



## 10 PRIORITIES TO BOOST INVESTMENT, GROWTH & EMPLOYMENT

WHAT COMPANIES EXPECT  
FROM THE NEW COMMISSION

# BUSINESSEUROPE



## WHO ARE WE?

**BUSINESSEUROPE** is the leading advocate for growth and competitiveness at European level, standing up for companies across the continent and campaigning on the issues that most influence their performance.

A recognised social partner, we speak for all-sized enterprises in 33 European countries whose national business federations are our direct members.



## FOR FURTHER INFORMATION

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## FOREWORD

### Competitiveness first to deliver a better Europe

Europe is at a cross-road and the beginning of this new European political cycle offers a unique window of opportunity for the EU and national policy-makers to re-define the priorities for the European Union.

Weak growth, persistently high unemployment, which hits young people in particular, unsustainable public finances, together with low inflation and geopolitical tensions, raise fears of chronic stagnation in the European Union.

Growth and job creation generated by the private sector are essential to build a better Europe. Excessive costs and unnecessary regulatory and administrative burdens that stall job-creating investment have to be addressed.

The streamlined structure of the new Commission is a promising basis to tackle the underlying causes of Europe's economic and social problems.

Words must urgently be turned into action.

Competitiveness must be at the centre of policy-making if we want to really improve the business environment and build a strong and innovative industrial base, with positive spill-over effects in all economic sectors, and a well-functioning Single Market for goods and services.

European companies strongly believe in the European Union and want to invest in Europe. BUSINESSEUROPE and its members are fully committed to building a proactive Europe, with an enhanced ability to make bold choices and implement a coherent policy agenda.

We look forward to working constructively with the new European Commission as well as with the Council and the European Parliament to devise policies that will fulfil companies and citizens aspirations.



**Emma Marcegaglia**

President of  
BUSINESSEUROPE



**Markus J. Beyrer**

Director General of  
BUSINESSEUROPE

# IMPROVING COMPETITIVENESS FOR HIGHER GROWTH AND MORE JOBS



Europe is the most socially minded market economy in the world but our social achievements can only be sustained with more growth and more jobs. And yet unemployment, in particular youth unemployment currently standing at 21.6%, remains far too high. The only viable way to ensure prosperity is to carry out the reforms that will create a virtuous circle between improved competitiveness, higher growth and more job creation.

In the last five years, 6 million jobs have been lost in the European Union, compared to around 1 million in both the United States and Japan. Moreover, the EU's share of worldwide foreign direct investment flows fell to 24% in 2012 compared to 40% in 2000. This is undermining future growth and employment prospects.

President Juncker rightly underlined that "it is mainly companies, not governments or EU institutions that create jobs". In order to invest in Europe, companies need a business environment where they can thrive.

The European Union and Member States must put competitiveness first, if we want a brighter future for young generations, who are particularly hit by unemployment.

Europe is losing ground because:

- **the overall tax burden** as a share of GDP in the EU is 50% higher than in the United States and 30% higher than in Japan,
- **the average tax wedge** on low-income earners is 40% higher in the EU than in both United States and Japan,
- **administrative requirements to start a new business** are 3 times more burdensome than in competing developed economies like the US,
- **energy prices are too high**: industrial electricity prices in the EU are more than twice those in the US and Russia and 20% higher than in China, and EU industry pays 3 to 4 times higher gas prices than US, Indian or Russian companies,
- **the EU's R&D gap with competitors is widening**, with the US it amounts to \$100 billion a year and in 2014 China shall overrun EU in terms of R&D intensity, following Japan, South Korea and the US,
- **our education and training performance** weakens compared to key competitors, which are quickly progressing while Europe faces structural mismatches between skills provided and skills needs,
- **access to finance is constrained**, with outstanding loans to companies from Euro-area banks having fallen by around 10% between the start of 2012 and the end of 2013.

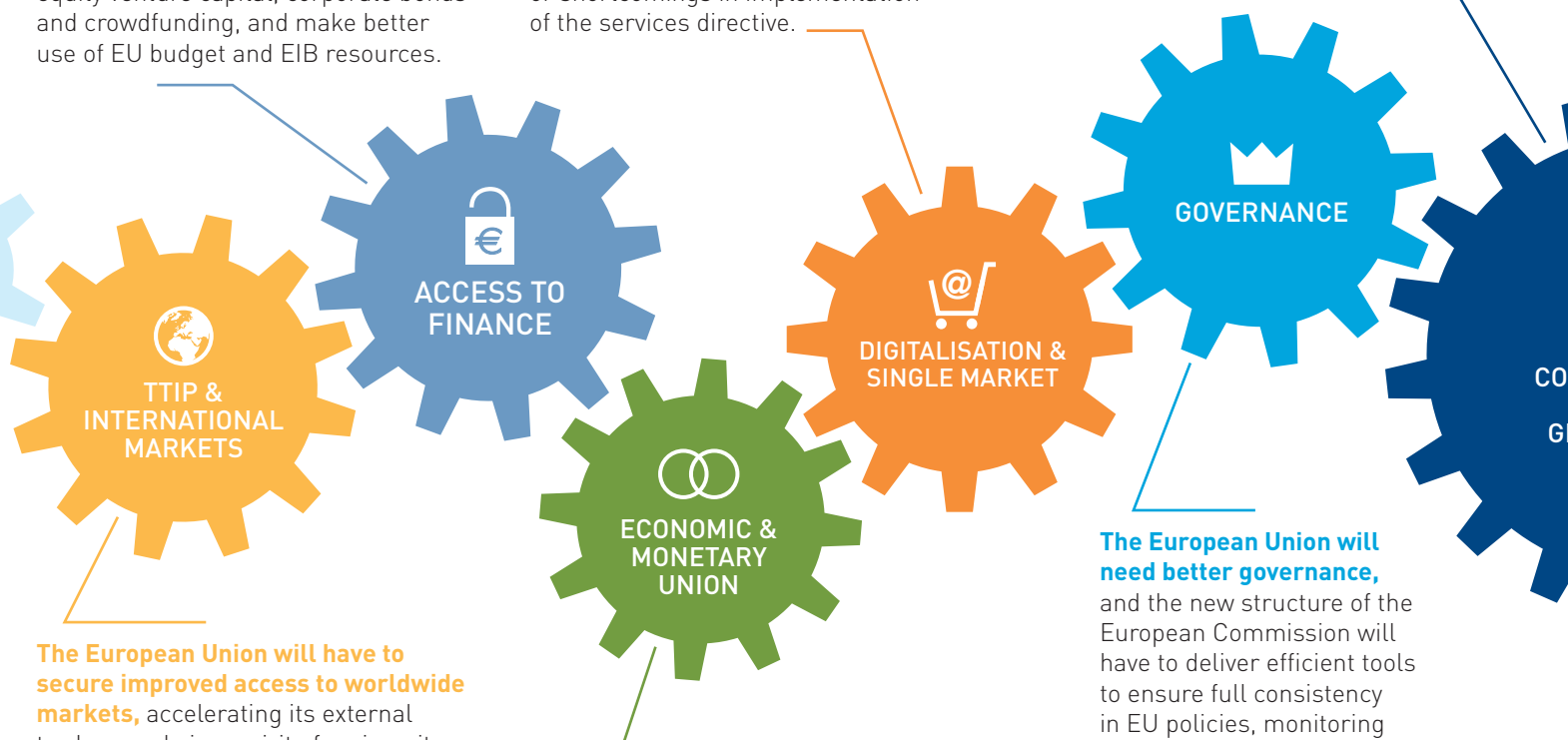
BUSINESSEUROPE identified ten priorities to improve the investment climate and encourage job-creating entrepreneurship. They must be implemented swiftly.

