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HEADLINES

EU / TELEWORK & TEMPORARY Brussels 12/10/2001: Update on social partners negotiations

-Telework: Negotiations of the European social partners (UNICE, UEAPME, CEEP, and ETUC) on telework finally started on 12 October 2001, following the employers proposal for negotiations (see ESBA WEEKLY - Vol 3 - N 14) and the EC guidelines, forming a framework for possible negotiations, in March 2001 (see ESBA WEEKLY - Vol 3 - N 16) and the sectoral telework agreement in the commerce sector (see ESBA WEEKLY - Vol 3 - N 21). The negotiations will last 9 months maximum, after which the EC decide to draw up proposals itself. Employers prefer a non legally-binding agreement, whereas trade unions expressed themselves so far in favour of a binding agreement. - Temporary work: Following the breakdown of negotiations between the European social partners in May 2001 on a framework agreement (see ESBA WEEKLY - Vol 3 - N 25), the sectoral social partners for the temporary work sector (or agency work) decided to restart their own social dialogue. The European federation for temporary work agencies (CIETT- Europe, which is part of an international confederation) and the trade union for agency workers (Uni- Europa, an ETUC affiliate) recently signed a joint position for a European Directive on agency work, which the EC is currently preparing, following the failure of the initial horizontal negotiations. The joint position indicates, amongst others, that both parties are willing to establish the principle of equal treatment between agency workers and permanent staff at user companies (which was the controversial issues during the European horizontal negotiations). Other issues cover non-discrimination, union rights, and access to training.

More info (copy/paste full link): More info

EU / SINGLE MARKET Brussels 20/10/2001:

Ghent supports Regulation on cross-border payments At the European Council meeting in Ghent, the Heads of State and Government spoke out in favour of the proposed Regulation on cross-border payment systems (see ESBA WEEKLY - Vol 3 - N 39), thereby inviting the ECOFIN Council to adopt the Regulation before the European Council meeting in Laeken. This whereas several Member States expressed themselves against the proposal during the last ECOFIN Council meeting. It seems therefore that the Regulation will be adopted before the end of 2001 still, also as the European Parliament has already adopted its opinion in Committee, fully supporting the EC proposal. Only some minor changes, mainly clarifications, were voted upon, such as the request for a report, by January 2004, on the implementation of the Regulation and possible reviews thereof and the explicit mentioning that Member States are responsible for fixing sanctions. The plenary of the European Parliament will vote upon the proposed Regulation during its November session. ESBA understands the reasoning behind the proposed Regulation, however, regrets that no other alternative working method has been found to resolve the matter. SMEs request stronger guarantees and commitments that national payment transfer rates do not increase. Finally, ESBA fears that the banks will gain back their lost revenues via other means over the back of SMEs.

EU / FINANCE Brussels 23/10/2001:

EC reports on SMEs access to finance problems Parallel to the SME Financing conference on 24-25 October, organised by the EC and the Belgium Presidency, the EC has issued two complementary documents: - Report on "Enterprises' access to finance" - Yearly update report on the 1998 "Risk Capital Action Plan" The update to the Risk Capital Action Plan (RCAP) reviews the Union's progress in developing its equity finance markets, and the report on "Enterprises' access to finance" reviews the general trends in SME finance, others than those mentioned and discussed in the RCAP. - Yearly update report on the 1998 "Risk Capital Action Plan" Reviewing the progress made so far, the EC has called for sustained effort to meet the 2003 deadline as set by the European Council in Lisbon for completing RCAP action plan. Especially since the venture capitalist markets face difficult times these days. Although since 1998, the overall venture capital investment in Europe has increased three times, the European risk capital markets remain fragmented and the gap with the US is still widening. Progress has been made in the creation and functioning of business angels (currently over 130, investing around 1,2 billion euro) and in the area of public funding (e.g. EC communication on "State Aid and Risk Capital" and strengthened EIF role). However, progress should be made concerning supplementary pension funds, securities markets legislation (including implementation of the recommendations of the Lamfalussy group), removing tax obstacles, promoting innovative projects, and the single Community Patent system. Also the promotion of a European entrepreneurial drive needs permanent attention and action. - Report on "Enterprises' access to finance" (copy/paste full link). The report recognises that access to finance is considered to be a major barrier still for SMEs, especially high-tech and high-risk start-ups. It identifies that SMEs are switching more and more from loan finance (although it will remain an important source of external financing) to other instruments, like equity, debt-equity combinations, leasing, and guaranteed loans and equity (as banks move away from SME lending, and more alternative instruments are available nowadays). Such alternative instruments can play a significant role in fostering flexibility and choices that better reflect the needs of enterprises throughout their development and growth phase, thereby lifting the barrier of access to finance for certain groups of SMEs. However, for most SMEs such alternative instruments are not an option and therefore do not solve their financing problems. For this reason, ESBA calls for other additional measures, such as fiscal incentives, to resolve the SMEs financing problem. Such measures would benefit most SMEs much more in resolving their financial needs and boost entrepreneurship in all parts of Europe (see next article).

