**Pillar of Entrepreneurial Rights, version 7/3/18**

**The 12 Entrepreneurial Rights:**

1. A fully-functioning single market
2. Favourable trading conditions beyond the EU
3. An adequately skilled and flexible workforce
4. Enhanced professional qualifications and the effective economic integration of migrants
5. Available and appropriate financing solutions
6. Business (SME) friendly drafting, implementation and monitoring of EU legislation
7. Effective measures to stimulate an entrepreneurial mindset across the EU
8. An ecosystem that facilitates the creation and expansion of businesses
9. Enable a second chance after business failure and facilitate the transfer of viable companies
10. An economic and legal environment that allows risk-taking and stimulates innovation
11. Advanced, interconnected digital infrastructure
12. Affordable and secure supplies of energy and raw materials to facilitate cost-effective production
13. **A fully-functioning single market**
* *Context*

The focus must be on fixing the current patchwork of national regulatory regimes which continues to undermine the Single Market. Most worrisome is the lack of progress that has been achieved in the services area. According to the Single Market Scoreboard, the average Member State trade integration in 2015 for services stands at only 6,6 %, compared to 20,6 % for goods.

Reflecting the priorities of the current Commission and the challenges ahead related to the increasing digitalisation of the economy, the Commission should attach a high priority to ensuring that the internal market is fit for the digital era and takes into account the growing number of micro businesses that trade and collaborate across borders.

Companies, when operating abroad, are often confronted with different consumer protection rules. This deters them from offering their goods and services beyond their national borders, especially out of fear that they might be held liable according to rules they are not familiar with.

* *Specific EU policy recommendation(s)*

The Commission should push forward with more **measures to complete the Single Market for services**, an area where there is still huge untapped potential and where SMEs play a prominent role. For instance, the Services e-Card proposal rightly addresses various persistent administrative barriers faced by service providers, but its impact relies on the willingness and efficiency of national governments. The e-Card wouldn’t even be necessary if member states were delivering on their commitments and responsibilities fully, effectively and in a coordinated manner. The issue at hand relates among others to the Services Directive’s Points of Single Contact which most Member States have not sufficiently developed. It would be an encouraging achievement if the Commission could do away with the plethora of non-EU compliant regulations concerning services which are introduced in EU member states each year.

Policy-makers should revisit the idea of establishing a simple and flexible **European Private Company Statute (SPE)** as an option for businesses with a cross-border component. This has the potential to avoid the complexity of establishing subsidiaries in other EU member states, to increase legal certainty and reduce legal and administrative costs.

While more maximum harmonisation initiatives in the area of consumer protection are potentially beneficial for both economic operators and consumers, legislators should realise that too much of something is counterproductive and could have the opposite effect of the desired policy objective. While aligning **online and offline rules** offers more transparency, there is no sense to abolish rules that have proven their worth. In the area of e-commerce, a thorough assessment would also need to be made to evaluate whether obliging traders – in effect through the introduction of an obligation to sell – has indeed served the consumers’ interests.

1. **Favourable trading conditions beyond the EU**
* *Context (problem/opportunity/challenge)*

The wider a business can expand its market, the greater its opportunity to sell and the lesser its exposure to fluctuations in market conditions and consumer behaviour. There is also a strong correlation between internationalisation and growth. In fact, those companies that export are more innovative and pay better salaries than those that do not.

However the world trading order is under its heaviest strain in recent history , as protectionist tendencies are growing across the world and populist movements are threatening the future of the rules-based multilateral trading system. Additionally, doubts grow over the EU’s future trading relations with important commercial partners on either side of the Atlantic.

This is particularly important given that, in a few years, 90% of world growth will be generated outside the EU, so it is more important than ever that an effective EU trade policy is maintained so that companies continue to have access to those foreign growth centres in order to remain competitive and successful in a globalized economy.

However this objective cannot be achieved if it is not SME inclusive. This relates not only to trade policy but also to trade promotion and support, which must enable European companies and especially SMEs to capitalize on market opportunities.

EU trade policy must remain effective, transparent and inclusive by ensuring greater coherence with key EU objectives such as climate change, competitiveness and social inclusion.

