

Cutting bureaucracy for Small and Medium-sized Enterprises

First hand proposals by SME and Mid-Caps on where to cut bureaucracy on European and national levels

A survey run from July-September 2023 among 0,01% of our member companies ¹

Introduction

European Commission President Ursula von der Leyen, in her speech in Strasbourg on March 15, 2023 proposed to **cut by 25% the reporting obligations** for companies in the EU. European Entrepreneurs CEA-PME, the largest confederation of *voluntarily* organized small and medium enterprises and Mid-caps in Europe decided to mobilise its resources and involve its members to truly understand the status quo of bureaucracy and to bring to the EU-table, real proposals by SMEs and Mid-caps for SMEs and Mid-caps. Member companies of European Entrepreneurs CEA-PME's member associations were asked to provide their own insights into the degree of burden that bureaucracy currently entails, outline the repercussion for their businesses in daily activities and in general terms, and provide examples of excessively burdensome bureaucracy and solutions on their side.

This report is intended to provide an empirically verified and real perspective on the necessary changes to implement in order to allow the numerous SMEs operating in Europe to fully exploit the potential of the single market and regain/keep their competitiveness on a European scale and beyond.

1. Can you indicate the **size of your company**, being either micro (1-9 employees), small (10-49), medium (50-249) or mid-cap (up to 3k)

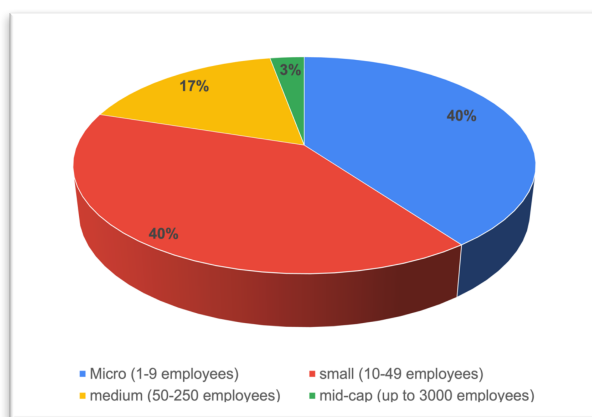


Figure 1: Company size

¹ A total sample of 2.386 answers given to 2 different surveys, one in Germany with more general questions on the general Economic Outlook among members of Der Mittelstand.BVMW e.V. (1.089 answers) and to a more specific survey run by European Entrepreneurs CEA-PME in 13 different languages with a total of 1.297 answers collected. Percentages rounded. Given the distribution of companies among micro, small, mid-SIZE companies and Mid-Caps, and the total size of the sample, this survey can be considered as representative for the SME business community in the European Union.

The survey encompasses a range of company sizes, illustrating a diverse representation of the business landscape. Micro-enterprises, constituting companies with 1-9 employees, are the most prevalent in the survey, making up about 39.9% of the total sample. Small enterprises, those with 10-49 employees, also hold a significant proportion, accounting for approximately 39.6% of the sample. Medium-sized enterprises, defined by 50-249 employees, represent a notable share as well, constituting about 17.4% of the total sample, exceeding its statistical reality, but showing the importance the issue “bureaucracy” has for them. Mid-cap companies with up to 3.000 employees, also over-represented compared to the real distribution, still make a substantial contribution, accounting for about 3.1% of the sample. This varied representation of company sizes sheds light on bureaucratic concerns experienced by businesses of different scales, providing a comprehensive understanding of the challenges within the European business landscape.

