



*European Economic and Social Committee*

**INT/881**

**Fostering an entrepreneurship and innovation-friendly single market**

## **OPINION**

European Economic and Social Committee

**Fostering an entrepreneurship and innovation-friendly single market – promoting new business models to address societal challenges and transitions**

(own-initiative opinion)

Rapporteur: **Giuseppe GUERINI**

Plenary assembly decision	24/01/2019
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Single Market, Production and Consumption
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Outcome of vote (for/against/abstentions)	185/0/6

## 1. **Conclusions and recommendations**

- 1.1 It is now recognised that we need to pursue a social market economy which, while making smart use of new technologies, manages to address the major challenges relating to sustainability, climate change and reducing inequalities.
- 1.2 The EESC takes the view that the business world can play an active and important role here, along with the public institutions. In particular, this contribution may come from businesses of the real economy that create value and jobs, without the speculative use of financial means.
- 1.3 Given the wide variety of economic models and types of company in Europe, it is important that legislative proposals concerning businesses, the economy and the internal market are not uniform, thereby rejecting the one-size-fits-all approach and making the most of the "biodiversity of companies".
- 1.4 The European institutions must support the development of artificial intelligence and the proper use of big data, both by creating appropriate rules to guarantee the development of such technology while respecting individual rights and by investing European and national public resources in a coordinated manner so as to ensure that the EU is competitive on a global scale. More specifically, big data and its potential should also be accessible to SMEs.
- 1.5 The changes to productive processes and to the economy in general brought about by the new technologies, artificial intelligence and big data will also radically change the labour market. However, it is important that these changes take place in the context of constructive social dialogue and with due respect for workers' rights and quality of life.
- 1.6 Measures to facilitate SMEs' access to credit, such as the Juncker plan and the COSME programme, and, in the future, the InvestEU programme, should continue to support SMEs and social enterprises that often struggle to grow because of liquidity problems and under-capitalisation. The development of a European venture capital market should also be actively encouraged.
- 1.7 The need to ensure social cohesion and fairness for an ageing and dwindling European population points to the future role that can be played by social and mutual enterprises. More work therefore needs to be done to make the most of such enterprises, which enable people to organise themselves and to work together to respond to ever-increasing social needs.
- 1.8 The EESC notes the need to recognise and support the role that SMEs, family businesses, social economy enterprises, craft businesses, small traders and farmers play in promoting and spreading entrepreneurial spirit focused on the role of people and local communities, thereby helping to build the European model of an inclusive single market. Moreover, these companies make it possible for a greater number of people to carry out economic and entrepreneurial activities, thereby encouraging economic democracy.

## 2. Background and subject of the initiative

- 2.1 The aim of this own-initiative opinion is to make a contribution to the European institutions, with a view to ensuring that efforts to strengthen the single market encourage the creation of a framework that is suited to the development of a range of types of businesses that are ready to meet the challenges facing society.
- 2.2 It is now well-known how much we need to pursue a social market economy which, while making smart use of new technologies, manages to address the major challenges relating to sustainability, containing the damaging effects of climate change and reducing inequalities, as well as demographic tensions, strong migratory pressure at the EU's external borders and the energy transition.
- 2.3 The EESC takes the view that an important contribution may come from the business world, as well as, of course, from public institutions. The major changes referred to in the previous paragraph can also be addressed by bringing into play the innovative potential of all entrepreneurial activities. However, certain economic development models and certain types of company have proved to be better suited to taking on the social innovations that increasingly appear to be essential for a more sustainable and inclusive economy.
- 2.4 The EESC notes that significant points of convergence can be found between a single market that favours innovation and new entrepreneurship and the UN's 2030 Agenda on achieving the Sustainable Development Goals (SDGs), as the objectives of growth and innovation, which are essential to ensuring continued well-being in European countries, must be both robust and sustainable.
- 2.5 In recent years, the EESC has adopted many specific opinions on the following key topics:
- The search for new economic models<sup>1</sup>;
  - Different forms of entrepreneurship<sup>2</sup>;
  - Digital transformations<sup>3</sup>.
- 2.6 The EESC believes that there are several different economic "ecosystems" that should be given attention by the European legislator in order to facilitate the functioning of the internal market. The EU's economic system is diverse and includes multinational companies, national companies and a very large number of local businesses. Often, these companies are structured in district production chains: metropolitan areas, with high-density urban systems, and rural and peripheral areas, where well-being and social cohesion are not always easily guaranteed if care is not taken to make technological innovation accessible in decentralised areas.

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<sup>1</sup> [OJ C 81, 2.3.2018, p. 57](#); [OJ C 75, 10.3.2017, p. 33](#); [OJ C 75, 10.3.2017, p. 1](#) and [OJ C 303, 19.8.2016, p. 28](#).

