Foundation study for the project

Reaching the Lost Generation

This study wants to underpin the activities of international project *Reaching the Lost Generation* with a few facts and ideas. **The project focuses** on developing a training program of entrepreneurial skills in broad terms which aims at encouraging NEET young people (*not educated, employed or trained*) aged 16-24 to change their behaviour. Instead of accepting their situation with resignation and choosing from a narrow scope of opportunities they should increase their self-confidence and start their own initiatives to take over their fate.

Four countries – Hungary, Germany, Poland and the United Kingdom (Scotland) – cooperate in the project. The work group wants to develop a program which might be utilized in every EU country by the target groups of young people by using adaptive ways. As a consequence **the foundation study aims most of all** on defining the general and divergent features characterizing the target groups and their social-economic opportunities at European level in general, and in specific countries in particular. The development guidance will be based on the characteristics identified.

The study will be built on **part-materials** developed by the representatives of the **four countries** on the one hand, and on **international comparative analyses** on the other, which offer data and conceive statements by using the same viewpoints to describe the economic and social background of the participating countries.

The **analytical viewpoints** that summarized **the part-materials** of the four countries were as follows:

- The most important characters of the educational and labour market situation of the young people, and especially that of NEET young people; and the basic features of their economic-social environment in which they live.

  Listing the opportunities the target groups can realize when trying to find their ways towards further education and/or to the world of labour.

  The characteristics of entrepreneurial skills and the level of social and personal skills which can be developed within the framework of general education.

  Comprehensive opportunities related to volunteering and social enterprises.

  A short SWOT analysis related to the labour market opportunities of the young people.

The ***international sources*** used by the foundation study that offered good opportunities to compare the background data of the theme were as follows:

Education and Training Monitor – Country reports 2013, 2014 (EC)
Education at a Glance Monitor – Country reports 2013, 2014 (OECD)
A Partial and Fragile Recovery. Annual Report on European SMEs 2013/2014 (EC)
Enterprise and Industry. SBA Country Fact Sheets, 2013, 2014 (EC)
The global competitiveness report 2014-2015. World Economic Forum.
Legatum Prosperity Index, 2014

These sources make horizontal comparisons possible on the one hand, and their time-sequence helps us perceive the trends within each country on the other. These data might help us extrapolate the results – particularly at the dissemination stage of the project. Defining the types of economic environment will help us draw conclusions from the try-out experiences of the educational program developed as related to its utilization in wider scope.

1. The labour market and educational opportunities of young people

Global economic recession has produced a fairly difficult situation for young people all over the world since 2008. **Unemployment of young people** reached an historical peak in Europe with a proportion of 23.5% by February 2013. This proportion of unemployment was twice higher than within the adult population and affected 5.7 million young people in Europe. The proportion of unemployment exceeded 30% within the groups without a secondary education qualification or professional training. (Source: Eurostat, LFS)

The figures show that the **employment level of the young people** in the partner countries – independently of their educational level – makes the highest level in Germany and exceeds European average by 15%. The employment level of young people in Hungary and Poland comes close to the European average. Young people living in the United Kingdom have better chances to find a job by 8-10%. (Source: Education and Training Monitor 2014) But taking their educational level into consideration young people have different chances of finding a job in each country. The target groups of the project, NEET young people (*not educated, employed or trained*), show trends related to their educational level as follows:

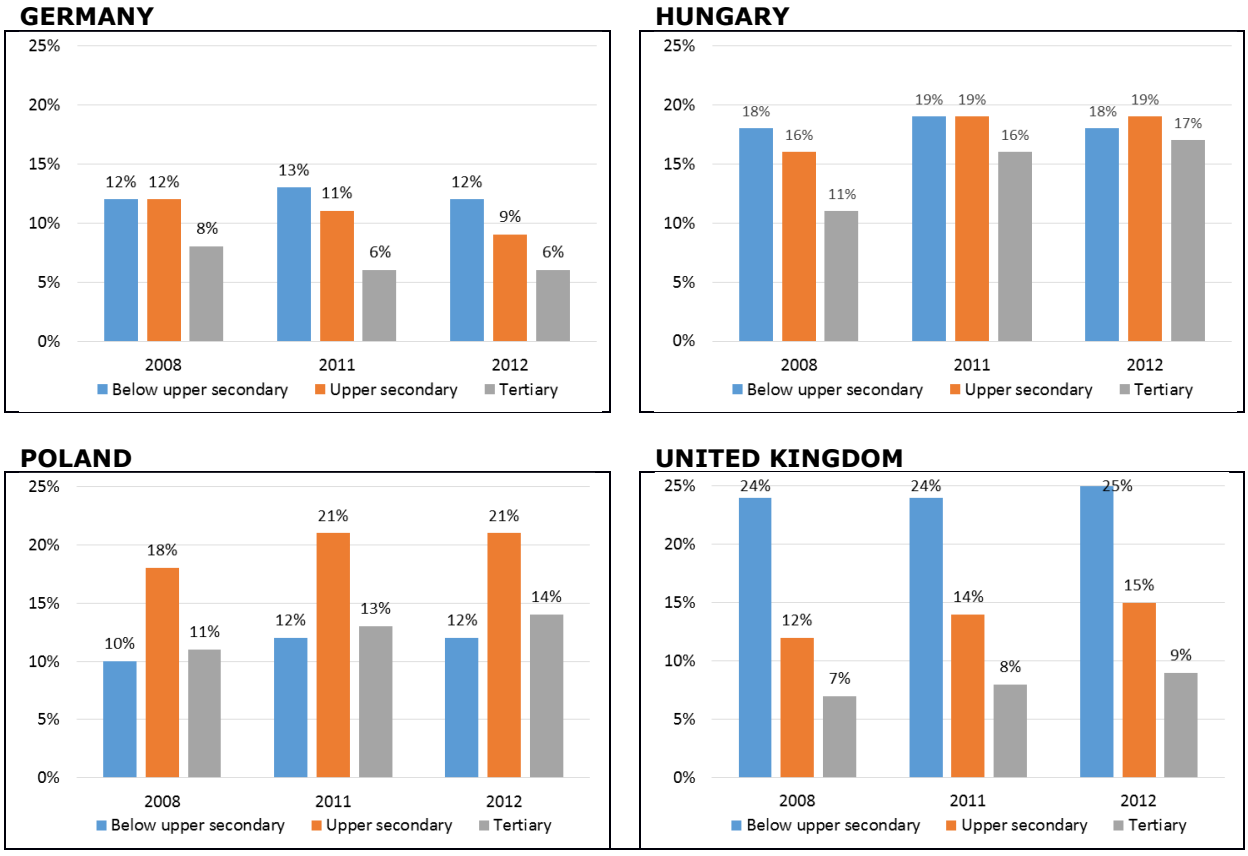


Chart 1 – The ratio of young people with different educational level among NEET-youth
(Source: Education at a Glance 2013, 2014)

It holds true to Germany and the United Kingdom that the higher **educational level** young people reach the more chances they have to find a job. The situation is somewhat different in Hungary. In Poland it shows an opposite picture: those have the least chances to find a job that have a final secondary school certificate. And even young people with tertiary education have worse opportunities than those without a secondary certificate. This picture is in harmony with the data showing the proportion of early school leavers in the four countries. The figures show that Poland has produced the best performance in the field of education. It is very likely however that the economic development has not kept level with that of obligatory education for the last few years.