2. Which is your economic sector?

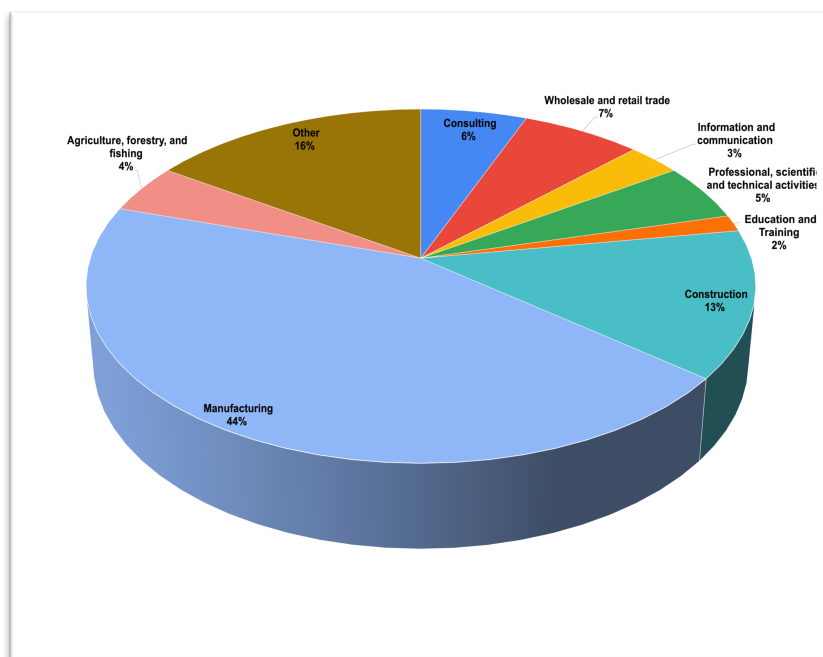


Figure 2: Sector of reference

The surveyed companies within European Entrepreneurs CEA-PME’s network belong to different industrial sectors, ranging from Information and Communication, Manufacturing, and Wholesale/Retail Trade to Construction, Professional Services, Education, and more. These sectors collectively form a significant portion of the EU business landscape. The recurring themes of regulatory challenges which will be presented in this report, highlight the need for targeted reforms, and effective communication between businesses and authorities. Tailoring solutions to the unique requirements of SMEs while promoting harmonization at a broader level can go a long way in reducing bureaucratic burdens and fostering a more conducive business environment within the EU.

3. Geographic distribution ²

The survey sample comprises responses from various European countries where European Entrepreneurs CEA-PME's member organisations are based. The majority of the responses come from the Czech Republic, making up approximately 38% of the total sample. Italy and Spain also represent substantial portions, constituting around 28% and 25% of the sample, respectively. This is very interesting, as the higher reaction of companies from some countries reflects also the higher concern in these countries. Therefore, Czech Republic, Spain Italy and Germany, constituting about 5% of the sample, are all countries that should take the answers of the respondents to this survey **very seriously**. Other countries represent only 4% of the total sample.

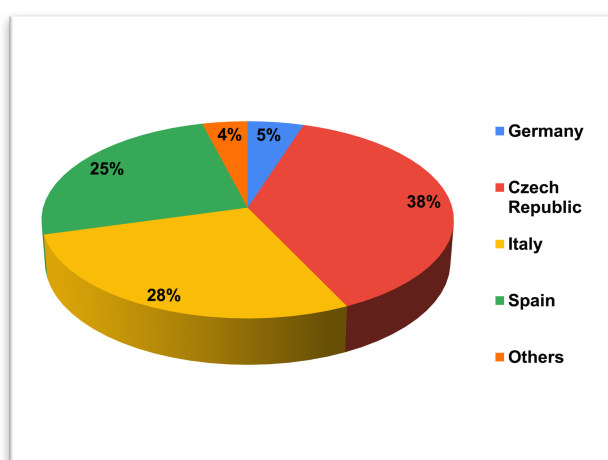


Figure 3: Country where the company is based

4. In your specific sector, how do you perceive the **degree of reporting and other administrative burden**?

With this question, we intended to get a first idea of what the overall situation was, and utilized a scale to better represent the general situation in terms of the perception and feeling of the SMEs. The scale utilized was a standard one, with 5 values, the lowest being 1 (**very low burden**) – and the highest being 5 (**very high burden**).

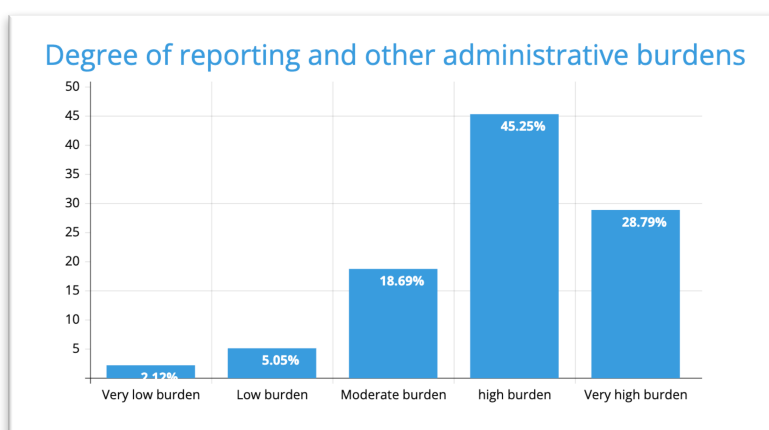


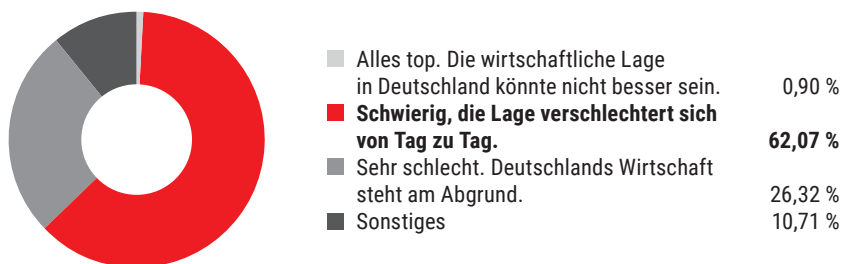
Figure 4: Perception of administrative burden