# 10 PRIORITIES FOR 2014-2019

**The European Union will have to improve access to finance for companies,** particularly SMEs, by implementing the Banking Union, and combining it with balanced prudential regulation that eliminates fragmentations in the EU financial market, strengthens stability and improve the lending capacity of banks. At the same time, we must unlock alternatives to bank lending including equity venture capital, corporate bonds and crowdfunding, and make better use of EU budget and EIB resources.

**The European Union will have to further develop its Single Market,** paying special attention to the issues with the biggest impact for future economic and social development such as legal fragmentation undermining in particular the full development of the digital economy, unjustified discrepancies in companies' access to finance across the EU, missing infrastructure links, or shortcomings in implementation of the services directive.

**The European Union will have to put competitiveness first and deliver better regulation,** making bold choices to focus on key challenges requiring pan-European answers, avoiding issues of lesser importance or problems better solved at national level, looking outward, addressing both the cost and non-cost competitiveness implications of policy measures, and applying the principle of proportionality.



**The European Union will have to secure improved access to worldwide markets,** accelerating its external trade agenda in a spirit of reciprocity, through elimination of tariffs and non-tariff barriers, enhanced regulatory coherence and regulatory cooperation, simplification of trade procedures, promotion of investment-friendly environments, ensuring that trade-restrictive practices in third markets are effectively addressed. A set of rules that efficiently address unfair trading practices is also important to ensure balance and fairness in the markets.

**The European Union will have to ensure the smooth functioning of the EMU,** underpinning its structure and keeping Member States to their commitment to deliver necessary structural reforms as well as strengthening public finances through reductions in public expenditures that prioritise investment, rather than tax increases.

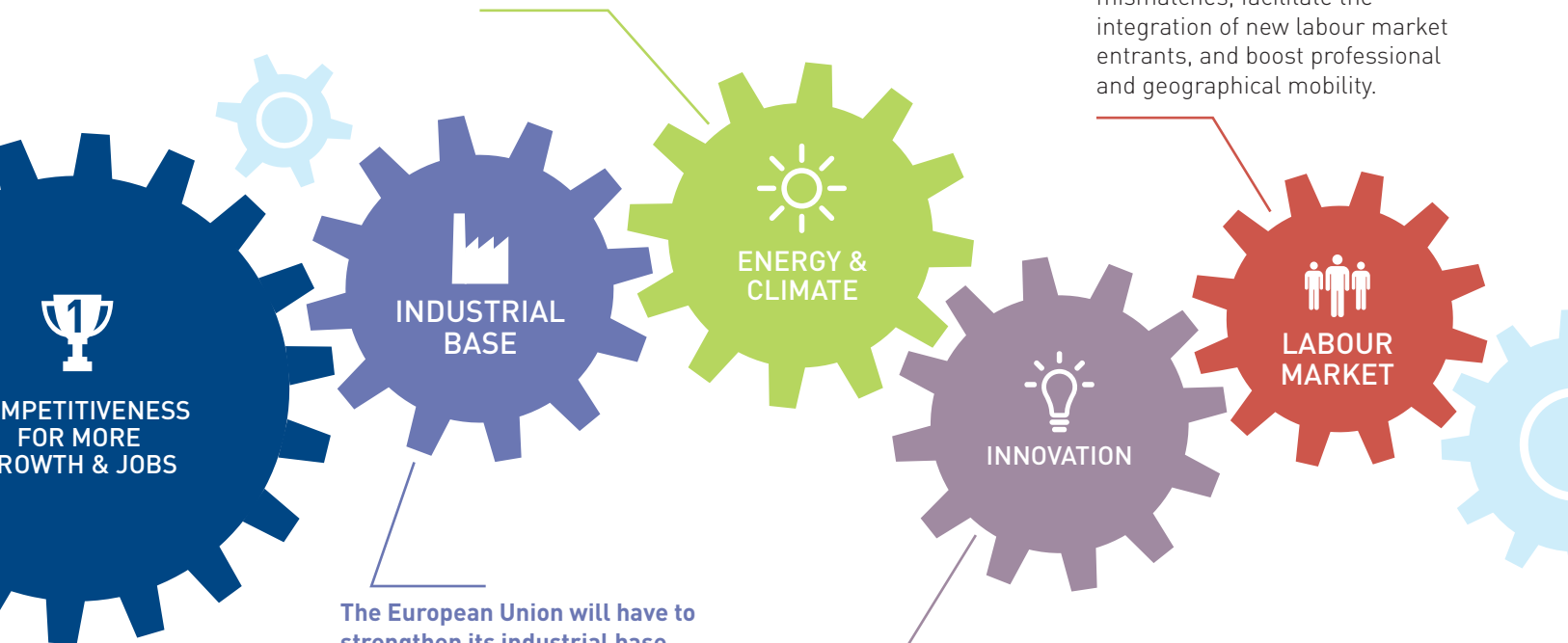
**The European Union will need better governance,** and the new structure of the European Commission will have to deliver efficient tools to ensure full consistency in EU policies, monitoring the progress made in reducing the gap with key competitors in areas of strategic importance such as energy prices, business profit margins, total labour costs, productivity, overall levies and tax weight, regulatory burden, etc.

**The European Union will have to take resolute actions to achieve competitive prices and guaranteed access to energy,**

by developing energy infrastructure and interconnection of cross-border networks to complete the energy single market and by fostering a balanced international climate agreement while securing that the EU does not end up as a lone front-runner, putting the EU Emission Trading Scheme as the only EU instrument for decarbonisation, ensuring proper compensations for industries exposed to global competition and diversifying Europe's energy sources both domestically and externally.

**The European Union will have to encourage modernisation of labour markets, education and training and social protection,**

in order to remove obstacles to job creation, address skills mismatches, facilitate the integration of new labour market entrants, and boost professional and geographical mobility.



**The European Union will have to strengthen its industrial base,** and fully embrace the goal of generating at least 20% of its GDP in industry by 2020 because this will have positive spill-over employment and growth effects across all sectors of the economy, including services.

**The European Union will have to regain global innovation leadership,** scaling up investment in R&D combined with a more qualitative approach, building a true culture of innovation and science-based policy making, encouraging reasonable management of risk rather than over-playing the pre-cautionary principle, removing obstacles to commercialisation of research results, building innovation clusters and networks between companies and research institutes, enhancing the regulatory framework supporting innovation and streamlining the jungle of EU funding mechanisms.

# 10 ACTIONS TO BE TAKEN DURING THE FIRST YEAR

Swiftly put in place the new structure of the EU Commission to better coordinate the actions of all Commissioners and truly prioritise competitiveness in all new EU proposals from day one.

Present the announced European investment plan, making sure that it improves access to finance for companies and, at the same time, ensure proper implementation of the agreed mechanisms of the Banking Union.

Work towards the conclusion of an ambitious TTIP agreement addressing both tariffs and non-tariff barriers, including export restrictions, promoting regulatory cooperation, state-of-the-art investment protection and delivering fair access to public procurement markets at federal and state levels.

