



# OECD LEED – DG EMP multiannual project

# Budapest Institute

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## EU CONTEXT

EU2020: entrepreneurship & self-employment as key for achieving growth (in response to 2008 crisis, raising unemployment along with ALMP)

EC focus:

1. Business start-ups by unemployed/ people from vulnerable groups
2. Support for social entrepreneurs
3. Financial support (diversification of tools, not just grant!)

OECD LEED-DG EMP multiannual project: mapping group-specific challenges and mutual learning



# POLICY RATIONALE

Government interventions launched with the aim to:

- Reduce unemployment, help to tackle transition (employability gains)
- Improve skills (e.g. financial skills in general)
- Meet market failures (e.g. access to finance)
- Stimulate innovation and growth, local economic development



# SELF-EMPLOYMENT IN EU

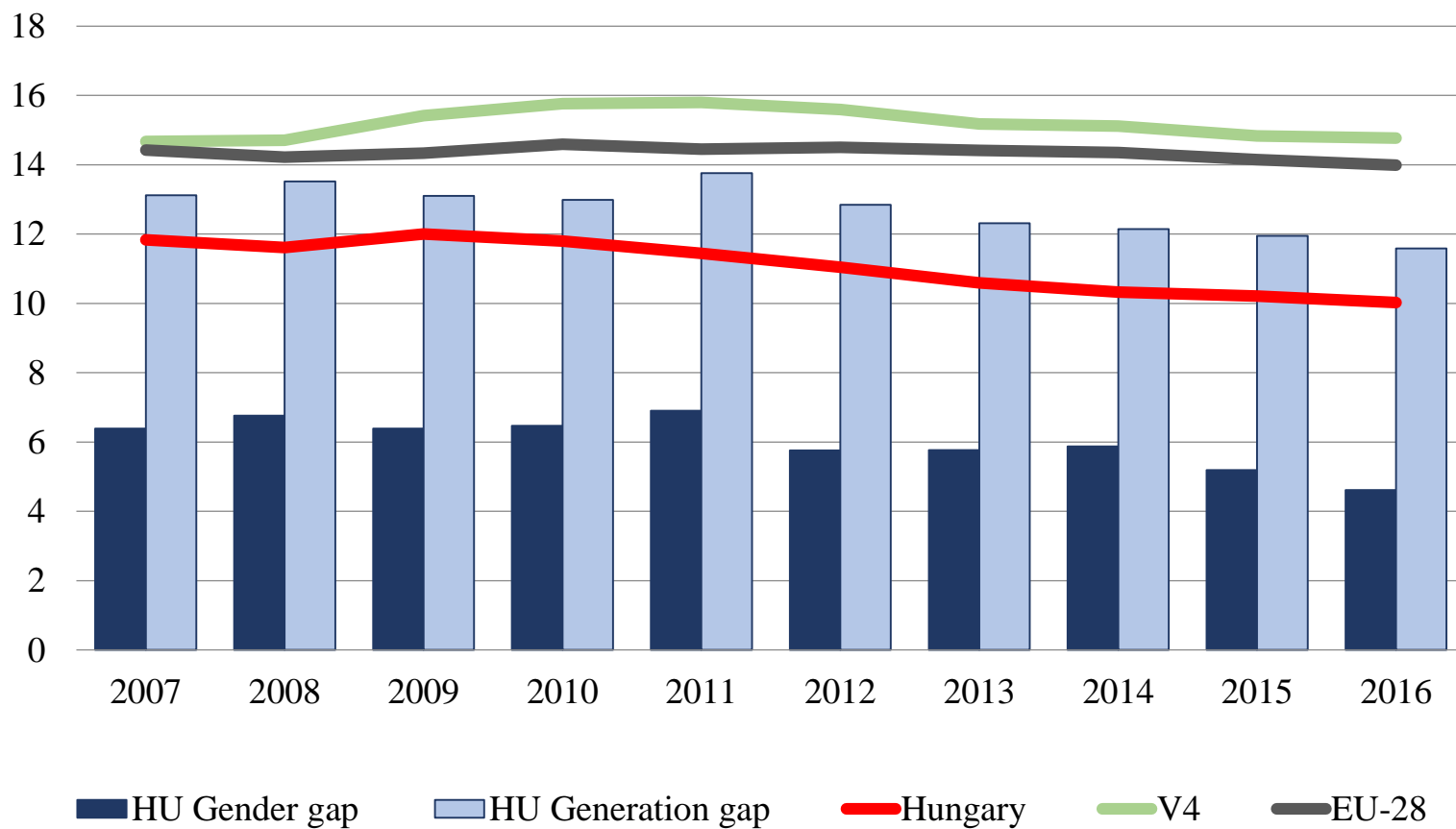
- Varies considerably across countries and time (highest: 15-21% IT, EL, PL, RO, SK, lowest: 7-9% DK, GE, AT, FR)
- Very heterogeneous group, no typical profile (age, gender, level of education, motivations, working conditions)
- Important distinction: opportunity versus *necessity-driven*
- Bogus/disguised SE: independent but with one client
- Lack of monitoring data, measurement problems (disguised/informality) and limited policy evidence