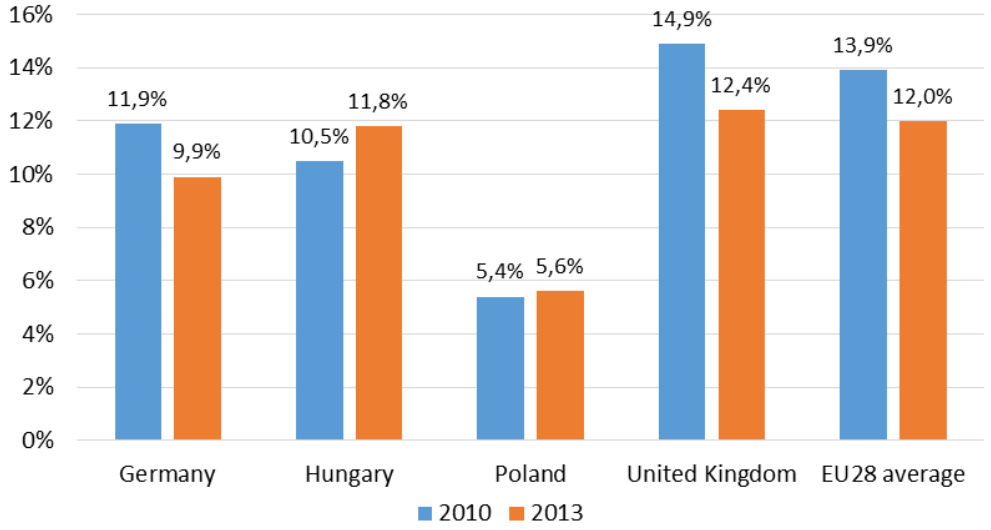


Chart 2 – The ratio of early school leavers in the age group of 18-24 years
(Source: Education and Training Monitor 2014)

As early school leaving in general implies the greatest risk of unemployment, it explains why Europe 2020 strategy's indicator aims at reducing the proportion of **early school leavers** to 10% within the age group. The figure shows that Poland reached the target value a long time ago and was followed by Germany in 2013. The proportion of endangered young people is still relatively high in the United Kingdom, but a process of reducing their proportion has begun. In Hungary the proportion of early school leavers is however rising, as compared with a better position reached earlier, and the country is moving away from the European target value.

The **development level of basic skills** also makes an important aspect of employment. Europe 2020 strategy treats the proportion of young people with a low performance level at PISA tests (the level of performance reaches 1 or smaller) as an indicator and defines it by 15% at the maximum in the three content areas of age group 15 years.

Chart 3 – The ratio of underachieving learners in the age group of 15 at PISA tests

FIELDS	Germany		Hungary		Poland		United Kingdom	
	2010	2013	2010	2013	2010	2013	2010	2013
Literacy	18.5%	14.5%	17.6%	19.7%	15.0%	10.6%	18.4%	16.6%
Mathematics	18.6%	17.7%	22.3%	28.1%	20.5%	14.1%	20.2%	21.8%
Science	14.8%	12.2%	14.1%	18.0%	13.1%	9.0%	15.0%	15.0%

Source: Education and Training Monitor 2014

The data show that the proportion of underachieving learners has been reducing in the three areas examined in Poland and Germany. The proportion of underachieving learners is reducing and stagnating in the area of literacy and natural sciences respectively and it is rising related to math in the United Kingdom. In Hungary however, the proportion of underachieving learners has been perceptibly rising within the age group for a few years.

New knowledge to be acquired by **lifelong learning** after leaving the educational system might play an important role in the career of the undertrained and unemployed young people when trying to enter the labour market. The indicator of Europe 2020 strategy suggests the desirable proportion of adult learners by 15% at the minimum for the age group 25-64. This form of learning however has not spread throughout Europe, or it represents different levels in the four partner countries.

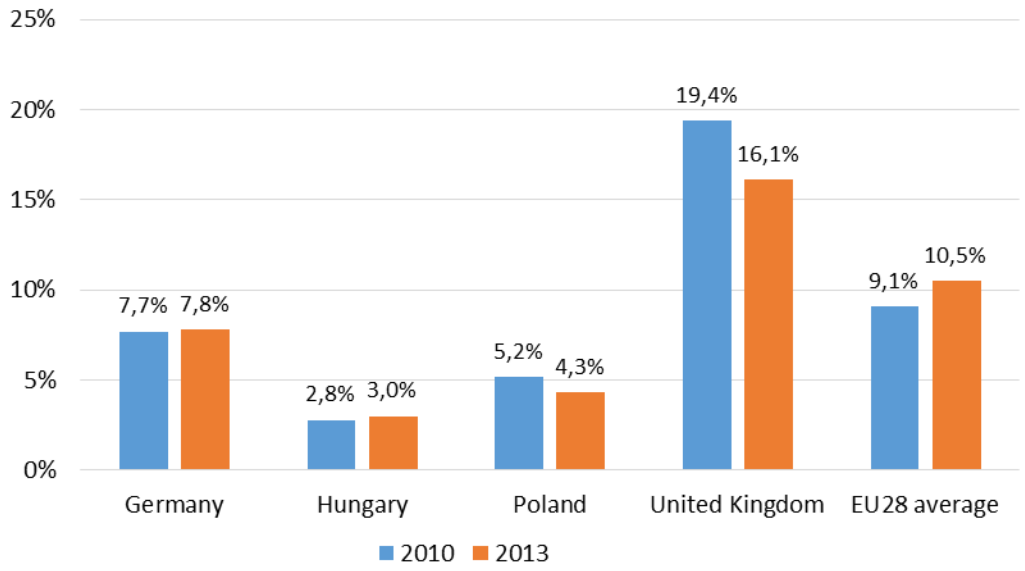


Chart 4 – Ratio of participation of adults (age group 25-64 years) in the LLL programs
Source: Education and Training Monitor 2014

The proportion of adult learners makes the lowest level in Hungary. It is somewhat higher in Poland and is very close to the European average in Germany. The United Kingdom produces the highest level adult learning and even exceeds the European target value. The different statistical data likely represent different opportunities and general attitudes in each country. The opportunity of career correction suggested by the data might offer significant advantages for the people living in the United Kingdom. As far as Germany, Poland and Hungary are concerned it is worth focusing on the unutilized potential lifelong learning can offer in this area.

2. Enterprises and economic environment

It is typical for each partner country that more than 99% of the enterprises are small and middle-size companies. We can however find significant differences when comparing the proportion of micro enterprises showing weaker market power to the middle-size companies representing bigger economic weight.