The EU must work with likeminded partners to uphold and strengthen the multilateral rules based system, achieve legal certainty and coherence of trade rules and protect European firms and citizens from the consequences of unfair trade.

* *Specific EU policy recommendation(s)*

Europe must have “European way” to shape globalization and lead by example in order to adapt to a shifting geopolitical landscape, as well as to evolving expectations of businesses and citizens. For SMEs, it is especially important to **put the “think small first” principle at the heart of EU trade policy making**. Ambitious SME chapters in all agreements alone are not enough – simple rules of origins in particular need to be a benchmark, since overly-complicated requirements impede SMEs from making use of them

As a successful trade policy ultimately depends on its successful implementation, Chambers call on the EU heads of state, as well the European Commission and the European Parliament, to **establish an EU wide political target of a 75% preference utilization rate** for all EU trade agreements by 2020.

Dedicated **internal implementation roadmaps must accompany our trade agreements**, so that the benefits of trade reach the entrepreneurs and SMEs in particular. Implementation always starts at home.

1. **An adequately skilled and flexible workforce**
* *Context*

The 2018 EUROCHAMBERS Economic Survey ranked the lack of skilled staff as the 2nd greatest challenge for the year ahead, corroborating various other recent studies and surveys that indicate a growing skills mismatch in the EU.

The cost of persistent skills mismatches and shortages is substantial for individuals, employers and the economy and society as a whole. Skill shortages can constrain the ability of firms to innovate and adopt technologies while skills mismatches reduce labour productivity due to the misallocation of workers to jobs and bring a higher risk of unemployment, lower wages, lower job satisfaction and poorer career developments.

If this challenge isn’t tackled today, it will increase exponentially. The accelerating pace of technological, demographic and socio-economic disruption is transforming industries and business models, changing the skills that employers need and shortening the shelf-life of employees’ existing skills set.

* *Specific EU policy recommendation(s)*

In order “to get the skills right”, concrete and ambitious initiatives should be adopted by the European Commission to anticipate and prepare the skills needed in the labour market.

In the very dynamic labour market of today, timely understanding employers’ skills needs is crucial. Comparable and high quality data on skills demand by employers across the EU do not exist yet. A **Europe-wide skills forecasting tool** should be developed and be built on four different types of data, including forthcoming vacancies, data on business activity and economic situation, vacancies monitored by public employment services and data on graduates from all types of education and training institutes. Crucially, the data collected should then feed effectively into the design and delivery of education curricula if it is to have its desired impact.

To have a real impact on skill mismatch, this anticipation exercise has to be accompanied with a greater responsiveness of education and training systems to labour market needs. In this regard, education and training systems have to pay more attention to developing necessary key competences, including an entrepreneurial mindset and make a revision of curricula at all levels accordingly. The **introduction of an employability criteria to measure the effectiveness of Higher Education Institutions** would stimulate them to adapt their curricula to the labour market needs.

Evidence also shows that countries where work-based learning is the most included in Vocational Education and Training (VET) such as in Germany and Austria, prepare better young people for labour market requirements. The EU has recently developed commendable initiatives to improve the quality and visibility of VET and apprenticeship. A strong focus should also be given to increase the number of VET students who benefit from work-based learning. A **quantitative target for work-based learning with VET should be set across the EU**: 50% of VET students should have access to work-based learning in the forthcoming years, against 26% today.

1. **Enhanced professional qualifications and the effective economic integration of migrants**
	* *Context*

It is essential that skills and qualifications are quickly and easily recognised to enhance mobility and employability in Europe as well as to improve the capacity to meet skills and competences capacities.

The European Qualifications Framework (EQF) which aims at improving transparency between different qualifications still presents problematic shortcomings on referencing of qualifications. The respective “national logics” of leveling qualifications seem to outweigh a purely technical learning outcomes-based levelling of qualifications. A truly European perspective and a European arena for the discussion and exchange on levelling have yet to be developed.

The skills and qualifications form non-EU countries can be difficult to assess and therefore to recognise. Specific tools should be developed in particular for refugees who in addition don’t have the necessary documentation.

