

The need for strong
and sustainable
family businesses for
the EU's success

EFB's ideas to
present to political
parties

EFB

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THE NEED FOR STRONG AND SUSTAINABLE FAMILY BUSINESSES FOR THE EU'S SUCCESS.

An estimated 65 to 80% of all European companies are family businesses.[1] Family businesses account for, on average, more than 40 to 50% of all jobs.[2] Family businesses are among the top employers in the EU, offering professional training and re-training for many people.

European Family Businesses (EFB) is the federation of national family businesses associations. Our aim is to make political decision makers aware of the contribution of family businesses to society at large and to promote policies that are conducive to long term entrepreneurship. Our members represent turnover in excess of one trillion Euros, 10% of European GDP. Considering the vast amount of family businesses present across Europe, it is evident that they are of strategic importance to the societal fabric and the future competitiveness of the European economy.

The strength of the EU of tomorrow depends, to a large extent, on how family businesses are faring today. While many of them operate only in a given local, regional or national environment, an ever-increasing number are actively pursuing a growth strategy and competing successfully on a European or global scale. EU family businesses are already contributing towards the twin transition of our economies by becoming environmentally sustainable and transforming their companies for the digital age. But to better enable this journey, their needs must be recognised. Otherwise, the EU risks compromising their profitability or even their survival.

The outlook of European businesses is not as good as it could and should be. Faced with the current challenging geopolitical situation, high energy prices, late-tackled inflation, and disruptions to supply chains, companies are up against numerous, unprecedented challenges. In addition, an immense amount of new regulatory provisions has meant that businesses have had to deal with more administrative burdens, which adds costs and complexity to their operations, which they can scarcely afford.

It is critical that policymakers find the right balance between fostering growth, climate adaptation and business productivity.

It is time for the EU to become an enabler in fostering an attractive structural business environment, which will free the immense potential to employ, innovate and compete successfully to deliver the best goods and services for the consumers and for the whole value chain in the EU and abroad.

For the next mandate of the European Commission and Parliament, European Family Businesses (EFB) believes that the following should be prioritised:

[1] <https://europeanfamilybusinesses.eu/about-european-family-businesses/>

[2] <https://europeanfamilybusinesses.eu/about-european-family-businesses/>

1. SIGNIFICANT AND EFFECTIVE REDUCTION OF ADMINISTRATIVE BURDENS.

EFB supports smart regulation. Despite this desirable policy goal, we have witnessed a vast increase in regulation and new administrative burdens at the expense of the capacity of businesses to focus on their core societal tasks.

Hence, we ask that:

- Only strictly necessary regulation should be imposed on companies. The "think small first" principle must be thoroughly applied across the EU.
- Use longer transitional periods where appropriate, so that policies can be adopted with greater ease.
- Offer simple and user-friendly digital tools that help companies to navigate through the regulatory environment.



2. BETTER ACCESS TO SKILLED LABOUR.

For the EU to be competitive and embrace the twin transition, companies need to be able to acquire the appropriate skills and talent from across the EU Member States. The EU needs a more efficient and flexible labour market capable of providing businesses with consistent flow of skilled labour. [3] To achieve this, we will need to upskill and reskill people while encouraging lifelong learning and promoting digital education. This will be crucial to make Europe's economy more competitive, more cohesive and, as a result, more resilient.

Hence we ask for:

- The automatic recognition of EU university degrees and high school diplomas among EU Member States to help foster faster movement of highly skilled individuals within the single market.
- Interoperability of national social security systems to enhance labour mobility.
- Programmes to help Family Businesses invest in their employees' training, thus giving them the right skills needed for the twin transition.
- The promotion of dual education systems that encourage both education and vocational learning.
- More talent attraction from outside the EU's borders is needed so that we can access international talent.

[3] [European family business barometer \(assets.kpmg\)](#), 2018, pages 13-14.



3. BETTER ACCESS TO FINANCE FOR COMPANIES TO GROW AND SCALE-UP.

Family businesses in Europe need the EU to have an economic environment that fosters growth. EFB calls for the following points to be taken into consideration:

- Since most start-ups are created with private equity generated in profitable businesses, the legal, administrative, and fiscal frameworks should favour all family businesses and family offices that invest in start-ups.
- Within R&D it is not just research that has to be thought of. The development of products, processes and protocols should be considered.
- The rules governing the access of R&D financing programmes for SMEs and Mid-Caps should be greatly simplified. Notably, smaller businesses are often scared off by complex rules and onerous reporting requirements.
- Further work on the Debt Equity Bias Reduction Allowance to ensure a level playing field between equity and debt that facilitates financing for companies with their own resources.
- The recognition of Mid-Caps as a separate category and support measures to help them grow.
- Ensuring a swift and easy application of the Listing Act so that SMEs can become more active in public capital markets.



4. ENCOURAGING MORE FREE TRADE WHILE DEFENDING OUR STRATEGIC INTERESTS.

Making Europe more competitive globally will require the EU to stay a firm supporter of free trade, and a defender of resilient supply chains, while protecting Europe's interests in the world. The EU needs to conclude more free trade agreements and strengthen the existing ones.

Polymakers should consider:

- Pursuit of the conclusion of more Free Trade Agreements (FTAs) with major trading partners.
- The EU needs to scale up its manufacturing capacity to be more resilient and should develop its own critical infrastructure where possible.
- Strategically invest in the development of critical innovative technologies and exert control over its resources.
- EU Member States should protect long-term responsible business owners, as maintaining European ownership is core to the economic prosperity of the EU.
- The use of trade defence instruments to combat unfair trade practices will help to curb regulation of foreign subsidies that distort the internal market.
- Further strengthening the WTO.



5. FACILITATE BUSINESS TRANSFERS TO ENCOURAGE CONTINUITY AND GROWTH.

According to the EU Commission, an estimated 450,000 enterprises, representing 2 million jobs are transferred yearly in Europe. At the same time it is estimated that around 150,000 transfers of viable businesses are at risk, thereby putting millions of jobs at risk and potentially losing important businesses.

Therefore, EFB proposes:

- A timely process to prepare succession is crucial to better take advantage of the pool of talent that is awaiting an opportunity.
- Continued fiscal and regulatory support by national governments to help family business continuity and the next generation of entrepreneurs and business owners.
- EU institutions should encourage the dissemination of best practices between Member States.
- Supportive public policies that consider intra-family succession as a priority and that do not only focus on the buying and selling of companies. This is all the more important in those EU countries where family succession was historically suppressed for political reasons.
- Reliable data on business transfers is still lacking. Accurate yearly data must be compiled on the transfer of business situation. This will, in turn, help to shape policy.



CONCLUSION

To conclude, the contribution of family businesses to the EU economy is considerable. The longevity of family businesses makes them excellent vehicles to propel the EU's Single Market forward and make it more competitive. It is for this reason that European Family Businesses calls for the next Parliament and Commission to focus their efforts on building an EU which will ensure a reduction of administrative burdens for companies to navigate regulatory requirements with greater ease, more consistent access to skilled labour, and an economic environment which fosters growth and facilitates business transfers, while also ensuring that Europe remains competitive globally.

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EU Transparency registration n° 58849794266-75

