

## Entrepreneurship

### SUPPORTING YOUTH ENTREPRENEURSHIP IN HUNGARY

- ▶ Youth entrepreneurship is part of Hungary's approach to addressing the youth unemployment challenge.
- ▶ Few youth are active in entrepreneurship and they perceive fewer opportunities than youth in other OECD countries.
- ▶ The youth entrepreneurship support system is guided by many strategies but a clear, unified vision is missing.
- ▶ Support for young entrepreneurs is provided primarily through the GINOP (*Gazdaságfejlesztési és Innovációs Operatív Program*) and VEKOP (*Versenyképes Közép-Magyarország Operatív Program*), which provide a package of training, mentoring and a start-up grant. However, the support is not adaptable to participants' needs and to the economic context in different regions.
- ▶ The education system is underutilised in helping youth develop entrepreneurial attitudes, mind-sets and skills.

#### What's the issue?

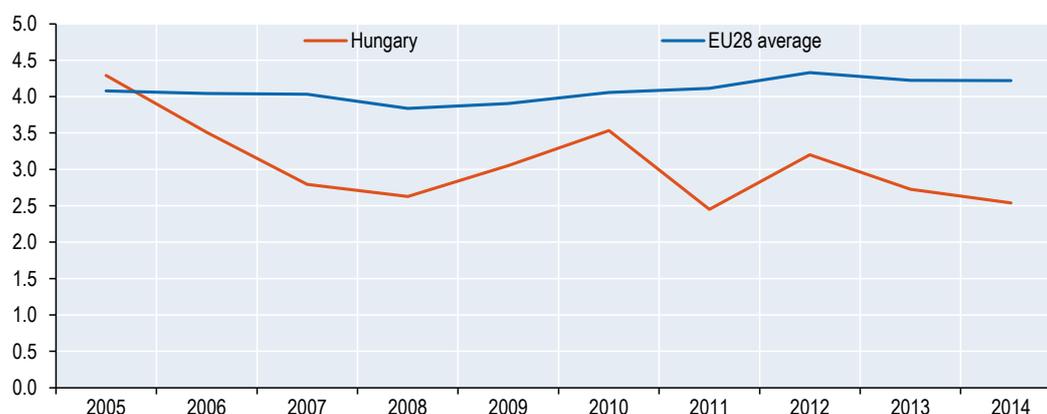
Young people generally express more interest in entrepreneurship than adults and are more likely to view self-employment as feasible, and often need routes out of unemployment. However, Hungarian youth are less active in entrepreneurship than youth in most other OECD countries. In 2014, 2.5% of all youth aged 15-24 years were self-employed, which is below the European Union average of 4.2%. This gap can be explained by negative attitude towards entrepreneurship and few

perceived opportunities. In 2013, Hungarian youth aged 18-30 years were less likely than youth in other European Union countries to consider starting a business as a good career choice (47.1% versus 61.1%) and were less likely to see opportunities for starting a business in the next 6 months (12.6% versus 36.2%).

Moreover, the youth self-employment rate declined in Hungary between 2005 and 2014, falling from 4.3% to

#### Self-employment among Hungarian youth is low and falling

Self-employed youth (15-24 years old) as a percentage share of total youth employment



Source: Eurostat (2016), Labour Force Survey 2005-14.

2.5% (see Figure). This downward trend can be explained by unfavourable economic conditions and an increasingly difficult business environment. Hungary's ranking in the World Bank's 2015 Doing Business index fell from 24th to 57th in the past year. The main challenges include high levels of taxation and social security charges, an unpredictable regulatory environment and a high level of administrative burden.

Youth entrepreneurship is promoted through a number of strategic documents, including the National Youth Strategy 2009-24, the Programme for the Future of the New Generation, the Employment Strategy, the National Youth Guarantee Implementation Programme, the Education Development Strategy, the SME Strategy, and the National Reform Programme. Each highlights the importance of supporting youth entrepreneurship but a unified vision with specific objectives and targets is missing. As a result, few actions have been implemented.

Support for young entrepreneurs is largely limited to the GINOP and VEKOP programmes, launched in 2014. GINOP and VEKOP are essentially the same but co-exist because Central Hungary has a different operational programme than the rest of the country. GINOP and VEKOP provide entrepreneurship training, a start-up grant of up to HUF 3 million (approximately EUR 10 000) and mentoring to youth aged 18-25 years, although up to 20% of participants can be 25-30 years old if they have completed higher education. Over the 2014-20 period, GINOP and VEKOP aim to support 6 300 youth in business creation. The strength of this approach is that it is an integrated offer that addresses the multiple barriers faced by youth. However, there is little flexibility in the offer to meet the needs of individual participants who may seek more, or less, support. In addition, programme content is uniform across all regions despite substantial differences in economic context.

GINOP and VEKOP are funded through the Youth Guarantee, meaning that the National Employment Service is the entry point. This will ensure a high level of awareness of the programmes and a continuous demand for the support. However, there is also a risk that youth perceive these programmes as unemployment support rather than support for youth with business ideas. This could reinforce the negative view that youth have towards entrepreneurship.

The largest gap in Hungary's youth entrepreneurship support system is the lack of a cohesive approach to embedding entrepreneurship in education and higher education. The National Curriculum covers the development of "entrepreneurial knowledge" but this is rarely implemented and often results in the teaching of basic knowledge about entrepreneurship rather than the development of entrepreneurial mind-sets and practical skills among students.

## What should policy makers do?

- ▶ Create a national vision for youth entrepreneurship support that unites the various youth, employment and entrepreneurship strategies.
- ▶ Make GINOP and VEKOP more flexible so that young people are not obliged to follow the same pathway through the programmes (e.g. some who have a business plan may not require the full training, others with high-potential projects may benefit from a repayable loan in addition to the standard grant).
- ▶ Expose more young people to entrepreneurship in the education system and use experiential learning (e.g. role playing and simulations) to help them develop entrepreneurial mind-sets and skills.

## Why is this important for Hungary?

New business creation generates jobs and helps reduce unemployment. Youth unemployment continues to be a challenge in Hungary. Although the youth unemployment rate (15-24 years old) is declining – down to 20.4% in 2014 from 28.2% in 2012 – it remains high relative to the OECD average of 15.1%. Some of these young people can exit unemployment through self-employment given appropriate support, such as entrepreneurship training, mentoring and finance.



## Further reading

OECD/European Commission (2015), *The Missing Entrepreneurs 2015: Policies for Self-employment and Entrepreneurship*, OECD Publishing. <http://dx.doi.org/10.1787/9789264226418-en>

OECD/European Commission (2015), *Youth Entrepreneurship Support in Hungary: Rapid Policy Assessments of Inclusive Entrepreneurship Policies and Programmes*, OECD Publishing. <http://www.oecd.org/employment/leed/Rapid-policy-assessment-Hungary-final.pdf>

OECD/European Commission (2014), *The Missing Entrepreneurs 2014: Policies for Inclusive Entrepreneurship*, OECD Publishing. <http://dx.doi.org/10.1787/9789264213593-en>

OECD/European Commission (2012), *Policy Brief on Youth Entrepreneurship*, OECD Publishing. <http://dx.doi.org/10.1787/5jxrcmlf2f27-en>