



Federation of Small Businesses
The UK's Leading Business Organisation

Be the Voice of Small Businesses

FSB Manifesto European Elections 2014

Small firms are driving the economy forward,
therefore we are calling on you to

Be the Voice of Small Businesses

There are over 4.9 million businesses in the UK

Over 99% of firms employ fewer than 50 people

Small firms employ 59% of the workforce

SMEs account for almost half of private sector turnover

3.7 million businesses are sole proprietors

4.8 million businesses are micro businesses (< 10 employees)

One fifth of UK small businesses export

The European Economic Area is the main destination for nine out of ten small exporters

Six per cent of FSB members considering exporting, could potentially add £792 million to the economy annually

Your Challenge

Be the Voice of Small Businesses

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- Think Small First
 - Support and promote small businesses in your constituency
 - Drive the culture of entrepreneurship
 - Make Europe the home of start-ups
 - Reform EU decision-making
 - Make sure legislation is proportionate and evidence-based
 - Ensure it meets the principle of subsidiarity
 - Challenge impact assessments
 - Work with Westminster colleagues and devolved administrations on smart regulation
 - Create new opportunities for small businesses to grow and increase trade
 - Support measures that speed up access for small firms to new areas, whether global, in Europe, or online
 - Help small firms thrive in new markets

Remember the FSB represents around 200,000 small businesses. Talk to us, we are here to help small firms succeed.

Foreword

Think Small First

We want to see a culture of entrepreneurship promoted and protected across Europe, which will help UK small businesses

We want to see smart, proportionate regulation decided at the most appropriate level, and cuts to the burdens on the smallest firms

We want to see decisions taken to promote economic growth, including the EU-US trade negotiations and support for start-ups.

This manifesto calls on European policymakers to ‘Think Small First’, not only when regulating, but also when promoting entrepreneurship and economic growth. By considering the needs of small and micro businesses, candidates for the European Parliament can help ensure the continued economic recovery with sustainable growth.

The FSB is the voice of the UK’s small businesses. We have around 200,000 members across England, Scotland, Wales and Northern Ireland. We work with the European Small Business Alliance (ESBA) to amplify our voice in Brussels.

The FSB has been non-partisan since our founding in 1974. As we face the 2014 elections forty years later, we will work with all parties to further our aims. Europe is the world’s biggest market – one in five of our members trade abroad, mostly within the EU. But laws from Europe affect all UK businesses, consumers and the public sector.

The 2014 elections provide candidates with the opportunity to speak to small firms in their area, and to consider how they

would represent their interests within the European Parliament.

FSB surveys show that confidence is returning to UK small businesses. They are looking to recruit more staff, invest in their businesses and more are considering how to export for the very first time. We want to build on this so even more businesses can start up, thrive and grow across Europe – and European policymakers should ‘Think Small First’ in everything they do.

As a candidate or policymaker, this manifesto sets out how you can help achieve this over the next five years. We can all be the voice of small businesses.



A handwritten signature in black ink, appearing to read 'Mike Cherry'.

Mike Cherry
National Policy
Chairman



A handwritten signature in black ink, appearing to read 'David Caro'.

David Caro
Chairman EU and
International Affairs

Achievements

Working with MEPs and our partner organisation ESBA, the FSB has made laws more small business-friendly and improved access to markets.

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- Secured a commitment from the Commission to always consider whether exemptions or special measures for micros are feasible
 - Won an exemption for the UK's 1.5 million micro businesses from burdensome accountancy rules
 - Campaigned for sensible regulation, resulting in a re-think on the proposed Ergonomics Directive and hairdressers' agreement
 - Pushed for a flexible Working Time Directive
 - Highlighted the impact of the new data protection rules on small (tech) firms
 - Helped shape the Services Directive
 - Won an exemption for over a million UK small trailers and tractors from unnecessary MOT tests
 - Pressed for chemicals regulation REACH to become more small-business friendly through tailor made guidance for small firms, and for a study on the impact of REACH on competitiveness
 - Pushed for harmonisation of consumer laws to promote cross-border e-commerce
 - Promoted export advice specifically targeted to SMEs
 - Safeguarded the right of UK tall lorries to travel within the UK and Ireland
 - Amended the Late Payment Directive to benefit small firms

Entrepreneurship



Exports continue to increase



Small businesses are planning to invest in both capital and staff



56.6%

of small firms hope to GROW in 2014

Confidence level of small businesses is strongest since 2010

Give small firms the best chances by creating a culture of entrepreneurship

Entrepreneurship is at the heart of a competitive Europe in a world of fast growing economies. It is exciting, inspiring and challenging to set up your own business and to contribute to the economy. Therefore, the European institutions and the Member States must establish a culture of entrepreneurship for businesses to start up, survive and grow while being able to remain competitive in today's global markets.

This means investing in infrastructure. We need road, rail, air and waterways to keep trade moving; universal broadband so the digital economy can flourish; and smart grids to provide businesses with an advanced energy infrastructure.