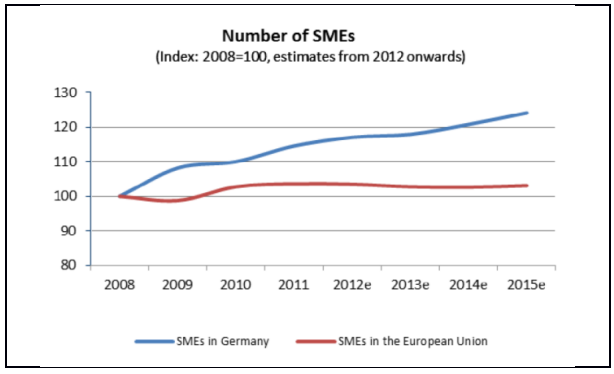
Chart 5 – The ratio of enterprises with different sizes within all of the enterprises

COUNTRIES / Enterprises (N)	**Enterprises**					
	Micro	**Small**	**Medium**	**SMEs**	**Large**	**Total**
GE (N = 2 211 752)	81.8%	15.2%	2.5%	99.5%	0.5%	100.0%
HU (N = 551 876	94.6%	4.5%	0.8%	99.9%	0.1%	100.0%
PL (N = 1 480 984)	95.2%	3.5%	1.1%	99.8%	0.2%	100.0%
UK (N = 1 672 638)	89.4%	8.7%	1.5%	99.6%	0.4%	100.0%

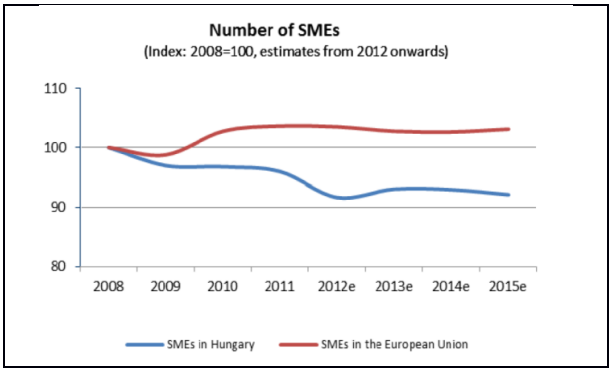
Source: Enterprise and Industry. 2013 SBA Fact Sheets. (EC)

There are perceptible differences among the partner countries concerning the number of small and middle-size companies: whether their number have increased or declined in the period following economic crisis in 2008 and what **trends** have characterized the process of change. The figures show a constant and dynamic growth in Germany as compared to European average. In the United Kingdom the number of such companies first declined, it has however reached the average by today and even exceeded the level of pre-stagnation period before 2008. Hungary and Poland however have not reached the level of pre-stagnation period and their fall back as compared to the average is slightly increasing.

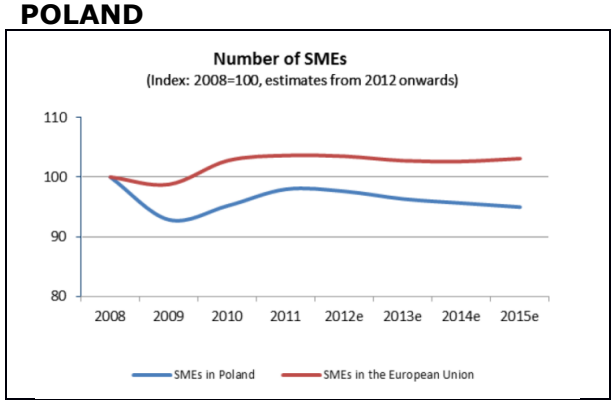
GERMANY



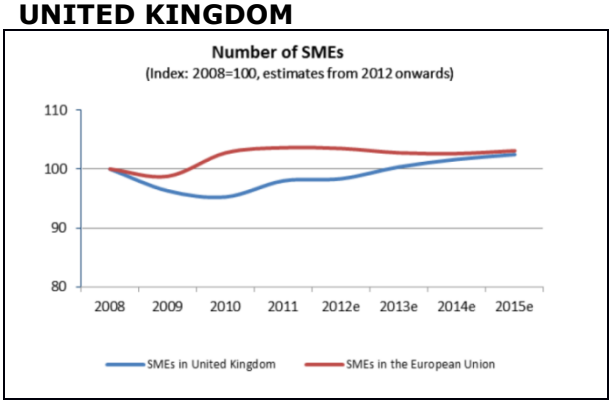
HUNGARY



POLAND



UNITED KINGDOM



Source: Enterprise and Industry. 2013 SBA Fact Sheets / Countries. (EC)

Chart 6 – The number of small and medium enterprises between 2008-2015

Comparing the size of enterprises as related to the **proportion of employed people** you can find similarities and differences among the partner countries.

Chart 7 – The ratio of employees of enterprises with different sizes in the total number of employees

COUNTRIES / Employees (N)	**Enterprises**					
	Micro	**Small**	**Medium**	**SMEs**	**Large**	**Total**
GE (N = 26 661 969)	18.7%	23.6%	20.4%	62.7%	37.3%	100.0%
HU (N = 2 496 001)	35.5%	18.9%	16.8%	71.2%	28.8%	100.0%
PL (N = 8 656 858)	35.6%	13.1%	19.6%	68.2%	31.8%	100.0%
UK (N = 17 912 444)	15.2%	13.2%	22.1%	50.5%	49.5%	100.0%

Source: Enterprise and Industry. 2013 SBA Fact Sheets / Countries. (EC)

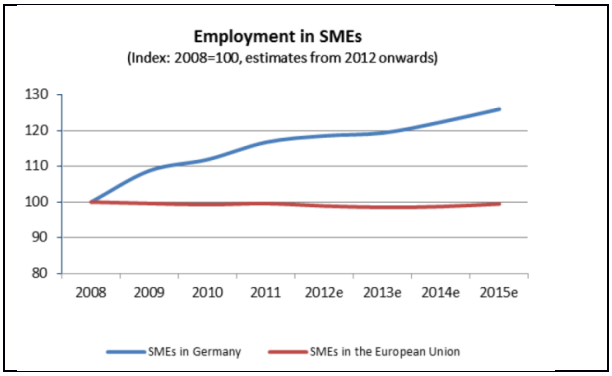
Chart 8 – The average number of employees per enterprise by enterprise classes

COUNTRIES	**Enterprise / Employee (person)**					
	Micro	**Small**	**Medium**	**SMEs**	**Large**	**Total**
Germany	2.75	18.69	96.35	7.61	921.66	12.17
Hungary	1.70	18.98	99.77	3.23	897.88	4.52
Poland	2.19	22.11	10.,44	4.00	829.63	5.85
United Kingdom	2.20	22.20	111.40	5.63	1441.67	10.71

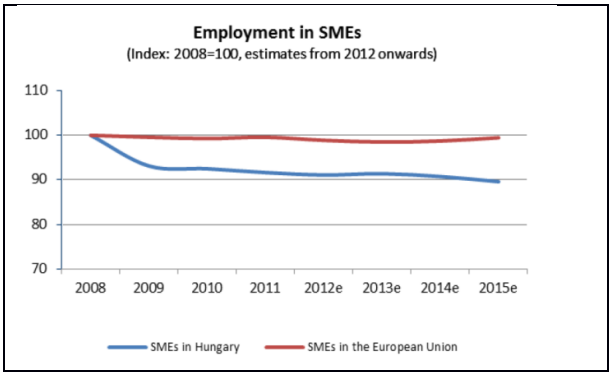
Source: Enterprise and Industry. 2013 SBA Fact Sheets / Countries. (EC)

The trends of employment show more significant differences by countries than the changes concerning the number of companies. The diagrams show that the proportion of employed people has been dynamically increasing since 2008 in Germany, and it has exceeded the level of 2008 and the European average in the United Kingdom. As opposed to this trend the level of employment in Poland and Hungary lags behind the levels measured in 2008 by 5-6% and 10% respectively.

