and new technology and distributing this to businesses;

- encouragement for innovation as regards products and production processes by means of aid for carrying out feasibility studies;

- improved access for SMUs to risk capital through the financing of risk studies;

- for craftsmen (apart from the above) aid for improving their technical and economic knowledge and mastery of the technologies of their craft and for marketing their products.

11. In its second series of proposals for the non-quota section (COM(82) 658 final), the Commission extended some of the measures on behalf of SMUs to cover the areas affected by the restructuring of the steel industry and of the textile and clothing industry. It supplemented its previous provisions with aid for the establishment of advisory officers, who would be responsible both for informing businessmen in the field about the availability of national and Community aid and public services and for providing any technical assistance required by SMU owners with applications for such aid.

12. In the proposals concerning the Integrated Mediterranean Programmes, more than 1,000 million ECU are earmarked to promote SMUs and craft industries in the Mediterranean regions, through measures similar to those described above.

13. In the DE PASQUALE report the European Parliament called for:

- the creation of special aid for SMUs, in particular in the form of subsidies for consultancy services (market analyses, feasibility standards, business management, access to the capital market, starting-up aid, development of tourism);

- an increasing share of Fund aid to be made available to SMUs.

14. Apart from the non-quota and IMP measures mentioned above, the Commission also took account of some of these demands in its proposal for amending the Fund Regulation (COM(81) 589 final, Article 16) in the context of the measures to develop indigenous potential.

15. The Commission, however, failed to endorse the European Parliament's demands of 22 April 1982 (OJ No. C 125, 17.5.1982, p. 100, Art. 16) for the financing of holding companies by the Fund and the opening of credit lines for SMUs at local banks, etc.

16. The same applies to the proposal made by the European Parliament in connection with the amended Fund Regulation for the financing of technology transfers by means of a patent bank for SMUs.

17. The contribution made by SMUs to the development of the less-favoured regions, and hence to a reduction in regional imbalances, is beginning to be acknowledged in Community policies and legislation, but it is not yet effective and exploited in operational terms.

The European Parliament and its Committee on Regional Policy and Regional Planning have therefore formulated the following demands to strengthen the role of SMUs in the development of poorer regions:

Under the new amended ERDF regulation:

- a greater proportion of Fund aid should be allocated to SMUs in the industrial, craft and services sector;

- the Fund should be able to contribute up to 65% (until now generally only 50% (see Article 4(2)a of the Fund Regulation)) of the aid to SMUs granted by public authorities for any given project;

- SMUs in poorer regions should receive more funds to make use of services to help them increase and improve their operations and give them access to new technologies (market research, consultancy, retraining, promotion of tourism etc.);

- access of SMUs in poorer regions to the capital market should be improved.

18. Through its regional policy the Community must endeavour, by extending the integrated development programmes, to establish infrastructures so as to create a regional environment which is more suitable for setting up businesses.

19. Several measures can be used for this purpose, including:

- publicity for national and Community measures. This publicity must be active, i.e. must aim at developing advisory services responsible for encouraging SMU owners to use the aid and services available to modernize and develop their operations;

- the development of information services on public contracts, sub-contracting, foreign trade;

- the development of vocational training;

- decentralized siting of development agencies;

- encouragement for savings in the less-favoured regions to be channelled towards local operations, as existing capital in these areas generally flows towards the central areas of activity;

- opening up markets to SMUs in peripheral areas through reciprocal recognition of standards by the Member States or adoption of a directly-applicable Community standard where possible.

20. A new amended Fund Regulation which takes account, inter alia, of the special situation of SMUs in the less-favoured regions has every chance of being adopted by the European Parliament.

OPINION OF THE COMMITTEE ON YOUTH, CULTURE, EDUCATION, INFORMATION AND SPORT

Draftsman: Mrs M.-J. PRUVOT

The European Committee of Patronage for 1983, European Year of Small and Medium-Sized Undertakings has requested the parliamentary committees to draw up working documents on the aspects of the SMUs and craft industries falling within their terms of reference.

Following a request from the President of the European Parliament, by letter of 29 June 1983, the Committee on Youth, Culture, Education, Information and Sport, at its meeting of 21 and 22 September 1983, asked Mrs PRUVOT to draw up a working document on SMUs in the socio-cultural sector for the European Committee of Patronage.

This document was considered by the Committee on Youth, Culture, Education, Information and Sport at its meetings of 1 and 2 December 1983 and 25 and 26 January 1984. At the last meeting, the committee adopted it unanimously with one abstention as an opinion for the Committee on Economic and Monetary Affairs.

