



## **Fourth item on the agenda: Small and medium-sized enterprises and decent and productive employment creation**

### **Reports of the Committee on SMEs and Employment Creation:<sup>1</sup> Summary of proceedings**

1. The Committee met for its first sitting on 1 June 2015. It was originally composed of 184 members (84 Government members, 35 Employer members and 65 Worker members). To achieve equality of voting strength, each Government member entitled to vote was allotted 65 votes, each Employer member 156 votes and each Worker member 84 votes. The composition of the Committee was modified five times during the session and the number of votes attributed to each member was adjusted accordingly.<sup>2</sup>
2. The Committee elected its Officers as follows:

<i>Chairperson:</i>	Ms Z. Roussinova (Government adviser, Bulgaria) at its first sitting
<i>Vice-Chairpersons:</i>	Ms G. Pineau (Employer member, France) and Mr G. Belchamber (Worker member, Australia) at its first sitting
<i>Reporter:</i>	Mr A. Bonilla García (Government member, Mexico) at its sixth sitting

<sup>1</sup> The resolution and conclusions submitted by the Committee for adoption by the Conference are published in *Provisional Record 11-1*.

<sup>2</sup> The modifications were as follows:

- (a) 2 June: 201 members (98 Government members with 170 votes each, 35 Employer members with 476 votes each and 68 Worker members with 245 votes each);
- (b) 3 June: 193 members (103 Government members with 748 votes each, 22 Employer members with 3,502 votes each and 68 Worker members with 1,133 votes each);
- (c) 4 June: 185 members (107 Government members with 340 votes each, 10 Employer members with 3,638 votes each and 68 Worker members with 535 votes each);
- (d) 9 June: 148 members (109 Government members with 248 votes each, 8 Employer members with 3,379 votes each and 31 Worker members with 872 votes each);
- (e) 10 June: 149 members (109 Government members with 32 votes each, 8 Employer members with 436 votes each and 32 Worker members with 109 votes each).

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3. At its sixth sitting, the Committee appointed a Drafting Group to prepare and submit a set of tentative conclusions for its review, composed of the following members:
    - *Government members:* Ms E. Akkerman (Netherlands), Mr I. Angelov (Bulgaria), Ms F. Belinga Bibi (Cameroon), Mr A. Msaki (United Republic of Tanzania), Ms S. Huender (Australia), Mr S. El Abdelwahad (Saudi Arabia), Ms K. Cook (United States), Mr E. Bogani (Argentina).
    - *Employer members:* Ms G. Pineau (France), Mr G. Fung (Indonesia), Ms H. Van Der Westhuizen (South Africa), Mr A. Finlay (Canada), Ms C. Castro (Argentina), Mr R. Bharadwaj (India), Mr A. Manrique Moreno (Mexico), Ms N. Al Turki (Saudi Arabia).
    - *Worker members:* Mr G. Belchamber (Australia), Mr N. Van Holstein (Netherlands), Mr D. George (South Africa), Mr M. Samsing (Denmark), Ms K. Debacker (Belgium), Mr A. Ferrari (Uruguay), Ms A. Laryea-Djan (Ghana), Ms Y. Gorisson (Suriname).
  4. The Committee had before it Report IV entitled *Small and medium-sized enterprises and decent and productive employment creation*, prepared by the International Labour Office for a general discussion of the fourth item on the agenda of the Conference: “Small and medium-sized enterprises and decent and productive employment creation – *general discussion*”.
  5. The Committee held 11 sittings.

## Introduction

6. In her opening statement, the Chairperson emphasized that small and medium-sized enterprises (SMEs) accounted for two-thirds of all jobs worldwide. In the light of major employment challenges in many developing and developed countries, it was the right time to discuss the relevance of SMEs in employment creation, key constraints faced by enterprises and their workers, and especially what worked and what did not work in promoting SMEs to create more and better jobs.
7. The representative of the Secretary-General, Mr Gilbert Fossoun Hougbo, Deputy Director-General for Field Operations and Partnerships, highlighted that SME policies were a key area of intervention for the ILO and that demand for ILO support from constituents was increasing. Fifty-two member States had implemented different SME policies with the support of the ILO, double the number originally targeted. SMEs and employment creation was of crucial importance for the ILO and SME policies played a key role in achieving the new priorities of the ILO as defined in the strategic framework for 2016–17, including the outcomes concerning youth employment, sustainable enterprise development, decent work in the rural economy, formalization of the informal economy, and extending social protection floors.
8. An Expert of the Committee, Mr Markus Pilgrim, Head of the Small and Medium Enterprises Unit in the Enterprises Department, presented an overview of the key findings contained in the Office report. There was solid empirical evidence confirming that SMEs were a major job creation engine, but the analysis also clearly showed that the sector was heterogeneous, which called for differentiated and better-targeted policies. Specific measures could be considered for young, growing enterprises that made high contributions to employment, while maintaining support for micro-enterprises that played an important role in providing incomes and livelihoods. Key constraints faced by SMEs included access

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to finance, access to electricity, and informality, with significant variations according to the level of economic development as well as by region. Much less was known about the quality of employment and the constraints faced by workers in SMEs. Data from the EU showed that SMEs generally scored lower than large enterprises on the quality of employment, with the exception of job satisfaction, but also that the economic sector in which the enterprise operated had a stronger influence on quality than the size of the enterprise.

9. The key findings contained in the Office report showed that access to finance and entrepreneurship training contributed to the creation of more and better jobs, especially when provided as a package. They also revealed that it was necessary to improve support for women entrepreneurs. Policies that fostered an enabling environment were crucial for SMEs, but further assessments were required to measure the impact of specific interventions and policy packages. The findings highlighted that an effective formalization of informal SMEs required an integrated approach that combined business entry reforms with simplified tax schemes and social security provisions. Productivity and working conditions in SMEs were an area of critical importance for the ILO in which there was considerable evidence that a systemic approach that integrated working conditions and modern management practices into the core operations of a business could produce better results than stand-alone interventions. Value chain development interventions were becoming increasingly popular because of potential scale and financial sustainability, but more evidence was needed on the effectiveness of those interventions, particularly in terms of the creation of more and better jobs. He concluded by highlighting four new trends in SME promotion, namely (i) increasing demand for rigorous results measurement, (ii) partnerships with business, (iii) the challenges and opportunities of SMEs in the transition to a green economy, and (iv) initiatives focusing on high-growth enterprises.

## Opening statements<sup>3</sup>

10. The Employer Vice-Chairperson highlighted that SMEs were the backbone of almost all economies and crucial for economic development and social progress. It was necessary to unlock the potential of SMEs to stimulate economic growth, trade and employment. The ILO had on several occasions highlighted the important role of SMEs, including in the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), and the Global Jobs Pact. The general discussion on SMEs was important because (i) globalization and technological development continued to affect SMEs, (ii) the data on and understanding of certain topics remained limited, (iii) SMEs still faced many constraints at the national level as well as in the global markets, and (iv) the needs of SMEs were not sufficiently taken into account in the work of the ILO. She called for a set of short, precise and action-oriented conclusions to guide constituents and the Office. In addition to Recommendation No. 189, the discussion should build on the Conclusions concerning the promotion of sustainable enterprises adopted at the 96th Session (2007) of the International Labour Conference. The Committee could also benefit from taking into account recent SME policy recommendations by the G20.
11. Referring to the five points for discussion that were set out in the Office report, she stressed that SMEs provided the potential for women and other traditionally disadvantaged

<sup>3</sup> Unless otherwise specified, all statements made by Government members on behalf of regional groups or intergovernmental organizations are reported as having been made on behalf of all Governments members of the group or organization in question who are Members of the ILO and are attending the Conference.

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groups to gain access to productive, sustainable and quality employment opportunities. She further stated that generalizations about lower job quality in SMEs were unfounded in view of the knowledge gap regarding the quality of employment in the sector, and of the fact that job satisfaction was reportedly higher in SMEs. The assertion in the Office report that industrial relations were weak in SMEs did not take into account that social dialogue could take different forms in smaller enterprises from those in larger ones as a result of the closeness and direct relations that workers and employers benefited from in SMEs. Major constraints faced by SMEs included a lack of access to electricity, water and information technology (IT) infrastructure, overly bureaucratic procedures for registering a business, lack of property rights, and corruption in some parts of the world. In other parts, obstacles to SME growth included a lack of access to financing, heavy compliance costs with rigid legislation, tax wedges, non-wage labour costs, and a lack of access to skilled labour and to international markets. However, SMEs generally suffered from a lack of a proper enabling environment as well as from compliance costs that, for SMEs, could be 10 to 30 times higher than for larger firms. Moreover, with regard to the issue of job creation, many studies from the Organisation for Economic Co-operation and Development (OECD), the World Bank Group and the International Monetary Fund (IMF) had shown that overly rigid employment and labour legislation could be significant constraints for SMEs in hiring people. Governments should undertake comprehensive reviews of the impact of existing policies and regulations on SMEs, act on those findings and track implementation, in order to improve the framework conditions for SMEs.

- 12.** The improvement of the business environment for SMEs was core to the missions of employers' organizations around the globe. Yet, despite the successes of employers' organizations in many countries, others faced practical challenges with governments not consulting and engaging employers on SME policy. In that regard, the ILO's Enabling Environment for Sustainable Enterprises (ESEE) tool was a practical approach to understanding and analysing the environment for SMEs. That work needed to be scaled up. There was generally a need for greater coherence and for a "think small first" approach in the ILO, through which all ILO policies and outcomes of ILO discussions would be tested with regard to their impact on SMEs before they were launched. In addition, more recognition needed to be given in the ILO to the 2007 Conclusions concerning the promotion of sustainable enterprises.
- 13.** The Worker Vice-Chairperson said that the discussion covered one of the most challenging areas for economic development and for redressing decent work deficits. For the Workers' group, the foundation for the discussion was the body of standards and precepts of the ILO, and the central and overriding objective was the achievement of decent work, including for workers in SMEs. To that end, and given the importance of SMEs in the share of both total employment and in creation of new jobs, the Workers' group supported the promotion of SMEs. Building on the ILO Declaration on Social Justice for a Fair Globalization and the 2007 Conclusions concerning the promotion of sustainable enterprises, the objective of the Workers' group was to see that the social pillar of the approach would be fully integrated into policies and programmes promoted by the ILO. Since SMEs would play a key role in a just transition to a green economy, the Workers' group was also interested in knowing how SMEs could best be equipped to meet and to benefit from that challenge. The ILO was uniquely placed to develop a balanced approach to support micro-, small and medium-sized enterprise (MSME) development as a means to achieve decent work and sustainable development because of its mission and expertise, and because it had a comparative advantage over other multilateral agencies in that area.
- 14.** He commended the Office report for assessing with some rigor the impacts of policy approaches and various ILO programmes. However, the report did not provide an impact assessment on working conditions and job quality and on the evolution of collective bargaining. This testified to the relative absence of such data, and also pointed to the

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failure of the Office to place those elements at the heart of its initiatives in the area of SME promotion. While the report did an impressive job of covering almost every dimension of enterprise support work by the ILO, there was no information regarding work done to promote cooperative-type enterprises and the social economy more generally, despite the fact that the ILO had historically been a key centre of technical support for cooperative development and that Recommendation No. 189 explicitly covered cooperative enterprises. He suggested that the Committee would be assisted by a short briefing from the Office on action taken in support of cooperative enterprises.

15. The promotion of entrepreneurship would not in itself be sufficient for achieving growth and development and decent work. Good governance – meaning public institutions that worked, laws that were enforced, quality public services that were accessible, and reliable infrastructure – as well as macroeconomic policies that fostered growth and development, were critical success factors. While the Workers’ group valued entrepreneurship, it was often the case that entrepreneurs ended up crowding the very same markets, and operated with small margins that often confined them to informality. Hence, the Workers’ group favoured an approach that addressed the economic and social upgrading for all segments of SMEs and that addressed enterprises in their development context, whether in the sector of activity or region of operation. The work of the ILO and other organizations in the area of value chain development could be a transformative way of supporting not only a given firm, but a whole string of economic actors. In that regard, SMEs needed to be able to capture a fair share of the value added in global supply chains, and the Committee could use the opportunity to discuss how to ensure that SMEs would be better able to negotiate with multinational enterprises.
16. Finally, he underlined the importance of social dialogue and collective bargaining with the active participation of trade unions in helping to shape not only public policy, but also sectoral and enterprise-level strategies. In that regard, the inability of workers in SMEs to exercise their rights to collective representation or to have access to means of redress was an obstacle to development, since it translated into poorer working conditions, lower wages, additional social distress, greater inequality, poor tax revenues, unfair competition for good employers and lower effective demand. At a time when the world faced significant decent work deficits, the Office had much work to do to fulfil the promises contained in its vision of the sustainable enterprise. The Workers’ group looked forward to a constructive and productive debate to help realize that vision.
17. The Government member of the Netherlands, speaking on behalf of the European Union (EU) and its Member States, welcomed the timely discussion on the impact of globalization as well as economic, demographic and technological changes on SMEs, and their potential to confront such challenges. Some 21 million SMEs were a source of employment and income for 87 million people in the EU, where about 85 per cent of new jobs were created in and for SMEs. The EU and its Member States were fully committed to promote competitiveness, productivity and working conditions in SMEs, not only because they provided employment opportunities, but also because they had the potential to contribute to social inclusion and gender equality. That was why a good enabling business environment for SMEs was crucial. In its development cooperation programmes, the EU supported the Decent Work Agenda, social protection schemes and floors, and the development of competitive local private sectors that would provide decent job opportunities, in particular for young people, reducing youth unemployment and making a substantial contribution to inclusive growth. In all that, respect for the eight ILO core Conventions was a common element.
18. He further stated that a discussion on how best to ensure quality and productive employment within SMEs was a prime example of an issue that stood to benefit from a general discussion between the tripartite delegates at the Conference. By bringing the

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perspectives of Employers, Workers and Governments together, it would be possible to assess whether the priorities set for the ILO were still valid and, where necessary, to adjust the ILO's services to its constituents. With the second discussion on a Recommendation to formalize the informal economy, there was scope for synergies between different Committees at the current session of the Conference. In that regard, the previous year's reflections on women, gender and the informal economy had been very inspiring for the EU Member States, and the discussion the following year on decent work in global supply chains could benefit from the work of the Committee on SMEs in turn. He expressed the hope that the discussion would enable the Conference to touch upon that and other relevant and emerging issues, including digitalization and the greening of the economy. He further stated that decent work was to be an essential part of the post-2015 development agenda, which would present the ILO and its constituents with the opportunity to address some of the most pressing global issues in a truly transformative manner together with business in a universal, multi-stakeholder approach.

- 19.** The Government member of Trinidad and Tobago, speaking on behalf of the Government members of the Group of Latin American and Caribbean countries (GRULAC), highlighted the importance of effective public policies, monitoring, evaluation and financing. The focus on effective public policies was crucial, and there was a need to assess their impact and improve statistical information. For example, the Economic Commission for Latin America and the Caribbean (ECLAC) had carried out research on productivity in SMEs in the region and found it was low – 50 per cent lower than that of SMEs in the EU. The work of the other committees would also be relevant for the discussion. Decent work should be at the centre of policy efforts.
- 20.** The Government member of Canada pointed out that, globally, the largest number of private sector employees was in micro-enterprises and in small enterprises with fewer than 100 employees. The latter had a predominant role, representing the largest share of employment and job creation, both in developing and developed countries. He proposed identifying solutions that would create quality jobs for sustainable economic growth and increased productivity. Emphasis should also be placed on the links between micro-enterprises and their role in women's entrepreneurship, as well as on the need to create a favourable environment for youth entrepreneurship and an inclusive environment for women and other vulnerable workers.
- 21.** The Government member of Tanzania indicated that, if appropriately promoted, SMEs could contribute to decent work and economic growth. Constraints were mainly related to regulatory frameworks, access to finance, and institutional support. His Government had introduced various measures to improve the enabling environment thanks to the ILO's technical assistance, and was looking forward to further assistance from the Office. Efforts should be continued to promote SMEs and to prioritize them in Decent Work Country Programmes (DWCPs), the areas of critical importance, and the post-2015 development agenda. Strengthening capacities in the area of policies was also crucial.
- 22.** The Government member of Switzerland said that 99.6 per cent of Swiss enterprises employed fewer than 250 workers and represented two-thirds of the jobs in the country. The report focused mainly on the framework conditions for SMEs. While it was essential to tailor efforts and tools to the specific needs of SMEs, the mandate of the ILO was above all to create decent and productive jobs. The review of fiscal and administrative policies, or the production of business analyses, was not core to the ILO's mandate. The value added of the ILO was mainly in the areas of social dialogue and capacity building for social partners. The Office should therefore continue working on the relation between productivity and working conditions, where there were still significant gaps, particularly in terms of impact measurement. The discussion should also focus on those points that could

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guide cooperation in the field in order to improve productivity and working conditions in SMEs.

- 23.** The Government member of Norway noted the difficulty of formulating conclusions and action points because of a varied context among countries and sectors. It was clear, however, that future jobs had to be created in SMEs and that young entrepreneurs had an important role to play. Therefore, a strategy acknowledging those points and including productive and decent working conditions should be formulated. Almost 99 per cent of companies in Norway were SMEs. The Government not only promoted innovation, entrepreneurship and simplified bureaucracy, but also offered seed capital, facilitated access to public procurement and supported vocational training. Given the differing situation among countries and industries, each government should formulate customized strategies together with the social partners. Finally, SMEs should form an integral part of ILO discussions on employment. The follow-up to the discussion should be integrated in outcomes 1, 4, and 6 of its strategic plan for 2016–17.
- 24.** The Government member of Hungary supported the statement of the Government member of the Netherlands, speaking on behalf of the EU and its Member States, and said that in her country 99.9 per cent of enterprises were SMEs, employing 72.7 per cent of workers in the private sector. The Government's strategy focused on improving the competitiveness of SMEs, which would lead to economic growth and increased employment. A range of measures, including favourable tax arrangements and accounting rules, access to credit, promotion of entrepreneurship, and measures to simplify business entry had already been introduced. Young people (aged 18–35) received special attention, with organizations providing counselling prior to start-up and in the first six months of operation. Young people could also apply for a grant to cover initial costs. With regard to high-growth start-ups, further research was needed on how the ILO could help member States to support their development and success.
- 25.** The Government member of Oman, speaking on behalf of the Government members of the Gulf Cooperation Council (GCC) countries, indicated that they were committed to implementing policies in support of SMEs, since they were a main driver for job creation and productive employment. Support for SMEs was relatively new to them and they had benefited from other countries' experience and expertise. They were examining the promulgation of laws for SMEs in their respective member countries and had facilitated access to finance for them. Public–private partnerships were being considered. It was also important to develop strategies and legislation to enable SMEs to access social protection systems.
- 26.** The Government member of New Zealand said that her country was one of small businesses, which were a major engine of growth. They employed 30 per cent of all workers and represented one third of the country's gross domestic product (GDP). Furthermore, they were a source of innovation. As the SME sector was very diverse, there could be no one-size-fits-all approach; interventions had to be tailored to specific sectors. Her country's definition of SMEs was those businesses employing 49 or fewer workers and large enterprises were defined as those with 100 or more workers, which differed substantially from the ILO definition. A systematic approach in the measurement was needed.
- 27.** The Government member of Senegal noted that macroeconomic and sectoral studies in his country had shown that SMEs contributed to around one third of Senegal's GDP and national revenue, employed 60 per cent of the active population and were represented by various types of legal entities. In 2013, SMEs were mainly active in production and processing, agriculture, trade, transportation and other services. The number of registered SMEs had grown from 85,000 in 2003 to over 250,000 in 2010. The Government had set

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up an economic framework to promote job creation and had taken legislative and regulatory measures to support SME development.

- 28.** The Government member of France aligned himself fully with the statement of the Government member of the Netherlands, speaking on behalf of the EU and its Member States, and observed that MSMEs represented more than 95 per cent of enterprises and more than half of the jobs in France. Despite their heterogeneity, they all shared a will to innovate and invest and were highly adaptable. However, the 2008 economic crisis had hit them particularly hard. The Government had introduced measures to support their development, including by improving their access to finance in order to promote their sustainability and modernization, as well as by simplifying administrative measures. It had also promoted measures to improve working conditions, for example, by increasing worker representation in SMEs. His country also dedicated a significant portion of its voluntary development contributions to programmes in West Africa supporting the transition of SMEs to the formal economy. He concluded by stating that even though difficulties faced by SMEs were very diverse, the issues themselves were global.
- 29.** The Government member of Belgium supported the statement of the Government member of the Netherlands, speaking on behalf of the EU and its Member States, and indicated that SMEs were the backbone of the Belgian economy, representing 99 per cent of all enterprises, mainly working in trade, technical repairs, scientific and technical activities, catering and hotels, and agriculture and fisheries. The main issue was to define the best policies and measures that could promote SMEs and create a high number of quality jobs. Three main challenges needed to be addressed in consultation with the social partners: access to finance; access to energy/electricity; and transition from the informal to the formal economy. It was essential to address the issue of quality of employment in SMEs, especially since the number of jobs in SMEs was steadily increasing, including in the value chains. Finally, the situation of women entrepreneurs and women workers in SMEs should be given special attention, with measures for improving access to training, revenue and employment.
- 30.** The Government member of Turkey highlighted the need to address the lack of sufficient, solid data at both the national and international levels, to inform policies and to avoid having a one-size-fits-all approach. In his country, 99.9 per cent of all enterprises were SMEs and represented 76 per cent of employment. The Government was implementing an SME policy that aimed at increasing productivity – and hence economic growth. Support for high-growth SMEs was a priority. Under its G20 Presidency, Turkey had also recently launched the World SME Forum, which aimed at making SMEs a driver for global economic growth and employment.
- 31.** The Government member of the Philippines noted that in her country, SMEs accounted for 99.6 per cent of all enterprises and played a key role in the economy and were the entry point for businesses that could eventually grow larger. She suggested discussing in the Committee not only limited access to finance, but also other constraints hindering SMEs from becoming big businesses.
- 32.** The Government member of Kenya said that in his country, SMEs represented 80 per cent of overall employment outside small-scale agriculture. They faced a number of challenges related to credit, lack of markets and market information, unfavourable environment, inadequacy or lack of policy frameworks, inadequate data and information, as well as low levels of productivity, skills and technology. The Government had introduced a number of policies since 2005 and had adopted a development framework and vision until 2030, with targeted measures addressing SMEs, paying particular attention to young people and women. He stressed the importance of concerted tripartite efforts and called on the ILO to invest more in knowledge generation.