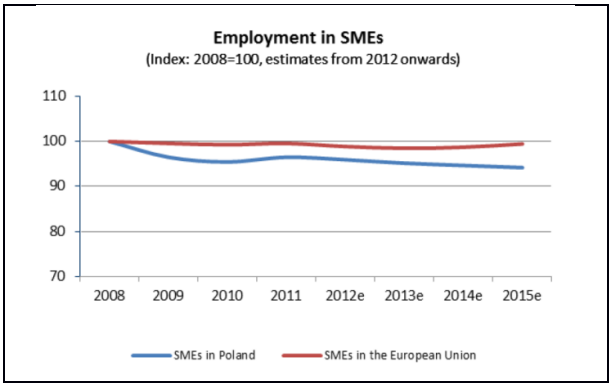
GERMANY



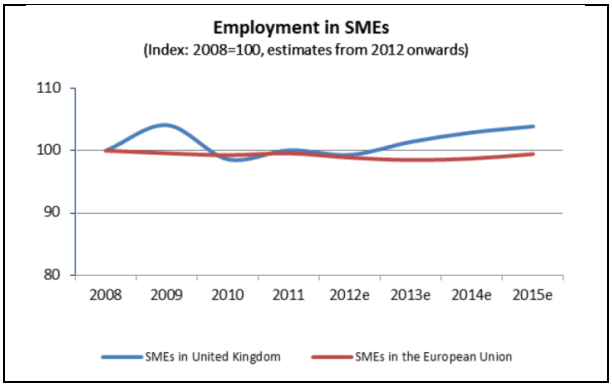
HUNGARY



POLAND



UNITED KINGDOM



Source: Enterprise and Industry. 2013 SBA Fact Sheets / Countries. (EC)

Chart 9 – The number of employees of small and medium enterprises between 2008 and 2015

When comparing the number of enterprises, employment and the **capacity of producing added value (capacity of producing income)** the figures show that the small and middle-size companies represent the majority within the SMEs sector in Germany. In the United Kingdom the middle-size enterprises represent relative strength, whereas big companies are the strongest ones within the partner countries. The proportion of micro enterprises showing weaker market power is substantially higher in Hungary and Poland. The average number of people employed by micro enterprises is less than two. This phenomenon can be probably explained by a trend saying that the majority of micro enterprises do not carry out real economic activities, but rather represent a form of enforced self-employment. The differences demonstrated in the structure of enterprises seriously affect the willingness of labour market to employ young people aspiring to learn or to offer them opportunities of gathering practical experiences.

Structural data and the trends suggest that the opportunities of NEET target groups to enter the labour market – and also from the viewpoint of general economic conditions – Germany and the United Kingdom basically belong to a similar type. Hungary and Poland however seem to be different in terms of significant indicators, and show similarity to each other in many aspects. This picture is verified by the classification of *Global Competitiveness Report (2014-2015)*. The countries of the world are classified as three categories with clear profile and two categories with transitory profile by *World Economic Forum*, a classification based on a complex system of indicators. Germany and the United Kingdom are rated as the highest, 'innovation driven' category, whereas Hungary and Poland are classified as a **transitory category** placed between **'innovation driven**' and '**efficiency-driven**' levels. (Source: The Global Competitiveness Index 2014-2015)

3. Specific operational features of enterprises

Beside examining large scale processions and the general status report and when identifying the development tasks of the project it is worth analysing a few more structural features of the operation of enterprises in the partner countries. When viewing the numerous viewpoints you will have to answer the question if you can find essential differences among large scale economic sectors and the development dynamics of the in-country regions, respectively. The same way, it does not seem to be important to what extent the performance of the enterprises is attached to inland or external markets. It might however be important what ICT basis work activities are built on in different countries. Similarly, it might also be of importance to what extent the enterprises are open to innovation and how far the development skills of employees are supported. Speaking generally: to what extent can the countries attract and retain their talents.

3.1 Differences among sectors

Comparing the development trends of economic key sectors you can find the state of affairs relating to the small and medium enterprises (SMEs) of the partner countries, as follows:

Chart 10 – The performance of small and medium enterprises in 2013 as compared to the data of five key economic sectors of the partner countries in 2008.

Value Added of SMEs, ratio 2013/2008				
ECONOMIC SECTORS	GERMANY	HUNGARY	POLAND	UNITED KINGDOM
Manufacturing				
Trade				
Business services				
Construction				
Accommodation				
Other industries				

Employment is SMEs, ratio 2013/2008				
ECONOMIC SECTORS	GERMANY	HUNGARY	POLAND	UNITED KINGDOM
Manufacturing				
Trade				
Business services				
Construction				
Accommodation				
Other industries				

Legend: Changes of the level of economic performance in 2003 as compared to those in 2008.

Strong (10% or more higher)	Solid (2%-10% higher)	Unchanged (98%-102%)	Weak (2%-10% lower)	Very weak (10% or more lover)

Source: Eurostat, National Statistical Offices, Eurostat, DIW Econ In: A Partial and Fragile Recovery. Annual Report on European SMEs 2013/2014 European Commission. Final Report. (2014 Juli). 101-106 pp

The colours indicate what differences you can find in the **supposed receptiveness of key economic sectors** of the partner countries. You can see that Germany produces dynamic development in each sector. There are numerous sectors in Poland and the United Kingdom that have been put in motion since the beginning the crisis. In Hungary you can however find slight and positive motion only the field of employment related to business services. This is however makes a content area which demands higher educational level, and consequently does not influence the employment market opportunities for the members of Hungarian NEET group.

3.2 Regional disparities

Global Competitiveness Report signs significant differences among the partner countries in terms of **extension** related to **regional development** within **each country**. The data show that the economic systems of Germany and of the United Kingdom are more homogenous from geographic viewpoints, whilst the young people living in different regions of Poland and Hungary do not have the same employment chances.

State of cluster development			
Country	Rank	Value	Question / Mean
GE	3	5.5	*In your country, how widespread are well-developed and deep clusters (geographic concentrations of firms, suppliers, producers of related products and services, and specialized institutions in a particular field)? [1 = non-existent; 7 = widespread in many fields] | 2013–14 weighted average.* Mean: 3.8
HU	91	3.5	
PL	92	3.5	
UK	10	5.2	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 11.03)* 522 p

3.3 International contacts

Global Competitiveness Report and *Small Business Act – the latter one uses* different kinds of information – create two sharply divergent classes when analysing the **competitiveness** and **presence** of the partner countries in global markets. The data show that Germany and the United Kingdom basically offer knowledge-based and unique products in global markets, while Hungary and Poland want to sell their natural resources and low cost labour force.

