ENTREPRENEURSHIP SUPPORT FOR THE UNEMPLOYED IN SLOVENIA

Rapid Policy Assessments of Inclusive Entrepreneurship Policies and Programmes
FOREWORD

Entrepreneurship development is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. The impact of the global financial and economic crisis calls for giving entrepreneurship and self-employment a stronger role in economic and social development policies. For the unemployed, entrepreneurship offers an empowering route back into employment and there are examples of public policy actions such as the welfare bridge that have been successful moving them into self-employment.

However, business creation and self-employment are not widely used as part of active labour market policies. Moreover, the effectiveness of national, regional and local measures and actions to promote inclusive entrepreneurship development in Europe can be hindered by a fragmentation of responsibilities, resources and strategies, and a failure to understand the goals of inclusive entrepreneurship.

This project is part of a series of rapid policy assessment projects on inclusive entrepreneurship policies and programmes that are conducted by the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission. This work builds on a collaborative project between the OECD and the European Commission on inclusive entrepreneurship. For more information on this project, please refer to: http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.
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The report was prepared by Dr. Karin Širec and Dr. Barbara Bradač Hojnik of the Institute for Entrepreneurship and Small Business Management at the University of Maribor and David Halabisky of the LEED Programme of the OECD.

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ABBREVIATIONS

EC       European Commission
ESF      European Social Fund
ESS      Employment Service of Slovenia
GEM      Global Entrepreneurship Monitor
LEED     Local Economic and Employment Development Programme of the OECD
LFS      Labour Force Survey
NEET     Not in employment, education or training
OECD     Organisation for Economic Co-operation and Development
PES      Public Employment Services
SME      Small- and medium-sized enterprise
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EXECUTIVE SUMMARY

This project is a rapid assessment of the strengths and weaknesses of entrepreneurship support for the unemployed in Slovenia. It is part of a series of joint OECD-European Commission review projects that examine inclusive entrepreneurship policies and programmes for specific target groups in selected EU countries. This report presents a brief overview of current entrepreneurship support for the unemployed in Slovenia and provides an assessment of the key strengths and weaknesses of current and planned offerings in the areas of entrepreneurship skills, access to finance and the regulatory and institutional environment. It also makes recommendations for improvement under each area.

There are several strong elements in the entrepreneurship support system for the unemployed. First, specialised entrepreneurship training is available to unemployed people who are interested in business creation and self-employment. In addition, even more support is available to highly-educated, unemployed youth. They can access several programmes that provide training, coaching and mentoring. Underlying this targeted support, the national government has made strides in simplifying the business environment through the development of online information portals and streamlining regulations.

Despite the availability of entrepreneurship training for the unemployed, especially for highly-educated youth, there are some gaps and areas for improvement in the entrepreneurship support system. First, there is a gap in entrepreneurship training offerings for the less educated unemployed, early school leavers and core-age unemployed people (i.e. 25 to 49 years old), who make up the bulk of the unemployed population. The most significant gap is the absence of financial supports that support the unemployed in business creation. The Subsidy for Self-employment ended in 2014 and has yet to be replaced, leaving only mainstream support programmes. Another area for improvement is that information on start-up financing and potential sources of investment could be strengthened and simplified so that the unemployed can easily access and understand it.

**Key policy recommendations**

1. Use public employment services (PES) to increase awareness among unemployed people about the potential for entrepreneurship. For those who show an interest, PES can be more active in providing basic training and directing clients to other sources of entrepreneurship support.

2. Increase the use of targeted outreach to attract unemployed people into mainstream entrepreneurship training programmes, especially to core-age unemployed people who likely already have work experience. This group may also have skills and professional networks to help them succeed in business creation. An effective approach is to use the European Social Fund (ESF) to develop and promote success stories and role models of unemployed people who have been successful in entrepreneurship.

3. Use the ESF to develop entrepreneurial networks that are open to new entrepreneurs, including those starting from unemployment. One approach could be to construct networks around existing support provisions such as training programmes.