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- 33.** The Government member of Argentina endorsed the statement made by the Government member of Kenya. He indicated that in his country more than 60 per cent of the jobs were created by SMEs and that it was important to create a more enabling environment for SMEs. The Government was considering designing a new general framework for productive employment and decent work in SMEs, combining specific support with growth-oriented economic policies to boost aggregate demand. All policies should be evaluated with regard to the impact on employment.
  - 34.** The Government member of Morocco noted that in her country, SMEs represented 95 per cent of all enterprises and 50 per cent of employment. They mainly faced challenges related to access to funding, administrative and tax burdens, lack of training, lack of competitiveness, and limited human and technical resources. Thanks to the ILO's support, the Government had implemented a large number of measures. For example, it had simplified legal and tax policies, adopted a new strategy encouraging the formalization of small-scale and independent workers, created a guarantee fund and set up a number of services. Nevertheless, there was still a need to address lack of coordination and weak governance.
  - 35.** The Government member of Australia noted the extensive analysis provided by the report and highlighted that SMEs were an important vehicle for job creation across the world. In Australia, medium-sized enterprises formed a substantial part of the economy and contributed significantly to job creation. Removing excessive regulation had been one area of focus of her Government. She suggested that the discussion should focus on identifying a practical framework of policies and programmes, and on detecting measures that would ensure that performance and reporting were compatible with accepted international standards.
  - 36.** The Government member of Chile said that in Latin America, the issue of inequality also concerned the world of business. Productivity and wages were critical issues, and it was important to consider not only the number of jobs created, but also the working conditions. Moreover, it was necessary to consider the role that SMEs played in the overall economic and social system.
  - 37.** The Government member of Ethiopia, speaking on behalf of the Africa group, stated that the contribution of SMEs to job creation varied from country to country. With adequate policies in place, SMEs could provide jobs not only to low-skilled workers but also to graduates of universities and vocational training institutions. SMEs played a crucial role in transforming and diversifying the economies of African countries and constituted the base for industrialization. Moreover, they created employment opportunities for the increasing number of young jobseekers as well as for women and persons with disabilities. In Africa, constraints varied from country to country, but typically included access to electricity and finance, as well as low productivity. The diversity of SMEs required differentiated policies. Size should not be the only criterion for differentiation in policy-making, but other dimensions, such as the country context, and sector characteristics, such as the level of informality, innovation capacity, skills, capacity-building needs and productivity, should also be considered. Integration with technical and vocational education and training (TVET) systems provided the needed skills for technology transfer. Savings and credit institutions were crucial to provide finance. Similarly, the emphasis on start-ups and the dual nature of SMEs, including survivalist as well as growth-oriented enterprises, should be considered in policy differentiation and in ILO interventions. Differentiation was also crucial to facilitate the gradual transition to formality. The implications of the varying economic bases of countries in the region – some service-oriented, others commodity-based – could also be further explored in relation to SMEs, as well as the role of cooperatives.

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- 38.** The Government member of Zimbabwe said that in her country, 5.9 million SMEs in various economic sectors employed workers of all working ages. Cooperatives were highly represented among them. Jobs were, however, often unsustainable, mainly due to informality, low productivity, lack of social protection, and low levels of occupational safety and health (OSH). Common constraints included access to finance, working space, electricity, water, information and communications technology (ICT) infrastructure, as well as old equipment and informality. Her Government had developed SMEs and cooperative policies and legal instruments, and established ministries responsible for SMEs, youth development and women's empowerment. SMEs, particularly cooperatives, needed continued support, and to improve their management skills in order to ensure their sustainability.
- 39.** The Government member of Japan underlined the importance of SMEs for her country, where they accounted for 99.7 per cent of enterprises and 69.7 per cent of all workers. Many of them employed 20 people or fewer and were scattered across the country, often outside metropolitan areas. SMEs had contributed to the economic growth of Japan and offered diverse employment opportunities, including in expanding areas such as welfare services. One major challenge was the lack of skilled workers, as SMEs often could not attract good human resources. It was important for the discussion to address those issues, as well as how to create decent jobs.
- 40.** The Government member of Mexico supported the statement made on behalf of GRULAC and said that in his country, 99.8 per cent of enterprises were SMEs, accounting for 52 per cent of GDP and 70 per cent of employment nationally. His Government had introduced a decree to support SMEs, in particular their sustainability, competitiveness, productivity and access to finance. Labour reforms had resulted in unprecedented results since, while in 2013 GDP had grown by 1.4 per cent, the increase in formal employment had reached 2.9 per cent. He mentioned that the Ministry of Labour and Social Welfare had achieved excellent results in the areas of productivity and employability, technical and legal assistance in productivity, training for competitiveness and incentives for certification of competencies. He noted that the federal budget assigned a specific category to support SMEs and that the National Development Programme (2013–18) had as objectives enhanced working conditions, increased labour force productivity and overall competitiveness. He emphasized the need for more data to sustain the analysis of progress made over time, as well as the importance of using data consistently in the different reports presented to the ILC. Finally, he suggested that it would be beneficial to draft the conclusions of the discussion in communication and synergy with the other committees.
- 41.** The Government member of Trinidad and Tobago highlighted the importance of keeping national contexts in mind. Indeed, a small enterprise in one country could well be considered to be medium-sized in another, due to different country circumstances. In his country, the main challenges were small domestic markets, limited access to international markets and limited access to finance. The Government focused on labour administration and enterprise development, and continued to work on implementing its micro- and small enterprise development policy, while finalizing a draft green enterprise development policy which also included cooperatives. Besides support from the Office, he suggested that the discussion should also address South–South cooperation and triangular cooperation, and contribute to developing a coherent approach for bilateral, regional and international support.
- 42.** The Government member of the Bolivarian Republic of Venezuela said that in her country, MSMEs had played a key role in the process of economic transformation over the past 15 years and had made a positive impact on employment. Efforts had been made to strengthen infrastructure and build a socialist, environmentally sustainable economic model based on new technologies, distributing wealth in an equitable manner and

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extending social protection to all. The Government had also promulgated laws that improved access to finance, training, and international markets for SMEs.

- 43.** The Government member of Egypt stated that SMEs were a pillar for many economies. In Egypt, SMEs made up 95 per cent of the private sector, 80 per cent of employment and GDP, 75 per cent of exports, and 10 per cent of total industrial production. His Government had made it a priority to remove obstacles to their creation. SMEs could result in a more equitable distribution of income, and a better use of resources than larger firms. Their development could go hand in hand with the promotion of new means of production and reduce the cost of products. It was necessary to develop training and networks to support SMEs. Furthermore it was important to distinguish between policies for SMEs in rural and urban areas.
- 44.** The Government member of India underlined the importance of MSMEs for her country, where 45 million MSMEs employed almost 106 million people. Besides providing a large number of jobs, they operated in rural and other less developed areas, reducing regional imbalances. They also assured a more equitable distribution of income and wealth. MSMEs also contributed to on-the-job training and developing entrepreneurial skills, especially among youth and women, particularly in rural areas. Productivity posed challenges and skills initiatives were important. Appropriate labour laws could also be a useful tool, and it was important that provisions ensured decent working conditions.
- 45.** The Government member of Lebanon underlined the importance of SMEs for economic growth. In his country 90 per cent of all enterprises were SMEs, accounting for more than 50 per cent of the total workforce. In 2005 the Government had introduced a programme to support the development of SMEs. Councils provided advice, ensured a conducive environment, implemented training programmes, and facilitated access to finance. A joined-up approach among national institutions had been an important aspect. Although Lebanon continued to be a stable country, events in neighbouring countries were destabilizing.
- 46.** The Government member of China explained that in her country, enterprises were categorized by income. In China, SMEs represented 50 per cent of tax revenue and 90 per cent of industry. Many SMEs had problems in accessing funding, and experienced a lack of management skills. The Government had adopted a law to promote SMEs and was fostering entrepreneurship in the population. Furthermore, it was streamlining administrative procedures; earmarking funds to support SMEs in public budgets; improving their access to capital through a guarantee system for credit lines; providing training for new recruits to address the skills gap; and granting subsidies to enable SMEs to hire workers. It had also mobilized the social partners and encouraged them to provide insurance schemes. The biggest problem faced by SMEs in China was their viability; she hoped to learn from the good practices of other member States.
- 47.** The Government member of the Russian Federation said that every fourth worker in her country worked in an SME. The revenue and services of that size segment represented 25 per cent of the national total; however, employment quality, wages and social protection were lower than in larger enterprises. SMEs required support as banks considered them risky. The Government had implemented a federal financial support programme, which included assistance in leasing by small companies, modernization, and development of social and youth entrepreneurship. In 2014, more than 200,000 legal and natural persons had received support and more than 100,000 jobs had been created. Government measures had led to lower unemployment, decreased social tension and improved living conditions. It was important to develop mechanisms for social partnership; in particular, tripartite committees should examine the issue to assess the effectiveness of measures targeting SMEs. She encouraged the Office to extend its programmes for SMEs, such as by

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conducting studies on improved legislation and working conditions, and holding seminars. Practical implementation of support measures would lead to a reduction of the informal economy and advance decent work.

- 48.** Responding to a question from the Workers' group, the deputy representative of the Secretary-General, Mr Peter Poschen, Director of the Enterprises Department, presented supplementary information on cooperatives. Regarding employment in cooperatives, a 2014 study of 74 countries by the International Organisation of Industrial, Artisanal and Service Producers' Cooperatives (CICOPA) found that there were 26.4 million workers and over 220 million producers organized in cooperatives. Most workers were employed in large cooperatives, but it was not possible to quantify the share of employment in cooperatives that were also SMEs. The employment structure, the labour practices and the quality of employment in cooperatives were similar to those of other enterprises in the same sector. The main challenges faced by cooperatives were competition, management skills, labour standards and demographics. Cooperatives were part of the Office's integrated approach to sustainable enterprises, linking the natural resource base, mindsets, the business environment and the marketplace. It was working at the national and international levels to overcome the lack of data and statistics on cooperatives. The Office had assisted over 100 countries in creating an enabling environment for cooperatives using the Promotion of Cooperatives Recommendation, 2002 (No. 193). Cooperatives were part of value chain development supported by the Office and part of the clientele of the Sustaining Competitive and Responsible Enterprises (SCORE) programme to increase productivity and improve working conditions. The My.COOP capacity-building tool for rural cooperatives was in use in 12 countries. Lastly, a number of additional ILO products were in development, but had not yet produced conclusive evidence.
- 49.** The representative of the International Co-operative Alliance noted that cooperatives had not been mentioned in the Office report. There had been a decline in the number of programmes for cooperatives by the Office; however, data showed that both cooperative SMEs and cooperatives of SMEs were important and growing. While statistics were deficient, they were improving in many countries. A 2014 study had shown that at least 250 million people worked in cooperatives worldwide, 234 million of whom worked in SMEs organized in cooperatives. Employment was mainly in agriculture but increasingly in other sectors, such as construction, artisan trades, retail and liberal professions. Qualitative and quantitative evidence showed that cooperatives made it possible for many SMEs to remain in the market, owing to their strong clustering function. Cooperatives of SMEs promoted decent work and labour standards, and played an important role in facilitating the transition to the formal economy. Cooperative SMEs were important from the qualitative point of view and were increasingly found in community services, tourism, energy production and green sectors, employing many young people. Cooperatives provided vital support services such as marketing, training and advice for SMEs, and generated economies of scale.
- 50.** The representative of the International Young Christian Workers (IYCW) noted that he had not found source materials from the Workers' side reflected in the Office report. Young workers wanted social protection and good salaries, but the current economic system was not conducive to that effect. The discussion should go beyond generating a better understanding and promote fundamental values, notably: (i) economic justice, whereby economies built on the contributions and equally valued the labour of all people; (ii) fair work for all, not merely acknowledging SMEs' contribution to job creation; (iii) worker protection, making work sustainable and responding to constraints to growth of SMEs; (iv) freedom of association, so that SME workers could easily join unions and have collective bargaining rights; (v) SME promotion for workers' dignity, with policies that promote dignity, as well as decent, well-paid and secure jobs for all by addressing the seven dimensions of quality of employment mentioned in the report; and (vi) protection of

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local initiatives and SMEs, including the formation of a national monitoring body on SMEs. He concluded by saying that SMEs should be treated as an important strategy for rights-based job creation.

51. The Worker Vice-Chairperson noted that there were three key points of agreement. First, SMEs were central, as they accounted for a large share of employment and incomes and of job creation. SME promotion was therefore important and should be based on the ILO Declaration on Social Justice for a Fair Globalization, the 2007 Conclusions concerning the promotion of sustainable enterprises, and the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up. The promotion of SMEs was not an end in itself, but served to reduce decent work deficits, particularly for women, young people and migrants. Second, the diversity within the SME universe was immense and had to be unpacked to develop good-quality policies. Therefore, no blanket statements were possible on SMEs. Third, evidence-based assessments of the effectiveness of policies and programmes were vital and had to take into account the quality of jobs. Turning to the points of disagreement, he explained that they mainly depended on the different emphases placed on issues: the Employers had underlined the relevance of entrepreneurship, while the Workers focused on gaps in rights; the Workers highlighted the need for social dialogue and collective bargaining as well as an enabling environment of good governance, while the Employers saw the need for the reduction of red tape.
52. The Employer Vice-Chairperson, encouraged by the wide consensus that had emerged from the opening statements, concluded that there was broad agreement about the important role of SMEs and their contribution to employment and economic growth, and that the discussion was timely and highly relevant. The general discussion could benefit from taking relevant ILO standards and instruments into account. Moreover, it would be critical to address the significant data gaps. However, she disagreed with the Workers' group regarding the objective of the general discussion, which, in her view was to understand the situation and constraints faced by SMEs in order for the Committee to formulate useful guidance for the ILO and its constituents on how SMEs could make a greater contribution to growth and job creation.

## General discussion

### **Point 1. What is the contribution of SMEs, and specific differentiated segments within SMEs, to employment creation and what is the quality of employment in SMEs?**

53. The Worker Vice-Chairperson said that the ILO had the mandate to promote decent work for all, and that should guide the discussion. It was important to know more about the quantity and quality of jobs created by SMEs. From a quantitative perspective, there were three important points. First, SMEs accounted for the largest share of employment and job creation in both the developing and the developed world. Employment in informal and survivalist micro- and small enterprises was inversely related to the levels of development. The question was therefore how to create new firms with genuine potential and how to upgrade existing ones. Second, SMEs were diverse and differentiated by subsegments. When it came to a definition, Recommendation No. 189 remained the reference as it stated that Members should define SMEs in line with appropriate criteria in the national social and economic conditions, in consultation with the most representative employers' and workers' organizations. SMEs also differed by sector and turnover. Third, the report indicated that the age, rather than the size, of an SME mattered in terms of job creation, as young enterprises created most jobs. That statement should be qualified, as the

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phenomenon could be explained by contracting out of large enterprises. Also, young small enterprises made a disproportionate contribution to employment, but also had a higher death rate, which could be largely explained by the fact that many entrepreneurs were necessity-driven. The report did not cover the quality of jobs in SMEs, mainly due to gaps in knowledge. In addition, workers' perceptions on their work were not included.

- 54.** Within a very heterogeneous panorama, SMEs seemed to generally fall short of recognized decent work standards. The decent work deficits concerned, among others: (i) representational gaps, where SME workers were not organized or did not have the right to organize due to labour regulations that excluded SMEs from collective bargaining; (ii) working time, which tended to be more flexible in SMEs and longer than in large enterprises, including overtime and working over the weekend, often without compensation; (iii) wages, which in SMEs were, on average, half the level of those in large enterprises, and even lower in the informal economy; (iv) job security, with lower levels in SMEs than in larger firms; (v) OSH, where standards in SMEs tended to fall behind large companies and were sometimes absent; and (vi) skills development, as, while some SMEs trained and retained highly qualified staff, others struggled.
- 55.** He concluded that the Committee needed to come up with proposals to ensure that the promotion of SME development went hand-in-hand with the promotion of decent work. There should be favourable regulatory and inspection frameworks adhering to ILO standards. All workers should enjoy the same rights and protection by law, and labour inspection systems should be strengthened. Freedom of association and collective bargaining should be respected. The ILO should update data and information on the situation of SMEs in developing countries, perceptions of workers in SMEs, SMEs in the informal economy, quality of jobs and industrial relations in SMEs, and should better explain why larger enterprises performed better than small ones regarding employment quality and working conditions.
- 56.** The Employer Vice-Chairperson stressed that it was only with, and through, SMEs that it would be possible to tackle unemployment, which was still massive five years after the crisis. It was not the Fortune 500 companies that would provide jobs for the broad masses of people, but rather the bakery around the corner, the plumber, the IT start-up, the hairdresser, or other SMEs. It was these enterprises especially that provided lower-skilled persons, young people and other vulnerable groups, with opportunities to enter into employment. In view of the high youth unemployment rates in many countries, it was particularly important to note that young entrepreneurs not only brought vibrancy and innovation to world economies, but also typically hired other young people.
- 57.** She further stressed that the employment potential of SMEs differed according to sector and to whether the enterprise was formal or informal, and was contingent on framework conditions. An easy-to-understand, employment-friendly labour law that gave legal certainty for the establishment and termination of work contracts was of tremendous importance. She refuted the reference in the Office report to the growing body of research which suggested that emphasizing the negative effect of labour laws on employment generation and economic development was simplistic and unsound. According to the OECD Employment Outlook 2013, an employment law which enhanced the willingness of companies to create new jobs as early and as rapidly as possible would increase the opportunities for jobseekers and would fully unleash the job creation potential, especially of SMEs.
- 58.** She pointed out that workers found their jobs in SMEs rewarding, and subsequently raised the following points in relation to the quality of employment in SMEs. First, the lack of data prevented a solid discussion, and called for more research and better statistics to be considered in the conclusions of the Committee. Second, the relevance of the framework to

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assess employment quality proposed by the Office to different forms of social dialogue and industrial relations found in SMEs, in family-owned companies and in new companies that were front-runners of new forms of work. Third, there was a need for effective and modern OSH frameworks focused on prevention, and with easily accessible tools and resources for SMEs. Fourth, employers in small enterprises shared the same working conditions as their employees. Those entrepreneurs were the hardest-working people fighting daily for the survival of their businesses. Lastly, the employment potential of SMEs was contingent on modern labour markets; there were insufficient data about the quality of employment in SMEs; challenges faced by SMEs were more closely linked to the sector than to the size of the enterprise; and increasing productivity was an important precondition for increasing wages and investing in skills development.

- 59.** The Government member of Ethiopia, speaking on behalf of the Africa group, reiterated that employment opportunities provided by SMEs and the quality of employment should be viewed, in each country, within the context of the sector in question, as well as of the capacity-building needs of the SMEs. In many developing countries with poorly developed industrial sectors, SMEs provided the necessary framework for economic transformation. With appropriate policy interventions and better market access in the agricultural and mining sectors, SMEs created employment and job opportunities for the growing numbers of young people in large parts of Africa, broadened the tax base and diversified risks. The quality of employment in SMEs was contingent on factors such as the level of national development, the informality of the economy, a good policy framework, the quality of support interventions, and whether the SME in question was a survival firm or a productive one.
- 60.** The Government member of the Netherlands, speaking on behalf of the EU and its Member States, said that SMEs were the backbone of the European economy and crucially important to jobs and growth in the EU. Their contribution differed depending on size, sector and age: larger enterprises outperformed SMEs in terms of the value added per worker. The employment contribution of SMEs in construction and mining had been declining in contrast to other sectors in recent years. While younger SMEs created many more jobs than older ones, they were also less likely to survive than older enterprises. SMEs were strongly dependent on external financing, and the economic crisis and policy uncertainty had hampered job creation. Access to finance, coupled with policies that addressed other needs of SMEs, was essential to facilitate employment growth and innovation in a continuously changing market.
- 61.** Since the quality of jobs had a significant effect on the quality of life of workers and was related to the productivity of the workforce, the EU had not only assessed the contribution to employment but also job quality in SMEs. The overall conclusion was that SMEs scored lower than larger enterprises for most aspects of employment quality. However, more data were needed on specific aspects. While differences between sectors could be stark, job satisfaction tended to be higher for employees of SMEs than of larger firms, and the working climate was perceived to be better in smaller enterprises than in medium-sized and large establishments. Data on wages in European SMEs showed that employees in larger enterprises received higher wages, a tendency also seen in the United States and Japan. SMEs also offered less opportunity for skills development and employee participation. Although 22 out of 28 EU Member States had established regulations on workplace representation, formal structures of social dialogue in enterprises with less than 50 employees were rather low. Employee representation varied between 34 per cent in small and 88 per cent in large enterprises. Nonetheless, the coverage of micro- and small enterprises by collective agreements was relatively high, probably because of centralized national bargaining systems and the extension of collective agreements. Wage agreements covered 65 per cent of small enterprises and 81 per cent of large enterprises.

