



# SMEs in the crisis: Employment, industrial relations and local partnership

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This report is available in electronic format only.

*This report examines the situation of small and medium-sized enterprises (SMEs), the actions of governments and the social partners, the extent of social dialogue in SMEs, including any trends and new initiatives, and the role of local partnership as a means of maintaining employment levels during the recent economic crisis. More specifically, it examines the impact of the crisis on SMEs. It looks at a range of government initiatives aimed at helping SMEs to survive the crisis, in addition to the main social partner actions to help SMEs.*

## **Introduction**

Recognising the special situation that SMEs face, the European Union adopted a ‘Small Business Act’ (SBA) for Europe in 2008. This is an ambitious package of policies designed to put SMEs’ interests at the centre of decision-making. At the height of the economic and financial crisis the SBA implementation in the first year focused on the following priorities:

- reducing the administrative burden for SMEs;
- access to finance;
- access to markets;
- promoting entrepreneurship.

Small and medium-sized enterprises are usually defined according to the number of workers and the amount of turnover or balance sheet. In the Recommendation 2003/361/EC, the EU gives the following definitions:

- microenterprises are those with fewer than 10 employees and a turnover of less than or equal to €2 million, or a balance sheet of less than or equal to €2 million;
- small enterprises are those with fewer than 50 employees and a turnover of less than or equal to €10 million, or a balance sheet of less than or equal to €10 million; and
- medium-sized enterprises are those with fewer than 250 employees and a turnover of less than or equal to €50 million, or a balance sheet of less than or equal to €43 million.

Overall, it is difficult to argue that there is any such thing as a typical SME. The nature of a firm, its markets and its internal organisation are intrinsically different, depending on whether they are ‘very small’ (1–10 employees), ‘small’ (10–49), or ‘medium’ (50–249) enterprises. Nevertheless, some features are still common across the various SME sizes. Employment and industrial relations characteristics build on the specific strengths and weaknesses that are related to company size.

Eurofound has produced two previous comparative studies on SMEs. The [first study](#), dating from 1999, looks at industrial relations, aiming to build an initial snapshot of a range of issues, including interest representation and collective bargaining arrangements in SMEs. The [second study](#), from 2006, looks at employment relations in SMEs, aiming to build on the 1999 study, and includes a greater number of countries in the analysis. This report aims to update information about industrial relations aspects, the existence and role of local partnerships, and to look at the impact of the crisis on SMEs.

## **Employment in SMEs**

In broad terms, the economic and employment significance of SMEs appears to be similar across countries, which was also a finding of the 2006 Eurofound study on SMEs. This study found that the greatest share of employment in SMEs was in Greece and Spain (where SMEs accounted for

80% or more of employment). The smallest proportion was in the UK (55%) followed by Finland and Germany (about 60%).

However, the current economic downturn has hit SMEs hard in nearly all EU Member States. These companies have fewer resources to tackle the effects of the crisis. Analysing responses and plant-level developments as a reaction to the economic crisis throughout Europe, a recent survey by ETUI (European Trade Union Institute) in Brussels states that: ‘There is a clear divide between large enterprises and SMEs, both in Western Europe and – in particular – in the new Member States. Large enterprises with more resources and internal flexibility are in general better equipped to fend off sudden external shocks, while SMEs are more likely to implement redundancies’ (B. Galgoczi et al. 2009: Plant level responses to the economic crisis in Europe, ETUI Brussels, Working Paper 2009.01, p.31).

As the drivers of employment in Europe on the one hand and the first to implement redundancies on the other, SMEs are still at the heart of the development of the labour market. It is therefore particularly important to consider the impact of the crisis on the role played by the SMEs in creating jobs.

### **Industrial relations in SMEs**

Large companies – often with the active involvement of social partners, workers’ interest representation and collective agreements between social partners – are able to respond to sudden crisis situations through work organisation measures and negotiated ways of managing the situation (though even in these cases dismissals take place, mostly involving those in temporary and/or agency employment). The circumstances are much more difficult in SMEs, however, as they do not have the resources, institutional or otherwise, to cushion the effects of the crisis (joint ETUC-UEAPME project: cooperation between SMEs and trade unions in Europe on common economic and social concerns. Expert report prepared by Eckhard Voss Wilke, Maack and Partner, 2009)

Previous research, including Eurofound research, provides evidence of the less developed formal social dialogue in SMEs. With regard to the SME company representative structures, there are considerable cross-national differences in Europe. When it comes to employee representation, union membership levels appear to be relatively low in SMEs in Europe and the level of collective representation in companies is also low. Against this reality, social dialogue practice and experience at other levels (region, sector and national) is becoming more and more important.

The second aim of this study is to assess the role played by governments and social partners in dealing with the crisis. There is very little information on actions by the social partners, but the report examines what data are available.

### **Local SME partnerships**

Since the small size of SMEs is viewed as a limitation in terms of various aspects such as industrial relations, social dialogue, mobility, career paths and training, and cushioning the impacts of the crisis, external strategies have been sought to help overcome this issue. Even before the crisis, in different regions and depending on traditions, SMEs in a number of countries had organised themselves into local or regional networks, alongside large companies as well as other SMEs, but also with public institutions, research and development bodies, social partner organisations and professional organisations, in order to gain a better competitive position and create jobs locally.

These local networks enable SMEs to take common action and carry out joint activities, in order to obtain minimum local standards or employment practices in their regions. In the context of the crisis, new local networks have been created to cope with recent financial and employment problems. In this regard, as the Background Report to the SME Restructuring Forum prepared for the European Commission (2007) acknowledged, SMEs that are actively involved in cooperation and networking are performing better than others.

This report looks at the role that social dialogue and local networks play in addressing the negative consequences of the crisis, particularly job losses, and especially how they can be used to help to maintain employment and develop job creation. It looks at established networks and also determines whether any new networks have been created to help manage the consequences of the crisis. The report also seeks to identify whether there is a link between social dialogue and these kinds of local networks.

## **Mapping the situation of SMEs in Europe: employment and the crisis**

This section examines the position of SMEs in national economies and the proportion of workers employed in SMEs. Overall, SMEs are seen as the backbone of national economies, employing the majority of a country's workers. In addition to giving baseline data, the section also contains information, as far as it is available, about employment trends during the crisis; that is, from 2008 onwards, looking specifically at trends from 2007 to 2009. However, it should be noted that data relating to 2009 were not available at the time of writing in the case of many countries.

Nevertheless, it is clear that the crisis has had an impact on both the number of SMEs in operation and the level of employment in SMEs, as a proportion of employment in the whole economy, and that this impact has been negative in the majority of cases. On a sectoral level, some sectors, such as construction and manufacturing, have been hit harder than others.

### **Profiles and characteristics of SMEs**

At the EU level, the European Commission notes that SMEs account for more than 99% of all EU businesses, two-thirds of private sector jobs, and contribute to more than half of the value-added ([European Commission SME Portal](#)).

In most EU Member States, SMEs make up a significant majority of the number of firms operating in the economy and specifically in the private sector. In some countries they account for almost all companies: in Cyprus, for example, SMEs are reported to make up 99.8% of all enterprises. SMEs also employ a significant proportion of the workforce, although the percentage varies from country to country.

Table A1 in the annex gives details about the share of employment in SMEs in EU Member States plus Norway. SMEs account for a considerable share of employment in most countries, although the actual proportion differs by country and by actual size of organisation. Overall, the number of SMEs tends to decrease the larger they become, although the share of employment tends to increase along with increasing size, although this is not the case in all countries. Medium-sized companies (with 50–249 employees) can account for around a quarter of employment in countries such as Austria, Slovenia, Lithuania, Romania, Austria, Greece, Germany and Estonia. In some countries, such as Estonia, there is no great difference between SMEs of different sizes in terms of their share of employment.

SMEs operate in all sectors, but are more heavily represented in some than others. Overall, however, SMEs tend to predominate in hotels and restaurants, construction, retail, manufacturing

(in the case of medium-sized companies), transport and storage, and services. In Austria, for example, SMEs predominate in the hotels and restaurants sector (where they have a 94.1% share), and in the Czech Republic, SMEs dominate in construction, retail and services. In Sweden, SMEs also predominate in construction, as well as in wholesale and retail. In Ireland, it is estimated that up to 80% of SMEs operate in the service sector, with the remainder mainly in construction and manufacturing.

## **Impact of the crisis on SMEs: companies and employment**

The economic crisis has affected the economies of the majority of EU Member States to varying degrees. The impact on SMEs has been mixed, and largely dependent on issues such as the sector in which they operate. The exception would appear to be Poland, where the economy has not slipped into recession, at least not during 2008 and 2009. Nevertheless, despite the crisis and the specific hit on these categories of enterprises, there are countries where the SME sector has expanded. In Germany, the Netherlands and Norway, all size categories of SMEs have grown during the crisis period. In other countries, such as Belgium and Estonia, only the category of organisations with 1 to 9 employees expanded while the other size categories decreased. In Spain, even though some sectors are more affected than others, the numbers of SMEs have remained constant. This may be because larger companies have cut down on the number of workers they employ, and thereby fallen into smaller size categories than before. Also, it could indicate that the SME sector in these countries had a higher capacity to absorb laid-off workers as compared to other countries, or was not particularly badly affected by the crisis.

In Bulgaria, there are trends towards both an increase and a decrease in the number of SMEs, depending on the sector.

In some countries the crisis has had a particularly negative effect on SMEs in export-oriented sectors such as manufacturing. These include Austria, Estonia, and Norway. In Estonia, the number of SMEs with 1–9 employees increased significantly between 2007 and 2009, while the number of large SMEs declined. There is no clear research evidence on the reasons for this, although it is thought that it could be a result of the reduction in size of enterprises as well as an increase in the number of new enterprises established.

In some countries where the automotive sector has suffered particularly badly during the crisis, such as Sweden and Slovakia, it is not only large companies but also SMEs working in the sector that face significant difficulties.

SMEs in sectors such as construction (in Cyprus, Ireland and Slovenia) have also been battered by the recession. In Spain, the construction sector was particularly hard hit and it is estimated that there have been job losses of over 20% among SMEs in the Spanish construction sector since the beginning of the crisis in 2008. In the Netherlands, it is estimated that a quarter of all SMEs sought financial support in 2009 as the crisis hit the economy, with sectors such as catering, temporary work agencies, IT and the metalworking industry being particularly badly affected.

However, there are signs that SMEs are starting to recover in some countries. In Belgium, for example, data from May 2010 show that employment is now growing in SMEs, due in particular to a growth in part-time work. Indeed, skills shortages in some sectors are now reported in Belgium. In some countries, such as Bulgaria, microenterprises are reported to have increased in number during the crisis. In the Czech Republic there has been a significant growth in SMEs functioning as internet shops, of which there are estimated to be over 10,000. This indicates that, as there has been an overall decrease in the number of SMEs in the country, there has been a shift between sectors. In Poland, although job losses have been reported in SMEs in sectors such as construction and manufacturing, 80% of SMEs have indicated that they have not reduced employment.

Details of the main recent trends in terms of numbers of SMEs and the employment situation among SMEs are summarised in Table 1.

**Table 1: Recent developments among SMEs (in selected countries for which recent data are available)**

Country	SMEs trend	Employment trend in SMEs
Austria	<p>SMEs have been affected by the crisis to differing degrees according to region and sector.</p> <p>Export-oriented companies, as well as the automotive industry and transport sector, have been most severely affected, whereas the commerce and tourism sectors have been least affected by the crisis.</p>	<p>Employment in all SME size categories increased between 2005 and 2007, although there are no data as yet that track what happened to employment in SMEs from 2008 onwards.</p>
Belgium	<p>The number of SMEs remained broadly stable between 2007 and 2009; even registering a slight increase.</p> <p>The number of organisations with 1–9 employees increased slightly from 185,870 in 2007 to 185,881 in 2009; organisations with 10–49 employees decreased from 31,003 in 2007 to 30,606 in 2009; and organisations with 50–199 employees increased from 5,317 in 2007 to 5,463 in 2009.</p>	<p>There was a fall in employment in SMEs from 2007 to 2009, although from May 2010 there was a growth of employment in SMEs, due mainly to new part-time jobs.</p>
Bulgaria	<p>The number of microenterprises in the real estate and business services sectors increased during the crisis, while the number of microenterprises in commerce fell. The number of larger companies, with over 250 employees, also fell between 2006 and 2008.</p>	<p>Employment in SMEs with 1–9 employees and 10–49 employees fell between 2006 and 2008, although it increased relatively significantly in SMEs with 50–249 employees (from 528,120 in 2006 to 629,600 in 2008).</p>
Cyprus	<p>According to the General Confederation of Small Businessmen's and Retailers' Unions (<a href="#">POVEK</a>), between June 2009 and June 2010 around 10% of SMEs either closed down or rolled their business over to another sector. In this context, the sectors that have been hit hardest by the crisis are construction, followed by transport and retail trade.</p>	<p>According to a <a href="#">quantitative survey</a> carried out by Price Waterhouse Coopers in February and March 2009 on the financial crisis and its impacts on Cypriot entrepreneurship, 24% of survey participants stated that they intended to carry out job cuts, with the highest proportions in the sectors of</p>

Country	SMEs trend	Employment trend in SMEs
		construction and tourism – 48% and 46% respectively.
Czech Republic	<p>There was a slight fall in the number of SMEs operating between 2007 and 2009.</p> <p>The number of organisations with 1–9 employees decreased from 221,768 in 2007 to 220,394 in 2009; organisations with 10–49 employees decreased from 49,295 in 2007 to 48,181 in 2009; and organisations with 50–249 employees decreased from 12,193 in 2007 to 11,825 in 2009.</p>	The number of jobs in all SME size categories actually increased between 2006 and 2009, although there was a drop in employment levels between 2008 and 2009.
Estonia	<p>The number of organisations with 1–9 employees increased significantly from 67,406 in 2007 to 74,094 in 2009, while the number of organisations with 10–49 employees fell from 7,187 to 6,428 and with 50–249 employees, from 1,379 in 2007 to 1,210 in 2009.</p> <p>The number of organisations with 250 or more employees remained broadly stable between 2006 and 2009, as did their share of employment.</p> <p>The crisis has hit SMEs in manufacturing in particular.</p>	<p>Employment in companies with 1–9 employees grew by 9% from 111,954 in 2006 to 121,585 in 2009.</p> <p>The share of employment in organisations with 250 or more employees remained broadly stable between 2006 and 2009.</p>
France	<p>The French market research company Altares, in cooperation with Deloitte, publishes regular data on bankruptcies. In <a href="#">their 2009 report</a>, they find that SMEs have been hard-hit. In the <a href="#">second quarter</a> of 2010, however, the trend seems to have been more favourable for SMEs.</p> <p>The number of companies with 200 or more employees rose between 2006 and 2008, although their share of employment remained stable.</p>	The share of employment in companies with 200 or more employees remained stable between 2006 and 2008.
Germany	<p>The number of SMEs in Germany actually increased between 2007 and 2009.</p> <p>The number of organisations with 1–9 employees increased from 1,653,759 in 2007 to 1,668,627 in 2009; organisations with 10–49 employees</p>	The share of employment in SMEs was broadly stable between 2007 and 2009. In the case of organisations with 1–9 employees, it fell slightly from 17.76% in 2007 to 17.61% in 2009; for organisations with