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Fully embrace the objective of generating at least 20% of EU GDP in industry by 2020 and define an effective roadmap to deliver the EU Council decision to mainstream industrial competitiveness in all EU policies.

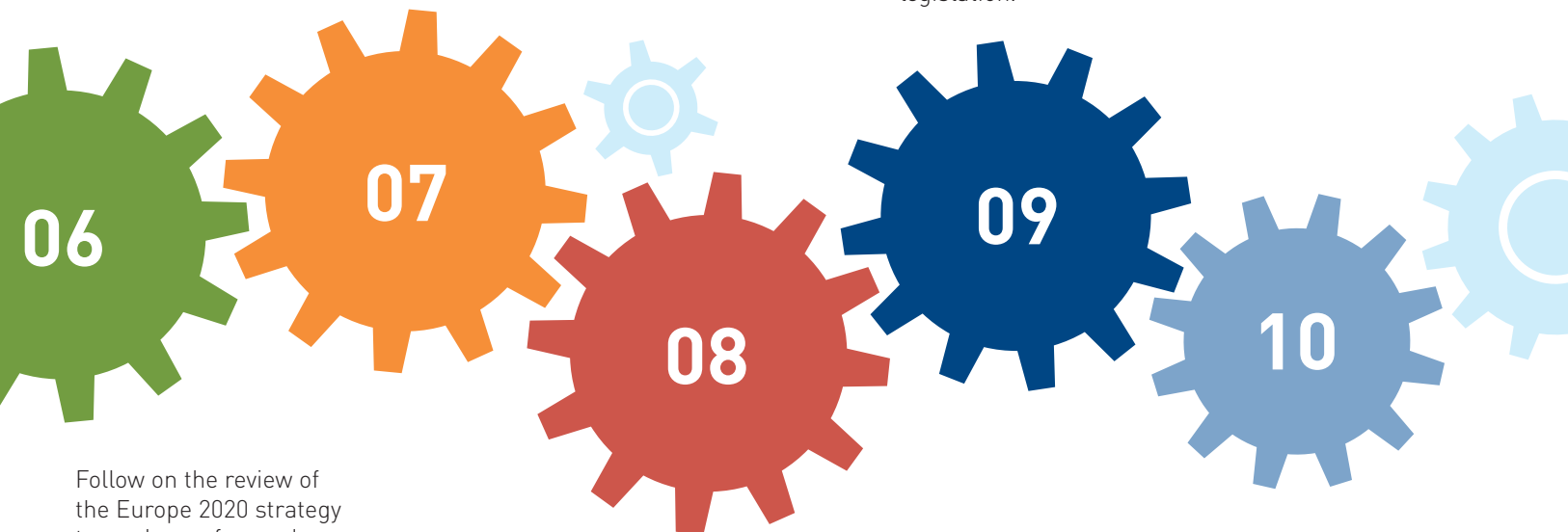
Present a flexible EU 2030 energy and climate legislative package, adaptable to the outcome of the international negotiations in Paris in 2015, and reform the post-2020 EU emissions trading system to establish ETS as the only instrument for decarbonisation of industry.



**BUSINESSEUROPE urges the new European Commission to work closely with the European Parliament, the Council and all Member States to deliver the ten following key measures during the first year:**

Strike the right balance between protection of citizens' privacy and free flow of data when defining the long-term strategy for the digital single market to enable Europe leveraging the huge potential stemming from the use of big data.

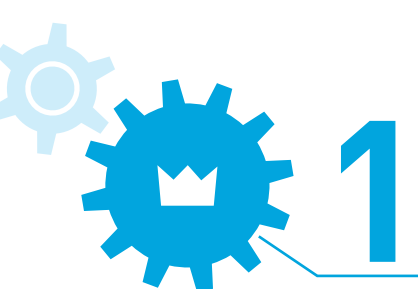
Deliver without delay the better regulation agenda through evidence-based policy-making, and improved ex-ante and ex-post impact assessment, taking into account the cumulative effect of legislation.



Follow on the review of the Europe 2020 strategy to produce a focused and streamlined process of economic policy coordination followed by real implementation of growth-enhancing reforms in Member States.

Build consensus on a European framework for national labour market reforms based on the Council principles on flexicurity and underpin this consensus with a reform-friendly approach to EU employment and social policies aimed at increasing growth and job creation.

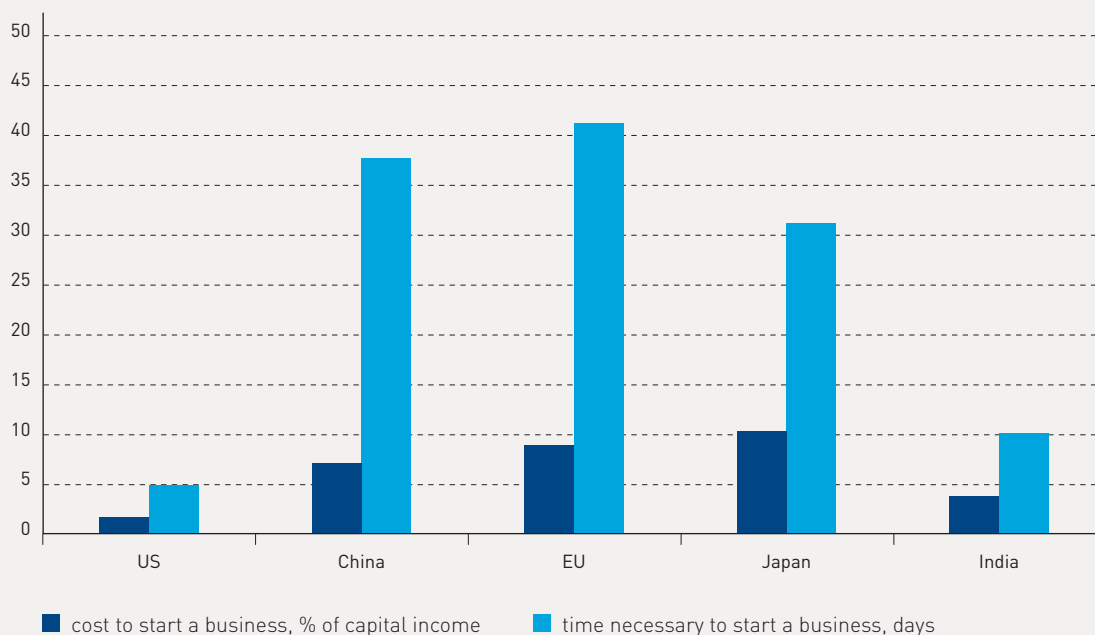
Spell out the overall vision of where to take the EU by 2020 in a coherent multi-annual agenda which clearly prioritises competitiveness, growth and employment.



# 1

## BETTER GOVERNANCE TO GUARANTEE SWIFT AND CONSISTENT ACTION

COST AND TIME TO START A NEW BUSINESS IN 2013



Source: World Bank



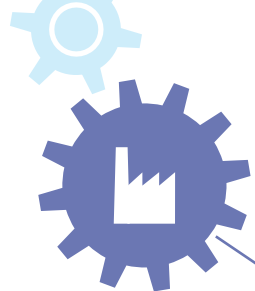
### FACTS

Vital steps were taken in laying the foundation for competitiveness mainstreaming in all EU policies in 2014. The Spring European Council agreed on the broad principles. It requires a change in European governance and its decision-making processes as well as structural reorganisation of EU institutions. President Juncker's political guidelines for the next Commission and the structure of the new European Commission are a promising basis. Strong signals must be given rapidly to show that words are turned into actions.



