

Inspiring more innovation in Europe

Resolution adopted at the EPP Political Assembly
6 September 2016



The recovery is gaining momentum in the EU. Economic growth is gathering pace because EPP governments have implemented reforms that support job creation. Countries led by EPP governments are recovering, whereas Socialist-led countries are still struggling to produce any economic growth.

Rebuilding economic growth after the worst financial and economic crisis since the Great Depression is a long process. But reforms implemented by EPP governments have made former countries in crisis, like Ireland, Hungary and Spain, among the fastest growing countries in the EU.

Our challenge is to bring the fruits of a growing economy to every household and to every family. We cannot be content until everyone can enjoy the benefits of enhanced competitiveness, greater investment and better future prospects. The reforms of recent years were carried out to give all citizens a better future. However, we are faced with the real political challenge of better explaining to citizens how they benefit from such reforms and from a stronger economy; this challenge needs to be addressed.

EC research on women active in the ICT sector proves that women's access to the ICT sector is essential for the sector's long-term growth and the sustainability of the European economy: the EC predicts that 800.000 ICT jobs will go unfilled by 2020 because of a lack of qualified applicants and that more than 90% of all jobs require digital skills. Women are underrepresented in the ICT sector, both at the level of worker, manager, and decision-makers. This underrepresentation is equally relevant for jobs within science and technology and calls for joint European action.

The EPP wants to boost job creation and new economic opportunities; to achieve this, the creation and growth of innovative companies must be made easier in Europe. Competitive entrepreneurship and innovation drive the world, in particular when we take into account that products designed by women or men can yield different qualities. Encouraging both genders to contribute to innovation will thus help create more jobs, renew labour market patterns and allow more families to become self-sufficient. Entrepreneurs create jobs and well-being.

We want our driven and talented entrepreneurs to be able to do the following: start and scale their businesses in Europe as easily as they can in Silicon Valley and in emerging innovation hubs in other developed parts of the world; have access to comparable risk financing options; and ultimately build up Europe's market size.

We have incredibly creative and driven entrepreneurs in Europe. But yet we lag behind our American friends in spawning radically innovative companies. Our European ecosystem for supporting the growth of radically innovative companies is simply not as good. The EPP wants to close the gap and make Europe the best and most competitive place in the world to start a business. The challenge is to identify how to achieve this and then to make it happen.

Political parties cannot create jobs, but we can create the right circumstances to make it easier and cheaper for companies to hire, invest and grow. The best example is the European Single Market. We are keen to develop single markets for services, capital, energy and digital services. For now, this is complete only in terms of goods. We absolutely must integrate the 28 different markets into one European market, with one set of rules and regulations to boost competitiveness and efficiency.

Section 1: Working should always be economically beneficial

All EU social systems must be reformed to adjust to labour markets that have become more flexible and to be able to adapt to the ever-changing pace of society.

Increasingly flexible labour markets have made many people's lives more uncertain. The self-employed are among the most affected. The state must adapt to the increased flexibility of labour markets with more flexible social systems fit for the 21st century. This covers not only unemployment benefits, which must be reformed to make work pay and incentivise the uptake of work, but also parental leave, ensuring supports are flexible and provide security for citizens in the form of a fit-for-purpose modern social safety net.

The EPP:

- acknowledges that more than 20% of employees are self-employed;
- recognises that the world of work is changing and that permanent contracts as well as single career paths within one organisation are more and more rare;
- recognises that an 'on-demand' employment model is far more advanced in the USA compared to the EU and can be expected to further increase the share of self-employed professionals;
- calls on Member States and EPP Member Parties to support social security reforms which focus on making systems more flexible and fit for the 21st century;
- calls on Member States and EPP Member Parties to create social security systems to ensure that working always pays;

Section 2: Boosting Private Capital Investments and Credit Financing

Europe is lagging behind in available private capital investments for innovative companies—investments involving private equity, venture capital and seed funding, for example—compared to other developed economies like the US and Israel¹. Europe's most innovative companies need capital investments to bring their novelties to the market, and we need to make it easier for them to attract such funding right across Europe, in our cities and in our regions. It is not the role of banks to fund such high-risk enterprises without any collateral. At the same time, banks will remain the primary funding channel for Small and Medium-Sized Enterprises (SME), and we must make sure that regulations strike an adequate balance between deterring overtly risky banking practices while also supporting credit flows to credit-worthy companies. SMEs are the backbone of our economy, responsible for 85% of all new jobs since the financial crisis. Credit financing and capital investments are not binary: both are needed to support a variety of different kinds of EU companies.