Country	SMEs trend	Employment trend in SMEs
	increased from 311,505 in 2007 to 321,090 in 2009; and organisations with 50–249 employees increased from 73,890 in 2007 to 75,260 in 2009.	10–49 employees it increased slightly from 23.27% in 2007 to 23.56% in 2009; and for organisations with 50–249 employees it fell slightly from 27.55% in 2007 to 27.42% in 2009.
Hungary	The number of SMEs in all size categories fell between 2007 and 2009, from 429,909 to 361,055 for companies with 1–9 employees, from 940,647 to 866,160 for companies with 10–49 employees, and from 854,170 to 808,221 in the case of organisations with 50–249 employees.	The number of employees in the SME sector fell by almost 8% during the economic crisis. The employment capacity of microenterprises declined the most. After a growth in the number of employees up to 2007, the SME sector employed 11% fewer workers in 2009 than 2008.
Ireland	The view in Ireland is that SMEs have been badly hit by the crisis and many of them have closed down.  The construction sector in Ireland, which has many SMEs, has been particularly badly affected.	In the services sector, which is dominated by SMEs, job losses have been huge. In 2009 alone 25,369 jobs were lost in the sector.
Malta	The number of very small companies, those with 1–9 employees, increased between 2006 and 2008. However, the number of organisations in all other categories of SME decreased. In addition, the number of organisations with 250 or more employees fell slightly between 2006 and 2008.	The share of employment of companies with 1–9 employees increased between 2006 and 2008.  The share of employment of organisations with 250 or more employees fell slightly between 2006 and 2008.
Netherlands	The number of SMEs actually rose between 2007 and 2009 in all size categories. Those with 1–9 employees increased in number from 688,240 to 769,660, those with 10–49 employees increased from 58,575 to 59,465 and those with 50–249 increased from 11,325 to 12,180. It is not clear why this is the case, although it is reported that there is increasing entrepreneurial activity during the crisis.  SMEs in the catering, temporary work agencies, IT and the metalworking	The number of employees in the various categories of SMEs actually increased slightly from 2006 to 2008 (with the exception of those with 1–9 employees), although their share of employment has remained stable.



Country	SMEs trend	Employment trend in SMEs
	industry have been particularly hard hit by the crisis.	
Norway	<p>The number of SMEs operating in Norway increased during the crisis, from 100,250 in 2007 to 106,113 in the case of companies with 1–9 employees, from 21,359 to 23,008 for companies with 10–49 employees and from 3,057 to 3,430 for companies with 50–249 employees.</p> <p>The crisis has hit SMEs in manufacturing in particular.</p>	Employment in SMEs as given by the common definition in Norway (fewer than 100 employees), decreased from 58.3% (2006) to 55.5% (2009).
Poland	<p>The number of SMEs increased in all categories between 2007 and 2009, as Poland has not suffered particularly from the crisis.</p> <p>The number of organisations with 250 or more employees also increased between 2006 and 2009, although their share of employment remained stable.</p>	<p>Employment has remained largely stable in SMEs during the crisis, and it is reported that production and sales in SMEs have not fallen during the past two years.</p> <p>Employment in organisations with 250 or more employees remained stable between 2006 and 2009.</p>
Portugal	<p>There was a slight fall in the numbers of SMEs at the onset of the crisis, although the impact of the downturn seems to be differentiated according to sector (2009 figures are not yet available).</p> <p>By contrast, the number of organisations with 250 or more employees rose between 2006 and 2008.</p>	<p>There is some evidence to suggest that small companies are more vulnerable to the crisis, in employment terms, than their larger counterparts, as employment levels fell by 0.5% in the year to 2008 in companies of 1–9 employees, and by 0.7% in companies of 10–49 employees.</p> <p>The employment share of large organisations of 250 or more employees remained stable between 2006 and 2008.</p>
Spain	The business structure in Spain has undergone only small changes during the crisis. The percentage of SMEs in relation to the total number of companies has remained constant except in the case of enterprises with fewer than 10 employees, which fell by 1% from 2007 to 2009.	The percentage of employees working in SMEs dropped slightly between 2007 and 2009 (0.3%).

Country	SMEs trend	Employment trend in SMEs
	<p>By sector, the SMEs most affected since the beginning of the crisis in 2008 have been those in construction (21.4% job losses), with considerable job loss in enterprises with 10 to 49 workers (33.1% since 2008) and those with 50 to 249 workers (34.5%); financial and insurance activities (18.1%), with a sharper drop in companies with 1 to 9 workers (22.3%); the mining and quarrying sector (17.1%), especially in the case of enterprises with 10 to 49 workers (45%); manufacturing (13.6%); arts, entertainment and recreation (8.4%), particularly in the case of companies with 50 to 249 employees (17.7%) and 1 to 9 employees (14.5%); and accommodation and food services (6.7%), notably in enterprises with 10 to 49 employees (22.8%).</p>	

*Source: EIRO National reports. Data sources are listed in the respective contributions.*

According to the data available for the selected countries, the number of SMEs has fallen in most countries or did not change significantly between 2007 and 2009. The various countries are clustered in Table 2 according to the direction of the change during the crisis (in brackets when the trend affects only a group of SMEs, either by economic activity or size class).

**Table 2: Recent developments among SMEs (in selected countries for which recent data are available)**

	<b>Decrease (-)</b>	<b>No significant change (=)</b>	<b>Increase (+)</b>
<b>Number of SMEs</b>	CY, CZ, EE (medium size), FR, HU, IE, ES (micro)	BE, BG, EE, PT, ES	DE, NL, NO, PL
<b>Number of employees in SMEs</b>	BE, CY, HU, IE (service), NO, PT, ES, BG (medium size)	BG, CZ, DE, NL, PL, EE	EE (micro)

*Source: EIRO National reports.*

## **Contractual arrangements and organisation of work in SMEs**

This section examines the contractual arrangements and the organisation of work in SMEs. Overall, it is relatively difficult to obtain data on the practices that take place in SMEs in areas such as work organisation and employee participation practices, as these areas appear to be less well documented than in larger companies. However, where information is available, it seems to indicate that in many countries working conditions and factors such as working hours are more flexible and informally arranged than in larger companies. There also appears to be a higher incidence of atypical working in SMEs, perhaps linked to the less formal and flexible arrangements that prevail in these companies. In some countries the economic crisis seems to have had the effect of increasing flexible practices, as organisations try to remain as flexible and competitive as possible in the face of uncertain external circumstances.

### **Contractual arrangements in SMEs: length and external flexibility**

Relatively little information is available about the types of contractual arrangements in place for employees in SMEs. Where available, the data seem to point towards a higher incidence of atypical working in SMEs compared with larger companies. This may be because SMEs need more external flexibility to react to changes in circumstances, for example a rise or fall in workload. Employing workers on fixed-term contracts therefore gives them a certain amount of flexibility in terms of worker numbers without increasing the cost base on a permanent basis. Overall, SMEs follow the national pattern of contractual arrangements, as there seems to be a difference between the older and the newer EU Member States. In the latter, SMEs are more likely to employ workers on open-ended and standard types of contracts, as non-standard contractual arrangements are less prominent in the economy.

For example, in the Czech Republic open-ended contracts are reported to be the most widespread type of contract among SMEs, although just under half of SMEs use other types of employment contracts. In Bulgaria almost 90% of employees of SMEs report working in a standard form of employment relationship. In Slovenia, although there are no separate data for SMEs, Labour Force Survey data for the second quarter of 2006 reveal that 90.7% of employed people were on full-time and 87.2% on permanent employment contracts. Nevertheless, it would seem that informal employment, such as employment without a contract, is high among micro- and small companies, possibly for reasons connected with numerical flexibility, as mentioned above.

In France, although permanent contracts are still the dominant form of employment in SMEs, they have dropped by 9% since 2009. In France, the proportion of SMEs stating that they planned to conclude new fixed-term contracts over the coming six months (as of May 2010) more than doubled in comparison with 2009. In the UK, according to the [2004 WERS survey](#) (Workplace Employment Relations Survey), employees were slightly less likely to have an open-ended contract if they worked for an SME rather than a large firm (91% compared to 93%). In Spain also, overall atypical contracts tend to be more common in SMEs than in larger firms. They accounted for 27.2% of work contracts in companies of 1–9 employees in 2009, compared with 16.4% in the case of companies with more than 250 employees.

Moreover, in some countries different trends can be observed depending on sector. In the UK there appears to be a trend for SMEs in the sales sector to use self-employed agents rather than employed workers. In Estonia, however, the opposite appears to be the case, with atypical contracts being more common in larger rather than smaller companies. For example, 81% of enterprises with more than 50 employees use part-time work, compared to only 52% of enterprises with 5–9 employees. Moreover, 71% of companies with more than 50 employees use fixed-term contracts. The share is 10% among enterprises with 5–9 employees. In Cyprus, non-standard forms of working among SMEs are limited to part-time work, in sectors such as retail.

### **Work organisation in SMEs: internal flexibility**

Information on the types of work organisation prevalent in SMEs can be scant in some countries and there is also little information on the impact of the crisis on work organisation. However, there is some information from many countries relating to issues such as working patterns, shift working, flexible working, remote working and subcontracting, in comparison with practices in larger companies.

In some countries there appears to be a higher than average incidence of flexible working, in terms of the organisation of working time and the place of work (for example, remote working), and part-time working in SMEs.

This is the case in the UK for instance, although this may reflect the higher proportion of women and older workers in SMEs in the UK. In addition, SMEs were less likely to operate shift systems. In Norway, statistics show that part-time working is more common in SMEs than in larger companies (17% of companies with 1–9 employees, compared with 7% of companies with more than 250 employees in 2009), although there is no difference between SMEs and larger companies regarding the incidence of fixed-term contracts.

One issue that arises from the data is that work organisation patterns such as flexible working or remote working are often undertaken on the basis of informal or face-to-face channels in SMEs, rather than using a formal procedure, which would be more likely in larger companies. Overall, larger companies are more likely to have formal flexible working or shift systems in place, compared with smaller companies. SMEs often do not have a dedicated human resources function, which can make it difficult for the company to offer flexible working. Flexible forms of working, including the use of overtime and work during weekends, were found to be common in some countries. In the Czech Republic, it is reported that 75% of medium-sized and 71% of small enterprises use overtime, just under half of SMEs use flexible working hours, shift work and work during weekends, and a quarter use teleworking.

Conversely, in the UK it is reported that employees who work in SMEs are overall less likely to have access to flexible working arrangements than their counterparts in larger companies, largely due to the fact that larger companies are more likely to have formal flexible working policies in place.

The use of remote working appears to be slightly higher in SMEs than in other types of companies in some countries, such as Estonia (29% among companies with fewer than 10 employees, compared with 22% on average). In Hungary, it is estimated that around a third of SMEs use teleworking, although this is actually lower than the average of around half of the companies overall in the Hungarian economy, as larger companies are deemed to have pioneered teleworking.

### **First impacts of the crisis on work organisation in SMEs**

In some countries, a link has been made between the economic crisis and increasing flexibility in terms of employment contracts. This has been a general trend across the whole of national economies to some extent, but the trend is particularly marked in SMEs in many countries. In Malta, for example, the incidence of on-call work in SMEs has increased. In Ireland, it is reported that many SMEs have introduced short-time working during the crisis, in addition to renegotiation of terms and conditions in order to cut costs. An increased incidence of atypical working in SMEs during the crisis has also been seen in Hungary. For example, the number of part-time workers there rose by 31,000 in 2009, bringing the proportion overall from 4.3% to 5.2%.

In France, the proportion of fixed-term contracts in SMEs has more than doubled since 2009, albeit from a relatively low base (from 25% to 55%). The use of fixed-term contracts in SMEs in Germany has also increased during the crisis (from 41% to 44% in companies with 11–49 employees and from 49% to 59% in companies with 50 to 249 employees), coupled with a lower incidence of fixed-term contracts being transformed into open-ended employment relationships.

This ‘adaptation’ or reaction to the crisis can also be seen the use of working time flexibility. In France, for example, overtime as an instrument of flexibility has been widely used by SMEs, with average overtime hours of 23 in companies with 10–19 employees in the first quarter of 2010, compared with 7.2 in companies with 250–499 employees and 3.7 in companies with 500 or more employees, according to data from the French Research and Statistics Department (Direction de l’Animation de la Recherche, des Études et des Statistiques, DARES).

### **Industrial relations developments in SMEs**

Many previous studies, including those carried out by Eurofound, have found that trade unions are not as prominent in SMEs as in larger companies, and the incidence of social dialogue and employee representation in general is lower. This section explores some of these issues, looking in particular at the presence at company level of trade unions, works councils and employee health and safety representatives in SMEs, in comparison with larger organisations. It also looks at interest representation at EU and national level, finding that there are SME representative bodies in some countries, while in others specific sections of general bodies are dedicated to SME interest representation. Overall, however, it is difficult to assess whether there are any clear trends in terms of interest representation for SMEs, although it would seem that there has been more emphasis on the situation of SMEs during the crisis, both on the part of governments and special interest representation groups.

## **SMEs representation and collective bargaining: EU and national level**

### *European-level initiatives*

The EU-level cross-sector employer organisation representing SMEs that is recognised by the European Commission for consultation purposes is UEAPME (Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises), which is engaged in a range of support actions aimed at helping SMEs, both generally and more specifically during the recent economic crisis. One initiative is a joint project, initiated by the European Trade Union Confederation (ETUC) and UEAPME, which aims to identify common economic and social concerns between trade unions and SMEs. As part of this project, ETUC and UEAPME presented a [report](#) in June 2009 containing a detailed analysis of the following four topics:

- regional and local development and its impact on SMEs;
- management of demographic challenges and the role of training in SMEs;
- innovation in SMEs and the role of social partners;
- undeclared work as a factor of unfair competition and the role of the social partners.