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- 62.** The Government member of the United States noted that there were considerable variations in SME definitions across, and sometimes within, countries. The Government of the United States considered firms with 500 employees or fewer to be SMEs. Those SMEs played an important role in employment creation in the United States, where they represented 99.7 per cent of all businesses. However, the share of employment in SMEs had decreased from 50.9 per cent in 2004 to 48.4 per cent in 2012, due to a decline in the overall number of new firms and significant job losses in SMEs between 2007 and 2011. While young start-ups accounted for only 3 per cent of employment in the country, they accounted for almost 20 per cent of gross job creation. Recognizing their job creation potential, the Obama Administration had sought to strengthen start-up enterprises through programmes such as the “Startup America” initiative in partnership with corporations, universities and foundations, which helped SMEs through access to mentorship, business contacts and capital.
- 63.** The Government member of Algeria emphasized the important economic and social role of SMEs in terms of their contribution to job creation and distribution of wealth in developing countries. In contrast to larger enterprises, SMEs showed a great capacity to innovate and adapt to changing market signals and conditions. SME’s represented 98 per cent of the Algerian economy, 77 per cent of which had been created between 2000 and 2011. Since 1990, the Government had promoted micro-enterprises as the seedbed of future SMEs, creating 3,000 to 4,000 jobs across all sectors each year.
- 64.** The Government member of the Philippines said that SMEs were a critical driver of the country’s economic growth, accounting for 99.6 per cent of total establishments, 70 per cent of total employment and 35.7 per cent of total value added. However, the growth of the sector had not been vigorous enough to propel the economy. Firm size distribution had not changed greatly and the proportion of medium-sized enterprises remained small. Labour productivity, measured as value added per worker, was much lower for micro-enterprises than for larger ones. SMEs usually paid lower salaries and provided fewer benefits, which led good, skilled employees to migrate to bigger firms or overseas. A national survey conducted by the Employers’ Confederation of the Philippines found that workers in SMEs with 10 to 199 employees enjoyed better benefits and working conditions than those in micro-enterprises.
- 65.** The Government member of the United Arab Emirates said that a new law had been drafted in his country, based on best international practice, and in collaboration with other countries in the region as well as with advanced economies. The Government attached great importance to SME development, and had promoted new laws, regulations and training programmes aimed at fostering entrepreneurship and job creation. Five new institutions had been created to provide better support services for SMEs.
- 66.** The Government member of Switzerland stated that the opening of markets had benefits, in the long term, for Switzerland and the world. To ensure that a liberal foreign trade policy would benefit as many as possible, a strong social pillar was required. Many Swiss enterprises were currently addressing the challenge of remaining competitive, following the recent appreciation of the Swiss franc, while investing in new technologies, human resources development and decent jobs. The dual training of apprentices in businesses and in vocational schools was key to the creation of productive and decent employment. SMEs trained and employed two-thirds of apprentices in the country. Swiss SMEs secured training for skilled workers and facilitated their access to the labour market. The investment of the employer was significant, but the return on investment was guaranteed, as skilled workers helped develop value added products and were also more loyal in the long term. That aspect of workers’ training was insufficiently covered in the Office report. SMEs could contribute greatly to job creation in their home countries. With liberal trade rules that allowed for constructive exchanges and the universal respect for fundamental

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principles and rights at work, SMEs could also contribute to the creation of decent jobs abroad. To that end, Switzerland supported the conclusion of free trade agreements with chapters on sustainable development.

67. The Worker Vice-Chairperson observed that while many workers benefited from a close working relationship with employers in SMEs and family-owned firms, there was substantial evidence of duress in such firms. Many good, hard-working SME proprietors indeed had the best interests of their staff in mind, including paying a fair minimum wage. Those proprietors did not want unfair competition from other employers who did not pay overtime or who paid unfair wages. They wanted a level playing field, which in Europe was typically delivered and enforced through collective bargaining. Many SMEs received public support and benefited from access to skilled workers who had been trained in public education systems, public tenders and SME support programmes had to include respect for minimum standards and rights at work in order to ensure decent employment outcomes. While there was considerable variation in terms of OSH across SMEs, with particular problems in agriculture, construction and manufacturing, it was important to promote better OSH standards among all SMEs to improve the quality of employment and prevent work-related deaths and accidents.
68. The Employer Vice-Chairperson noted that several examples of programmes at the national level had been mentioned in the discussion, and emphasized that more research regarding the quality of employment was needed in order to move beyond assumptions that were not backed up by data.

**Point 2. What are the main constraints faced by different segments of SMEs and their workers and what has to be done to increase their contribution to decent and productive employment creation?**

69. The Employer Vice-Chairperson took issue with the Office report's presentation of major constraints faced by SMEs relying on the World Bank Group Enterprise Surveys. That failed to give a sufficiently comprehensive picture about the constraints faced in different regions, countries and sectors. The Office report included only a short paragraph on the results of ILO's EESE work, according to which business regulations were the biggest constraint faced by SMEs. The Employers' group did not question the great importance of access to finance, infrastructure, electricity or technology, as enablers of SME growth and employment. In addition, lack of access to global trade and global value chains was a challenge for SMEs, as was the lack of skilled workers. Since SMEs relied on the local labour market, the International Organisation of Employers (IOE) had launched the Global Apprenticeship Network, with the support of the ILO, to develop skills locally.
70. She expressed her regret that the Office report failed to elaborate sufficiently on the question of employment and labour legislation as a constraint for SMEs in hiring people. Other leading international organizations such as the OECD, the World Bank Group and the IMF had clearly identified that issue. She clarified that the Employers' group did not want to abandon labour law and employment regulation, but that she was referring to overly strict, burdensome and unclear legislation which hindered job creation.
71. To address the constraints faced by SMEs and to increase their contribution to decent and productive employment creation, she proposed that governments should: fully implement Recommendation No. 189 and the 2007 Conclusions concerning the promotion of sustainable enterprises; establish an independent test panel to assess the impact of policies and legislation on SMEs, and to draw up action plans to address constraints with the full

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involvement of business and employers' federations; modernize labour markets to encourage hiring as many people as market opportunities would allow; bring national vocational and educational training systems in line with the joint understanding between the Business 20 (B20) and the Labour 20 (L20) on key elements of quality apprenticeships; tackle informality by fully implementing the forthcoming Recommendation on the transition from the informal to the formal economy; and establish modern and effective OSH frameworks that focused on prevention and gave SMEs access to easy-to-use OSH tools.

- 72.** A member of the Employers' group from India added that in his country, as in other developing countries, most SMEs were in the informal economy. Major constraints included a lack of or high cost of finance; administrative costs of compliance with various labour, tax, and pollution control laws; infrastructure constraints such as power, land and modern industrial estates; and lack of access to global value chains and to required skills and training facilities. He referred to an Indian initiative entitled "Make in India: Zero Defect, Zero Effect", which encompassed the simplification of the tax structure, cluster development and technology centres, a focus on skills development, and the simplification of labour laws.
- 73.** The Worker Vice-Chairperson expressed his reservations concerning the broad definition of SMEs used in the Office report and the multiple-choice survey methodology used in World Bank Group Enterprise Surveys that had informed the presentation of major constraints faced by SMEs. While constraints varied according to the size of the firm, the region, country and sector, the biggest problems faced by SMEs were demand-related. Improving working conditions and wages in SMEs through social dialogue and collective bargaining would increase aggregate demand, also in markets that were saturated with entrepreneurship. In contrast to large enterprises, SMEs relied more on access to public infrastructure and public services, such as vocational education and training. Developing the missing infrastructure to help SMEs reach markets could provide opportunities for SMEs themselves, as proven by the record of the ILO's Employment-Intensive Investment Programme (EIIP) to generate decent work for SMEs.
- 74.** Access to finance was also a significant problem for SMEs, which needed not only working but also investment capital. As SMEs were hampered by a lack of scale and collateral, governments had a role to play, by ensuring that financial institutions would lend fairly and appropriately, mitigating credit risks through guarantee funds for lenders and setting up public banks specialized in SMEs or start-ups. Many successful economies had cooperative institutions, such as credit unions and mutuals that were locally based and attuned to the needs and constraints of their members.
- 75.** SMEs faced challenges in terms of competition from the informal sector. Since economies were not growing fast enough to create sufficient jobs in the formal sector, millions were left to fend in low-margin activities, with few resources or incentives to formalize. In such circumstances, blindly promoting entrepreneurship risked the creation of more marginal entrepreneurs that would undercut each other. He called for macroeconomic policies that maximized market growth, as well as for public services that directly benefited both entrepreneurs and workers in the informal economy, and for the enforcement of laws and regulations. The typology of constraints listed in the Office report was partial and misleading. The problem might not be too much government, but too little. That was not to say that there was no red tape and that public policies were always delivered satisfactorily, but rather that it would be important to analyse what could be gained by formalizing enterprises.
- 76.** The World Bank Group survey cited in the Office report did not capture all of the major constraints faced by SMEs, in particular the biggest in the context of supply chains: the

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low bargaining power of SMEs in relation to big buyers and multinational enterprises. Power asymmetries, such as in coffee supply chains, where 40 per cent of coffee beans were bought by four international traders, could lead big buyers to use unfair trading practices. Similar problems were evident in many other food and non-food supply chains. The abuse of market power by dominant companies condemned millions of SMEs and their workers to poverty, and might have contributed to the decoupling of wages from productivity increases in recent decades. The creation and upgrading of cooperatives was a possible solution, since pooling of resources and larger market shares would help small producers increase their outreach to new markets as well as their bargaining power.

- 77.** Given that SMEs formed the backbone of most economies and employed the majority of workers, they also represented the vast majority of consumers. Improved quality of employment in SMEs would result in increased global demand and the creation of more jobs, since smaller enterprises had a higher tendency to reinvest earnings and the working poor had a higher propensity to consume. In view of the forthcoming ILC discussion on global supply chains, the Office should undertake a study to identify and promote good practices fostering decent work in subcontracting arrangements with SMEs. In the UN Guiding Principles on Business and Human Rights, a value chain responsibility had been established. That should be taken into account, and the forthcoming ILC discussion on global supply chains should be anticipated in the conclusions of the Committee.
- 78.** A redistributive correction in favour of micro-enterprises, SMEs and their workers would help democratize wealth possession and render saving and capital creation a business for the many, not the few. It would also redefine access to finance and help grow the real economy. Filling in the representational gap in SMEs, solidifying collective bargaining and increasing minimum wages to meet living standards would increase the available income of billions at the bottom, and therefore increase demand, growth and employment creation. It was clear from the Office report that labour regulations were not necessarily a constraint on the growth of SMEs, and that labour market deregulation as a strategy to achieve decent work was misconceived. He refuted the comments made by the Employers' group that reducing tax burdens, labour market regulations and anti-pollution compliance would spur growth of SMEs. That was no way to achieve environmental sustainability and decent work.
- 79.** The Government member of the Netherlands, speaking on behalf of the EU and its Member States, underlined that differences in the size of enterprises, between sectors, and in the level of development of countries mattered. To identify and address the most pressing constraints, solid data were required. According to an annual report of the European Commission, the major concern for European SMEs was "finding customers", which was attributable to the impact of the crisis and lack of demand. Different sectors had been affected by the economic crisis to varying degrees, which reinforced the point that different sectors needed different approaches to mobilize their job creation potential. As in many parts of the world, access to finance was also a major constraint for European SMEs, as was red tape. Although regulations were necessary for the protection of workers and consumers and for the creation of a stable business environment, overly detailed regulations and excessive administrative burdens had a stifling effect on business. Simpler and smarter rules and "one-stop shops" had proven useful in reducing the administrative burdens on SMEs. At the same time, it was important that businesses complied with regulations to avoid unfair competition from the informal sector and undeclared work. The outcome of the ongoing standard-setting discussion on the transition from the informal to the formal economy was of particular importance in that regard. Another constraint also affecting workers in SMEs was the cost of production in relation to output. Although the Office report found that job satisfaction was generally higher in SMEs, it also concluded that job quality was lower than in larger firms. It was important to note, however, that significant differences between sectors and the lack of data made it difficult to draw solid

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conclusions. The exception was available statistics that clearly showed that wages were lower in SMEs than in larger firms. That was connected to the issue of productivity in SMEs. In order to unleash the employment creation potential of SMEs, it was important to focus on total factor productivity. In EU Member States, SMEs had higher rates of accidents at work. The main reason seemed to be lack of knowledge, awareness and available resources. The EU was disseminating information to help improve safety and health at work. To address the issues of low wages, limited career prospects and long working hours in some SMEs, the EU was promoting lifelong learning, vocational training and entrepreneurship programmes that could all help workers. Employment services also played a key role in the support and promotion of SMEs. He concluded by highlighting that the low level of organization of workers within SMEs and company-level collective bargaining was a constraint for the development of SMEs, as well as for the protection of workers. Although structures of industrial relations were on the whole more informal in SMEs, it was important to note that these structures differed between firms, and that they were heavily influenced by national frameworks and conditions. The tripartite constituents could play an important part in this regard, and it was particularly important for governments to be able to consult representative organizations of workers and employers in order to develop SME policies that worked.

- 80.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, stated that access to finance was not a constraint for SMEs in those countries, since institutions had been set up to facilitate the process. Direct financial support to SMEs to improve their sustainability was more of an issue. One key challenge was creating a cadre of leaders and entrepreneurs, particularly among young people, and the GCC countries had instigated an awareness-raising campaign to address that. They were also working to set up partnerships and one-stop shops to support the development of SMEs and nurture opportunities for the launch of products.
- 81.** The Government member of the Republic of Korea said that his country's employment and labour policies focused on addressing the skills mismatch between SMEs and young people. Recommendation No. 189 was an important guideline for job creation in the Republic of Korea. He noted a continuing trend of young people favouring large conglomerates over SMEs because of the better wages, welfare and development opportunities they offered. The ILO's conclusions needed to become key policy goals to improve the sustainability of SMEs by improving their working conditions and productivity. His Government was reducing gaps in working conditions between conglomerates and SMEs by offering preferential rental housing and cultural and sports facilities to attract young people to SMEs. Furthermore, the Government was supporting a number of projects aimed at improving the employment environment in industrial complexes and providing packages of measures to support SMEs.
- 82.** The Government member of Algeria suggested that public authorities and the private sector should combine their efforts to devise and implement coherent, coordinated strategies to ensure the promotion and development of SMEs. National strategies should take account of local needs and aim to overcome the constraints faced by emerging SMEs to secure and maintain growth. In Algeria, public authorities were committed to working with employers' and workers' organizations in that regard. Difficulties in accessing finance had been significantly reduced by setting up guarantees for young and unemployed entrepreneurs establishing businesses. Those had been welcomed by the banking system and had significantly reduced the barriers to investment. Furthermore, SMEs in the north of the country had faced an acute lack of industrial real estate, whereas elsewhere in Algeria the necessary infrastructure was lacking. As a result, the authorities had implemented significant programmes to overcome those problems, while also encouraging investments in the regions. A further constraint was bureaucracy. The Government was taking measures to improve the business environment and to facilitate investment as much

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as possible. The development strategy, which had been devised and implemented in cooperation with the economic and social partners and took into account national specificities, had resulted in the eradication of a number of constraints, in particular in relation to the regulatory framework, access to finance, institutional support for enterprises and improved quality of infrastructure and human resources.

- 83.** The Government member of the United States said that one of the key constraints facing owners of SMEs was poor access to credit, especially for women- and minority-owned small and medium-sized businesses, who also often lacked access to professional networks and technical resources. Furthermore, wages in SMEs were lower than in large firms generally. The Government of the United States had undertaken a range of legislative, policy and programme measures to address challenges faced by SMEs, including assistance for enterprises owned by vulnerable groups. The Small Business Administration offered direct loans to intermediaries, who in turn provided loans and technical assistance to underserved small business owners. It also managed the Women's Business Center programme, which provided financial, marketing and management assistance to women entrepreneurs. A mentoring and training programme supported by the Small Business Administration was helping aspiring entrepreneurs to start new businesses. Furthermore, some 900 Small Business Development Centers provided professional business advisory services and financial lending assistance. The Department of Labor at the federal and state levels provided compliance assistance to employers, regardless of enterprise size, and had published OSH materials and other resources tailored to new SME owners. Moreover, most federal agencies had ombuds offices for small businesses to help them conduct their business, including compliance with labour standards.
- 84.** The Government member of Bulgaria, in full alignment with the statement made by the Government member of the Netherlands on behalf of the EU and its Member States, noted that SMEs in his country faced many constraints, which simultaneously presented opportunities for their future development. The main constraints and key factors for the development of SMEs included access to finance, innovations, intellectual property, international markets and good practices. There was a need for reliable labour market forecasts to address labour shortages, improve recruitment and plan professional development. Entrepreneurship was the starting point of development for the SME sector, in particular micro-enterprises. Research had shown that while young entrepreneurs represented only 5 per cent of start-ups in Bulgaria, they were more likely to succeed. Therefore, access to entrepreneurship opportunities and programmes providing entrepreneurial skills for youth should be improved, especially for those neither working nor in education or training.
- 85.** The Government member of Egypt said that SMEs faced a whole series of constraints, including a lack of management skills and of state-of-the-art technology. Policies in Egypt had focused on financing institutions, which had to provide support to ensure the survival of SMEs. Therefore, it was important to eliminate the obstacle of strict regulations in the banking sector. The central bank in Egypt had overall responsibility, but the major banks should also support SMEs, regardless of the products or services they offered or the sector in which they operated. It was essential that banks should support the further development of SMEs.
- 86.** The Government member of the United Arab Emirates concurred with the Office report with regard to the difficulties and constraints faced by SMEs. They included access to financing, availability of capital, training and skills for management and workers, marketing, and health insurance coverage. The Government had taken measures to enable SMEs to overcome such difficulties. There was a need to enact a law aimed specifically at SMEs. Substantial funds had been earmarked in order to ensure financing for SMEs. It was

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essential to invest in SMEs, as the sector could generate significant innovations and technical progress for the future.

- 87.** The Government member of Senegal said that the main constraints faced by SMEs in her country were: access to finance; access to subcontracting and public procurement; a lack of training in management and public procurement; a lack of transparency and information, particularly in the informal economy; difficulties in providing acceptable collateral for financial institutions; as well as low capitalization and lack of formalization; low level of skills; low salaries; and weak social protection. The SME division had set up partnerships to promote and develop SMEs. One programme improved competitiveness and growth, and developed the microfinance sector. A second programme provided funding for SMEs in manufacturing and production, and investment in start-ups and micro-enterprises. There was also a project for entrepreneurship in rural areas.
- 88.** The Government member of the Philippines said that one constraint faced by SMEs to achieve sustained growth was the lack of access to credit. MSMEs relied on internally generated funds and loans from family, friends or informal lenders. Furthermore, many SMEs had limited capacities for e-commerce, which was an untapped opportunity for growth, and very few used the Internet to secure more business. Technologies could streamline business processes, increase worker productivity and reduce overall costs, but they also needed to be tailored to SME needs. There had been little improvement, and perhaps a decline, in workers' skills, in part because good, skilled workers preferred to work in larger firms in the country or overseas. There was therefore a need to develop training in coordination with educational institutions and the private sector to cover skills needed by SMEs, which would in turn boost productivity. Lastly, there was a need to simplify bureaucratic procedures and lending requirements for SMEs, and governments should provide an enabling business environment for them.
- 89.** The Government member of Switzerland suggested the discussion could focus slightly more on small and micro-enterprises, which depended the most on adequate and innovative credit and finance systems, had the least human resources available for administrative tasks and were more likely to have deficits in terms of working conditions, salaries, productivity, OSH and collective bargaining. Since the sector or branch of activity played an important role, the focus should be on those sectors that had the most significant decent work deficits. Her Government had developed a system that allowed SMEs to obtain loans more easily, supported by a credit guarantee system. There were currently three regional guarantee cooperatives and a national structure dedicated to women. In addition, the Ministry of Economy in Switzerland was committed to reducing administrative burdens that were disproportional for SMEs. It regularly measured perceptions on administrative burdens and published them in the "bureaucracy barometer". All important new regulations were subject to an impact assessment in terms of administrative costs before adoption.
- 90.** The Government member of Turkey said that Turkish SMEs faced constraints similar to those mentioned in the Office report. It was essential to enable those SMEs to succeed in increasingly competitive global markets by supporting access to sufficient capital, fostering innovative projects and developing collaborative businesses and partnerships. The proportion of informal employment was a proxy for the quality of employment, and 56 per cent of SME activity in Turkey was informal. However, there had been a substantial reduction in the share of informality thanks to the measures taken. Moreover, his Government had made the reduction of informal employment a priority in its current development plan and aimed at reducing it to 30 per cent by 2018. A new law on OSH, adopted in 2012, applied to all workplaces. As a result of a number of measures in its Ninth Development Plan (2007–13), Turkey had also witnessed an increase in the number of organized industrial zones, from 35,000 in 2006 to 45,000 in 2013, and expected 65,000

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by 2018. Similarly, the number of technological development zones had increased significantly. New measures and policy interventions had been specified in the Tenth Development Plan (2014–18), which aimed to increase SME competitiveness and their contribution to economic growth.

- 91.** The Government member of Norway referred to the burden of regulations on SMEs. The same standards should apply to SMEs and to larger enterprises, but the requirements had to be dealt with differently. The right to a safe and healthy workplace was a basic human right, to be respected at every level of development and in different economic conditions. Respecting that right was an obligation, as well as a condition for sustainable economic development. Prevention of work-related deaths and accidents was possible and necessary. Investments in OSH were also good business, because they reduced accidents and led to higher productivity. Norway's experience with the ILO's SCORE programme for SMEs was that it simultaneously improved working conditions and increased productivity, making SMEs fit to compete in global value chains. Dialogue, participation and co-decision also contributed to innovation and better working conditions and improved productivity and profit. Good OSH regulations, good working conditions, and the right to organize were a necessity, as they were the drivers of both productivity and the creation of safe working environments. OSH should be regarded as equally important to forced labour, child labour, freedom of association and discrimination, as recognized in the ILO Declaration on Fundamental Principles and Rights at Work.
- 92.** The Government member of Japan explained that economic transformation, driven by factors such as globalization, depopulation and ageing, had led to more diversified and complex challenges for SMEs. They and their workers continued to suffer more constraints than large enterprises in terms of a lack of finance and investment in human resources. Business conditions for SMEs in Japan had improved with the mild recovery of the economy, but still lagged behind those for larger enterprises. The Government was supporting SMEs to acquire advanced technologies to expand their businesses. By accelerating investment in growth sectors, increased profits would eventually be given back to ordinary citizens in the form of increased salaries and employment, and the subsequent rise in consumption was expected to lead to a virtuous economic cycle that would produce trickle-down effects in local communities. The "three-arrow" economic policy had started a virtuous cycle and the Government would continue to work on structural reforms and the improvement of the business environment for SMEs.
- 93.** The Government member of Kuwait said that obstacles faced by SMEs in his country included: the time it took to establish an enterprise; a lack of mechanisms to protect intellectual property; and extreme limitations of the local market.
- 94.** The Government member of India stated that the policy response of the ILO in the area of SMEs had to be country- and sector-specific in view of the high heterogeneity. The Government of India had recently launched a dedicated financing facility for MSMEs, called the Micro Units Development and Refinance Agency Bank (MUDRA Bank). Modernization through technological upgrading was key to increasing SME productivity and competitiveness in global markets, and skills development and the creation of an enabling business environment should form the core of the response. The Government of India, together with the ILO, was implementing a cluster concept for MSMEs, and new legislation allowed groups of SMEs to join hands to provide facilities such as childcare for their workers. The Ministry of MSMEs was currently working with the ILO to create country-specific policy tools to promote MSMEs in line with national development goals.
- 95.** The Government member of Lebanon presented the specific problems that the country faced with more than 1.4 million refugees from the Syrian Arab Republic in addition to those from the Occupied Palestinian Territory. There were many negative effects on the

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labour market, as many refugees worked in the informal economy, competing with national firms and national labour, while accepting worse working conditions. Lebanon was faced with a political crisis. SMEs also suffered because the transport routes to Gulf country markets were no longer safe.

