



Eurofound

Public policy and support for restructuring in SMEs

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Across Europe, restructuring in SMEs receives less public attention than large-scale restructuring. However, the recent economic crisis has sharpened policy focus in this area. The current discussion centres around the anticipation of change and individual forms of restructuring – particularly business expansion and internal restructuring – with the accent on business rather than labour market issues. A wide range of supports for SMEs and their employees in restructuring is available – either as part of the support provided for all restructurings, or specifically targeted at SMEs and their employees. However, there is potential for improvement in terms of technical aspects (for example, the reduction of bureaucracy, greater involvement of social partners and increasing transparency of available support) and content-related features (such as provision of diagnostic tools, financial instruments and networking possibilities).

Introduction

Even before the recent global economic and financial crisis, restructuring was a topic of public and policy debate across Europe, mainly driven by the understanding of restructuring as a negative event, related to job losses or deterioration of working conditions. Even if it is recognised that restructuring can also be a positive step in a company's development (for example, business expansion or internal restructuring to improve efficiency and competitiveness), it is seldom a smooth process. Consequently, the European Union and Member States have implemented public or social partner based instruments to support enterprises and their employees in restructuring – for an illustrative overview see the Eurofound report, [Public instruments to support restructuring in Europe – ERM Report 2011 \(1.85MB PDF\)](#).

Nevertheless, most of the public discussion on the topic is related to large-scale restructuring events and their labour market implications, and rarely considers that restructuring also takes place in small and medium-sized enterprises (SMEs). According to a [background document](#) for the Restructuring Forum 'Adaption of SMEs to Change' in 2007, one of the reasons for this is that restructuring in SMEs receives less public attention due to the more limited effects of individual cases because of the smaller size of the businesses. However, SMEs form the vast majority of European enterprises (more than 99%) and account for about two-thirds of private sector employment (source: [Facts and figures from the EU's SMEs](#)), so from a macroeconomic perspective their importance cannot be neglected. At the same time, SMEs cannot be considered to be simply small versions of larger businesses. They have their specific characteristics and needs that should be accounted for in public support to achieve the best attainable outcome of SME restructuring for employers and employees.

Against this background, this comparative analytical report investigates the following questions:

- To what extent is SME restructuring considered in public and policy debate at national level?
- Are generally available support instruments (that is, not specifically targeted at SMEs) accessible and suitable for SMEs and their employees in restructuring?
- Is there good practice in public and social partner based support for SMEs and their employees in restructuring?

Concepts applied in this report

The information on which this report is based was collected by Eurofound's Network of European Observatories (NEO) in the EU27 and Norway in the second quarter of 2012. To harmonise data collection across Europe, the concepts described below were applied.

Definition of an SME

The report follows the definition of an SME put forward in a [recommendation by the European Commission \(121KB PDF\)](#) in 2003, that is, a company with fewer than 250 employees and a turnover of up to €50 million or a balance sheet

total of up to €43 million. SMEs include self-employed (with or without employees) and family businesses irrespective of their legal form as long as they engage in economic activity and are an autonomous/independent entity.

While generally following this EU definition, this project also took national peculiarities into account. So, for example, the SME debate in Cyprus deals mainly with micro enterprises (up to nine staff members). In Denmark, the Netherlands and Norway, SMEs are often understood as companies with less than 100 workers and in Sweden some reports and data collections use a definition referring to fewer than 200 employees.

Types of restructuring

The **European Restructuring Monitor** (ERM) identifies seven main types of restructuring:

- **Bankruptcy/closure:** When an industrial site is closed or a company goes bankrupt for economic reasons.
- **Business expansion:** Where a company extends its business activities (for example, insourcing, development of new products or services, addressing new markets or client groups, including internationalisation).
- **Internal restructuring:** When the company undertakes a reorganisation that is not covered by another type of restructuring (for example, a business transfer, diversification or change of organisational structure).
- **Merger/acquisition:** When two companies merge or one buys another.
- **Offshoring/delocalisation:** When the activity is relocated or outsourced outside the country's borders.
- **Outsourcing:** When the activity is subcontracted to another company within the same country.
- **Relocation:** When the activity stays within the same company, but is relocated to another location within the same country.

Phases of restructuring

The report considers the following phases as identified in the Eurofound report, **Public instruments to support restructuring in Europe – ERM Report 2011**.

- **Anticipation of change:** Activities that help to prepare workers or companies for change, being proactive in terms of awareness of potential future changes at macro- or micro-economic level (trends and their potential effects) and implementing means for adaptation before the actual change occurs.
- **Management of restructuring:** Activities to operationally handle a current restructuring event, not at least regarding solutions to minimise social costs.

Due to the heterogeneity of available instruments, the selection of good practice was not based on a set of strict indicators, but made by national expert assessment taking into account the national framework conditions and specific needs of SMEs and their employees in restructuring.

Structure of the report

This comparative analytical report summarises the national findings and provides a cross-country analysis of the topic.

Chapter 2 deals with the prevalence of the topic of SME restructuring in public and policy debate before and after the global economic and financial crisis, including the role of employer and employee organisations.

Chapter 3 provides an assessment of the accessibility and suitability of available support instruments not specifically targeting SMEs for their restructuring.

Chapter 4 gives some illustrative examples of public and social partner based support measures that are explicitly addressed at SMEs or their employees in restructuring. The annex contains a list of the instruments analysed in this project.

The report closes with a commentary providing some conclusions and policy pointers.

Public and policy debate about restructuring in SMEs

General coverage and orientation

Across Europe, restructuring discussions generally deal with the competitiveness of the economy or the businesses, with individual forms of restructuring (mainly innovation, internationalisation and expansion/growth) or options to cushion the effects of restructuring.

With this understanding of the restructuring debate, restructuring and the challenges it imposes on companies and the workforce have been on the political agenda for several decades in a few European countries (for example, Austria, France and Italy). However, even in these countries there is no comprehensive and structured framework for restructuring that acts as an umbrella for debate and support for the different types and phases of restructuring.

In the majority of countries public debate on the challenges facing SMEs – also implicitly incorporating restructuring – gained momentum in the late 1990s or early 2000s. In some countries, European strategies give the impetus for defining national policies dealing with restructuring. This is, for example, the case for Belgium where SME policies and measures existed before the recent European SME strategies, but became more developed and comprehensive with the **Lisbon Strategy** and the **Small Business Act (SBA)**. In the Czech Republic, Latvia, Malta and the Slovak Republic, the country's accession to the EU brought about new opportunities due to access to new funding to support entrepreneurship (including restructuring), and also in Germany, enhanced assistance for SMEs to grow in eastern or weak western regions was initiated by the use of the EU Structural Funds.

In almost all countries, public attention on restructuring is drawn to large-scale job losses (due to plant closures or offshoring, for example) or privatisation, and consequently to large-scale restructuring. The specific challenges SMEs and their employees face in restructuring, and the means to cushion them, are hardly ever explicitly addressed. Rather, economic policies and measures dealing with restructuring are aimed at all companies – not differentiating between size classes – with the overall objective to foster the competitiveness and growth of national businesses and to avoid bankruptcies. Hence, while in principle SMEs are also covered by these discussions, their particular characteristics and resulting specific needs can be seen to be widely neglected in restructuring debates.

At the same time, SME policy often does not deal specifically with restructuring but instead focuses on generally improving the business environment, for example by reducing administrative and tax burdens, supporting access to finance and consultancy, and fostering innovation capacity or lifelong learning. Some of these are of course also relevant for SMEs in restructuring. Interestingly, while the issue of start-up support is prominent in many Member States' SME policies, the restructuring of companies tends to be dealt with in a fragmented and indirect approach (for example, focusing on internationalisation or innovation).

Exceptions to this include Belgium, where in the framework of the SBA implementation, federal measures have been explicitly designed to reduce the number of restructurings with negative employment outcomes and regional instruments have been established to stimulate growth-oriented restructuring, and France, where provisions to support companies in elaborating restructuring plans were finally approved by a [European Commission decision \(in French, 127KB PDF\)](#) in 2007. In Italy, discussion of restructuring in SMEs gained momentum in the 1990s against a background of maintaining and improving the competitiveness of industrial districts in increasing international competition. In Poland, specific policy debate on SMEs in restructuring was triggered by the transformation period after communism and resulted in the drafting of policy documents and the formation of SME support institutions such as the National Loan Guarantee Fund and the Polish Agency for Enterprise Development ([PARP](#)).