It also means investing in skills and making sure employment and social law is flexible, manageable and created with small firms in mind, while ensuring a level playing field across the EU. Small businesses create 85 per cent of all new jobs in Europe and employ two-thirds of the workforce. Applying the 'Think Small First' principle to labour market policies is therefore essential.

Access to finance is crucial for businesses to start up or branch out.



I want EU politicians to realise that small businesses are flexible by their very nature and need room for manoeuvre. My staff have all worked for me for a long time and we feel like a family business, so I do reward their loyalty and longevity.

The opt-out from the Working Time Directive matters to us. We have an obligation under online selling rules to fulfil orders within a limited time frame. At busy periods this requires our staff to work overtime, but it's not frequent enough to justify hiring more staff.

– Retail business



I provide web shop services to businesses who want to sell online. I am doing this on my own and have developed the business professionally. Businesses like mine take data protection seriously but some may not be able to afford to put the proposed rules into place, let alone employ staff.

The complexity of the rules gives people little incentive to even bother trying and could make some close their doors.

– Online service provider

Bank lending to small firms needs to be made easier so that it returns to pre-recession levels. In addition, non-bank finance, greater access to business angels and equity should be developed as viable forms of finance throughout the life cycle of a small business.

Setting up and running a business is a normal part of life. Politicians should support second chance policies for entrepreneurs and make it easy to take a business over from a family member.

Encourage innovation and celebrate entrepreneurship!

Help small businesses turn challenges into opportunities:

Finance

- Improve access to finance for all small companies throughout their life cycle
- Clamp down on late payment by public and private organisations
- Make sure banking legislation does not stifle lending or create barriers for new banks
- Promote alternative forms of finance e.g. non-bank, business angels, equity, export guarantees
- Simplify EU finance schemes and funding programmes and make applying for them easier so small businesses can benefit

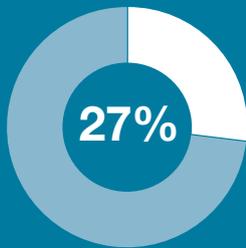
Jobs

- Recognise that small firms are more flexible than large firms, benefitting both employees and employers
- 'Think Small First' on all EU employment and social law
- Review the Working Time Directive to make it more flexible and simple for small firms to comply, while safeguarding the opt-out from the 48 hour working week
- Make sure EU programmes allow funding to be amply spent on skills
- Promote genuine self-employment

Culture of entrepreneurship

- Promote and support start-ups, supporting diversity in every sector of the community
- Increase spending on Research and Development, make it easy for small businesses to access this and help them take their product to market
- Develop innovation to further the green economy
- Recognise some businesses may fail through no fault of their own and that second-time entrepreneurs can be more successful

Regulation



Just over a quarter of FSB members say regulations and enforcement are a barrier to their success

Regulations on employment, health and safety, and data protection are cited as particularly burdensome for small businesses

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Three in ten small businesses struggle to know whether burdens arise from EU or UK law

Regulation should be proportionate and not a burden

Supporting the UK's entrepreneurs means first and foremost bringing the costs of doing business down. Small businesses should be freed up to create wealth and not burdened with unnecessary costs or time-consuming bureaucracy. EU regulation must be easy to understand, simple to comply with and enforced properly in the Member States, otherwise it potentially distorts the Single Market.

A culture of 'Thinking Small First' should be integral to all Commissioners and MEPs. Smart Regulation principles need to be embedded in all EU institutions and in the Member States. The FSB wants legislation that is proportionate and suitable for every size of firm.

Most businesses are micro businesses with fewer than 10 employees and they don't have the in-house expertise to deal with ever changing requirements. Every minute they spend getting to grips with regulation is time out of their businesses, time that could be used to create jobs and growth. Micro firms are disproportionately affected by, and most sensitive to, the costs of regulation. They struggle particularly with the accumulation of burdens.



My business imports silica gel. We could either register under REACH for a cost of over £8,500 and lots of paperwork, or pay for a Letter of Access. This would allow us to use a bigger company's dossier, at a cost of £150,000. We are considering closing down due to the high cost for complying with REACH.

– Chemical business



I employ four members of staff and they've all worked for me for a long time. However, I worry about laws that seem to be constantly changing. Micro businesses like mine don't have in-house expertise – it's me! If it's too complicated then I have to buy in advice. It might not seem like much, but the time and cost of this soon adds up.

– Manufacturing business

MEPs have a vital role in shaping the laws that affect small firms. The FSB would like to see a regulation revolution in the Parliament where MEPs challenge the costs and benefits of proposals and ensure their amendments are fit-for-purpose.

The FSB wants European-wide regulatory reform to put small businesses at the forefront of decision-making, so that legislation is evidence-based and always made from the bottom up.

Lead by example and champion small firms in the European Parliament!