Nature of competitive advantage			
Country	Rank	Value	Question / Mean
GE	7	6.0	*What is the competitive advantage of your country's companies in international markets based upon? [1 = low-cost labour or natural resources; 7 = unique products and processes] | 2013–14 weighted average.* Mean: 3.7
HU	79	3.3	
PL	102	3.1	
UK	9	6.0	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 11.04)* 523 p

Chart 11 – A few specific data of the export-import activities of small and medium enterprises

Export-import (SBA-Indicators)	**EU**	Countries			
		GE	**HU**	**PL**	**UK**
SMEs with extra-EU exports of goods (% of SMEs in industry); 2011;	9.7	13.4	4.6	5.4	14.4
SMEs with extra-EU imports of goods (% of SMEs in industry); 2011;	8.2	13	5.7	4.7	13.9
Time required to import (in days); 2014;	10.7	7	19	14	6
Time required to export (in days); 2014;	11.8	9	17	17	8

Source: Enterprise and Industry. 2013, 2014 SBA Fact Sheets / Countries. (EC)

The volume of global circulation of commodities and the number of hours necessary to manage export-import activities make the same kind of grouping among the partner countries as shown in Chart 11.

3.4 Using modern technologies

If comparing the opportunities of info-communication and technology available you cannot find significant differences among the four countries. The young people in the United Kingdom enjoy perceptible advantages in the fields of internet access at school and in residential communities. The opportunities of technology in the other three countries however exceed the international level. (Source: The Global Competitiveness Report 2014–2015, Internet access in schools [Pillar: 5.06] 461p; Internet users [Pillar: 9.04] 509 p)

There are more significant differences in the field of using modern technology by enterprises among the four countries. Germany and the United Kingdom are in a much better position, again. Hungary seems to show a better performance than Poland does.

Availability of latest technologies			
Country	Rank	Value	Question / Mean
GE	17	6.2	*In your country, to what extent are the latest technologies available? [1 = not available at all; 7 = widely available] | 2013–14 weighted average* Mean: 4.8
HU	44	5.3	
PL	90	4.5	
UK	4	6.5	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 9.01)* 506 p

Firm-level technology absorption			
Country	Rank	Value	Question / Mean
GE	13	5.7	*In your country, to what extent do businesses adopt new technology? [1 = not at all; 7 = adopt extensively] | 2013–14 weighted average*
HU	65	4.7	
PL	101	4.2	
UK	14	5.7	Mean: 4.7

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 9.02)* 507 p

Finally, **online shopping** divides the partner countries into two classes. This fall-back – from a technological viewpoint – offers however entrepreneurial opportunities for Hungarian and Polish young people, as well.

Chart 12 – Specific data of online circulation of commodities of/by small and medium enterprises

Online circulation of commodities (SBA-Indicators)	**EU**	Country			
		GE	**HU**	**PL**	**UK**
Percentage of SMEs selling online; 2013;	13.87	21.6	9.6	8.3	18.4
Percentage of SMEs purchasing online; 2010;	26.31	39.8	15.0	15.1	43.1

Source: Enterprise and Industry. 2013, 2014 SBA Fact Sheets / Countries. (EC)

3.5 Managing enterprises

The ways of managing enterprises in the partner countries make strong connection with the overall culture and the philosophy of governance of the specific countries. The data show that you can find significant differences which might influence the business model of behaviour. You should also take account of this factor during the development phase.

Efficacy of corporate boards			
Country	Rank	Value	Question / Mean
GE	21	5.3	*In your country, how would you characterize corporate governance by investors and boards of directors? [1 = management has little accountability to investors and boards; 7 = management is highly accountable to investors and boards] | 2013–14 weighted average.* Mean: 4.6
HU	120	3.9	
PL	87	4.3	
UK	17	5.4	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.19)* 424 p

Reliance on professional management			
Country	Rank	Value	Question / Mean
GE	19	5.5	*In your country, who holds senior management positions? [1 = usually relatives or friends without regard to merit; 7 = mostly professional managers chosen for merit and qualifications] | 2013–14 weighted average.* Mean: 4.2
HU	114	3.5	
PL	71	4.2	
UK	10	5.8	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 7.07)* 490 p

Willingness to delegate authority			
Country	Rank	Value	Question / Mean
GE	19	4.9	*In your country, how do you assess the willingness to delegate authority to subordinates? [1 = not willing at all—senior management takes all important decisions; 7 = very willing—authority is mostly delegated to business unit heads and other lower-level managers] 2013–14 weighted average.* Mean: 3.8
HU	133	3.0	
PL	62	3.8	
UK	16	5.0	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 11.09)* 528 p

Ethical behaviour of firms			
Country	Rank	Value	Question / Mean
GE	16	5.6	*In your country, how would you rate the corporate ethics of companies (ethical behaviour in interactions with public officials, politicians, and other firms)? [1 = extremely poor—among the worst in the world; 7 = excellent—among the best in the world] | 2013–14 weighted average.* Mean: 4.2
HU	96	3.7	
PL	57	4.1	
UK	14	5.6	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.17)* 422 p

The data of *Global Competitiveness Report* suggest that Germany and the United Kingdom it highly exceed the global norms in the following fields: enterprises are managed by accountable and professional bodies, the fields of responsibility are shared and business behaviour is characterized by ethical attitudes. Polish enterprises share this attitude to a lesser extent and Hungary's indicators are much below the global average. The factors described influence young people and they can anticipate what they might reckon with in the labour market when trying to put across their interests.

3.6 Cooperation among enterprises and knowledge building

When developing projects you cannot neglect the viewpoint of cooperation among enterprises, knowledge building and innovation potential and how they characterize the general features of the labour market of the partner countries. When examining this field Germany and the United Kingdom seem to share the same type. On the other hand Hungary and Poland show the same picture from time to time, but their evaluation sometimes sharply differ from each other's: now Hungary, now Poland rules the hierarchy.

The data show that innovative **cooperation** among enterprises is put into practice in the United Kingdom to a much greater extent than in the other three countries. But cooperation of this kind appears 2-3 times more often than that of Poland and Hungary. Similarly, people in Western Europe think that cooperation between employers and employees is realized to a greater extent than it is done in the Middle-European countries .

Chart 13 – Cooperation of innovative enterprises with their partners

Skills and innovations (SBA-Indicators)	**EU**	Countries			
		GE	**HU**	**PL**	**UK**
Percentage of innovative SMEs collaborating with others; 2010;	11.69	14.0	6.7	4.2	25.2

Source: Enterprise and Industry. 2013, 2014 SBA Fact Sheets / Countries. (EC)

Cooperation in labour-employer relations			
Country	Rank	Value	Question / Mean
GE	19	5.2	*In your country, how would you characterize labour-employer relations? [1 = generally confrontational; 7 = generally cooperative] | 2013–14 weighted average* Mean: 4.4
HU	71	4.3	
PL	100	4.0	
UK	22	5.1	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 7.01)* 484 p

The partner countries can be grouped in the field of **knowledge building at enterprise level** as compared to the global average. Germany and the United Kingdom highly surpass the average and Poland seems to be closing up. Hungary however falls short of the average.