Blanchflower-Oswald 1991, Bosma-Harding 2007, Harding 2003, OECD 2012a, OECD2012b, OECD 2014, Smallbone-Welter 2004





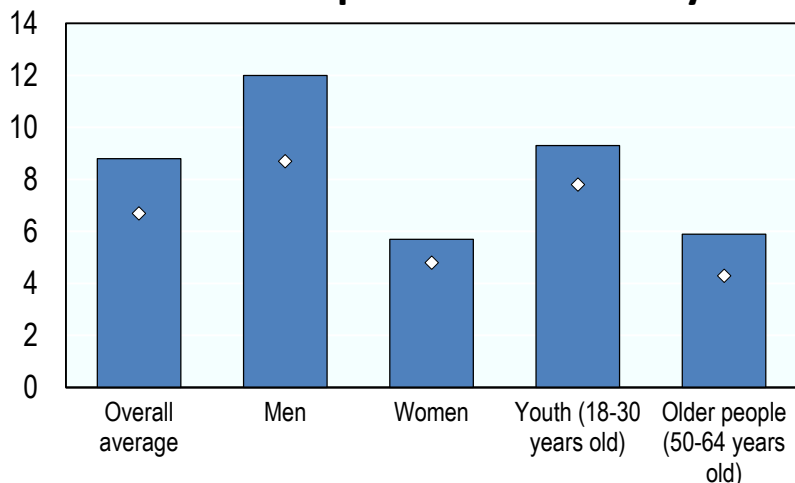
# HU SELF-EMPLOYMENT RATES





# HU ENTREPRENEURIAL ACTIVITY, ATTITUDES

## Total Entrepreneurial Activity



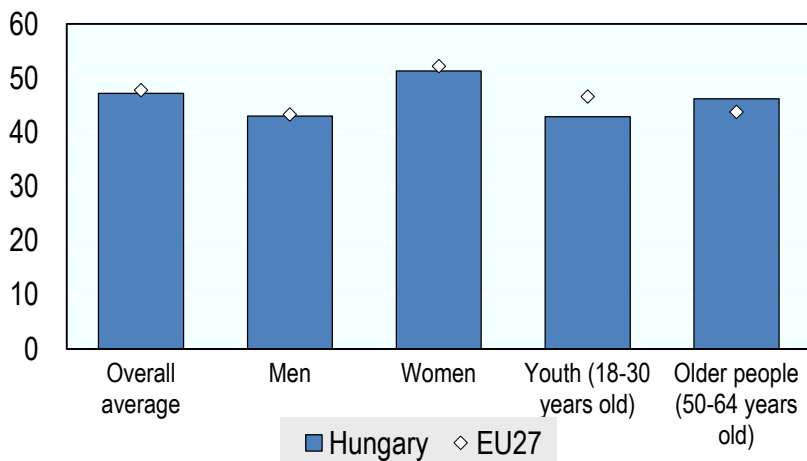
## Women

- lowest TEA rate
- mostly have a fear of failure and missing skills

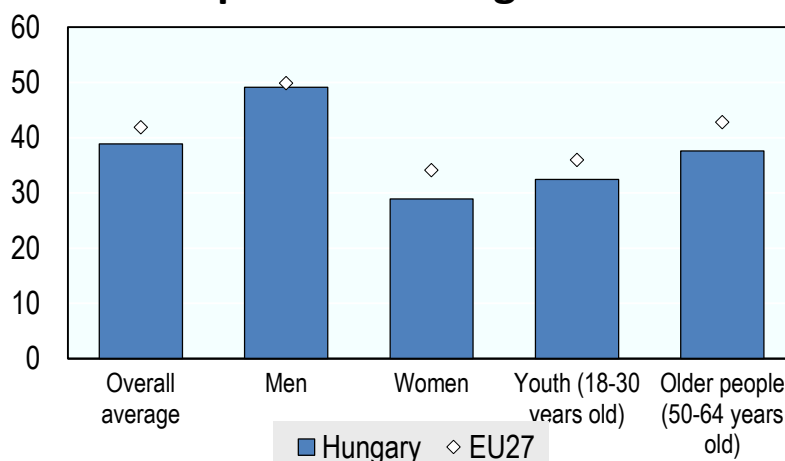
## Youth

- high TEA rate
- smallest share in having fear of failure, despite missing skills