## ACTIONS

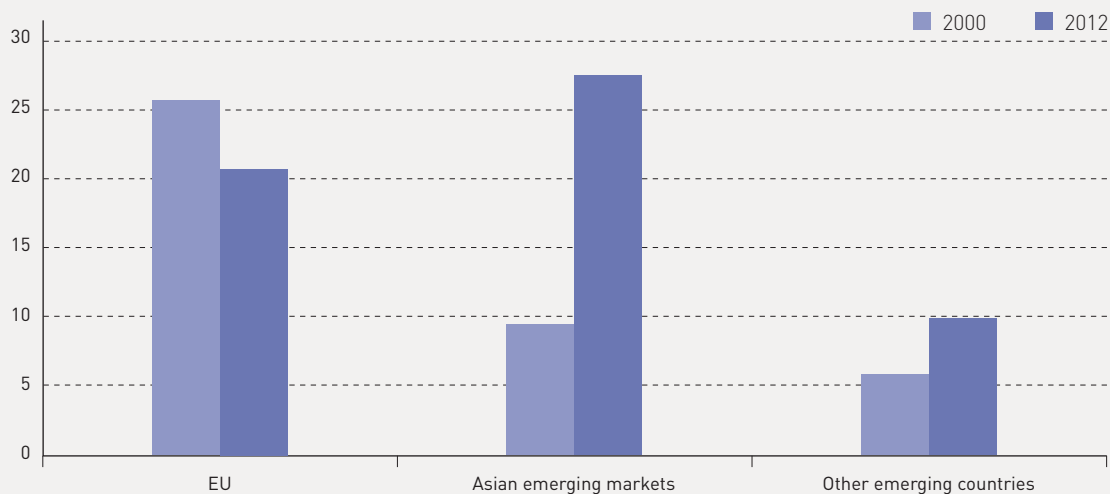
- **The EU Commission new internal governance tools have to be fully mobilised** to guarantee real competitiveness mainstreaming in all EU policies at an early stage and lead to systematic, early-stage prioritisation of competitiveness under the strong leadership of the President, supported by the first Vice-President and all the Vice-Presidents' work to improve coordination among all Commissioners.
- **The Council will have to act as a watchdog of competitiveness.** Having set the scene in March 2014, the EU Council will have to monitor progress annually at each Spring EU Council meeting, based on reports from the European Commission and the Competitiveness Council. The Competitiveness Council will have to become a real guardian of competitiveness, discussing and vetoing EU initiatives that may undermine the competitiveness of industry, ensuring that other Council formations recognise the necessity of considering the impact of new policy initiatives on competitiveness, and speaking up on all important topics for competitiveness, with the support of a strengthened High Level Group on Competitiveness and Growth.
- **The European Union will have to improve its impact assessments** by allowing stakeholders to address shortcomings and by creating an independent board at the EU level to systematically review impact assessments of all new EU proposals and subsequent amendments, reinforcing the credibility of the exercise. Concerning new legislative initiatives, competitiveness proofing, including the SME test, must become an integral part of ex-ante impact assessment and the cumulative effect of regulation should be measured, taking due account of international comparisons.
- **The European Union will have to deliver on its promise of better regulation** by setting a new EU regulatory reduction target. This target must be a net target, off-setting regulatory costs due to new legislation by reductions in existing regulatory costs. In addition to implementing the Regulatory Fitness and Performance programme (REFIT), the inconsistent, excessively burdensome or obsolete rules identified through ex-post evaluation of EU rules will have to be swiftly removed.
- **Member States will have to mainstream competitiveness at national level** too, by improving the implementation of agreed country-specific recommendations, by avoiding gold-plating when transposing EU legislation, and by implementing the Small Business Act to improve the business environment.
- **The EU budget will have to be further re-oriented towards competitiveness** by optimising the synergies between EU and EIB programmes as well as EU and national resources under the current multi-annual financial framework (MFF). Moreover, the means allocated to jobs, growth and competitiveness programmes during the MFF mid-term review must be further strengthened.



## 2

## A STRONG INDUSTRIAL BASE WITH SPILL-OVER EFFECTS IN ALL SECTORS

SHARE OF WORLD MANUFACTURING'S VALUE ADDED (%)



Source: UN (2013), OECD (2013), Eurostat (2013), calculations by IW



### FACTS

Since 2008, European manufacturing production has declined by 12.4% and 3.8 million industrial jobs have been lost in Europe. In 2013 alone, the share of manufacturing in GDP lost one percentage point, decreasing to 15.1%. This is a major threat to future growth and job prospects in all economic sectors, including services.



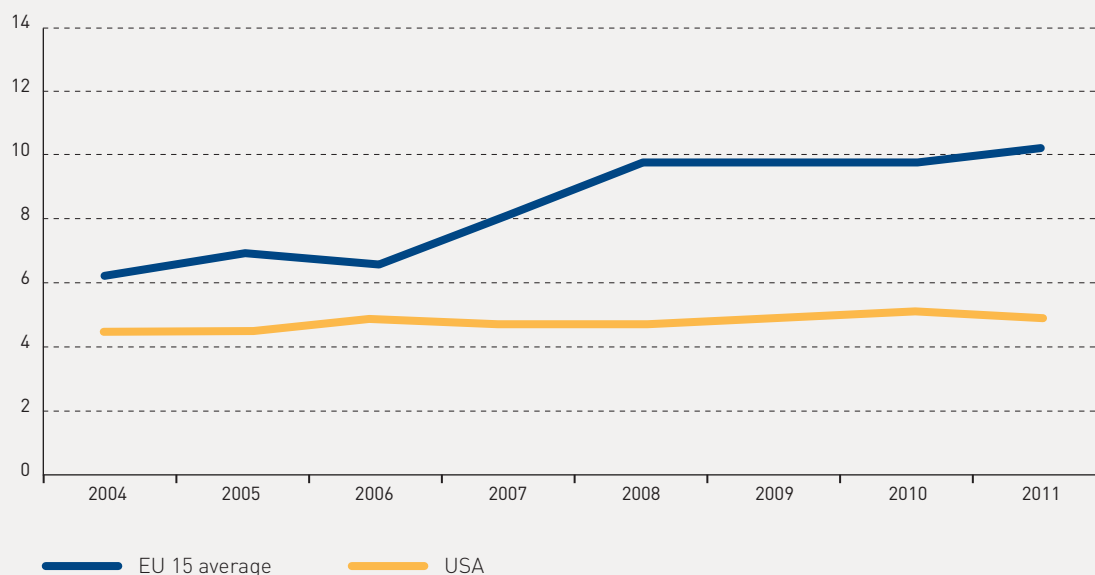
## ACTIONS

- **The European Union will have to implement a coherent industrial policy** approach to create a stronger industrial base. This is essential to enhance the European growth potential and boost employment. The March European Council conclusions constitute a positive step towards this and the forthcoming Commission Industrial Policy Roadmap will have to put that in practice.
- **The European Council will have to embrace the goal to reach at least 20% of EU GDP generated by industry by 2020**, as proposed by the Commission, and make the necessary EU governance changes to bridge the gap between good competitiveness intentions and real actions.
- **The European Union will have to better enable the integration of European industrial firms in global value chains** and encourage, rather than fear their internationalisation. This will allow European companies to compete better in the global economy and improve the attractiveness of Europe as a place to invest, bring benefits to European society as a whole.
- **The European Union will have to focus on forging stronger synergies between manufacturing and services** supporting the competitiveness of services that are of the utmost importance to industry.
- **The European Commission will have to reinforce its work on industrial sectors** with a growth potential which are facing competitiveness challenges. Sectorial analyses are of great importance in the promotion of optimal framework conditions for competitiveness.