The following took part in the vote: Mr BEUMER, chairman; Mr HAHN, vice-chairman; Mr ALEXIADIS, Mr ARFE', Mr BØGH, Mr BORD (deputizing for Mr GERONIMI), Mr ESTGEN (deputizing for Mr BROK), Mrs GAIOTTI DE BIASE, Mr GEROKOSTOPOULOS and Mrs VIEHOFF.

OPINION

It is extremely difficult to define the concept, and hence the role, of small and medium-sized undertakings in the socio-cultural sector. Firstly, the very concept of socio-cultural activities cannot be confined within strict limits which meet objective criteria and are easy to determine. Secondly, what might be referred to as SMUs in the socio-cultural sector cover a wide range of activities including theatre groups, circuses, small printers and craftsmen.

One might ask how it is possible to lump together under the same label the small bookseller, a firm restoring historic monuments or a home bakery? However, French bread, chateaux and books all go to make up French culture and all play a vital role in establishing social relations.

A further problem is how to measure in economic terms activities whose objectives and *raison d'être* are not determined solely by economic criteria. Indeed, even if such undertakings form part of the economy in that they are marketing goods or services, they have repercussions that go far beyond the field of economic exchanges and help to treat the social and cultural fabric which makes up the individual cultures of each country in the Community.

A somewhat arbitrary distinction can be drawn between two types of SMUs which play different but equally important roles in society. The first type, which has an eminently social role since it provides the basis for human relations at local level in any small town or village, would be composed of small shopkeepers and craftsmen and all the small trades on which daily life depends. The second type, which plays a more direct cultural role, would cover the world of entertainment, art and culture in general.

The wide variety of such SMUs makes it difficult to generalize or to provide any detailed analysis in a working document such as this. However, although the positions of such SMUs are undoubtedly different, they do have a number of points in common.

As a rule, undertakings are classified as SMUs if they employ from 1 to 500 workers. One would not go too far wrong in saying that in the sector concerned here the number of employees per undertaking is closer to 1 than to 500.

Furthermore, whatever field they are in, SMUs in the socio-cultural sector have been very seriously affected by the economic recession, which has resulted in a fall in their earnings and many going into liquidation.

All of them are experiencing financing difficulties in view of the high risk associated with investments in such a sector.

Finally, the main problems that will be considered later in this working document include training, technological innovation and competition from large undertakings in the same sector.

Nonetheless, SMUs in the socio-cultural sector have a number of assets that are particularly valuable in a period of recession. The flexibility of their structure means that they can adapt more easily to the current economic upheavals. They can also play an important role in job creation and are themselves a source of creativity. Nonetheless if these small and medium-sized undertakings are to fulfil their special social and cultural role, they must be economically viable, dynamic and imaginative to meet the new needs of society and adjust to changing life styles and new conditions of production and distribution.

I - The role of the SMUs in society

First of all it is necessary to recall the social and cultural role of the SMUs, whatever their purpose. Commercial and craft enterprises play an important role in maintaining the social fabric: bringing life to the towns, serving the rural population, maintaining cultural traditions and social relations on a human scale. Not only do small commercial and craft enterprises make life easier for individuals in an often confusing and hectic world but they also give life to a region, trade or district. Indeed, we are now seeing attempts to recreate artificially groups of small shops or craft workshops in the centre of towns which, as a result of property speculation, have lost the life and bustle that they once had. Similarly, as a result of the rural exodus, a number of villages have died with the disappearance of the last baker or the last pub. Small shops and craft workshops fulfil a social and at the same time a cultural role which cannot be replaced by the supermarket where everything one needs can certainly be found more cheaply than at a corner shop. The Saturday morning market is not only an opportunity for exchanging products but also for establishing social relations and maintaining the life of the village.

This role of maintaining the vital social fabric must be supported, strengthened and fostered to ensure that shopkeepers and craftsmen do not lose heart in the face of the economic recession which has hit them particularly hard and to prevent small businesses or craft undertakings concentrating on marginal activities, without any future, which will attract only the drop-outs of society.

SMUs have a social but also a cultural role. Although it did not take long for television to become the family's principal source of entertainment, there are now signs of a return to more sociable pursuits, through either sport or cultural activities. Now is not the time to disparage the lack of artistic merit of a particular orchestra or local theatre group but rather to encourage them to improve by giving them the wherewithal to do so. If we want to raise the cultural and intellectual level of an entire population, we must support the efforts of those working at local level. In addition, the higher the cultural level, the greater the insistence on high standards of culture, the more so in view of what is ultimately a recent development, free time and leisure. In this context there has also been a revival of interest in local cultures and traditions and old crafts that are threatened with extinction despite their cultural value and if all this is not to disappear or become a folklore divorced from the realities of everyday life, it is vital to encourage the most brilliant and able members of our society that are attracted by these forms of socio-cultural activities.