## Fear of failure

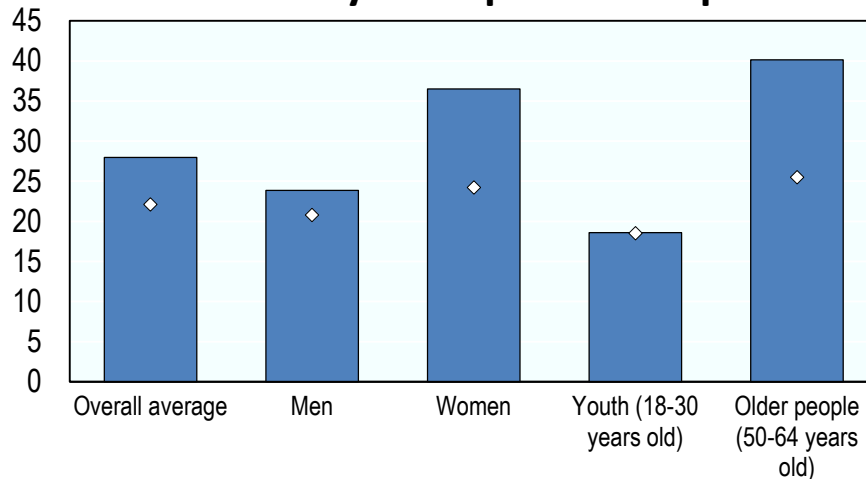


## Perception of having skills



# HU ENTREPRENEURIAL MOTIVATIONS

## Necessity entrepreneurship



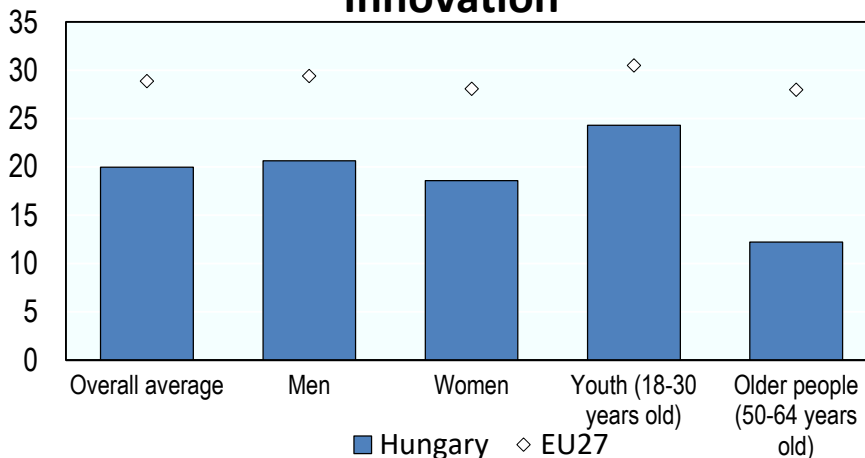
## Women

- more likely necessity-driven
- less keen to innovate, more risk-averse

## Youth

- more likely to start on a business opportunity
- aiming for innovative products
- higher expectations (export, job creation)