In Estonia, policy documents included explicit references to the restructuring challenges facing SMEs about three years before the recession. Nevertheless, restructuring policies that are specific to SMEs are not numerous and limited to growth and innovation. The Finnish government programme 2003–2007 included several aspects relevant for SMEs in restructuring such as improved procedures for business transfer and addressing knowledge gaps, and the need for advisory services in SMEs related to bankruptcy and insolvency.

In all European countries, the enterprise perspective is considered in discussions on restructuring (in SMEs). There is a widespread focus on business-oriented topics such as access to finance (stimulation of bank products, business angels and venture capital), growth (including facilitating public procurement to attract SMEs), internationalisation and innovation, whereby the latter two are sometimes linked to each other (for example, in Germany). The topic of training/education is also covered (as regards both entrepreneurship capabilities and workforce skills) by pinpointing a lack of skills and expertise for companies' further development. Related to this, the Norwegian government action plan of 1999 emphasised measures to improve the conditions for recruitment for SMEs, and in the Czech Republic, recent discussions concerned increasing employment flexibility to motivate employers to create jobs, resulting in an amendment of the Labour Code as of January 2012.

In Bulgaria, Germany and the Slovak Republic, the development of cluster structures and industrial parks are considered apart from the issues mentioned above. In Finland, the Netherlands, Romania and Sweden procedures, support needs and effects related to business transfer have been discussed. Bankruptcy/insolvency/closure is a topic, for example, in Finland, Romania, Sweden and the UK, with either a focus on how to avoid SMEs ceasing their activities or on the support they need during the closing down period. In Sweden, the simplification of rules regulating acquisitions is also among the issues debated.

The employees' perspective is considered in about a third of the countries. Respective discussions deal, for example, with the implications of lay-offs for the workers and labour market programmes to cushion negative effects or, from a more positive perspective, with improving workers' innovative capabilities. Broader labour market issues like employability are naturally widely discussed across Europe, but there are few links to restructuring. It is, for example, observed in Finland that employment policies tend to focus on new entrants to the labour market and re-employment of the unemployed rather than on restructuring situations.

In some countries, discussions on the challenges for employers and employees in restructuring are combined. This is, for example, the case in Austria and Norway where the alleviation of the consequences of redundancies in regional territories or the promotion of SMEs in rural regions is considered within the framework of regional policy.

Interestingly, before the recession, public and policy debate on restructuring in Europe took a rather strategic approach, covering proactive initiatives rather than remedial ones. In the majority of countries discussion evolved around the anticipation of change and covered gaining more information about the SME sector through research or monitoring, as

well as various aspects of creating a SME friendly environment for the development of a competitive SME sector by establishing favourable institutional, regulatory, administrative and financial framework conditions. In Austria and the UK, for example, this dealt with the development of new instruments in the fields of workforce qualification to improve workers' employability and the companies' adaptability, while in Bulgaria, entrepreneurial education/increasing entrepreneurial skills was also considered.

In general, this is in line with the orientation noted above on topics such as growth and innovation, whereby in Poland a specific focus is on making micro enterprises grow into small ones (through deregulation and simplification of laws and improving human capital). In Belgium, the stimulation of innovation is triggered by the wish to have the country perceived as innovative in order to attract foreign investment to support growth (which is also an important strategy in the Slovak Republic, though without the direct link to innovation), and the German innovation funds are oriented strongly towards promoting change. In Greece, the growth perspective is followed by discussing the option of multi-sectoral mergers and acquisitions as a mode of internationalisation (that is, acquiring access to new markets through buying other companies).

Management of change was discussed only in about a fifth of the countries before the global crisis. However, it should be emphasised that the differentiation between anticipation and management of change is blurred and several of the topics discussed could relate to both. As an example, the financial liquidity of firms was discussed in Poland in the area of managing change, resulting in a focus on loan guarantee funds. Similar debates and instruments in other countries are considered as anticipation, as they can proactively endow companies with financial means for growth or innovation.

In Cyprus, the focus is less anticipatory but instead deals with the management of change. This is because very small businesses are usually necessity-driven low-tech companies operating in saturated markets (such as retail or catering), resulting in a greater need to cope with issues such as workers' compensation in case of redundancies. However, there has also been an anticipatory dimension in the public debate concerning the protection of SMEs against unfair competition from large enterprises.

In Portugal, the public and policy debate evolves mainly around anticipation of change while the instruments offered mainly relate to the management of change. In contrast, in the UK, the public instruments for managing restructuring are assessed as being fairly limited – despite the public debate generally focusing on redundancies. In Sweden, the management of change is considered when discussing the 'last in first out' principle of the employment security law (*Lagen om anställningsskydd* (in Swedish) which, while providing better job security for workers with longer tenure, can be a challenge for SMEs in restructuring as workers with vital competences have to be dismissed.

Table 1 summarises the main characteristics of the debate on SME restructuring in Member States and Norway before the recession.

Table 1: *Main characteristics of SME restructuring debate pre-recession*

	Periodicity of debate	Perspective on		Restructuring phase targeted	
		Enterprises	Employees	Anticipation	Management
AT	'Always'	X	X	X	
BE	Since Lisbon Strategy	X		X	
BG	Transition to market economy and EU accession	X		X	
CY	Hardly discussed	X	X		X
CZ	Late 1990s			X	
DE	Since the 1970s, with enhanced emphasis since the 1990s	X	X	X	X
DK	Early 2000s	X	X	X	X
EE	Mid 2000s	X		X	
EL	Late 1990s to early 2000s	X		X	
ES	Late 1990s	X		X	
FI	Early 2000s	X		X	
FR	1970s	X		X	
HU	Late 1990s to early 2000s	X		X	
IE	Early 2000s	X		X	
IT	1970s/1980s	X		X	
LU	Early 2000s	X		X	
LT	Hardly discussed	Not applicable as hardly discussed			
LV	Early 2000s	X		X	
MT	Late 1990s	X	X	X	
NL	Hardly discussed	X		X	
NO	Late 1990s	X	X	X	
PL	Mid 1990s	X	X	X	X
PT	Late 1990s	X	X	X	X
RO	Early 2000s	X	X	X	
SE	Late 1990s	X		X	X
SI	Transition to market economy	X		X	
SK	Early 1990s	X		X	X
UK	Late 1990s	X	X	X	

Source: *National contributions*

Discussions during and after the recession

In about half of the European countries the global economic and financial crisis brought about an increased policy focus on SMEs. In other countries, mainly northern European and New Member States (NMS), SMEs' challenges in restructuring did not receive particular attention. This was justified by a generally enhanced focus on the business sector as a whole, and designing measures in a way that SMEs and their employees could also benefit from them. Rather than establishing instruments differentiated by size class, the policies followed the broader objectives of fostering the economy's innovation and competitiveness.

With this understanding, many recent national activities aiming at generally improving the business environment can be seen to also benefit SMEs. Examples include:

- reducing the administrative, tax or social security burden as in Bulgaria, the Czech Republic, Greece, Romania and Slovenia;
- adapting labour legislation to provide more flexibility, for example, in the Czech Republic, Lithuania, Slovakia and Spain;
- supporting skill development of the workforce as in Malta and the UK;
- improving payment behaviour of public administration as in Spain;
- fostering of exports, for example, in Bulgaria, Norway and Portugal.

More SME-specific discussions during/after the crisis dealt with the contribution of SMEs to the labour market, their weaknesses and vulnerability, and thus resulting need for support. In Romania, much effort is placed on analysing the SME sector through studies and SWOT (strengths, weaknesses, opportunities and threats) analysis. In Ireland, more attention is now paid to job losses in SMEs whereas previously the focus was on expansion. In contrast, in Latvia SMEs were seen as an instrument to compensate for job losses in large enterprises.

The importance of European sources for the funding of SME support measures is mentioned, for example, in Bulgaria, the Czech Republic, Malta and Romania due to the limited national funds.

The most addressed challenge of SMEs in the recession refers to lack of financial means, resulting in the initiation or improvement of measures such as the provision of credits or loan guarantees, direct investment in SMEs' equity or investment in venture capital funds. In Germany, for example, this consisted of expanded funding lines to support business successions, while in Norway the aim was to financially strengthen SMEs to foster business expansion. In Portugal, a specific fund – *Fundo Autónomo de Apoio à Concentração e Consolidação de Empresas*, **FACCE (in Portuguese)** – was implemented to support restructuring, concentration, consolidation and acquisition of enterprises, particularly SMEs.