The development of social relations and cultural activities of this type requires a framework of small units that are in touch with the local population, have flexible structures and are adapted to the needs of customers and consumers as well as to the realities of social and economic life. Finding the right balance is especially difficult for those starting up in this field but is, in our view, vital if we are to preserve, enrich and widen our cultures and individual identities. If we are agreed that Europe is enriched by the diversity of its cultures, it is essential that these should not be allowed to die.

II - Handicaps of SMUs in the socio-cultural sector

SMUs in the socio-cultural sector face the same difficulties as all other SMUs as a result of the economic recession as well as problems inherent in their very nature; art and culture cannot be subjected to economic criteria alone.

(1) Economic problems

The SMUs in the socio-cultural sector have borne the full brunt of the economic recession. Any reduction in purchasing power is almost inevitably reflected first in a fall in demand for what are often regarded as luxuries. The small bookseller will see his sales of hardbacks fall in favour of paperbacks, fewer children will be having rides on the roundabouts and their parents will wait for better days before ordering the hand-made wrought-iron gates they have planned for their garden.

Problems also arise in the form of competition from large firms in the same sector. Competition from television has already been mentioned but, apart from this sociological phenomenon, competition is becoming keener at other levels. For example, large stores can sell books at unbeatable prices. The multi-national film distributors are annihilating the small independent producers and distributors, sometimes at the expense of artistic merit. Large building contractors producing houses for immediate occupation are destroying the livelihoods of those building houses to individual specifications or restoring old properties. Are we to stand by helpless at the victory of those who often attach more importance to the packaging than the product but who happen to be better able to weather economic storms? We must ask ourselves whether it is possible to limit the negative effects of the mergers that have become an economic necessity and to protect creativity.

A minimum degree of financing is required to set up an SMU in the socio-cultural sector. However, investment in this sector is recognized as having a low return and a high risk. The banks are often hesitant to invest in a firm when the commercial value of its product is far from being guaranteed. A record produced by a brilliant but unknown singer has less chance of being a hit than a record by an established star. An avant-garde piece of furniture with a futurist look is obviously less marketable on a large scale than mass-produced knockdown furniture that will fit in anywhere. It is tempting to leave financial support for such activities, which are often highly innovative and vital for our future, in the hands of patrons, but these are becoming increasingly difficult to find, and there may be an opportunity here for certain undertakings or banks to use the 1% which, in certain countries, is tax free if it is devoted to culture. What is the best way of ensuring that SMUs in the cultural sector enjoy reasonable financing while taking into account the financial demands of investors and the taxman?

Finally, any SMU in the socio-cultural sector which is successful will one day be confronted with the problems of expansion. Unless it is a non-profit-making association, a category with which we are not concerned here, an SMU must, in the present economic system, make a profit, grow and expand otherwise it will disappear. If a small or medium-sized undertaking develops according to the rules of economics and becomes a large undertaking, it may be successful in strictly economic terms but it will inevitably lose the qualities emphasized above and hence its *raison d'être* in cultural terms.

(2) Cumbersome administrative and tax formalities

As the economic recession has taken a hold and with the closure of large firms and the decline of entire sections of the industrial base, the Member States of the Community have tried to encourage the creation and expansion of small and medium-sized undertakings which appear to be more flexible and thus better able to adjust to the constant changes in the economic fabric and which, if they increase in number, will create jobs.

While this analysis is attractive and theoretically correct, in practice it runs into all sorts of difficulties, namely those facing the SMUs, particularly in the socio-cultural sector. In an attempt to control this particularly volatile sector, the public authorities in each Member State have introduced strict regulations: registration formalities or entry in the Trade Register, strict rules on accounting and tax, recruitment, dismissals and the amount of social security contributions.

The intention here is not to cast doubt on the validity of most of this legislation. Entry in the Trade Register is indeed a method of checking up on whether an SMU actually exists and thus protecting the interests of customers and consumers, the same goes for the insistence on satisfactory accounts or the rules on employment. The fact that an undertaking is successful does not justify intolerable conditions for its employees: excessively long working hours, deplorable working conditions, salaries below subsistence level, as still existed in Europe up until only a short time ago. Indeed it is questionable whether such practices have disappeared entirely.

Nonetheless, it is impossible to overlook the fact that too much red tape discourages a sense of initiative, that heavy social security contributions are an obstacle to recruitment and that the tax burden too often leads to

illegal methods such as moonlighting, a social evil which is rightly condemned but which anyone will use or be prepared to use if it brings down the cost of the service or product obtained or lightens the tax or wage burden.

Finally it should be remembered that socio-cultural activities, most of which are in the tertiary sector, mainly rely on human effort which cannot be totally replaced by technologies, even the most advanced. Small restaurants cannot do without good chefs or theatre groups without actors, etc.