* *Specific EU policy recommendation(s)*

Qualifications should be systematically described in terms of learning outcomes. It will make it easier for companies to understand and assess what skills and competencies an individual has. Moreover, this approach is more inclusive, as it includes formal, non-formal and informal learning. Learning outcomes are in the process of being established. But national paths are already emerging, sometimes contradicting each other. A simple common format at EU level is necessary to avoid a proliferation of divergent paths.

The implementation of the **learning outcome approach** should be taken into consideration in the quality assurance procedures of member states to motivate higher education institutions to implement it.

A **greater permeability and synergy between VET and higher education** should be promoted. A common definition of “unit of learning outcome” and “credit” between higher education and VET should result in more flexible pathways that allow going back and forth between higher education and VET.

The **EQF should be consolidated** to become a real tool for transparency, better understanding of qualifications and be used for further comparison. Clear strategies and procedures for the quality assurance of referencing are needed. In order to improve the reliability of the instrument and make referencing more consistent, horizontal comparisons/checks among different NQFs should be carried out and a continuous referencing of NQFs envisaged.

Regarding the specific case of third-country nationals, The EU Skills profile tool should be updated taking into account recommendations provided by the different “users” during its first months of implementation.

A **comprehensive and multi-stakeholder approach should also be developed at EU level to integrate the refugees in the labour market**. All the relevant stakeholders should cooperation to efficiently assess the refugees skills at an early stage, to upgrade their skills through language courses and VET as well as to match with companies which are looking for these skills.

A structure should be put in place to **facilitate the creation of work opportunities for migrants in businesses**, especially SMEs. This would have the dual benefit of contributing to the economic integration of migrants and helping businesses respond to their skills needs, a growing point of concern for many employers. Linked to this, an **Integration Grant** should be established via the European Social Fund to support in particular SMEs to integrate not only migrants but also long-term unemployed and NEETs from other EU member states in their staff, a process that is complex and costly for smaller businesses.

1. **Available and appropriate financing solutions**
* *Context*

In theory, SMEs have access to a variety of financing tools, ranging from various forms of debt to equity, to maintain and develop their activity. In practice, for most SMEs it is still extraordinarily hard to access new forms of financing from anywhere beyond their established contacts and sources, which indicates low levels of knowledge and limited cross-border capital flows.

According to a study conducted by [CCI Netherlands](https://www.kvk.nl/download/NetherlandsCCI_%20InControloftheCompany_tcm109-432075.pdf), half of entrepreneurs are insecure about their own financial literacy and knowledge of money matters. They fall short in forecasting and financial planning. Financial illiteracy is one of the main barriers that hinder the relationship between SMEs and investors. Entrepreneurs who state they have extensive knowledge of financial matters are more likely to perform better than entrepreneurs who say they are less financially literate.

At the same time, facing a complexity of cross-border financing, searching for investors in another country, developments of new technology such as fintech, adds an additional layer of complexity to an SMEs’ financial reality.

Late payment remains a significant barrier to cash-flow for many businesses. It can have far more serious socio-economic effects if it prompts negative knock-on effects such as investment cutbacks, redundancies, or even closure. This can be particularly acute in cross-border scenarios and thus acts as an obstacle to the functioning of the single market. Public administrations alarmingly remain among the main offenders in several member states, but businesses also too often fail to comply with payment conditions agreed with other businesses.

* *Specific EU policy recommendation(s)*

The 2011 Late Payment Directive, already a revision of the original 2003 law, should again be revisited by policy-makers, with more robust tools in place to **prevent late payment** and to strengthen the position of smaller businesses in obliging their debtors – whether public or private – to comply with the payment terms agreed. In parallel, policy-makers should look into behavioural techniques that may deliver the same positive impact quicker and more effectively though ‘nudge’ techniques.

Due to the increasing complexity of financing tools and business models, there is a strong need to equip the European businesses with knowledge they need to remain alive and scale up. As a soft measure, a programme should be supported under the next EU budget to ascertain levels of **financial literacy** among entrepreneurs across the EU and to provide support, not only to existing entrepreneurs, but also to would-be entrepreneurs. As part of this, a Financial Literacy Week should be run in collaboration with Chambers and other business support providers across the EU.