Other joint initiatives developed by the ETUC and UEAPME include:

- A joint declaration on recognition of ‘Social dialogue as an instrument for meeting the economic and social challenges faced by small enterprises’ published in 2001.
- A joint project undertaken by ETUC and UEAPME with a view to enlargement, focusing on the social *acquis*, social dialogue and SMEs in the New Member States in central and eastern Europe.
- Within the framework of their joint work programmes, the European social partners have organised a number of seminars on the development capacity of their respective members in the new Member States and on restructuring. These joint experiences also contributed to the debate on the role, common interests and shared responsibilities of the social partners, both at European and/or national level.

### *National representation issues*

SMEs sometimes have their own interest representation bodies, which act to fulfil the specific needs of SMEs. In some countries, however, where there is no specific SME interest representation body, there is often a section of the main employer body that looks specifically after the needs of SMEs. In other countries, for example the UK, a dedicated SME body exists, and in addition, the main employer organisation has a separate section for SMEs. In Austria, the employers’ organisation Industriellenvereinigung ([IV](#)), which is a voluntary business association for companies in the industrial sector, has its own SME section. Specific organisations for SMEs that engage in collective bargaining exist in many countries, for example in France (Confédération générale du patronat des petites et moyennes entreprises, CGPME), Romania (the National Council of Private Small and Medium Enterprises in Romania – Consiliul Național al Întreprinderilor Private Mici și Mijlocii din România, [CNIPMMR](#)), and Spain (the Spanish Confederation of Small and Medium Enterprise, CEPYME).

Specific employer organisations for SMEs exist in many countries, aiming to service the particular needs of SMEs, such as access to finance, and access to HR services and workforce training with limited resources. These include the CGPME in France, a range of sector-specific

and craft organisations in Lithuania, the GRTU small business association in Malta, and the Federation of Small Businesses in the UK.

In Estonia, there is a company network specifically for SMEs: the Estonian Association of SMEs (EVEA), with around 1,000 members. In Portugal, the three most prominent national organisations representing SMEs are: the National Association of SMEs ([ANPME](#)) the Association of Micro, Small and Medium Enterprises of Portugal ([PME Portugal](#)) and the Confederation of Micro, Small and Medium Enterprises ([CPPME](#)).

Other countries do not have SME associations that engage in collective bargaining, although they do have SME representative bodies that support SMEs. This is the case, for example, in Ireland (Small Firms Association), the UK (Federation of Small Businesses), and Sweden (the SAO).

Information on the proportion of SMEs that belong to an employer organisation is relatively difficult to find, and to some extent depends on the culture and industrial relations systems of countries. This section includes information from countries where data is available. For example, in Austria, almost all employers must belong to the employer organisation WKÖ, which means that all SMEs belong to this organisation. In other countries, such as Germany, there are a range of bodies that support the interests of SMEs, although employer bodies whose members carry out collective bargaining are more general employer organisations rather than those solely representing SMEs.

Data from Estonia show that there has been a slight fall in the number of SMEs that belong to employer organisations, from 25% in 2005 to 23% in 2008. On a sectoral basis, the most significant decline in SME employer organisation membership was seen in manufacturing, from 31% in 2005 to 23% in 2008. One explanation put forward for this trend is the reduced advisory role played by employer organisations, in the form of advice and guidance to SMEs on a range of issues. In Malta also, SME membership of employer organisations is reported to have fallen slightly, from 28.3% in 2006 to 25.9% in 2008. SME membership of employer organisations is also reported to be falling in Slovakia.

Conversely, SME membership of the Small Firms Association in Ireland is reported to have doubled since 2006 and now totals around 8,000 organisations, all of which employ fewer than 50 workers. Similarly, membership of the Irish Small and Medium Enterprises (ISME) is also reported to have more than doubled, to around 8,500 firms. However, this is still a relatively small proportion of the estimated total of 160,000 SMEs operating in Ireland.

In the Netherlands, it is estimated that around two-thirds of all SMEs are members of a business or interest organisation, and this has remained relatively stable since 2006.

From this overview of employer representative body membership, it would seem that there are employer representative bodies for SMEs in many countries, although they do not necessarily represent all, or even a majority of, SMEs.

### *Collective bargaining: developments and the influence of the crisis*

Little information is available on collective bargaining in SMEs, although what data there are indicate that collective bargaining is not as widespread in SMEs as in larger companies. In the UK, for example, the above-mentioned WERS data found collective bargaining in only 3% of SME workplaces, covering 5% of workers, compared with 25% of larger workplaces, covering 35% of employees.

In Germany, collective bargaining coverage data from the IAB establishment panel shows that both sectoral and company-level bargaining coverage increases according to company size.

However, there are substantial differences between eastern and western Germany, with sectoral coverage higher in the West. For example, sectoral bargaining coverage in eastern Germany was 16% in companies of 1–9 employees and 27% in companies of 10–49 employees in 2009, compared with 30% and 48% in western Germany. The same data indicate that more medium-sized establishments (10–199 employees) were covered by sectoral or company-level collective agreements in 2009 compared to 2008 in western Germany. It is not clear whether this change was due to differences in collective bargaining.

In countries where multi-employer bargaining is predominant and there are legal extension mechanisms to non-affiliated employers' organisations, coverage of SMEs by collective agreements is higher. In Austria, membership of the federal employers' organisation WKO is compulsory, so the country also has nearly full coverage of SMEs.

Specific social dialogue developments that affect SMEs include a new collective agreement in the knitwear sector in Bulgaria, between the Union of Traders and Bulgarian Association of the Knitwear Industry) and the Bulgarian Industrial Association (BIA), that aims to maintain employment in times of crisis in SMEs, stipulating that dismissals should not be made without the consent of trade unions. However, this agreement is likely to have limited impact as company density in this sector is very low.

In France, it is reported that the crisis has stimulated social dialogue at a range of levels, with most of the agreements explicitly mentioning the specific needs of SMEs, particularly in the area of training, which is the subject most often covered by these new agreements. In October 2010 the French government passed new legislation enabling social dialogue to take place in companies with fewer than 11 employees. The new law provides that trade union representatives for these companies will be elected at regional level, rather than in each individual establishment.

Dissatisfaction with the government's policy response to the crisis in the case of the specific issues faced by SMEs in Italy has led to the formulation of a new social partner organisation for SMEs. Here, seven organisations representing small companies signed a pact in November 2009 to create a new representative organisation, the *Unione italiana rappresentanze sociali e d'impresa, Un.i.r.s.i.* (Italian union of social and corporate representation, Unite), aimed at reviving the link between small businesses and the social sphere and voicing economic and social concerns. This is one result of reported turmoil within SMEs in Italy, which are said to be facing difficulty in accessing credit. A number of protests have been mounted, including, in one instance, a hunger strike carried out by some employers in front of monuments in several Italian cities, in order to draw the media's attention. A further five large organisations in Italy (Confcommercio, Confesercenti, Cna, Confartigianato and Casartigiani), covering more than 2.5 million SMEs, have signed a pact aimed at reducing the tax burden on wages and businesses. Unions and employers' associations have recently developed the social dialogue at regional and sectoral level in order to address the specific needs of SMEs in Italy (see Box 1).



**Box 1: Regional collective agreements among SMEs in Italy**

In Italy, trade union confederations in the Vicenza province (Veneto) and the Apindustria employers' organisation signed a protocol in June 2010 setting out a framework for the negotiation of regional collective agreements between SMEs and trade unions. It is hoped that this agreement, the first of its kind, will help to develop regional collective bargaining among SMEs. The issues to be covered by this collective bargaining will be determined by national sectoral collective agreements, but will include topics such as performance bonuses, labour standards and social clauses, and work-life balance issues, including working time flexibility, teleworking and part-time working. The Italian social partners have also negotiated a new collective agreement for SMEs in the metalworking sector, to replace the previous agreement that expired in January 2010. The new three-year agreement provides for staged pay increases and contains a clause allowing SMEs to conclude collective agreements at regional level, as an alternative to a company-level agreement.

SMEs clearly operate in a different way from larger companies and have particular needs and difficulties. Given the fact that SMEs need specific help, many EU Member States have specialised interest representation bodies for SMEs. It is difficult to assess whether there are any clear trends in this area, although it would seem that there has been more emphasis on the situation of SMEs during the crisis, both on the part of governments and special interest representation groups, resulting from the knowledge that SMEs are a key employer and will be a factor in helping national economies to climb out of the recession.

**Company-level industrial relations: participation and representation in SMEs**

At the workplace level, employee representation and social dialogue/collective bargaining arrangements are not as widespread in SMEs as they are in larger companies. Trade union density is relatively low in SMEs, particularly in the smallest companies, which often tend to be family-owned and/or do not have a strong tradition of employee representation. Trade unions in some countries are making it a priority to try to increase employee representation in SMEs, for example by trying to encourage the establishment of works councils in those countries where employee representation is based on a system of works councils. This tends to be a strategy that predates the crisis in most countries and there is no direct evidence that the crisis has had a particular impact on trade union strategies in this regard. Employee representation can be studied through various elements such as union affiliation, and the existence of works councils and health and safety committees.

*Union membership at company level*

Trade union membership data for SMEs should be seen against a general background of overall decline in trade union membership in the majority of countries. National data collected for this report show that there has been an overall trend of a decline in trade union density. For more information, see the individual national reports.

In most countries for which statistics are available, union membership tends to rise with increasing company size. Many SMEs, particularly very small ones, tend to be family-run with very few employees and therefore do not have a culture of collective employee representation involving trade unions. Other reasons for a lack of collective representation include the fact that

this is not obligatory for small firms in many countries, and the view that collective representation is not needed in small firms, where work relationships are more informal and formal procedures are therefore not deemed to be necessary.

In the UK, for example, according to data from the most recent Workplace Employment Relations Survey (WERS 2004), 7% of employees in small firms (employing fewer than 50 people) and 10% of employees in medium-sized firms (employing 50–249 employees) are trade union members, compared with 28% in larger firms. In Germany trade union density also rises according to company size – data from 2004 show that union density was 7.6% in establishments with 1–9 employees and 14.6% in establishments with 10–49 employees, compared with 32.3% for establishments with 500–1,999 employees and 33.7% for those with 2,000 or more employees. Likewise, in Estonia, trade union membership in companies with up to nine employees was 9%, compared with 38% in companies with between 200 and 1,000 employees (2004 data). In Norway, trade union density was 30% in companies of 1–9 employees in 2008, rising to 51% in companies of 10–49 employees and 74% in companies of 200 or more employees.

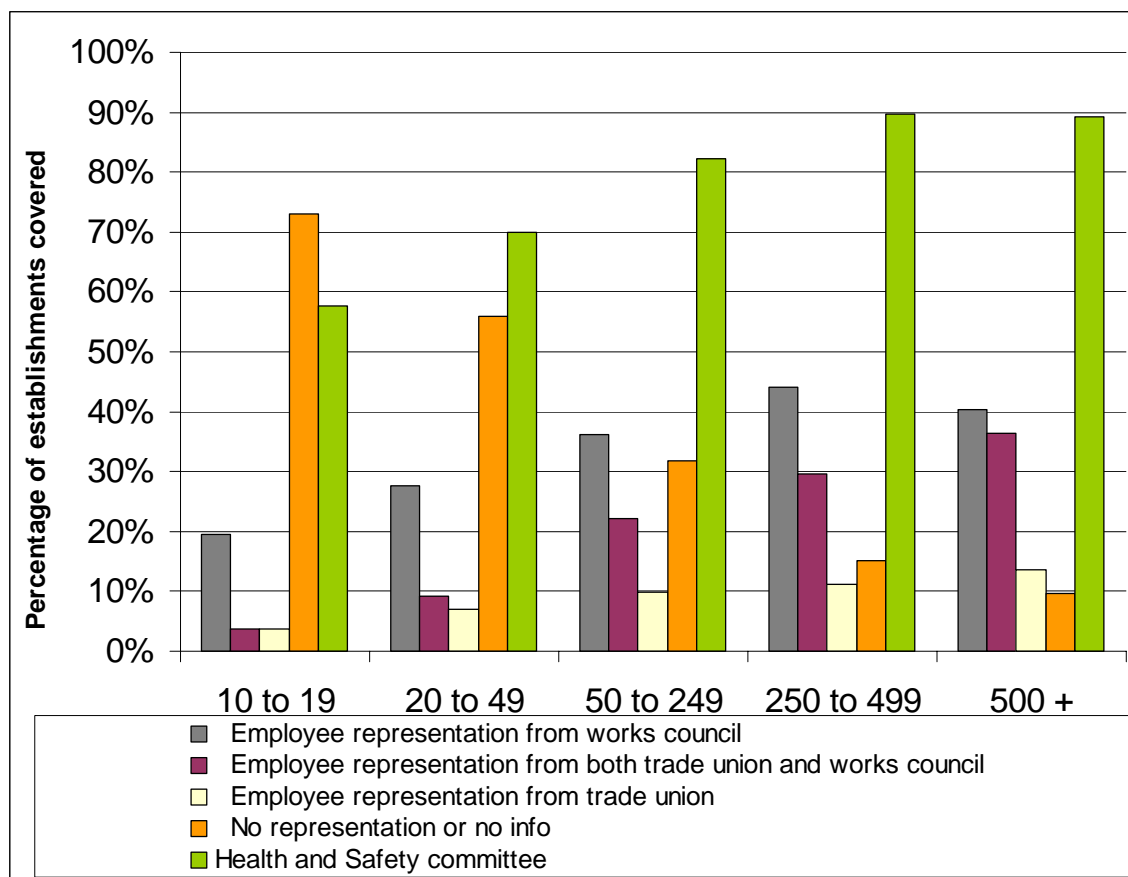
Sector also plays a role in union density, with companies in the public sector more likely to be unionised than those in the private sector. As most SMEs operate in the private sector, this means that SMEs are less likely to be unionised. This is borne out in the countries where data exist on SME union density by type of company. In France, the available data breaks unionisation rates down into public and private sector as well as company size, showing greater union presence in the public sector as well as an increase in union presence relating to company size – trade union density is 15% in companies of below 10 employees in the public sector and 2.4% in the private sector, rising to 75.5% for companies of more than 500 employees in the public sector and 79.3% in the private sector.

Conversely, in some other countries, there is no significant difference in levels of union membership according to company size. This is the case in Belgium, and in fact it is reported that union membership levels are particularly high in the construction sector, which has a large proportion of SMEs. It is difficult to draw any general conclusions about why union membership should differ according to company size in some countries and not in others. It is, however, likely to be linked to factors such as national traditions of industrial relations and also the benefits that are linked to trade union membership in some countries, such as Belgium and some Scandinavian countries, where trade unions are involved in administering certain aspects of the benefit system.