Related to this are changes in the taxation system such as the inclusion of depreciation of produced or purchased mobile goods for SMEs in Germany, or the reduction of corporation taxes in Spain. In Finland, tax incentives were aimed at encouraging investment by SMEs in research and development (R&D) and at fostering investment by private investors in SMEs through capital gains calculations.

Another widespread public support referred to providing the companies with the possibility of reducing employee working hours in order to avoid dismissals while offering income support to workers affected by relative wage cuts due to their shorter working time. As described in separate Eurofound reports, the pre-existing short-time working support in **Austria, Germany** and **Italy**, for example, was adjusted with the objective of improving eligibility and usability for SMEs.

In some countries, SME support during the crisis was realised through fostering demand for their products or services. In Germany and Sweden, for example, energetic refurbishment or renovation of buildings was discussed, with the intention of supporting skilled crafts and the construction sector. While a subsidy was put in place in Germany, it was concluded in Sweden that such an investment would not reduce the risk of closure of SMEs in the wider economy.

In some countries discussions dealt with the legal framework conditions of SMEs. In Latvia, for example, insolvency law was adopted to make the exit of SMEs easier and faster, and in Romania, the introduction of an expedient receivership procedure for SMEs has been proposed. In the UK, the government exempted businesses with fewer than 10 employees from all new legislation for three years from April 2011 (**UK1104049I**) to unburden them from red tape. Some of these regulations are also directly related to restructuring, such as the considered introduction of a system of ‘compensated, no-fault dismissal’ for businesses with fewer than 10 employees and simplifying dismissal procedures for small businesses (**UK1112039I**).

There are also examples for crisis-triggered initiatives targeted at employees of SMEs. One of these is the setting up of a work foundation for young workers in Austria, taking care of 19–24 year old employees of SMEs or temporary work agencies who had lost their job due to restructuring. Similarly, in Latvia, some of the measures supporting the unemployed were specifically focused on employees of SMEs.

Employment incentives such as reduced social security contributions for newly hired staff in one-person enterprises or SMEs were introduced, for example, in Austria, France, Portugal and Spain – see also the Eurofound report, **Public measures to support self-employment and job creation in one-person and micro enterprises**. In the UK, funding for additional training was targeted specifically at SMEs.

In contrast, there are also some examples of activities favouring large enterprises. In Estonia, for example, the crisis brought about changes to the measures making them more attractive for larger enterprises (for example, due to raised amounts of support as in the case of export guarantees) or extending their eligibility to large companies (for example, loan guarantees).

Table 2 summarises the extent of the focus on SMEs in Member States and Norway during and after the recession, and the issues discussed relating to restructuring in SMEs.

Table 2: *Focus on SMEs during and post-recession*

	Focus on SMEs	Management
AT	Enhanced	Access to finance Facilitation of short-time working Support for laid-off employees Employment incentive
BE	No change	–
BG	Enhanced	Access to finance Efficiency of SME support
CY	Enhanced	Access to finance Support of the anticipation of restructuring
CZ	No change	Access to finance
DE	Enhanced	Access to finance Taxation Demand side initiatives Facilitation of short-time working
DK	No change	–
EE	No change	–
EL	Enhanced	Efficiency of SME support
ES	Enhanced	Access to finance Taxation Employment incentive

	Focus on SMEs	Management
FI	Enhanced	Access to finance Taxation
FR	Enhanced	Access to finance Employment incentive
HU	Enhanced*	Employment incentive
IE	Enhanced	Access to finance Employment incentive Efficiency of SME support
IT	Enhanced	Access to finance Facilitation of short-time working Taxation
LU	No change	–
LT	No change	–
LV	Enhanced	Access to finance Simplification of insolvency law Support for laid-off employees
MT	No change	–
NL	No change	–
NO	No change	Access to finance
PL	No change	Access to finance
PT	Enhanced	Access to finance Employment incentive Entrepreneurial and innovation capabilities
RO	Enhanced	Analysis of the SME sector Access to finance Entrepreneurial and innovation capabilities taxation
SE	No change	Taxation Demand side initiatives
SI	Enhanced	Access to finance
SK	Enhanced	Access to finance
UK	No change	Access to finance Workforce training

Note: * No clear evidence of the enhanced focus on SMEs being triggered by the crisis or by the new government.

Source: *National contributions*

Actors involved

In some countries such as Austria, Belgium, Germany, Latvia and Romania, public and policy discussions related to SMEs in restructuring take place at all levels: national, regional and sectoral. In Latvia, for example, national discussions are generally tripartite and cover the main policies while at regional level they take place between companies and local governments (tackling company challenges); sectoral discussions are bipartite and deal with specific issues.

In Spain, Poland and the UK, relevant instruments are offered at national and regional levels. This can be illustrated by initiatives in Spain making it easier for SMEs to access finance. At national level, a line of credit specifically addressed at SMEs (**ICO-PYMES (in Spanish, 9.35MB PDF)**) was set up by the government, while at regional level, subsidies for interest rates for bank credits, bank guarantees or direct credits from regional financing institutes are offered.

In other countries such as Estonia, Hungary, Latvia, Luxembourg, the Netherlands and Sweden, policy debate mostly takes place at national level. However, instruments in Estonia are mainly implemented centrally and in Hungary they tend to happen at regional level. Similarly, in Norway the special programmes aimed at the growth of SMEs are provided at regional level, and in Italy, the local level is of particular relevance.

Implementation of support often occurs through entities that are state-owned, administered or financially backed by the government. Examples include:

- regional or local development agencies (for example, offering training);
- publicly backed financial institutions;
- national export support or control bodies.

In addition, the public employment services are responsible for covering allowances and matching services for employees affected by restructuring.

In most Member States, business organisations are involved in the discussions on restructuring in SMEs and the development of respective strategies, and in several cases also implement operative support instruments, for example in the form of advice for companies preparing or managing change. Although several of these organisations specifically target SMEs or the self-employed, discussions are normally of a general nature and not explicitly focused on SMEs. One example of an exception is the Confederation of Finnish Industries (**Elinkeinoelämän Keskusliitto, EK**), which not only conducts a survey on the operating environment of SMEs twice a year but also takes part in public debate by publishing its own SME strategy documents. Similarly, some Swedish and UK employer organisations engage in discussions on assisting SMEs with anticipating and managing restructuring, with specific focus on business expansion.

In contrast, neither the Estonian Association of SMEs (**EVEA**) nor the Estonian Chamber of Commerce and Industry (**Eesti Kaubandus-Tööstuskoda**) represent their members in industrial relations or social partnership initiatives related to restructuring. Similarly in France, all efforts to support SMEs in restructuring seem to be state-driven with little engagement of employer and employee organisations.

In some countries, employee organisations engage in the discussions about restructuring – mainly related to avoiding or cushioning the effects of lay-offs. However, in general there is little specific focus on SMEs, or if there is, this is not strongly related to restructuring (for example, working conditions as in Spain). This low coverage of SME-related issues in trade union debate is often explained by this being made difficult by low union membership rates and the low number of workers' representatives at company level (Table 3).

Table 3: *Establishments with institutional employee representation (%)*

Company size	Share of establishments	Share of employees covered
10–49 employees	30	33
50–199 employees	66	66
200 or more employees	85	87

Note: Establishments with 10 or more employees having trade union representation and/or works council type according to the statutory recognition of the country.

Source: Table 10, **European Company Survey 2009**

Ireland is an example of a country having the specific engagement of trade unions in restructuring in SMEs. Here there is a consensus among social partners that the government should do more to anticipate restructuring and make it easier for SMEs to preserve jobs. However, austerity measures mean that the government's scope is limited.

In some countries, there is substantial tripartite cooperation in the policy field of restructuring though with a more general and not SME-specific orientation. Nevertheless, there are some examples of SME-specific tripartism. In Portugal, for example, the Standing Committee for Social Dialogue of the Economic and Social Council (**CES**), which has representatives from the government, trade unions and employer organisations, is involved in policy debate on restructuring in SMEs. In Bulgaria and the Czech Republic, tripartite cooperation intensified during the crisis, resulting in anti-crisis packages. In Bulgaria, several measures sought to support SMEs.

In contrast, social dialogue in Greece on the challenges of SMEs related to restructuring (the need for modernisation in globalisation) is progressing slowly due to the contradictory positions of the social partners.