Local availability of specialized research and training services			
Country	Rank	Value	Question / Mean
GE	3	6.0	*In your country, to what extent are high-quality, specialized training services available? [1 = not available at all; 7 = widely available] | 2013–14 weighted average* Mean: 4.2
HU	85	3.9	
PL	31	4.8	
UK	7	5.7	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 5.07)* 462 p

Extent of staff training			
Country	Rank	Value	Question / Mean
GE	13	5.0	*In your country, to what extent do companies invest in training and employee development? [1 = not at all; 7 = to a great extent] | 2013–14 weighted average* Mean: 4.0
HU	108	3.6	
PL	72	4.0	
UK	23	4.7	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 5.08)* 463 p

3.7 Retaining and attracting talented people and innovation at enterprises

Partner countries can be grouped again into two sharply different classes in terms of their power to **retain** and **attract talented people** and of their **innovation investments** and **capacities**. You cannot equal the opportunities offered by Germany and the United Kingdom to those supplied by Hungary and Poland by any means. That explains why the differences should influence the development process.

Country capacity to retain talent			
Country	Rank	Value	Question / Mean
GE	10	5.1	*Does your country retain talented people? [1 = the best and brightest leave to pursue opportunities in other countries; 7 = the best and brightest stay and pursue opportunities in the country] | 2013–14 weighted average.* Mean: 3.5
HU	122	2.6	
PL	117	2.7	
UK	11	5.0	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 7.08)* 491 p

Country capacity to attract talent			
Country	Rank	Value	Question / Mean
GE	18	4.7	*Does your country attract talented people from abroad? [1 = not at all; 7 = attracts the best and brightest from around the world] | 2013–14 weighted average* Mean: 3.5
HU	118	2.6	
PL	124	2.5	
UK	5	5.9	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 7.09)* 492 p

Capacity for innovation			
Country	Rank	Value	Question / Mean
GE	4	5.6	*In your country, to what extent do companies have the capacity to innovate? [1 = not at all; 7 = to a great extent] | 2013–14 weighted average* Mean: 3.9
HU	127	3.0	
PL	67	3.8	
UK	10	5.3	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 12.01)* 530 p

Company spending on R&D			
Country	Rank	Value	Question / Mean
GE	5	5.5	*In your country, to what extent do companies spend on research and development (R&D)? [1 = do not spend on R&D; 7 = spend heavily on R&D] | 2013–14 weighted average* Mean: 3.3
HU	96	2.9	
PL	98	2.8	
UK	14	4.8	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 12.03)* 532 p

The data above properly explain the well-known migration processes which describe Poland and Hungary as emitters and the United Kingdom and Germany as receivers of labour force.

4. Supporting enterprises and the readiness of starting enterprises

When developing a program on entrepreneurial skills it should be taken as an essential input how far the population consider enterprises as their own activities and whether they feel they had properly been prepared at school to perform such activities. It cannot be either neglected to what extent a specific country supports beginners to start enterprises and what it does to help operating small and medium enterprises.

4.1 Entrepreneurs and people with entrepreneurial intention

You can find a trend sharply contradicting the most important indicators of economic dynamism and performance presented by the ratio of entrepreneurs and people with entrepreneurial intention in the partner countries. This ratio is much higher in Hungary and Poland than in the two other countries and exceeds the European average, as well. The situation can be explained that as long as the more successful economies of Germany and the United Kingdom offer more realistic opportunities for work, people in Poland and Hungary are the more enforced to care about their own welfare – in spite of a number of difficulties.

Chart 14 – The ratio of self-employers and independent entrepreneurs

Entrepreneurs (SBA-Indicators)	**EU**	Countries			
		GE	**HU**	**PL**	**UK**
Self-employment rate (% of total employment), 2011	15	11	12	19	14
Entrepreneurship rate (% adults who have started a business or are taking the steps to start one), 2012	23	20	27	25	24

Source: Enterprise and Industry. 2013, 2014 SBA Fact Sheets / Countries. (EC)

Chart 15 – Intentions, opinions and fears

Opinions (SBA-Dimensions)	**EU**	Countries			
		GE	**HU**	**PL**	**UK**
Entrepreneurial intentions (percentage of adults who intend to start a business within 3 years); 2013*	13.5	6.8	13.7	17.3	7.2
Preference for self-employment (% of adults who would prefer to be self-employed), 2012*	37	29	39	47	33
Feasibility of becoming self-employed (% of adults who think it is feasible to become self-employed), 2012*	30	28	36	49	26
Good place for entrepreneurs to start a business? (% yes) (2010)**	--	69.5	47.1	79.7	67.3
Can people get ahead by working hard? (% yes) (2013)**	--	86.7	50.0	43.3	83.7
Fear of failure rate (%); 2013;*	39.8	38.6	44.8	46.7	36.4

* Source: Enterprise and Industry. 2013, 2014 SBA Fact Sheets / Countries. (EC)
** Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

It is interesting to note that as long as the intention of starting an enterprise is more intensely manifested in the two Middle-European countries, far fewer people there are convinced that individuals can make their way in life by working hard. Getting ahead by hard word work is an idea that characterizes Germany and the United Kingdom much more. A research carried out on a statistically representative youth sample in Hungary shows that nine of ten young people are convinced that success depends on social contacts.

4.2 School fundamentals and social evaluation

Data show that higher preparedness for starting enterprises is not necessarily in connection with a feeling of a higher degree of **preparedness for success**. What is more, people living in Germany and the United Kingdom – fewer of them are willing to work as entrepreneurs – take their own schooling system more suited to prepare their young people to perform this task **at a general level** than people living in Poland and Hungary where more people say they are willing to start enterprises. When evaluating the effect of schooling on shaping specific entrepreneurial attitudes you can see an interesting divergence – compared to the relative feeling of satisfaction. So, what explains the divergence of 20% between the two most developed countries?

Quality of the education system			
Country	Rank	Value	Question / Mean
GE	12	5.2	*How well does the education system in your country meet the needs of a competitive economy? [1 = not well at all; 7 = extremely well]* | *2013–14 weighted average* Mean: 3.7
HU	96	3.3	
PL	79	3.6	
UK	23	4.6	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 5.03)* 458 p

Entrepreneurial attitude (SBA-Indicators)	**EU**	Countries			
		GE	**HU**	**PL**	**UK**
Degree to which school education helped develop an entrepreneurial attitude (%); 2012;	50	54	45	45	35

Source: Enterprise and Industry. 2014 SBA Fact Sheets / Countries. (EC)

As far as **the social appreciation** of entrepreneurship as an activity is concerned, it would be difficult to draw consequences from the figures. You can however find clearly identifiable divergence in the field of **media attention** given to entrepreneurship. Data show that entrepreneurship gets less attention in the written and electronic press in Hungary as compared with that of the three other countries.