1. **Business (SME) friendly drafting, implementation and monitoring of EU legislation**
* *Context*

SMEs are disproportionately affected by regulatory and administrative burdens compared to large businesses. It is estimated that where a large company spends one euro per employee because of a regulatory duty, a small business have to spend on average up to 10 euros. In order to enable a more SME-friendly environment, the Commission introduced in the 2008 Small Business Act the ‘Think Small First’ principle, according to which legislation should be designed by taking into account SMEs’ characteristics and needs.

The SME test is a key tool to implement such principle. Regrettably, EUROCHAMBRES’ assessments of the European Commission’s application of the SME test (2011, 2013, and 2017) show significant weaknesses in its implementation, regarding for example the collection and presentation of the views of SMEs, the absence of a thorough cost-benefit analysis and quantification of the impacts being more the exception that the rule. The persistence of flaws in the application of the SME test, both at EU and national level, is detrimental to the policy-making process, as they increase the risk of tabling legislative initiatives that will create unnecessary and excessive burdens for the ‘backbone of the European economy’.

* *Specific EU policy recommendation(s)*

The Commission’s Better Regulation guidelines explain how to properly carry out a good SME test. What is needed now is that the guidelines are correctly implemented. **Additional support and more robust checks and balances are needed to ensure that SME tests are done properly** and are not just a box-ticking exercise. The officials in charge of a particular dossier should receive greater assistance in conducting the SME test before their impact assessment is submitted to the Regulatory Scrutiny Board. The Board, in turn, should more **systematically verify that the SME test is properly carried out** before issuing a positive opinion on an impact assessment. SME tests are not a goal in themselves, nor indeed are the principles of better regulation and evidence-based policy-making. But job creation and growth are goals, very important goals. That is why it is crucial to our competitiveness that legislation relevant to SMEs – 99% of all EU businesses and well over half of employment and value added – is based on a thorough analysis of the impact on them. This cannot be optional. It must be a pre-condition for moving forward with the legislative process.

1. **Effective measures to stimulate an entrepreneurial mindset across the EU**
* *Context*

In order to achieve economic growth and higher levels of employment, Europe needs more entrepreneurs. To have more entrepreneurs, it is paramount to have an SME-friendly policy and regulatory environment as well as to foster entrepreneurship and the development of entrepreneurial attitudes and skills, starting from primary school. Entrepreneurship education and training is one of the three pillars of the European Commission’s Entrepreneurship 2020 Action Plan, together with the creation of an environment where entrepreneurs can flourish and role models and outreach to specific groups. Despite the Commission’s focus on entrepreneurship education and the recommendation to ensure that all young people have a practical entrepreneurial experience before leaving compulsory education, the uptake of entrepreneurship education still has a significant way to go in Europe, according to the last EURYDICE report.

Under the current COSME programme, there are several actions that support entrepreneurship, the most prominent one being Erasmus for Young Entrepreneurs, where a new or aspiring entrepreneur is hosted by an experienced entrepreneur in another participating country for up to six months. COSME also addresses specific groups that are underrepresented within the entrepreneurial population, such as women and migrants. However, budget fragmentation of the programme often reduces the impact of the actions.

* *Specific EU policy recommendation(s)*

If the EU is to produce more entrepreneurs, it is essential to equip individuals, starting from a very young age, with entrepreneurial attitudes and skills. This is why introducing **entrepreneurship education in curricula of all levels of education**, from primary and secondary school to vocational education and university, is essential. Equally important is the **involvement of the business community** in the design and delivery of programmes and initiatives aimed to support entrepreneurship.

Entrepreneurship should be made more appealing, not only by reducing administrative and regulatory burdens, but also by recognising the role of entrepreneurs within society and raising awareness of the benefits of entrepreneurship. Indeed, according to a Eurobarometer survey on ‘Entrepreneurship in the EU and beyond’, a majority of EU respondents expressed a negative perception of entrepreneurs.

Successful programmes, such as **Erasmus for Young Entrepreneurs**, should be expanded and enhanced.