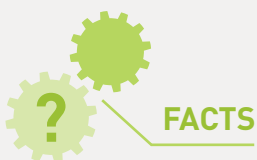


# 3 PRIORITISE COMPETITIVE PRICES & GUARANTEED ACCESS TO ENERGY

TREND IN INDUSTRIAL ELECTRICITY PRICES (€ CENTS/KWH)



Source: International Energy Agency, energy prices and taxes (derived from DECC, 2013)



The EU's energy and climate policy has to be aligned with its industrial ambitions. High energy prices have a significant impact on Europe's international competitiveness and the viability of the entire European industrial value chain. This is a major issue for the 52 million people whose job directly or indirectly depends on industrial production.



## ACTIONS

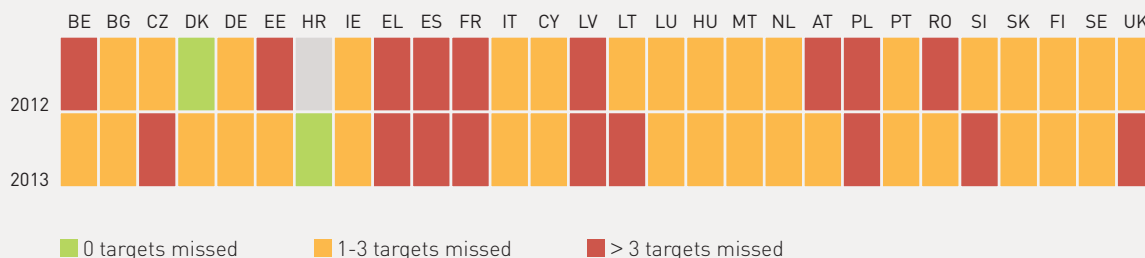
- **The European Union will have to improve the balance of the 2030 energy and climate package** and ensure that competitiveness, security of supply and climate objectives are on an equal footing. While advocating an ambitious international climate agreement, the EU should take the final decision on the 2030 legislative package taking into account the results of the United Nations climate conference in Paris in 2015. This will allow adaptations in the light of other major economies' commitments without delaying significantly the adoption of EU's 2030 energy and climate legislation.
- **The European Union will have to reform the EU Emissions Trading Scheme** post-2020 establishing ETS as the only EU instrument for decarbonisation of industry. The new Commission should propose a full reform package including a legislative proposal for a carbon leakage regime addressing both direct and indirect costs and incorporating the current market stability proposal. It is essential that the most CO<sub>2</sub>-efficient installations at risk of carbon leakage do not face additional carbon costs.
- **The European Union will have to ensure proper implementation of the Energy and Environment State Aids Guidelines** until an EU-level compensation scheme for decarbonisation policies is adopted, minimising distortions of competition within the Single Market, and at the same time, permitting measures that fully offset the cost impacts of decarbonisation policies on energy-intensive sectors. This new regime must ensure the timely phasing-out of national support schemes for mature renewable energy technologies.
- **The European Union will have to pursue a determined energy security strategy** by diversifying energy sources both domestically and internationally. Energy efficiency is critical and requires continued investments, in particular in the building sector, but it is not enough. Europe should develop all energy sources, including potentially highly advantageous unconventional sources such as shale gas. Internationally, the EU should use trade agreements to develop new and more trustworthy sources.
- **The European Commission will have to accelerate the creation of a truly open single market for energy for all 28 EU Member States**, deepening the integration and liberalisation of energy markets and fostering the development of energy infrastructures and interconnection of cross-border networks and therefore giving Europe access to new secure energy sources.



# 4

## BUILDING THE DIGITAL ECONOMY & TACKLING SINGLE MARKET FRAGMENTATION IN STRATEGIC AREAS

### INTERNAL MARKET ENFORCEMENT (IN SERVICES, FINANCIAL SERVICES, TRANSPORT, DIGITAL, ENERGY)



### FACTS

The Single Market has helped create almost 3 million new jobs and added some 5% in income per European citizen since 1992. But companies are still struggling with obstacles to cross-border business. Further progress in integrating the Single Market is essential for growth and jobs. In many cases, this can be achieved through better implementation and enforcement of existing EU rules, legislating only when it is truly necessary. However, improving the Single Market also requires removing unnecessary administrative burdens, dealing with legal fragmentation to increase legal certainty, and investing in transport, energy and IT infrastructure and boosting the development of the digital economy.





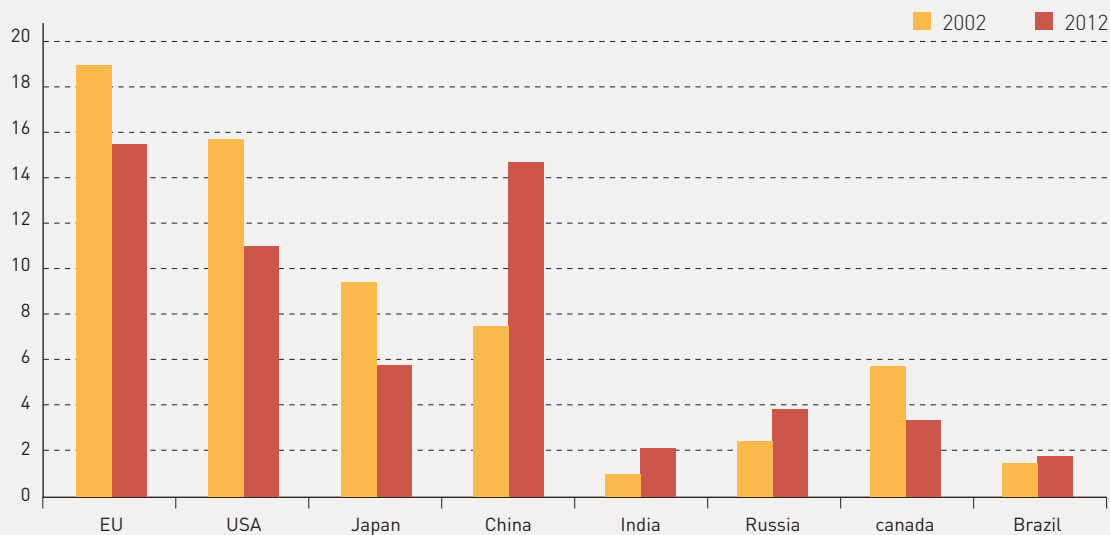
## ACTIONS

- **The European Union will have to facilitate the digitalisation of its economy.** All new European policy measures will therefore also have to be considered from the perspective of their ability to encourage or stand in the way of this digitalisation. Fragmentation concerning VAT treatment in e-commerce, consumer and data protection has to be tackled. To enable big data use and innovation, the EU framework must strike the right balance between consumer protection and legitimate use of data by business, have workable “right to be forgotten” provisions, and be backed by an effective one-stop-shop system.
- **The European Union will have to foster investment in infrastructure and networks as part of the €300 billion public and private investment plan,** taking into account that companies need a stable and innovation-friendly regulatory environment which sets the right incentives to invest, encouraging public-private partnerships, and making full use of both the Connecting Europe Facility and project bonds.
- **The European Union will have to boost cross-border services** through better implementation of the 2006 services directive, removing discriminatory requirements such as residence conditions or economic needs tests as well as remaining obstacles outside the remit of the services directive such as strains on company mobility and conflicting national standards, improving recognition of professional qualifications and reducing regulated professions, investing in Points of Single Contact, etc. In addition, the EU should swiftly adopt the 4th Railway and Single European Sky 2+ packages as the cost and efficiency of transport services directly affect industry and the competitiveness of European companies.
- **The European Union will have to release untapped potential for goods** removing national requirements on product or testing such as mandatory registers, developing a more concerted market-surveillance system across Europe with stronger controls at all external borders, balanced application of the precautionary principle and good quality market-relevant standards, which remain voluntary and take into account internationally accepted standards. This must be achieved whilst maintaining a clear, stable and predictable regulatory framework.