(3) Training

The SMUs are experiencing staffing problems, mainly with regard to training. In the past, in many small businesses or workshops the skills were passed down from father to son. The son of the craftsman learned his trade from his father and then took over at the head of the firm after his death. The work itself was done by apprentices who, after being more or less trained by the master craftsman, one day went on to open their own small shop or business. However, this pattern is tending to disappear. With the breakdown of social structures, sons do not always want to take up their fathers' craft. Compulsory schooling almost everywhere has reduced the number of young people likely to go into apprenticeships and the traditional school curriculum hardly prepares young people to go into fields which are often lacking in prestige, demanding in terms of the work itself and ultimately not very lucrative. The willingness to start working in a craft industry, small business or cultural activity depends on a love of the work, an enjoyment of risk and lack of routine, not counting a flair for public relations and business acumen as well as craftsmanship itself.

The many difficulties outlined above mean that a coherent policy for encouraging craft industries and activities in the socio-cultural sector depends on measures being taken as soon as possible to promote such activities.

III - Measures in favour of SMUs in the socio-cultural sector

The possible measures come in a wide variety of shapes and forms which complement each other. Some have already been taken by a number of Member States and these efforts should be pursued and encouraged. Further measures should be taken at Community level since in this sector as in others success depends on fostering exchanges and refusing to take refuge behind safe national frontiers.

(1) Incentives at national level

The first step is that each Member State must arrive at a clear definition of small and medium-sized undertakings, more specifically in the socio-cultural sector. 'Cultural industries' is a label that still often shocks our far too abstract conception of art. If we want an Art that is dynamic we must have something that can be produced, publicized, exchanged and therefore sold. The SMUs in the cultural sector must therefore flourish and expand. It is not only necessary to help them directly but also to create a general environment in which they will flourish.

In the area of legislation, a number of Member States have introduced sometimes limited measures to protect specific sectors that are particularly important as vehicles of cultural values. Thus when fixing book prices, efforts have been made to protect the production of high quality books and their distribution through small booksellers whose social and cultural importance is evident. However, measures of this kind, which are to some extent defensive, cannot be effective unless they are part of a broader programme establishing a real cultural policy. Thus, recognition might usefully be given to the special legal status of undertakings whose objectives go beyond those of commerce and industry in general, where this is not already the case.

On a financial level, a special effort should be made to publicize the methods of financing that are available but which it is difficult for individuals to find out about. These sources of funds are often rather inflexible and difficult to obtain and thus very time-consuming and discouraging for the applicant. A major effort could therefore be made to simplify the ins and outs of bureaucratic formalities.

As financial institutions are not usually overkeen to become involved in high-risk investment operations, there is a call for public funds to finance guarantee systems for loans and investment credits for structural modernization, to promote distribution and to encourage creativity and innovation.

Finally, the Member States should adopt an imaginative approach to reducing the tax burden or at least easing the various types of administrative formalities and restrictions.

The task of managing any business, whatever its size, has changed considerably. In the present era of data-processing, the small craftsman can no longer cope with accounting and management problems simply by using his school exercise book. This is not to say that, despite the development of mini-computers, he can invest in a set of hardware which would in any case require detailed technical knowledge.

Thus, without encroaching on the preserve of accountants and other management experts, legal and fiscal advisory centres should be set up with special knowledge of the problems specific to SMUs in the socio-cultural sector.

Finally, measures designed to bring results in the long term should be taken in the area of training. Firstly, the schools should foster a spirit of enterprise by presenting a favourable image of industry. In a more direct way, schools could set up streams geared more specifically to craft industries. There is a need to improve the image and professional qualifications of trades which are no longer held in high esteem by the public.

(2) Measures at Community level

While the measures outlined above should be taken and implemented by the Member States, further measures could be taken at Community level to encourage the creation of SMUs and to enable products and creations reflecting a particular culture to reach a wider audience. Such measures would therefore indirectly promote a better knowledge of the cultures and peoples that go to make up Europe and would therefore play a part in creating a European identity.

First of all the Community bodies, in conjunction with government experts, must draw up an exact Community definition of craft industries and SMUs in the socio-cultural sector. It is also desirable that comprehensive harmonized Community statistics should be published at regular intervals on this sector, which it is especially difficult to define.

In the context of the freedom of movement provided for under the Treaties, taxes on craft products or works of art, and VAT in particular, should be harmonized as soon as possible. The Council of Ministers can only be urged

to adopt the proposals on these lines submitted to it by the Commission in May 1979. Similarly, Parliament cannot but support the proposal for a Council regulation, submitted by the Commission, introducing arrangements for movement within the Community of goods sent from one Member State for temporary use in one or more other Member States (COM(81) 378 final). This applies particularly to goods for exhibition, printed material or films and other items of a professional nature, in particular those required by performers, theatrical companies and orchestras.