² This part of the analysis refers only to the survey run by European Entrepreneurs CEA-PME among all its members in 13 different languages. It does not include the answers to the survey run by der Mittelstand.BVMW (D).

The general perception of the degree of reporting and administrative burdens in the specified sector, based on the given responses, leans towards the higher end of the scale. The majority of responses fall within the “4” and “5” range, indicating that over **75% of companies perceive a high to very high burden of reporting and administrative tasks** in their specific sector. Only a relatively small proportion of respondents rated the burden as “very low” or “low” or even moderate.

5. Specific view of German SME and Mid-Caps on the economic situation, referred to bureaucratic burdens

Welche der folgenden Aussagen trifft auf die wirtschaftliche Lage in Deutschland am ehesten zu?



Welches der genannten Themen stellt das größte Risiko für Sie und Ihr Unternehmen dar?



For what regards the overall economic situation in Germany (question N. 1 in the scheme above), 62.07% of respondents answer with “*Difficult, the situation is getting worse from day to day*”. Still more than 26% consider Germany being “*at the edge of an abyss*” which seems to be a very negative view on the economic outlook. As biggest risk perceived in the current situation (question N. 2), 37.14% see “*high taxes, contributions and high energy prices*”, while still **26.17% perceive “bureaucracy in Germany and in the EU”** as the second highest risk factor.

Was müsste die Politik für einen Neustart in Deutschland jetzt tun?



To the third question useful for our analysis, what German politics should do in Germany for a “new start”, nearly **32% of respondents ask to “coherently implement reduction of bureaucratic burdens”**.

Of course, this is only the view from one country, but the following answers show us the serious concerns and similar requests also in other EU countries. The old-timer “cutting red tape” is far from being only a (German) fashion. It seems to be more actual one than ever.

6. What does this bureaucratic burden **cause to your company?** (Multiple choices possible)

These are the most mentioned implications in relation to the bureaucratic burdens for companies:

Additional costs: 26.00%

Loss of time: 31.43%

Less innovation: 5.14%

Less investments: 4.34%

Less satisfied customers: 6.86%

Loss of intellectual property: 2.94%

Difficulty attracting qualified workforce to the country: 3.43%

It is evident that this challenge has a substantial impact on various aspects of business operations. The most prevalent issue reported is the significant **loss of time**, affecting approximately **31.43%** of the respondents. This signifies a critical concern as time is a valuable resource in the business world. Moreover, a notable portion, approximately **26%**, highlighted the burden of **additional costs**, further emphasizing the financial implications of bureaucratic processes. This makes more than 52% of respondents considering bureaucratic burden a severe impact on the economic sustainability of their company. Another concerning aspect is the impact on customer satisfaction, reported by around 6.86% of respondents, suggesting that **bureaucratic challenges** indirectly **affect the end consumers**. Additionally, the hindrance to innovation and reduced investment, mentioned by 5.14% and 4.34% respectively, highlights the potential long-term repercussions on business growth and competitiveness. Furthermore, the difficulty in attracting a qualified workforce due to bureaucratic hurdles (3.43%) is a crucial concern for sustained productivity and growth. Addressing these issues is vital to create a conducive business environment, fostering growth, innovation, and ultimately, economic prosperity.

7. Can you give some **examples of an unnecessary or excessive bureaucracy** in your sector?

Below there are the most recurrent themes brought about by the sample, regarding examples of unnecessary or excessive bureaucracy from the entirety of the sample.

Recurrent Themes:

1. **Redundant and Diverse Reporting:**

- Businesses often face the burden of submitting similar or identical information to multiple public entities or for different processes, resulting in redundancy and inefficiency.

2. **Regulatory Complexity and Discrepancies:**

- The excessive and often intricate regulatory landscape, including overlapping or contradictory regulations from different levels of government, adds complexity and uncertainty to compliance efforts.