### *Employee representation at company level*

As mentioned above, employee representation at company level is reported to be less prevalent in SMEs than in larger companies. There have been a range of studies showing this, including recent data from the European Company Survey (2009), presented in figure 1, focusing on the presence of health and safety committees or representatives, trade unions and works councils.

Figure 1: Percentage of establishments having different forms of employee representations, EU-27



Source: European Company survey (2009). Data refer to establishments, not companies.

There appears to be a relatively greater incidence of health and safety committees or representatives in SMEs in many countries, usually due to the fact that there is a legal obligation to put these committees or representatives into place, whereas works councils are usually subject to employee triggers; in other words, the employer is not obliged to put a works council in place until requested to do so by the workforce. For instance, 58% of establishments with 10–19 employees have a health and safety committee in place, whereas 90% of those with 500 or more employees are covered by such a committee. Works councils (as a single form of employee representation) are present in 20% of establishments within the 10–19 size class and more than 40% of larger establishments. A smaller share of enterprises across Europe has a dual form of representation, with both trade unions and works councils. The difference between company sizes is particularly pronounced in this case, with only 4% of employees covered in the case of those with 10–19 employees, but 36% covered in those employing 500 plus. Where trade unions are the only form of employee representation, the size effect is present but differences between the size classes are not as pronounced, with the share of employees covered also being low in the larger establishments (around 14%), as compared to 4% in smaller establishments. The fact that these figures refer to establishments, not companies, means that the share of ‘SMEs covered’, as indicated by the size class, is overestimated, as it also includes smaller establishments which are part of larger companies.

Breaking down these figures by country (see Table 3) shows that, owing to different traditions, the particular level (and form) of representation is even more a country phenomenon than a size effect. For instance, countries such as Germany or Spain with a rather high incidence of works councils in general, also have a higher incidence of works councils in the SME sector, while countries with generally low levels of workplace level representation (by and large the new Member States), have low levels of representation in their smaller size classes as well.

It is clear that in all countries, as a result of mandatory regulations, the incidence of health and safety representatives or committees is higher than that of either works councils or trade unions. Even in the smallest size class surveyed (10–19 employees) over 80% have health and safety representatives in countries such as in Denmark and Estonia, although the figure is quite low in other countries (under 20% in Malta and around 33% in Portugal). The level of trade union representation at the workplace also varies considerably between countries, ranging (in the 10–19 size class) from over 40% in Sweden and over 35% in Finland, to below 5% in countries such as Lithuania, Greece, Estonia, the Czech Republic, Belgium and the UK.

**Table 3: Incidence of employee representation at the workplace by size class (%)**

	Trade union				Works council				Health and Safety representative or committee			
	10–19	20–49	50–249	250 plus	10–19	20–49	50–249	250 plus	10–19	20–49	50–249	250 plus
AT					9	19	48	90	69	83	88	97
BE	3	10	62	91	31	32	79	95	59	64	80	74
BG	11	16	23	48	21	32	39	34	65	81	85	93
CY	31	46	54	73	0	0	0	0	51	63	72	80
CZ	4	11	44	74	5	6	4	8	53	61	66	77
DE					36	51	73	93	68	86	92	97
DK	43	63	79	95	28	49	69	68	83	95	98	98
EE	2	7	17	39	12	33	19	54	85	95	96	88
EL	2	1	15	42	1	3	11	27	26	24	35	52
ES					48	54	76	83	69	82	89	100
FI	36	56	85	100	3	20	60	98	78	94	98	98
FR	4	18	58	94	24	49	81	88	32	39	79	96
HR	12	49	63	95	9	26	45	87	38	61	75	95
HU	5	21	37	65	7	28	43	56	47	64	70	88
IE	5	9	35	62	9	12	30	50	56	67	84	88
IT	11	40	67	96	15	43	74	93	77	86	93	96
LIT	2	7	26	62	8	15	28	21	65	74	75	79
LU					13	70	90	100	46	74	85	97
LV	6	19	32	52	21	26	39	47	41	49	55	72
MK	11	36	54	76	0	0	0	0	16	43	62	75
MT	4	13	36	55	0	0	0	0	15	25	49	59
NL	5	4	14	11	16	45	80	91	52	58	76	80
PL	11	17	47	75	11	20	42	61	37	57	67	73

PT	0	8	21	47	1	2	3	16	33	47	45	50
RO	10	25	31	56	31	53	80	69	70	82	95	90
SE	44	66	85	99	0	0	0	0	61	68	92	99
SI	19	38	74	93	9	18	43	71	36	40	63	85
SK	12	21	43	71	25	42	37	28	53	68	73	72
TR	13	18	33	67	0	0	0	0	27	29	54	75
UK	4	9	21	49	9	14	21	57	46	54	65	84

*Source: Eurofound, European Company Survey; units of observation are single units.*

## **SMES in the crisis: government measures and social partners' actions**

This section examines the main government measures that have been put into place to help SMEs during the financial crisis. Assistance can take many forms, including financial aid, help with finding new markets, advice and consultancy, simplification of bureaucracy – which is a perennial request from SMEs, support for job creation and training, and the promotion of entrepreneurship. Although the measures set out below are mainly government-initiated policies, the social partners are often also involved in formulating them. The social partners have also been active in areas such as lobbying governments in order to encourage action in specific areas to support SMEs, and in some countries have engaged in social dialogue and collective bargaining to try to help SMEs in a range of areas.

### **Government measures**

As the economic crisis of recent years has been so severe, governments throughout the EU have introduced policies to support enterprises as much as they can. Aware that SMEs have fewer defences against economic downturn, due to size and access to financial aid, governments in many countries have put into place specific policies and measures aimed at helping SMEs to survive the crisis. These cover a range of issues, including:

- financial measures, such as reductions in tax, provision of loans, and measures to improve access to credit;
- helping SMEs to access new markets and to invest in research, development and innovation;
- providing specific advice and consultancy to SMEs, usually on themes such as how to set up operations or financial advice;
- simplification of administrative procedures, on the basis that red tape is seen as a particularly difficult barrier to business development for SMEs;
- support for job creation, which usually takes the form of providing financial incentives, such as reduced employer social security contributions, for employers hiring unemployed people;
- enabling temporary reductions in the workforce, primarily through the provision of short-time working. This measure has been used widely throughout the EU during the recent crisis
- supporting training. Training is recognised as a key instrument in ensuring employability, not just during an economic crisis, but throughout an employee's working life. SMEs often find it difficult to release employees for training and to fund training in general. Targeted measures can therefore help.

- finally, some very targeted sectoral measures are in place in some countries, in addition to measures specifically targeting entrepreneurship.

Altogether, the national contributions show that little is currently known about the actual uptake of both those measures that were particularly targeted at SMEs and those that were targeted at all businesses but could also be accessed by SMEs. In line with the heavy emphasis that governments and social partners are putting on the issue, there would be a need to assess the uptake of such measures and the reasons for low rates of uptake, in order to better understand hindrances.

### *Financial measures*

Many countries have introduced measures that give financial help and support to SMEs. For example, in Spain the government has temporarily lowered corporation tax for three years for companies with fewer than 25 employees and a sales volume of less than €5 million. The Spanish government has also created a line of credit (known as ICO-PYMAR), to help SMEs in the shipbuilding sector, and a further line of credit aimed at financing working capital for SMEs. The Spanish government has also made €3,000 million available to encourage credit institutions to finance investment by SMEs in new productive assets or the acquisition of shares in enterprises abroad. Lowering the tax burden of companies has also gained prominence in the Netherlands, where the government has not only reduced tax for SMEs, but also allowed them to spread debits out over three years. The French government has decided to exempt small businesses from the annual flat-rate tax for enterprises from 2011 onwards, and to abolish trade tax for equipment and real estate acquired before 31 December 2009. In the Czech Republic, one state-owned bank has introduced special services and programmes for SMEs in areas such as help with exchange rate risks.

Reductions in social security and other employer contributions have been made in some countries. In Slovakia, for example, a temporary reduction of contributions to the Solidarity Fund was in place until the end of 2010. In the UK, new business start-ups in certain areas of the country (outside London, the south-east and the eastern region) will be exempt from GBP 5,000 (approximately €5,740 as at 15 March 2011) of employer social security payments in respect of their first 10 employees.

SMEs often have particular difficulties in gaining access to credit, particularly in an economic downturn. Many countries are therefore providing loan or credit guarantee facilities to SMEs to help them develop or invest. This is the case in Slovakia, Slovenia, Sweden, Luxembourg (where the government has made it a priority), Lithuania, Ireland (where the government has said that it will ensure the banks lend €12 billion to SMEs by 2012), Greece (where low-interest loans are available to SMEs), the UK (where new measures were launched in June 2010 to help many SMEs that face difficulties in accessing credit), Austria and France.

In Belgium the government has made a commitment to accelerating payments on public procurements, which will help SMEs. It has also created a new measure aimed at transferring unpaid debts held by SMEs to a fund that will execute the payments more quickly.

The Romanian government has put into place a range of financial measures designed to help companies in the crisis, including SMEs, including credit guarantees, government grants, and a range of regional and sectoral programmes, including in agriculture.

It should also be mentioned that many Member States have taken advantage of subsidies on offer through the EU-level JEREMIE initiative, designed to improve SMEs' access to finance.

### *Fostering commercial opportunities and strengthening innovation*

Some governments are trying to help SMEs identify new markets and diversify, as a way of surviving the crisis and maintaining competitiveness. In Slovenia, the government is identifying target markets and key sectors in order to promote and encourage internationalisation, and SMEs are part of this effort. In Romania, government grants are available to finance consultancy in a range of areas, including entry into new markets and innovation. In Malta, government grants are available to support SMEs that wish to move into new international markets, providing funding for up to 50% of specific costs.

Support for innovation is also available in Greece, where a project aims to support companies employing up to 20 workers in the acquisition of know-how and expertise.

In Germany, a targeted programme to support research and innovation for SMEs provided €1.5 billion in funding in 2009 and 2010. Research has indicated that uptake of this measure was good, with 75% of grants going to companies with up to 49 employees. By 30 June 2010, 13,899 applications had been submitted to the programme. All in all, 8,795 approvals were made worth €1.11 billion. The evaluators concluded that the programme is widely used by SMEs and particularly among small companies with one to 49 employees, with around 75% of the grants going to companies of this size.

In Cyprus, subsidy schemes are in place to boost the competitiveness on SMEs, aimed at supporting, developing and promoting activities and new enterprises in the manufacturing sector, in addition to subsidies for relocation of activities.

In Italy, a national fund for innovation (Fondo nazionale per l'innovazione) in SMEs was established in December 2009, with an initial endowment of €60 million. The fund aims to support projects involving the economic utilisation of patents through the provision of loans or equity by financial intermediaries.

### *Consultancy*

There are few examples of consultancy services being provided to SMEs. In Slovenia so-called VEM points (a type of one-stop-shop) offer entrepreneurs general and specific business information and advice on the development of business ideas. Take-up appears to be good: it is reported that the number of VEM users at the local level in 2005 was 25,000. Further, a voucher system allows SMEs to access a direct consulting service in order to implement new business ideas. One-stop-shops are also available for SMEs in Cyprus, where small businesses can obtain advice on setting up activities.

In Poland, the National Network for Innovations provides consultancy and expertise to business ventures that are considered to be innovative.

In Germany, the government has appointed a mediator with the specific task of helping SMEs with their credit problems. Consultancy help with financial matters is also available to SMEs in Belgium.

### *Simplification of administration*

Administrative procedures are often viewed as complicated and a barrier to the operation of SMEs; therefore any simplification of procedures or removal of red tape is welcomed. The governments of various countries have recognised this and acted accordingly. In Romania, for example, the government has launched a project, with the help of EU funding, designed to simplify administrative procedures for SMEs. In the Netherlands, the government had the overall aim of reducing red tape by 25% by simplifying a range of administrative procedures. Other countries that have introduced simpler administration for SMEs include Malta, Germany (by

means of a dedicated new law), Cyprus and the UK, where the new coalition government has made a pledge to reduce red tape for small businesses and new start-ups.

### *Support for job creation*

There are some examples of incentives to employers to hire previously unemployed workers, thus creating jobs and reducing unemployment, although these tend to be targeted at employers generally rather than SMEs in particular. One exception is a targeted measure contained in Portugal's Employment Plans for 2009 and 2010, which provides for a reduction of 3% in social security contributions payable by micro- and small business employers for workers over 45. The plans also reduce by 1% the social security contributions paid by employers for workers on the statutory minimum wage.

Many countries also offer support to workers who wish to set up their own businesses, in the form of financial subsidies or reductions in social security costs. This is the case in Slovakia, where subsidies cover health insurance payments for 22 months and social insurance payments for four months.

### *Enabling temporary reductions in the workforce*

Measures enabling companies to introduce short-time working instead of making redundancies have been one of the most widespread forms of aid offered by governments around the EU during the crisis. Short-time working has been particularly widespread in countries such as Austria and Germany, but has also been encouraged in many other countries, including Slovakia, the Netherlands, Luxembourg (where four different short-time working models are in place), Hungary, Belgium and France. In Germany, it is reported that the use of short-time working tends to increase with company size, although there was a significant increase in the use of short-time working in establishments with 50–249 employees between 2003 and 2009: 15% of these establishments used short-time work in 2009, compared with only 5% in the recession year 2003. Yet, it is also reported that the use of these short-term working schemes witnessed the highest increase in large companies (in 2003 5% of establishments used the schemes but this rose to 20% in 2009).

Short-time working schemes have also been viewed by the social partners as a means of helping SMEs through the crisis. For example, the North-Rhine Westphalian branch of the German Metalworkers' Union ([IG Metall](#)) and the North-Rhine Westphalia Employer Association for the Metal and Electrical Industry ([Metall NRW](#)) concluded an agreement called 'Future in work' (Zukunft in Arbeit, ZiA) in February 2010. Nearly 70% of the member companies in Metall NRW's affiliated associations that are covered by a collective agreement have fewer than 200 employees. Moreover, 90% of member companies in its affiliated organisations that are not bound by a collective agreement also have fewer than 200 employees.

In the Netherlands, the government has developed a measure under which knowledge workers (those with technical or professional skills) in SMEs could be hired out temporarily to other organisations, which would help SMEs to retain their workers during a downturn.

In Ireland, a government-funding employment subsidy scheme is in operation, aimed at protecting jobs deemed to be at risk. However, small firms' associations have indicated that the measure is not flexible enough to be used fully by SMEs in Ireland.

### *Support for training*

Training is acknowledged as an important aspect of employability both during and beyond the crisis. Many short-time working schemes have training offers attached to them, although it would seem that the take-up of training has been patchy in places, often related to the fact that training during short-time working is, by nature, temporary and short-lived and therefore of limited value.