Social attention (SBA-Dimension)	**EU**	Countries			
		GE	**HU**	**PL**	**UK**
Entrepreneurship as a desirable career choice (%); 2013;	56.9	49.4	45.7	66.8	54
High status given to successful entrepreneurship (%); 2013	65.5	75.2	74.1	59.9	79.3
Media attention given to entrepreneurship (%); 2013;	49	50	28.4	58	49.6

Source: Enterprise and Industry. 2014 SBA Fact Sheets / Countries. (EC)

4.3 Starting new enterprises

You cannot find significant difference among the partner countries concerning either the number of days necessary to start an enterprise or the types of procedures of bureaucracy to fulfil. There are however sharp differences concerning the amount of money to start enterprises and the ways of access to financial sources, bank loans, etc. Young people living in the United Kingdom have the most advantages in this respect. They are followed by German youth whereas Polish and Hungarian young people fall seriously behind.

Chart 16 – Costs to start business and access to public financial support

Costs and financial resources (SBA-Dimension)	**EU**	Countries			
		GE	**HU**	**PL**	**UK**
Cost to start a business (in euros), 2013*	318	376	240	120	32.5
Business start-up costs (% of GNI per capita) (2013)**	--	4.7	8.6	14.3	0.3
Access to public financial support including guarantees (percentage of respondents that indicated a deterioration); 2013;*	17.3	5.9	15.2	13.6	11,9

* Source: Enterprise and Industry. 2013, 2014 SBA Fact Sheets / Countries. (EC)
** Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Examining the access to financial markets you can find significant differences. **Issuing shares on the stock market** and supporting entrepreneurs with **innovative but risky projects** are much easier in Germany and in the United Kingdom than in the two Middle-European countries. It particularly holds true to Hungary where you can make use of these opportunities to a lesser extent than the global average. You can obtain a **bank loan** with a good business plan easier in Germany than the global average. The three other countries offer fewer opportunities in this respect than the global average does.

Financing through local equity market			
Country	Rank	Value	Question / Mean
GE	31	4.3	*In your country, how easy is it for companies to raise money by issuing shares on the stock market? [1 = extremely difficult; 7 = extremely easy] | 2013–14 weighted average* Mean: 3.4
HU	106	2.8	
PL	59	3.6	
UK	10	4.9	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 8.03)* 498 p

Venture capital availability			
Country	Rank	Value	Question / Mean
GE	28	3.4	*In your country, how easy is it for entrepreneurs with innovative but risky projects to find venture capital? [1 = extremely difficult; 7 = extremely easy] | 2013–14 weighted average* Mean: 2.8
HU	121	2.1	
PL	99	2.3	
UK	19	3.6	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 8.05)* 500 p

Ease of access to loans			
Country	Rank	Value	Question / Mean
GE	34	3.3	*In your country, how easy is it to obtain a bank loan with only a good business plan and no collateral? [1 = extremely difficult; 7 = extremely easy] | 2013–14 weighted average* Mean: 2.9
HU	126	2.0	
PL	89	2.6	
UK	82	2.7	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 8.04)* 499 p

4.4 The most problematic factors for doing business

Comparative analyses present numerous evaluations, in a form making comparative analyses possible – and examine which factors hinder business the most in the partner countries. The questionnaire used in a survey by *Global Competitiveness Report* presented the most hindering factors in the four partner countries.

Chart 17 – Problematic factors that hinder business the most

The most problematic factors for doing business	Percent of responses (%)			
	GE	HU	PL	UK
Access to financing	9.9	13.5	9.6	17.3
Corruption	1.7	13.0	3.4	0.8
Inadequately educated workforce	10.1	6.9	2.7	10.8
Inadequate supply of infrastructure	3.3	3.0	5.6	7.2
Inefficient government bureaucracy	8.9	10.3	14.6	8.5
Policy instability	6.2	15.1	3.3	6.1
Poor work ethic in national labour force	5.7	5.8	2.3	6.1
Restrictive labour regulations	17.8	1.0	15.5	6.1
Tax rates	10.9	10.1	11.2	12.8
Tax regulations	17.2	11.0	23.2	14.2

Source: The Global Competitiveness Report (Based on Questionnaire)

Legend:

< 5,0 %	5,0% - 10,0%	10,1% - 15,0%	15,0% <

The data of project *Small Business Act* (2014) and of *Global Competitiveness Report* gives complementary material for the list above.

Chart 18 – Legislation and administrative procedures

What aggravates the operation of enterprises (SBA-Dimension)	EU	Countries			
		GE	HU	PL	UK
Fast-changing legislation and policies are a problem for doing business (% of respondents who agree); 2013	70	48	82	66	39
The complexity of administrative procedures is a problem for doing business (% of respondents who agree); 2013;	63	39	67	59	31

Sources: Enterprise and Industry. 2013, 2014 SBA Fact Sheets / Countries. (EC)

Burden of government regulation			
Country	Rank	Value	Question / Mean
GE	55	3.6	*In your country, how burdensome is it for businesses to comply with governmental administrative requirements (e.g., permits, regulations, reporting)? [1 = extremely burdensome; 7 = not burdensome at all] | 2013–14 weighted average.* Mean: 3.4
HU	129	2.6	
PL	117	2.9	
UK	37	3.9	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.09)* 414 p

Efficiency of legal framework in challenging regulations			
Country	Rank	Value	Question / Mean
GE	12	4.8	*In your country, how easy is it for private businesses to challenge government actions and/or regulations through the legal system? [1 = extremely difficult; 7 = extremely easy] | 2013–14 weighted average* Mean: 3.4
HU	121	2.5	
PL	110	2.8	
UK	7	5.1	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.11)* 416 p

Efficiency of legal framework in settling disputes			
Country	Rank	Value	Question / Mean
GE	11	5.4	*In your country, how efficient is the legal framework for private businesses in settling disputes? [1 = extremely inefficient; 7 = extremely efficient] | 2013–14 weighted average* Mean: 3.8
HU	104	3.3	
PL	118	2.9	
UK	5	5.7	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.10)* 415 p

The charts show that the answers given by different groups do not square each other from every viewpoint. You can however find two factors which properly show the divergence of the situation. **Stability of regulation** makes the first factor and **corruption** the second one. People in the Western European countries think that the environment of regulations concerning business is much more calculable as compared to the people who live in Middle-Europe. As far as corruption is concerned Hungary's situation is much worse than those of the three countries – and this relation is highly underpinned by data.

5. Social capital – personal and social sources of power

Take it as a sociological common place of our days which says that the degree of personal freedom and social capital basically influences the economic competitiveness of a country and the general feeling of satisfaction. In this paper we try to identify only a few fields of this resource which should be taken into consideration during the development process. The following items should be added to the list: trusting others, satisfaction with governance, feeling of personal freedom and social solidarity.