4. Include training on financial literacy and access to finance in entrepreneurship training for the unemployed.
5. Implement competitive mechanisms in entrepreneurship training programmes for the unemployed (e.g. a business plan competition) to award small grants to entrepreneurs who are starting businesses from unemployment. This will provide an incentive to those participating in public entrepreneurship training schemes to follow through on their plans and will also award funding to those who are most likely to succeed.

6. Continue to simplify and reduce business regulations. These improvements to the regulatory environment will help all SMEs but people who start businesses from unemployment stand to be one of the groups who benefit the most since they typically have low levels of entrepreneurship and workplace skills. They also are less likely to have experience with business creation and self-employment.
INTRODUCTION

OECD-European Commission rapid policy assessments on inclusive entrepreneurship policy

This project is part of an international series of policy case study reviews on inclusive entrepreneurship policy. These review studies are undertaken as part of a collaborative programme of work between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

These rapid policy assessments provide a baseline analysis with focus on one of the key target groups of inclusive entrepreneurship policy (i.e. youth, seniors, women, migrants or the unemployed). They examine the nature and appropriateness of existing and proposed policies and programmes with the aim of providing guidance on priorities for future activities in this area, notably activities that can be funded by the European Social Fund (ESF). The analysis identifies gaps in current and planned support, as well as areas where current and planned support can be improved. The recommendations aim to provide assistance to European Union Member States in the design and implementation of policies and programmes for business creation by youth, seniors, women, migrants or the unemployed, through:

- Tailored advice and assessments for individual national or regional administrations in the design and implementation of policies and programmes for business start-up and self-employment, including through ESF support; and
- Facilitation of mutual learning among national and regional authorities, stakeholders and practitioners concerned with ESF support from different Member States, through monitoring and comparison of policy and programme approaches, collection and dissemination of good practice examples and provision of tools to support learning networks, events and platforms.

OECD-European Commission rapid policy assessment criteria

The OECD-European Commission collaboration on inclusive entrepreneurship has produced a series of reports and policy briefs that examine the barriers faced by different under-represented and disadvantaged groups in business start-up and self-employment, as well as appropriate policy responses to address these barriers. This work has covered several social target groups, including women, youth, seniors, migrants, the unemployed and people with disabilities and has produced a series of policy briefs (available at: http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm) and the series of Missing Entrepreneurs reports (OECD/EC, 2013; 2014; forthcoming).

Based on this work and consultation with international experts, the OECD has developed a list of principles for inclusive entrepreneurship policy (see Box 1). This list of principles is intended to give guidance to policy makers in designing and implementing a comprehensive support system for inclusive entrepreneurship. These principles underpin the analytical framework used in this series of rapid policy assessments.
### Box 1. OECD-European Commission rapid policy assessment criteria

#### 1. Generic principles
- Policies and programmes are framed within a broader strategy.
- Outreach to the target group is targeted and sufficient.
- Use competitive selection mechanisms to target intensive support.
- Support provisions are regularly monitored and periodically evaluated for impact and effectiveness.

#### 2. Entrepreneurship skills
- Entrepreneurship education and training for the target group is available and covers pre-start-up, start-up and growth phases.
- Coaching and mentoring programmes are available and provide one-on-one or group support using experienced entrepreneurs and/or business professionals.
- Public policy supports network development within the target group and builds linkages with mainstream entrepreneurs and services.
- Entrepreneurship skills support offerings are linked with financial supports.
- Entrepreneurship skills support offerings are resourced appropriately and those delivering the support are trained.

#### 3. Access to finance
- Information is available about funding opportunities and lender requirements.
- Access to micro-finance is facilitated, either through schemes that are dedicated to the target groups or through enhanced access to mainstream schemes.
- Targeted credit guarantee and mutual guarantee schemes aim to support entrepreneurs from the selected target group.
- Where micro-finance is not available, small grants are available.
- Financial supports are complemented with training and advisory services to develop entrepreneurship skills.

#### 4. Institutional environment and policy delivery
- A culture of entrepreneurship is promoted and supported.
- Information about business creation is readily available.
- Efforts to reduce the burden and complexity of business regulation at all stages of enterprise development are ongoing.
- Opportunities for e-services are pursued, including online business registration and tax filing.
- Ministries, agencies and relevant stakeholders work together.