3. **Lack of Coordination and Centralization:**

- There's a notable lack of coordination and centralization among various administrative bodies, leading to redundant information requests, contradictory conclusions, and delays in administrative processes.

4. **Inefficient Licensing and Permitting:**

- Licensing and permitting processes are often slow, burdensome, and lack defined response times, causing delays and hindering business operations and expansion.

5. **Information Overload and Data Privacy:**

- Businesses struggle with excessive requests for information, especially through surveys, with concerns about data privacy and security as data is shared with multiple public entities.

6. **Communication Challenges:**

- Inefficient communication channels and varied documentation platforms make it difficult for businesses to interact effectively with different public administrations.

Assessment:

The overarching recurrent themes collectively illustrate a challenging administrative environment for businesses. The burden of redundant paperwork, complicated regulatory frameworks, and a lack of coordination among administrative bodies are key issues. These challenges can hinder business growth, innovation, and economic development.

To address these issues, there's a clear need for administrative reforms aimed at

- streamlining processes
- harmonizing regulations
- enhancing communication and coordination among different administrative entities
- simplifying reporting requirements
- consolidating data requests
- improving licensing processes

All this can significantly reduce the administrative load on businesses, allowing them to focus more on their core operations and growth strategies.

Efforts should also focus **on leveraging technology to create centralized platforms** for reporting and information sharing, ensuring data security and privacy. Furthermore, **involving stakeholders**, including businesses and their organisations, in the regulatory review process can help in identifying areas for improvement and fostering a more business-friendly administrative environment.

A deeper assessment of these themes reveals critical areas for improvement:

1. **Operational Efficiency and Productivity:**

- The administrative burden, stemming from redundant reporting and extensive paperwork, hampers operational efficiency. Businesses spend substantial time and resources fulfilling administrative requirements that could otherwise be directed towards productive activities.

2. **Cost Implications:**

- The administrative workload, including compliance and reporting, translates into direct and indirect costs for businesses. The resources spent on administrative tasks could be invested in research, development, or expansion.

3. Compliance Challenges:

- The multiplicity of regulations and reporting mechanisms can lead to compliance challenges. It's difficult for businesses to keep pace with evolving regulatory requirements, potentially resulting in inadvertent non-compliance and associated penalties.

4. Competitive Disadvantage:

- The administrative burden places local businesses at a competitive disadvantage, especially compared to regions or countries with more streamlined and efficient administrative processes. This can deter investment and growth.

5. Innovation and Adaptability:

- Excessive bureaucracy can stifle innovation and adaptability, hindering businesses from responding swiftly to market changes. The time and effort spent on administrative tasks could be better used for strategic planning and innovation.

6. Data Privacy and Security Concerns:

- Multiple data submissions and surveys raise concerns about data privacy and security. Businesses must ensure the safe handling of sensitive information shared across various administrative entities.

7. Collaboration and Stakeholder Involvement:

- Insufficient collaboration and stakeholder involvement in the regulatory process can lead to regulations that are disconnected from practical realities. Engaging businesses in policy discussions can result in more effective and feasible regulatory frameworks.

8. Technology Integration:

- There is an opportunity to leverage technology to simplify administrative processes, centralize reporting, and automate compliance tasks. Integrated digital platforms can streamline communication and reduce paperwork.

Recommendations:

1. Simplify and Harmonize Regulations:

- Governments should streamline regulations, reduce redundancy, and ensure consistency across different levels of administration to simplify compliance for businesses.

2. Centralize Reporting and Data Sharing:

- Implement centralized digital platforms that facilitate unified reporting, reducing the need for duplicate submissions and enhancing data security.

3. Enhance Communication and Coordination:

- Establish clear communication channels and enhance coordination among administrative bodies to provide timely and consistent responses to businesses' inquiries and requests.

4. Engage Businesses in Regulatory Reviews:

- Involve businesses in the review and formulation of regulations to ensure that administrative requirements are practical, effective, and aligned with business realities.

5. Leverage Technology for Efficiency:

- Invest in user-friendly digital interfaces and tools that automate administrative processes, making compliance easier and more efficient for businesses.

6. Provide Clarity on Response Times:

- Establish defined response times for administrative processes such as licensing and permitting to create predictability and reliability for businesses.

Addressing these aspects will contribute to a more business-friendly administrative environment, promoting economic growth, innovation, and fostering a positive ecosystem for enterprises to thrive.

8. Which laws would you change or obligations would you simplify? (Multiple choices possible)

Here the sample was proposed a list of laws/obligations and were asked to choose which of these they would like to change and also to highlight any other particular pain point.

