

## THE EUROPEAN EMPLOYMENT FORUM The importance of SMEs on the labour market

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Small and medium-sized enterprises (SMEs) play a key role in the national and European economy. Human skills, entrepreneurial talents and innovation, as well as most of the employment within the market are concentrated in these companies. For these reasons, support for the development of the SME sector and strengthening its competitive position are the key areas of activity at national and European level. However, if we want to support SME sector we need to know what are the main risks, threats, opportunities and challenges and then try to find the right solutions. Today I would like to speak about all these from perspective of SMEs in Poland.

In Poland SMEs constitute 99,8% of all enterprises. From among 3.8 million of registered enterprises in Poland, 3.6 million are microenterprises, mostly enterprises which employ up to nine people. SMEs sector is not only the most numerous group of companies in Poland, but also a significant employer. The enterprise sector employs nearly 10 million people, and almost 71% of them work in small and medium-sized companies. It's generating nearly a half of Polish GDP. And in the recent 10 years this sector has considerably developed. The number of SMEs has grown by nearly 100 thousand, whereas the number of SMEs workers has grown by almost 750 thousand persons.

Usually SMEs meets 3 main barriers:

1. Financial
2. Market
3. Environment

A representative survey of SMEs conducted by the Polish Confederation of Private Employers Lewiatan on a national quota sample of 1501 active companies, that employ 2 or more employees agrees with this thesis<sup>1</sup>.

As we look more closely on the financial factors that are seen as the barriers 4 the most important barriers from SMEs perspective:

- ➔ current level of inflation – for 56,3%
- ➔ current level of interest rates – 47,1%

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<sup>1</sup> "SMEs sector in Poland – strengths and weaknesses, opportunities and threats", 2011 (study co-financed by the European Union under the European Social Fund).

- collection of receivables from customers – 39,4%
- fluctuations of the zloty to the euro – 38,1%

Then we have regulation and administrative obstacles. In this are the main barriers are concentrated on legislation regarding taxes and other non-wage costs.

- the rate of tax – 72,5%
- Applicable income tax rate on business – 70,2%
- Degree of transparency, clarity of the system of income tax on business – 63,1%
- Non-wage labor costs - 68,7%

The last barriers are seen as a market one. We have here:

- Competition in the industry in which company operates
- Competition from shadow economy (construction sector, more than 30%)
- Current demand for products / services on the Polish market, and
- Access to well qualified employees

This last factor from one year to another is getting more relevant and in longer term (taking into account demographic changes) will be more important than ever.

In our survey we also asked about Small Business Act. As we may see the most important rules from perspective of SMEs in Poland regarding SBA are:

- Reducing the size of overdue payments by unreliable contractors
- Increasing the availability of microfinance for graduates who wish to start up a business but do not have sufficient capital
- Facilitating SME access to public procurement
- Facilitating SME access to finance, among others through the development of micro-loan fund market

But what are the other important factors that should be (in SMEs point of view) provided?

- first of all, waiting times for administrative decisions is too long and should be reduced – opinion of more than 78 % of responders
- secondly, reporting in taxes and finances takes too much time and should also be reduced
- thirdly, EU should create solutions that would allow to subsidize new jobs created by SMEs
- we should create frameworks that would improve justice in commercial cases

Based on those analysis we may try to talk about what the European Commission and member states can do to help SMEs to develop?

In the regulatory area:

- Introduction of tax solutions to support decisions on investments in the SME innovation.
- **Introduction of an obligatory impact assessment as long as their impact on innovation of enterprises, including SMEs, is concerned.**
- The regulations on clusters similar to the special economic zones.
- **Creative ALMP that would support SMEs**

In the area of the SMEs cooperation with big companies, e.g. promoting the private-private partnership. In the area of funding:

- Create and develop a marketplace, including on the stock exchange, for small issuers – debt securities.
- The creation of a national fund to underwrite issues of debt securities of the SMEs.
- Increase public funding and reduce bureaucracy for the VC
- Reducing bureaucracy in accessing external financing sources (both public and private).

Thank you for your attention!

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