The EPP:

- acknowledges the vital importance of the availability of equity financing for radically innovative companies;
- fully supports the Capital Markets Union (CMU) proposal by the European Commission;
- fully supports the European Fund for Strategic Investments as an important tool for attracting private investment in addition to equity and debt financing for R&D and SMEs;
- calls on the European Commission to ensure that the interest of SMEs remains at the heart of the Capital Markets Union project;
- calls on Member States to encourage private capital investments through taxation and the easing of regulatory practices;
- calls on the European Commission to encourage new sources of financing, such as crowdfunding, crowd investing and peer-to-peer lending, as part of the Capital Markets Union project, since these new sources are vitally important for start-ups;
- calls on the Member States to encourage equity investments through appropriate taxation policies;
- calls on the European Commission to draft a strategy identifying which legislative, regulatory and taxation changes must be implemented, at the EU and at the national level, to multiply the availability of risk capital in order to make Europe the best place for new, innovative companies;

1. <https://www.weforum.org/agenda/2015/07/which-countries-have-the-most-venture-capital-investments/>

Section 3: Enabling and future-proof regulation

Regulation by definition has two functions. It is either created to establish a standard for doing something or else to prohibit certain behaviour. Given the ever-increasing pace of technological change, we must change the paradigm of regulation to reflect a paradigm of enablement. Thus, we must simplify existing regulation and reduce the administrative burden for beneficiaries and managing authorities of EU Funds. When designing new regulatory rules, we must focus more on current development trends so that regulations have fewer unintended negative consequences, which hamper innovation. At the same time, legislators must be more dynamic in removing and reforming old regulations that have proven to be obstacles to innovation and entrepreneurship.

The EPP:

- acknowledges the success of the European Commission's REFIT programme, which has led to the repeal of more than 6100 legal acts since 2005 and lowered administrative burden for companies by 33% since 2007, all without diminishing high social and environmental standards and working conditions;
- stresses that REFIT is intended to make EU legislation 'fit to purpose', to ensure that it is of the highest quality and delivers benefits while simplifying and reducing unnecessary regulatory burdens;
- recognises that better regulation and cutting red tape are key priorities for Juncker's Commission;
- welcomes the fact that the European Commission has started to seriously tackle simplification by setting up a High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds (ESIF);
- calls on the European Commission to continue analysing the European acquis and repeal unnecessary and overly burdensome regulations, especially with regard to rapid technological change and advancement;
- calls on the Member States to stop gold-plating EU legislation and then blaming the EU for adding red tape;
- calls for the repeal of legislation that stops 'on-demand' companies from being created or from operating in the EU;

Section 4: Insolvency and restructuring legislation

European countries have chosen a number of different approaches to insolvency and restructuring legislation. Differing legislative approaches enable positive institutional and regulatory competition. At the same time, differing rights of creditors, rules of procedure and opportunities for restructuring also function as an obstacle to cross-border investments. Fully harmonising all national rules would most certainly not lead to an ideal outcome due to various legal traditions in Europe; this therefore cannot be the right solution.

The EPP:

- acknowledges that insolvency and restructuring legislation are national competences;
- recognises the value of institutional competition between different forms of insolvency and restructuring legislation;
- recognises that divergences in national rules, rights, responsibilities and procedures are a hindrance to cross-border investments;
- calls on all Member States and EPP Member Parties to fight the 'stigma of failure' linked with insolvency;
- calls on all Member States and EPP Member Parties to pursue reform of national restructuring legislation to allow viable businesses to acquire working capital in order to continue trading after entering the restructuring process;

- calls on all Member States and EPP Member Parties to pursue reform of national insolvency legislation to allow the insolvency process to recover quickly what can be recuperated and to offer entrepreneurs a fresh start in a reasonable timeframe;
- calls on the European Commission to identify best practices of Member States, in view of possible harmonisation—best practices which promote granting a second chance for entrepreneurs and individuals;

Section 5: Entrepreneurial spirit

Entrepreneurship entails both a state of mind and a set of skills. A positive attitude towards entrepreneurship and the acquisition of entrepreneurial skills must be embedded in curricula throughout all levels of the education system. In general, a cultural change is needed. Risk aversion and the stigma of failure must be combatted at all levels of society if we want more citizens to become entrepreneurs.