Switching careers and improving skills can be difficult, particularly during a downturn. Governments in some countries have therefore tried to focus on encouraging training for workers in SMEs, as smaller companies often find it difficult to release workers for training and to fund the training itself. In the Netherlands, for example, the government is funding an employability bonus for workers who choose to participate in training in a new profession. In Malta, the Employment and Training Corporation (ETC) administers a wide range of training courses for all companies, including the SMEs that dominate the economy.

One targeted training measure, aimed specifically at increasing the competitiveness of SMEs, has been introduced by the Estonian government and is reported to have been taken up well by SMEs. This measure aimed to increase access to training services.

Another targeted measure exists in Belgium, where training vouchers are available to all companies with fewer than 250 employees, enabling them to access training that is subsidised by 50% for each training hour.

### *Sectoral measures*

Some countries have put into place targeted measures aimed at helping SMEs in specific sectors that are vulnerable or experiencing difficulties. Car scrappage schemes, which were widespread in many countries during 2009 and 2010 and billed as an environmental initiative, provided a boost to the car manufacturing sector, which has in turn had a knock-on effect on a range of SMEs as suppliers and subcontractors.

A number of green initiatives have also targeted certain sectors, such as aid to support green construction, insulation and green energy generation. SMEs in these sectors are therefore benefiting from these types of initiatives. In Greece, for example, a programme of government subsidies for SMEs in green industries is available, in sectors such as waste management and environmental management systems.

A tax reduction has been put in place in the household services sector in Sweden, where many SMEs operate. It is estimated that 11,500 jobs have been created by this measure. Similarly a tax reduction in the construction sector has also been introduced by the Swedish government, relating to the restoration, construction and maintenance of private houses. It is thought that this tax cut has created between 10,000 and 12,000 new jobs in this sector. Employment in the sector is mainly concentrated in SMEs.

### *Promoting entrepreneurship*

During an economic downturn, which often involves many job losses, one government response to try to counter this is to encourage workers to set up their own businesses. The governments of many countries have set aside funds in the current economic crisis to try to encourage entrepreneurship in this way, including Lithuania, where financial support in the form of loans and/or subsidies is available to entrepreneurs to help them set up their own business.

### **Social partner actions and initiatives to support SMEs**

In addition to governmental measures, there have been a range of actions and initiatives taken by the social partners around the EU to try to help SMEs with the particular difficulties they have been facing during the crisis. Many of the actions have been limited to lobbying of the government to introduce specific support measures for SMEs, particularly in areas such as cutting red tape, financial support and improved access to procurement. However, there are also examples of social partner agreements that either target SMEs or wider agreements that contain provisions specifically relating to SMEs, and tripartite actions aimed at supporting SMEs. Table 4

highlights the main social partner actions undertaken to support SMEs in those countries where actions were reported.

**Table 4: Main social partner actions and initiatives to support SMEs in selected EU Member States**

Type of actions	Examples in various countries / social partners involved
Lobbying activities for support in various fields (training, tax reductions, public procurement, acces to finance)	<p>Belgium: lobbying government for more SME support, targeted training support. Introduction of support to improve access to public procurement / Employers and Trade unions</p> <p>Estonia: lobbying government to introduce measures such as reductions in employer taxes / Small business employers' association.</p> <p>Ireland: lobbying activities to the government / Employers</p> <p>UK: lobbying government to improve access to finance, cut taxes, reduce business regulation, simplify access to public procurement contracts, provide targeted consultancy and advice to SMEs and introduce state funding for a short-time working subsidy / Employers</p>
Projects involving financial aid for SMEs	<p>Bulgaria: approval of a range of projects aimed at giving financial aid to SMEs / Employers and Trade unions</p>
Social partner influence and representation in governmental bodies and monitoring activities	<p>Cyprus: ad hoc social partner representation on a government committee set up to increase the development and competitiveness of SMEs / Employers' representatives</p> <p>Poland: monitoring and annual report concerning the main barriers to business for SMEs, such as the administrative burden, particularly around application to EU structural funds, and labour regulation deemed to be disadvantageous to SMEs. The report is maintained by the Polish Confederation of Private Employers 'Lewiatan' (Polska Konfederacja Pracodawców Prywatnych 'Lewiatan', <a href="#">PKPP 'Lewiatan'</a>) and is entitled 'The Black List of Barriers for Business' (Czarna Lista Barrier Przedsiębiorczości). The 2010 Black List names the following barriers for SMEs: overcomplicated VAT regulations; excessive court fees; overcomplicated application procedures for EU structural funds; and provisions of the Polish Labour Code regarding 'leave on request' / Employers</p> <p>Romania: anti-crisis plan put forward by all the social partners, which includes a large number of provisions that address the needs of SMEs. For example, the social partners had requested that the government allocate at least 0.5% of gross domestic product in 2009 for the establishment and development of SMEs, that taxation of SMEs be lowered and that bureaucracy be reduced / Employers and Trade union</p> <p>Romania: establishment of a support committee in the</p>

	<p>national parliament to support SMEs and entrepreneurs by improving the legislative framework and regulations and to encourage entrepreneurship / Employer</p> <p>Slovakia: establishment of a crisis council to discuss how to mitigate the impact of the crisis. SME representative organisations were represented in this body / Employers, Trade unions and other stakeholders</p> <p>Romania: establishment of a project, with ESF support, which advocates the concept of learning through company networks, aimed at SMEs / Employers</p>
Tripartite social dialogue addressing the needs of SMEs	<p>Czech Republic: tripartite social dialogue has initiated a range of actions, including increased credit guarantees for SMEs and increased SME access to credit</p> <p>Lithuania: tripartite national agreement concluded in October 2009, which includes commitments aimed at supporting SMEs (reducing bureaucracy, reducing tax levels)</p>
Collective bargaining activities	<p>France: A range of agreements relating to training, signed by trade unions and the CGPME, which represents SMEs. The main agreement was concluded at national level on 9 January 2009 and provides or better anticipation of labour market developments and training needs, particularly in SMEs, more effective identification of the needs of employees and unemployed people, and more individualised and objective-focused training / Employers and Trade unions</p> <p>Slovakia: training activities for the social partners, designed to improve social dialogue in SMEs / Employers</p>
Working time flexibility	<p>Germany: revision of short-time working arrangements, which have benefited all companies, including SMEs. Overall, the German data shows that the use of short-time working tends to increase with company size, although there was a significant increase in the use of short-time working in establishments with 50–249 employees between 2003 and 2009 / Employers and Trade unions</p>
Job creation incentives	<p>Ireland: specific job-creation initiative in the construction sector, which includes a significant number of SMEs / Employers and Trade unions</p>

*Note: further details on the examples from each country are included in the national contributions.*

## Networking and partnerships among SMEs

This section looks at the extent to which SME networks and partnerships exist in EU Member States, what their purpose is and how they can help SMEs to operate more effectively in general, and also particularly during the economic crisis. The development of such networks and partnerships has, in some countries at least, become an important way for SMEs to work to maintain or increase employment, recruit specialist employees, or offer training to their workforce.

### SME networks

There are a range of SME networks in EU Member States. These have a variety of purposes: some are designed to help SMEs gain access to commercial markets, while others are aimed at improving information-sharing or developing systems to allow companies to share employees in some circumstances.

These networks can also help SMEs deal with impact of the crisis in terms of maintaining employment, productivity and market share, and providing other ways of pooling resources. The different types of SME networks have been categorised under different headings, as set out below.

#### *Business associations providing services for a number of SMEs*

In some countries, SME networks take the form of business associations that provide shared services for SMEs. In Luxembourg, for example, several SME networks provide help and services to SMEs in areas such as research and innovation. One of these is Enterprise Europe Network – Luxembourg, a partnership between the Chamber of Commerce, the Chamber of Trade and Luxinnovation, designed to facilitate SME access to EU services aimed at supporting SME development, largely by fostering investment in research and innovation. Another is Technoport, a network of innovative entrepreneurial projects, providing SMEs with instruments to develop and increase innovation, including consulting, mentoring and introductions to potential partners.

A final example from Luxembourg is the bourse d'entreprises, a network run by the Luxembourg Chamber of Commerce, two Belgian and one French chamber of commerce, aimed at facilitating business transfers by introducing buyers and sellers.

In Greece, cooperatives exist in some sectors, such as agriculture, and there are also cooperatives for electricians and furniture makers, including the 120 United Furniture Factories cooperative.

In Slovakia, SMEs tend to be involved in networks of companies related to the operations of a larger company, for example suppliers and subcontractors in the automotive and electric industries, or supermarkets.

#### *Publicly funded networks*

Networks of companies have been actively encouraged in some countries, such as the Czech Republic, where government policy since 2002 has been targeted towards promoting the growth of SME clusters. These clusters are aimed at stimulating cooperation between SMEs at regional level, as well as strengthening cooperation between companies, universities and research institutes in order to increase competitiveness.

### *Cooperation projects between companies*

There are some examples of individual SMEs grouping together, usually to recruit or train workers jointly. In France and Belgium, for example, companies may group together in an association to hire out staff between them as the need arises. The ‘collective employer’ (*groupement d’employeur*) network has been in place in Belgium since 2000. This type of network is an association set up by enterprises which allows them to hire personnel then place them at the disposal of its members when needed. Another type of network, skill-pooling, consists of a sharing of employees between several firms and is used particularly in the case of older workers.

In France, the labour code specifies that a group or organisations may work together to recruit workers, which may be difficult for an organisation to do on its own. These workers work at each of the organisations in the group in turn. These types of networks are usually local in nature.

In some countries, however, the use of networks by SMEs is not common. This is the case in Cyprus, for example, where there are only some isolated cases of local cooperation in the commerce sector, usually involving kiosks and small supermarkets, used to purchase goods from suppliers at lower prices and to obtain finance.

Overall, it is clear that there are different types of networks for SMEs in existence across the EU. In many countries, these are networks that are relatively well embedded and offer a range of advantages to SMEs, such as shared services, shared employees or access to shared expert employees, shared facilities to train workers, or shared access to expert advice and consultancy. These types of networks and links are particularly important to SMEs, which often do not have the resources or time to access such services or facilities alone. The nature of these networks can take a variety of forms, such as cooperation between companies, or the setting up of business associations designed to help SMEs, or encouragement from employer organisations or public bodies. There do not appear to be any particular trends in terms of specific types of networks operating in specific countries, although it is clear that some countries do not have a tradition of these kinds of networks, while others do.

### **Local partnerships among SMEs**

This section looks at the general profile and incidence of local partnerships among SMEs, in which SMEs play an active role, focusing on social dialogue that is aimed at maintaining employment levels or supporting job creation during the crisis. Local partnerships are defined as partnerships at sectoral, regional or local level between SMEs and other parties, including large companies, public institutions, research and development bodies and social partner organisations, in order to gain a better competitive position and create jobs locally. This report is interested in particular in local partnerships that aim to support the activities of SMEs, both in general and during the crisis in particular, and specifically those that help to maintain employment levels in SMEs.

Overall, we have found that the incidence of local partnerships at a range of levels varies considerably between countries, with some countries reporting a relatively high number of these types of partnerships, and others reporting that they are not so common, or hardly exist at all. It is difficult to pinpoint any particular trends in the EU in terms of local partnerships among SMEs. In some countries, where these kinds of local partnerships are already well embedded, they appear to function well and have been a useful factor in helping SMEs to weather the crisis. The social partners often play an active and useful role in the development and functioning of these types of local partnerships, as they often understand the needs of SMEs very well. In other countries, however, there is no particular tradition of these kinds of local partnerships and so there is little evidence of these types of partnerships, either before or during the crisis.

As mentioned above, in some countries local partnerships among SMEs are well established. In Sweden, for example, it is estimated that between 50% and 60% of SMEs are involved in a local partnership with other companies, and between 50% and 55% state that they are part of a cluster of enterprises.

There are, however, some countries with no local partnerships in place involving SMEs, or else insufficient information to form the basis of a case study. These include Norway, Estonia, Malta, and Greece.

In some cases initiatives are targeted specifically at SMEs, while in others they consist of more general initiatives that either contain specific clauses targeting SMEs or operate in sectors or industries that have a high proportion of SMEs.

Again, the reports show that there are very little data concerning the effectiveness of these measures in terms of maintaining or increasing employment levels.

Below, we categorise the types of local partnerships in existence, focusing on employment pacts, regional partnerships on training and skills development, and social partner involvement. Table A2 in the annex gives an overview of the main local partnership measures in place.

## **Local partnerships aimed at employment and skills development**

### *Employment pacts*

Employment pacts are agreements between parties such as employers, social partners and public authorities (government and labour market services) at the appropriate level to enable them to act together to increase employment in a particular area or sector. Employment pacts at local or regional level are quite common in a minority of countries. One of these is Hungary, where employment pacts were first established in 2002. At present, it is estimated that 47 such pacts exist at local, county or regional level, aimed at activating the economy and increasing employment levels. Here, it is reported that interest in these types of pacts has increased during the crisis. Territorial employment pacts also exist in Austria, and are the predominant form of employment-related partnerships today. The stakeholders involved in the Austrian partnerships are the labour market service, provincial governments, NGOs, the social partners and enterprises, among them a large share of SMEs.

In some other newer Member States, however, such as Poland, while local partnerships are common, they are largely financed by EU funds and rarely seem to involve the social partners in an active way. EU funding is also an important feature of local partnership initiatives in Romania. In both of these cases, it would seem that these are initiatives that, while benefiting SMEs, are not targeted exclusively at SMEs.

### Regional partnerships on training and skills development

Some partnerships revolve around specific issues, with training often featuring highly, with active involvement of SMEs. In France, for example, there are local partnerships, usually at regional level, that concentrate on training and skills development, usually aimed at employees in firms that are experiencing difficulties, those on short-time work, or those who have been made redundant. The idea is that training will increase the employability of the individual and the competitiveness of the region. The involvement of SMEs in these partnerships centres on the fact that the confederation of small and medium-sized employers (Confédération générale du patronat des petites et moyennes entreprises, [CGPME](#)), which represents SMEs, is a signatory, and they contain specific clauses aimed at SMEs.

An initiative focusing on training and career development for young people exists in Lithuania, based on exchanges of experience between Lithuania and France, and an initiative aimed at increasing the skills of manual workers in SMEs and micro-enterprises was held in Poland. This

project ran from 1 February 2009 to 31 January 2011 and involved the chambers of commerce, entrepreneurial associations and employers' organisations. The action was triggered by a shortage of qualified staff to fill specific manufacturing positions, especially with regard to operating specialist equipment used predominantly in construction.

