



Time to protect the economic and social fabric of Europe and its immense network of SMEs

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The European economic fabric is under severe stress because of the COVID-19 pandemic, particularly small and medium-sized enterprises (SMEs) that are suffering the economic brunt of the pandemic. SMEs are the backbone of Europe's economy: they represent 99% of all businesses in the EU, employ around 100 million people and account for more than half of Europe's GDP. They play a vital role for the development of economies across Europe, boosting economic growth and creating jobs and can greatly contribute to successfully cope with the environmental and digital transitions. They train the next generations of young workers and create jobs and added value. They bring innovative solutions to challenges like climate change, resource efficiency and social cohesion. They are also a crucial links in the chain of territorial cohesion. The uncertainty arising from the unpredictable development of the pandemic shades extra pressure on SMEs who are increasingly faced with the option of closure and bankruptcy. With unemployment rates increasing and household income levels dropping, spending and consumption have reduced significantly. In this difficult period, we need SMEs more than ever before. Our political family stands ready to support them.

1. Urgent economic support

Due to their size and greater vulnerability to economic shocks, local businesses have been severely affected by the emergency measures that were necessary to protect public health and combat the spread of the COVID-19 pandemic. SMEs were hit by a sudden loss of demand and revenue, resulting in many workers being laid off or dependent on support schemes. For the sector to stay afloat, these efforts need to be sustained and generalised, including through the support of the European Budget and the European Resilience and Recovery Facility in addition to the important measures that our governments have taken to support local business and SMEs such as tax reliefs, loan guarantees, grants and subsidies.

2. Protection from unfair competition by multinationals

The COVID-19 crisis has brought to the light not only social inequalities but also inequalities between businesses. The crisis has made online commerce thrive. Unfortunately, many of Europe's SMEs do not offer digital sales, due to their size and means, a situation that favoured the sector's already established giants. SMEs need support to develop their digital skills further and continuous financial assistance to ensure that they will be able to reopen when lockdowns are lifted and make-up for their loss of activity. Small and Medium Enterprises need support for their transformation and adaptation. They need support to maximise their growth potential by having access to information on EU funding opportunities in an environment with a well-regulated



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and reduced administrative burden. This is especially relevant for micro-enterprises and start-ups. Public support to SMEs is crucial in their digitalization processes, at various stages of development and across sectors. Complementing the work done under GDPR on personal data, a legal framework is needed to help SMEs against big multinationals, in particular to provide legal guarantees that they will have possibilities to benefit data they are producing. We will watch the recent and upcoming Commission legislative proposals to implement the European data strategy, to ensure that they restore a fairer competition between SMEs and big corporations. SMEs must also be supported to adapt to the GDPR regulation. Setting the right level playing field in today's ever connected digital world and providing access to finance and qualification incentives and programmes to SMEs aiming towards their modernisation is necessary for the livelihood of local business.

3. Companies of all sizes must ensure decent working conditions for their employees, guarantee their health and safety and respect workers and trade unions rights

We can't accept that companies build their competitiveness model on harmful social practices. We encourage Member States to further promote vocational training and lifelong learning, to push for reskilling and upskilling. Skills are crucial towards full employment and the reduction of inequalities. Emphasis has to be given to overcome the barriers that still hamper women from fully unleashing their entrepreneurial potential. We want to close the gender gap in entrepreneurship. The PES has been at the forefront of these battles, and we will continue to put worker's right and trade unionism at the core of our political action. This is fair for the workers, and it is fair for the SMEs in their competitions against multinational giants. Likewise, we are proud of our political family's work to help fight unemployment. We are proud initiatives such as the European Youth Guarantee, or the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). They support workers, and the thousands of SMEs that can keep employing them.

4. The Digital Single market requires fair Tax practices for all

The emergence of the digital single market and online platforms has brought many benefits to consumers, but has also showed how unequal the level playing field is, with the incidence of unfair trading practices from big online platforms increasing. SMEs not only have to compete against retail giants with huge distribution and clientele networks they also are the victims of outdated tax rules. Today, online shopping has become the new normal and very few know where companies pay their taxes. We will never accept as the new normal is that local shops pay 22%¹ of corporate income tax in average across the EU, while multinationals such as Amazon, Apple, Google and Facebook can even pay 0% of tax in countries where they operate commercially. The PES fully supports international initiatives in that direction, like the ongoing negotiations at the OECD (the so-called BEPS 2.0). However, if no such international agreement is reached soon, Europe must move forward with its own digital tax. It is time to close the legal loopholes exploited by Digital multinationals and big companies. By cracking down on tax abuse and tax fraud the state can recover the billions that should have been already invested towards a fair and sustainable recovery, including support to the SMEs.

¹ <https://taxfoundation.org/2020-corporate-tax-rates-in-europe/>



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After the financial crisis of 2008, the COVID-19 crisis of 2020 comes to once again underline the need to public action. Public action to support workers, public action to support the economy, public action to support SMEs. Our town and regions need to preserve and defend this immense network of small and local commerce, family business, artisans and little enterprises that are essential to our economic and social fabric. Our governments, our parties, our elected representatives at all levels of government have been promoting measures to support them.

At the European level, the PES has long supported the strengthening of financing tools for SMEs, and we are now fighting to end the deadlock around the European Budget and the Recovery and Resilience Facility. Because we know that this is money that is sorely needed to support the real economy: the European SMEs.



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