

Building an entrepreneurial Europe and creating jobs



An important question that a few people want to ask: what kind of future will the next generations face? According to a recent study, for the first time in human history, younger people are now enjoying a [lower standard of living](#) than their parents in advanced economies. On top of that, their job prospects are changing dramatically.

With the introduction of computers and the Internet, there are already [fewer and fewer positions](#) around, in particular knowledge-based white-collar jobs. If information technologies have been unforgiving in eliminating jobs, the rise and rise of robots and artificial intelligence (AI) would likely be merciless to the job markets.

Fundamentally, we can lift the living standard in two ways. One is to raise productivity, something that technologies have been very good at. Another is to create more job opportunities. And the single best way to do so is to support the creation of lots of new companies that need to hire in order to grow.

It is therefore more important than ever to build an entrepreneurial Europe.

Surely, it is possible to argue that this is where the general trend is taking us anyway – more and more start-ups are coming to the scene, for example, in the US and China. In this respect, Europe cannot be that far behind. Yet, this may not be the case. To start, business dynamism in the US is actually *decreasing* as entrepreneurship in the country has been on a [steady decline](#) in recent years. In China, a lot of the latest technologies are developed by large corporations with close ties to the government.

Just hiring, not firing

Europe has its own challenges, so much so they are suffocating new business creation. Just observe the rigidity of labour law in some of the countries. It is very difficult to lay off employees in Spain. France's labour code contains some 3,500 pages. Complex labour laws not only make it expensive to hire new workers, they also discourage the creation of new businesses.

Money, money, money

Access to capital is another issue. At first glance, there is more money available to the small and medium-sized enterprises (SMEs) in Europe than in the US: in 2013, Europe is estimated to have [provided €926 billion](#) to SMEs, almost double that of the US's €571 billion. Yet, despite a larger amount of money available, these businesses in Europe are still struggling to gain access to capital. The reason: Europe mostly relies on debt financing, whereas venture capital funding is far more common in the US.

In our [recent book](#), together with Xavier Rolet, CEO of the London Stock Exchange, we argue that such shortage of risk capital and diversity of funding sources will continue to hamper the creation of innovative young firms. Very often, entrepreneurs lack the right assets that could be used as collaterals, making it prohibitively expensive, if at all possible, to borrow. In fact, the reliance on debt financing can affect the “mood” in capital provision: while shareholders of a new business would care more about the upside gains from its success, lenders, by contrast, focus mostly on the downside risk. The latter often concerns far more about a borrower’s ability to service the interest and to survive long enough to repay the loan than whether it could turn out to be a runaway business success.

Revamping education

Building an entrepreneurial Europe also requires us to rethink our education systems. Every year the learning speed of AI goes up a hundredfold. Yet, we have schools that are still based on the format founded 250 years ago, which follows a factory line model. It is designed to train an army of administrators, not a nation of innovators. Higher education that is based on examinations by subjects organised in silos do not necessarily get young people to be more entrepreneurial. What is increasingly needed, in a world that is becoming more and more automated, is to be able to work in a collaborative manner, to solve complex problems and to manage both people and robots.

Cognitive skills such as empathy, communication and the ability to connect people as well as emotional intelligence are set to play an ever more critical role. In a business environment in which large corporations are trimming down in size and the so-called “gig economy” is expanding, promoting these skills can encourage the entrepreneurship that our societies need.

Entrepreneurship: an equaliser

Making Europe more entrepreneurial has another benefit: it can likely help reduce inequality and improve inclusion. At the moment, many good jobs often go to the more privileged. In Britain, for instance, a recent study shows that top employers recruit from only about 20 – effectively the top 20 – out of more than 115 universities in the country. The report further points out that 65 per cent of the respondents surveyed think “[who you know](#)” is more important than “what you know”.

Despite its epic motto, “liberté, égalité, fraternité”, corporate France is [run by graduates](#) of the “Grandes Écoles” and “Polytechniques”. Emphasis on previous work experience and schooling tend to favour those people who have strong ties with prestigious employers and who can afford private education. Good job opportunities rarely cascade down to the lower echelon of our societies. Given the right conditions, people from all backgrounds – natives and immigrants alike – can start their own businesses, hence enabling themselves to ascend on the economic and social ladders.

To us and to our next generations

New thinking and policies are both needed to clear out major obstacles that keep Europe from becoming more entrepreneurial. Relaxing labour laws, improving funding diversity and the use of risk capital, and overhauling education to provide the right skills are all the right steps forward. As an increasing number of activities are automated, making our societies more entrepreneurial is likely to be one of the most effective ways to prepare our next generations – and ourselves – for the brave new world.



Notes:

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