Sweden has two interesting schemes dedicated to improving the employability and skills levels of workers in specific regions, in which a substantial number of SMEs participate. Further, a subsidised education and training initiative exists in Slovakia, which is targeted specifically at small businesses, and Austria offers a targeted initiative aimed at enhancing qualification levels, in which 50% of the participants must be SMEs.

## **Examples of local partnerships**

The examples of local partnerships given in this report, both the four examples below and those listed in Table A2 in the annex, all involve social partners and are based on some element of social dialogue. However, the involvement of the social partners can differ considerably, from active involvement in the design of an initiative, to limited involvement, focusing on implementation of an initiative. In the Netherlands, for example, the activities given are national initiatives and the involvement of the social partners is at the implementation stage at local level, as is the case for the implementation of reductions in working hours. By contrast, in a Romanian initiative in the construction sector, the social partners were directly involved in the design, development and implementation of the initiative.

Four cases of local partnership are described below. They are drawn from different EU countries on the basis of the national data supplied for this project, covering areas such as staff pooling, employment creation and promotion, and support for training. For a full list of the main cases of local partnership around Europe, see Table A2 in the annex.

### *Local collective staffing pool in the metal and electrical industry in the Ruhr region, Germany*

This local partnership is an example of how to create a staffing pool among a number of companies in a regional sector, within the framework of a collective agreement. This arrangement enables SMEs to move staff around between them in accordance with peaks and troughs in demand, thus avoiding layoffs.

At the end of 2009, the Employers' Association of the Ruhr Region ([Arbeitgeber Ruhr](#)) and the North-Rhine Westphalian branch of the German Metalworkers' Union ([IG Metall](#)) concluded a collective agreement for workers in the metal and electrical industry. This agreement provides for a staffing pool for manufacturers so that, under certain circumstances, workers can be temporarily assigned by establishments with a surplus of labour to other establishments that are looking for workers. In this way, layoffs can be avoided in companies adversely affected by the economic crisis. At the same time, companies not affected by the downturn can rely on a pool of trained staff, to cope with a high order volume for example. The works councils of the sending and the receiving establishments must agree to these temporary assignments. Different rules apply to different groups of employees (see also [DE1002039I](#)).

Employers' organisations in the metal and electrical industry or in related industries that are members of Arbeitgeber Ruhr are bound by this agreement. However, other companies can become parties to, and implement, the agreement after joining the Ruhr employers' association. The agreement covers around 350 businesses together covering up to 70,000 workers. The metal and electrical industry is characterised by a high number of small and medium-sized enterprises.

An initial assessment of the agreement has already been published. On 26 July 2010, the chairpersons of the five employers' organisation affiliated to Arbeitgeber Ruhr reported that

many companies had shown interest in the staffing pool. Two information meetings had been held and representatives of 200 companies had attended. However, in the end only 10 companies had registered with the database and only two companies had used the staffing pool. The chairpersons concluded that employers did not have to use the pool because they had tried to overcome the crisis by introducing short-time work in their companies. They expected that short-time work would have been reduced by 90% by the end of 2010 and that there would be no further need for a staffing pool.

### *Promoting employment creation and training: Red Local, Madrid, Spain*

This local partnership is an example of how training, knowledge transfer and employment support can be coordinated at regional level, using four partners, and benefiting the staff of SMEs in particular.

*Red Local* (local network) is a consortium formed by councils of the Autonomous Community of Madrid, which covers a population of 430,000. It was founded in 1998 with the goal of coordinating the actions of different localities in relation to economic promotion, employment creation and training. *Red Local* therefore develops training programmes and measures designed to create employment and support SMEs, paying special attention to transnational and interregional programmes. At the same time, *Red Local* tries to facilitate the coordination of the different job and training centres in the localities covered. The governing boards of *Red Local* are exclusively composed of legal representatives of the town council. However, the different programmes and projects implemented usually involve the participation of social partners and different agents, such as NGOs.

The area which *Red Local* covers has a very high number of small enterprises – 78% of enterprises have 3–9 employees and 20% have 10–49 employees. The industrial sector is significant in the area, with blue-collar workers accounting for 45% of total employment. Another important feature of this area is the stability of employment relationships. Thus, 87% of contracts are open-ended, as opposed to a Spanish national average of 75% of open-ended contracts. With regard to workers' qualifications and skills, it is worth noting that around 54% of the workforce has a low level of qualification. This can be problematic, as *Red Local* estimates that 83% of job vacancies demand a vocational training degree.

Bearing in mind the specificities of this area, there is one particular programme that targets SMEs: *Educaemprende* is a transnational project developed within the Leonardo da Vinci programme, which aims to increase the quality of vocational training education and encourage knowledge transfer from vocational training programmes to enterprises. The programme targets teachers of vocational training, local public administration employees involved in employment creation, small enterprises and other social agents involved in non-formal training programmes. The programme is delivered by four partners – the CTIF-Madrid educational centre, Helsinki University, Wandsworth Borough Council (UK), and *Red Local*, which is in charge of the project's coordination, management, dissemination and communication. Specific activities are designed to increase teachers' competences and encourage knowledge transfer to SMEs:

- A work package entitled 'Improvement of the competencies of teachers/trainers/tutors of professional training in the promotion of the Entrepreneurial Spirit' delivered by the educational centre CTIF-Madrid. This work package encompasses the following activities: 1) identifying and analysing the needs of the targeted groups 2) holding thematic forums with national and transnational experts on the promotion of the entrepreneurial spirit in educational systems, which aims to analyse the existing tools and deliver useful material for the agents involved in these activities and 3) the creation of an e-learning tool with the results of the results of the forum, available on the project website.
- A work package delivered by Helsinki University called 'integration with the corporate world: the importance of the intra-entrepreneur spirit in SMEs'. The activities developed under this



work package are: 1) Celebration of the international conference ‘The Entrepreneurial Spirit in the Organisation’, with the participation of different social agents, such as teachers, SMEs, local employment agents and trainers in non-regulated subjects, 2) compilation of experiences and best practice and 3) the development of a ‘Methodology for the Implementation of an Entrepreneurial Culture’ aimed at improving SMEs’ performance in the coming years.

- A ‘Post-project Sustainability’ work package delivered by Wandsworth Borough Council (UK). This work package will include a final evaluation report and an action plan, aimed at maintaining the network after the end of the project.

The programme has been in existence since 2008, therefore coinciding with the beginning of the crisis. However, *Red Local* points out that the effects of the crisis, in terms of employment, will not become apparent for some time so it is difficult to make any assessment of the effectiveness of these projects.

### *Promoting employment: local employment pact in Hungary*

This local partnership is an example of how job creation can be promoted at regional level, within the framework of an agreement between local government, national government, social partners, companies and other interested parties.

The Vasi [Hegyhát Employment Pact](#) was signed by 64 parties on 5 October 2007. Among the signatories were a number of subregional local governments, the regional Labour Centre, the Department of Social Dialogue and Contacts with the Civil Society of the Ministry of Labour and Social Affairs, the local MSZOSZ organisation, the Roma minority self-governments of several communities, NGOs and enterprises. The project created a partnership among the subregional, county and regional labour market actors, creating, among other things, a Subregional Employment Strategy.

The project objective is the establishment of a subregional employment pact promoting job creation by means of cooperation between the regional actors, and with this, to stem decreasing unemployment and raise employment levels in the region. Another objective of the project and the developing cooperation is to reduce and prevent long-term unemployment in the subregion, to expand the level of existing jobs and create new ones.

The pact will be subsidised until 31 March 2011 by funds from the Western Trans-Danubian Regional Labour Centre. The Regional Operational Programme of Hungary’s National Development Plan has given financial support of HUF 41 million.

One of the latest and most important outputs of the project is the labour market project in the area of Körmend, entitled *Lépés előnyben* (A Step Ahead) that will be funded by HUF 51.5 million (approximately €191,000) and will last until 31 December 2012, aimed at supporting employees with altered working capabilities.

### *Improving skills and training: Västkraft, Sweden*

This local partnership is an example of how training can be offered in a coordinated way, using a public-private partnership at regional level and targeting redundant workers, mainly in the automotive industry. The main beneficiaries of this partnership have been SMEs.

Västkraft is a public-private partnership in the southwestern part of Sweden, more specifically in the Gothenburg region, that offers training to improve the skills of employees and redundant workers, mainly in the manufacturing sectors. In particular this involves workers in the automotive industry or subcontractors to the automotive industry. However, the education and subsequent skills improvement among the workers is not exclusively targeted to match the needs of the automotive industry. Västkraft can also be used as a way for workers to move to a different

sector. The original aim of the project was to provide education for unemployed workers, but this aim shifted more towards improving employee skills and furthering innovation at the local companies.

The project was created in 2009 to address the adverse labour market situation in the region, and it is financed by the European Social Fund (ESF) with SEK 50 million (€5.3 million). Västkraft's role is to organise the different types of training and education according to what the local companies and trade unions require. The education providers are found through a public procurement process. The Gothenburg municipality is the principal owner of the project, and it works with nine collaboration partners. These include Arbetsförmedlingen, Business Region Göteborg and the main social partners within the sector.

The main aim of the project is to improve skills among workers and thereby promote sustainable growth in the region. The project also aims to promote increased strategic collaboration among the municipalities of the region within adult education, and to design education and training that meets the demands and needs of the local businesses. Västkraft also aims to promote entrepreneurship in the region, and to promote increased collaboration amongst regional actors; companies, providers of education and adult education. So far 3,500 people have benefited from training at Västkraft.

Although Västkraft has only been active for one and half years, 80 local companies have participated in the project, a large majority of them SMEs. The project is set to run for two years, which the project manager believes is too short. He feels that more could be done if the project's lifespan was extended. Today, due to increased brand awareness among local companies and help from the social partners, this obstacle is not as important as before. The social partners often act as door openers; they facilitate the contact with local companies. Arbetsförmedlingen has also played a vital role in Västkraft's work, by giving unemployment benefits to the individuals who studied at Västkraft.

## **Main social partner views on the situation of SMEs**

This section examines the main views of the social partners in EU Member States on the functioning of SMEs and the particular issues and difficulties that SMEs face, together with their views on the measures available to help SMEs to weather the crisis and employment issues.

Although the views of employer and employee representatives, set out below, differ in many respects, there are some common themes that can be drawn out. For example, in some countries, such as Ireland and Romania, both employer and employee representative bodies have been critical of government support for SMEs during the crisis, particularly as the government did not implement social partner suggestions designed to help SMEs, including support for the establishment and development of SMEs, reduced taxation and less bureaucracy. In Ireland, employers and unions have both called for the introduction of a support or stimulus package designed to boost employment in SMEs. They are concerned that in addition to the jobs crisis and labour costs, SMEs in Ireland face issues concerning fixed costs and the cost of utilities. A lack of access to credit is also considered to be a major problem for Irish SMEs.

In Romania, employers and unions have criticised the government's strategy for helping the SME sector. Much of the employer discontent in Romania centred on the taxation of SMEs, and the government responded by abolishing a particular tax introduced for micro-enterprises in 2009.

By contrast, in Austria there is broad consensus that SMEs are very important for the national economy and employer and employee representative bodies are in agreement that the course taken by the government during the crisis has been the right one. In Spain both employer and employee representative bodies also agree that SMEs are of vital importance for the Spanish economy. Trade unions and employer organisations representing SMEs in Norway generally coordinate their views, and there is reported to be general consensus also in Malta.

As noted elsewhere in this overview, one of the main problems facing SMEs is a lack of access to credit, particularly during the crisis. Both employer and employee representatives have therefore highlighted this problem as one that needs addressing.

## **Employer views**

The concerns of employers representing SMEs focus on areas such as the competitiveness of SMEs, which in turn is related to issues such as reducing bureaucracy, increasing access to credit and reducing taxes and other types of costs, such as social security contributions.

Access to credit and venture capital is a particularly important issue for SME employer bodies in most countries, with employer representatives in Cyprus, the Netherlands and Lithuania engaged in lobbying the government to try to improve access to loans and improve the credit flow for SMEs. This is also an issue explicitly cited by employer representatives in Luxembourg as well as Greece, where employers have put forward the idea of establishing a bank that exclusively finances SMEs.

Lower levels of regulation is a major theme for SME employers in many countries. In the UK, the Federation of Small Businesses (FSB) is calling for less regulation of SMEs, in addition to exemptions from social security payments, in order to help smaller companies weather the crisis. In Poland, employer efforts centre on trying to simplify administrative procedures when accessing EU funding, which they believe would help SMEs considerably. Small business representatives in the Netherlands and Luxembourg are also focusing on trying to reduce the administrative burden. In Germany, small business representatives are advocating exempting companies with fewer than 20 employees from statistical reporting obligations.

Lower taxes are a focus for employer organisations representing SMEs in some countries. In Slovenia, employer organisations have been successful in getting the government to agree to abolish an unpopular tax on micro-enterprises. In Germany, reducing tax for SMEs is a priority for small business representatives. This is also an issue of importance cited by employers in Greece.

Late payment and non-payment of invoices sent to clients (including other companies and state bodies) for work already carried out is another financial issue that affects SMEs in particular. Employer organisations representing SMEs in Slovenia are therefore focusing on highlighting the negative effects on SMEs of late and non-payment, in addition to the existence of the informal economy, and proposing to the government new legislation aimed at tackling this. Non-payment or late payment is also an issue for SME employer representatives in Belgium, who are lobbying the government to introduce new legislation on this topic.

Relatively low SME membership of employer organisations is an issue in some countries. In Bulgaria, for example, it is thought that low levels of SME membership are linked to the high incidence of home working and work in the informal economy.

In Cyprus, the General Confederation of Small Business' and Retailers' Unions (POVEK) has been lobbying the government to intervene to restrict the development of large supermarkets and shopping malls. POVEK would also like to see the creation of a special fund to help SMEs to modernise and invest in new technology and relocation to industrial zones. Small employer organisations in Greece have set out similar demands.

Collective bargaining systems are not a major concern for many SME employer organisations. One exception, however, is Spain, where SME employer body CEPYME would like more decentralisation of collective bargaining in order to allow SMEs more freedom in making wage adjustments. They claim that this would increase the SMEs' ability to maintain employment levels.

Regarding employment trends, employer organisations representing SMEs in some countries, such as Norway, have been arguing for more flexibility in terms of temporary and fixed-term contracts.

Training is an issue that has not featured highly in many employer representative body views as reported for this study. However, in France, the small business employer representative body CGPME and other organisations stress that access to training is an issue of special importance for SMEs, particularly during the crisis.