- 96.** The Government member of Côte d'Ivoire shared a national experience that allowed young people to find work and SMEs to obtain qualified workers through cooperation between the national Agency of Research and Promotion of Employment and the national SME Federation to accommodate jobseekers in a six-month to one-year internship and learning experience. The State provided remuneration for those young people and they were covered by the social security system. The sponsors of the programme were the World Bank Group and the French Development Agency (AFD).
- 97.** The Government member of Iraq underlined the importance of SMEs for economic development. In the Ministry of Labour, 800 employees were working to provide support to the sector, with many active projects, including free loans and regular inspections to comply with working hours. There were security issues in the country and the Government had, among other things, promulgated relevant legislation to provide special leave for employees. The Ministry had also created a dedicated centre to support employees on health and security matters.
- 98.** The Employer Vice-Chairperson noted that Governments had not echoed the Workers' group requests regarding supply chain management and suggested that that was not a specific SME issue. Indeed, according to the recent Fair Wear Foundation survey, for instance, the average factory size in the textile and apparel sector in Bangladesh varied between around 1,500 and 2,000 workers. Companies producing jeans in the supply chain of multinationals counted an average of 1,200–2,000 workers. Moreover, the discussion at the 105th Session (2016) of the ILC on supply chains should not be anticipated, because evidence was still anecdotal. In response to the Workers' group point on labour regulations, she noted that all international organizations, including the ILO, had stressed the fact that overly rigid legislation would have consequences on growth and formalization of SMEs. She referred to the EU perspective regarding red tape, stressing that for most SMEs in the EU, the administrative burden was a key constraint. The issue should therefore not be underestimated. Finally, as many governments had highlighted, the Office should follow up on the lack of adequate information on SMEs.
- 99.** The Worker Vice-Chairperson highlighted a number of points raised by the Employers' group on which there was agreement. The first was the need to fully implement Recommendation No. 189 and the 2007 Conclusions concerning the promotion of sustainable enterprises. The second was the importance of upgrading TVET systems with the involvement of social partners, while paying particular attention to young people. That was especially relevant, since young people were often more vulnerable because they were under-represented in trade unions, with little knowledge of their rights. The third point was the importance of tackling informality, a subject for further discussion. The fourth point of agreement was the importance of putting in place modern and effective OSH frameworks while recognizing that different sectors needed differentiated systems. He further noted the need for better data.
- 100.** He also highlighted two main points of concern. The first was that the Workers' group considered that paragraph 92 of the Office report made a balanced assessment on the importance of labour market regulations. Evidence showed that labour market regulations did not stop growth. While excessive regulations were unwarranted, it could not be said that all regulation was counterproductive and – on the issue of red tape – it should be recalled that regulations served the purpose of improving social outcomes. In that regard, the Committee should take into consideration the forthcoming Recommendation produced

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by the parallel discussion on the transition from the informal to the formal economy. The second point was that governments had presented how they supported Employers in spurring the development of SMEs, but had said little about specific measures promoting decent work and formalization, or what they were doing to extend social protection in SMEs.

- 101.** In addition, he emphasized that social dialogue played a key role in improving productivity and that investing in OSH was good business, as highlighted recently by the Australian Presidency of the G20. On that point, he stressed the importance of promoting a culture of compliance. Lastly, while taking note that the Employers' group had nothing to say about the imbalance of power in supply chains and its impact on SMEs as subcontractors, he agreed that it could wait for the discussion next year. Nevertheless, more evidence was needed and the Office should launch a comprehensive survey on outsourcing which would cover SMEs, identifying good practices and providing inputs for an update of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

**Point 3. What SME policies and related measures produce good results in terms of creating additional and decent employment through sustainable enterprise development? How have these policies dealt with the large heterogeneity of SMEs?**

- 102.** The Worker Vice-Chairperson considered that the evidence in the Office report did not provide a firm basis to favour one approach over another. The Workers' group had already expressed reservations about the ability of broad-based entrepreneurship training programmes to generate widespread employment and economic impact. New micro-enterprises had low productivity and often crowded out other firms in the very same market segments. Young people came into entrepreneurship with even more disadvantages than older people, often lacking professional experience and the capital needed. However, a higher rate of success was noted for new entrepreneurs provided with support services, although that meant higher costs and required tighter selection of applicants. In order to overcome the poorer outcomes of women entrepreneurship programmes compared to other programmes, they needed to be redesigned, taking into consideration women-specific circumstances. The EESE assessments could be useful, if they included social dialogue, and the Workers' group was ready to contribute to improving the methodology used.
- 103.** The capacity of governments to perform their duties and provide efficient public administration and services essential for SMEs required an adequate tax base. Over the past decades the tax burden of workers and their families had increased due to lobbying and tax evasion, reducing the fiscal space of governments. The evidence that a high incidence of enterprise informality, especially in developing countries, was associated with low productivity, a poor tax base, precarious working conditions and unfair competition sent a strong signal regarding the critical importance of the transition of informal to formal enterprises. The Workers' group supported the suggestions made in paragraph 108 of the Office report in that regard. Furthermore, capacity building to enhance the contribution of the social partners towards formalization should be stepped up.
- 104.** The group also supported the objective of helping SMEs to improve both their performance and their working conditions, enforcing labour standards and adopting a multidisciplinary perspective that encompassed social protection, OSH, labour administration and working conditions.

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- 105.** The non-coverage of workers by collective bargaining agreements could be compensated for by the institutionalization of subsidized workers' resource centres, where individual (and unrepresented) workers would have access to free legal support. An extension of coverage of sectoral collective bargaining agreements to SMEs also seemed to reduce wage and working conditions differentials between large and small firms. In addition, better coordination and dialogue at the level of sectors and regions could help to ensure that competition would not take place at the expense of working conditions.
- 106.** Cooperatives had great potential to strengthen economic development, improve the performance of SMEs and advance decent work, helping informal workers make the transition to formality. The ILO had already contributed to advise governments on the regulatory environment and supporting institutions adapted to their specific needs.
- 107.** The Employer Vice-Chairperson quoted the finding of the Office report that an improved enabling environment for SMEs was significantly associated with higher employment and economic growth. There was thus a need to focus on creating the framework conditions for business. Commitments by governments were also needed to foster entrepreneurship. That could include creating clusters, networks and synergies between universities, research and development centres, start-ups and public administration. That would help students to better understand the opportunities at hand and possibly create an enterprise rather than just take a job. She further stressed the successes of combining entrepreneurship training with access to finance. Programmes targeting women were less successful and needed further review. Employers' organizations should be involved from the very start in these endeavours. Programmes for young people were more likely to have positive results, though programmes to address the needs of older entrepreneurs should not be neglected. Sound macro-economic policies, investment and infrastructure, as well as skills development policies were highly relevant for SME development, but they would need to be tailored to national circumstances.
- 108.** The Government member of the Netherlands, speaking on behalf of the EU and its Member States, explained that the EU had a two-tiered approach combining both generic economic policies and specific SME policies. Indeed, generic policies also impacted the sustainable development of SMEs. He highlighted the importance of vocational and entrepreneurship training. A number of European countries, such as Germany and Austria, provided examples on how vocational training could help tackle youth unemployment and address the skills needs of SMEs. He also noted the need to align generic and SME specific policies and to create synergies between governments, social partners and entrepreneurs, and referred to the Europe 2020 strategy and the EU's long-term strategy for jobs and growth, which included: employment creation; research and development; climate and energy; education; and the fight against poverty and social exclusion. Moreover, the Small Business Act for Europe stipulated that all policies concerning business should be drafted taking into account the perspective of small companies. With regard to employment quality and OSH, the new EU Strategic Framework on Health and Safety at Work 2014–20 aimed at improved implementation of OSH legislation, in particular in micro- and small enterprises. Social dialogue was also instrumental to improve employment quality in SMEs. In addition to European-wide policies, individual EU Member States had also adopted relevant policies, taking into account the national or even subnational context. Work on access to finance, assistance for SMEs to expand their presence in global value chains, and entrepreneurship training within the school curriculum was also highlighted. He concluded with two caveats: (i) the support for and appreciation of SME policies in Europe did not necessarily confirm their effectiveness and applicability in other countries and regions; and (ii) empirical studies tended to be restricted to formal, non-agricultural enterprises from the private sector, and excluded the self-employed and micro-enterprises. There was thus a need for further investment in data monitoring and evaluation – also in relation to the informal sector – to ensure a sound basis for targeted policy efforts.

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- 109.** The Government member of Ethiopia mentioned that her country had incorporated SMEs into the national development strategy, as well as into the national industrial policy. Targeted policies were necessary to account for the heterogeneity of SMEs, and helped to address a variety of issues, such as the alignment between the educational systems and the skills required by SMEs, access to land, and credit and tax simplification. She highlighted that policies at the national level should be coordinated and complementary. To that end, the country had put in place a framework to coordinate stakeholders, monitor work and clarify roles and responsibilities.
- 110.** The Government member of the United Arab Emirates stated that SMEs were crucial for employment creation, and referred to examples provided by the EU, which reflected the interest in strengthening that type of enterprises, the need for targeted policies and tools and the sharing of responsibilities between different stakeholders.
- 111.** The Government member of Senegal indicated that her country had put in place policies and legislation to support the development of SMEs, with the main objective of creating employment, fostering productivity and strengthening entrepreneurship skills among women and young people. The Emerging Senegal plan (2014–35) provided the overall framework for economic and social development, with inclusive growth and private sector development as priorities. The Labour Ministry had put in place mechanisms to promote employment and entrepreneurship among women and young people. In 2001, three structures had been created to deal with constraints faced by SMEs. The Government had also undertaken a census of enterprises facing difficulties to elaborate support plans and put in place measures to provide financial assistance. With regard to legislation, several initiatives had been undertaken since 2003, and in 2012 a law to simplify the tax regime for SMEs within a certain revenue threshold had been enacted. A draft law for the development and promotion of SMEs and economic modernization, which eased the formalization of informal SMEs, had also been elaborated.
- 112.** The Government member of Argentina, speaking on behalf of GRULAC, said that policies to support and develop SMEs needed to take into account their heterogeneity, including whether they were in the informal or formal sectors, where they were situated, and in which sector they operated. Policies used in his region aimed to promote both SMEs and decent work. Policies intended for workers typically focused on training and systems to certify skills, work placement for the most vulnerable through incentive schemes, the registration of workers in SMEs, and increasing the awareness of rights at work and collective bargaining. With regard to enterprises, the most important policies focused on promoting an entrepreneurial culture, particularly among youth, facilitating access to credit, management training and continuous support for enterprises, developing and maintaining infrastructure, and supporting the establishment of associations of SMEs. Governments could in turn strengthen social dialogue, provide access to new markets through free trade agreements, facilitate the transfer of new technology and implement policies to improve income, as well as working conditions and security at work. They could do so through integrated public policies targeted at SMEs and their workers.
- 113.** The Government member of Switzerland briefly summarized the approach taken by her Government to support SMEs, encompassing support to entrepreneurs, reducing bureaucracy, strengthening the role of the social partners in supporting SMEs and ensuring the transition of enterprises from the informal to the formal sectors. Her Government had established an SME Forum in 1998 to examine and analyse draft laws and regulations to ensure they reflected the needs of SMEs. The forum also evaluated the administrative burden of existing measures, proposed ways to simplify regulation, or suggested alternatives, with the active involvement of entrepreneurs and the social partners.

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- 114.** The Government member of the Philippines gave an overview of existing laws and programmes in her country that aimed to promote, support and strengthen the growth of SMEs through a mix of developmental and regulatory approaches which were of benefit to SMEs. Measures included access to finance, MSME grants, and shared SME service facilities in all cities and municipalities. They also addressed rigidities in terms of labour law compliance while ensuring decent and productive work. That included steps to avoid non-compliance caused by lack of information about labour laws, rules and regulations.
- 115.** The Government member of Iraq underlined the challenges for SMEs caused by the upheavals in her country and the surrounding region. Her Government worked closely with employers when adopting measures affecting SMEs. With the assistance of the ILO, the Government had developed several training programmes, particularly vocational training, for women and men working in SMEs. In addition, initiatives had been put in place to support the use of new technologies and help entrepreneurs to set up a growing number of SMEs.
- 116.** The Government member of Japan said that SMEs in her country benefitted from a number of Government measures. First, the Government subsidized the costs of employers who were forced to downsize their business for economic reasons but decided to keep their workers on board by granting them temporary leave. Second, tax breaks were provided to SMEs that increased the number of employees by two persons or 10 per cent. Third, the Government subsidized the costs of employers that adopted a comprehensive employment management system, which covered working conditions, performance assessment, training, health promotion and mentoring. Fourth, initiatives that promoted a better work-life balance were partially subsidized. Fifth, a retirement scheme was established for SMEs that could not afford to set up such schemes by themselves. The Japan Revitalization Strategy that was approved in 2014 focused on enhancing local economies and supporting community-based SMEs. In an increasingly globalized world, Japan was ready to provide technical assistance to developing countries through the ILO/Japan Multi-bilateral Programme, and her country participated actively in the discussions in the ILO to support countries to improve their social security systems and raise OSH standards.
- 117.** The Government member of Uruguay presented the “Work Culture for Development” strategy adopted in his country three months previously. The strategy had been developed with the support of representatives from workers’ organizations, entrepreneurs, universities and the Government. The objective was to turn Uruguay into a developed country and reduce inequalities to achieve a more integrated, just and prosperous society. The proposed measures included quality training, building the capacity of workers and SMEs and a process to deepen a culture of work in his country.
- 118.** The Government member of Australia said that her Government had applied both direct and indirect policy measures aimed at improving the viability of SMEs and increasing growth opportunities in the Australian economy. These included measures to support SMEs in specific industry sectors through the Cooperative Research Centres Programme. Established in 1990, these centres supported industry-led collaboration between researchers, industry, SMEs and local communities. They fostered new technologies, products and services, and helped SMEs access global markets and increase their income, productivity and competitiveness. She further presented the new Industry Skills Fund which assisted SMEs to invest in training and to develop a highly skilled workforce that could take advantage of new business opportunities and enhance productivity. Her Government was also working on ways to address the high costs of compliance that many SMEs faced. That included the Australian Ombudsman’s Small Business Strategy which supported small enterprises in understanding and complying with the regulatory environment.

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- 119.** The Government member of Indonesia said that policies to create new SMEs and support existing ones to be more competitive were a national development priority. Policies to promote new SMEs comprised vocational training and education to increase technical and managerial skills, access to finance, and infrastructure development. In terms of support to existing SMEs, he said that implementation of OSH and labour standards were key to increasing productivity.
- 120.** The Government member of the United States shared examples of policies and programmes to facilitate SME growth under the Obama Administration’s Small Business Agenda. These included tax breaks for SMEs, promotion of access to export markets, more contracting opportunities for SMEs through strengthened federal procurement rules, and promotion of SME development in high-growth industries such as clean energy production. The Jumpstart Our Business Startups (JOBS) Act of 2012 allowed new businesses to raise capital more effectively, including through Internet crowd-funding or mini Initial Public Offerings. The Middle Class Tax Relief and Job Creation Act of 2012 helped unemployed workers create their own jobs by starting their own small businesses while still receiving benefits. The Department of Labor promoted SME compliance with OSH laws and regulations by providing free and confidential advice to SMEs and recognizing SMEs who operated exemplary injury and illness prevention programmes. Compliance was also promoted in collaboration with the small business development centres that were funded by her Government’s Small Business Administration.
- 121.** The Minister of Labour, Industrial Relations and Employment of Mauritius, Mr Soodesh Callichurn, said that SMEs represented more than 40 per cent of his country’s GDP and more than 50 per cent of the labour force. He outlined a number of measures that had been adopted in the 2015–16 budget to support SMEs, including the establishment of a one-stop shop to meet the specific needs of SMEs in terms of registration, collection of fees and access to finance. The Government had also implemented several incentives for SME creation and growth, including a waiver of corporate income tax or reporting requirements during the first eight years of business operations. He noted that special attention was given to youth entrepreneurs, who could access start-up funds without the need for collateral and benefit from a fast-track mechanism to obtain the necessary permits to establish a business.
- 122.** The Government member of the United Arab Emirates, speaking on behalf of the GCC countries, stressed that SME development required specific measures and policies. The countries of the GCC supported SMEs to be more competitive and create more jobs through access to technology, access to markets and the creation of an enabling environment. That included measures to protect inventions by SMEs through patents. Young women and men should be given the opportunity to be innovative and creative, and primary and secondary schools should place more emphasis on promoting a culture of entrepreneurship and decent work.
- 123.** The Government member of the Bolivarian Republic of Venezuela provided an overview of her country’s policies to promote MSMEs as part of the national strategy to promote economic growth, social inclusion and the creation of decent and productive employment. These included, but were not limited to, a law on microfinance that facilitated access to finance for SMEs as well as the establishment of a national system for mutual guarantees that had provided funds and training to SMEs. They were also afforded access to public procurement. Government institutions supported SMEs in strategic sectors, simplified procedures for certification of products, the transfer of technological innovation, and entrepreneurship development programmes for women.
- 124.** The Government member of Iran stated that SME development was an important way to ensure the transfer of technology to developing countries. Her Government had measures

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to reduce the role of the State and to promote the private sector. These included access to information and finance for SMEs as well as the promotion of a culture of work that was built on dialogue between employers and workers. Furthermore, there were initiatives to formalize SMEs, reduce cost of production and to overcome barriers to SME growth through the facilitation of access to value chains and to new markets and technologies.

- 125.** The Government member of Ethiopia, speaking on behalf of the Africa group, was concerned that SMEs in the agricultural sector had not been covered sufficiently in the Office report. She called for more research in that area as an input to policy formulation, and suggested that the ILO could consider support to African research institutes in that regard. She reiterated that SMEs provided a vehicle to transform agriculture-based economies. The Africa group firmly believed that further efforts should be made to increase the value added of SMEs so as to increase their productivity and the sustainability of the sector. SMEs could not be seen in isolation from national efforts to bring about sustainable and inclusive economic development. By placing SMEs within broader development policy frameworks of a country and linking SME policies to other policies, it would be possible to address the constraints of SMEs in a coordinated and harmonized manner. Policies targeting SMEs, and in particular cooperatives in the agricultural sector, should focus on ensuring market access, the necessary infrastructure, training and capacity building, and on financial assistance and tax holidays that would enable SMEs to graduate into larger enterprises. That could be combined with incentives such as export promotion. It was also important to reduce the cost of energy and improve connectivity, create an enabling environment, and to address operating space and taxation issues. She called for the integration of entrepreneurship into the national curriculum as well as for the strengthening of policy frameworks for technical and vocational training. The heterogeneity of the sector required targeted policies that addressed specific groups, such as women, or specific categories of SMEs, such as cooperatives.
- 126.** The Government member of Saudi Arabia said that his country promoted SME creation and growth by providing venture capital, as well as credit for pioneers to cover daily expenses and the cost of technical assistance and expertise. The Government supported entrepreneurship training and coaching for persons starting new SMEs and would soon establish a special body dedicated to SME issues, including research on how SMEs can best contribute to society.
- 127.** The Government member of Mexico explained that the Mexican Ministry of Labour, the National Institute of Women and the National Anti-Discrimination Council had signed an agreement to promote gender equality and combat discrimination. He emphasized the importance of gender equality and women's participation, as an important issue in his country. In 2013, 19 per cent of entrepreneurs in Mexico were women, with a concentration in the services, trade and education sectors. Women were also reliable loan-takers: 99 per cent of women paid off their debts fully and on time.
- 128.** The Government member of Canada said that a combination of macroeconomic and specific industrial policies was necessary to promote decent work in SMEs. Among the SME policies and programmes that had been adopted by the Canadian Government, he highlighted: the Labour Market Agreements, the Plan of Action for Women Entrepreneurs, "Futurpreneur Canada", Canada's Small Business Financing Programme, the Canada Accelerator and Incubator Program (CAIP), a new programme to facilitate exports, and the Global Opportunities for Associations (GOA) programme.
- 129.** The Employer Vice-Chairperson concluded that there could be no doubt that the wealth of programmes to support SMEs had resulted in growth and job creation. She in turn clarified that regarding the impact of labour laws on SME growth and employment, she had not questioned the importance of fundamental principles and rights at work, but referred to

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labour legislation that was excessive, complex and burdensome for SMEs. She noted that there seemed to be consensus about the importance of tackling informality, of reducing red tape, of the relevance of existing ILO standards and instruments, the need for quality apprenticeship schemes, and of OSH frameworks focused on prevention. Nevertheless, if the conclusions of the Committee did not address the impact of labour legislation on SMEs, the use of the EESE tool as a practical way to improve the enabling environment or a “think small first” approach, they would not represent the win-win outcome the Employers’ group hoped to see. She concluded by pointing out that for the Employers’ group, entrepreneurship was a passion and a mindset, and that it would be incorrect to think of entrepreneurs only in the narrow terms of those driven by necessity or opportunity.