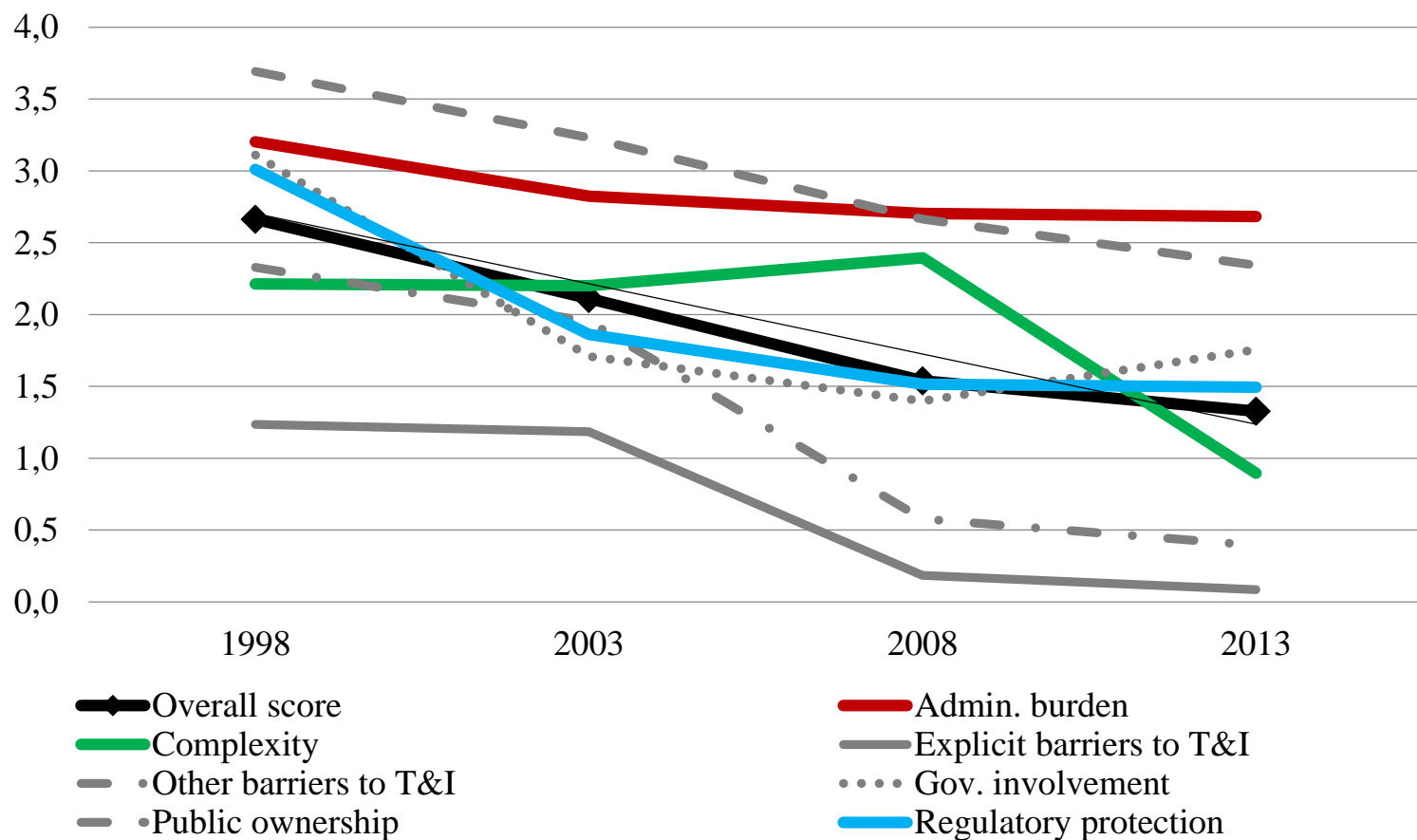
## Innovation



■ Hungary ◇ EU27



# HU PRODUCT MARKET REGULATION (OECD)

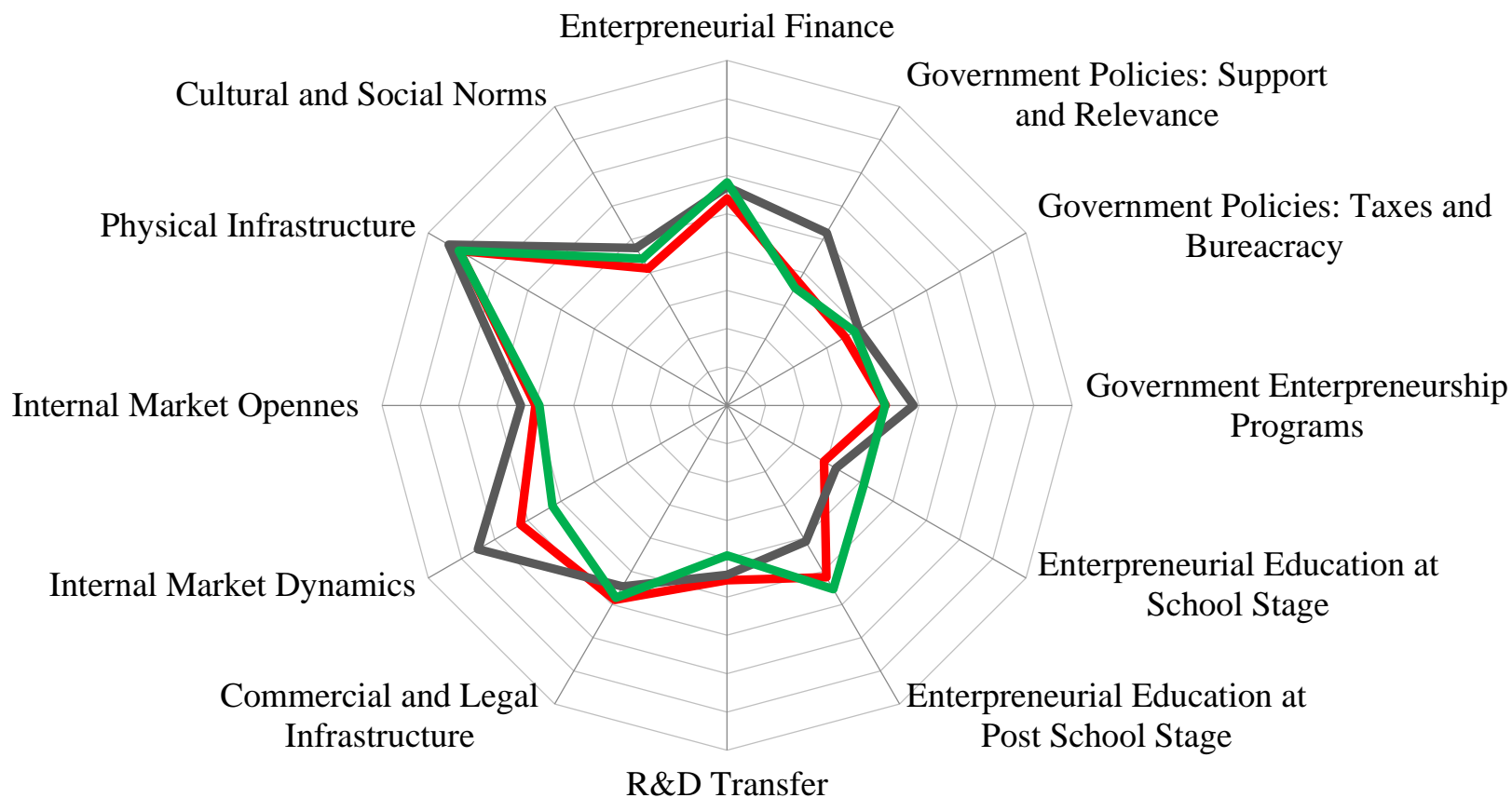


Legend: 0 – most competition-friendly, 6 – least competition-friendly regulatory environment



# ENTREPRENEURIAL ECOSYSTEM (GEM)

— Hungary — Poland — Slovakia



Legend: 1 - perceived as worst, 5 – perceived as best



# POLICY FRAMEWORK

- National strategies and programmes (2014-2020: SME strategy, NES, NYS, 2016-2020 DSS)
- Ongoing strategic revisions (SME, NYS)
- Explicit focus: youth, women
- New target group(?): people over 40-45 (DSS)
- Implementation bodies are clear
- Lack of quantifiable targets, baselines
- Lack of clear strategic actions, fuzzy monitoring



# POLICY MAPPING – SKILLS, FINANCE, CULTURE

Reference	Targeting (group-specific, geographic)	Managing Body	Funding	Focus on		
				Access to finance	Entrepreneurship skills	Entrepreneurial culture and social capital
Group-specific measures						
Enter the market!	25-35 years old Nationwide	National Employment Fund Non-Profit Ltd.	National Employment Fund	Small-scale grant	Training	
“Be a young entrepreneur in Hungary!”  GINOP 5.2.3 GINOP 5.2.7 VEKOP 8.3.1	18-30 years old Convergence regions  /18-30 years old (18- 25 YG, 25-30 graduates) Central Hungary	MoNE in partnership with regional consortia /National Employment Fund Non-Profit Ltd.	European Regional Development Fund and national budget /European Social Fund and national budget	Small-scale grant	Training	
EU Money Week	Primary schools	Money Compass Foundation MoNE, MHC	National budget			Thematic weeks on entrepreneurshi p