## **Employee representative views**

Employee representative bodies in many countries have been lobbying their governments to try to improve the employment situation in SMEs. In Ireland, for example, the Irish Congress of Trade Unions (ICTU) has stated that it would like to see the Irish government intervene directly to support job creation, by means of public support and funding. In the UK, a TUC spokesperson indicated that one of the problems faced by SMEs in the UK is a lack of management skills and management qualifications, although they noted that this is to be expected as the SME sector is dominated by self-employment.

Employee representation in SMEs is a key issue for employee representative bodies and trade unions in some countries. In Austria, trade unions have indicated that they would like to see an increase in employee representation in SMEs, in the form of more works councils, particularly in the smaller SMEs. Employee representation in SMEs is also a concern for trade unions in Spain. Here, unions are trying to resist any attempts on the part of employers to decentralise collective bargaining, in the belief that this would lead to a deterioration in employment terms and conditions for SME employees, which, in the trade unions' view, are already relatively poor. Spanish trade unions also state that low trade union membership and the low number of works councils in SMEs means that it is difficult to monitor whether the provisions of collective agreements are being respected in SMEs. In Belgium, trade unions are suggesting lowering the threshold for the formation of works councils, in order to increase the number of works councils present in SMEs. Hungarian trade unions are also concerned about low levels of representation in SMEs and are working to support the establishment of works councils.

In terms of employment trends in SMEs, the crisis has had an adverse effect on employment levels in most countries. In the UK, the TUC noted that SMEs in some sectors were increasing their levels of employment, and that access to venture capital was desirable in order to support this.

## **Commentary**

The data collected in this report paint a picture of the situation of and practices in SMEs in the EU, and the impact that the crisis has had on SMEs. SMEs play a vital role in national economies and account for a significant proportion of employment in all countries. However, the crisis has negatively affected SMEs in most countries, causing many to cease operations and reducing the overall level of employment in these types of companies.

The crisis has hit SMEs harder than larger companies in most countries. This is evidenced by the large numbers of SMEs that have been forced into bankruptcy in the majority of EU Member States during the crisis years. SMEs suffer from particular difficulties that make it harder for them to weather temporary downturns in the economic cycle, let alone a major crisis such as the current one. These specific difficulties relate to issues such as access to credit, the struggle to cope with high levels of bureaucracy and the difficulties of coping with taxation levels.

Although data on contractual arrangements and work organisation in SMEs are relatively hard to find, it would seem that working conditions and factors such as working hours are more flexible

and informally arranged than in larger companies, in the case of many countries, and that the initial impact of the crisis appears to have had the effect of increasing existing ‘external’ flexibilities, as organisations try to cope with shifting external circumstances and demands.

Employee representation and social dialogue/collective bargaining arrangements have been well documented as being not as widespread in SMEs as they are in larger companies, but there are considerable differences between different countries. At company level, trade union density is relatively low in SMEs, and particularly in the smallest companies, which often tend to be family-owned and/or do not have a strong tradition of employee representation. Trade unions in some countries are making it a priority to try to increase employee representation in SMEs, for example by trying to encourage the establishment of works councils in SMEs in those countries where employee representation is based on a system of works councils. This tends to be a strategy that predates the crisis in most countries and there is no direct evidence that the crisis has had a particular impact on trade union strategies in this regard.

National governments are aware that the needs of SMEs are different from those of larger companies. They often have difficulty gaining access to credit, problems with bureaucracy, difficulties with the tax burden, and problems in complying with regulation, due to low levels of internal resources, procedures and processes, and these difficulties have all been exacerbated by the recent crisis. Accordingly, the governments of most Member States have put into place measures to help SMEs weather the current crisis, although commentators in some countries feel that the measures in place do not go far enough, or are not effective enough.

The social partners in most countries are also aware of these issues and employer organisations representing SMEs have been engaged in support and lobbying activities to try to help SMEs. Employee representative body lobbying and campaigning has focused on trying to boost employment levels and employee representation in SMEs. In countries such as Germany, SMEs have benefited, along with larger companies, from short-time working arrangements, which have enabled organisations to avoid making redundancies. Overall, the German data show that the use of short-time working tends to increase with company size, although there was also a significant increase in the use of short-time working in medium sized establishments with 50–249 employees between the recession of 2003 and that of 2009.

Networks and local partnerships are extremely important to SMEs as a way of helping maintain employment and offer training to their workforce. The incidence of these types of networks varies across the EU – in some countries, there are established SME networks and local partnerships, while in others the tradition is not as well established. Where networks and local partnerships are well established, they appear to be working well and have not been changed particularly with the advent of the crisis, although it could be argued that the fact that they belong to a local partnership has enabled the SMEs to cope better with the crisis.

The focus of many local partnerships and networks is on boosting and/or maintaining employment, and on training. The fact that these partnerships are, by their very nature, local means that they are well placed to respond in a tailored way to individual SME needs.

The views of the social partners on the situation of SMEs in the crisis differ in many respects, although they converge on some common issues, such as the need to address the lack of access to credit. Overall, however, employer representatives tend to focus on areas such as the competitiveness of SMEs, which in turn is related to issues such as reducing bureaucracy, increasing access to credit and reducing taxes and other types of costs, such as social security contributions. These types of concerns have, of course, been exacerbated by the crisis. Employee representative bodies have been focusing on activities such as lobbying governments to try to persuade them to help SMEs during the crisis, or on trying to increase employee representation among SMEs at company level.

In terms of the future, it is clear that we do not yet know the full extent of the impact of the crisis on SMEs, although it is clear that they have been hit relatively hard. It can be said that SMEs form a hugely significant section of the economy in most countries (and indeed are described as the backbone of the economy in some) both in terms of numbers and employment, and in terms of creativity and innovation. The main stakeholders in all countries would therefore agree that it is vital that SMEs are able to emerge from the crisis and operate in an environment that allows them to thrive.

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## Annex

**Table A1: Number and share of SMEs in EU Member States plus Norway, and share in employment, most recent data and based on available data for each country**

Country	Number of SMEs and share in the national economy*	Share in employment (rounded to the nearest percentage)
<i>Austria (2007)</i>		
1–9 employees	251,452 (87.5%)	18.8%
10–49 employees	30,254 (10.5%)	23.3%
50–249 employees	4,690 (1.6%)	23.9%
<i>Belgium (2009)</i>		
1–9 employees	185,881 (83%)	14%
10–49 employees	30,606 (14%)	18%
50–199 employees	5,463 (2%)	15%
<i>Bulgaria (2008)</i>		
1–9 employees	202,350 (88%)	13.9%
10–49 employees	21,980 (9.6%)	31.0%
50–249 employees	4,650 (2.1%)	43.5%
<i>Cyprus (2008)</i>		
1–9 employees	71,165 (94.1%)	94,1%** (0–9 employees)
10–49 employees	3,744 (5%)	4,9%
50–249 employees	581 (0.8%)	0,8%
<i>Czech Republic (2009)</i>		
1–9 employees	220,405 (78.1%)	14%
10–49 employees	48,188 (17.1%)	22%
50–249 employees	11,835 (4.2%)	26%
<i>Denmark (2008)</i>		
1–9 employees	117,855 (82.1%)	14%
10–49 employees	20,990 (14.6%)	18%
50–99 employees	2,479 (1.7%)	7%
<i>Estonia (2009)</i>		
1–9 employees	74,094 (90.4%)	25.5%
10–49 employees	6,428 (7.8%)	27.4%
50–249 employees	1,210 (1.5%)	26.2%

<i>France (2008)</i>		
1–9 employees	989,411 (83.1%)	N.A.
10–49 employees	168,281 (14.1%)	N.A.
50–199 employees	25,959 (2.2%)	N.A.
<i>Germany (2009)</i>		
1–9 employees	1,668,627 (80.3%)	17.6%
10–49 employees	321,090 (15.5%)	23.6%
50–249 employees	75,260 (3.6%)	27.4%
<i>Greece (2006)</i>		
1–9 employees	820,021 (96.5%)**	58%**
10–49 employees	25,789 (3%)**	17%**
50–249 employees	3,579 (0.4%)**	12%**
<i>Hungary (2009)</i>		
1–9 employees	648,683 (90.7%)	10.5%
10–49 employees	28,155 (3.9%)	25.1%
50–249 employees	5,291 (0.7%)	23.4%
<i>Ireland (2005)</i>		
1–9 employees	72,340 (85.3%)	22.4%
10–49 employees	9,853 (11.6%)	21.5%
50–249 employees	2,219 (2.6%)	22.7%
<i>Italy</i>		
1–9 employees	4,274,512 (94.7%)	46%
10–49 employees	212,729 (4.7%)	21%
50–249 employees	23,046 (0.5%)	13%
<i>Lithuania (2010)</i>		
0–9 employees	46,858 (73.9%)**	16.2%**
10–49 employees	13,658 (21.5%)**	27.6%**
50–249 employees	2,931 (4.6%)**	28.6%**
<i>Luxembourg (2009)</i>		
1–9 employees	8,675 (32.8%)** (0–4 employees)	13.2%
10–49 employees	4,623 (17.5%) (5–19 employees) 1,215 (4.6%) (20–49 employees)	23.1%



	employees)	
50–249 employees	655 (2.5%) (50–249 employees)	24.3%
<i>Malta (2008)</i>		
1–9 employees	28,285 (95.2%)	N.A.
10–49 employees	1,159 (3.9%)	N.A.
50–249 employees	238 (0.8%)	N.A.
more than 250 employees	41 (0/1%)	N.A.
<i>Netherlands (2009)</i>		
1–9 employees	769,660 (86.2%)*	13% (2008)
10–49 employees	59,465 (6.7%)	19% (2008)
50–249 employees	12,180 (0.1%)	8% (2008) (50–100 employees only)
<i>Norway (2009)</i>		
1–9 employees	106,113 (79.7%)	N.A.
10–49 employees	23,008 (17.3%)	N.A.
50–249 employees	3,430 (2.6%)	N.A.
<i>Poland (2009)</i>		
1–9 employees	3,548,354 (94.8%)	39.2% (2008)
10–49 employees	159,705 (4.3%)	12.6% (2008)
50–249 employees	29,730 (0.8%)	17.9% (2008)
<i>Portugal (2008)</i>		
1–9 employees	1,046,592 (95.47%)	43%
10–49 employees	42,629 (3.89%)	21%
50–249 employees	6,113 (0.56%)	15%
<i>Romania (2008)</i>		
1–9 employees	476,359 (89.2%)	22%
10–49 employees	46,112 (8.6%)	21%
50–249 employees	9,633 (1.8%)	22%
<i>Slovakia (2009)</i>		
1–9 employees	102,926 (80.8%)	22.3% (0–49 employees, 2008)**
10–49 employees	20,899 (16.4%)	
50–249 employees	2,925 (2.3%)	17.5% (2008)**
<i>Slovenia (2008)</i>		

1–9 employees	35,951 (78.6%)	12%
10–49 employees	6,263 (15.2%)	18%
50–249 employees	2,170 (5.3%)	30%
<i>Spain (2009)</i>		
1–9 employees	1,166,491(86.7%)	42%
10–49 employees	149,453 (11.1%)	31%
50–249 employees	24,070 (1.7%)	14%
<i>Sweden (2008)</i>		
1–9 employees	216,156 (86.1%)	35.8%
10–49 employees	28,221 (11.2%)	34.8%
50–249 employees	4,797 (1.9%)	29.4%
<i>UK (2009, private sector only)</i>		
1–9 employees	1,019,605 (83.4%)	13.1%
10–49 employees	167,670 (13.7%)	12.9%
50–249 employees	26,905 (2.2%)	10.7%
<i>Source: EIRO 2010</i>		

\* Shares in the 'national economy' refer to the total size classes 1–249 plus (if not otherwise indicated), but exclude those companies without employees (0 employees).

\*\* Shares in the 'national economy' also include those enterprises without employees in the numerator.

Data for 1–4 size class in Luxembourg includes also companies without employees (0 employees).

\*\*\*Author's own calculation, based on the figures indicated in the National contribution (total SMEs: 830,343 = 93% of total economy).

#### **Notes on country information for table A1:**

Austria: Association of Austrian Social Insurance Institutions (Hauptverband der österreichischen Sozialversicherungsträger), which includes all dependent employees in all sectors, and Eurostat SBS.

Cyprus: all the data contained in the following tables were provided by the [Statistical Service of Cyprus](#) upon request by the Cyprus Labour Institute ([INEK](#)) solely for the needs of this present study.

Czech Republic: Czech Statistical Office.

Denmark: Statistics Denmark, Enterprise Statistics (Generel erhvervsstatistik, Firmastatistik 2000–2008).

Estonia: Statistics Estonia

Spain: DIRCE (Elaborated by Ministry of Labour and Immigration) 2009.

France: Data refer to 1 January of each year. Source: own calculations based on data from [INSEE](#)

Germany: BA data referring to number of establishments on the reporting date 30 June 2006 to 2009.

Ireland: Most recent data from 2004–2005, European Commission SME Fact Sheet.

Italy: Istat, Archivio Statistico delle Imprese Attive (Asia).

Lithuania: [Lithuanian Statistics](#).

Luxembourg: Statec – Le Luxembourg en chiffres (Luxembourg in figures, September 2010).

Norway: Statistics Norway. Enterprises and number of dependent employees (self-employed not included). Enterprises with employees only, i.e. enterprises where the owner is the only person employed/no one is employed, are not included in the table. Figures do not include the primary sectors or public administration.

Poland: National statistics (GUS).

Portugal: Statistics Portugal Inquérito Anual às Empresas (INE), 2008, 2009, 2010. CAE Rev 3 DL381/2007 harmonised with the Statistical Classification of Activities (NACE-Rev.2), under the Rules of (EC) No 1893/2006 of the European Parliament and the Council of 20 December 2006.

Romania: Data compiled from ‘Small and Medium-sized Enterprises in the Romanian Economy’ (‘Întreprinderile mici și mijlocii în economia românească’), National Institute of Statistics ([INS](#)), Bucharest, 2008, 2009 and 2010.

Slovakia: Správa o stave malého a stredného podnikania v Slovenskej republike 2008 and 2009. National Agency for the Development of SMEs ([NARMSP](#)) Bratislava 2009, 2010.

Slovenia: SORS, Statistical Register of Employment.

Sweden: Data presented are from SCB and divided according to SNI2002, which is based on NACE Rev 1.1. No data are available for 2009. The data is collected from various administrative sources such as the National Tax Board ([Skatteverket](#)).

UK: UK Department of Business, Innovation and Skills publication, *Small and Medium-sized Enterprise (SME) Statistics for the UK and Regions 2008*.