- 130.** The Worker Vice-Chairperson listed six areas in which a general agreement had emerged. First, sound macroeconomic policies provided an essential context for implementing SME programmes. Second, policies and programmes should be targeted to specific sub-segments of the SMEs universe, not only in terms of size, but also in terms of regions, sectors and value chains. Third, integrated packages of support worked better than assistance to individual firms. Fourth, OSH policies and programmes could yield significant savings for SMEs and their communities in addition to preventing personal tragedies. Fifth, in order to ensure decent work in SMEs, entrepreneurship education and tailored business development programmes should be combined with education on rights at work and awareness raising about collective bargaining. Sixth, social dialogue on SME policies and programmes was critical to ensuring they would be implemented well in practice and adapted to the national context. With regard to the “think small first” approach, he clarified that it could, but should not, be interpreted as an attempt to exempt SMEs from the application of labour legislation. He accepted the general point on excessive and burdensome labour regulation made by the Employers’ group, but noted with regret that the reason for complex regulation often was the efforts to avoid it. He also clarified that the Workers’ group did not have any difficulty with subparagraph 7(3) of Recommendation No. 189 in that regard.

**Point 4. What are the roles of governments and of the social partners in promoting policies for decent and productive employment in different SME segments?**

- 131.** The Worker Vice-Chairperson reiterated that the promotion of SMEs and decent and productive employment creation was a means to an end: economic and social development for all societies and the achievement of decent work for all. The 2007 Conclusions concerning the promotion of sustainable enterprises offered an excellent framework to apply to the specific context of SMEs, also in the interest of consistency and policy coherence.
- 132.** Referring to the obligations of governments as defined by international law and human rights treaties in force, he hoped the conclusions of the Committee would provide useful and concrete guidance to governments on how they could fulfil their obligations in the human rights framework and the decent work agenda in the SME segment of the world of work. He further reiterated that more quantitative and qualitative research on the quality of jobs in SMEs and impact evaluations of policy interventions was needed.
- 133.** He recalled how social dialogue guaranteed that the design, implementation and management of policies were participatory, and that workers and employers owned the policy effort to promote SMEs and the livelihoods of their workers.

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- 134.** Good governance in terms of public administration, judicial systems that worked and reliable public infrastructure was key. Governments particularly needed to strengthen labour inspection. Due to the high rate of occupational injuries and fatal accidents occurring in SMEs, specific OSH guidance should be developed. Improving the education, health and social conditions of people had a direct impact on the economic potential of a country and public education, which is why it was better to see public health and education as investments rather than expenses. In the context of the G20, the social partners had agreed to useful principles on quality apprenticeships with the participation of business and TVET institutions, but these had to be underpinned by legal framework to help governments, employers and unions put quality apprenticeship systems in place.
- 135.** He reiterated again the importance of macroeconomic policies which put jobs at the heart of policy goals. Governments could leverage better economic results for SMEs and better working conditions for workers, for instance through public procurement policies that included legal guarantees that labour and environmental standards would be observed. While countries should not close their economies off from the rest of the world, current trade and investment agreements prohibited a vast array of industrial policies that could help SMEs all over the world. Moreover, small formal SMEs needed protection from market manipulation by major players. The ability of local firms and workers to capture their fair share of the value added was key to successful development and the best way to achieve that would be through collective bargaining.
- 136.** Turning to the role of the social partners, he said that trade unions could play a proactive role when it came to economic policies and initiatives to support SMEs and entrepreneurship. They could do so by engaging in good faith exchanges with governments and employers' organizations, by monitoring progress and providing constructive feedback to governments, and by mobilizing workers' spending and savings around local development initiatives. Trade unions could also help workers in the informal economy form associations and cooperatives.
- 137.** The Employer Vice-Chairperson said that governments and social partners had distinctive roles to play in the promotion of SMEs. That was clearly set out in both the 2007 Conclusions concerning the promotion of sustainable enterprises, and in Recommendation No. 189. Their role was to create an enabling environment for enterprises and to help SMEs to react flexibly to external changes. Governments had to enforce law, especially labour and environmental law, because business could not thrive where there was weak governance. It was also important to avoid unfair competition from informal companies. What was necessary was a legal framework that allowed businesses to adapt to changing market conditions. Good examples of that type of environment were Denmark and Switzerland and could be summed up in the concept of flexicurity.
- 138.** Recommendation No. 189 provided clear guidance for governments to: (i) consult with social partners in order to determine whether legislation met the needs of SMEs; (ii) adopt and pursue fiscal, monetary and employment policies that provided an optimal environment for SMEs; (iii) remove measures that dissuaded people from choosing to become entrepreneurs; (iv) enable an environment where unsuccessful start-up SMEs could be ended and new ones started in their place; (v) remove constraints such as access to credit and capital markets, low skill levels, lack of infrastructure, insufficient access to markets, lack of access to new technologies, burdensome administrative requirements, lack of support for research and development and difficulties in accessing procurement opportunities; (vi) collect national data on SMEs; (vii) develop entrepreneurial attitudes and skills; and (viii) provide support services to SMEs such as start-up assistance, training, export promotion and trade opportunities in national and international markets among others. All these types of support would be best delivered through a one-stop shop type of approach. Ultimately, it was essential that governments engage employers in any activities

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related to SMEs. If they were not fully involved, policies and programmes aiming to support SMEs would not achieve their aims.

- 139.** The Government member of the Netherlands, speaking on behalf of the EU and its Member States, explained that governments should remove barriers, and correct market failures that hindered SMEs. These were the main objectives of the EU's Small Business Act. Governments could also broaden the often limited range of sources of finance available to SMEs. Crowd-funding was an innovative type of financing, and a programme had been introduced in order to make it easier for SMEs to access loans and equity finance. Actions to ensure an enabling environment for business could entail: (i) functioning institutions and accessible public services; (ii) a conducive legislative environment; (iii) facilitating start-ups, opportunities to relaunch businesses and open markets; and (iv) a skilled work force. Policies that created an enabling environment should be balanced with those that provided decent employment for workers (i.e., labour laws, OSH and respect for fundamental rights and principles at work). The ILO could play a key role in achieving that balance. Governments also needed to assess the impact of relevant legislative proposals on SMEs in consultation with social partners. Furthermore, governments had to ensure that businesses respected their legal obligations, while avoiding excessive bureaucracy. That was particularly important for the formalization of enterprises. Because SMEs often did not have the resources to conduct research independently, governments also had a role in facilitating cooperation between SMEs, the public sector and research institutes, thus helping them to make evidence-based decisions. SMEs also needed to have access to, and be made aware of, all relevant legislation, facilities and tools available to them.
- 140.** The social partners could help SMEs and their workers to overcome the difficulties they faced, in particular through social dialogue. Employers' organizations had a key role to play in providing or supporting entrepreneurship training, particularly in partnership with finance institutions so as to simultaneously facilitate access to finance. They could also continue assessing the enabling environment for SMEs through surveys and other tools. Workers' organizations needed to expand their outreach to SMEs to provide them with services and advice on workers' rights, labour legislation and social protection issues.
- 141.** Participation in global value chains provided valuable opportunities for SMEs to access new markets, technologies and business models, particularly in developing countries. The ILO should enhance cooperation with business to allow mutual learning and further promote the ILO's objectives. Finally, the ILO should continue to monitor and evaluate the impact of policy interventions on SMEs.
- 142.** The Government member of Kuwait, speaking on behalf of the GCC countries, explained that they had implemented specific laws and policies to facilitate the development of SMEs and their access to finance. Institutions had been set up, which made it easier for SMEs to get permits to operate. Land had been made available for zones that served as "incubators" for SMEs, and a percentage of Government tenders was reserved for SMEs. To better enable SMEs' entry into the labour market, a partnership approach was important, for example working with the chambers of commerce. Another policy had been to group together SMEs in so-called "productive families" to ease their registration and licencing. Finally, support had been given by subsidizing the rent on small shops.
- 143.** The Government member of Japan reiterated the importance of tailoring SME-related policies and programmes to specific types – and sizes – of SMEs. Her Government had set up an SME Policy-Making Council, which was advised by relevant ministers and had a membership representing business and labour. One major challenge for SMEs in Japan was recruiting qualified workers and developing limited human resources. The Government provided support through vocational training opportunities for workers, the dissemination and promotion of the vocational certification system and the provision of opportunities to

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use career advice and job-matching services. Underlying all of these approaches and policies was the need to ensure tripartite social dialogue.

- 144.** The Government member of Switzerland illustrated her country's social partnership model for SMEs: through social dialogue at the national, regional, local, sectoral and enterprise levels, social partners were involved in setting the framework conditions for the economy. That also helped to better manage economic, social, demographic and environmental changes and to strengthen vocational training systems and labour market institutions. Social partners were also better placed than the State to set minimum wages through collective bargaining, without compromising competitiveness.
- 145.** The Government member of Malaysia explained that in 2014, her Government counted more than 150 programmes dedicated to SME promotion, with financial commitment from the Government and the private sector. More than 160 programmes were under way for 2015. The Access to finance programme focused on entrepreneurship among different segments of SMEs, and complementary private financial assistance was also provided. The Improving working conditions for decent and productive employment programme was initiated due to the increase in occupational diseases among SME workers, and brought together the Malaysian Industrial Hygiene Association and the Social Security Organisation. In addition, the Department of OSH had a programme since 2010, delivering OSH-related services to SMEs, such as door-to-door and mobile services.
- 146.** The Government member of Norway emphasized the importance of OSH and the role of labour inspection and well-functioning social partners. Governments and social partners should help SMEs to create decent and productive jobs in the formal economy as well as to fill in the information gap on OSH and fundamental workers' rights. Due to the heterogeneity of SMEs, it was important to develop customized strategies. There was also great potential to replicate training such as SCORE and to identify constraints for SMEs and their workers.
- 147.** The Government member of Egypt highlighted that economic progress should start with young people. SMEs could provide new kinds of job opportunities for them. Her Government had facilitated cooperation between large companies and SMEs, enabling the latter to function as suppliers to the former, in an effort to ensure jobs for young people. Under the new legislative framework, a law made it easier for SMEs to recruit human resources. Since 2015, a one-stop shop to receive requests to set up SMEs had been established. Finally, there was a variety of credit facilities for SMEs.
- 148.** The Government member of the Philippines gave examples of national SME initiatives: (i) the Department of Labor and Employment (DOLE) Integrated Livelihood and Emergency Employment Program aimed at providing qualified applicants with an efficient means to access funds; (ii) a programme between DOLE and the Department of Science and Technology aimed at enhancing DOLE livelihood projects in core enterprises; (iii) the DOLE career guidance module for secondary and tertiary level students now included self-employment and entrepreneurship; (iv) the National Productivity Olympics identified best productivity improvement programmes among MSMEs; and (v) the Green Productivity: Green My Enterprise Program aimed at introducing green practices to ensure health, safety and wellness of workers. In addition, tripartite industry councils were active in promoting decent work in certain sectors.
- 149.** The Government member of Senegal explained that his country had started implementing the Emerging Senegal Plan and had adopted a Pact for social stability and economic progress as well as a national employment policy and action plan. A law for SME promotion and development had been implemented, and a proposal for a law on SME development and economic modernization had been drafted. The labour law had been

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modified with regard to internships and apprenticeships, and a state–employer agreement had been concluded on youth entrepreneurship. The social partners had also concluded a social peace deal for three years (2014) and the employers had organized company meetings to raise employer concerns. Production units had been created in bakeries and support to laid-off workers was provided.

- 150.** The Government member of Thailand explained that in the face of rising costs of living and increased overtime work, the Ministry of Labour had increased the minimum wage by 39.46 per cent in 2012. Increased wages would not only improve working conditions but also encourage entrepreneurs to improve their management to strengthen productivity. The Ministry of Labour, in collaboration with the Office of Small and Medium Enterprises Promotion, among others, had launched several projects to improve labour productivity and lifelong learning, through vocational education and training, tax incentives to enterprises that provided skills training for their workers, and corporate income tax exemptions when machinery was replaced or adjusted to increase production efficiency.
- 151.** The Government member of Brazil highlighted the importance of an enabling environment. Business registration and tax payments needed to be simplified to facilitate formalization. In her country, between 2002 and 2012, the average salary in SMEs had increased by 33 per cent above the rate of inflation. Brazil used the total revenue, not the number of employees, to define the size of an enterprise in relation to eligibility for Government programmes. She supported the GRULAC statement stressing the importance of micro-enterprises and said that in Brazil, 50 per cent of all enterprises were low-income autonomous workers who had reached formality thanks to successful and targeted Government policies that had also managed to include millions of people in the national social security system. She also said that changing the way employers' contributions to social security were collected could foster job creation in SMEs. For example, Brazil looked at the enterprise revenue rather than the number of workers, and that measure encouraged the formalization of workers. Social security benefits were the same for workers irrespective of the size and type of their employer. Integrated policies had also been implemented, combining tax reduction to subsidized interest rates, training and technical consulting.
- 152.** The Government member of the United States emphasized the key role of governments in the creation of an enabling environment for the development of SMEs and the implementation of laws and policies on fundamental rights at work, working conditions and social benefits. Her Government had adopted legislation and policies to target the growth of SMEs and, in the wake of the global economic crisis, had invested heavily in banks, credit unions and community development financial institutions to support their capacity to lend to small businesses. It had also provided assistance to SMEs to support compliance with OSH laws. Employers also had a crucial role in supporting their SME counterparts. In her country, they provided access to mentorship, business contacts and capital. Workers' organizations could provide information, services and advice on workers' rights and obligations, laws and regulations, and social protection.
- 153.** The Government member of Kuwait illustrated some of the measures undertaken by his country to support the start-up and growth of SMEs. Various institutions had been established to: (i) diversify access to finance, promote a culture of SMEs, provide information and technical assistance, help with feasibility studies for sustainable projects, build the capacity of workers, provide funding, increase competitiveness, and support domestic products in Kuwait; (ii) facilitate the recruitment of workers for SMEs; (iii) restructure the workforce nationally by providing funds to SMEs and encouraging self-employment; (iv) deal with issues specific to youth through a dedicated ministry; and (v) increase transparency and help entrepreneurs in SMEs have their voice heard.

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- 154.** The Government member of Ethiopia, speaking on behalf of the Africa group, also underlined the role of governments in creating an enabling environment for SMEs. The adoption and enforcement of laws and labour standards, Recommendation No. 189 and the 2007 Conclusions concerning the promotion of sustainable enterprises were critical for policy implementation. Governments could also be encouraged to develop projects and allocate resources to further promote SME-related policies. The social partners and the relevant ministries should be involved in tripartite consultations in national forums on the formulation of policies, the assessment of interventions and their implementation. The existing national mechanisms should include effective monitoring to ensure sustainable development of SMEs. Governments should establish a specific agency, ministry or authority for SME development at various levels of government. Lastly, development partners should support developing countries through financing, technology transfer and capacity building for SMEs.
- 155.** The Government member of the United Arab Emirates explained that his country had a specific programme to facilitate access to markets by SMEs. The Government had strengthened policies on decent and productive employment, which required the participation of social partners. It had adopted a law and set up an institution for SMEs to ensure a decent productive environment and help increase competitiveness. The Ministry of Labour had undertaken a number of initiatives on strategic relationships with partners and had set up committees. A number of large companies had taken initiatives to support SMEs as part of their corporate social responsibility programmes. Lastly, SME institutions were working with youth in the 15–21 age group to promote leadership, turn ideas into productive projects, and create an enabling environment for business.
- 156.** The Government member of Kenya also indicated that governments were expected to create an enabling environment for growth of SMEs in various sectors. Policy formulation had to be tailored to the needs of SMEs to ensure equal opportunities for all types of businesses. In Kenya, lack of access to credit was a major constraint for start-ups and business in general. The Government had introduced special funds, i.e. a fund for empowerment accessible to people under 35 years of age, a women’s entrepreneurship fund and a youth development fund. Public procurement policies set aside 30 per cent for young people, women and people with disabilities. To overcome problems in access to electricity and connection fees, coverage had been expanded and connection fees lowered. It was also crucial that labour market institutions should function properly. Ensuring the full and proper application of tripartite consultation mechanisms and social dialogue processes and instruments was of paramount importance. Lastly, research and data collection to inform policy formulation was imperative.
- 157.** The Government member of Lebanon explained that his Government was undertaking an initiative to reduce migration among young people, especially the highly skilled. Moreover, it was endeavouring to facilitate access to credit, modernize laws on commerce and intellectual property and improve the labour market environment to help small companies.
- 158.** The Government member of Oman stated that his Government had adopted various strategies to promote the role of SMEs, including holding two seminars in which all social partners participated. It had established an entity and an investment fund to help SMEs and support entrepreneurship. In addition, it was seeking to help workers by providing social services, and to support owners by providing funding, moral support, and awareness-raising regarding SMEs.
- 159.** The Government member of Saudi Arabia said that his Government had made significant efforts for SMEs, establishing support centres in villages to disseminate an “SME culture” in these areas, as well as among low-income categories of enterprises. The Government

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was also promoting a concept of “freedom of enterprise” for women, and conducting introductory training on the labour market for which 50 per cent of attendees were women.

- 160.** The Government member of Iraq highlighted that decent work was the driver of sustainable development. Her Government sought to produce decent work for all and had established a programme to tackle unemployment. Furthermore, it had implemented: financial programmes; a fund for SMEs; a microcredit project; an industrial services project; training projects, including vocational training for divorced women and widows; extended social coverage; and improved the social security system through legislation. In addition, the Government encouraged social dialogue.
- 161.** The Government member of the Islamic Republic of Iran explained the objectives of her country’s strategic plans on SMEs and decent work promotion: (i) in the long term – enable political stability, favour competitiveness by providing a conducive legal environment, develop human capital and infrastructure and set in motion a social security system; (ii) in the medium term – focus on vocational training, the development of management skills, facilitate access to finance, shorten timeframe for investments; (iii) in the short term – strengthen SMEs’ capacity in innovation and new technologies. Measures to reduce trade obstacles, such as reduced duty taxes for a number of imported products, should also help productivity and employment.
- 162.** The Government member of Jordan remarked that her Government was trying to address the issue of unemployment, also encouraging the establishment of SMEs, in particular those with higher potential for youth employment. Various establishments gave loans and a number of special funds had been established with good results. For example, 24,000 new jobs for young people had been created under one scheme. Efforts were ongoing to also increase the number of women entrepreneurs benefiting from Government support and broaden social security coverage for disabled and vulnerable groups.
- 163.** The Employer Vice-Chairperson noted that governments’ contributions reflected their interest in promoting SMEs and further highlighted two points. First, referring to paragraph 81 of the Office report, she underlined that the main task of governments was to establish an enabling environment for SMEs, with the participation of social partners, as exemplified by the social partnership in Switzerland. In that regard, she also remarked that the Workers’ group had shown interest in flexicurity, a potential ground for further consensus. Second, she noted that the existing ILO instruments – Recommendation No. 189 and the 2007 Conclusions concerning the promotion of sustainable enterprises – were fully relevant and valid in the current debate on SMEs.
- 164.** The Worker Vice-Chairperson agreed on the high level of interest expressed by governments for the promotion of an enabling environment for SMEs and highlighted that many had quoted the importance of social dialogue, vocational training and OSH. He further emphasized the importance of OSH prevention, illustrating the rate of return of investments in OSH prevention. He supported the statement on the important role played by law and a culture of compliance. However, on flexicurity, he stated that the examples were taken from a context where labour market flexibility was supported by three important pillars: (i) labour market regulations; (ii) generous social security payments; and (iii) labour market programmes putting people who had fallen out of employment back to work or retraining them.

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**Point 5. Which SME policies and related measures of the ILO have worked and which have not? What gaps are there in ILO knowledge, products, capacity building and strategic partnerships? What should be continued and scaled up, and what should be added?**

- 165.** The Employer Vice-Chairperson said that the EESE programme to improve framework conditions for SMEs had delivered promising results and was contributing to the credibility of the ILO. She welcomed the ILO Director-General's Future of Work centenary initiative, and stressed that the future of work depended on the business environment of tomorrow. An understanding of the enabling environment was central to creating conditions for SMEs to sustain their operations, expand and generate jobs. Enabling environment assessments should be an integral part of the ILO's work on national employment policies, including SME policies and programmes, and in the design of DWCPs.
- 166.** The ILO had tested and deployed the EESE assessment methodology in some 30 countries. The work should now move to a level where impacts would be generated. That required the development of tools and resources for the constituents to plan and implement interventions to improve the enabling environment, as well as to monitor and evaluate the impact. While it was too early to conduct a meaningful evaluation of EESE, the programme had generated initial outcomes. In Honduras, for example, the cost of registering businesses had been drastically reduced and the registration rate had increased by 15 per cent in the first year. The EESE toolkit had also helped strengthen employers' and business associations' ability to identify constraints and to influence policies for a better business environment. That had created a platform for a meaningful and evidence-based dialogue with governments and trade unions.
- 167.** More resources were needed to expand the deployment of the EESE toolkit. Looking beyond the toolkit, a medium-term strategy was needed to define what the ILO and its constituents wanted to achieve in two and in five years on the enabling environment. Guidance was also needed on ways to integrate enabling environment considerations into ILO employment policies. She suggested that all ILO policies and programmes should be assessed in terms of their impact on SMEs as a way to mainstream a "think small first" approach across the ILO.
- 168.** The SCORE programme was an example of a successful SME capacity-building programme. It had demonstrated that increasing productivity, improving working conditions and deepening social dialogue went hand in hand. The main challenge was to scale up the SCORE programme, enable national actors to take it forward and to draw the main lessons as an input for the design of national policies. Referring to the need for modern OSH frameworks and easily accessible tools and advice for SMEs, she proposed that an OSH helpdesk be established along the lines of the highly successful ILO Helpdesk for Business on International Labour Standards, since that would enable ILO constituents to get practical advice and guidance in relation to concrete OSH issues.
- 169.** The Employer Vice-Chairperson reiterated that the Office should fully involve employers' organizations in all programmes from the very beginning. She concluded by saying that a proposal for a concrete strategy, including adequate resource allocations, to give effect to the conclusions of the general discussion should be presented to the Governing Body in November 2015.
- 170.** The Worker Vice-Chairperson stated that most ILO interventions had failed to meet the basic and fundamental principles contained in the 2007 Conclusions concerning the

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promotion of sustainable enterprises. He said that little effort had been made to genuinely involve trade unions or to promote social dialogue and standards. While the ILO's interventions added more value than the approaches of other multilateral and regional organizations, the expectation of the Workers' group was that all ILO interventions should fully reflect the Organization's values and its comparative advantage. Using SCORE to illustrate the point, he said that it was necessary to develop a strategy to improve trade union participation in the programme and ensure that it lived up to its aim of improving social dialogue. He suggested that the staff of the ILO Bureau for Workers' Activities should be more involved in the implementation of SCORE projects and in the selection of participating companies, to ensure that sectoral unions were aware of the programme's potential for improving working conditions and wages and for organizing workers as was the case for SCORE in Bolivia and Ghana.