Entrepreneurship education in secondary edu	Grade 7-10	Money Compass Foundation MoNE, MHC	National budget			Teaching module in formal education



## Mainstream / generic measures

<b>Start Up support</b>	Generic Nationwide	PES offices at county level	National Employment Fund	Small-scale grant		
<b>Entrepreneurial mindset GINOP 1.1.2</b>	Generic – preferential treatment of young/female entrepreneurs Convergence regions	MoNE	European Regional Development Fund and national budget		Financial literacy, mentoring and coaching	
<b>Technological capacities/ job creation  GINOP 1.2.1 VEKOP 1.2.1. GINOP 1.2.2.</b>	Generic – preferential treatment of young/female entrepreneurs Convergence regions/ Central Hungary	MoNE	European Regional Development Fund and national budget	Grant for established firms		
<b>Access to finance  GINOP 1.2.3-8.3.4- 16</b>	Generic – preferential treatment of young/female entrepreneurs All regions	MoNE	European Regional Development Fund and national budget	Grants combined with microcredit		
<b>Boost market entry GINOP 1.3.1.</b>	Generic – preferential treatment of young entrepreneurs Convergence regions	MoNE	European Regional Development Fund and national budget		Training and special consultancy services on market entry	



# POLICY EVIDENCE ON EFFECTIVENESS

- Lack of appropriate monitoring data
- Financial instruments are more cost-efficient than grants
  - Financial support does NOT produce significant productivity gains
  - Minor positive employment effects at firm level
  - Effects seem to be slightly larger in micro-regions in disadvantaged situation
- Helping more likely better-than-average firms (own resources, more informed, have capacities)
- Lack of effective targeting may contribute to cream-skimming

