

# Topic Overview

Xth National Selection Process of the European Youth Parliament in Germany

*Creating jobs through innovative entrepreneurship: what measures should the EU take to ensure the successful implementation of the Entrepreneurship 2020 Action plan?*

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## 1. Maximum TWO video links, graph or other visual

Eurostat. Distribution of number of enterprises by size class.

[http://ec.europa.eu/eurostat/statistics-explained/images/8/8b/Figure\\_1\\_Distribution\\_of\\_number\\_of\\_enterprises\\_by\\_size\\_class\\_%28persons\\_employed%29%2C\\_2014.png](http://ec.europa.eu/eurostat/statistics-explained/images/8/8b/Figure_1_Distribution_of_number_of_enterprises_by_size_class_%28persons_employed%29%2C_2014.png)

YouTube. Young European Entrepreneurs sharing experiences.

<https://www.youtube.com/watch?v=uhkKiVN3fEw>

## 2. Key Terms

- **Entrepreneurship:** The willingness to manage, develop and execute a business venture along with any risks attached to it in order to make profit. The obvious example of entrepreneurship would be starting a new company.
- **Small and Medium Sized Enterprises (SMEs):** SMEs are companies which employ less than 250 persons and have an annual income of less than EUR 50 million and/or an annual balance sheet of less than EUR 43 million. They make up about 99% of all businesses in the EU.
- **“Think Small First” Principle:** Per definition the principle implies that “policy makers give full consideration to SMEs at the early policy development stage”. This implies that rules should be created from a SMEs point of view rather than large businesses.
- **Internal market:** The single market in which the free movement of goods, services, capital and persons is assured, and in which citizens are free to live, work, study and do business. The EU internal market is a definite boost for export and a fostering ground for entrepreneurship.

## 3. Relevance and explanation of the problem

Less and less people can imagine being entrepreneurs. According to the Eurobarometer, in 2009, 45% of Europeans could imagine launching a business whereas in 2012, only 37% could imagine taking this step. Entrepreneurs, often driven by the prospects of independence, better income and the freedom to choose their place and time of work, are on the other hand confronted with fears of bankruptcy and the risk of an irregular income. To encourage more people to become entrepreneurs, the European Commission launched the Entrepreneurship 2020 Action Plan which is a scheme for the development of an entrepreneurial culture across Europe. The document offers the surroundings to its diverse initiatives and explains the actions that the Commission plans to take. It also shows off three areas in need for intervention: entrepreneurial education and training, strengthening the framework conditions for entrepreneurs, and reaching out to specific groups.

The Action Plan identifies five main groups in need of support (young people, seniors, migrants, unemployed people and women). These groups all have one thing in common: They are

underrepresented in entrepreneurial action across the EU which the European Commission takes up as motivation to tailor initiatives to enable them to start their own business and do so more easily.

## 4. Key conflicts

The Action Plan tries to **balance out measures on a European and national level**. The European Commission cannot enforce points recommended to the Member States, it can only invite them to address them. The call for a coherent approach to the adoption of the Action Plan suggests that it is aspirational in terms of support from Member States.

The EU needs to review whether **new efforts would duplicate initiatives in the Member States as well as their own initiatives**, which is supported by the fact that all initiatives listed under Pillar 1 of the Action Plan are part of the Small Business Act for Europe (SBA).

There is a dispute between furthering **traditional entrepreneurship vs. furthering innovation driven entrepreneurship**. While traditional entrepreneurs serve local markets with well-understood business ideas and limited competitive advantages, innovative entrepreneurs bring global opportunities that with a competitive advantage and growth potential.

**Making cutting-edge research an element of any market strategy** in hopes of boosting entrepreneurship is existential. European firms do not grow as exponentially as US firms, leading to a lower global competitiveness. The European Commissions' strategy of improving entrepreneurial activity within the internal market rather than furthering their position in the global marketplace, is seen as short-sighted.

## 5. Key actors

While the **EU** has exclusive competences in the establishment of competition rules necessary for the functioning of the internal market, they share competence regarding the internal market itself. This for example means that Member States report back to the European Commission when it comes to the implementation and the enforcement of internal market rules, since it is the actor responsible for what could be called the 'management' of the internal market.

In entrepreneurial education, the **European Commission** can only act as a facilitator and catalyst of support focussing on making entrepreneurship education a regularly feature in the education systems of the Member States, providing a platform to share knowledge, best practices amongst practitioners, stakeholders and the Member States as well as developing common instruments and projects of high added value at an EU level.

It should be noted that ideally the **Member States** should co-ordinate their economic and employment policies within the EU as stated in the Lisbon Treaty.

## 6. Measures in place

In early 2013 the European Commission set up the **Entrepreneurship 2020 Action Plan**. It identifies six business areas needing intervention: 1. access to finance; 2. supporting new businesses in crucial phases of their lifecycles; 3. new opportunities in the digital age; 4. easier business transfers; 5. second chances for 'honest bankrupts'; and 6. unnecessary regulatory burdens.

The **SBA** is a framework for EU policy on SMEs which was implemented in June 2008 to improve the EU's approach to entrepreneurship, simplify the bureaucratic environment for SMEs

and remove restrictions to their development. In February 2011 the **SBA Review** was launched to further implement the SBA in the Member States by analysing their progress. It aims to integrate the SBA with the **Europe 2020 strategy** since six of the seven Europe 2020 Flagship Initiatives aim to help SMEs achieve sustainable growth. The reporting cycle attached to the SBA is often seen as the key difference to the Action Plan.

The SBA Review also launched the **SMEs Envoy Network**. National SME Envoys, appointed by their respective government, make up an advisory group to the SBA that promotes SME friendly regulation and policy making in the Member States.

## 7. Solutions

To ensure a coherent approach to the adoption of the Action Plan, the Member States need to ensure the implementation of the measures already suggested as well as the structures proposed in the SBA, especially when it comes to the education sector as a bottom up approach would be sustainable in the long run. The students of today are the entrepreneurs of tomorrow. This could go hand in hand with an expansion of the Erasmus for Young Entrepreneurs programme.

To become a stronger economic force globally, the EU needs to substantially increase its activities in the area of innovative entrepreneurship instead of encouraging more traditional business modules with a low innovative background. This could be achieved through further integration of digital education into the school curricula of Member States, fostering digital skills from a young age.

In all future economic legislation, following the “think small first” principle, protecting and strengthening SMEs should be a priority since their share of the EU’s market is of such importance. Whilst ensuring that bureaucratic barriers when setting up companies and getting support are lowered through interlinking of actors as well as setting up easier access such as one-stop digital registration systems for support programmes. Support programmes that provide consultation and counselling on business creation as well as offer an exchange of information as the Enterprise Europe Network and Europe Business Portal need to be expanded.

The Member States need to ensure that start-up businesses have easier access to funding through for example provision of loans at a low interest rates or allowing tax reliefs during early years of the business operation whilst ensuring their implemented measures in the European overview on access to finance and funding for entrepreneurs.

## 8. Conclusion

To make the Entrepreneurship 2020 Action Plan an effective and long-term solution ensuring a more competitive European economy whilst ensuring the realisation of growth potential a few key areas are in need of improvement. There needs to be a more coherent approach in the adoption of the measures proposed within the Member States. The interlinking of measures already in place such as the SBA and its review, the SME Envoy Network and the Action plan needs to be improved to break down bureaucratic barriers on a European level. Innovation-driven entrepreneurship, even though it comes with a higher risk, needs to be further strengthened through focussing support programmes on research and innovation. Lastly entrepreneurial education is still a key factor in making sure an entrepreneurial culture can develop and last.