

EMBARGO : 14.30 HRS.

MR RICHARD's speech for European seminar
on the Training Needs of Small and Medium-sized Enterprises
Luxemburg 10 October 1983

I hope it will come as a surprise to no one that I should choose to set my remarks in the context of strategies to promote employment growth.

With twelve million people out of work and little sign of economic recovery making a significant impact on that figure for some years, no one would claim that small firms alone can hold the answer to unemployment in the Community. Yet it would be very unwise to ignore their potential contribution to employment growth. The Commission's studies and investigations show, in line with research carried out elsewhere, that while medium-sized firms have tended to suffer the same pressures as larger companies for rationalisation and reduction of employment, small firms - and in particular those with a workforce of less than 20 - have emerged as the most dynamic source of new employment creation in the current decade. This seems due both to a surge in the number of new businesses created and to high growth rates in a few, highly successful firms. A restraining factor however is the survival rate among these firms, which can be as low as one in five over a five year period. It is this combination of dynamism and vulnerability which leads me to concentrate particularly on these very small firms in addressing the subject of this seminar.

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Improving not only the rate of creation of new businesses but also their survival rate should be a major policy aim for the Community. It is equally clear that training has a key role to play in such a policy. A question of prime importance for this seminar is what kind of training is needed to help meet that aim: what is its relationship to other support measures and how should current approaches be developed or adapted?

It is worth considering first what strategies and actions the Community has already adopted in this area.

A basic premise is that for survival and expansion small firms must be equipped with a panoply of skills in management, marketing and accountancy together with a versatile and professional work force (given that in a small firm work is organised on a less compartmentalized pattern than in a large firm). At the same time they must have solid technical skills to enable them to offer individual, diversified, high quality services.

This belief is embodied in the Council Resolution of 11 July 1983 concerning vocational training policies in the European Communities in the 1980s which emphasizes the importance of ensuring an adequate supply of training facilities, particularly as regards business management, with a view to facilitating the creation and development of small and medium-sized firms including cooperatives and maintaining and increasing their employment levels.

I would also draw attention to the Council Resolution of 12 July 1982 concerning Community action to combat unemployment in which the Council recommended looking into the possibilities of promoting the potential development of small and medium-sized firms through appropriate assistance in training, know-how, and information with a view to making them more competitive.

Looking now at particular categories of people, the Community action programme on the promotion of equal opportunities for women lays stress on promoting the access of self-employed women to technical and management training, while the Commission's recent Communication on the promotion of employment for young people stresses the need for advisory and technical services for small businesses to make special efforts to assist young people wishing to set up business .

The review of the European Social Fund agreed by the Council in June expressly refers to aid for small and medium-sized enterprises: in particular support will be made available for retraining made necessary by the introduction of new technologies and for training in management techniques. At the same time training projects related to local development and advisory services will be eligible.

I shall return to this aspect later.

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Management and technical skills are necessary but not sufficient conditions for a thriving small firms sector. Access to finance on suitable terms has long been a *cri de coeur* from small business men and a significant volume of funds has been channelled into the small firms sector through global loans from the European Investment Bank and the New Community Lending Instrument as well as through ECSC reconversion loans in coal and steel closure areas.

It is interesting to note too the development of proposals and actions aimed at the high technology, high risk small firm, for here the need for venture capital is closely linked to the requirement for the necessary business skills in the small firm itself. The Commission's proposal for financing innovation in small firms not only foresees the financing of intangible assets - including technical know-how - but also stresses that the venture capital

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organisations involved must be able to direct the firms in which they may invest to suitable sources of advice and training. A venture capital pilot project undertaken by the Commission, which I believe you will have an opportunity to discuss, also demonstrates the necessity of contributing management and marketing skills as well as loan or equity finance. This is a model which applies much more generally and which is finding an echo for example in the concept of integrated programmes (aimed at the coordination in certain areas of the different national and Community instruments available) and in the possibility which now exists under the non quota section of the European Regional Development Fund to meet the costs of advisory services for small firms in assisted regions.

It is perhaps at this point, having concluded this brief review with advice linked to finance, that I should welcome the presence among you of a number of eminent representatives from financial organisations both Community and national.

My fervent wish is that this seminar will help to increase interest in training problems for small and medium-sized firms and reinforce the conviction,

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founded on experience of a good many cases, that substantial support in this area helps to improve the chances of success and chances of consolidating the success of investments in these enterprises.

I am at the same time glad to see here a variety of experts in training and advice who have had experience in this area and whose varied approaches will I am sure enrich and lend colour to the discussions tomorrow and the next day. One of the main reasons for organising this seminar was to stimulate an exchange of views between people who might not otherwise have been brought together.

I also believe that developments in approaches to training and in the nature of small enterprises themselves are reaching a stage which provides some extremely interesting and important topics for debate.