Table 4 summarises the involvement of employer and employee organisations in debates on restructuring in EU Member States and Norway.

Table 4: *Involvement of employer and employee organisations in SME restructuring debate*

	Employer organisations	Employee organisations
AT	X	X (without SME focus)
BE	X (without SME focus)	X (without SME focus)
BG	X	X
CY	X	X (without SME focus)
CZ	X (without SME focus)	X (without SME focus)
DE		X (without SME focus)
DK	X (without SME focus)	X (without SME focus)
EE	X	X
EL	X (without SME focus)	X (without SME focus)
ES	X (without SME focus)	X (without SME focus)
FI	X	X (without SME focus)
FR	X	X
HU	X	X (without SME focus)
IE	X	X
IT	X	X
LU	X (without SME focus)	X (without SME focus)
LT	X	X
LV	X (without SME focus)	X (without SME focus)
MT	X	X (without SME focus)
NL	X (without SME focus)	X (without SME focus)
NO	X	X (without SME focus)
PL	X	X (without SME focus)
PT	X	X
RO	X	X (without SME focus)
SE	X	X (without SME focus)
SI	X	X
SK	X (without SME focus)	X (without SME focus)
UK	X	X (without SME focus)

Source: *National contributions*

Accessibility and suitability of general support instruments

As described in the Eurofound report, **Public instruments to support restructuring in Europe – ERM Report 2011**, there are many public or social partner based instruments across Europe to support companies and their employees in restructuring. The **ERM database on support instruments for restructuring** gives about 400 illustrative examples of such initiatives, covering about 20 different types of measures ranging from advice and information provision to incentives for job creation and support of companies' growth, innovation or internationalisation through providing access to finance, training, working time or wage flexibility and so on. However, as the vast majority of such instruments are not explicitly targeting SMEs or their employees, the question arises whether they are accessible and suitable for them.

In general, available restructuring instruments are accessible to SMEs and their employees as their eligibility criteria do not rule out their application. In some cases, however, criteria implicitly disqualify SMEs from participation. For example, SMEs' access in the UK to union learning representatives (ULRs) – a trade union network of workplace representatives promoting training – and the access of ULRs to SMEs is limited by low levels of union membership and recognition at smaller companies. According to a **2009 survey of ULRs and their managers** by researchers from the University of Central Lancashire, only 13% of all ULRs in 2009 were found in SMEs, although this was a substantial increase from 7% in 2005. The Estonian crisis-related support package disqualified smaller companies oriented at the domestic market as it was targeted at companies that were already actively exporting.

The following challenges make general restructuring support instruments less attractive for SMEs.

- The lack of information and resources in SMEs makes it difficult for them to search for suitable support against the background of a lack of a coherent system of state support instruments. To counteract this, several countries including France and the Netherlands have established an online database providing substantial information about available public support.
- The support instruments generally involve an administrative burden and complex application and implementation procedures (including long durations of support award and provision). Examples include short-time working support in Austria and financial grants in the Czech Republic and Poland.
- In cases of competition for public support, smaller companies may be in a less favourable position compared with larger enterprises. For example, larger companies tend to have the human resource capacities available for preparing applications and can offer larger immediate employment effects.
- A lower willingness and ability of SMEs to invest time and money in (co-financed) workforce training is often observed. This, combined with unfamiliarity with the training market, lack of training quality standards and training counselling, limits their interest in training support.
- SMEs have a comparatively low level of familiarity with, interest in and access to alternative forms of finance (for example, venture capital), limiting their participation in respective support pathways.
- SMEs have a more restricted access to innovation support than larger companies due to less developed networks with research institutions or other (innovative) companies, which is a beneficial factor in support competitions.
- SMEs are reluctant to undertake timely preparations for business transfers as this would mean dealing with the entrepreneur's old age, potential sickness or death, thus limiting their anticipatory approach for advice.

Information about the familiarity and use of general restructuring support by SMEs is rare, though there are a few national statistics.

- A 2004 **report** by London Economics on the evaluation of rescue and restructuring aid decided by the European Commission between 1995 and 2003 found that less than 10% of the beneficiaries were SMEs.
- A recent **report** for the Ministry of Industry and Trade, found that between 2007 and spring 2012, almost 70% of SMEs in the Czech Republic used subsidies for their development. The survey revealed a mixed picture among companies concerning satisfaction with the support provided by the Czech-Moravian Guarantee and Development Bank, and a low awareness about venture capital possibilities.
- According to a 2012 **report (in German, 214KB PDF)** by the Institute for Small Business Research in Bonn, 98.4% of company users of the German short-time working scheme in 2009 were SMEs, almost half of them with up to 10 employees.
- A **survey (in Estonian, 1.57Mb PDF)** of Estonian SMEs by the Praxis Centre for Policy Studies found that the share of those who were not familiar with public support or could not assess their awareness was less than 15%. The use of state support for additional financing had increased from 3%–5% in previous surveys to 15% in 2011. State support was mainly used by medium-sized manufacturing companies, with micro enterprises taking up public support to a lesser extent. In a **separate study (in Estonian, 3.45MB PDF)** for the Ministry of Economic Affairs and Communications, financial support was assessed as important for company development and enterprises were satisfied with the measures.
- **Research (in Dutch)** from the Netherlands shows that SMEs on average have used work-to-work activities such as training, outplacement or job pools less than larger companies. Slightly more than 50% of SME employers mentioned that public employment authorities could do more, which was also stated by 36% as regards sectoral employer organisations. This opinion is also shared by interviewed employees.
- In Slovenia, of the companies that received rescuing and restructuring aid in 2009–2010, one was large, five were medium-sized, seven were small and four were micro enterprises. In the same period, 80% of the resources devoted to the promotion of employment were allocated to micro enterprises. However, it seems that the latter was not sustainably successful as their allocation only demands a short period of keeping the worker in employment and most employees lost their jobs after the end of the subsidy.
- **Evidence (593KB PDF)** from the UK compiled by the Federation of Small Businesses (**FSB**) indicates that SMEs participate to a lower extent than large enterprises in publicly supported workforce training. In a 2009 survey, mainly among micro enterprises, 71% of the respondents had never heard of the UK-wide network of employer-led sector skills councils, and of those who had, only 10% felt that they were responsive to the needs of micro and small businesses.

Even if these data cannot be considered representative, they indicate some positive relationship between company size and use of business support, pinpointing the need for SME-specific support for restructuring.

Specific support instruments for SME restructuring

Overview

Apart from offering general support instruments for restructuring, a number of public actors and social partners across Europe have established support measures specifically targeting SMEs and their employees. For example, the ERM database on restructuring support instruments in summer 2012 included 76 measures that either exclusively targeted SMEs or their employees, or had conditions that made the support more beneficial for SMEs than for larger businesses.

Such support instruments are mainly organised in most countries by the government or governmental authorities (with some involvement from social partners – particularly employer organisations). However, a few examples of social partner initiatives can be found, for example, in Austria, Denmark, Finland, Hungary, Italy and Sweden. In general, it appears that the measures are well coordinated at national level but that little coordination with lower administrative levels takes place.

Most of the schemes do not specifically target individual phases or types of restructuring, and hence can be broadly applied. Nevertheless, in line with the findings described above on the anticipatory nature of public and policy discussion, comparatively few examples could be identified dealing with the management of change. Rather, there is emphasis on the anticipation of restructuring (68 out of the 76 SME-specific restructuring support instruments included in the ERM database on restructuring support instruments in summer 2012). Accordingly, they mainly relate to business expansion or internal restructuring, and often deal with innovation and internationalisation. But whereas a large number of the identified SME-specific restructuring instruments aim to help them or their staff prepare for future changes, the current research did not find any instrument designed to help SMEs monitor market developments and anticipate (structural) change or identify necessary changes within the company. Examples are given in previous publications such as the [background document for the 2007 EU Restructuring Forum](#) (analysis by Spanish social partner observatories on sectoral developments in the chemical and textile industries and advising companies on adaptation strategies, with a focus on SMEs), but these too are scarce.

Among the SME-specific restructuring support instruments, there is hardly any differentiation between target groups of different size classes, sectors, regions, legal forms and so on within the SME population. Few examples focusing on sectors with good growth potential such as IT, health, biotechnology or green industries (mainly related to access to finance or innovation support) and sectors/regions in distress (for example, characterised by high unemployment or global competition and related to innovation support and employment as well as training incentives) could be identified.