## IMPROVING ACCESS TO WORLDWIDE MARKETS THROUGH AN AMBITIOUS TRADE AGENDA

### SHARE OF DIFFERENT COUNTRIES IN WORLD TRADE



Source: Eurostat



### FACTS

The relative decline of Europe's share in world trade undermines employment. One European job out of ten depends on exports. Concluding ambitious trade agreements with strategic partner countries is essential for the prosperity of European citizens. The Transatlantic Trade and Investment Partnership (TTIP) alone is expected to lead to a gain of € 545 a year for an average European household, boosting the EU economy by € 120 billion annually and create 1.3 million additional EU jobs over 10 years.



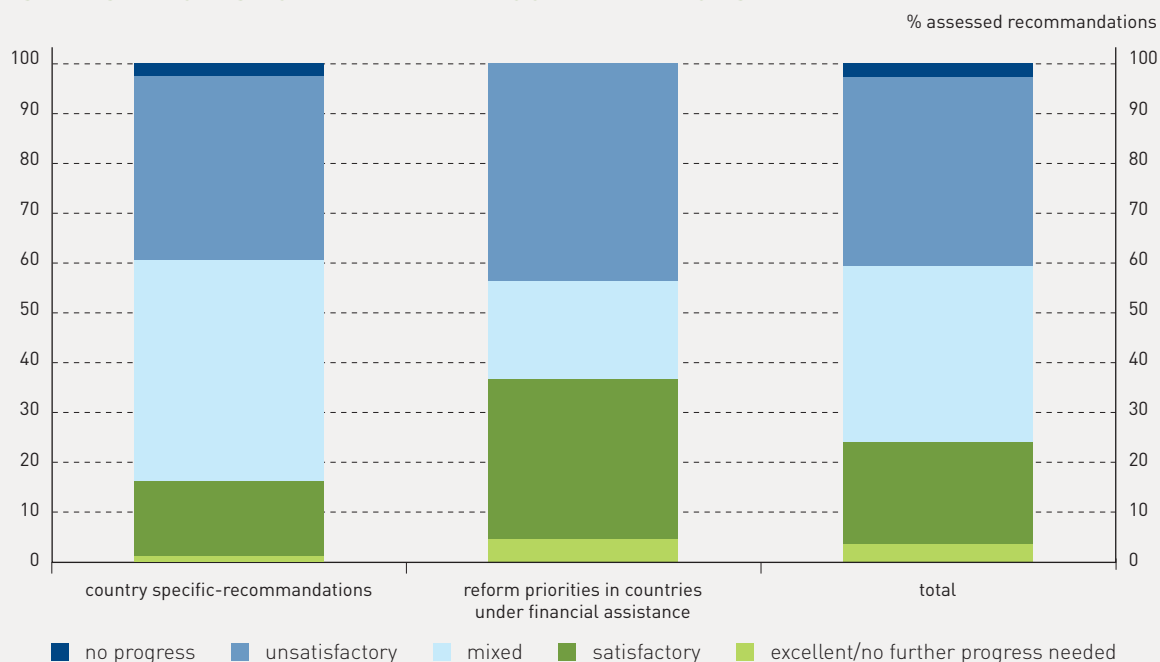
## ACTIONS

- **The European Union will have to deliver an ambitious and comprehensive TTIP agreement addressing both tariffs and non-tariff barriers.** Full duty elimination, regulatory convergence and coherence through increased cooperation, fair and equal access to public procurement markets, lifting of all export restrictions on energy and raw materials, simplification of customs procedures and including a state-of-the-art mechanism to protect investment are among the key business priorities. TTIP will potentially lead to the establishment of world-class rules and standards in a number of areas including product safety, environment, social, investment or public procurement that can later be uptaken in other bilateral and multilateral agreements.
- **The European Union will have to negotiate a high-standard agreement with Japan,** removing existing barriers to trade and including forward-looking mechanisms to prevent the risk of future barriers in a number of areas including standards, public procurement, services or investment and facilitate an on-going dialogue between public authorities as well as business on both sides.
- **The European Union will have to promote the economic development and political stability in the Eastern Partnership countries.** The implementation of the Deep and Comprehensive Free Trade Agreements will improve the overall business climate and stimulate bilateral investment, enhancing economic and social cohesion and closer ties with the EU. In parallel we should maintain the dialogue open with Russia, an important economic and political player in the region.
- **The European Union will have to effectively improve access to emerging economies' markets.** The EU is currently negotiating with major emerging economies such as China or India or Mercosur. These are important markets and we must not abandon our efforts to improve access conditions for our companies, exploring creative ways to solve long-standing problems addressing tariffs as well as non-tariff barriers and ensuring a high level of protection for investment. At the same time, the EU should monitor the implementation of trade agreements concluded with Latin America and strengthen its relations with African countries by completing Economic Partnership agreements.
- **The European Union will have to continue to support WTO's role as a guardian of free trade,** ensuring the effective implementation of the "Bali Package" in particular the Trade Facilitation Agreement, at the same time trying to reach a deal on the outstanding Doha issues. The WTO should be in the forefront of liberalisation, developing an effective response to a changing trade environment, including for services.
- **The European Union will have to work towards more open and fairer trading conditions.** Ensuring the EU market access strategy effectively deals with trade and investment restrictions in third markets and properly monitors the implementation of existing bilateral agreements, at the same time putting in place reliable, effective and updated trade defence instruments to fight third countries' unfair trading practices.



## BUILDING ON THE PROGRESS MADE TO FURTHER IMPROVE THE EMU

### ASSESSMENT OF BUSINESSEUROPE MEMBER FEDERATIONS ON MEMBER STATES EFFORTS TO IMPLEMENT RECOMMENDATIONS



Source: BUSINESSEUROPE survey of Member Federations



### FACTS

Euro-area GDP could be up to 6% higher after ten years if Member States adopt reform measures to halve the gap vis-à-vis the three best performing Member States. Higher growth is needed to guarantee sustainable fiscal consolidation and to create jobs. However, at the same time, growth will not take place unless business and consumers have confidence in the sustainability of public finances. Fiscal consolidation and growth-enhancing reforms must go hand-in-hand.