In the area of financing, small and medium-sized craft businesses should be included both as a group and individually among the beneficiaries of projects covered by the New Community Instrument. Similarly, they should have easier access to credit and investments, particularly through the Community Funds and the European Investment Bank.

Finally, emphasis should be placed on the positive role played by craft fairs or art exhibitions which are attracting increasing interest among the people of Europe. It might be possible to organize a fair for the exhibition and sale of European crafts, under the auspices of the Community, along the lines of the Frankfurt book fair.

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It is important not to underestimate the contribution to social and cultural life made by small and medium-sized undertakings in the socio-cultural sector. They are currently going through a difficult period as a result of the changing life style in Europe and the economic recession. However, in our view, they will continue to be one of the fundamental elements of a flourishing European culture, provided that they are given the means to survive and that they are able to adapt in their own way to the changing patterns of production, distribution and marketing brought about by the advent of advanced technologies.

OPINION OF THE COMMITTEE OF INQUIRY INTO THE SITUATION OF WOMEN IN EUROPE

Draftsman: Mrs S. MARTIN

The European sponsorship committee of 1983, the European Year of SMUs, asked the parliamentary committees to draw up working documents on those aspects of SMUs and the craft industries which fall within their terms of reference (PE 83.489).

At its meeting of 14 and 15 March 1983, the Committee of Inquiry, bearing in mind its inquiry into the problems encountered by self-employed women, particularly in agriculture, trade and crafts (PE 82.000), instructed Mrs Simone MARTIN to draw up a working document on the situation of women in SMUs.

It considered this working document at its meetings of 21 and 22 June 1983, 21 and 22 September and 17 and 18 October 1983; Mr DELEAU, chairman of the European sponsorship committee of 1983, the European Year of the SMUs, attended the last meeting.

It unanimously adopted the document at the meeting of 17 and 18 October 1983.

The following took part in the vote:

Mrs CINCIARI-RODANO (chairman), Dame Shelagh ROBERTS (vice-chairman), Mrs MARTIN (rapporteur), Mr ENRIGHT (deputizing for Mrs VAYSSADE), Mrs GAIOTTI de BIASE, Miss HOOPER, Mrs PANTAZI (deputizing for Mrs van den HEUVEL), Mrs SPAAK and Mrs WIECZOREK-ZEUL.

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The Committee of Inquiry was asked for its opinion on Community policy in favour of small and medium-sized undertakings by the Committee on Economic and Monetary Affairs and decided unanimously at its meeting of 16 January 1984 to submit the working document as its opinion.

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A. OPINION in the form of RECOMMENDATIONS

The Committee of Inquiry into the Situation of Women in Europe hereby submits to the Committee on Economic and Monetary Affairs the following recommendations, the purpose of which is to procure recognition, as part of a Community policy in favour of SMUs and craft industries, for the importance of the role played therein by women.

1) Recognition of occupational rights

- Notes that in some Member States, SMUs whose number of employees is below a given threshold are exempted by statutory provisions or trade union agreements from certain obligations, e.g. the obligation to recruit staff through the official employment offices or to dismiss employees only where there are sound reasons for doing so. Although such legislation is justified by the need to help the SMUs to survive, its existence requires that the application to women employed by SMUs of the Community directives on equal pay and equal treatment should be monitored with particular care;
- Calls urgently for the abolition of all laws, regulations and administrative or occupational provisions which conflict with the principle of equality or directly or indirectly impede its application to women working in SMUs; calls on the Commission, therefore, to draw up a special directive defining the family undertaking as a particular type of small and medium-sized undertaking in which a couple and members of their family work, without regard to the ownership of the means of production, so as to safeguard for women members of the family (wives, daughters, sisters, etc.) working in the undertaking the same rights as regards legal and financial participation as the husband or father, particularly in relation to recognition of the personal right to social security of women working with their husbands;
- Requests that support should be given to the creation of SMUs, including those run on cooperative lines, organized by women (in the craft sector, publishing and the service sector, etc.); reiterates the request made in the Resolution of 11 February 1981 that derived rights in the social security field should be regarded only as a transitional provision and that such rights should be accorded to both men and women;

2) Vocational training

- Repeats the request made in the resolution of 11 February 1981 concerning training in order to acquire professional skills for women working in family businesses and calls for this training to be extended to all women working in small undertakings;
- Stresses the importance for women to be aware of the value of their participation in the undertaking and of the need for adequate professional training and recommends in this connection the organization of adequate information campaigns and the award of training grants for basic training and the provision of facilities (replacement services or compensatory allowance) enabling women to take time off to undergo basic training or to follow a course of continuous education;
- Calls on the Commission and the Council to open a budget heading under the European Social Fund and the EAGGF for vocational training, retraining and further education schemes for women employed or seeking employment in small and medium-sized undertakings or the craft industries.