Data for the category 1–9 employees are for UK private sector only, as the whole-economy statistics also included enterprises with no employees.

**Table A2: Examples of local partnerships involving SMEs in selected European countries**

Country/Region	Type of partnership	Participants	Main comments
Austria Company networks across the country	Qualification networks (Qualifizierungsverbände)	Companies, the labour market service, the European Social Fund	Qualification networks aim to keep employees in their employment relationships, thus securing jobs, and to enhance the qualification levels of the workforce. They require companies to cooperate and form networks. The network is to be formed by several companies (at least three, of which at least 50% must be SMEs) who jointly plan and carry out qualification and training measures for their employees. A particular emphasis is placed on ‘productive ageing’; in other words the focus lies on older staff members.
Austria Vienna	Provincial Employee Promotion Fund (WAFF)	Regional government and the social partners at enterprise and regional level.	The scheme is accessible to enterprises (preferably SMEs) from the region which are forced to implement restructuring measures due to economic difficulties. Those enterprises that want to acknowledge their social responsibility towards the workers that they need to make redundant need to form a partnership with the WAFF, make a contract with its re-employment scheme and define a specific project.
Belgium Liège, Walloon region	Local economic restructuring group (GRE-Liège)	The Confederation of Christian Trade Unions (Confédération des Syndicats Chrétiens/Algemeen Christelijk Vakverbond, CSC/ACV) CSC, the Belgian General Federation of Labour (Fédération Générale du Travail de Belgique/Algemeen Belgisch Vakverbond, FGTB/ABVV) the FGTB, the Union of Enterprises (Union wallonne des entreprises, UWE, section de Liège) and Agoria.	GRE-Liège is a coordination and consultancy structure, focused coordinating actions dedicated to regional revitalisation. GRE-Liège has a strategic plan for 2009–2014 in order to give concrete expression to new economic and social orientations for the future of the region.
Bulgaria – various regions	Project 100	Ministry of the Economy	This project aims to support the launch and development of micro- and small enterprises in the country through the provision of grants for business start-ups and finance leases for the purchase of machinery and equipment.

Bulgaria	Project on security through legal flexibility through collective bargaining	Bulgarian industrial association, Federation of Independent Trade Union Organisations, CITUB	Improving the adaptability of employees to the challenges of today's labour market in Bulgaria by implementing flexicurity measures for SMEs through joint action by social partners in the project.
Czech Republic	Statement requesting the introduction of furniture scrappage	The cooperative Cluster of Czech Cabinet Makers (Klaster českých nábytkářů), which associates 35 companies, and the Association of Czech Furniture Manufacturers (Asociace českých nábytkářů)	This statement requested the introduction of furniture scrappage over 10 years and called for the launch of negotiations at government level to support the domestic furniture industry as an important part of the national economy. This statement, in the form of an open letter, was sent to the Minister of Industry and Trade of the Czech Republic.
France Isère	Memorandum of understanding on training	Local representatives of the social partners (including the CGPME, which represents SMEs)	The agreement aims to make funds for training available to employees in need and to enterprises in an economically difficult situation. The social partners will seek to offer training measures as an alternative to partial unemployment and lay-offs. Employees will be offered training in order to use their reduced working time (due to partial unemployment) more effectively. Instead of allocating additional funding, existing measures offered by local joint implementing bodies, the state, and businesses are identified, coordinated and used efficiently. The memorandum explicitly states that SMEs, and in particular enterprises with fewer than 50 employees, from all sectors are to be targeted for these measures.
France Compté region	Training programme, Compétence Plus	Designed by the regional council but implemented by local social partners.	This initiative aims to aims to train employees, for example those who are currently underemployed. The main target group is companies in economic difficulties, but SMEs with fewer than 50 employees have preferential access to the scheme. Special attention is paid to SMEs and other enterprises in the automotive sector, which is particularly affected by the crisis. Moreover, individual training is offered to employees to match their personal needs. There is an emphasis on employee initiative, as employees receive advice, but are autonomous in the choice of the appropriate training programme.
Germany Hessen	HessenTransfer	Hessian branch of the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund Hessen, DGB Hessen), the	The initiative offers advice and practical help on how to deal with labour surpluses in times of economic hardship. HessenTransfer promotes the use of existing labour market instruments and helps SMEs to set up their own, or cooperate

		Confederation of Hessian Employers' Associations (Vereinigung der hessischen Unternehmerverbände, VhU), the Ministry for Labour, Family and Health (Hessisches Ministerium für Arbeit, Familie und Gesundheit, HMAFG) of the central German State of Hesse and the Federal Employment Agency (Bundesagentur für Arbeit, BA).	with an existing, transitional employment agency (Transferagentur) or transitional company (Transfergesellschaft). In the case of a transitional employment agency, the agency tries to place employees who are threatened with unemployment, but still employed with their (old) company, in a new position outside the company. In the case of a transitional company, employees are offered a new fixed-term contract with a transitional company after their contracts with their old employer have terminated. The transitional company then tries to place them in new jobs.
Germany Metal and electrical industry in the Ruhr region	Local collective staffing pool	The Employers' Association of the Ruhr Region (Arbeitgeber Ruhr) and the North-Rhine Westphalian branch of the German Metalworkers' Union (Industriegewerkschaft Metall, IG Metall).	This initiative takes the form of a collective agreement that provides for a staffing pool, under which, in certain circumstances, workers can be temporarily assigned by establishments with a temporary surplus of labour to other establishments that are looking for workers. In this way, layoffs in companies adversely affected by the economic crisis can be avoided. At the same time, companies not affected by the downturn can rely on a pool of trained staff, for example to cope with a high order volume. The works councils of the sending and the receiving establishments must agree to such temporary assignments. The metals and electrical sector in this region has a high number of SMEs.
Hungary Székesfehérvár region	Labour market Partnership	Székesfehérvár City, the Székesfehérvár Regional Enterprise Development Foundation, the Székesfehérvár Regional Training Centre, the Fejér County Chamber of Industry and Commerce and the Central Trans-Danubian Regional Labour Centre, and nine trade unions..	The programme promoted the employment of young entrants to the labour market (under 25), as well as those above 45.  The project established an <a href="#">internet portal</a> with a labour market monitoring function, accessible since 9 November 2007. It also holds employment forums that aim to contribute to launching future projects. Any organisation can join the partnership free of charge by filling in an Accession Declaration.
Hungary Vasi Hegyhát region	Vasi Hegyhát Employment Pact	Several subregional local governments, the regional Labour Centre, the Department of Social Dialogue and Contacts with the Civil Society of the Ministry of Labour and	The project's aim is to establish a subregional employment pact promoting job creation through the cooperation of the regional actors, thus decreasing unemployment and increase the employment level in the region. Another aim is to reduce and prevent long-term unemployment in the subregion, to enlarge the scope of existing

		Social Affairs, the local MSZOSZ organisation, the Roma minority self-governments of several communities, NGOs.	jobs and create new ones.
Ireland Various regions	Area Development Management (ADM)	The organisational structure of each area partnership was designed along partnership principles. They have a tripartite structure with members of the various partnership boards consisting of representatives from the community/voluntary sector, public agencies and the traditional social partners (Turok, 2001; Teague & Murphy, 2004).	The local partnerships set up under the Area Development Programme had a wide remit. But in essence they were given three core responsibilities: (1) help the long-term unemployed back into the job market; (2) help prospective entrepreneurs (particularly those from a low-income background) establish businesses; (3) support more traditional community development projects, especially for particularly vulnerable groups (Teague & Murphy, 2004).
Ireland Various regions	35 County and City Enterprise Boards (CEBs)	The boards include representatives of all the main sectors in the local community, including social partners, representatives from the county council, state agencies and local voluntary groups.	The role of the boards is to develop indigenous enterprise potential, to stimulate economic activity at local level and to promote microenterprises (10 or fewer employees). In June 2010, the Minister for Enterprise, Trade and Innovation announced in the context of the recommendations of the Report on Public Service Numbers and Expenditure Programmes and continuing pressures on the public finances and staffing resources, that he was evaluating the appropriateness of the current structures of the 35 CEBs. In October 2010, the Taoiseach announced a €3.3 million funding boost for the CEBs to be paid out before the end of 2010 which would create more than 450 jobs.
Lithuania Kaunas region	Initiative to integrate disabled people into business life	Kaunas Regional Small and Medium Business Association (KRSVVA)	This initiative aims to build new cooperation, based on equal partnership, where disabled people are active participants and leaders of the business community rather than recipients of charity.  The aim is to create conditions for realistic integration of disabled people into business and for their participation in the activities of the Kaunas Regional Small and Medium Business Association.  In 2010, 60 disabled people willing to set up businesses were able to attend business training for beginners. Forty disabled individuals were offered courses in accounting, computer-aided

			accounting, computer ABC and English language. The acquired skills will enable them to take an accountant position in small enterprises or start up their own businesses.
Lithuania International	Information and career planning for young people	French and Lithuanian social partners: the French Metallurgy Association CODIFOR and the French Force Ouvriere trade union of metal workers, working with the Engineering Industries Association of Lithuanian (LINPRA).	The project involves holding joint seminars and the sharing of experience on the information, vocational guidance and career planning systems operating in France and Lithuania. The focus is not specifically on SMEs although the project is expected to benefit SMEs.
Luxembourg Interregional	1,2,3, Go initiative to encourage entrepreneurship	Business Initiative asbl, founded by the Chamber of Commerce, the Federation of Luxembourg Industrialists, FEDIL and Luxinnovation.	This initiative is an interregional network for entrepreneurs. In 2005 the Chamber of Commerce made an assessment of the network's activity and reported that in five years, 33 start-ups were created, as well as 104 jobs, resulting in a total turnover of €4.5 million.
Netherlands	Reduction of working hours scheme	Government initiative, but involvement of trade unions and mobility centres at the implementation phase.	The government is offering companies in difficulties the option of making their employees unemployed for a maximum of half their working hours and for a period of no more than 15 months. Since benefits amount to 70% of the salary level, employees would have to forfeit 15% of their overall salary. To increase their employability, refresher training programmes were introduced and the role mobility centres had to play was intensified. The union federations had to initiate the request for the reduction of working hours, the local UWV had to approve, and the unions had to approve the training plan and supervise the training.
Poland The Silesian region (voivodship)	The Initiative of the Free Trade Union Sierpień'80 for Building of Local Partnerships	The Free Trade Union Sierpień 80 (Wolny Związek Zawodowy Sierpień 80)	The project aims to disseminate knowledge on flexible work arrangements among individuals and organisations active in the area of human resources and to disseminate knowledge on public-private partnerships and social dialogue in the Silesian voivodship. The project targets 900 people and 40 organisations.
Poland Interregional	Skill life project	Subcarpathian Business Club (Podkarpacki Klub Biznesu, PKB), Jurassic Economic Chamber (Jurajska Izba Gospodarcza), Lublin Business Club (Lubelski Klub Biznesu, LKB), the	This initiative targets micro-, small and medium enterprises employing manual workers with an aim of providing vocational training to staff.



		Union of Employers of Podlasie (Podlaski Związek Pracodawców, PZP) and the Union of Private Employers of Warmia and Mazury (Warmińsko-Mazurski Związek Pracodawców Prywatnych, WMZPP)	
Romania Regional: northeast, northwest, and Bucharest-Ilfov	Establishment of SME networks as an innovative means of boosting competitiveness and adaptability		This project is financed by the EU and targets the construction, tourism and consultancy services sectors. The main aim of the project is to put into place sectoral and thematic networks of SMEs in each of the three regions, in order to improve their competitiveness and adaptability in a knowledge-based economy. Specific objectives are: to foster cooperation between the construction, tourism and consultancy SMEs in the three regions; improve their competitiveness and adaptability; sustain trans-national cooperation and the exchange of experience between SMEs in Germany and Romania; and develop joint strategies and plans of action for the SMEs affiliated to the networks; create employment opportunities to curb migration of labour. Nine events have so far been organised, aimed at exchanging experience.
Romania The construction sectors in the southeast of the country	Guaranteed employment in the labour market of the southeast region	The Construction Workers' Guild (Casa de Meserii a Constructorilor, CMC), in partnership with the County Employment Agency Galați (Agenția Județeană de Ocupare a Forței de Muncă Galați, AJOFM Galați).	The general aim of the project is to increase the employment rate in the region's construction sector, through vocational training programmes tailored to the demands for specific skills in the construction sector, to reduce the high turnover of labour.
Slovakia	Provision of loans to small business	National Agency for the Development of Small and Medium Enterprises (NARMSP)	This initiative provides loans to SMEs, which has helped them remain in business during the crisis.
Slovakia Several regions	Education, training and counselling programme	Managed by NARMSP, with involvement of 14 regional counselling and information centres, business innovation centres, seven centres of first contact and business and technology incubators.	The initiative was created in order to support small business through counselling and training activities.  Education and training programmes were focused on actual problems of SMEs – newly established as well as existing ones – in management, marketing, drawing up of business plans, mapping business opportunities in the region, legal, financial and taxation issues.

Slovenia Region of Savinjska	Tehnopolis Celje		This project has an integral network system of technological and innovation infrastructure and professional support that enables enhancement of human resources capital in the region.
Spain International	Red Local, Madrid	A consortium formed by councils of the Autonomous Community of Madrid	This is a training, knowledge transfer and employment support service for SMEs, coordinated at regional level. It is coordinated by Red Local and is delivered by four partners: Red Local, the CTIF-Madrid educational centre, Helsinki University and Wandsworth Borough Council (UK). It develops training programmes and measures designed to create employment and support SMEs, paying special attention to transnational and interregional programmes.
Sweden Småland and Blekinge in the southeastern part of Sweden	The Swedish Karlskrona Employer Ring (Arbetsgivarringen i Karlskrona)	Unions, employers, the Swedish social insurance agency and a job security council	An employer ring operates in a local or regional context, and provides assistance for employees who require vocational rehabilitation or help finding new work. Through the network, employees can switch between different workplaces and assignments in order to adapt to a new situation.
Sweden Gothenburg region	Västkraft	Public-private partnership, with involvement of the social partners	This initiative offers training in order to improve the skills of employees and redundant workers, mainly in the manufacturing sectors.
UK Yorkshire and the north of England	SME Knowledge Network	Bradford University School of Management, Higher Education Funding Council for England	This initiative aims to offer more resources and a greater breadth of services to help SMEs manage the current difficult economic situation and to grow in the future. The network holds regular evening events and masterclasses that aim to provide insights into business and management topics, usually chosen by members of the network. When businesses join the Growth Programme, a learning and development pathway is created for them to help the business overcome its own particular barriers to growth.