*BI 2012, BI 2015, Equinox 2015, Equinox 2016, Sipikal-Pisar 2013*



# POLICY ASSESSMENT – PRELIMINARY RESULTS

STRENGTHS	WEAKNESSES
Simplification in licensing	<b>Uncertainties and inconsistencies in business regulation</b>
Tax simplification ( <i>KATA</i> - highly selective!?)	<b>Effective barriers to entry (equity, chamber fee), limited competition</b>
<b>Cutting red tape (but still high administrative burdens)</b>	Lack of explicit strategic priorities & targets (ignoring seniors, migrants, Roma)
<b>Ongoing strategic revisions</b>	<b>Lack of group-specific monitoring data, reports (data linking?)</b>



# POLICY ASSESSMENT – PRELIMINARY RESULTS

## STRENGTHS

**Combined support for youth (grant, training, mentoring)**

PES with the possibility to adapt schemes to local needs (*VVT*)

**Emerging focus on entrepreneurial and financial education**

Strengthening cooperation w/ business sector (role models, awards)

## WEAKNESSES

**Cream skimming - prohibitive entry requirements (own capital /information/ capacity)**

PES with limited capacities, lack of effective incentives (*VVT*)

Delays in implementation, lack of coordination between implementing bodies

**Lack of quantification of policy impacts**



# PRELIMINARY POLICY RECOMMENDATIONS

- Include key under-represented and disadvantaged groups (e.g. youth, seniors, women, Roma) in strategic documents related to entrepreneurship promotion and support
- Strengthen monitoring and evaluation activities for entrepreneurship initiatives
- Continue to make improvements to business environment (regulatory simplification, admin.burden)
- Introduce more flexibility into the youth support schemes (diversification of financial tools, sensitive to project cycle)
- Improve implementation (GINOP/VEKOP MAs, local PES)
- Strengthen partnerships, start pilots with non-governmental (civil, business organisations)



## FINAL REMARKS

- Intrinsic difficulty of becoming an entrepreneur
- Not suited to all!
- A'ka Baumol (1990): institutional environment & human experimentation /creativity as key to productive entrepreneurship and thereby to growth
- Balanced policy mix: group-specific measures as well as those aimed at improving regulatory environment, easing market entry (instead of be biased by rent-seeking)
- Beyond entrepreneurship policies:
  - Improve the quality of basic education (creativity, team work, state-of-the-art skills & competencies)
  - Combat corruption, rent-seeking (level playing field)



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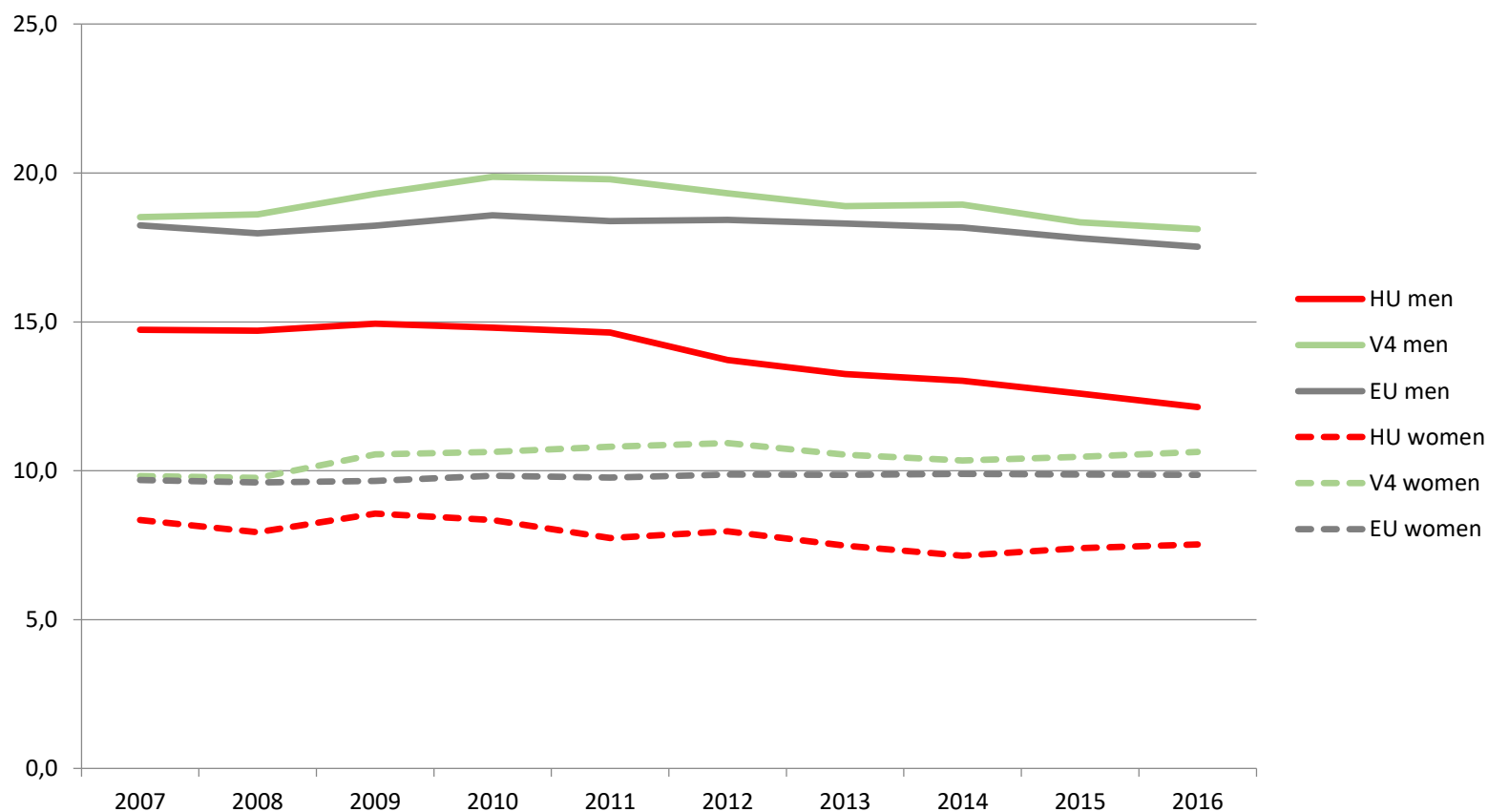
# THANKS FOR ATTENTION!