B. EXPLANATORY STATEMENT

I. INTRODUCTION

1. The importance of the position of small and medium-sized undertakings and the craft industry in European industry is acknowledged: a whole chapter of the resolution on the employment situation in the European Community adopted by the European Parliament on 28 April 1983 is devoted to it.

This chapter refers not only to the importance of small and medium-sized undertakings at present but also to the means to be used to exploit the potential of these undertakings so as to create employment.

2. The position of small and medium-sized undertakings had already been defined by the President-in-Office of the Council who stated as follows in his speech of 11 January 1983:

'Of all of European undertakings, 95% are small and medium-sized undertakings; 30 million people, more than half the total workforce, are employed in them. Small and medium-sized undertakings train more than 60% of our young people'.

3. In a report of January 1980 the Commission of the European Communities stated that no harmonized statistical data were available at Community level on small and medium-sized undertakings and craft trades.

None of the Community countries has a legal definition of small and medium-sized undertakings. Each country defines them on the basis of criteria which vary according to the policy or programme in force at the time. Official definitions of craft industries exist only in Germany, Belgium, France and Italy. The Commission has no official definition of either SMUs or craft industries.

4. In view of the lack of statistics and precise definitions, it is common practice to base studies on 500 employees as the dividing line between an SMU and a large undertaking. However, undertakings which employ less than 500 people account for more than 95% of the total number of undertakings in Europe.

SMUs as a percentage of the total number of undertakings

Country	Year	Manufac. industry %	Construc- tion %	Energy & water
F.R. Germany	1970	99.4	98.3	96.3
Belgium	1970	99.5	99.2	82.5
Denmark	1973	98.6 *	99.6	(*)
France **	1976	98.6	-	96.1
Greece	1973	99.9	-	-
Ireland ***	1968	98.3	-	(*)
Italy	1971	99.9	99.4	99
G.D. Luxembourg	1973	99	97.6	100
Netherlands	1973	99.3	98.3	(*)
United Kingdom	1972	97.5	98	

Notes:

- * included in manufacturing industry
- ** undertakings with 6 to 500 employees
- *** undertakings with 3 to 500 employees

Source: Commission of the EC

It is immediately obvious that this kind of definition would not reflect the actual situation in all the Community countries - in Ireland and Luxembourg, for example, virtually all undertakings have less than 200 employees.

5. The general nature of these figures conceals the variety of SMUs and the fact that they are leaders in certain economic sectors. This applies, for example, to the manufacture of certain metal products, plastics, the agro-foodstuffs industries, textiles, etc. not to mention the vital sector of services and trade (for which few statistics are available).

6. The European Parliament made explicit reference to the extent of the problems caused by the lack of statistics in a resolution adopted on 9 June 1983 (OJ No. C 184 of 11 July 1983) in which it 'proposes that complete and uniform statistics at Community level be compiled on the retail trade and craft undertakings, which are at present impossible to draw up'.

7. Whilst no precise comparative information is available on small and medium-sized undertakings and craft trades in the countries of the European Community, there is no information at all on the situation of women in these undertakings.

II. WOMEN WORKING IN SMUs

A. Salaried women

1. We have seen that the majority of European undertakings are SMUs. It therefore follows that most working women are employed in this type of undertaking. They are thus protected by all labour legislation, both national and Community, and experience the usual problems facing women on the labour market. As salaried women, women working in SMUs have the same status as all other working women.

2. Particular problems may arise in very small undertakings where the level of trade union activity is often very low. Under these circumstances, women may suffer as a result of the non-implementation of conventions. In Belgium, for example, workers who accept rates of pay below the statutory rates are not entitled to unemployment benefits.

3. The problems to which we are referring here are very general and arise in such a broad social context that it would be difficult for us to deal with them in the scope of this study.

B. Women in the professions

1. A woman engaged in one of the qualified professions works under the same conditions as her male colleagues. Her problems are directly related to her professional activity or to society in general. Specific problems may arise in the case of a women who assists her husband in one of the professions.
2. There are enormous gaps in national legislation in the Member States as regards social cover for independent workers (this aspect was examined in detail in chapter III, Social status, of my report on the problems encountered by self-employed women, PE 82.000/fin.). This is the legislation which governs the situation of the wives of doctors, lawyers etc. These women who fulfil the roles of receptionist, secretary and accountant have no individual status for their work.
3. The fiscal legislation in some Member States, which places a particularly heavy burden on the self-employed, usually discourages the spouse from seeking gainful employment.
4. We would need more substantial means and more time to evaluate the problems facing these categories of workers and to propose solutions. Unfortunately, this is impossible in the scope of this study.