### Project methodology

The OECD-European Commission rapid policy assessments are conducted in two stages. First, desk research is conducted to uncover basic information on the quality of the environment for business start-up and self-employment policy, the levels and nature of start-up and self-employment activities, and the nature and scope of existing policy and programme activities. This report was prepared primarily through desk research that covered local published and grey literature, as well as some initial interviews with experts and policy makers.

Second, a one-day seminar was held in Ljubljana, Slovenia on 8 December 2014. Participants represented the Ministry of Labour, Family, Social Affairs and Equal Opportunities; the Employment Service of Slovenia; the Ministry of Education, Science and Sports; the Ministry of Economic Development and Technology; Regional Development Agencies (Posavje, Mura, Kranj); Chambers of Commerce; Facility 05; Institute for Research on Social Responsibility; YES Association; the Institute
for the Development of Social Entrepreneurship; SID Bank and SPIRIT. The objective of the seminar was to discuss preliminary findings from the desk research and to collectively identify areas for policy action.

UNEMPLOYMENT IN SLOVENIA

A portrait of the unemployed

Official data indicate that there were 119,458 registered unemployed people in Slovenia in December 2014 (ZRSZ/ESS, 2014b). Thus, the unemployment was 7.0%. Unemployment was split evenly between men and women in 2014 (Figure 1).

Figure 1. Characteristics of the unemployed, 2014

A. Gender

B. Duration of unemployment

C. Age

D. Education level


The distribution of the unemployed in Slovenia by duration of unemployment is also presented in Figure 1. Half of the unemployed in 2014 (50.3%) had been unemployment for at least 12 months, which is slightly above the EU average for the year (Panel B). Nearly half (44%) of the unemployed are core-age workers (30-49 years old) (Panel C). Older people (older than 55 years old)
account for 17.7% of the unemployed while youth (15-24 years old) account for less than 10%. The distribution of the unemployed by education was quite even across different levels of education (Panel D). However, those with a tertiary education accounted for only 15.9% of the unemployed, which is well below the share of the working age population with a tertiary education (25%).

The dynamics of unemployment over time

The unemployment rate in Slovenia has fluctuated over the last decade, exhibiting the same trends as the overall unemployment rate at the EU level. However, the unemployment rate in Slovenia has remained slightly lower than the EU unemployment rate (Figure 2). Since 2008, the unemployment rate has increased steadily in Slovenia, from 4.5% to 10.3% in 2013. A similar pattern is evident at the EU level, but the rate of increase was greater in Slovenia.

Figure 2. Unemployment rate, 2005-2014

(Source: Eurostat (2015), Labour Force Survey)

Youth unemployment has been one of the greatest challenges for EU governments in recent years. The youth unemployment rate (15-24 years old) in Slovenia was 21.6% in 2013, which was below the EU average of 23.5% (Figure 2). However, the increase in the youth unemployment rate has been greater in Slovenia than for the EU as a whole, suggesting that youth unemployment has become a relatively more pressing policy issue in Slovenia than in the EU overall.

The proportion of the youth population that are NEETs is slightly below the EU average. In 2014, 9.4% of youth were NEETs, relative to the EU average of 12.4%. Over the last decade, the proportion of NEETs in Slovenia has been unchanged.

Employment is expected to recover only slightly over the next two years. It is estimated that private sector employment is not likely to grow since the number of hours worked per employee has
not yet increased – this typically predicts that a hiring increase will follow (IMAD, 2014c). However, public sector employment is expected to increase slightly and temporarily due to a need to repair severe weather damage in parts of the country.

POLICIES AND PROGRAMMES TO SUPPORT THE ACQUISITION OF ENTREPRENEURSHIP SKILLS

Training, coaching and mentoring programmes

The most active support programmes for unemployed people are offered and implemented by the Employment Service of Slovenia (ZRSZ/ESS), often in co-operation with numerous governmental and non-governmental organisations and institutions. The key projects that support the unemployed in business start-up are identified and briefly described below. Many of these projects target young unemployed people.