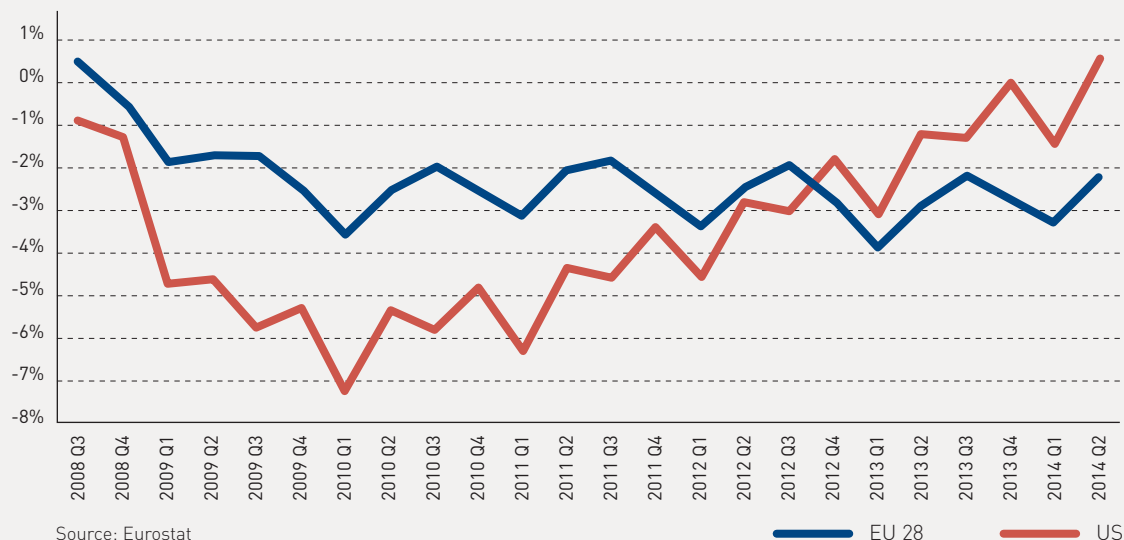
## ACTIONS

- **The European Union will have to step up structural reforms** and better implement country-specific recommendations making progress towards the reinforcement of the Economic and Monetary Union. Commission and Council's reform objectives generally focus on the right issues. However, only 23% of the 150 recommendations are properly implemented. The development of contractual arrangements and associated solidarity mechanisms have the potential to strengthen the EU's role in encouraging necessary reforms and fiscal consolidation, provided they are linked to reform implementation and do not lead to an increase in the overall tax burden in the Euro area. To be effective, funds provided through EMU solidarity mechanisms should be targeted, temporary and conditional on the delivery of reforms.
- **The European Union will have to further strengthen macro-economic and financial stability.** The Stability and Growth Pact should be fully respected, using the flexibility built in the current rules to put in place bold structural reforms. Fiscal consolidation has relied too heavily on tax increases in many Member States. The focus must now be shifted to smart public expenditure reductions, which prioritise investment.
- **European Union will have to optimise the use of EU funds for competitiveness, growth and employment** when implementing the agreed Multiannual Financial Framework. The ongoing review of the Europe 2020 strategy and the mid-term review of the EU budget in 2016 must both be used to further focus the EU on improving competitiveness, growth and jobs.
- **The European Union will have to ensure that EU tax measures do not undermine competitiveness** and withdraw harmful initiatives such as the financial transaction tax. The EU should continue to take forward proposals for a common consolidated corporate tax basis (CCCTB) provided it is voluntary and fully respect national competences on corporate tax rates.



## MODERNISING LABOUR MARKETS, EDUCATION & SOCIAL PROTECTION TO CREATE MORE JOBS

QUARTERLY PERCENTAGE CHANGES OF EMPLOYEES RELATIVE TO Q2 2008  
(THOUSANDS)



### FACTS

Europe accounts for 40% of global public expenditures in social protection with only 7% of the world population and 20% of global GDP. Yet, it has not yet gone back to pre-crisis employment levels, contrary to the United States. Poverty is rising and many European countries suffer from chronically high unemployment, co-existing with unfilled job vacancies. The social systems we have built are under pressure and need to be modernised. The only viable way to eradicate poverty, reduce unemployment and ensure pension sustainability is to carry out necessary labour market, education and social protection reforms to create a virtuous circle between improved competitiveness, higher growth and more job creation.



## ACTIONS

- **The European Union will have to facilitate job creation.** The main responsibility for reforming labour markets lies with the Member States. The key challenges are to remove unnecessary legal or administrative constraints to recruitment, address the causes of excessively high total labour costs due to taxes and levies on labour, and take a positive approach to flexible forms of work, which are a stepping stone into employment for many new labour market entrants. The European Union must make sure that Member States live up to their commitment and implement the country-specific recommendations, using the instruments of the European semester. Furthermore, the European Union must avoid proposing any new EU legislation that would undermine job creation and remove over-burdensome requirements from existing EU legislation. For example, the working time directive should take into account the distinctive nature of on-call time and avoid imposing further constraints hampering companies' capacity to adapt working time to the economic cycle.
- **The European Union will have to modernise education and training,** with well-functioning general schools, state-of-the-art apprenticeship, resource-efficient training inside and outside companies helping employees to up-grade their skills throughout their working life in accordance with labour market needs. The EU will have to promote a more efficient use of both public and private resources spent in education, foster entrepreneurship from the earliest stages of education, develop a coherent EU strategy on digital learning and ensure that EU-level tools for the transparency and recognition of qualifications put more emphasis on improving learning outcomes at all levels of education and training.
- **The European Union will have to increase mobility** both within Member States and across national borders, fully applying the posting of workers directive which does not need to be revised since a new enforcement directive has just been adopted, as well as Regulation 883/04 on the coordination of national social security systems. In addition, the European Union should promote the learning of foreign languages and further develop the EU jobs network EURES.
- **The European Union will have to improve the sustainability of pensions,** using the open method of coordination and relying on existing EU instruments to monitor the progress made in tackling potential sources of macro-economic imbalances with harmful effects across the European Union. The EU should also ensure that the ongoing revision of the directive on Institutions for Occupational Retirement Provision – IORP – supports further development of the internal market without undermining the cost-effective provision of occupational pensions by employers.
- **The European Union will have to respect the autonomy of the social dialogue,** and avoid initiatives that interfere with national negotiating competences or proposals undermining agreements negotiated by the social partners at EU level. For example, the current Commission's study on the agreement on harassment and violence at work must respect social partners' responsibility to implement agreements.
- **The European Union will have to reward corporate social responsibility (CSR),** by leaving the necessary room to voluntary initiatives going beyond legal and contractual obligations which are an essential laboratory for social innovation rather than seeking to impose standards and one-size-fits-all solutions. In its future CSR strategy, the EU should take clear steps to move away from a negative compliance-driven approach, and engage with the business community as partner.
- **The European Union will have to develop a credible approach to immigration,** taking into account labour market needs in a context of rapid demographic ageing and reconcile the benefits of a diverse workforce with legitimate aspirations to secure Europe's borders and tackle with irregular migration.



# 8

## IMPROVE ACCESS TO FINANCE TO STRENGTHEN THE RECOVERY

BANK LENDING INTEREST RATES TO SMES DIVERGENCE, EURO AREA



Source: BUSINESSEUROPE based on ECB data



### FACTS

Access to finance is vital for companies, growth and job creation. Lending costs vary substantially across Europe. Small firms without collateral have to pay substantially higher rates or do not have access to credit. While a small business looking for a one-year loan will typically pay little over 2% in Germany, Belgium or Austria, this compares to around 5% in Spain, over 6% in Portugal, if the loan request is accepted, and much higher in Greece. This delays the recovery and requires urgent action.