C. Spouses working in family businesses

1. The most important aspect of this study on the situation of women in SMUs is the position of spouses working in family businesses which, in most cases, means the wife. Whilst it is true that salaried women in SMUs are protected by labour legislation, the legal position of the spouse working in a family business in our Member States is much less clear. In small family businesses, the title of head of an undertaking is often given solely to men, with all the legal consequences that this implies. Similarly, the pay of spouses working in family businesses cannot, in general, be deducted from the taxable income of the head of the undertaking beyond a certain level which means, in practice, that salaries are kept

below this level. This ceiling means that salaries are lower than those paid to an employee doing the same work in the same undertaking. The social cover of spouses working in family businesses suffers from the fact that the status of their participation in the undertaking is not recognized¹.

The national legislation adopted by the Member States in accordance with European directives on equal pay and equal treatment allows for too many exceptions. The Employment Equality Act 1977 in Ireland does not apply to employment by a close relative; the Sex Discrimination Act in the United Kingdom does not apply when the number of employees is less than five. These exceptions prove the rule in many small undertakings with few employees and the situation of the spouse working in a family business suffers as a result.

2. The European centre for the Development of Vocational Training (CEDEFOP) has just brought out a study entitled 'Qualifications and educational needs of co-working spouses of owners of small and medium-sized enterprises'. This study is based on documents (where they existed) and interviews covering five Community countries, Belgium, Denmark, Germany, France and Italy.

3. The main findings of the study show that:

- spouses working in family businesses play a large part in the running of the undertakings;
- the working hours of the spouse vary according to the activity in which the undertaking is engaged but the average working week is estimated at 34 hours (in undertakings involving retail activities, this average is appreciably higher).

¹This brief outline of the social situation of the spouse working in a family business is examined in greater detail in my report on the problems encountered by self-employed women (PE 82.000/fin.)

4. As regards the level of participation of spouses working in family businesses, this study shows that:

- the work performed by spouses working in family businesses covers many different tasks within the undertaking and includes, normally, the day-to-day administrative work;¹
- there is a link between the number of hours worked by the wife and the size of the undertaking: work hours are longer in undertakings with up to 9 employees; above 9, they decrease, probably because a clerk or secretary can be employed;
- a link can be established between the fields of activity of the wife and the profits of the undertaking; the wife performs more complex tasks in undertakings with large profits than in undertakings with small profits.

5. It seems quite obvious (this is also shown by the study) that the tasks performed by the wife depend on her education and qualifications: the quality of the wife's work depends on her knowledge and educational background. A link has been found between the wife's contribution and the undertaking's profits: there is a tendency towards larger profits proportional to the relevance of the wife's educational background for the undertaking.

6. In most cases the wives' level of education is low since they generally come from backgrounds different from that of the undertaking in which they are required to participate. They therefore have no training relevant to their work in the undertaking.

¹ NB. This study does not cover the situation relating to spouses working in family businesses in the agricultural sector.

7. In certain countries there are training opportunities (chiefly for administrative functions) which are specially aimed at spouses working in family businesses. There are no data to show to what extent spouses working in family businesses take up these training opportunities but the representatives of this occupational group believe that wives do not take sufficient advantage of them.

III. TRAINING OF SPOUSES WORKING IN FAMILY BUSINESSES

1. This brief sketch of the situation of spouses working in family businesses (most often the wife) shows clearly the importance of appropriate training. It is not enough to provide this training. Those for whom it is intended must, in addition, be given the opportunity to take advantage of it.

2. An examination of the reasons why spouses working in family businesses do not try to obtain appropriate training brings to light the following obstacles: lack of time, distance to the place at which the course is held, the cost and content of the course and the attitude of the wives themselves.

3. It is clear that lack of time is a major obstacle in view of the number of hours worked by these wives in the undertaking. They have family commitments in addition which, in most cases, are the wife's responsibility.

4. The problems of lack of time, distance to the place at which the course is held, time and type of course could all be solved by residential courses. This solution raises the basic problem of whether the wife can free herself from both her professional and family commitments .

In order to enable the spouse to take time off to follow a useful and relevant training course, be it an introductory or further education course, we must provide adequate services to compensate for the wife's absence and/or loss of earnings during her absence. This could be done by means of replacement services; in this case the replacement worker(s) should be able to perform household duties. In commerce and the craft industries, however, it would be a better idea to introduce a compensation allowance in the event of the spouse's absence.