- Data Protection Regulations: 22.95%
- Tax and Financial Reporting: 22.43%
- Employment and Related Administrative Matters: 20.80%
- Occupational Safety Regulations: 17.49%
- Licenses and Permits: 15.82%
- Environmental Requirements: 14.49%
- Reporting and Documentation Requirements: 9.54%
- Conclusion of Contracts and Public Procurement: 6.68%
- Other (Specify): 3.87%

In assessing the survey data, it's evident that data protection regulations, tax and financial reporting, and employment-related administrative matters constitute the most substantial bureaucratic burden, each garnering over 20-22% of the responses. Addressing tax and financial reporting requirements seems paramount, given its direct impact on businesses' financial health and operational efficiency. Simplifying tax documentation, harmonizing reporting formats, and providing digital platforms for seamless reporting could significantly alleviate this burden. Specifically, it would be of high importance for the European Commission, to look into the reporting burden created by **Taxonomy and its delegated acts**, as this is a new legislative field stemming from the EC and which can – and if necessary must – be simplified, also using technological solutions such as AI.

Very important for the European level seems to be the **perception of bureaucratic burden produced by data protection regulations**. These have recently been standardised on EU-level by means of a regulation (GDPR), and was intended to produce simplification, but strangely it is still considered a particular burden. This might have to do with national interpretations of the GDPR, supposedly “gold-plating” the EU regulation and making things again more burdensome than necessary. A **specific communication effort by the European Commission**, also using recent judgements of the ECJ, in order to **streamline the interpretation** of the regulation would ensure data security without excessive administrative complexity.

Employment and related administrative matters also stand out, necessitating a thorough review of processes related to hiring, record-keeping, and compliance. This is mainly member states responsibility, but for the sake of a true Single Market, a level playing field among SME in different MS would be healthy and welcome.

9. Do you have a **concrete proposal** on how to simplify bureaucracy or reduce reporting obligations? Examples and best practices?

Recurring Themes:

1. **Digitalization and Centralization (± 28%)**: Utilizing digital platforms, a single digital identity, and centralized systems to streamline interactions with various government entities and reduce redundant paperwork.
2. **Simplification and Reduction of Redundancy (± 22%)**: Simplifying administrative processes, eliminating unnecessary documentation, reducing redundant requests for information, and consolidating or standardizing reporting requirements.
3. **Improved Communication and Coordination (± 18%)**: Enhancing communication and coordination between government departments and agencies to reduce response times, provide clear guidance, and minimize delays caused by bureaucratic procedures.
4. **Data Sharing and Integration (± 16%)**: Advocating for better integration and sharing of data between government bodies to eliminate the need for businesses to provide the same information multiple times.
5. **Rethinking Regulatory Framework (± 12%)**: Evaluating and modernizing the regulatory framework, aligning with business needs, and incorporating a risk-based approach to reduce administrative burden.

Many of these issues point at **digitalisation** and making the **Once Only principle** a reality. This would have much higher **systemic effects** than any other “legalistic” analysis, i.e. looking at which single rule, regulation or obligation shall be cut. Companies don’t oppose the need for rules in itself – as long as they remain at an understandable and acceptable level – **but they oppose strongly complexity, redundancy, repetition, lengthy and incoherent procedures**. That means also, that the **European AND the member states levels are inevitably intertwined**: only by streamlining procedures between local, regional, national and EU levels real gains can be achieved. Based on these recurring themes, the **following recommendations** could be useful as a guide to improve the situation:

- **Promote Digital Transformation**: Invest in digitizing bureaucratic processes and develop a user-friendly centralized platform that integrates with various government systems, allowing businesses to submit and access necessary information seamlessly.
- **Standardize Reporting and Documentation**: Establish standardized reporting formats and reduce the amount of repetitive documentation required, ensuring that businesses only need to submit essential information in a clear and consistent manner.
- **Enhance Inter-Agency Collaboration**: Encourage collaboration and information sharing between different government agencies to reduce duplication of requests and ensure a unified approach to regulatory requirements.
- **Revise and Simplify Regulations**: Review and simplify regulatory frameworks, minimizing unnecessary requirements and paperwork to make compliance more straightforward and efficient for businesses.

The current situation reflects a **pressing need for bureaucratic reform**, on European as well as on national levels, to alleviate the burden on businesses. While technological advancements have been made, bureaucratic processes often remain cumbersome and fragmented. Digitalization and standardization of processes, coupled with inter-agency collaboration, are critical steps toward simplifying administrative procedures and fostering a business-friendly environment. Addressing these issues will not only **improve efficiency at state and EU levels** but also **encourage economic growth and innovation within the business sector**.