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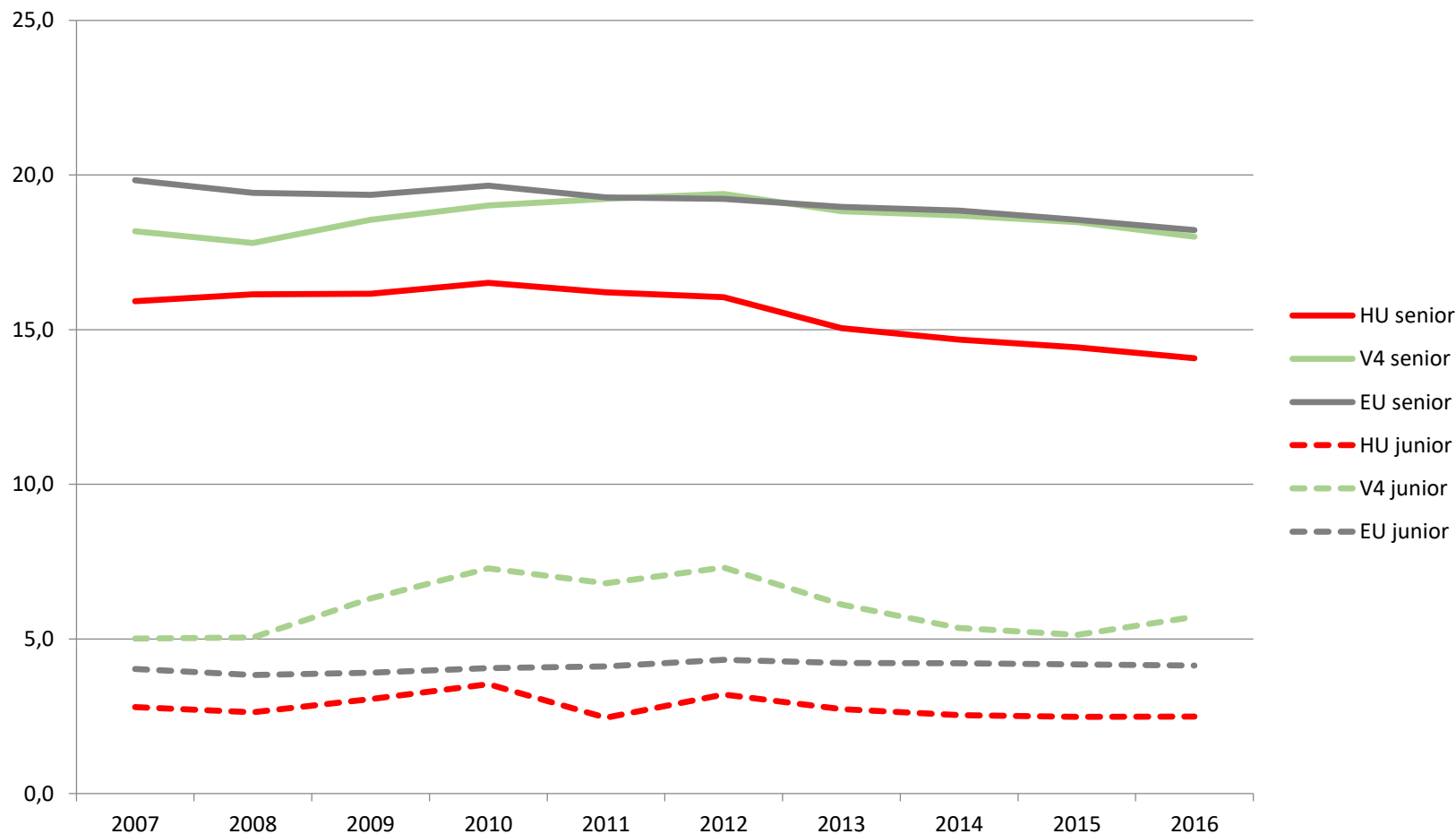