5. As for the contents of courses, which some women find are not relevant to their practical working life, the problem would be easily solved (as experience has shown) by the participation of the women themselves in the preparation of the syllabus.

6. The question of the cost of courses produces different reactions. In general people feel that if the course is really useful the cost is not a major obstacle. The CEDEFOP study does not mention an aspect which is of concern to your rapporteur, the fact that sometimes the taxation system is an obstacle to access to training in that a spouse's training expenses are often not deductible from the undertaking's taxable income whereas comparable expenditure in respect of other workers in the undertaking would be. This represents flagrant discrimination on the basis of marital status contrary to the spirit and the letter of Community directives on equal treatment since a 'right' to training which does not provide for the means of achieving it is not a right at all.

7. As for the attitudes of the persons concerned, the CEDEFOP study shows that many husbands encourage their wives to take part in the training courses. On the other hand, wives working in family businesses are too often unaware of their importance for sound management of the undertaking. To counter this negative attitude some professional bodies dealing with spouses working in family businesses suggest that the European Community should organize an information campaign in the mass media.

8. Of the various obstacles to training which have been mentioned the most important seem to be lack of time and the attitude of spouses working in the family business. If the latter can be made aware of the importance of their part in the undertaking and if they are then given the means to take such training courses (replacement services and facilities for financing courses, etc.) the other problems are unimportant.

IV. THE SITUATION OF SPOUSES WORKING IN FAMILY BUSINESSES

1. The legal and social situation of spouses working in family businesses is described in detail in the report on the inquiry into self-employed women (PE 82.000) drawn up by your rapporteur.

2. The chief features of this situation are as follows: the situation of spouses working in family businesses (wives) generally displays the following features:

- no professional status;
- no income on their own account (and thus very often no personal social security rights);
- a double work load (professional and family).

In addition, the lack of professional status and rights of their own may give rise to serious problems where the head of the undertaking dies prematurely or there is a divorce.

3. The need to recognize the professional status of spouses working in family businesses.

For her part, your rapporteur can only repeat the solution advocated by the CEDEFOP: the human and economic potential of spouses working in a family business in small production units must be developed.

4. The various occupational organizations should organize information campaigns which would make spouses working in family businesses aware of their professional role and of their economic importance to the undertaking.

5. We must go further than this and actively encourage people to improve their education; we must also ensure that successful completion of an appropriate training course will lead to the recognition of that worker as a full member of the undertaking.

Spouses working in family businesses who come from backgrounds quite different from that of the undertaking need basic training. This training should be financed jointly by the national authorities and Community authorities (training grant) - the professional qualification achieved during this training and the award of a diploma certifying the level attained would result in recognition of the equality of the participation of husband and wife in the undertaking.

Basic training and professional qualifications would compel politicians to acknowledge the need to give spouses working in family businesses full and genuine equality, since rejection of their demand for equality could then no longer be justified by formal considerations relating to lack of training. If the recognition of spouses working in family businesses is linked to this kind of training, the concept of spouses working in family businesses will no longer be associated with that of unskilled labour.

Paragraph 43 of the resolution of 11 February 1981 (OJ No. C 50 of 9 March 1981) called for 'the right to training and education in the specific aspects of the business concerned in order to acquire the necessary professional skills' to be granted in the context of a new European statute for non-salaried women in family businesses. All spouses working in SMUs as family businesses must have access to this kind of training.

As a result of this vocational training, it will be possible for society to change its opinion of spouses working in family businesses. Thus, if the undertaking ceases to operate or if the marriage is dissolved the wife's situation on the labour market will be better.

6. It is conceivable that this basic training might give entitlement to certain advantages as regards continuing education, for example a number of subsidized replacement days, so as to facilitate access to this training.

7. The essential factor is encouragement - spouses working in family businesses must become aware of the value of their participation in the undertaking and this participation, subject to appropriate basic training, entitles them to professional status and personal social security rights. For this purpose the following are suggested:

- a basic training grant;
- facilities for continuing education.

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V. CONCLUSIONS

1. Like all workers, salaried women working in SMUs and those engaged in the professions are covered by the provisions of labour legislation. The situation is much less clear as regards the situation of women working in SMUs which are also family businesses.

2. Spouses working in small and medium-sized family undertakings and family craft industries contribute to production and thus to the undertaking's profits; this contribution varies according to their training.

3. If it is true that small and medium-sized undertakings represent the future of European industry because of their adaptability and capacity to create jobs (which nobody doubts), society must recognize the contribution of spouses working in family businesses to the work of the undertaking (provided they have received adequate professional training). In this way, spouses working in family businesses, in most cases the wife, will become aware of their role in the undertaking and thus in society.