1. **An ecosystem that facilitates the creation and expansion of businesses**
* *Context*

There is now a vibrant start-up ecosystem across much of the EU. This is a positive development compared to some years ago. Nevertheless, many new businesses do not make it beyond the critical first few years. Moreover, not enough companies move from the ‘start-up’ to the ‘scale-up’ phase. The complexity of (cross-border) regulatory and administrative requirements, e.g. relating to VAT regulations, the fear of failure, difficulties in securing finance, as well as in connecting to the right business partners and in finding skilled workers are some of the obstacles that impede the survival or growth of start-ups. Recognising this, , the Commission published the Start-up and Scale-up Initiative in November 2016. This communication revolves around the removal of barriers for start-ups and scale-ups in the Single Market; the creation of better opportunities for partnerships, commercial opportunities and skills; the facilitation of access to finance.

The 2016 European Parliament of Enterprises also underlined that special measures for micro-businesses may have an unintentionally negative effect: 82% of businesses stated that administrative, legislative or fiscal exemptions discourage businesses from scaling up their activity.

Many Chambers actively support start-ups and scale-ups. According to a recent survey, Chambers offer a wide range of initiatives that connects companies to other stakeholders of the entrepreneurial and innovation ecosystem and offer mentoring and coaching opportunities as well as information, advice and capacity building services.

* *Specific EU policy recommendation(s)*

Key elements in enhancing EU competitiveness should be developed in a more complementary manner across Europe if they are to have a wide scale positive impact. Market access is critical to the scalability of companies and investments alike. So genuine progress towards a single market – for people, capital, goods and services, as well as for online and offline – is a sine qua non to a scale-up friendly EU. It is therefore of paramount importance to ensure follow-up on and delivery of the aims contained in the Capital Markets Union, the Digital Single Market and the Single Market Strategy. Other initiatives that might be taken at EU level will be irrelevant and ineffectual in absence of a more dynamic capital market, a “digital by default” approach across the EU and a more complete and functioning single market for goods and services and for online and offline.

When envisaging exemptions or other mitigating measures, the potential negative unintended consequences that such measures might have on the growth of individual businesses and on the economy as a whole should be carefully taken into account.

1. **Enable a second chance after business failure and facilitate the transfer of viable companies**
* *Context*

According to the Commission’s own figures, 1 business out of 2 goes bankrupt in its first five years and the related direct job loss due to insolvency reaches 1.7 million/year in the EU. Bankruptcy is often attributed to management errors. The earlier in the process companies can receive guidance on their liquidity position the better. This should be to the benefit of the whole business community, including banks and other lending organisations, as it would reduce the overall default rate.

Transferring the ownership of a viable business is advantageous to the seller and also to the buyer, for whom it may be an alternative way of starting a business. It is also socio-economically efficient if it ensures the sustainability of a business that would otherwise cease to operate. At the same time, transferring a business is an extremely complex process with many facets – fiscal, financial, legal, administrative, not to mention social and emotional. It is a process that impacts on 700.000 companies and millions of jobs every year across the EU.

* *Specific EU policy recommendation(s)*

EUROCHAMBRES is currently involved in two EU-funded projects aiming at providing early support to entrepreneurs in difficulty and helping second starters. Such **targeted actions focusing on prevention of insolvency** are more appropriate and effective than the harmonisation of the insolvency legal framework at European level.

To ensure that creditors are informed in a timely and transparent manner about the start of insolvency proceedings involving one or more of their debtors, EUROCHAMBRES also calls for a **European insolvency register** based on existing national registers. The register would be beneficial particularly in cross-border cases, as creditors could be informed about the opening of an insolvency proceedings against their debtor in another Member State and would be about the terms for their full participation in the procedure. Such a register should be easy to access and to understand.

Some member states are more advanced than others in the field of business transfer, but it is to everyone’s benefit that there is general improvement in the procedures for doing so. There is also potentially a cross-border component, so far heavily under-exploited due to the complexity involved. The EU can play a valuable coordination role in facilitating progress and the exchange of experiences on business transfer. Specific suggestions on this were contained in a May 2017 [report to the Competitiveness Council by the Maltese Presidency](http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetailDoc&id=33810&no=3) and these should be pursued by the Commission and co-legislators.

