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The Future of Employment and the “Informal” Economy

SMEs, employment, and the fight against counterfeiting in Europe

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Abstract

Small and medium-sized enterprises (SMEs) are all over the world key factors to ensure economic growth through innovation and social integration through job creation. In the EU, in particular, they represent 99% of all businesses and in the past five years they have created around 85% of new jobs and provided two-thirds of the total private sector employment (European Commission, 2015). Thus, they are truly the backbone of Europe's economy. Their innovative capacity, moreover, is crucial in the knowledge economy both as a long run objective to stimulate growth and as a crucial response in time of crisis.

A key threat to SMEs' innovation capacity, however, is today represented by counterfeiting, which is a substantial share of the illegal and criminal part of the informal economy. Over the last few decades, counterfeiting has become a phenomenon afflicting manufacturers around the world. The European Commission has recently highlighted that since 2000 the number of cases of detentions by customs of counterfeit products has increased seven fold. As repeatedly pointed out by the OECD, counterfeiting has perverse effects on social and economic trends in many different countries.

According to a recent CENSIS – Italian Ministry of Economic Development Report, the range of counterfeit goods has today expanded to the point that there is no good that cannot be imitated and sold: everything from clothing accessories, jewelry, shoes, design objects, toys, cosmetics, and even medicines is copied. The false market must be considered a parallel economic sector, a real competitor with which companies must confront and against which companies must protect their market share.

Counterfeiting and piracy are illicit businesses in which criminal networks thrive. Items that counterfeiters and pirates produce and distribute are often substandard and can be dangerous (and, indeed, sometimes they are so), posing health and safety risks that range from mild to life-threatening. Moreover, economy-wide, counterfeiting and piracy undermine innovation.

The above argument is all the more true for the Italian economy which, as it is well known, is driven in large part by the manufacture of high-quality consumer goods produced by exporting abroad SMEs. In this respect it appears today mandatory for the EU to develop a proper and effective anti-counterfeiting policy to foster growth through innovation. *“Wherever the rule of law is not respected and, even more, wherever the economy lacks an essential ethic reference, it is always the poorer part of population who pay the highest price”* (FCAPP 2015 Statement).