How to lighten the load on small businesses:

Reform

- ‘Think Small First’ throughout the whole policy cycle
- Push for greater independence for the Impact Assessment Board
- Ask if new legislation is needed or if better enforcement will solve the problem
- Push the Commission for draft impact assessments to make sure upcoming proposals are proportionate and evidence-based
- Agree on an EU-wide definition of gold-plating and work to significantly reduce it
- Open up the negotiations between the Parliament, Council and Commission (trilogue) to create greater transparency

Apply

- Send back Commission proposals without a robust Micro and SME Test, and a cost-benefit analysis
- Consider on a case-by-case basis how legislation might be adapted for micro businesses to stop ‘one-size-fits-all’ laws
- Get involved in the Commission’s evaluation work of existing law
- Organise hearings with the national Parliaments, representatives of business and stakeholders

Vote

- Check the costs and benefits of your own amendments
- Make sure small business friendly measures (lighter paperwork, targeted exemptions, simplifications) are not lost in the parliamentary process
- Keep it simple – it should be easy for small businesses to understand what is required and how to comply
- Work with Westminster MPs and Peers, devolved Parliaments and Assemblies to improve UK scrutiny of EU legislative proposals

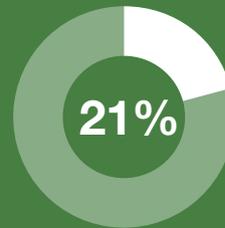
Growth



Nearly nine in ten small UK exporters trade within Europe

40% of exporters say a lack of clarity over VAT payments are a challenge when exporting services

The Single Market is worth £92 billion annually to the UK economy



21% of exporters say bureaucracy is hampering them



The UK has got the biggest digital economy in Europe

Help small firms thrive in new markets

Small businesses that venture into new markets are generally doing well, whether they are buying and selling in Europe, trading online or exporting further afield. It is no surprise the UK Government wants to see 100,000 more exporters by 2020. Exports put money into the real economy.

The European market with its 500 million customers and 21 million businesses is attractive for small firms. It is close by with greater certainty around rules than in other global markets. Unsurprisingly, the Single Market is often the first step for those starting to export goods, with relatively few barriers.

Yet, there is untapped potential which small firms could benefit from. For example, the UK is strong in the digital and services markets and it is vital to tackle specific challenges and smooth the way for small businesses. There are huge opportunities for them to provide services or use their talents in the digital single market.

All FSB members are in the European market and rules need to be fit for everyone, whether selling abroad, online, at home, to consumers, businesses or Government.



Since we opened up a webshop we have grown significantly and have more customers from all over the world, including from Europe, buying our products. The requirements around VAT are different in each country and we keep a spreadsheet with all the peculiarities of VAT requirements. This took time to set up and research.

– Watersports business



When I was made redundant from a house building company I got the idea to create a beach towel clip. While lying on the beach I was annoyed by the towel flapping in the wind. I sell directly online and via local agents. I launched my company in 2010 and I now sell within 30 countries, many of them in the EU. I find it really easy to do business there.

– First time entrepreneur



My company exports goods for other businesses. We collect and deliver pallets, picking them up from warehouses. Our biggest market is Germany and we use it as a base to find clients in other EU countries. Currently half of our turnover comes in euros and we went from zero to nine employees within two years. I am honest if I am saying we experience no barriers to our business.

– Logistics company

The FSB not only wants its members to sell and ship within Europe. The Middle East, Japan, Africa, Brazil, India, and North America are also destinations for small exporters and there is a clear appetite to increase trade with those regions. Therefore, small businesses could gain a lot from new trade deals that the EU is negotiating. The FSB wants to see an outward-looking and competitive Europe in all global markets.

Create new opportunities for small businesses,
keep markets open and go for growth!

Encourage small firms to trade online and abroad:

Europe

- Fully implement the Services Directive throughout the EU
- Recognise the importance of the digital economy in the single market
- Call for a portal that identifies rules which have not been fully harmonised at EU level and provides practical information for businesses on how to comply with local regulations
- Go green, but make it easy for small firms to play their part in improving the environment
- Protect the Intellectual Property Rights of small firms
- Make sure patents are easy to access and offer real protection for small businesses

Online

- Increase the small business presence in the online high street by making the digital single market work
- Create the right environment for small innovative businesses without stifling requirements, such as the proposed data protection rules
- Make sure infrastructure needs are swiftly addressed through policies on cloud computing, universal internet access, roaming, postal and delivery services
- Improve security of online payments and help streamline cross-border payments

Global

- Encourage small businesses to trade overseas
- Support the Commission's future trade deals, with the US, Japan, China and India
- Make sure European rules don't make our businesses less competitive outside the EU
- Promote the use of export insurance and credit guarantee schemes
- Call for tailor-made information and export finance for small businesses
- Exchange best practice of export support in the different Member States

Contacts

Craig Beaumont

Head of Public Affairs

craig.beaumont@fsb.org.uk

Sietske de Groot

Senior Policy Advisor EU and International Affairs

sietske.degroot@fsb.org.uk

Jayne Almond

Policy Advisor EU and International Affairs

jayne.almond@fsb.org.uk

James Gribben

Press Officer

james.gribben@fsb.org.uk



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Telephone: 020 7592 8100

Email: correspondence.unit@fsb.org.uk

Website: www.fsb.org.uk

 [@fsb_hq](https://twitter.com/fsb_hq)

 facebook.com/federationofsmallbusinesses

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