More info (copy/paste full links): - Report on "Enterprises' access to finance": http://www.europa.eu.int/comm/enterprise/entrepreneurship/financing/docs/sec_2001_1667_en.pdf

- Yearly update report on the 1998 "Risk Capital Action Plan" http://www.europa.eu.int/comm/internal_market/en/finances/general/01-1490e n.pdf

EU / FINANCE Brussels 23/10/2001:

ESBA calls for improving SME finance in Europe Although the EU has proposed many measures over the recent years to improve SME access to finance (see former article), it is noticeable that the huge potential that could be brought by enhancing fiscal measures to foster SMEs self-financing is ignored by the European Enterprise Policy so far. Although fiscal policy is not a matter under the direct responsibility of the European Union, the EU Enterprise policy could perfectly use the BEST procedure (the co-ordination approach highlighted in the conclusions of the European Council meeting of Lisbon to further the goal of improving the environment of enterprise) as a mechanism to organise best practice on fiscal measures to foster self-financing. So far, this has been ignored. SMEs in Europe continue to suffer from this situation. ESBA proposes the following additional proposals in the debate currently taking place in order to improve SME FINANCING in Europe. These proposals were already part of the recommendations drafted by the European Commission to the Madrid Summit in December 1995. Until now, no mandate was given to the European Commission in the context of its enterprise policy to move forward to promote the means for SME self-financing in Europe. - The retention of profit : Under most tax regimes in EU Member States, there is greater incentive for the entrepreneurs, notably the unincorporated, to invest their profits elsewhere rather than in their own businesses. This is clearly detrimental to the stability and growth of the entrepreneur's business and ultimately the economy as a whole. At a time when the new capital adequacy framework may severely limit the access to bank loans at reasonable rates, it is crucial for Member States to provide further substantial tax relief for enterprises to use part of their profits to build up their own capital. The business profits which an entrepreneur invests in EXPANSION of the business are treated as capital introduced and the profits subjected to taxation, while fiscal policies exist that provide exemption from tax for investment in government schemes supporting other businesses. This fiscal policy is flawed and deserves amendment as already proposed once by the European Commission (Recommendations in the Report to the Madrid Summit in December 1995 : "Small and Medium Sized Enterprises - A Dynamic Source of Employment, Growth and Competitiveness in the European Union). In other words, the natural behaviour that should be encouraged by all Member States is reinvestment of profits in its own enterprise. ESBA CALLS FOR THE ORGANISATION OF A EUROPEAN BEST PRACTICE PROJECT ON RETENTION OF PROFITS IN SMES UNDER THE BEST PROCEDURE IN 2002 - The equal treatment of personal capital and debt capital within unincorporated businesses: The vast number of unincorporated small business owners profits receive no recognition on their capital investment in a business that provides employment for others. This represents a yearly financial loss that is not recognised in fiscal policies in most Member States. Entrepreneurs investing their savings into their business do not enjoy a return on their capital investments while supporting all the risks. Such personal investment by unincorporated entrepreneurs should be written down in figures in the business accounts with the yearly loss on capital investment set against taxed profits.