The broad spectrum of the content of support is summarised in Tables 5A and 5B and detailed below.

Table 5A: Main categories of SME-specific restructuring support

	Access to finance/investment in SMEs	Public sector as client or creditor	Taxation	Advice and networking
AT	X	X		X
BE	X			X
BG	X			X
CY	X			X
CZ	X			X
DE	X	X	X	X
DK	X			X
EE	X			X
EL	X			X
ES	X	X	X	X
FI	X			X
FR	X		X	X
HU	X	X		X
IE	X	X	X	X
IT	X	X		X
LU	X			X
LT	X	X		
LV	No instruments specifically targeting SMEs or their employees in restructuring exist			
MT	X		X	X
NL	X		X	X
NO	X			X
PL	X		X	X
PT				X
RO	X			X
SE	X	X	X	X
SI	X			X
SK	X			X
UK	X	X	X	X

Table 5B: Main categories of SME-specific restructuring support

	Support of internationalisation	Support of innovation/modernisation	Workforce training/skill upgrading	Reintegration of (redundant) workers, employment incentives
AT	X	X	X	X
BE	X	X	X	
BG	X	X	X	X
CY			X	
CZ	X	X		
DE	X	X	X	X
DK	X	X	X	
EE	X	X	X	
EL	X		X	X
ES	X	X	X	X
FI	X			
FR	X	X	X	
HU	X	X	X	
IE	X	X	X	X
IT	X		X	
LU		X	X	
LT				
LV	No instruments specifically targeting SMEs or their employees in restructuring exist			
MT	X	X	X	X
NL	X	X		X
NO	X	X		
PL	X	X	X	
PT	X		X	
RO	X	X	X	
SE	X	X		X
SI		X	X	
SK		X	X	
UK	X	X	X	

Source: *National contributions*

ERM database on restructuring support instruments (summer 2012)

Small Business Act – Database of good practices

OECD report: [Top barriers and drivers to SME internationalisation \(469KB PDF\)](#)

Background document for the 2007 EU Restructuring Forum

Furthermore, Member States have regulations on the information/consultation of staff (representatives) in case of collective redundancies. At European level, **Directive 98/59/EC on the approximation of the laws of the Member States relating to collective redundancies** requires employers to consult staff representatives. For the purposes of the directive, ‘collective redundancies’ means:

... dismissals effected by an employer for one or more reasons not related to the individual workers concerned where, according to the choice of the Member States, the number of redundancies is:

(i) either, over a period of 30 days:

- at least 10 in establishments normally employing more than 20 and less than 100 workers,*
- at least 10% of the number of workers in establishments normally employing at least 100 but less than 300 workers,*
- at least 30 in establishments normally employing 300 workers or more,*

(ii) or, over a period of 90 days, at least 20, whatever the number of workers normally employed in the establishments in question;

(Article 1, paragraph 1a, Directive 98/59/EC)

Micro and some small companies are therefore excluded from such information/consultation requirements.

At national level, more than half the Member States have implemented the rules as detailed in the directive. In Austria, Germany, Greece, Ireland and Latvia information/consultation has to take place if fewer workers are affected than required by the directive (for example, five rather than 10 dismissals). In Estonia, Italy, Luxembourg, Norway, Portugal, Spain and Sweden, smaller establishments (than those normally employing at least 20) have to engage in information/consultation on collective dismissals (with, for example, no threshold at all in Sweden) (source: **ERM database on restructuring related legislation**).

Improvement of the financial situation of SMEs in restructuring

Support in relation to access to finance refers to the provision of subsidies, beneficial (micro) credits, bank guarantees or export credit insurance. As financial limitations in general are one of the most important problems for SMEs, instruments to tackle this issue have been established at European level, not least in the framework of the **Competitiveness and Innovation Framework Programme (CIP)** for 2007–2013, implemented by the European Investment Fund (EIF). The SME Guarantee Facility (SMEG) assists SMEs with no or little collateral in obtaining funds from financial intermediaries, and the High Growth and Innovative SME Facility (GIF) provides SMEs with equity investment.

Furthermore, as outlined in an **overview of funding opportunities available to SMEs** published by the Enterprise and Industry Directorate General in October 2009, joint initiatives by the European Commission and the EIF, implemented at Member State level (such as the Joint European Resources for Micro and Medium Enterprises, **JEREMIE**) aim to improve the access of SMEs to micro-credit, venture capital or guarantees. An **updated version of the overview** published in January 2012 noted that €20 billion have been allocated to SMEs in the new **Multiannual Financial Framework 2014–2020**, covering also actions to improve the venture capital market. That such instruments are required can be pinpointed by the fact noted in a recent **report from the Lisbon Council on SMEs in the single market** that, in the EU, only 2% of SMEs’ funding needs are covered by venture capital while the corresponding share in the US is as high as 14%.

The Lisbon Council report also notes that the challenge of access to finance has gained momentum in the global economic crisis, limiting the access of SMEs (particularly micro enterprises) to traditional bank credits even more. In response to this, the **Maltese Budget Speech 2012** introduced government guarantees on loans to encourage credit issuance by banks, and in the Czech Republic loan guarantees were offered in 2009–2010 to SMEs in specific sectors, supporting more than 1,400 SMEs in 2009. The Swedish government decided to provide the state-owned enterprise **Almi**, which offers loans to SMEs, with SEK 2 billion (€231 million as of 13 December 2012). In the UK, the government obtained a **commitment (92KB PDF)** from the major banks to lend GBP 76 billion (about €94 million as of 13 December 2012) to SMEs in 2011 (15% more than in the previous year). Given the strong relationship to the economic crisis, such measures can be considered to focus on the management of restructuring.

Examples of facilitating access to finance

The Hungarian **Széchenyi Card (in Hungarian)** is a credit card programme for the self-employed, small companies and cooperatives operating for more than 10 years. The programme is offered by a joint agency of the Hungarian Chambers of Commerce and Industry (**MKIK**) and the National Association of Entrepreneurs and Employers (**VOSZ**). It offers a low interest rate and a state guarantee and does not require property to be provided as security. Its rapid arrangement procedures are useful in solving any daily liquidity problems that might occur during restructuring. Since its launch, it has provided assistance to 162,000 SMEs (out of 216,000 applicants), amounting to HUF 1,000 billion (€3.5 billion as of 13 December 2012). Within the framework of the Széchenyi programme lending did not dry up despite observations that banks have been reluctant to provide credit in recent years.

In Italy, almost 540 guarantee consortiums (Confidi) are promoted by employer organisations at local and national level to support the access of SMEs to finance for business expansion, R&D, internationalisation and so on. Confidi provide guarantees and access to credit for their members at special collective rates as well as advice on financial management. The Confidi system can use the public Central Guarantee Fund to acquire a second order guarantee. Alternatively, the SME can apply directly to its bank for a public guarantee on its loan.

Several funding initiatives explicitly address business expansion, innovation/technical modernisation (internal restructuring) or internationalisation (for example, the Irish **business expansion/development grants**, available for micro enterprises to grow and develop, combine these three elements). This is particularly true for instruments related to alternative forms of finance, such as venture capital or business angels, putting potential investors (sometimes also international ones as in Belgium, Slovakia and Slovenia) in touch with growing companies in search of funds. However, in some countries (such as Bulgaria) it is observed that instruments like venture capital funds and business angels are rarely used by SMEs.

State venture capital fund in the Czech Republic

A state venture capital fund, ‘Czech development, closed investment fund’, is planned to start operation in the Czech Republic in autumn 2012. The fund’s specialisation will be decided by the Ministry of Industry and Trade (**MPO**). Based on preliminary information, the fund is expected to invest in companies focusing on, for example, biotechnology, nanotechnology, robotics, science or information technologies. An investment must be at least 30% co-funded by a private investor. **CzechEkoSystem (in Polish)**, under the management of **CzechInvest**, will help find companies in which the fund could invest and will also assist in project preparation. Activities will be coordinated by MPO.