- 171.** He reiterated the central role of collective bargaining in ensuring that productivity gains were translated into improved wages and working conditions. Ways of facilitating collective bargaining within SMEs should be part of national level tripartite discussions concerning the enabling environment for sustainable enterprises. He called on the Office to carry out a survey on what types of industrial relations systems were more likely to address decent work deficits in SMEs. The Office should also work to generate reliable data on the quality of work in various types of enterprises, particularly in developing countries.
- 172.** He further agreed that the ILO should maintain its current portfolio of SME promotion programmes, since it appeared that each targeted a specific segment of SMEs and was complementary to other approaches. There was no strong evidence to dismiss any one approach at that point, but the Office should continue to measure the impact, costs and benefits of each. Trade unions had a keen interest in sound technical support services in reaching out to workers in the informal economy, and the ILO should scale up its work in support of cooperatives and social finance as well. Value chain development initiatives had great potential and should also be scaled up. Helping entrepreneurs and SMEs capture a greater share of the value added would improve the chance of achieving more genuine and sustainable economic development and decent work. Much more needed to be done to better equip SMEs to become environmentally sustainable, and to accompany enterprises and workers through a just transition for all to a green economy.
- 173.** Referring to the EESE programme, he said it had great potential to improve development opportunities for SMEs and decent work in SMEs. To the extent EESE assessments led to genuine social dialogue, they could also help social partners identify and establish a roadmap for reform. However, a few EESE assessments had had active trade union participation. He said it was premature to scale up the programme and suggested a review of the programme, including the engagement of the social partners and a reconsideration of the governance structure. Following such stocktaking, the Workers' group was prepared to join the Employers, and, with Office support, ensure that the programme would live up to expectations.
- 174.** The Government member of Mexico, speaking on behalf of GRULAC, noted that integrated public policies were critical to the success of SMEs. He recognized the relevance of the Office's efforts to make decent work a reality in SMEs and highlighted the efforts to promote gender equality and address child labour in that regard. He expected that future analyses would include statistics and data, including on the elderly, people with disabilities, and migrant workers, given their vulnerability but also their high entrepreneurship potential. Since the enabling environment would continue to change in the coming years, it was important to develop short, medium and longer-term strategies for the creation of an enabling environment, and to develop policies that would support SMEs' resilience and adaptability to change. Considering that many workers and entrepreneurs worked in less viable and promising SMEs, it was important to link policies and strategies

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to promote SMEs with other public policies, particularly active labour market policies, social security, skills development, business training, OSH, and the development of social protection floors. Efficient collaboration between ILO departments was also important, both in relation to data generation and collection, and in the development of ILO policies, strategies and technical cooperation. Recognizing the challenges in obtaining reliable, relevant and updated statistical data and comparative analyses on SMEs, he encouraged the Office to promote the collection of data and the establishment of information systems, including through the International Conference of Labour Statisticians and by working more closely with member States.

- 175.** The Government member of the Netherlands, speaking on behalf of the EU and its Member States, said that the EU appreciated the efforts of the ILO to help governments and the social partners in their efforts to create decent and productive jobs in SMEs. ILO interventions to enhance access to finance and entrepreneurship training, establish an enabling environment for enterprises, formalize enterprises in the informal economy, promote SME productivity and improve working conditions, to create value chain interventions and promote green and sustainable jobs were useful and remained necessary. The ILO's work to strengthen both employers' and workers' organizations seemed crucial to ensure that SMEs realized their potential in terms of creating productive as well as decent jobs. The ILO's assistance to set up well-functioning labour administration and inspection systems as well as social protection floors was crucial for workers across the board, but perhaps even more important for workers in SMEs. The ILO had a key role to play in supporting its constituents in enhancing the quality of employment in SMEs, in particular with regard to OSH. The ILO could do more to gather data and to help the tripartite constituents gather data on issues that were of relevance to SMEs. Assisting member States in their efforts to analyse such data and facilitating exchanges on approaches that had proven effective and should be a cornerstone of the ILO's work on SMEs. In view of the post-2015 development agenda, cooperation with the World Bank Group, the OECD, the IMF and other relevant multilateral organizations should be strengthened. Given the linkages between SMEs and multinationals, the ILO's partnerships with the private sector should be extended and also include SMEs. He reminded the Committee that the EU had implemented a "think small first" principle and an "SME-test", which had proved to be helpful in designing and implementing SME-friendly policies and supporting social dialogue.
- 176.** The Government member of Ghana said that his country had made remarkable efforts to ensure the effectiveness and sustainability of SMEs through financial and non-financial support services. These included the Youth Entrepreneurial Scheme and the establishment of the Youth Employment Agency, which helped young people enter the labour market, either in government jobs or in the private sector. His Government appreciated the ILO's efforts to support the growth of SMEs in his country. That included the extension of the SCORE programme, which had improved the working environment in selected SMEs since 2007. Through the provision of appropriate entrepreneurial skills, the ILO could play a crucial role in harnessing the opportunity for an economic renaissance in Africa that the region's large and youthful population represented.
- 177.** The Government member of Switzerland said that the ILO should continue its programmes to support entrepreneurship through training and promote a package of measures to encourage the formalization of enterprises. The ILO's added value resided in social dialogue and in strengthening the capacity of the tripartite constituents, and that deserved particular attention in its future work. Switzerland continued to support research to establish the effectiveness of integrated packages to improve working conditions and productivity of SMEs, and the ILO should do the same. To improve the quality of employment, the ILO should focus on the interventions listed in figure 5.5 of the Office report. Switzerland supported various projects in that area, including SCORE. These had

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demonstrated that a win-win situation could be achieved when intervention models combined initiatives to improve working conditions with those designed to modernize management practices and production.

- 178.** The Government member of the Philippines provided information about four successful SME policies and programmes. First, the Kapatiran WISE-TAV flagship programme of DOLE, which was based on the ILO's Work Improvements in Small Enterprises (WISE+) programme and encouraged large companies to mentor their contractors and subcontractors to become fully compliant with labour and OSH standards. Second, the ILO's Start & Improve Your Business (SIYB) project had been successful in Mindanao. Third, DOLE order No. 131-13 on the Labour Laws Compliance System, which took effect on 22 August 2013, combined developmental and regulatory approaches to benefit SMEs and address rigidities in labour law compliance while ensuring decent and productive work. Fourth, with ILO support, DOLE had also developed an information system to capture data, including real time monitoring of decent work indicators, based on the country's decent work profile. She requested the ILO to continue and scale up the above-mentioned initiatives and other support.
- 179.** The Government member of Ethiopia, speaking on behalf of the Africa group, said that the ILO needed to do more research to identify the most appropriate interventions in the different contexts, including an analysis of the SME sector, the potential for the establishment of SMEs, and an assessment of their needs. Equally important was the alignment of ILO interventions to the policies of a country. Local capacities and tripartite structures should be used and coordination should be established with interventions by other UN agencies. Coordination with regional organizations, such as the African Union was also encouraged. Paragraph 75(c) of the Office report indicated that programmes targeting women appeared to be less successful in terms of income generation and employment creation, but the actual situation on the ground differed. For example, in Zambia, a project was proving successful, and, in Africa, SMEs composed of women had shown positive results in response to support. Much more needed to be done in terms of empowering women. Paragraph 75(d) of the Office report indicated that programmes delivered by non-state intermediaries performed better, but government support in the areas of finance, access to electricity, advisory services, TVETs, facilitating market access and export promotion played a critical role in ensuring the development of sustainable enterprises and their transformation into larger firms. The ILO's EESE area of work could provide the necessary framework to identify gaps and make recommendations. New proposed interventions encompassed: (i) region, country and sector specific studies and research; (ii) a strengthened framework on cooperatives and support for already existing ones; (iii) enabling SMEs to add value to their products; (iv) enhancing the capacity of SMEs in innovation and technology transfer and adaptation capacity; (v) specific interventions targeting sectors; (vi) innovation and technology transfer for innovation; and (vii) creating a better link between SMEs and research and development institutions.
- 180.** The Government member of Norway emphasized that the diverse nature of SMEs, the context and market in which they operated – including their workers' needs and expectations – required differentiated policies and interventions and a continued evidence-based policy dialogue. More research, evidence and contextual analysis on how to best create an enabling environment for SMEs were needed. It was also vital to ensure the sustainability of projects to increase their potential for impact and replication even after the donor had left: best practice examples could better guide the ILO and donors. The ILO should further strengthen work on gender mainstreaming, including implementing and reporting on gender specific objectives and indicators. In addition, research on CSR and how a company at top level could influence decent working conditions in a positive way, especially in countries with less well functioning labour inspectorates, was important. Good governance was also of key importance, entailing compliance with at least the core

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conventions, the institutionalization of social dialogue and the set-up of effective labour inspection.

- 181.** The Government member of Saudi Arabia highlighted a number of initiatives in his country, including: projects targeting people with disabilities, vulnerable and low income groups; a distance learning programme on apprenticeships; information dissemination on apprenticeships and requirements to establish companies; freely available consultation for individual SMEs; and programmes to support start-ups and to build human capacities, and alliances with other institutions to support entrepreneurship and CSR, including SMEs. He also mentioned feasibility studies, business plans and workshops with step-by-step curricula and training for managers. Finally, public-private partnerships had also been established to make available funds to support entrepreneurship, benefiting more than 100,000 citizens.
- 182.** The Government member of Japan stated that many ILO interventions lasted from a few days to a few weeks and that did not contribute to improved working conditions, including incomes. However, the value chain development project implemented in Sri Lankan farms had produced significant results, widely influencing other enterprises and raising incomes. The ILO should present a more detailed analysis of factors contributing to the effectiveness of that project, and an evaluation of the outcomes of recent ILO projects. Differences among SMEs should be taken into account in project implementation and the issues identified in the Committee should be taken on board when implementing SME projects in areas such as formalization. Finally, considering that for developing countries SMEs data were less readily available, the Office should take full note of the information provided by delegations during discussion.
- 183.** The Government member of Brazil remarked that policies combining business training and funding had delivered results in his country. Simplifying the formalization of SMEs through the creation of a single entry point had also significantly contributed to the reduction of informality. State intervention aimed at improving the business environment for SMEs was essential and there was a need to eliminate obstacles to the export capacity of micro- and small enterprises. For an effective implementation of such policies, it was imperative to monitor results as well as to improve and refine existing indicators. New indicators should also be developed to achieve accurate measurement, particularly highlighting the outcomes for companies and employees. Policies aimed at supporting SMEs should be linked to economic and social development under the aegis of decent work.
- 184.** The Government member of Egypt explained that her country had adopted Recommendation No. 189 and set a number of objectives, i.e.: enhancing job prospects for young people; improving the sustainability of SMEs, especially in rural areas; and expanding social protection. The work of the two parallel ILC Committees discussing social protection and the transition from the informal to the formal economy was relevant for the work on SMEs. Finally, the ILO should propose solutions and provide technical assistance to SMEs, especially with regard to training and access to funding.
- 185.** The Government member of the United States emphasized the need for more data on SMEs, given their heterogeneity, and indicated that more evidence was needed to better understand what types of enterprises created quality jobs, as well as reliable evaluations and results measurement of ILO interventions. It was not clear why some programmes providing access to finance and training had produced negative effects on employment creation. ILO's work on SMEs was addressed in almost all outcomes of the programme and budget for the upcoming biennium. The Office should strengthen its cooperation with the World Bank Group and other UN agencies and expand its outreach to strategic partners such as: organizations working in the area of the informal economy; international NGOs

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promoting entrepreneurship and livelihoods among young people, women, persons with disabilities and other disadvantaged groups; and larger companies, universities, foundations and entrepreneurs who could identify strategies for creating SMEs and help them grow.

- 186.** The Government member of Oman, speaking on behalf of the GCC countries, highlighted that in his region the ILO had provided technical assistance through the Know About Business (KAB) programme. The Office's efforts to expand the programme should be supported, as well as the ideas proposed in Chapter 5 of the Office report. There had been achievements with regard to women and SMEs. At the same time, there was a need to assess which methodologies and policies worked. Lastly, he underlined the role of other international organizations in consultations and training programmes to strengthen policies and stated that the ILO should continue to pursue partnerships to strengthen its efforts and avoid duplication.
- 187.** The Government member of Niger said that his country had placed employment at the core of its social and economic development policies, especially for young women and men. The Government's main objectives were: to create a virtuous circle of employment, wealth creation and competitiveness; to include young people in the labour market; to develop a modern economy focused on local products; and to promote young entrepreneurs in rural areas. The main measures undertaken were: fostering the establishment of SMEs by young people; training young project leaders in business administration; raising awareness among young people; mobilizing funds for SME investments; and supporting the creation of enterprises producing and processing agro-pastoral materials. SMEs nevertheless faced various difficulties, including institutional, economic, information-related and financial constraints. The Government was reducing energy and water prices, implementing protectionist measures to support vulnerable enterprises, and reviewing the taxation system for new enterprises. The ILO's assistance was needed to strengthen the capacities of young entrepreneurs.
- 188.** The Government member of Burkina Faso emphasized that there was no point in creating jobs in SMEs without ensuring that the enterprises were sustainable. SMEs needed markets and the ability to generate revenue. It was therefore crucial to open up public procurement to SMEs; a certain percentage of contracts should be reserved for them. There should also be a special form of support for young SMEs over the first two or three years of their life, to ensure that they gained the necessary management skills, strength and flexibility. SMEs also needed cash money, in particular to acquire equipment. Finally, in West and Central Africa the transition to the formal economy had been supported through a non-binding entrepreneurs' statute that made it easier for enterprises in the informal sector to become formal. While not all countries had signed up to it, there was a need for each country to set up similar registers.
- 189.** The Government member of the United Arab Emirates stressed the importance of evaluating policies and measures to identify what worked and what did not work. Changes happened in all the countries, including technology changes, and policies needed to be adapted. The ILO could prepare a study on standards and measures for training to government professionals, which could be adapted to different countries upon demand. A permanent committee could be established to look at issues and report back on a regular basis on the changes in the SME field.
- 190.** The Government member of Côte d'Ivoire outlined some measures undertaken by her Government to support SMEs, such as: (i) the adoption of a framework law to create a conducive environment for the creation, growth and modernization of SMEs; (ii) improvements in the business environment through a one-stop shop since December 2012; (iii) strengthening of institutional support to SMEs; (iv) creation of an SME

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guarantee fund; and (v) restructuring of the financial system to increase access to finance for SMEs. The ILO had provided technical assistance on youth entrepreneurship and strengthening linkages of local SMEs in value chains. All projects supporting SMEs in her country had been useful but some had not achieved impact due to limited coordination between the various actors and projects and limited funding. Further support from the ILO was needed, and could be broadened to a mapping of SMEs and a study on their impact in terms of job creation – both qualitatively and quantitatively – especially in the informal economy.

- 191.** The Government member of the Islamic Republic of Iran remarked that there was a need for laws, regulations and measures to promote good working conditions in SMEs and the transition of those enterprises from the informal to the formal economy. They included: (i) professional training programmes on company practices in OSH; (ii) support to SMEs to register and license as legal entities; (iii) favourable fiscal policies and administration; (iv) improvement of land management; (v) simplification in the access to commercial legal courts; (vi) improvements in access to information on markets; and (vii) promotion of social dialogue. She called on the ILO's support for entrepreneurship training and access to finance.
- 192.** The Government member of Kuwait said that the ILO could play an active role in programmes on the registration of patents and inventions, as well as on intellectual property protection for SMEs. He added that it was important to integrate entrepreneurship education from primary schools through universities.
- 193.** The Government member of Zimbabwe asked the ILO to assist her country with capacity building for social partners, with a view to facilitating collective bargaining, as well as supporting affiliation at national and international levels. She also indicated that the ILO EESE programme could be rolled out to her country, to tackle the issue of informality.
- 194.** The Worker Vice-Chairperson recalled the 2007 Conclusions concerning the promotion of sustainable enterprises and the mandate of the ILO. There had been widespread support for the programmes delivered by the ILO to improve SMEs. Japan had requested more evidence on the impact of the ILO project conducted in Sri Lanka in value chain development, and the ILO should provide such evidence. Finally, he remarked that labour legislation should not lead to the exemption of SME workers from protection, while recognizing the need to adopt regulations sensitive to SME needs.
- 195.** The Employer Vice-Chairperson recalled the earlier discussion on flexicurity, underlining that there was not one single approach for it. Indeed, a tripartite expert group of the EU had identified different pathways towards flexicurity. As for the costs that it entailed, research had shown that if investments were made, in the long run the benefits would be seen. Switzerland was a good example. Regarding the ILO's SCORE programme, it was also important to reach companies who were not unionized and work in them, because the programme had shown that it could raise productivity and improve working conditions. On the EESE programme, the Employers' group agreed that it showed great potential: common ground could be found in terms of fulfilling that potential. A lot had been said about "think small first" and the workers and employers were in agreement regarding that approach.

## **Discussion of the draft conclusions**

- 196.** The Chairperson thanked the Drafting Group and the Secretariat for their work in preparing the draft conclusions, noting that 82 proposed amendments were submitted for consideration.

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## Point 1

197. The Government member of Brazil, seconded by the Government members of Argentina and the Bolivarian Republic of Venezuela, introduced an amendment to add “Micro-” before “Small and medium-sized enterprises”, in order to have consistency in the text.
198. The Employer and the Worker Vice-Chairpersons did not support the amendment, for the sake of conciseness and because micro-enterprises were included in SMEs.
199. The Government members of the Philippines and Trinidad and Tobago supported the amendment because it reflected their national realities.
200. The Government member of Brazil asked whether micro-enterprises were covered under the reference to SMEs in point 3 and the deputy representative of the Secretary-General confirmed that they indeed were included in it.
201. The Government member of Mexico supported the amendment because it was relevant to his national context and it introduced a useful reference.
202. The Employer and Worker Vice-Chairpersons indicated that they could support the amendment, but “micro-” should not be added throughout the text.
203. The amendment was adopted.
204. The Government member of Jamaica, seconded by the Government member of Trinidad and Tobago, proposed an amendment to move “, along with other enterprises,” before “contribute”, and replace “provide livelihoods” with “are the main source of livelihood to many persons”.
205. The Worker Vice-Chairperson rejected the amendment since the text clearly referred to livelihoods and should remain simple. The Employer Vice-Chairperson also rejected the amendment.
206. The Government member of Saudi Arabia did not support the amendment, because “productive” covered both the quantity and the quality of employment. The Government member of Norway also rejected the amendment.
207. The amendment was withdrawn.
208. Point 1 was adopted as amended.

## Point 2

209. The Government member of Jamaica, seconded by the Government member of Trinidad and Tobago, submitted an amendment to replace “more and productive employment” with “increased employment and productivity” in the first sentence.
210. The Employer Vice-Chairperson did not support the amendment. The Worker Vice-Chairperson also did not support the amendment because it changed the meaning of the sentence.
211. The Government member of the Netherlands, speaking on behalf of the EU Member States, rejected the amendment for the same reason.

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- 212.** The amendment was withdrawn.
- 213.** The Government member of Spain, seconded by the Government members of Argentina and Mexico, proposed an amendment to replace “interventions” with “actions” in the Spanish version, because “intervenciones” implied taking control over SMEs, while “acciones” did not have this connotation.
- 214.** The Worker and the Employer Vice-Chairpersons supported the amendment.
- 215.** The Government members of the United States and Saudi Arabia supported the amendment, explaining that the change should only affect the Spanish version.
- 216.** The Government member of Ethiopia, speaking on behalf of the Africa group, proposed a subamendment to introduce a similar change also in the French version.
- 217.** The Government member of the United States proposed a further subamendment to introduce the word “initiatives” instead of “interventions” in the English version.
- 218.** The Government member of Switzerland supported the proposed amendment and rejected the subamendment, indicating that “intervention” should be maintained in French, or replaced by “initiative” as proposed by the Government member of the United States.
- 219.** The Government members of Lebanon and Mexico supported the amendment, indicating that the change should only affect the Spanish version.
- 220.** The Government member of the Netherlands, speaking on behalf of the EU Member States, supported the amendment, noting that the change should only affect the Spanish version. Otherwise, the further subamendment proposed by the Government member of the United States could be applied.
- 221.** The amendment was adopted.
- 222.** Point 2 was adopted as amended.

### **Point 3**

- 223.** Point 3 was adopted without amendment.

### **Point 4**

- 224.** Point 4 was adopted without amendment.

### **Point 5**

- 225.** The Government member of Jamaica, seconded by the Government member of Trinidad and Tobago , presented an amendment to insert “However” at the beginning of the second sentence and a comma before the words “as well as”.
- 226.** The Worker and Employer Vice-Chairpersons did not support the amendment, noting that the original formulation was clearer.

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227. The Government member of Saudi Arabia introduced a subamendment, proposing to use “Nonetheless” instead of “However” and was seconded by the Government member of Oman.
  228. The Government member of Jamaica submitted a further subamendment, proposing to use “In addition” instead of “However” and was not seconded.
  229. The amendment was withdrawn.
  230. Point 5 was adopted without amendment.

## **Point 6**

231. The Government member of the Netherlands, speaking on behalf of the EU Member States and of the group of industrialized market economy countries (IMEC), introduced an amendment to delete “this” after “update” and to insert “on SMEs, differentiated by enterprise characteristics,” after “information”, because it clarified the type of information that member States should collect.
232. The Employer and Worker Vice-Chairpersons supported the proposed amendment because it added clarity.
233. The Government member of Ethiopia, speaking on behalf of the Africa group, also supported the amendment.
234. The amendment was adopted.
235. Point 6 was adopted as amended.

## **Point 7**

236. The Government member of Jamaica, seconded by the Government member of Trinidad and Tobago, submitted an amendment to replace “they indicate” with “there is an indication”.
237. The Worker Vice-Chairperson rejected the proposed amendment because it implied a change in the meaning of the sentence and active speech was preferable. The Employer Vice-Chairperson also rejected the amendment.
238. The amendment was withdrawn.
239. The Government member of Jamaica, seconded by the Government member of Trinidad and Tobago, submitted an amendment to insert a comma after “However” at the beginning of the second sentence in the English version.
240. The Employer and Worker Vice-Chairpersons supported the amendment.
241. The amendment was adopted.
242. The Government member of the Philippines, seconded by the Government member of Ethiopia, proposed an amendment to insert “on SMEs” after “ILO Decent Work Indicators”, in order to refer specifically to SMEs.