To take training first, one trend that has become apparent is the need for training to be seen as one of a series of elements necessary to the creation and survival of a small firm. What has to be offered is a complete support structure, starting with help in the preparation of a proper business plan and covering all the areas of training, market research, finance and finally continued access to business advice as the enterprise develops.

Some might prefer to put it another way and say that the concept of training has broadened to encompass all these activities, since they are all necessary to ensure that the small firm acquires the skills it needs to come into being and survive.

This is all closely related to the nature of the small firms themselves: the people who create them, the form they take and their kinds of activity.

If we are to look to small firms as a real source of employment growth, and to seek to reduce the numbers of unemployed by stimulating that growth, we must accept that an increasing proportion of those seeking to create their own business will have little or no business experience. Some will be employees threatened with redundancy; others, including young people and women, may have failed to enter the labour market at all. These people may also have to look for new activities and new forms of enterprise in order to overcome the barriers of a still sluggish economy as well as other people's preconceptions about their abilities or their lack of experience. Studies by the Commission have shown for example that the cooperative form of organisation is attractive to young people and women and that it has in many cases enabled them to enter the labour market in sectors - such as data processing services or the construction industry, to take two examples from women's cooperatives -

which they might otherwise have had difficulty in penetrating. It is interesting to note that the number of worker cooperatives has more than doubled in the last five years, while employment has risen from 298,000 to 540,000 in the same period.

As for activities, these vary enormously but will usually be related to local resources or to local needs for goods or services: in rural and coastal regions, examples would be beekeeping, cheesemaking or mariculture. Craft activities may be revived; and new services may fill unmet environmental or social needs, such as recycling waste material or providing a creche.

Another point about these enterprises is their essentially regional and local context. Their scale, their type of activity and the people involved make local access to a suitable support structure essential. Conversely, in areas worst affected by unemployment and economic decline, whether they are rural areas experiencing depopulation, declining industrial regions or deprived inner city areas, the importance of such initiatives is redoubled. In such areas, self help is the most immediate prospect of employment and offers the advantage of development adapted to the resources and needs of the area itself.

It is in this light that the Commission is carrying out a series of pilot projects under the European Social Fund with the theme of training for development. In seven areas, ranging from Newcastle in North East England to the French Pyrenees, development teams have been established to coordinate with local authorities and institutions in an intensive effort to encourage potential entrepreneurs, identify business opportunities and provide the advice and training adapted to the needs of each emerging enterprise: in short to generate the support structure needed to stimulate local economic growth.

The Scottish case which will be presented the day after tomorrow was one result of a similar programme and I think it helps illustrate the value of such an approach: traditional skills in danger of being lost were revived and are now contributing to the recovery of a region threatened with the decline of certain heavy industries and which could not realistically be expected to achieve economic development based on advanced technology, at least in the immediate future.

I am very encouraged by such examples, and I believe that the experience being accumulated by such projects could be of great value in helping similar initiatives to develop successfully elsewhere. At the same time I think we are still a long way from bringing out the full creative and innovative potential of local communities and individuals. The new types of enterprises which I have described - without doing justice to their full range - are a positive and necessary attempt to come to grips with the problems of structural decline and long term unemployment which will persist throughout the 1980s. They do however present challenges for training and all the elements of the support structure. Put simply, it may well be that new approaches to training and new types of support structure will have to develop to match the needs of these enterprises and create a sympathetic environment for them.

The range of organisations offering support services may have to expand to meet the wide range of experience and activities - from high flying scientists to unqualified people contemplating self employment for the first time - which now make up their market.

The range of subjects on which training is made available may need to be extended, to take account both of different structures - for example I wonder how many cooperatives have difficulty in finding appropriate management training - and of a wide variety of sometimes novel activities. This may pose problems of resources, since it may well be allied with a need for more intensive training and advice, over a longer period. A much higher proportion of training may have to be informal, 'on the job' training, flexible enough to cope with the specific problems encountered by each new unit. It will demand a high level of practical experience and understanding on the part of those giving advice and training.

In turn, there will be a need to provide training for potential development agents and trainers themselves: people who because of their local knowledge or their contacts with local people could make a significant indirect contribution to employment creation if their talents were complemented by a structured knowledge of marketing or management skills.

I shall speculate no further on the likely trends of the debate over the next two days; suffice it to say that I shall listen with great interest to the outcome of the discussions since the Commission is currently preparing a Communication on the subject of local small scale employment creation which will contain specific recommendations for policies and actions to assist its development.

Finally, I should like to stress again the value I attach to meetings of this kind bringing together people from many different parts of the Community. It seems to me that one of the chief benefits of action at Community level can be the opportunities for the exchange of experience and the reproduction of successful ventures elsewhere. This is especially important in matters relating to small firms: one idea which leads to ten or twenty jobs being created or saved can become an even more important success story if it is repeated in several places throughout other Member States. If that is the result of this seminar, we shall all, I am sure, be more than happy.