- **Entrepreneurially into the World of Business (Podjetno v svet podjetništva):** The project is designed to help highly-educated, unemployed individuals under 35 years old start a business or move into employment. It provides an allowance and entrepreneurship training and individual support through regional development agencies. Participants are hired as employees and received a monthly salary of EUR 798 while they attend full-time training. Training and coaching are provided by staff in the regional development agencies and by business consultants. Participants had access to a business advisory service for 1 year after start-up. The project started as a regional pilot project but has been available nationally since 2013.

- **YES Start:** Association YES (Young Executive Society) organises the two-year programme YES Start for all unemployed people who have a desire to learn about entrepreneurship. The project provides them with an opportunity to develop business ideas and an entrepreneurial spirit. The programme is co-funded by the Ministry of Economic Development and Technology. For more information please see: [http://www.yes.si/sl/yes-start/poslanstvo](http://www.yes.si/sl/yes-start/poslanstvo).

- **ARTUS:** ARTUS is a programme that aims to support unemployed youth in developing and implementing creative and innovative projects. A pilot of the project was organised by the Employment Service of Slovenia (ZRSZ/ESS), the Career Centre Maribor, the Centre for Civic Education in Maribor and the regional project Terra Parzival between 7 April 2014 and 20 May 2014. During the pilot, 12 unemployed youth were trained during workshops on developing business ideas to prepare them for self-employment. For more information, please see: [http://www.ess.gov.si/](http://www.ess.gov.si/).

- **Model M 2014:** This training programme was developed to assist unemployed youth (up to 30 years old) with a university degree in starting a business or defining a career path in employment. The programme included an induction process and 3 training modules that covered business creation and different career options. The full-day workshops occurred twice per week for 3 months. The training was implemented by the Institute for the Development of Social Responsibility and Career Centre of the University of Maribor and is
co-financed by the Municipality of Maribor and the Maribor and Ptuj regional offices of the Employment Service of Slovenia. 38 participants from the Municipality of Maribor and the Municipality of Ptuj and its surroundings successfully completed the programme. For more information, please see: http://www.ess.gov.si/.

- **KonektOn**: The KonektOn entrepreneurship centre conducted a series of 8 workshops with the aim of preparing unemployed youth to start businesses. Workshops took place in May and June 2014 at the Centre for Vocational Guidance Koper, under the auspices of the Employment Service of Slovenia. 17 unemployed youth with higher education degrees participated to develop their business ideas, exchange views, experiences and receive advice. Workshops covered self-motivation, preparing business models, the value of collaboration, defining markets, communication and creative thinking. Workshops were partly funded by the ESF under the Operational Programme Human Resources Development 2007-2013. For more information, please see: http://www.konekton.net/novice/tabid/957/id/54/language/sl-si/brezposelni-v-pripravah-na-vstop-v-podjetnito.aspx.

- **EnterYOUTH**: The Scientific Research Centre Bistra Ptuj is working with four other institutions, including the lead partner in Croatia, to promote entrepreneurship to youth and facilitate the acquisition of entrepreneurial skills to help youth identify and pursue business opportunities. The project included a total of 200 young people. It was implemented between February 2014 and January 2015 with a total budget of EUR 221 179. The project was funded within the frame of the Instruments for Pre-Accession Assistance and the European Union as well as by the Ministry of Economic Development and Technology. For more information, please see: http://www.bistra.si/wp-content/uploads/2014/01/Projekt-EnterYOUTH.pdf.

The existing entrepreneurship training programmes for the unemployed appear to offer the core elements of entrepreneurship training, including raising an awareness of the potential of entrepreneurship, developing self-motivation, supporting the development of a business idea and implementing an idea in practice. However, there is a disproportionate focus on highly educated unemployed people. Unemployed youth are also heavily targeted by current support provisions. This can be justified since time spent in unemployment as a youth has long-term consequences, including lower lifetime earnings and an increased likelihood of being unemployed later in life (Gregg and Tominey, 2005; Gregg, 2001). However, the majority of unemployed people are between the ages of 25 and 49 (see Figure 1.C) and many in this group cannot access youth programmes. These core age unemployed workers have work experience and skills, and stand to benefit from more support in business creation.