<sup>2</sup> [OJ C 288, 31.8.2017, p. 20](#); [OJ C 283, 10.8.2018, p. 1](#); [OJ C 13, 15.1.2016, p. 8](#); [OJ C 13, 15.1.2016, p. 152](#); [OJ C 458, 19.12.2014, p. 14](#) and [OJ C 345, 13.10.2017, p. 15](#).

<sup>3</sup> [OJ C 440, 6.12.2018, p. 73](#); [OJ C 81, 2.3.2018, p. 102](#); [OJ C 62, 15.2.2019, p. 33](#); [OJ C 227, 28.6.2018, p. 70](#); [OJ C 75, 10.3.2017, p. 6](#) and [OJ C 62, 15.2.2019, p. 131](#).

2.7 In each of these settings, the different types of business must be brought together and integrated with one another. However, each of these areas requires dedicated attention in terms of legislative measures and public investment. It is therefore important that the legislative proposals and economic regulation on business, the economy and the single market are not uniform, thereby rejecting the one size fits all approach.

### 3. **Towards a new technological, sustainable and inclusive European economy**

3.1 New production models for goods and services need to be developed due to the digital economy and new technologies, which have the potential to change the way in which European companies do business.

3.2 In this regard it is essential that the European institutions properly support the development of artificial intelligence, both by creating appropriate rules to guarantee the development of such technology while respecting individual rights and by investing European and national resources in a coordinated way so as to ensure that ground is not lost to players such as the US and China.

3.3 The use, processing and storage of big data will also be key in ensuring the competitiveness of the European market, as the capacity for data processing and the opportunity to use such data for economic development strategies and personal services is growing steadily. However, it should be ensured that the processing and development of this data is done in accordance with individual rights, the fundamental freedoms and the new EU General Data Protection Regulation (GDPR).

3.4 The European business and economic fabric has the specific features needed to cope with the digital transformation, and to build a sound ecosystem composed of a diverse range of international and local businesses capable of global aspirations. For this to happen there is an urgent need for a united, connected, cohesive and competitive Europe. In this regard, Digital Innovation Hubs, which are being set up in many local economic systems, have been a positive experience.

3.5 The major changes to productive processes and to the economy in general brought about by the new technologies, artificial intelligence and big data will also radically change the labour market. Some jobs will disappear, some will be created and others will undergo radical change. It is important that these changes take place in the context of constructive social dialogue and with due respect for workers' rights, which will need support including protection measures and lifelong learning programmes.

3.6 Another key factor for growth is tax policies. Throughout this legislative term, the European Commission has worked hard on taxation issues. The EESC considers the effectiveness of tax rules and a reasonable level of harmonisation to be essential in strengthening the internal market. Moreover, taxation policies promoted at European level should support instruments to foster business growth, such as investment in R&D and access to capital in the form of equity.

3.7 Even today, European SMEs and social economy enterprises are affected by structural problems and by a lack of favourable conditions to foster their development, despite the many efforts made to support them. Moreover, SMEs often operate in the production of medium-low technology and

in less knowledge-intensive services and struggle to enter the cross-border market. These companies need to receive further support, given that, as the Commission reminds us, they account for 99% of European businesses, as well as 67% of jobs<sup>4</sup>. For this reason, while taking into account the need to respect the principles of a free market and competition, these businesses must be properly supported by industrial and tax policies that aim to create shared value, rather than being focused on the concentration of wealth.

- 3.8 With this in mind, measures to support SMEs' access to credit, such as the Juncker plan with its public guarantee system, the COSME programme and the InvestEU programme, should continue to support SMEs and social enterprises. More support should be provided for private individuals participating in start-ups and small and medium-sized enterprises, by developing the European venture capital and high-risk capital market, which still today differs completely in size from the USA. Policies to promote private capital investment in European businesses should also be accompanied by specific measures to encourage the acquisition of talent and skills from outside the EU.
- 3.9 According to World Bank data, on average, the European Union<sup>5</sup> is 53rd in the world rankings on the ease of starting a business and ranked 29th on the overall ease of doing business. The United States, however, is ranked in 8th place in terms of ease of doing business. In this regard, the EESC stresses the importance of supporting and encouraging business activities through administrative simplification measures for the production of goods and services and in terms of cutting red tape for European entrepreneurs.
- 3.10 The market for public contracts today amounts to around 16% of European GDP, worth around EUR 1.9 trillion. The new 2014 directives on public procurement<sup>6</sup> and concessions<sup>7</sup> aimed to consider social and environmental aspects to a greater extent in public procurement procedures managed by national public administrations. By the Commission's own admission, there is still, however, a long way to go to reach this objective. The EESC recommends that the Commission increase the consideration given to social and environmental aspects, and make this more effective, in an area that is historically crucial for the single market.
- 3.11 The growing challenges at international level, along with the need to ensure social cohesion and fairness, make clear the role that social enterprises can play in the current context. More work therefore needs to be done to recognise the existence and role of companies which fully show people's willingness to organise themselves independently to respond to social needs.
- 3.12 In small businesses and social enterprises, the impulse and motivation to act always come from individual people and not from capital, which moves towards "uses" that guarantee returns. These enterprises are people-based and embedded in local communities, with which they form long-lasting ties, contributing to local well-being and social cohesion. In this regard, the Belgian and

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4 [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en).