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- 243.** The Worker and Employer Vice-Chairpersons rejected the amendment because the reference should be specific to the ILO Decent Work Indicators.
- 244.** The Government member of Zimbabwe also rejected the amendment.
- 245.** The amendment was withdrawn.
- 246.** The Government member of Brazil, seconded by the Government member of the Bolivarian Republic of Venezuela, introduced an amendment to delete “[Supporting legislation should apply to all enterprises and workers. Where its application is adapted to SMEs this should be done without lowering levels of protection and in consultation with social partners.]”. He explained that the objective was to avoid ambiguity on the fact that labour rights should be ensured in all circumstances.
- 247.** The Worker Vice-Chairperson agreed on the need to avoid ambiguity and proposed to subamend the text, keeping “Supporting legislations should apply to all enterprises and workers”.
- 248.** The Employer Vice-Chairperson supported the subamendment, explaining that it would keep consistency with the 2007 Conclusions on the promotion of sustainable enterprises.
- 249.** The Government members of Saudi Arabia and Brazil supported the subamendment.
- 250.** The amendment was adopted as subamended.
- 251.** The Government member of Ethiopia, speaking on behalf of the Africa group, submitted an amendment to replace the sentence “Supporting legislations should apply to all enterprises and workers” with: “Application of supporting legislations to all enterprises and workers should be encouraged.” She explained that most SMEs in Africa were informal, and legislation could be encouraged as a first step to allow their gradual transition to the formal economy.
- 252.** The Worker Vice-Chairperson remarked that supporting legislation should be enforced, and no exceptions should be made based on the size of the enterprises. Therefore, he rejected the amendment.
- 253.** The Employer Vice-Chairperson also stated that legislation should be applied and not encouraged and therefore rejected the amendment.
- 254.** The Government member of Saudi Arabia and the Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, also did not support the amendment.
- 255.** The Government member of Ethiopia, speaking on behalf of the Africa group, explained that there was a lack of awareness on legislation among SMEs and introduced a subamendment to add, at the end of the sentence, “and more sensitization of ILO Conventions and national legislation could be encouraged”.
- 256.** The Employer Vice-Chairperson did not support the subamendment, noting that the intention behind the original sentence was to give a clear message that legislation should apply to all enterprises. The Worker Vice-Chairperson commented that it was useful to raise awareness on ILO Conventions. However, he also did not support the subamendment.
- 257.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, also rejected the subamendment.

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- 258.** The Government member of the United States, speaking on behalf of IMEC, including the EU Member States, submitted a further subamendment to replace “Supporting legislations should apply to all enterprises and workers”, with “Supporting legislation should ensure appropriate coverage and protection of all SME workers”, in order to reflect the language of the forthcoming Recommendation on the transition from the informal to the formal economy.
- 259.** The Worker Vice-Chairperson noted that “appropriate” allowed for variability and recognized SMEs as a separate group. He therefore did not support the further subamendment submitted by the Government member of the United States.
- 260.** The Employer Vice-Chairperson supported the further subamendment, because it was coherent with the 2007 Conclusions concerning the promotion of sustainable enterprises and it took into account non-formal workers.
- 261.** The Worker Vice-Chairperson proposed a further subamendment, changing “of all SME workers” to “all categories of workers and economic units”, in line with the draft conclusions of the Committee on the Transition from the Informal to the Formal Economy and the forthcoming Recommendation.
- 262.** The Employer Vice-Chairperson supported the further subamendment submitted by the Worker Vice-Chairperson.
- 263.** The Government member of the United States also supported the further subamendment.
- 264.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, proposed to delete “categories of”, in order to make the sentence simpler and more inclusive.
- 265.** The Worker Vice-Chairperson stated that the intention had been to use the same wording used by the Committee on the Transition from the Informal to the Formal Economy. He therefore did not support the subamendment submitted by the Government member of Saudi Arabia. The Employer Vice-Chairperson also did not support the further subamendment.
- 266.** The Government member of Ethiopia, speaking on behalf of the Africa group, supported the subamendment proposed by the Workers’ group.
- 267.** The amendment was adopted as subamended.
- 268.** The Government member of Trinidad and Tobago, speaking also on behalf of the Government members of Argentina and Mexico, introduced an amendment to move the last sentence from point 7 to the end of point 8.
- 269.** The Worker and Employer Vice-Chairpersons did not support the amendment.
- 270.** The Government member of Mexico explained that one of the most important elements of an enabling environment was legislation, which played a part in promoting integrated policies and that they belonged together.
- 271.** The Employer Vice-Chairperson reiterated that point 8 ended with a clear statement on the enabling environment, which also covered legislation. The Worker Vice-Chairperson added that the reference to supporting legislation was already correctly placed.
- 272.** The amendment was withdrawn.

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273. Point 7 was adopted as amended.

## Point 8

274. The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, introduced an amendment to replace “A proper” with “An”. The Employer and Worker Vice-Chairpersons supported the amendment.

275. The amendment was adopted.

276. The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, introduced an amendment to delete “their” before “workers” as well as before “economic activities”, because an enabling environment should refer to all enterprises and workers, and not only to SMEs and workers in SMEs. The Worker and Employer Vice-Chairpersons supported the amendment.

277. The amendment was adopted.

278. The Government of Ethiopia, speaking on behalf of the Africa group, introduced an amendment to add “and social” after “the economic”, since an enabling environment would improve social prospects in addition to economic prospects.

279. The Employer Vice-Chairperson noted that the aim was to have a definition of the enabling environment that would cover three dimensions: improving economic prospects, overcoming decent work deficits, and including environmental sustainability. As decent work comprised social prospects, the addition would be redundant, and she did not endorse the amendment. The Worker Vice-Chairperson concurred with the Employer Vice-Chairperson and did not support the amendment.

280. The amendment was withdrawn.

281. Point 8 was adopted as amended.

## Point 9

282. The Government member of Australia, speaking on behalf of IMEC, including the EU Member States, submitted an amendment to replace “be in line with, but not limited to,” with “take into account, among other things,”. She explained that the proposed new wording was more in line with wording used in other ILC conclusions and had a more positive tone. The Worker Vice-Chairperson preferred the original text, since the proposed language was weaker. His point was supported by the Employer Vice-Chairperson.

283. The amendment was withdrawn.

284. The Government member of Ethiopia, speaking on behalf of the Africa group, introduced an amendment to insert “or group funding”, after the word “crowd-funding”. Group funding was a term that referred to how some SMEs in Africa were funded. Since the word had particular meaning to the Africa group, the Employer and the Worker Vice-Chairpersons endorsed the amendment.

285. The amendment was adopted.

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- 286.** The Government member of the United States, speaking on behalf of IMEC, including the EU Member States, proposed an amendment to replace “an effective way” with “effective ways”. The Worker and the Employer Vice-Chairpersons supported the proposal.
- 287.** The amendment was adopted.
- 288.** Point 9 was adopted as amended.

## **Point 10**

- 289.** The Government member of the Netherlands, speaking on behalf of the EU Member States, proposed to delete point 10 since the text was not clear and repeated text from other points. The Government member of Australia, speaking on behalf of the Asia and Pacific group (ASPAG), supported the proposal. The Government member of Mexico, speaking also on behalf of the Government members of Argentina and Trinidad and Tobago, supported the amendment as well.
- 290.** The Government member of Ethiopia, speaking on behalf of the Africa group, argued that point 10 should be retained, because it concerned low productivity, which was a key constraint to SMEs.
- 291.** The Employer Vice-Chairperson acknowledged the importance of point 10 and the need to focus on increasing the productivity of SMEs. She said that she would be ready to consider an amendment introduced by the Government members of Argentina, Mexico and Trinidad and Tobago to delete the second and third sentences of point 10. The Worker Vice-Chairperson concurred with the proposal since the second and third sentences could be misinterpreted or misconstrued. The Government member of Saudi Arabia, speaking on behalf of the GCC countries, supported that proposal as well.
- 292.** The amendments proposed by the EU Member States, as well as by the Government member of Australia, speaking on behalf of ASPAG, to delete point 10 were withdrawn.
- 293.** The Government member of Lebanon clarified that his Government had not supported the amendment proposed by the Government member of Australia, speaking on behalf of ASPAG, to delete point 10 and asked for it to be rectified on the amendment form.
- 294.** The Government member of Brazil, seconded by the Government member of Lebanon, proposed an amendment to delete “but have significantly lower levels of productivity” due to its negative connotation. The Worker Vice-Chairperson did not support the amendment, since the sentence that would be deleted was a statement of fact. The Employer Vice-Chairperson could not support the amendment either.
- 295.** The amendment was withdrawn.
- 296.** The Government member of Mexico, speaking also on behalf of the Government members of Argentina and Trinidad and Tobago, introduced the amendment to delete the second and third sentences of point 10.
- 297.** The Worker and Employer Vice-Chairpersons supported the proposal.
- 298.** The amendment was adopted. Consequently, the next amendment fell.
- 299.** The Government member of Mexico, speaking also on behalf of the Government members of Argentina and Trinidad and Tobago, proposed an amendment to insert “The social

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partners should focus their efforts on” before “Upgrading”, and explained that that was a logical consequence of having adopted the previous amendment.

**300.** The Worker Vice-Chairperson objected to the amendment, since the sentence did not make sense as proposed, and since it was not only the social partners but also governments that were responsible for addressing low levels of productivity. The Employer Vice-Chairperson concurred.

**301.** The Government member of Mexico explained that the proposed wording in the amendment had to be seen in conjunction with the following two amendments to revise the wording of the last sentence of point 10. Having listened to the arguments made by the Workers’ group, however, he withdrew the three amendments.

**302.** Point 10 was adopted as amended.

## **Point 11**

**303.** The Government member of Ethiopia, speaking on behalf of the Africa group, introduced an amendment to replace the word “preventative” with “preventive”. The Worker and Employer Vice-Chairpersons preferred to keep “preventative”, but asked the Office for a clarification. The deputy representative of the Secretary-General confirmed that the word “preventative” was used in the Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187).

**304.** The amendment was withdrawn.

**305.** Point 11 was adopted without amendment.

## **Point 12**

**306.** The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, proposed an amendment to insert “improve competitiveness” after “can help to”. She explained that improving competitiveness was a part of well-designed SME policies.

**307.** The Worker Vice-Chairperson did not support the amendment because it was not clear whether the term referred to an enterprise, a cluster of companies or a country. The Employer Vice-Chairperson stated that while the Employers’ group cared about competitiveness, the concern raised by the EU and IMEC was to some extent covered by the reference to economic growth in the sentence, and, therefore, she did not support the amendment.

**308.** The amendment was withdrawn.

**309.** The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, introduced an amendment to insert “inclusive” before “economic growth”.

**310.** The Employer Vice-Chairperson said that the notion of inclusiveness was covered in the reference to “more and better jobs”, and did not support the amendment on that basis. The Worker Vice-Chairperson said that he saw some merit in the amendment, but did not support it in order to keep the conclusions short and simple.

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- 311.** The Government member of Ethiopia, speaking on behalf of the Africa group, proposed a subamendment to introduce “sustainable and” before “inclusive economic growth”. She referred to the emerging post-2015 development agenda and proposed sustainable development goals, and the fact that many African countries had developed SME policies with a view to achieving inclusive and sustainable development.
- 312.** The Employer Vice-Chairperson reiterated that the words “more and better jobs” covered the reference to “sustainable and inclusive economic growth”. The Worker Vice-Chairperson noted that the sentiment of sustainable and inclusive economic growth was included in the conclusions.
- 313.** The Government member of Ethiopia, speaking on behalf of the Africa group, reiterated that SME policies could not be seen in isolation from the overall development goals of a country, which was why “sustainable” should be reflected in the text. The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, said that she was willing to withdraw the original amendment based on the understanding that the Committee had the same aim, but used a different choice of words. However, the Government member of Ethiopia, speaking on behalf of the Africa group, reiterated the importance of referring to the significant contribution that SMEs could make to sustainable development in the context of the emerging post-2015 development agenda.
- 314.** The Employer Vice-Chairperson in turn proposed a subsubamendment to replace “sustainable and inclusive economic growth” with “sustainable economic growth”, which the Worker Vice-Chairperson supported.
- 315.** The Government member of the United States reminded the Committee that the proposed sustainable development goal 8 included a reference to “inclusive and sustainable economic growth”, and said that she was hesitant to see the word “inclusive” disappear. The Government member of Ethiopia said that the Africa group preferred “inclusive and sustainable economic growth” but could support the phrase “sustainable economic growth” instead.
- 316.** The amendment was adopted as subsubamended.
- 317.** The Government member of Jamaica, seconded by the Government member of Trinidad and Tobago, proposed an amendment to replace “align” with “be aligned”, as well as to replace “policies” with “strategies”.
- 318.** The Worker Vice-Chairperson proposed a subamendment by which the word “align” would be retained, but “policies” would be replaced with “strategies”. The Employer Vice-Chairperson supported the subamendment.
- 319.** The amendment was adopted as subamended.
- 320.** Point 12 was adopted as amended.

### **Point 13**

- 321.** The Government member of Spain, seconded by the Government member of Mexico, proposed a linguistic amendment to change the word “intervenciones” with “acciones” in the Spanish version of the text. The Government member of Argentina seconded and supported the amendment.

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322. The Worker Vice-Chairperson proposed that all linguistic amendments to replace “interventions” with “actions” throughout the Spanish version of the text should be adopted. The Employer Vice-Chairperson concurred.
323. The amendment was adopted and it was agreed that it would be applied to all subsequent cases.
324. The Government member of Jamaica introduced an amendment to replace “characteristics” with “profiles”. The amendment was not seconded and fell.
325. Point 13 was adopted with the agreed linguistic amendment to the Spanish version of the text.

#### **Point 14**

326. Point 14 was adopted with a linguistic amendment that concerned the Spanish version of the text only.

#### **Point 15**

327. Point 15 was adopted without amendment.

#### **Point 16**

328. The Government member of the United States, speaking on behalf of IMEC, including the EU Member States, proposed an amendment to replace “ensure the enforcement of labour and environmental standards and” with “provide”, noting that that would avoid an unnecessary duplication with point 16(g).
329. The Worker Vice-Chairperson did not agree with the proposed amendment since it would delete the reference to environmental standards. The Employer Vice-Chairperson did not consider the potential duplication with other points to be a great concern.
330. The Government member of Trinidad and Tobago supported the proposed amendment, noting the potential repetition of references to labour standards in point 16. The Government member of Ethiopia, speaking on behalf of the Africa group, argued that it was important to maintain a reference to environmental standards, and could not support the amendment on that basis.
331. The amendment was withdrawn.
332. The Government member of Ethiopia, speaking on behalf of the Africa group, proposed an amendment to insert “or facilitate funding of” after “fund”. She noted that some countries in her region had funded programmes targeted at SMEs whereas others had facilitated such funding.
333. The Employer and Worker Vice-Chairpersons were ready to support the amendment as proposed. The Government member of Saudi Arabia proposed a subamendment to insert “and/or facilitate funding of” before the word “fund”. It was not seconded and hence fell. The Government member of Australia, speaking on behalf of IMEC, proposed another subamendment to delete the words “and” and “of”, for the beginning of clause (c) to read “fund or facilitate funding”.

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- 334.** The amendment was adopted as subamended.
- 335.** The Government member of the United States, speaking on behalf of IMEC, introduced an amendment to replace “efficient” with “effective” before “labour inspection”. The Worker Vice-Chairperson proposed a subamendment to add “and effective” after “efficient”. The Employer Vice-Chairperson supported the subamendment.
- 336.** The amendment was adopted as subamended.
- 337.** The Government member of Argentina, seconded by the Government members of Mexico and Trinidad and Tobago, proposed an amendment to insert “promote incentives to registration aimed especially at SMEs;” after “systems;” That reflected the relevance for the governments of his region to provide incentives for SMEs to register.
- 338.** The Worker Vice-Chairperson acknowledged that incentives for SMEs to register were relevant in the context of the transition from the informal to the formal economy, but noted that the issue was addressed later in the text. He could not support the proposed amendment. The Employer Vice-Chairperson added that the proposed text did not make the sentence clearer.
- 339.** The amendment was withdrawn.
- 340.** The Government member of Japan had withdrawn an amendment to replace “establish legal frameworks for the governance of quality” with “promote”.
- 341.** The Government member of the United States, speaking on behalf of IMEC, proposed an amendment to replace “guided by” with “keeping in mind”. The Employer and Worker Vice-Chairpersons preferred the original text since it was stronger and clearer.
- 342.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, supported the amendment.
- 343.** The amendment was withdrawn.
- 344.** Point 16 was adopted as amended.

## **Point 17**

- 345.** The Government member of Brazil, seconded by the Government members of Argentina and Chile, introduced an amendment to delete the sentence “They further can provide services through institutions such as cooperatives and mutual associations and help with the creation of producers’ and workers’ cooperatives”. He said that the issue of cooperatives was a complex issue for Brazil and a number of other countries, and recommended that the issue should be discussed in another context.
- 346.** The Worker Vice-Chairperson highlighted that the reference to cooperatives appeared in the part of the conclusions that concerned the role of workers’ and employers’ organizations, and that technical assistance was available in the ILO to assist the social partners in that regard. The Employer Vice-Chairperson acknowledged that the Employers’ group had not supported any reference to cooperatives initially, but that the presentation by the Office and the statement by the International Co-operative Alliance had convinced the group that cooperatives had an important role to play. Both preferred to keep the original text.

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347. The Government member of Brazil maintained the proposed amendment.
348. The amendment was rejected.
349. The Government member of Jamaica introduced a linguistic amendment to the English and Spanish versions of the text, to replace “further can” with “can further”. The amendment was seconded and supported by the Government member of Trinidad and Tobago. The Worker and Employer Vice-Chairpersons supported the amendment.
350. The amendment was adopted.
351. Point 17 was adopted as amended.

## **Point 18**

352. The Employer Vice-Chairperson submitted an amendment to insert a new sentence after the first sentence to read: “The ILO should give due consideration to the specific needs of SMEs and their workers in developing its policies and guidance.” She said that the Employers’ group had reconsidered points 18 and 19. By moving that part of point 19 to point 18, point 19 could be deleted.
353. The Worker Vice-Chairperson supported the amendment.
354. The amendment was adopted.
355. Point 18 was adopted as amended.

## **Point 19**

356. The Worker Vice-Chairperson submitted an amendment to delete point 19, since the most important elements in point 19 had been incorporated in point 18.
357. The Employer Vice-Chairperson supported the amendment. Similar amendments had been submitted by the Government member of Brazil as well as by the Africa group.
358. The amendment was adopted. Consequently, point 19 was deleted, and the next amendment fell.
359. The Government member of Zimbabwe, speaking on behalf of the Africa group, read an amendment to insert a new point 19: “The ILO should adopt policy guidance that takes into account the specific situation of regions and sectors.”
360. The Employer and Worker Vice-Chairpersons supported the amendment.
361. The Government member of the Netherlands, speaking on behalf of the EU Member States, proposed a subamendment to replace “adopt policy guidance” with “develop policy guidance”. It was supported by the Government member of Zimbabwe, speaking on behalf of the Africa group, as well as by the Worker and Employer Vice-Chairpersons.
362. The subamendment was adopted.
363. The new point 19 was adopted as subamended.

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## Point 20

- 364.** The Government member of Zimbabwe, speaking on behalf of the Africa group, presented an amendment to replace “maintain” with “expand” as well as to insert “as relevant to member States”.
- 365.** The Worker Vice-Chairperson did not support the amendment because it could create ambiguity as to whether it was the number of programmes or the volume of resources that should be expanded. Furthermore, if “expand” was not accepted, it would not be necessary to add “as relevant to member States”. The Employer Vice-Chairperson said that because the ILO faced budget restrictions, she could not support a general statement on expanding the portfolio of ILO interventions.
- 366.** The Government member of Ethiopia, speaking on behalf of the Africa group, explained that ILO interventions to promote SMEs had neglected some sectors or target groups that were important in her region. The Government member of Mexico supported the amendment and emphasized that the conclusions should have an impact. The ILO portfolio should be expanded to include all elements from the conclusions in terms of quantity, quality and impact. The Government member of Saudi Arabia, speaking on behalf of the GCC countries, supported the inclusion of “as relevant to member States”.
- 367.** The Government member of the United States, speaking on behalf of IMEC, highlighted that there was a lack of data on the effectiveness of SME interventions; expanding them without further studies would be premature.
- 368.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, clarified that he did not support replacing “maintain” with “expand”, but was proposing a subamendment to add only “as relevant to member States”.
- 369.** The Government member of Ethiopia, speaking on behalf of the Africa group, added that while the Office report had mentioned a lack of impact assessments for the EESE programme, data were available on other interventions, which had been effective and could be expanded.
- 370.** The Government member of Lebanon endorsed the subamendment proposed by the GCC countries.
- 371.** The Worker Vice-Chairperson did not support the subamendment. The portfolio of ILO interventions would in any case be adapted to country contexts. As a general statement, the ILO should maintain its current portfolio, and not discontinue any interventions, as some clearly worked. Where programmes did not perform, the Office might have to reduce them. He supported the original text.
- 372.** The Employer Vice-Chairperson concurred with the Worker Vice-Chairperson, and emphasized that a reference to national contexts would be superfluous. Her group was interested in focusing on the expansion of some programmes; there was no need for a statement concerning a general expansion of ILO interventions. She, too, supported the original text.
- 373.** The Government member of Ethiopia, speaking on behalf of the Africa group, withdrew the amendment.
- 374.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, explained that some SME interventions worked well in some countries but not in others. The proposed subamendment would reflect the fact that there could be no one-size-fits-all

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approach, it would facilitate new interventions tailored to country contexts, and it would allow flexibility for the ILO. However, in view of the lack of consensus, he withdrew the subamendment.