**Entrepreneurship education**

Entrepreneurship education is an important driver of entrepreneurial attitudes because it increases awareness about entrepreneurship as a concept and the potential that it holds as a career path. Developing positive attitudes towards entrepreneurship among young students can increase the desirability and acceptance of entrepreneurship in the medium-term. Entrepreneurship education is also important because it fosters the acquisition of the knowledge and skills that will enable the students to develop technical and business skills for a successful entrepreneurial career and personal attributes that can be applied in many professional and personal activities (e.g. teamwork, sense of initiative).

While entrepreneurship education does not directly have an impact on assisting unemployed people to start businesses, a well-developed entrepreneurship education system can increase the
desirability of entrepreneurship in the future. In other words, students who receive entrepreneurship education will likely have a positive attitude towards entrepreneurship and are more likely to view it as a feasible activity. Consequently, self-employment becomes an option for returning to work for more unemployed people.

In Slovenia, entrepreneurship education is often considered to be under-developed (Rebernik et al., 2013; 2014a). Criticisms include that the education system does not encourage creativity, self-sufficiency and personal initiative; it does not provide adequate instruction in market economics principles; and it does not adequately teach about entrepreneurship and business creation, especially in higher education (Rebernik et al., 2013; 2014a).

Areas for improvement and policy recommendations

While the content of entrepreneurship training for the unemployed appears to cover the essential elements of a comprehensive training programme, there is scope to improve the quality of the training offering. There was no evidence that any verification is done on the quality of training material and on the experience and credentials of trainers and those who provide coaching and mentoring and business advisory support. Therefore a first step to improving the quality of training is to ensure that trainers are qualified and that training material is using current good practice methods. Furthermore, the quality of training, coaching and mentoring may be improved if entrepreneurs were involved in the development of training material and active in delivering the support. This would also support the unemployed in their business start-up by providing the start of an entrepreneurial network that could be used to test ideas and access resources (e.g. financing, partners, suppliers).

Many of the entrepreneurship training offerings for the unemployed are targeted at highly educated youth who are looking to enter the labour market. This is a narrow segment of the unemployed and excludes core-age and older unemployed people, as well as youth who are not in education, employment or training (i.e. NEETs). Consequently, 75% of the unemployed would have difficulty accessing the training due to their age (see Figure 1.C) and another large proportion would not meet the education requirements. The result is that a large segment of the unemployed cannot benefit from these programmes. Therefore there is a need to open-up some of these offerings to a broader target group of the unemployed.

This however, does not necessarily mean that more dedicated and targeted training programmes are needed for unemployed people who are interested in entrepreneurship. The size of this potential target group in Slovenia is estimated to be approximately 3 000 people per year (i.e. approximately 3% of unemployed people in the EU become self-employed in the following year; there were 98 100 unemployed people in Slovenia in 2014), which likely does not justify a large scaling-up of current offerings due to the high costs of delivering specialised training to such a small target group. Mainstream entrepreneurship training programmes could do targeted outreach efforts to reach the unemployed as potential clients; there was no evidence that such targeted efforts are currently undertaken. Alternatively, entrepreneurship training could be combined with other types of training (e.g. IT training) to provide additional skills that increase their employability as well as helping them prepare for self-employment. See Box 2 for an approach used in Croatia.

**Box 2. Inspiring international practice: Public Open College Algebra, Croatia**

**Objective**: This programme provided entrepreneurship training and information technology skills to highly educated, long-term unemployed people to improve their chances of returning to the labour market through self-employment or as an employee.
Description: The Croatian Ministry of Labour and Pension System launched this training project for the long-term unemployed in 2012 to help highly skilled Croatians return to the labour market. The project was implemented by a private sector college, Public Open College Algebra, which is a regional IT University. It is present in 24 cities in Croatia and also has mobile classrooms to reach rural areas.

The project was implemented between September 2012 and March 2014. 50 unemployed and highly educated persons participated in the training, which covered entrepreneurship skills, IT training and personal development. Participants came from Osijek-Baranja and Vukovar-Srijem counties. The project’s total budget was EUR 160,023, with EUR 148,632 funded from the ESF.