ESBA CALLS ON THE EUROPEAN COMMISSION TO CARRY OUT FURTHER ANALYSIS ON THE FISCAL TREATMENT OF UNINCORPORATED BUSINESSES IN EUROPE.

EU / SOCIAL Brussels 23/10/2001:

European Monitoring Centre on Change launched The European Monitoring Centre on Change [EMCC] has been officially launched during a conference on "what drives change ?" and will be operational as from 2002. The EMCC will focus on aspects of economic and social change (resulting from developments and shifts in technologies, work organisation, production and business models, legislation, working practices and the changing skills market) as to provide data and opportunities to exchange views, ideas and practice to bring about better understanding, anticipation and management of change. The EMCC therefore will provide the tools for key actors in European social policy to make more informed decisions about managing the processes of change. Initially, the EMMC will launch a web-based portal and will focus on ICT as a driver of change, as well as the role played by financial markets and resources in driving changes at multiple levels. More info: http://www.eurofound.ie/about/emcc.htm

EU / SMEs Brussels 23/10/2001:

OECD publishes SMEs views on red tape The cumulative effect of many regulations and formalities from multiple institutions slows down business responsiveness, divert resources away from productive investments, hamper entry into markets, reduce innovation and job creation, and generally discourage entrepreneurship. Therefore, the OECD has issued the results of a research conducted among SMEs in 11 OECD Member Countries (AUS, A, B, F, ICE, MEX, NZ, N, P, ES, S), identifying and measuring the effects of regulatory environments on the economy. The report assesses the quality, application and burdens of employment, environment and tax regulations and formalities. The results are dramatic: for example, red tape accounts for 4% of the annual turnover of companies (on average 4,100 USD per year per employee), while the hardest hit are the smallest companies (4,600 USD compared to 900 USD for the biggest SMEs), and these costs are growing in most countries. More info: http://www1.oecd.org/publications/e-book/4201101e.pdf

EU / TAXATION Brussels 23/10/2001:

EC publishes company taxation communication Until today, all efforts undertaken to address the issue of company taxation on a European level have failed. The Member States asked in 1999 the EC to look into the issue again, to identify the main problems, current cross-border tax obstacles and to propose solutions. The outcomes of this request are the EC communication and research paper on company taxation. Its key conclusions are: - Existence of fifteen separate set of tax rules (especially relevant and burdensome for SMEs); - The current differences in effective tax rates (up to 30%) are attributable mainly to differences in national statutory tax rates rather than to differences in the size of the tax base; - Company tax rates are and will be a matter for Member States to decide upon; - The EC has identified a number of pertinent tax obstacles to cross-border economic activity, and proposes targeted Community action in several fields (see ESBA WEEKLY - Vol 3 - N 42); - The EC will propose a consolidated corporate tax base for companies' EU wide activities (based on rules in country where most activities are located or a common EU tax base, including a mechanism to divide tax receipts among Member States) and plans to launch and lead a wide-ranging and detailed debate on the subject in 2002. More info (copy/paste full link): http://www.europa.eu.int/comm/taxation_customs/taxation/information_notes/ tax_saving.htm

UPCOMING EVENTS

Geneva (CH) 1-3/11/2001: Global Employment Forum; Theme: Employment, Info: http://www.ilo.org/public/english/employment/geforum/program.htm Faro (P) 4-6/11/2001: Conference launching the BENE network; Theme: Best practice in entrepreneurship training and education. Info: http://www.bene-europe.org Brussels (B) 05/11/2001: The Security of European Energy Supply, consequences for SMEs; Theme: Energy, SMEs. Info: http://www.sme-union.org/activities/sme5november.htm Brussels (B) 07/11/2001: Meeting between business organisations and the EC, DG Enterprise; Theme: 2001 Best Procedure Report and revised proposal for SME definition.