Nevertheless, data for Spain from a **2011 report by AEVAL (in Spanish, 9.35MB PDF)**, for example, show that the impact of public support for SMEs' access to finance is limited. Only 6.8% of the SMEs received finance from the Spanish Credit Institute (ICO) in 2010 mainly because of the high interest rate making external finance not feasible for SMEs. Similarly, a **study** by the Malta Chamber of SMEs (**Grtu**) on the experience of entrepreneurs with EU funds highlights the fact that, while a third of the respondents had received assistance, 39% had never heard of any of the incentives which SMEs could benefit from. A third of those who applied pulled out at an early stage of the application due to the bureaucracy involved. In contrast, an **evaluation (in Norwegian, 1.85MB PDF)** by Econ Pöyry published in 2012 shows a positive impact from the funding package and other services of **Innovation Norway** (a public funding agency) on the level of activity, value-added and growth of recipient SMEs (2010).

In some countries, the global recession brought about an enhanced focus on public entities as SMEs' clients or creditors; this was already emphasised in other countries such as Austria. With the aim of fostering SMEs' liquidity, initiatives have been implemented to ensure quicker payment by public actors of invoices issued by SMEs and SMEs are encouraged to participate in public procurement to support business expansion and job growth. Another route is to provide SMEs with the option of writing off or deferring parts of their debts to state institutions.

Examples of fostering the role of public authorities

The Spanish Royal Decree 4/2012 enacted a new credit line to help town councils pay outstanding invoices. Enterprises can collect invoices in banks. Town councils have 10 years to return the debt. An interest rate of 5% is charged and the state acts as guarantor of the town councils' debts.

The Irish 'Plan for Jobs 2012' calls on government departments to open up public procurement contracts to SMEs. Mentors are assigned to SMEs to help them participate in tenders and a more flexible approach to tendering is envisaged. It is estimated that every 1% increase in public procurement contracts won by SMEs could deliver €150 million extra in business for this sector.

A Lithuanian scheme to provide state support to SMEs in restructuring came into effect in summer 2011 and will run until July 2013. The scheme offers the possibility of the state tax inspectorate, the territorial customs office, the state insurance fund and other public administration entities writing off or deferring parts of SMEs' debts. The scheme targets SMEs in financial hardship which would stop their business activity and go bankrupt unless creditors' support was provided. **Unofficial data (in Lithuanian)** suggest that enterprises in restructuring are not well informed about this possibility and that state institutions are often not eager to help in this way.

An issue related to finance in a wider sense is taxation. In Germany, for example, changes in taxation have been introduced to simplify the acquisition of a business. In Spain, enterprises with fewer than 25 employees and a sales volume of less than €5 million benefit from a reduction in corporation tax of five percentage points if they maintained or increased staff numbers in the years 2009 to 2011. In Malta and the Netherlands, fiscal deductions are provided for small investments and in the UK SMEs receive an enhanced rate of tax credit aimed at encouraging investment in R&D.

Advice, consultancy and networking assistance

Advice and consultancy for SMEs in restructuring is offered widely to provide them with services they could not afford if only available from private sector consultants. This covers both business-oriented topics (such as innovation, internationalisation and business transfer) and workforce related issues (such as qualification consultancy), but seems to be more focused on anticipatory, proactive changes rather than on crisis situations.

Examples of advice services

The Danish **Early Warning project (in Danish, 1.26MB PDF)** was launched in 2007 and ran until the end of 2010. About a hundred voluntary business leaders, economists, lawyers and so on and about 15 consultants specialised in economic restructuring supported SMEs in overcoming financial difficulties by showing them ways to reverse negative trends or to close the company before debts became unnecessarily high, based on evaluations of their situation. The project offered advice to more than 2,200 companies. An impact evaluation showed that participating SMEs had a lower decline in turnover and value-added and fewer companies had to close compared to the control group. In Finland, **Talousapu (in Finnish)** (Financial Help), operated by the **SME Foundation**, is a free-of-charge phone counselling service offering confidential and anonymous advice for entrepreneurs. It was launched in October 2009 as it was recognised that entrepreneurs often find it difficult to ask for help. On average, 200 calls per months are received. An accompanying online service provides further information and tools (for example, on financial planning and developing a debt plan).

In Germany, the services provided by **GTZH Magdeburg (in German)**, set up in 1994 by the municipality and regional craft guilds, include advice related to funding sources and application procedures as well as training on new technological developments, resource efficiency and the implementation of management systems. The centre also offers assistance in finding cooperation partners and training guidance, and supports the development of marketing skills.

The Polish National SME Services Network (KSU) consists of about 200 non-commercial organisations cooperating with each other to provide advisory information, training and financial services. Between 2004 and 2006, more than 107,500 information services were provided free of charge to almost 77,000 customers. The number of registered clients has increased with time, reaching 68,500 in 2010. **An evaluation (in Polish, 2.31MB PDF)** by PARP in 2011 showed a high efficiency and substantial impact of the programme on micro enterprises, though 61% of the surveyed entrepreneurs stated that information about the system was insufficient.

In some countries (such as Austria, Bulgaria, Ireland, the Netherlands, Poland, Romania and the UK), consultancy is another networking pillar that is helping SMEs establish business relationships, for example, in the context of internationalisation or other ways of entering new markets (innovation, diversification), as well as in terms of supporting regional/sectoral business clusters and R&D networks. In Belgium, Ireland and the UK, this approach also targets improved performance by SMEs by supporting mentoring and management development networks. In several countries, matching platforms such as the Danish **match-online (in Danish)** have been set up that put potential buyers and sellers of businesses in touch within the framework of a business transfer.

Examples of support networking

The Belgian **SOWACCESS initiative (in French)**, run by the Walloon government since 2006, facilitates the transfer of companies with fewer than 10 workers by raising awareness of the importance of preparation and professional support during business transfers. In addition, it establishes contacts between potential buyers (selected on the basis of their skills, experience and available assets) and sellers who are supported by advisers. SOWACCESS has set up a partnership agreement with a private company to cover Flanders and the Netherlands, and a national association in France. The three partners jointly manage a platform on which in 2009 about 2,000 businesses (mainly with 5–30 employees) were advertised for sale and 3,100 potential buyers were registered – about 900 of them being companies considering external growth through acquisition.

The Bulgarian Clusters development initiative was launched in 2004 under the framework of the PHARE programme, continuing under the Operational Programme 2007–2013 ‘Development of the Competitiveness of the Bulgarian Economy’. The initiative aims to support cooperation of SMEs, research organisations and non-governmental organisations (NGOs) in fostering the growth of SMEs through exchange of technology, staff and skills. The support consists of consultancy, investment, training and R&D to reduce production costs, promote innovation and internationalisation, and to improve management.

Internationalisation and innovation support

Reflecting the widespread recognition of the importance of SMEs’ international activities highlighted in a **2009 report (469KB PDF)** by the Organisation for Economic Co-operation and Development (OECD) on barriers and drivers to SME internationalisation, the majority of European countries explicitly support the internationalisation of SMEs.

When examining the extent to which internationalisation support programmes address the main internationalisation barriers, the OECD report finds that SMEs’ financial limitations – through export guarantees or credits as well as subsidies for marketing or intellectual property rights (IPR) purposes – as well as informational and contact barriers (provision of international market information, networking including study visits or the support of participating in international trade fairs) are well considered. Support programmes enhancing export oriented managerial skills (training, coaching) have also been identified.

Assistance with internationalisation

The Finnish Globaali programme provides (for a fee) evaluation of and counselling for internationalisation projects. Export partnerships involve a joint export effort of at least four companies and are run by Finpro, a consultancy specialising in international networking.

In Greece, short-term export credit insurance is offered by the Ministry of Finance and the Export Credit Insurance Organisation. Since it began in 1988, more than 700 Greek export companies have benefited. In addition, as described in the OECD report mentioned above, the Hellenic Organisation of SMEs and Crafts offers training programmes and facilitates cooperation between Greek and foreign companies.

Another area of specific restructuring support for SMEs relates to fostering innovation, for example, through promoting R&D via co-financing of research activities or infrastructure/equipment, linking the business and scientific community (as in the Danish measure **Business researchers**) or offering tax incentives as well as providing advice on the feasibility of planned innovation projects or IPR (as in the **Belgian collective research centres**).

Fostering innovation in Estonia

In Estonia, **innovation voucher grants** have been offered since 2009 (the scheme will end in 2013) to encourage cooperation between SMEs and innovation partners (such as universities, test labs and IPR experts) in the development, testing and marketing of new products. Grants of up to €4,000 per applicant (or €16,000 for joint applications) are available for counselling, development and implementation of new solutions, feasibility studies, testing of products, registration of patents and so on. The measure’s popularity among SMEs resulted in an increase in the initially allocated budget from less than €1 million to €2.9 million. The number of approved projects increased from 112 in 2009 to 188 in 2010 and 265 in 2011. The measure has proved successful in engaging SMEs that have not previously done so in development and innovation activities. Details of the scheme are given in an **Expert Group Report (1.01MB PDF)** prepared for the European Research Area Committee.