Relevance: The entrepreneurship training projects offered in Slovenia all operate on a small scale. One method that could be used to increase the reach of entrepreneurship training for the unemployed is to couple it with another type of skills training for the unemployed. This example from Croatia provides entrepreneurship training with IT training to not only increase the participants’ skill level for self-employment, but also to increase their employability.

Another entrepreneurship support that is under-developed for the unemployed in Slovenia is entrepreneurship networks. Networks can be a very valuable resource for entrepreneurs to test ideas with others in the network and identify potential business partners, suppliers and customers. They can also be a source of developing coaching and mentoring relationships to help build-up an entrepreneurs’ skill-set. No entrepreneurship networks for the unemployed were identified in Slovenia. Entrepreneurship networks could be added more formally to training programmes since there is already a structure that bonds a group of entrepreneurs with similar characteristics together.

Finally, the use of monitoring and evaluation of entrepreneurship projects for the unemployed could be improved. While basic monitoring and data collection appears to be used widely, project evaluations that examine the impact, effectiveness and efficiency do not appear to be systematically done. This is a missed opportunity to learn about what is working well and what can be improved. Evaluation results can be valuable if they are fed back into policy design, especially in the development of new programmes. The ESF offers some technical assistance in this area.

Policy recommendations

- Increase the use of targeted outreach to attract unemployed people into mainstream entrepreneurship training programmes. An effective approach is to use the ESF to develop and promote success stories and role models of unemployed people who have been successful in entrepreneurship.

- Open-up existing entrepreneurship training programmes for young and/or highly educated unemployed to a broader population of unemployed people.

- Use the ESF to develop entrepreneurial networks that are open to new entrepreneurs, including those starting from unemployment. One approach could be to construct networks around existing support provisions such as training programmes.

- Introduce a systematic verification process of the quality and competency of individuals involved in developing and delivering training. This could include the development of a registry of qualified entrepreneurship trainers.

- Increase the use of monitoring and evaluation to learn what is working well and to identify areas for improvement. This would help identify good practices that could be transferred across regions.
POLICIES AND PROGRAMMES TO FACILITATE ACCESS TO FINANCING

Grants

In Slovenia, one of the most successful grant measures has been the “Subsidy for Self-employment”, which provided financial support to unemployed people and new business owners who have recently established a company on a full-time basis (see Box 3). An evaluation of the subsidy found that more than 85% of participants remained in self-employment beyond the two-year support period and that 63% of these businesses survived until the third year (ZRSZ/ESS 2011). The subsidy ended in 2014 due to the end of EU funding.

Box 3. The Subsidy for Self-employment

This programme provided an income support subsidy during the first two years of business operation for unemployed people and people with disabilities (eligibility depended on the extent and nature of their disability). The subsidy aimed to help unemployed people enter self-employment by providing a subsidy that compensates them for the loss of welfare benefits that they would otherwise be entitled to.

The subsidy was launched by the Employment Service of Slovenia (ESS) in 2004. It was co-financed by the ESF, which contributed 85% of the funds (the remaining 15% is provided from the state budget). It aimed to help people maintain continuous self-employment for a minimum of two years by covering their social security contributions and providing an initial salary. From 2007 to 2009, the subsidy was awarded according to an employment plan that unemployed people developed with an employment officer of the ESS. This approach changed in 2010 and the award was based on the quality of a business plan which was assessed through an interview process. For those awarded the subsidy, there was a mandatory (free) 3-day workshop on self-employment that provided training on business management, marketing and book-keeping. Since 2008, the value of the subsidy was set at EUR 4 500 over two years and this increased to EUR 5 000 in 2013. Approximately 90% of applicants received the subsidy. The subsidy ended in 2014.

The number of people receiving the subsidy increased towards the end of the programme, from approximately 1 600 in 2008 to 5 148 in 2010. An evaluation in 2011 found that more than 85% of participants remained in self-employment beyond the two-year support period and that 63% of participants continued to operate after three years. The start-ups have contributed to job creation for people other than the business owner: approximately 38% and 16% of supported start-ups in 2007 and 2008 created additional jobs (ESS, 2011).