5.1 Trusting everyday life and politics

Though the paper tells us about clearly separated groups, the data show that you can find close relation between the intense feeling of everyday trust, confidence or mistrust placed in politicians respectively. Enterprise as an activity is based on mutual trust for people affected and financial advantages move in accordance with the values developed. If it does not hold true it might disturb the process and spoil the effectivity of operation.

Do you think that most people can be trusted? (% yes) (2010)			
Country	Rank	Value	Question / Mean
GE	-	31.6	*Generally speaking, would you say that most people can be trusted or that you have to be careful in dealing with people?* Mean: 24.2
HU	-	13.3	
PL	-	25.2	
UK	-	35.8	

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Ethical standards of politicians			
Country	Rank	Value	Question / Mean
GE	15	4.7	*In your country, how would you rate the ethical standards of politicians? [1 = extremely low; 7 = extremely high] | 2013–14 weighted average* Mean: 3.1
HU	113	2.2	
PL	101	2.4	
UK	19	4.5	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.04)* 409 p

Diversion of public funds			
Country	Rank	Value	Question / Mean
GE	18	5.3	*In your country, how common is diversion of public funds to companies, individuals, or groups due to corruption? [1 = very commonly occurs; 7 = never occurs] | 2013–14 weighted average* Mean: 3.5
HU	110	2.6	
PL	50	3.8	
UK	13	5.6	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.03)* 408 p

Favouritism in decisions of government officials			
Country	Rank	Value	Question / Mean
GE	12	4.7	*In your country, to what extent do government officials show favouritism to well-connected firms and individuals when deciding upon policies and contracts? [1 = always show favouritism; 7 = never show favouritism]	2013–14 weighted average.* Mean: 3.2
HU	122	2.4	
PL	67	3.1	
UK	17	4.5	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.07)* 412 p

Are the businesses and government corrupt? (% yes) (2013)			
Country	Rank	Value	Question / Mean
GE	-	51.4	*Composite variable includes two survey questions: "Is corruption widespread within businesses located in (respondent's country), or not? Is corruption widespread throughout the government in (respondent's country), or not?"* Mean: 66.4
HU	-	73.7	
PL	-	69.5	
UK	-	52.7	

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Data show that Germany and the United Kingdom enjoy significant advantages in the field of confidence placed in other people and politicians as compared to Poland and Hungary. Poland slightly lags behind, but the situation in Hungary is much worse in this field – where respondents think corruption is much greater than in the other countries.

5.2 The quality and satisfaction with governance

Good governance and social satisfaction with governance make the same important background variable of general entrepreneurial success, very much like trusting other people. Data suggest that German people are more satisfied with the performance of their overall governance than the people in the other countries. All in all Polish people feel the least satisfaction in this field. People in Western European countries are far more satisfied with their juridical system. Hungary is slightly, Poland is sharply below the global average.

Do you have confidence in the national government? (% yes) (2013)			
Country	Rank	Value	Question / Mean
GE	-	57.1	*"In (respondent's country), do you have confidence in the national government?"* Mean: 51.7
HU	-	37.1	
PL	-	17.8	
UK	-	39.2	

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Do you have confidence in the judicial system? (% yes) (2013)			
Country	Rank	Value	Question / Mean
GE	-	65.6	*"In (respondent's country), do you have confidence in the judicial system and courts?"* Mean: 52.6
HU	-	50.6	
PL	-	43.5	
UK	-	69.4	

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

When examining a few subfields of governance we can divide the partner countries into two sharply different groups.

Wastefulness of government spending			
Country	Rank	Value	Question / Mean
GE	20	4.2	*In your country, how efficiently does the government spend public revenue? [1 = extremely inefficient; 7 = extremely efficient in providing goods and services] | 2013–14 weighted average* Mean: 3.2
HU	96	2.6	
PL	85	2.9	
UK	33	3.8	

Source: The Global Competitiveness Report 2014–2015, (Pillar: 1.08) 413 p

Transparency of government policymaking			
Country	Rank	Value	Question / Mean
GE	22	4.8	*In your country, how easy is it for businesses to obtain information about changes in government policies and regulations affecting their activities? [1 = extremely difficult; 7 = extremely easy] | 2013–14 weighted average.* Mean: 4.0
HU	119	3.4	
PL	110	3.6	
UK	16	5.2	

Source: The Global Competitiveness Report 2014–2015, *(Pillar: 1.12)* 417 p

Satisfied with government efforts to address poverty? (% yes) (2012)			
Country	Rank	Value	Question / Mean
GE	-	52.6	*"In (respondent's country), are you satisfied or dissatisfied with efforts to deal with the poor?"* Mean: 38.3
HU	-	17.8	
PL	-	24.9	
UK	-	52.7	

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

5.3 Personal freedom and solidarity

The prosperity-analysis carried out by *Legatum Institute* (2014) convinces the reader about an existing relation between getting out of the economic crisis and personal freedom and the degree of social solidarity, respectively. The complex indicators and a few sub-indicators of *Legatum Prosperity Index* put the partner countries into two classes, likewise the numerous economic indicators examined earlier. It can be clearly seen that Hungary lags far behind even Poland in terms of using social capital. The feeling of personal freedom is also below the global and the partner countries' standard.

Prosperity index sub-indexes	**Prosperity Index – Rankings 2014** / Countries			
	Germany	Hungary	Poland	United Kingdom
Personal freedom	14	42	58	10
Social capital	17	75	47	12

Legend:

High (1^{ST}-30^{TH})	Upper Middle (31^{ST}-71^{ST})	Lower middle (72^{ND}-112^{TH})

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Satisfied with freedom of choice? (% yes) 2013			
Country	Rank	Value	Question / Mean
GE	-	89.9	*In (country of respondent), are you satisfied or dissatisfied with your freedom to choose what you do with your life?* Mean: 72.7
HU	-	67.0	
PL	-	77.4	
UK	-	90.9	

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Data show clearly that family network and friendly relations properly and solidly operate in the four countries. The degree of supporting foreigners or the members of the wider society divides the four countries into two classes, again.

Can you rely on friends and family for help? (% yes) (2013)			
Country	Rank	Value	Question / Mean
GE		93.0	*If you were in trouble, do you have relatives or friends you can count on to help you whenever you need them, or not?"*
HU		87.9	
PL		90.8	
UK		94.0	Mean: 79.9

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Have you helped a stranger in past month? (% yes) (2013)			
Country	Rank	Value	Question / Mean
GE		58.6	*Have you helped a stranger or someone you didn't know who needed help in the past month?*
HU		51.5	
PL		35.7	
UK		61.0	Mean: 48.9

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Donated money to charity in past month? (% yes) (2013)			
Country	Rank	Value	Question / Mean
GE		42.4	*Have you donated money to a charity in the past month?*
HU		24.2	
PL		21.6	
UK		74.0	Mean: 28.9

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)

Have you volunteered your time in past month? (% yes) (2013)			
Country	Rank	Value	Question / Mean
GE		25.0	*Have you volunteered your time to an organisation in the past month?*
HU		12.0	
PL		9.3	
UK		29.0	Mean: 20.9

Source: Legatum Prosperity Index, 2014 (http://www.prosperity.com)