1. **An economic and legal environment that allows risk-taking and stimulates innovation**
* *Context (problem/opportunity/challenge)*

Innovation is the main source of growth, competitiveness and improved productivity. As such, innovation must be central to the EU’s economic development and therefore to policy-making and procedures. Budgetary restrictions in recent years have restricted investment in innovation by both the public and private sector. Innovation is for the long-term benefit, not short-term gains, but this must dissuade policy-makers from putting in place processes, resources and rules that are necessary to stimulate innovation in the EU.

Although innovation tends sometimes to be associated exclusively with technological developments, policy-makers must embrace a broader vision, covering also processes, services, business models and social innovation. As such, policies to stimulate innovation extend beyond R&D funding and also include the single market, digital infrastructure, company law, education and training, infrastructure, public sector reform and trade and internationalisation.

Fundamentally, EU innovation will only flourish if policy-makers are themselves innovators and willing to take risks. They also need to work with the business community to ensure that the right policies are implemented in the right way.

* *Specific EU policy recommendation(s)*

EUROCHAMBRES advocates the revival and expansion of the **Entrepreneurial Experience Programme**. This initiative previously enabled senior officials from one department of the European Commission to spend time in a small business in order to understand better SMEs’ challenges, opportunities and key competitiveness factors, valuable experience to then factor into their role in policy-making. The scheme was limited in size and ambition, so should be expanded to include officials from various departments of the European Commission. Similar initiatives should be considered for the European Parliament and national administrations in order to stimulate understanding of the business environment among those who take decisions affecting it. Chambers are ideally placed to facilitate such schemes.

An efficient, affordable patent regime is a key factor in businesses’ capacity to innovate and compete globally. That is why Chambers have been strong proponents of the **Unitary Patent** initiative for many years. Work on such a **Unitary Patent**, which started in the 1970s, must be concluded. This important reform of the European patent system is long overdue. Businesses have been waiting for 50 years and it is vital that the reform is now delivered without any further delay.

1. **Advanced, interconnected digital infrastructure**
* *Context*

Digitalisation is key to the success of European businesses. Still, for many companies, their internet is inadequate to capitalize on future trends, such as connected factories. Besides that, cyber security remains a huge challenge, especially for smaller companies that cannot afford their own IT department.

* *Specific EU policy recommendation(s)*

Access to high-performing and secure internet in order to market services and products is increasingly a pre-requisite to businesses’ competitiveness. The EU Connecting Europe Facility and European Regional Development Fund are means to finance the necessary infrastructure, be it trans-continental, or regional. These funds should be more focussed on broadband dissemination. In order to make the internet safe, a European approach is needed. Based on the findings of the Cyber-Security PPP and ongoing work, the European Union Agency for Network and Information Security should therefore be mandated to provide in accordance with Member states the means to effectively combat cybercrime, counter possible large scale attacks and provide fast and direct help to affected companies, in particular SMEs.

1. **Affordable and secure supplies of energy and raw materials to facilitate cost-effective production**
* *Context*

Ensuring a competitive, sustainable and secure supply of energy is one of the greatest societal and economic challenges of the years and decades to come. Particularly in the context of the transition towards a low-carbon and more renewable-based economy, businesses need guaranteed access to affordable and reliable sources of energy at all times. At the same time the EU is striving to move towards a fully functioning circular economy in which waste becomes a valuable key resource. Both developments hold great potentials for EU businesses but requires the right framework conditions in order to boost our global competitiveness, trigger economic growth and generate new jobs.

* *Specific EU policy recommendation(s)*

It will be key to strictly apply market principle across energy markets. A market oriented approach will keep costs down for energy consumers and help maintain public support for the energy transition. Moreover, the EU should create a cost-effective **European support scheme for renewables**, so that investments can be made where they have the greatest economic effects. In the context of the Circular Economy, it will be important to take SMEs on board, by increasing trust in secondary raw materials (e.g. through quality standards) and by providing better framework conditions for investments in green technologies, e.g. by boosting alternative forms of financing and sufficient public support.