# HISTORICAL TRENDS – MEN & WOMEN SELF-EMPLOYMENT RATES



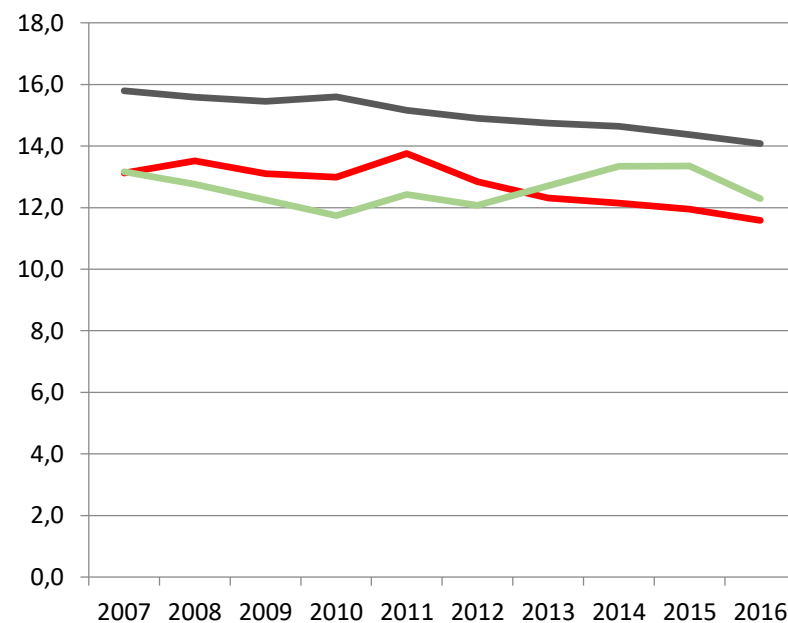
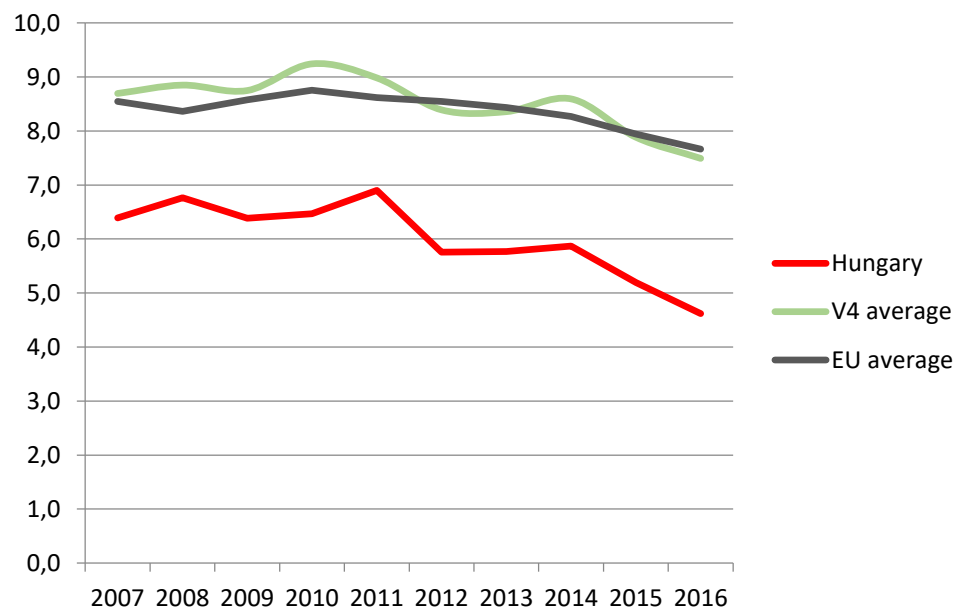


# HISTORICAL TRENDS – SENIOR & JUNIOR SELF-EMPLOYMENT RATES





# DYNAMICS OF GENDER/GENERATION GAPS IN SELF-EMPLOYMENT





# HU UNEMPLOYMENT RATES

