



TRADE UNION ADVISORY COMMITTEE  
TO THE ORGANISATION FOR ECONOMIC  
COOPERATION AND DEVELOPMENT  
COMMISSION SYNDICALE CONSULTATIVE  
AUPRÈS DE L'ORGANISATION DE COOPÉRATION  
ET DE DÉVELOPPEMENT ÉCONOMIQUES

**OECD Ministerial on SMEs**  
**Strengthening the bargaining power of SMEs and their workers**  
Mexico City, 22-23 February 2018

Small- and medium size enterprises policies (SMEs) can contribute decisively to inclusive and green growth and quality job creation. To support this, governments need to design and implement the right regulatory framework and the right macroeconomic policies for the SMEs' potential to be unleashed. The business models, corporate governance, organisation of work, financial resources, level of integration in global value chains, digitalisation and greening vary substantially in SME sub-segments. SMEs constitute an essential engine of job creation across OECD economies. Yet, the majority of SMEs is lagging behind in creating quality jobs, and in emerging and developing economies they are still often part of the informal economy. One of the main reasons is their dependence on contractors from larger companies.

It is essential to ensure the right business environment for SME's through effective regulation. An "effective regulatory" approach, however, should not be confused with a "no regulation" or a regulatory exemption approach. What matters is to ensure well designed regulatory requirements and reporting duties that meet the specific constraints faced by SMEs while keeping regulatory standards and objectives fit for purpose. Further de-regulation would run counter to the principle of levelling the playing field and result in an invitation for business to undertake arbitration strategies by exploiting differences in regulatory or tax treatment as a strategy to transform existing activities and jobs into precarious, lower paid and unstable ones.

Beyond regulation that protects the bargaining power of SMEs and ensures an effective level playing field with larger companies, governments need to ensure the right policy mix in which SMEs can thrive. This includes macro-economic policies that promote aggregate demand and fiscal policies that support investment in public infrastructure (including broadband coverage), universal social protection and workers' training, just transition schemes towards greener and digitalised business models and an industrial policy that spans across different sectors and within regions.

Moving ahead, the OECD Ministerial should support:

***High regulatory standards for job quality and good working conditions***

- Maintain high quality regulatory standards for SMEs. While regulatory reporting requirements may need to adapt to SMEs, de-regulation and lowering the regulatory standards for SMEs is not the answer and will only fuel further fragmentation of the labour market;

- Ensure the basic labour rights of SME workers – who are more exposed to job precariousness and labour right violation – are fully respected, including decent work, freedom of association and collective bargaining and to social protection;
- Encourage social dialogue and promote sector-level agreements covering SMEs towards establishing higher standards on wages, benefits, skills and training, including for the deployment of new technologies.

### ***Proactive public policies for SMEs***

- Active labour market policies that ensure quality job creation tailored to SME sub-segments, in particular by supporting young firms and women entrepreneurship;
- Industrial policies that support SMEs, all the SMEs, in their transition to digitalisation, to clean energy and green technologies – in practice “industry 4.0” programmes most often benefit larger companies and start-ups, not on the vast majority of SMEs;
- Structural fund programmes to tackle informality in SME sector and fight precarious work.

### ***Green and digitalise with a socially responsible and long-term vision***

- Information and guidance on the use of basic IT software, cloud computing and business networks including on data security and privacy (including the development, interoperability and respect for sector specific data security standards) are much needed so that SMEs not fall behind bigger and more innovative firms;
- Investment plans with concrete implementation targets towards high-speed broadband coverage are much needed so that SMEs can digitally mature and adapt their organisational structures, also with the help of regional clusters;
- Transition frameworks and collective insurance funds need to be set up and co-administered by social partners that support workers and communities affected by layoffs, outsourcing or off-shoring, and bring them back into quality employment.

### ***An international trade and investment systems that works for SMEs***

- Take full advantage of local content requirement clauses and of public procurement procedures with treaties giving sufficient rights to governments at all levels to develop a tailored, regional industrial policy approach – including local content requirement and public procurement;
- Put an end to Investor State Dispute Settlement mechanisms (ISDS) that privilege foreign investors above all others stakeholders, including SMEs.

### ***Responsible business conduct standards in global value chains***

- Ensure that MNEs fully comply with the OECD standards and best practices for responsible business conduct in the supply chain to reduce and mitigate the risks for low quality and precarious jobs in SMEs amongst other due to price discrimination or lack of resource;
- Help SMEs facing constraints to carrying out due diligence (cost barrier to employing dedicated staff to oversee due diligence, to accessing certification, training, etc.).

***Better access to long term and responsible financing and promote financial literacy***

- Set and maintain standards that ensure good governance and transparency of investment vehicles for SMEs and promote socially responsible and labour investment funds as alternatives;
- Ensure that while promoting new forms of financing including crowdfunding and venture capital, private equity funds are regulated and designed for the long term and with responsible investment principles;
- Make a distinction between digitalised start-ups that know how to navigate such offers and traditional SMEs who need to be supported in developing their financial literacy through information sharing and the promotion of regional clusters.