Initiatives addressing the modernisation of enterprises or process innovation were identified (for example, in Bulgaria, Germany and Spain), often pushed by EU funding lines. For example, the Sustainable Energy Authority of Ireland (**SEAI**) provides information on how to cut SMEs' costs through saving energy and offers financial assistance to make adaptations. In Malta, the recession brought about an enhanced focus by the government and social partners on product uniqueness and quality in order to maintain SMEs' competitiveness. Consequently, investment in new machinery and workers' skills has become widespread in Maltese companies and particularly medium-sized ones.

Low-cost specialist support in Spain

The Spanish **Innovation cheque (in Spanish)** was introduced in 2012 in the Basque Country. The scheme provides SMEs with access to low-cost specialised services (consultants, education providers, technological centres) designed to support them in improving management, branding, diversification, change in organisational structure, process innovation, customer relationships and so on.

The provision or co-financing (training costs, wages or social security costs) of workforce training, specifically aimed at SMEs and their employees, is often related to encouraging innovation. In some countries such as Germany and Italy, there are also sectoral training funds in SME-dominated sectors based on collective agreements, covering the further education and training of employees. Going beyond this, trade union related agencies in Germany have developed tools that help works council members analyse problems and innovation potential in SMEs – see, for example, **InnoKenn (in German)**.

Support for workforce training in Portugal

In Portugal, the **SMEs training programme (in Portuguese, 262KB PDF)** aims to promote the competitiveness of SMEs (with up to 100 employees, with a specific focus on those employing 10–50 people) through sustainable organisational development and workforce qualification. The intervention is applied in the real job context, involving managers and employees (with the support of consultants and trainers), and therefore addressing the company's real needs. The scheme starts with a strategic diagnosis of the company, followed by the preparation and implementation of a development plan. Between 2008 and 2010, almost 1,800 SMEs and about 63,600 workers were supported. Positive outcomes are observed in the fields of organisational learning, internal processes and improvement of management as well as workforce skills.

Support for SME employees affected by restructuring

The research of this project also identified some public instruments targeted specifically at employees of SMEs who are made redundant within the framework of restructuring. They are provided with specific support, such as reskilling and matching services, to quickly reintegrate them into the labour market.

From a European perspective, the **European Globalisation Adjustment Fund (EGF)** is an important instrument to reintegrate employees made redundant due to restructuring. In 2011, 22 decisions to co-finance active labour market policy measures were made, targeting more than 21,000 redundant workers and amounting to support of more than €128 million (source: **EGF annual report 2011 (585KB PDF)**). Beneficiaries in 2011 were mainly male workers (79%), aged 25–54 (69%). Although the EGF targets mass redundancies (500 or more affected workers), it is highly SME relevant as it is also accessible if the redundancies are realised jointly by an enterprise and its suppliers/downstream producers at

national level, or by enterprises operating in the same economic sector within one or two contiguous regions. According to [EGF statistics \(1.10MB PDF\)](#), over half the applications received between 2007 and 2011 concerned the latter criterion. For example, the EGF provided Ireland with €35 million to help almost 6,000 redundant construction workers from more than 3,300 companies, mostly small, by financing occupational guidance, training, self-employment support and so on (source: [European Commission press release 5 October 2011](#)).

Scheme supporting redundant workers in Sweden

In Sweden, SME Unemployment Insurance ([Småföretagens arbetslöshetskassa](#)) specifically assists workers made redundant from SMEs due to scarcity of work. Membership is voluntary and involves a monthly fee of SEK 150 (€17). The unemployment allowance depends on prior income and length of employment but generally equals 80% of salary for the first 200 days and 70% afterwards, for up to 300 days of unemployment.

Another important form of addressing employees' concerns related to restructuring refers to the guaranteed payment of accumulated claims in case of employer insolvency. At European level, this is dealt with by [Directive 2008/94/EC on the protection of employees in the event of the insolvency of their employer](#), which does not differentiate by company size. According to a [European Commission report on the directive's implementation \(86KB PDF\)](#), national guarantee institutions intervened between 2006 and 2009 in more than 420,000 insolvency cases, covering 3.4 million workers. The SME relevance of such institutions is shown by the average number of workers per case of eight.

In addition, there are instruments that are even more specific for SMEs' employees, not necessarily because they are addressed explicitly at them, but because they are sectoral activities in SME dominated industries. However, identified examples are rare.

Scheme supporting redundant workers in Germany

The German [Sikoflex \(in German\)](#) scheme was launched in the scaffolding sector (marked by SMEs affected by structural work stoppages) in the late 1990s. It guarantees a 100% payment in lieu of workers' accumulated time credits in case of an employer's insolvency. Company participation is voluntary and requires monthly payments of €7.5 plus €1.5 per employee. As of December 2011, more than 1,100 companies held a Sikoflex account, covering almost 20,000 employees. The full reimbursement of employees and the simple administrative procedures involved for the employers are seen as important strengths of the instrument, though employer lack of willingness to act proactively can hamper their participation.

With a similar objective but a different perspective, some European countries have introduced SME specific employment incentives. These involve co-financing a newly hired person's wage or reducing ancillary wage costs. In some countries there is a specific focus on micro enterprises or one-person enterprises (for example, Austria, Bulgaria and Spain). In other countries, such initiatives do not specifically target SMEs, but in practice the majority of beneficiaries are SMEs. In Ireland, for example, 650 out of the 665 applicants for the Employer Job Incentive Scheme as of October 2010 employed between 1 and 223 people.

Other possible pathways link access to credit to job creation (such as the [Bulgarian micro-credit guarantee fund](#)) or publicly supported qualification measures for unemployed to fit the specific expertise needs of SMEs in their growth phase.

Incentives to recruit specific age groups of unemployed

As a successor of the crisis-related youth foundation, the **‘JUST placement’ foundation (in German)** was initiated in Austria in 2011 to last until 2013. The target group are 19–24 year old unemployed who are interested in obtaining a further qualification and aspire to a position in a specific SME requiring qualified staff, for which qualification is pursued – also on-the-job training if applicable. On average, the measure runs for 14 months. It is run by **Aufleb**, which is sponsored by social partners, in cooperation with all federal provinces, the national government, the public employment services and social partners. Qualification costs are covered by the insolvency contingency fund, the public employment service and the regional governments while participating companies pay for the administrative costs and the stipends the participants receive in addition to unemployment benefit.

In Spain, the ‘open-ended contract of support to entrepreneurs’ was created for enterprises with fewer than 50 employees. To encourage the recruitment of unemployed persons aged 16–30 or 45+, as well as women in male-dominated sectors, the contract is subject to reduced social security contributions and a wage supplement of 20% of unemployment benefits, thus reducing direct wage costs for the employer. In addition, the trial period of one year enables the employer to freely dismiss the employee, resulting in eliminated indirect wage costs (dismissal costs). Use of the contract is limited to periods when unemployment exceeds 15%.

Commentary

Restructuring in SMEs is not topical in public and policy discussion in Europe, although it gained momentum in about half of the EU’s Member States with the economic crisis. The debate covering restructuring and SMEs instead tends to deal with the anticipation of change and is related to business expansion and internal restructuring (including internationalisation, innovation and job loss in reorganisation). Employees’ perspectives are more from a general labour market angle than under a ‘restructuring in SMEs umbrella’.

Provision of support

Across Europe, a multitude of restructuring support instruments are available for companies and employees, and even those not explicitly targeting SMEs are accessible to them. Nevertheless, SMEs’ awareness of support is often rather limited and should be addressed, for example, through one-stop-shops for information or by involving intermediaries such as business organisations or advisors. Further efforts to reduce administrative burdens (for example, by establishing systems that avoid applicants having to repeatedly provide similar administrative information) and to speed up administrative processes so that the support can respond to actual needs in a timely manner would also be beneficial for SMEs and their employees in restructuring. Tackling more structural issues such as SMEs’ limited involvement in training or R&D networks could improve their use of available support.

The involvement of social partners in supporting SMEs and their employees in restructuring appears to be rather limited, particularly in terms of employee organisations. Enhanced engagement might be favourable to ensure a win–win situation at restructuring, but also in terms of establishing more creative forms of service provision, not at least in times of public budget cuts. This would, however, also imply the need for a good coordination among all actors involved which does not currently seem to take place to a satisfactory extent.