- 375.** The Government member of Jamaica proposed an amendment to change “It” at the beginning of the clause with “The ILO”. It was not seconded and fell.
- 376.** The Government member of Switzerland, speaking on behalf of IMEC, introduced an amendment to insert “as appropriate” after “expanding the programme”.
- 377.** The Employer Vice-Chairperson did not endorse the amendment, because the EESE programme was already adapted to the appropriate circumstances. The Worker Vice-Chairperson did not support the amendment either. The full involvement of the social partners in the programme should not be qualified, since social dialogue was always appropriate. The review of the EESE programme would involve the social partners, and they would not recommend an expansion of the programme if it was not appropriate.
- 378.** The amendment was withdrawn.
- 379.** The Government member of Switzerland, speaking on behalf of IMEC, proposed deleting sub-clause (iii) on the grounds that it was unclear whether the EESE methodology was the best tool to support the formalization of SMEs. She noted that there had been no mention of EESE during the discussion in the Committee on the Transition from the Informal to the Formal Economy.
- 380.** The Employer Vice-Chairperson did not support the amendment, because one of the main causes of informality was an inefficient enabling environment. EESE was a very useful tool to help establish the framework conditions for enterprises to formalize, and there was a need to expand the programme. The Worker Vice-Chairperson did not support the amendment. The review referred to in clause (b) would take account of the conclusions of the discussion on the transition from the informal economy. He emphasized that expanding the programme would be contemplated only after a comprehensive review involving the social partners. It was therefore not necessary to delete the sub-clause.
- 381.** The Government member of Switzerland, speaking on behalf of IMEC, underscored the importance of the review, and stated that if it was possible to clarify the issues to be considered by the review, she could withdraw the amendment.
- 382.** The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, stated that if there was a clear understanding that the review of EESE would be undertaken first and the decision to expand the programme would be taken afterwards, the amendment could be withdrawn. She requested that such an understanding should be stated in the report of the discussion.
- 383.** The Worker Vice-Chairperson clarified that the review would focus on the governance, scope and operation to date of the programme. A decision to expand the programme would only be taken after the review of EESE. There was therefore no need to amend the text.
- 384.** The amendment was withdrawn.
- 385.** The Government member of Australia, speaking on behalf of ASPAG, introduced an amendment to delete “productivity and” and insert “leading to increased productivity” after “working conditions”, to better reflect the role of the ILO in the creation of an enabling environment.

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- 386.** The Employer Vice-Chairperson did not support the amendment because the productivity of SMEs depended on other factors as well as working conditions. The Worker Vice-Chairperson did not support the amendment either.
- 387.** The amendment was withdrawn.
- 388.** An amendment that was seconded by the Government member of Trinidad and Tobago fell because the Government member of Jamaica was not in the room to present it.
- 389.** The Government member of Switzerland, speaking also on behalf of the Government member of Norway, introduced an amendment to insert “, such as SCORE,” after “interventions”, noting that SCORE was the only programme in the ILO dealing with both working conditions and productivity in SMEs. It operated in a large number of countries and in various sectors with a cluster approach and had achieved significant results. She highlighted that the programme benefited from a tripartite governance structure at both the global and national levels. Given the existing budget allocation and donor support, SCORE was unable to respond to increasing demands for its interventions. If the ILO did not support the programme and advance it further, other international organizations might fill the gap and undertake similar initiatives, but without tripartite involvement or a focus on working conditions.
- 390.** The Employer and Worker Vice-Chairpersons supported the amendment.
- 391.** The amendment was adopted.
- 392.** The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, proposed an amendment to replace “and integrate them” with “that can be integrated”, because the current wording read as an instruction and not as a suggestion or advice. The Employer and Worker Vice-Chairpersons supported the amendment.
- 393.** The amendment was adopted.
- 394.** The Government member of Brazil, seconded by the Government member of Argentina, had proposed an amendment to delete “and cooperatives”. In the light of the discussion the previous day, he proposed a subamendment to add “, as appropriate, in accordance with national practice” after “cooperatives” instead of deleting that word. His country had a long-standing and positive experience with cooperatives, but the issue was complex and should be treated with caution.
- 395.** The Worker Vice-Chairperson acknowledged the concern in relation to false cooperatives in some countries. It was exactly because some national practices were weak that false cooperatives were able to exist, and hence he did not support the proposed wording. The Employer Vice-Chairperson did not support the subamendment either.
- 396.** The Government member of Brazil clarified that there were no issues with cooperatives in his country and proposed a subsubamendment to insert only “, as appropriate” after “cooperatives” for the text to read “trade unions and cooperatives, as appropriate”.
- 397.** The Worker and Employer Vice-Chairpersons supported the proposal.
- 398.** The amendment was adopted as subsubamended.
- 399.** The Government member of Spain, seconded by the Government members of Chile and Mexico, introduced an amendment to replace “contratación” with “compras” in the

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Spanish version of the conclusions, since “compras” was more widely used and understood.

- 400.** The Worker Vice-Chairperson said that he had been advised that “contratación” encompassed the procurement of both goods and services whereas “compras” only referred to goods. He preferred the original and broader term “contratación”. The Employer Vice-Chairperson asked the Office for clarification of the two terms, also in order to ensure consistency between the different versions of the text.
- 401.** The Government members of Chile, Mexico and Spain highlighted that “compras” in Spanish had the same meaning as “achats” in French, and that that term was used in the French version. The Worker Vice-Chairperson and the Government member of Spain, seconded by the Government member of Mexico, proposed similar subamendments to insert “of goods and services” after “good procurement practices”. That was supported by the Employer Vice-Chairperson.
- 402.** The Government member of the United States proposed a further subamendment to replace “good procurement practices of goods and services” with “good practices for procurement of goods and services” in order to simplify the text. The Worker and Employer Vice-Chairpersons supported the proposal.
- 403.** The amendment was adopted as subamended.
- 404.** The Government member of Canada, speaking on behalf of IMEC, introduced an amendment to delete “of large enterprises”, since they were not the subject matter of the general discussion, and since the proposed research should not be limited to the procurement practices of large enterprises only.
- 405.** The Worker Vice-Chairperson did not support the amendment, because it would dilute the focus of the research that the Office should carry out on the relationship between large and powerful enterprises and small and weaker SMEs in supply chains. The Employer Vice-Chairperson did not support the amendment either.
- 406.** The Government member of Saudi Arabia asked whether the reference to the procurement practices of large enterprises included government procurement, in which case the original text should be kept.
- 407.** The amendment was withdrawn.
- 408.** The Government of Brazil, seconded by the Government member of Trinidad and Tobago, introduced an amendment to delete point 20(f). He asked the Office for clarification of the use of “intervention models” in the first sentence of the clause.
- 409.** The deputy representative of the Secretary-General clarified that “intervention models” had been used throughout the Office report and referred to the construction of a clear theory of desirable changes backed by a clear logical framework of causes and effects. The Government member of Brazil in turn expressed concern that the first sentence of the clause would expand the mandate of the ILO beyond the assistance the Office provided to governments, employers’ associations and workers’ organizations. He therefore proposed a subamendment to delete the first sentence of point 20(f), but to retain the second sentence. The deputy representative of the Secretary-General further clarified that the ILO had worked with cooperatives since its inception, and that its support to cooperatives was mandated by the Governing Body and included in the programme and budget.

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- 410.** The Worker Vice-Chairperson did not agree with the proposition that the ILO’s work with cooperatives went beyond its mandate and did not support the amendment or a subamendment. The Employer Vice-Chairperson did not support them either.
- 411.** The Government member of the United States explained that she had wanted to second the subamendment proposed by the Government member of Brazil, because the second sentence of the clause was the most important and offered sufficient leeway.
- 412.** The Government member of Ethiopia, speaking on behalf of the Africa group, did not support the amendment in the first place, because the original text was clear and concise.
- 413.** The Government member of Brazil, seconded by the Government members of Mexico and the Netherlands, reintroduced the subamendment to delete the first sentence of point 20(f).
- 414.** The Worker Vice-Chairperson did not support the subamendment because the two sentences of the clause dealt with two different but equally important topics. The Employer Vice-Chairperson preferred the original text.
- 415.** The Government member of the Netherlands, speaking on behalf of the EU Member States, proposed a further subamendment to replace “to provide” with “in regard to” with a view to clarifying that the ILO did not provide financial services.
- 416.** The Worker Vice-Chairperson did not support the proposal since the original text was clear and in no way implied that the ILO would provide financial services or financing to cooperatives. The Employer Vice-Chairperson agreed that the original text was clear in that regard, and did not support the amendment or the further subamendments.
- 417.** The Government member of Switzerland supported the proposal to further subamend the amendment.
- 418.** The Government member of Ethiopia, speaking on behalf of the Africa group, did not support the amendment or the proposed subamendments.
- 419.** The Government member of Brazil withdrew the amendment. Consequently, the Government member of the Netherlands, speaking on behalf of the EU Member States, withdrew the proposal to further subamend the amendment. She requested that the Office should place the understanding on record that the ILO did not provide financial services to cooperatives.
- 420.** Point 20 was adopted as amended.

## **Point 21**

- 421.** The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, introduced an amendment proposing the insertion of “, young people” after “women”, to reflect the emphasis placed on young people in the Committee’s discussions.
- 422.** The Employer Vice-Chairperson supported the amendment, in view of the high levels of youth unemployment in the EU and elsewhere.
- 423.** The Worker Vice-Chairperson also supported the amendment.
- 424.** The amendment was adopted.

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- 425.** The Government member of Brazil, seconded by the Government member of Argentina, submitted an amendment to delete “The ILO work on statistics on cooperatives should be accelerated”. Alternatively, he proposed a subamendment to add at the end of the sentence “, and including with a view to refine the definition of the role of these entities within ILO context”.
- 426.** The subamendment was not seconded and fell.
- 427.** The Worker Vice-Chairperson did not support the amendment, and noted that it was not possible to amend a motion to delete in order to insert additional text. The sentence had been discussed and shortened to produce a clear and simple statement. Furthermore, the definition of cooperatives was clearly set out in Recommendation No. 193.
- 428.** The Employer Vice-Chairperson did not support the amendment for similar reasons.
- 429.** The amendment was withdrawn.
- 430.** The Government member of Australia, speaking on behalf of ASPAG, withdrew the proposed amendment to add “where required” at the end of the point.
- 431.** The Government member of Ethiopia, speaking on behalf of the Africa group, proposed the insertion of a new point after point 21 to read “The ILO should further strengthen its work to facilitate technology transfer and expand its work on TVET for the development of SMEs and their workers”, since it was relevant to mention the role of the ILO in that context.
- 432.** The Employer and Worker Vice-Chairpersons accepted the amendment.
- 433.** The Government member of the Netherlands, speaking on behalf of the EU Member States, did not support the amendment because the role of the ILO was not to further strengthen technology transfer, but training in technology. She therefore proposed a subamendment, to read “The ILO should further strengthen its work in training in technology and expand its work on TVET for the development of SMEs and their workers”.
- 434.** The Government members of the United States and Switzerland supported the subamendment proposed by the EU Member States.
- 435.** The Government member of Ethiopia, speaking on behalf of the Africa group, proposed a further subamendment to read “The ILO should further strengthen its work in training in technology and facilitating technology transfer in line with its mandate in collaboration with other partners and expand its work on TVET for the development of SMEs and their workers”.
- 436.** The Employer and Worker Vice-Chairpersons supported that subamendment.
- 437.** The Government member of the Netherlands, speaking on behalf of the EU Member States, suggested adding “where it is” before “in line with”, to emphasize that the reference was solely to the ILO’s current mandate.
- 438.** The Government member of Switzerland endorsed that further subamendment.
- 439.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, suggested adding, after TVET, “or other agencies”, as not all countries had TVET agencies.

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440. The Worker Vice-Chairperson did not support that further subamendment, arguing that TVET was a field, not an agency.
  441. The Employer Vice-Chairperson endorsed the EU Member States' further subamendment, but not that of the GCC countries.
  442. The Government member of Saudi Arabia, speaking on behalf of the GCC countries, withdrew his subamendment.
  443. The amendment was adopted, as further subamended by the EU Member States.
  444. The new point was adopted as amended.

## Point 22

445. The Government member of Australia, speaking on behalf of ASPAG, withdrew two amendments.
446. The Government member of Ethiopia, speaking on behalf of the Africa group, introduced an amendment to insert "regional organizations" after "UN system", explaining that the ILO should seek cooperation with other organizations beyond the UN system, including regional organizations such as the African Union.
447. The Worker Vice-Chairperson proposed a subamendment to insert "in the area of SME development with international and regional organizations and institutions, within and beyond the UN system" after "partnerships" and to delete the rest. That would solve the problem of excluding some organizations when specifying others, and it would address the concerns raised in four subsequent amendments. The Employer Vice-Chairperson supported the subamendment.
448. The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, supported the subamendment and withdrew two amendments as a result. In doing so, she highlighted the importance of close collaboration between the ILO and other organizations, particularly with the World Trade Organization, in the area of value chains and SMEs. She expected to see that mentioned in the action plan that the Office would present to the Governing Body.
449. The Government member of Brazil supported the subamendment and withdrew one amendment as a consequence.
450. The Government member of Ethiopia, speaking on behalf of the Africa group, supported the subamendment and withdrew one amendment as a consequence. She stressed the need for the ILO to collaborate closely with the UN on SME development within the context of "Delivering as One", as well as with regional organizations to achieve good outcomes at the national level.
451. The amendment was adopted as subamended. A total of four amendments were withdrawn as a consequence.
452. The Government member of Ethiopia, speaking on behalf of the Africa group, proposed an amendment to delete the last sentence in brackets starting with "Internationally". The Africa group was concerned that the sentence would otherwise limit the proposed collaboration with other organizations to closing the knowledge gap, whereas it should be broader. The Government member of the Netherlands, speaking on behalf of the EU

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Member States and IMEC, proposed that the bracketed sentence should be replaced by “In particular, the ILO should strengthen its cooperation with other organizations to close the significant knowledge gap related to the quality of jobs in SMEs as well as the productivity and sustainability of SMEs”. The two amendments were discussed together.

- 453.** The Worker Vice-Chairperson noted that it was important not to limit the cooperation to be sought. The Employer Vice-Chairperson saw merit in the proposal submitted by the EU Member States and IMEC.
- 454.** The Government member of Mexico proposed a subamendment to insert “including but not limited to” in the sentence, which would then read: “In particular, the ILO should strengthen its cooperation with other organizations including, but not limited to, closing the significant knowledge gap related to the quality of jobs in SMEs as well as the productivity and sustainability of SMEs”.
- 455.** The Government member of the Netherlands, speaking on behalf of the EU Member States and IMEC, supported the subamendment. The Government member of Ethiopia, speaking on behalf of the Africa group, withdrew the original amendment and supported the subamendment proposed by the Government member of Mexico to the amendment proposed by the Government member of the Netherlands.
- 456.** The amendment was adopted as subamended.
- 457.** Point 22 was adopted as amended.

## **Point 23**

- 458.** The Government member of Ethiopia, speaking on behalf of the Africa group, introduced an amendment to insert “The ILO should submit” and to delete “should be submitted” as well as to add “for consideration and decision”. She said that it was important for the Africa group to clearly define roles and responsibilities, and ensure that an action plan should be presented to the Governing Body – not just for information, but for consideration and decision.
- 459.** The Employer Vice-Chairperson did not support the amendment because it was superfluous and could cause confusion in the French version of the text. It was implied in the original text that it was the responsibility of the Office to submit an action plan and that the Governing Body would take a decision on it. The Worker Vice-Chairperson concurred.
- 460.** The amendment was withdrawn.
- 461.** The Government member of the United States, speaking on behalf of IMEC, including the EU Member States, introduced an amendment to add a comma after “requirements” and after “outcomes”. The Worker and Employer Vice-Chairpersons agreed.
- 462.** The amendment was adopted.
- 463.** The Government member of the United States, speaking on behalf of IMEC, including the EU Member States, proposed an amendment to insert “and its” after “budget”. The Worker and Employer Vice-Chairpersons asked for an explanation of the value that the amendment would add to the text. The Government member of the United States clarified that it was important to ensure that the recommendations for future work of the ILO on SMEs would be integrated into agreed programme and budget outcomes. That would not preclude the Office from seeking voluntary contributions for the work on SMEs, but would make it

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clear that such work should contribute to, and be aligned with, the already long list of outcomes expected from the ILO.

**464.** The Worker and Employer Vice-Chairpersons supported the amendment.

**465.** The amendment was adopted.

**466.** Point 23 was adopted as amended.

## **Adoption of the title and draft conclusions as a whole**

**467.** The title and draft conclusions were adopted as amended.

## **Adoption of the draft resolution**

**468.** The draft resolution was introduced by the Chairperson and was adopted by acclamation.

## **Closing remarks**

**469.** The Chairperson expressed her high appreciation for the work done by the Committee, which would guide the work for governments and the social partners on SMEs for many years. She said that social and labour policies had to be made with the heart, and that is what the Committee had done with a view to improving societies and securing livelihoods. She acknowledged the expertise and dedication of all members of the Committee and the Drafting Group. She expressed her gratitude to the two Vice-Chairpersons as well as to the Office, the Secretariat and the interpreters. She welcomed the delegation of the Deputy Prime Minister and Minister of Labour and Social Policy of Bulgaria, Mr Ivaylo Kalfin, who had come to attend the closing session.

**470.** The Worker Vice-Chairperson said that the Committee had not made a mistake when it elected its Chairperson, and noted that results had been achieved in good spirit. He further thanked the Office for its contribution, as well as all Governments for their constructive participation. He congratulated the Employer Vice-Chairperson for being resolute, determined and articulate, and extended special thanks to his own group for their input, support and engagement.

**471.** The Employer Vice-Chairperson expressed her appreciation for the great experience that had led to such useful and bright results. She thanked the Chairperson for her guidance, the Office for the work done before, during and after the Committee, and the interpreters. She further acknowledged the useful participation of Governments and the diversity of experiences they had brought to the conclusions. She then thanked the Worker Vice-Chairperson for defending his group's interests so ably while being open to the views of other groups and willing to find consensus. In conclusion, she expressed her gratitude to her colleagues in the Employers' group.

**472.** The Government member of Saudi Arabia, speaking on behalf of the GCC countries, congratulated the Committee on the adoption of the conclusions, which provided a clear framework for promoting SMEs, offered guidance to countries on how to rehabilitate their economies, and defined the role to be played by the ILO in the sector. He stressed that the conclusions would only be valuable insofar as they would be implemented by employers,

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workers and governments, and said that the GCC countries would take action to develop SMEs. Further, he suggested that a web portal should be established to share the conclusions as well as the experiences in relation to SME promotion in all countries.

- 473.** The Government member of the Netherlands, speaking on behalf of the EU and its Member States, reiterated her thanks to the Office for the report on SMEs and decent and productive employment creation, which provided a sound basis for the debate in the Committee. She thanked the Chairperson, Vice-Chairpersons, the representatives of the Workers' and Employers' groups, and the other Governments for their engaging and constructive contributions. The consensus reached in the Committee proved that an ILC session of two weeks was doable. She expressed gratitude for the hard work of the Office and the interpreters. The conclusions underlined that SMEs were vital for decent and productive work and prosperity, and that there was a clear need for specific SME support to complement generic economic policies. She highlighted the importance of basing SME policies on evidence-based research, an area in which additional efforts were needed, and mentioned that policies should pay special attention to women, young people and vulnerable groups. The efforts aimed at SMEs should be mainstreamed into the ILO's work and become an integral part of the programme and budget for the current biennium and years to come. The EU Member States considered that the conclusions provided valuable guidance to the Office, governments, and workers and employers in their actions to unleash the full potential of job creation in SMEs in such a way that those jobs would be both productive and of good quality.
- 474.** The Government member of Ethiopia, speaking on behalf of the Africa group, thanked the Office for the report, the Chairperson for the guidance she had provided, and particularly the members of the Drafting Group. She also thanked the social partners and Governments for their good spirit in building consensus. The outcomes achieved were helpful to the efforts of governments in improving working conditions and ensuring that SMEs would contribute to sustainable and inclusive economic growth.
- 475.** The Government member of Switzerland echoed what the others had said and highlighted the excellent standard of the results adopted. The conclusions would add value to the work of the tripartite constituents as well as of the ILO itself, and that would have a positive effect in member States as well as in the ILO's technical cooperation work. In conclusion, she thanked the Chairperson and the Committee Secretariat.
- 476.** The Government member of Mexico highlighted the exceptional work of the Committee, the Secretariat, and the Workers' and Employers' groups. He said that the work achieved would not only have an impact on member States, but that those now also had six billion reasons to make that work successful.
- 477.** The Government member of the United States thanked the Chairperson, the Vice-Chairpersons, her Government counterparts, the Office and the interpreters for their valuable contributions. In terms of next steps, the conclusions had clearly stressed the need for SME policies and advocacy, as well as for increased data collection, monitoring and impact evaluation. She stressed that the ILO should focus its work on that topic within its area of expertise and mandate and in the context of its programme and budget.
- 478.** The Chairperson concluded the work of the Committee by thanking everyone one last time.

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Geneva, 11 June 2015

*(Signed)* Z. Roussinova  
Chairperson

G. Pineau  
Employer Vice-Chairperson

G. Belchamber  
Worker Vice-Chairperson

A. Bonilla García  
Reporter

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## Appendix

### Fate of amendments to draft conclusions

1. The following amendments were adopted:  
D.50, D.78, D.54, D.15, D.56, D.57, D.7, D.59, D.27, D.84, D.85, D.86, D.83, D.18, D.34, D.32, D.4, D.46, D.65, D.77, D.82, D.80, D.51, D.68, D.81, D.79, D.70, D.75, D.74
2. The following amendments were adopted, as subamended:  
D.49, D.10, D.60, D.16, D.6, D.64, D.22, D.43, D.76, D.31, D.30, D.73
3. The following amendment was rejected:  
D.47
4. The following amendments fell:  
D.55, D.9, D.38, D.17, D.19, D.20
5. The following amendments were withdrawn:  
D.11, D.12, D.13, D.14, D.52, D.26, D.8, D.58, D.37, D.35, D.48, D.25, D.24, D.23, D.5, D.61, D.62, D.28, D.53, D.63, D.21, D.66, D.67, D.36, D.69, D.42, D.45, D.41, D.40, D.72, D.71, D.44, D.29, D.39, D.33

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