



Draft Working Paper
“Youth Entrepreneurship”

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Introduction

We all share a vision of a more dynamic and growing European economy, with more and better jobs. It is unnecessary to say that there are strong links between entrepreneurship¹ and a vibrant economic and social culture. Countries with high rates of entrepreneurial activity show the same high rates in, innovation and job creation. And, as Europe’s population is ageing, young people will have to meet the challenge of Europe’s future prosperity and competitiveness. We all know that youth power can fuel the change we wish to see in Europe.

In this working paper YEPP would like to look at the specific features of youth entrepreneurship and the needs and wants of (potential) youth entrepreneurs. We aim to identify barriers and specific constraints that impede young people from starting and running a business, and to determine stimuli and incentives that make starting a business and attractive option for youth in Europe. This working paper takes a closer look at crucial factors for entrepreneurial engagement including cultural attitudes to entrepreneurship, education, training, business support, regulation, finance and promotion programmes for entrepreneurship.

¹ entrepreneurship is ... associated with individuals who create or seize business opportunities and pursue them without regard for resources under their control. ... Words that describe entrepreneurship include innovative, creative, dynamic, risk-tolerant, flexible, and growth-oriented (Kaufmann Foundation, Kansas City, Missouri, 1999)

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YEPP calls upon Member States to accumulate positive examples and best practices from other Member States for their own programmes to promote entrepreneurship².

YEPP also calls upon Member States and the European Union to widen the scope of (statistical) research on the state of entrepreneurship, as this is rarely aimed at the specific situation of youngsters.

I. **THE YOUTH PACT**

The European Youth Pact (adopted by the European Council of 22-23 February 2005), which made young people a key part of the renewed Lisbon partnership for growth and jobs, focuses on the integration of young people in the labour market, the fight against youth unemployment and quality education. YEPP subscribes this approach without reservation and supports the Council's call on the Member States to undertake action (within the scope of this working paper/position) to

- Encourage young people to develop entrepreneurship and promote the emergence of young entrepreneurs.
- Endeavour to increase employment of young people
- Invite employers and businesses to display social responsibility in the area of vocational integration of young people

YEPP also welcomes the Communication of Commissioners Figel and Spidla - *COM (2005) – 206 addressing the concerns of young people in Europe – implementing the European Youth Pact and promoting active citizenship* (SEC (2005) 693 – 30.05.2005).

In the margin of this Communication, YEPP calls on the European Commission to implement the European Youth Pact into the second round of key actions of his "Entrepreneurship Action Plan" (e.g. promoting entrepreneurial mindsets among young people) and into his "Education and Training 2010 Work Programme" (e.g. entrepreneurship education).

² YEPP Member Organisations are called to bring the best practices of their own national/regional entrepreneurship programmes to the Seminar. We can learn from each other!

II. **MEASURES FOR YOUTH ENTREPRENEURSHIP**

a. Promoting an entrepreneurial culture

In many European countries, unlike e.g. the United States, entrepreneurship and risk-taking is not highly respected and valued. A 2002 Eurobarometer³ survey found that EU citizens are less inclined to become entrepreneurs and more risk-averse than their American counterparts. Changing this mindset will require a long-term engagement to raise the profile of entrepreneurship and the better understanding and accepting of failure-wise issues (which are intrinsically linked to entrepreneurship). Not only public authorities should take up this responsibility, but also media and business organisations have a role to play. Media campaigns, award schemes, television (soap) programmes could provide the public with success stories and contribute to the creation of a positive image of entrepreneurs in society.

It is important that entrepreneurship is promoted realistically, to ensure that young people enter into entrepreneurship on an informed basis.

b. Entrepreneurship education

The extent to which enterprise education has been implemented varies across and within the European member states. Opening up the concept of entrepreneurship to all students, from primary school to university, should be part of the national/regional curricula. Financial support of the government can be used to develop learning methods and materials and for other activities (such as seminars, company visits, ...). Furthermore, entrepreneurial awareness should be part of the teacher training (teach the teacher) and of programmes in the field of lifelong learning.

The best way of learning about entrepreneurship is through direct experience and practice. By setting up mini-companies, students acquire basic business skills, develop a real economic activity, build up their creativity and self-confidence, learn how to work in a team, and become more willing to take responsibility and initiative. About 15% of secondary schools in the EU are already involved. Currently, only few countries recognise mini-companies in their national curricula. YEPP calls upon

³ Reference to the Eurobarometer: http://europa.eu.int/comm/public_opinion/index_en.htm

Member States to increase their efforts in supporting this pedagogically valuable instrument.

Furthermore, entrepreneurial activity can form a valid aspect of academic life. The transfer and commercialisation of scientific knowledge and expertise can be integrated in science and engineering curricula.

c. Start-up assistance

There are a lot of possibilities and measurements that can be taken to help young people starting up their own business:

- Promoting joint ventures and/or mentoring / guidance between younger entrepreneurs and more experienced business people (e.g. Business Angels networks).
- Lack of access to finance is regarded as one of the key barriers for young people. The banking and the finance sector must be aware of the opportunities for doing business with young people (and look through the perception of young entrepreneurs as high risk, due to their perceived lack of experience and ability). Governments can take measurements to stimulate the venture capital market (e.g. by fiscal stimuli or tax incentives for private investments, by setting up investment funds, ...) and/or provide loan guarantees to tackle the lending risks of young people.
- Abolishing revenue taxes is an important instrument to stimulate investment of risk capital and to promote competitiveness.
- YEPP calls on the Member states to honour long-term risk taking by providing a corporate tax reduction, equal to the start-up capital within the first ten years.
- Governments and local authorities should facilitate the possibility to register a business quickly and cheaply.

d. Taking-over an enterprise

As there is usually less risk involved, taking over an enterprise is definitely an attractive alternative to starting up a new business. A number of initiatives are already being undertaken in some countries, e.g.:

- Tax privileges for business transfers

- Support measures, including information, training, sponsorship, finance, etc.
- Seller and buyer databases, encouraging entrepreneurs to take over rather than starting up a new enterprise
- Reducing inheritance taxes is an important instrument to facilitate generational shifts in family enterprises
- Adopt bankruptcy legislations that promote the continuity rather than liquidation of an enterprise.

YEPP demands that these measures are fully supported and transferred to all EU member states.

e. Access to work space and equipment

This may be less a barrier to youth entrepreneurship, but youth-targeted incubators (public-private partnership) represent an effective instrument in promoting entrepreneurship.

f. Enterprise-friendly climate

Not only in the start-up-phase, but also in the growing/expanding phase of a business, governments can give young people a helping hand. Governments must generate a enterprise-friendly climate, by creating a stable legal framework and by far reaching administrative simplification. This latter can be achieved by one stop shopping⁴, unique declaration and similar tools of improving the lines of communication between enterprises and government institutions.

The EU and the Member States are called to intensify their efforts to reduce the administrative burdens and to simplify legislation, especially in the field of taxation, consumer protection, labour law and environmental policy. New legislation must be preceded by specific SME impact assessments

⁴ A unique access point for gathering information, company counselling and guidance, account management for complicated investment files, together with a well functioning back office.

Member States are called to intensify the implementation processes of European legislation at national level, as it prevents enterprises from fully benefiting from the internal market.

g. Support Networks

In a complicated and changing economic environment, both start ups and existing business benefit greatly from support services and enterprise networks. YEPP calls on the EU and the member states to support partnerships and networks where young entrepreneurs can meet with investors, experts and other entrepreneurs.

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