The ending of the subsidy for self-employment leaves only a small number of grants to support innovative start-ups and new technological developments. These are not widely used by unemployed people.

Repayable instruments

There are a small number of low-interest loan schemes and loan guarantee schemes provided by various institutions, including the Slovene Enterprise Fund, SID Bank, Slovene Regional Development Fund, EcoFund. However, these are neither targeted at, nor used widely, by unemployed people. There are no loan guarantee programmes that are targeted or widely used by unemployed people.

Debt financing is largely offered through the private sector in Slovenia and there are currently no efforts to facilitate access to these funds for unemployed people.
Equity

Equity investment is not-well developed in Slovenia. However, the Slovene Enterprise Fund published a public tender in June 2014 that sought private venture capital companies to co-invest in innovative and potential high-growth firms. The state would match qualified investments (49%), for up to EUR 1 million. Unemployed people, however, are highly unlikely to benefit from these investments. The only exception may be highly qualified university graduates who are seeking to launch an innovative, high potential business.

Areas for improvement and policy recommendations

A lack of finance is a challenge for most new enterprises and this is identified as a critical challenge in Slovenia (EC, 2014b). This is especially a challenge for unemployed people who lack collateral assets and their own financial resources. Little targeted support is available in Slovenia for unemployed people who are seeking to start a business. The principal grant for unemployed people starting businesses, the Subsidy for Self-employment, has ended and no new measures have been launched in its place.

The Slovene government is transitioning from a grant-based system towards the use of repayable instruments (e.g. low interest loans, loan guarantees). This is a positive development but it remains to be seen whether entrepreneurs from disadvantaged groups, notably the unemployed, will be able to access these new instruments since many of these programmes focus on innovative and high-potential business start-ups. These are not appropriate for most unemployed people. Instead a more developed microfinance sector is needed to provide modest credit to a large number of entrepreneurs, including those who have difficulty accessing the formal banking system. Box 4 presents a Dutch programme that can serve as a source of inspiration. This programme provides an integrated support programme that combines subsidised loans for business creation by unemployed people and welfare recipients.

Box 4. Inspiring international practice: BBZ, the Netherlands

Objective: Bijstandverlening aan zelfstandigen (BBZ) or “welfare support for the self-employed” is aimed at assisting people coming from a welfare benefit to start a small business and at self-employed people in temporary financial problems. The principle objective of the BBZ facility is to trying to get long-term unemployed living on a social minimum (minimum social welfare benefit) out of unemployment by facilitating access to services potentially leading to self-employment.

Description: People depending on social welfare (at the lowest end) are offered the option to become self-employed and/or start a small business as an alternative to formal employment. After selection they are offered guidance, counselling and even business advisory services. They are guided in the process to formulate a business plan. Once such plans are approved the municipalities can extend loans up to (at present) EUR 35 130 under favourable conditions (8% interest per annum). Business development services (BDS, i.e. training, orientation, coaching) are paid for by municipalities which in turn are reimbursed by the Ministry of Social Affairs and Employment. Locally operating private (and semi-public) BDS providers are subcontracted to render such services. At present, approximately 1 800 people per annum start under this facility of which 1 200 receive the complete package of services (training, advice pre- and post-start and loans as well as income support). It typically takes between 6 and 9 months for a participant to start their business after they have entered the programme.

The BBZ was created by the Netherlands Government to find a solution for continued (rise in) unemployment and was created when unemployment was at the rise in the late 1990s. Since its establishment it has been slightly modified (mainly in terms of setting limits for payment for BDS and / or lending). It is a national programme governed under Dutch Law approved by Parliament (with its latest revision in 2004). The implementation of this national facility has been delegated to municipalities. The Department for Social Affairs of the municipality is the prime implementer. The latter subcontracted private BDS providers for supporting training.
coaching, business plan formulation and assessment of loan applications (only second opinions).

Recent evaluation (Ecorys, 2011) demonstrated that the facility has a net benefit (in economic terms) for society. Against a total costs per starting enterprise of EUR 104 000 (BDS costs, lending costs, social welfare expenditures and forfeited income and taxes) are savings of EUR 122 900 on social welfare; thus there is a net benefit of EUR 18 900.