The EPP:

- acknowledges that 92.7% of all companies are micro-companies employing less than 10 people²;
- acknowledges that SMEs employ two-thirds of all employees in the private sector and that during the last 5 years, SMEs have created 85% of all new jobs³;
- recognises that entrepreneurship and SMEs form the bedrock of Europe's economic prosperity;
- calls on entrepreneurship studies to be included in curricula across European Union Member States;
- calls on Member States to make sure that entrepreneurs have an adequate social safety net;
- calls on Member States to take the interests of SMEs into better account when devising legislation;

Section 6: Innovation increases in an inclusive society

Studies show that products designed by women or men yield different qualities—for example, with regards to user-friendliness, operability, appearance, size and noise level. Encouraging both genders to contribute to innovation will help create more jobs, renew labour market patterns and allow more families to become self-sufficient. At the same time, this will give consumers a broader range of products to select from, thereby increasing consumption and improving economy across the continent.

The EPP:

- acknowledges that women account for 60% of new graduates but are under-represented in certain fields of education, such as ICT, science and technology;
- acknowledges that stereotypes, internal socio-psychological barriers for women, and a strongly male-oriented environment prevent women from fully participating in the ICT sector;
- acknowledges the enormous potential for innovation and new technologies when both genders are included in the ICT, science and technology sectors;
- calls on Member States and EPP Member Parties to take necessary action in order to prevent gender-related barriers from inhibiting innovation by both women and men in any industry;
- calls on Member States to encourage girls and women to choose education in the ICT, scientific and technical sectors;
- calls on Member States to encourage female entrepreneurship in the ICT, scientific and technical sectors, both in urban and rural areas;
- calls on Member States to disseminate existing economic data relating to the improved performance of companies with a diverse workforce and the foreseeable lack of qualified ICT workers in the future.

2. Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/Business_economy_-_size_class_analysis
 3. Source: <http://ec.europa.eu/growth/smes/>

Section 7: A truly Single Market across all sectors–

We must make every market part of the European Single Market. Opening markets for competition brings benefits and increases the overall efficiency of the EU's economy.

In the future, we will be competing internationally with economic powers that have single markets of more than a billion people. If we want to be competitive internationally, we must unify markets that still remain fragmented. The European Single Market for goods is our source of prosperity. Yet there are additional markets with great potential opportunities in the fields of digital, energy, services and capital. Unifying these fragmented markets would add more than a trillion euros to our economy and create millions of new jobs.

The EPP:

- acknowledges that the Single Market for goods functions well and has been a source of prosperity for EU citizens over the past two decades;
- states that a single market across all sectors, in order to boost jobs, investment, efficiency and productivity is an absolute priority;
- recognises that creating single markets for digital, energy, services and capital is still a work in progress;
- recognises that completing the single market across these sectors of the economy would create millions of new jobs and increase the EU's GDP by more than 1 trillion euros annually⁴;
- calls on Member States to show leadership and push through the Commission's proposals on integrating markets, creating new opportunities for businesses and citizens in the EU and increasing the EU's GDP by more than 1 trillion euros per year;

Section 8: Taxation to encourage R&D and Investments

Taxation is a national competence and will remain so. However, we as the centre-right, pro-business and pro-job creation party, strongly support reforming tax codes to encourage increased spending on R&D and on investments and to implement a structural tax shift, such that labour is no longer the primary target but rather other sources. The US currently spends twice as much per capita on R&D as the EU⁵.

Investments in Europe have gone down considerably since the financial crisis⁶. This investment gap is a major factor holding back and hindering long-term economic growth prospects. We must support and promote targeted investment initiatives which create optimal conditions for entrepreneurs and SMEs to innovate. Investing in R&D and increasing investments will generate innovation and increase productivity.

The EPP:

- acknowledges that taxation is a national competence;
- recognises that investment within the EU is still more than 2 GDP percentage points below the long-term historical average;
- recognises that investment plays a crucial role in driving productivity, economic growth and higher employment levels and in bolstering the competitiveness of EU economies;
- recognises the positive impact of the European Fund for Strategic Investments in increasing investment in the EU;
- calls on Member States to enact tax reforms which favour greater investment and R&D spending. Boosting both investment and R&D expenditure and outputs are extremely important for the long-term competitiveness, productivity and economic growth of EU economies;

4. [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/536364/EPRS_STU\(2015\)536364_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/536364/EPRS_STU(2015)536364_EN.pdf)
 5. http://ec.europa.eu/eurostat/statistics-explained/index.php/R_%26_D_expenditure
 6. <http://bruegel.org/2014/11/measuring-europes-investment-problem/>

**If you have any question
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