5 [http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report\\_print-version.pdf](http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_print-version.pdf).

6 [OJ L 94, 28.3.2014, p. 65.](#)

7 [OJ L 94, 28.3.2014, p. 1.](#)

Swedish domestic work voucher schemes are a notable example<sup>8</sup>. These systems provide specific tax discounts for users and help to uncover undeclared work, with benefits for the service providers, which are better protected, and for state budgets.

- 3.13 Attachment to local communities and to the territory becomes a competitive factor as it increases motivation and creates added value in terms of social and relational aspects. In this way, social economy enterprises make it possible for a larger number of people to become involved in an entrepreneurial activity, thus contributing to an inclusive development model.
- 3.14 Another essential benefit offered by social enterprises is undoubtedly their contribution to economic democracy, as they provide millions of people with the opportunity to carry out an economic activity and to create work for themselves independently based on their own skills, abilities and aspirations.
- 3.15 This includes, for example, cooperatives, mutual enterprises, foundations organised by local communities, and social enterprises. Recognition of these businesses is also growing as a result of the Social Business Initiative launched by the European Commission in 2011, which could perhaps now be followed by a bolder and more coherent initiative.
- 3.16 Local and regional banks require special mention here, as they give millions of people an irreplaceable opportunity to access credit. The European regulatory approach in relation to these banks is still disadvantageous and does not comply with the principle of proportionality as it subjects both global and exclusively local banks to the same technical rules, following the one size fits all approach.

#### **4. European businesses in a macro social and global context**

- 4.1 We should be aware that the global context will change considerably in the coming years, particularly as regards demographic statistics, productive capacity and the balance of economic power between nations and continents.
- 4.2 As part of this transformation process, Europe, with its 500 million inhabitants, will lose its pivotal position in relation to the world population, which will rise from 7.6 billion to 9.8 billion people in 2050, with growth concentrated in nine countries (India, Nigeria, Congo, Pakistan, Ethiopia, Tanzania, the United States of America, Uganda and Indonesia)<sup>9</sup>.
- 4.3 At the same time the proportion of older people will grow further and the number of people over the age of 80 will increase three-fold from the current 137 million to over 425 million people in 2050. This increase will be concentrated in Europe, where the average age is now already around 40-45 years old, while in emerging countries it is 25-30 years old.

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<sup>8</sup> <http://impact-phs.eu/national-practices/sweden-rot-rut-avdrag/>.

<sup>9</sup> [United Nations, World Population Prospects 2017 revision; https://population.un.org/wpp/Publications/Files/WPP2017\\_KeyFindings.pdf](https://population.un.org/wpp/Publications/Files/WPP2017_KeyFindings.pdf).

- 4.4 The EESC believes that the major changes under way require a holistic approach, which coordinates European economic and regulatory policies with social cohesion policies and those aimed at protecting the most vulnerable groups, without leaving behind older, disabled, disadvantaged or the weakest people.
- 4.5 In addition to industrial development and economic policies, the challenge facing us when creating a market that fosters innovation and entrepreneurship is to value the only certainty that can be relied upon in an increasingly uncertain world: people.
- 4.6 Making the most of human capital can benefit the whole economic system by confirming that the behaviour of people and businesses, in the economic field, is not solely aimed at maximising profit. In this way, it is possible to consolidate the idea that the motivation for economic activities and the desire to start a business are much more than a mere need to accumulate money. This does not mean diminishing the importance of economic success, but rather measuring its value differently.
- 4.7 In fact, in recent years, corporate success and in particular the success of large digital companies, has been assessed mainly in terms of value extraction from a financial perspective, rather than creating value and jobs through work.
- 4.8 Finally, the EESC believes that investment should be made in continuous learning for European citizens so that they are prepared to face the continual changes occurring at this current moment in history. It is therefore essential to invest in training programmes that support entrepreneurial spirit and to offer self-organisation skills and tools from a young age, as well as skills that encourage a sense of initiative, creativity and the courage to take risks. At the same time, training and support policies will have to ensure that an ageing (with regard to what is now termed the "silver economy") and dwindling – in a global context – European population can enjoy a good quality of life and that people can make an active contribution.
- 4.9 Each person must be considered of important value, as shown by the successful experiences of work integration social enterprises, which have established reliable and competitive companies employing people in difficult situations or those who are excluded from the traditional labour market.

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The president of the European Economic and Social Committee

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