

Passport to enterprise

Since reunification, unemployment in Germany has remained stubbornly high. In the country as a whole, almost five million people are out of work, while in the Eastern Länder the unemployment rate hovers around 20%. Young people are among the worst affected.

But one of the more promising developments in recent years has been the increasing number of unemployed people that set up in business. In 2004, the jobless accounted for 360 000 business start-ups, compared to some 100 000 in 1999. For young people with motivation, commitment and ideas, setting up in business often offers a promising route out of unemployment.

Getting young people on board

The objective of the EQUAL Development Partnership (DP), Verbund Enterprise, was to design and promote a model of business support targeted specifically at the young unemployed. It builds on the experience of a pilot project set up in 1999 in the Länder of Brandenburg and Berlin and the experience of the Prince's Trust, which over 25 years has helped almost 60 000 young people set up in business in the UK.

According to the project partners, the Verbund support *"starts where traditional institutions usually stop: it supports young unemployed people with minimal opportunities who seek personal and material independence through a specially designed pathway or ladder into self-employment."*

New models of enterprise support

Verbund Enterprise's main achievement has been to develop a distinctive support methodology. At the heart of its approach is a structured business support pathway made up of four clearly defined stages: profiling (lasting about four weeks); planning (3-12 months); start-up (approximately six months), and consolidation and growth (3-5 years). Each stage involves the several optional services (counselling, training and qualification, mentoring and access to microcredit) to help the entrepreneur acquire the personal competences, skills and resources necessary for success.

Another contribution has been to change the concept of a "one-stop-shop". It no longer tries to do everything under one roof, but rather aims to coordinate inputs from

grassroots youth organisations, mainstream business advisers and financial institutions into a tailor-made package of support for young people. During each phase of the support pathway, the DP pulls in different specialist and mainstream providers to provide specific services.

The model includes individual counselling and access to start-up capital, including a specially designed microcredit fund (for example a loan of up to €5 000 for four years at a 5% rate of interest with no security required). It has been found that the microcredits both attract young people and help to build a longer-term relationship with financial institutions.

But one of the problems encountered with a multi-stakeholder system like this was how to ensure quality along the entire pathway. Verbund Enterprise therefore designed an Enterprise Quality Management Structure (EQS), which covers all four stages of the support system.

Sustainable jobs – for less

The results of the Enterprise network are impressive. Over 3 000 young people have used the service, 500 businesses have been started, and more than 750 jobs have been created since 2002. Some 85% of these jobs have gone to young unemployed people, and 45% to women. Survival rates after three years are over 70%.

Moreover, the support required to help young people create a job costs much less than the traditional subsidies provided to attract industry. The EQUAL partnership calculates that the cost of its system is €6 000 per job in an inner city location and €8 000 in a rural area. Given unemployment benefits of around €750 a month this means that, in the city, the costs are recouped after eight months' self-employment.

Another result of the DP's work has been to create an "enterprise passport" which provides a clear and transparent road map of the progress made by the entrepreneur. The Berlin Volksbank has accepted the enterprise passport as a key tool to evaluate the performance of young business starters, and fast-tracks passport holders when they apply for a microloan. Several other business support institutions are interested in using the passport and the Berlin and German governments are considering whether to develop a complementary coaching passport.



Just one of the small businesses helped by EQUAL

"I have been to a few other institutions providing business start-up support before, but most of them were simply too bureaucratic and donnish," says Claudia Otto, a nutritionist at Aerobic and Fitness in the town of Oranienburg, just north of Berlin. "At Enterprise this was completely different. The project is perfectly suited to young people."

Setting the standard for the future

The Enterprise network has now been extended to other parts of Germany. There are now ten offices, 16 advisers and a pool of more than 100 mentors operating in Berlin, Brandenburg, Lower Saxony, Saxony and Mecklenburg-Vorpommern. One of the partners, iQ Gesellschaft für innovative Qualifizierung e.V., has been responsible for training and transferring successful methods to other parts of the country.

The National Association of German Start-up Initiatives (VDG) is another key outcome of this and other DPs in Germany. It now counts more than 40 members and, among other things, has developed a ten-point charter on improving support for business start-ups by unemployed people.

Verbund Enterprise has also been centrally involved in the creation of the German Microfinanz Institute, which now brings together more than 50 organisations concerned with the financial side of start-ups. Based on the experience of its members, the MFI is developing and spreading innovative forms of microlending in Germany.

A more detailed version and other EQUAL success stories can be found at: http://europa.eu.int/comm/employment_social/equal/activities/search_en.cfm

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