A more target group differentiated approach (that is, size classes or sectors within the SME population) could be considered in order to better address the specific characteristics of individual types of SMEs among this heterogeneous population, for example, taking into account the fact that more personalised services are better suited to smaller companies.

Generally, little is known about the satisfaction of SMEs and their employees with restructuring support instruments and their actual effectiveness and efficiency. Consequently, in-depth evaluations, dissemination of their results and cross-national exchange of experience should be encouraged.

Potential areas for support

Despite the strong focus on anticipation of change in the majority of identified SME specific restructuring support instruments, little seems to be available to assist SMEs themselves to monitor trends and to identify future development pathways. Diagnostic tools are available for specific topics (such as feasibility of innovation or internationalisation, readiness for business transfer), but could be provided for a more general company assessment to raise SMEs' awareness about the need to adapt, for example, through workforce training, product or market diversification, and the timely preparation and implementation of such activities.

Access to finance is an important topic and should continue to be followed up despite the efforts already made. For example, forms other than traditional bank finance could be emphasised (for example, raising awareness about, and activation of, venture capital markets through investment incentives or guarantees) and more focus could be given to the finance needed to manage change.

Due to their more limited human and financial resources, networking is of greater importance for SMEs than for larger companies, and this can also play an important role in restructuring. Cooperation with other businesses, R&D organisations, advisors or other service providers can positively influence the development of SMEs (such as business expansion or internal restructuring to improve competitiveness and sustainability), but also act as a safety net in downturns (and hence avoiding bankruptcy and closure). Consequently, additional effort could be placed on such initiatives.

Another finding is that support related to restructuring in SMEs, particularly as regards the management of change, is not very often targeted at the employees. Instead they are covered by general labour market policy measures. While this is by no means negative, there are specific tools that have been deemed positive for workers affected by restructuring (for example, training to anticipate change, transition programmes to manage redundancies) that are primarily accessible for staff of large companies. In this regard, the possibility of pooling workers from several SMEs facing similar situations could be considered.

Annex: Good practice in SME restructuring support

	Instrument	Provider	Restructuring phase	Restructuring type	Support provided
AT	Work foundation (<i>Jugendstiftung</i>) ‘JUST Implacment’	Social partners, national, regional government	Anticipation	Business expansion, internal restructuring	Qualification of young unemployed according to the needs of SMEs searching for qualified staff
BE	Walloon company of merger/acquisition and closure/bankruptcy (<i>Société Wallone d’Acquisitions et Cessions d’Entreprises, SOWACCESS</i>)	Regional government	Anticipation	Internal restructuring, business expansion, mergers and acquisition	Awareness raising and matching in the field of business transfer
BG	Clusters development initiative (<i>Инициатива за развитие на клъстерите</i>)	National government	Anticipation, management	Business expansion, internal restructuring	Consultancy, investment, training, R&D to support clusters of SMEs, research organisations, and NGOs
CY	Strengthening the competitiveness of micro enterprises with 1–4 employees (<i>Ενίσχυση της ανταγωνιστικότητας των Μικροεπιχειρήσεων με απασχόληση 1-4 άτομα</i>)	National government	Anticipation	Business expansion, internal restructuring	Consultancy (such as elaboration of a business plan), training
CY	Single-company training programmes aimed at preventing unemployment	National government	Anticipation	Internal restructuring	Training
CZ	Guarantee – guarantees for operation credit (<i>Záruka - záruky za provozní úvěry</i>)	National government	Management	Business expansion, internal restructuring	Loan guarantee
DE	Sikoflex	Social security fund of the construction (scaffolding) sector	Management, anticipation	Bankruptcy/closure	Guaranteed payment in lieu of accumulated time credits in case of employer’s insolvency
DK	Early Warning project (Early Warning ordningen)	Employer organisation	Management	Internal restructuring, bankruptcy/ closure	Advice
EE	Innovation vouchers (<i>Innovatsiooniosakud</i>)	National government	Anticipation	Business expansion, internal restructuring	Financial support for consultations, feasibility studies, development and testing of products, registration of patents and so on
EL	Centres of Entrepreneurial and Technological Development (<i>Κέντρα Επιχειρηματικής και Τεχνολογικής Ανάπτυξης (KETA)</i>)	National government	Anticipation	Business expansion	Advice on internationalisation
ES	Innovation Cheque (<i>Cheque Innova</i>)	Regional government	Anticipation	Internal restructuring, business expansion	Access to low-cost specialised services related to product and process innovation
FI	Increased competitiveness from exports and internationalisation (<i>Kilpailukykyä viennistä ja ja kansainvälistymisestää – KiVi</i>)	Employer organisation, national government	Anticipation	Business expansion	Presentation of available support for internationalisation, networking possibilities, advice
FR	National Fund for the Renewal of Disadvantaged Areas (<i>Fonds National de Revitalisation des Territoires, FNRT</i>)	National government	Management	Internal restructuring, bankruptcy	Loans
HU	Széchenyi (Credit Card Programme, Current Assets Credit Card Programme, Investment Credit Programme, Agrar Credit Programme)	Employer organisation	Anticipation, management	All	Loans
IE	Employer Job Incentive Scheme (PRSI)	National government	Anticipation	Business expansion	Exemption from ancillary wage costs for newly created jobs

	Instrument	Provider	Restructuring phase	Restructuring type	Support provided
IT	'Exceptional' Wages Guarantee Fund (<i>Cassa integrazione guadagni in deroga</i>)	National and regional government	Management	Internal restructuring	Income support in case of working time reduction
LU	Temporary unemployment (<i>Chômage partiel</i>)	National government	Management	Internal restructuring	Income support in case of working time reduction
LT	Vocational training of the unemployed and working age employees notified on pending dismissals	National government	Management	Internal restructuring, bankruptcy/ insolvency	Training provision
LV	Support for starting self-employment and entrepreneurship (<i>Atbalsts pašnodarbinātības un uzņēmējdarbības uzsākšanai</i>)	National government	Management, anticipation	Bankruptcy/ closure, internal restructuring, relocation	Loans, training, advice
MT	MicroInvest	National government	Anticipation	Business expansion, internal restructuring	Tax credit, wage subsidy
MT	MicroCredit	Bank of Valletta	Anticipation	Business expansion, internal restructuring	Loans
MT	Training Aid Framework	National government	Anticipation	Business expansion, internal restructuring	Training subsidy
NO	Innovation Norway's Nationwide Innovation Loan Scheme (<i>Innovasjon Norges landsdekkende Innovasjonlån</i>)	National government	Anticipation	Business expansion, internal restructuring	Loans
PL	National SME Services Network (KSU) (<i>Krajowy System Usług</i>)	National government	Anticipation	All	Advice, training provision
PT	SMEs Training Programme (<i>Programa Formação PME</i>)	National government	Anticipation	Bankruptcy/ closure, business expansion	Training provision
RO	SOP IEC, Priority Axis 1 – An innovative and eco-efficient production system, Key Intervention Area (POS CCE, <i>Axa prioritară 1 – Un sistem de producție inovativ și eco-eficient, Domeniul major de intervenție</i>)	National government	Anticipation	Business expansion, internal restructuring	Subsidy
SE	Job Security Council (<i>Trygghetsrådet TRR</i>)	Employer organisation, employee organisation	Anticipation, management	Internal restructuring, business expansion, bankruptcy/ closure	Advice, matching
SI	FDI Co-financing Grant Scheme (<i>Spodbujanje tujih neposrednih investicij – Dodelitev spodbud za začetne investicije</i>)	National government	Management	Business expansion	Subsidy
SK	Counselling and training services for SMEs (<i>Poradenské služby a vzdelávanie malých a stredných podnikateľov</i>)	National government	Anticipation, management	All (mainly business expansion, internal restructuring, relocation)	Advice, training subsidy
UK	Train to Gain (900KB PDF)	National government	Anticipation	Business expansion, internal restructuring	Training subsidy

Note: Not all the instruments are specific for SMEs or for restructuring. Rather they have been assessed as (also) beneficial for SMEs or their employees in restructuring by national experts (see national contributions for individual justification). In the Netherlands, no good practice was identified as there appear to be no measures specifically directed at both SMEs and restructuring.

Source: *National contributions*