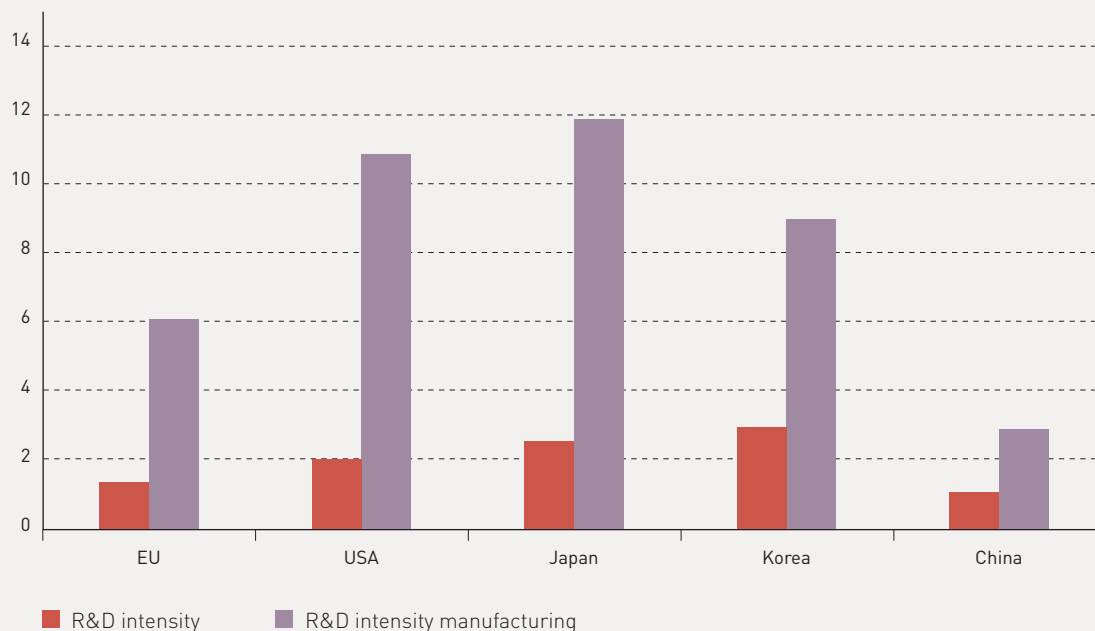
## ACTIONS

- **The European Union will have to urgently implement the Banking Union** in order to reduce financial fragmentation and increase the affordability of financing for companies throughout Europe. Following the conclusion of the ECB/EBA asset quality review and stress tests, we hope to see a strongly capitalised EU banking system which, supported by single supervisory and resolution mechanisms, provides affordable lending to EU companies and is no longer a source of instability for public finances. To ensure that the risk of moral hazard is minimised and that there are strict limits to the use of the fund, bail-in must always be the primary source of resolution financing. Recognising the importance of credibly guaranteed deposits, which take account of the issue of moral hazard, the European business community welcomes the current proposal on deposit guarantee in the EU 28.
- **The European Union will have to make sure that prudential regulation of financial services strikes the right balance** between strengthening financial stability and ensuring that firms have access to affordable finances. This means closely monitoring the impacts of capital requirements regulation on affordability, and properly assessing the potential impact on lending of forthcoming liquidity rules as well as rules covering insurance companies and pension institutions.
- **The European Union will have to build a real Capital Market Union** developing complementary sources of finances to bank lending, which is currently three times higher in the EU than in the United States, and encourage venture capital, equity and smaller bond issuance (including through appropriately regulated crowdfunding), and restore confidence in securitisation, within a properly regulated environment.
- **The European Union will have to promote tax systems which support long-term investment** and withdraw harmful proposals such as the Financial Transaction Tax as it could lead to a 2% fall in company investment.
- **The European Union will have to ensure public funds leverage private investment** and optimise the use of EU funds when implementing the multi-annual financial framework for 2014 to 2020, taking forward European Investment Bank schemes such as EU project bonds and improving synergies among European public development banks, making sure that credit effectively reaches the real economy.



## REGAIN GLOBAL INNOVATION LEADERSHIP

R&D INTENSITY (R&D EXPENDITURE IN % OF VA)



Source: IW Consult GmbH



### FACTS

Europe's prosperity is based on high added value products and services. It largely depends on our innovation capacity. Every second Nobel Prize in sciences goes to a European but only 27.5% of all patent applications come from European companies and Europe produces only 15.9% of all high-tech exports. If we create the right conditions to invest more in innovation and move away from a purely quantitative approach, taking a more qualitative approach of innovation, we can regain the ground lost.



## ACTIONS

- **European Union will have to build a true culture of innovation**, encouraging reasonable risk-taking rather than over-playing the precautionary principle by ensuring that its application is based on solid scientific evidence, by balancing it with an “innovation principle” that aims at thoroughly assessing the impact of initiatives on innovation and by aligning with education to bridge skills gap and increase number of students in science and technology.
- **The European Union will have to maintain and strengthen the role of the Chief Scientific Adviser** in the EU Commission, with adequate resources and clear mandate, who will guarantee a more important role for scientific and technological evidence in the political process, as well as a strong consideration of the impact on innovation in policy processes.
- **The European Union will have to support stronger collaboration between industry, universities, public research institutes** through innovation clusters and networks, with a view to pooling together skills, know-how and funding for commercialisation of innovations in a pre-competitive phase and maximising spill-over effects between front runners (highly innovative and internationalised companies) and other companies with lower innovation performance through integration in global value chains.
- **The European Union will have to implement a comprehensive and enabling framework for intellectual property** that is responsive to the challenge of the acceleration of technological progress as well as a strategic vision from the side of EU policy-makers including the Unitary Patent, the directive on trade secrets, the future trade mark system and adequate intellectual property protection clauses in international trade agreements. It should protect IP rights while ensuring innovation and new business models and economic growth, so that businesses are not subject to red tape or too much bureaucracy.
- **The European Union will have to ensure that the gap between research and market deployment of new products and services is bridged** and supported by adequate funding and an appropriate regulatory environment. Innovative models are a key element of the future of research and innovation policy and should focus on close-to-market activities, which can help commercialise the results. The funding aspect is crucial and beside boosting investment, along with an increased efficiency and quality of spending.
- **The European Union will have to optimise the use of existing EU innovation funds**, making full use of Horizon 2020, Joint Technology Initiatives and strengthening the venture capital facility and other risk-sharing facilities of the EIB group to enable access to finance to all-sized enterprises.
- **European companies count on the new European leaders** to adopt and implement swiftly the necessary measures to improve competitiveness. Focusing on competitiveness is the only way to increase investment, growth and employment in Europe and fulfil citizens’ aspirations for a better Europe.

# BUSINESSEUROPE

BUSINESSEUROPE IS THE LEADING ADVOCATE FOR GROWTH AND COMPETITIVENESS AT EUROPEAN LEVEL, STANDING UP FOR COMPANIES ACROSS THE CONTINENT AND CAMPAIGNING ON THE ISSUES THAT MOST INFLUENCE THEIR PERFORMANCE. A RECOGNISED SOCIAL PARTNER, WE SPEAK FOR ALL-SIZED ENTERPRISES IN 33 EUROPEAN COUNTRIES WHOSE NATIONAL BUSINESS FEDERATIONS ARE OUR DIRECT MEMBERS.



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