Relevance: This approach is an integrated programme that provides subsidised loans with a suite of business development services. The benefit of an integrated approach is that it supports the development of entrepreneurship skills in parallel with the facilitation of access to finance. This emphasis on skills development increases the likelihood that participants will build a sustainable business. One of the unique elements of this Dutch programme is that there is a very high level of flexibility for participants in the training and support services that they use. Only two-thirds of participants use the full suite of available support.

Another approach that is used in several EU countries is the welfare bridge, which is when an entrepreneur continues to receive social welfare or unemployment benefits for a fixed period of time after business creation. The largest and most well-known example is in Germany, but this type of programme has also been used in Finland, France, Hungary, the Netherlands, Poland, Spain, Sweden and the United Kingdom (OECD/EC, 2014). Many of these examples have been successful at moving the unemployed into self-employed but strong selection criteria are needed to minimise the risk of displacement and coaching and mentoring tends to improve the survival of participant’s businesses.

Policy recommendations

- Include training on financial literacy and access to finance in entrepreneurship training for the unemployed.
- Implement competitive mechanisms in entrepreneurship training programmes for the unemployed (e.g. a business plan competition) to award small grants to entrepreneurs who are starting businesses from unemployment. This will provide an incentive to those participating in public entrepreneurship training schemes to follow through on their plans and will also award funding to those who are most likely to succeed.
- Provide information to investors about the potential of investing in entrepreneurs who are using public entrepreneurship training programmes. Build stronger links between investors and these entrepreneurs by inviting investors to participate in projects and competitions, or by providing training on financial literacy.
- Continue to move towards debt instruments and away from grants. Further develop microfinance instruments and ensure that disadvantaged target groups such as the unemployed can access these funds.
- Provide a welfare bridge (i.e. a continuation of unemployment benefits after business start-up) for those with a sustainable business idea. Limit the benefit to a maximum of 6 months and provide coaching and mentoring.
Regulatory environment

The regulatory environment determines the conditions under which companies must start, operate and cease operations. Modern and responsive public administration can positively impact the exploration of business opportunities and serve as a supportive environment by simplifying and reducing requirements and processes. This can be an important factor for those starting a business from unemployment, who are likely less experienced in the labour market and in self-employment and therefore are less adept at meeting administrative requirements.

In Slovenia, the regulatory framework is considered by some experts to be generally unsupportive of entrepreneurship. A recent expert survey found that most experts consider governmental policies to undervalue entrepreneurship (Rebernik et al., 2014a). However, other research projects are less pessimistic about the business environment. The World Bank’s “Doing Business” report notes that starting a business in Slovenia requires 2 procedures that have no cost but take 6 days and require paid-in minimum capital of 44.1% of income per capita. This ranks Slovenia 38th out of 189 economies (World Bank, 2014a). However, the World Bank rankings did highlight some areas where improvement is needed. Slovenia ranked 122nd in enforcing contracts, 90th in registering property and 90th in obtaining construction permits (World Bank, 2014b).

The national government has recently launched several initiatives to improve the business environment for all entrepreneurs and business owners. These actions are not targeted to any particular group but the unemployed stand to gain disproportionately because they often have lower levels of skills. Moreover, being unemployed tends to reduce the relevance and quality of an individual’s skillset (Ljungqvist and Sargent, 1998). These initiatives include:

- **E-VEM contact points**: The E-VEM portal offers electronic services related to business creation and registration. The portal allows for online registration and acts as an information portal where entrepreneurs can access information on business start-up and development, as well as ceasing operations (Ministrstvo za notranje zadeve RS, 2014a).

- **E-davki – electronic tax operations (e-tax portal)**: The e-tax portal enables convenient, easy and secure completion and submission of tax forms from the user’s computer at home or in the office. It is a safe web service that fully substitutes for the relevant paper work. The portal offers also the information on the services that can be done electronically (Ministry of Finance – Financial Administration of the Republic of Slovenia, 2014).

- **“Stop birokraciji” website (“Stop bureaucracy”)**: The Stop bureaucracy website is operated by the Ministry of Public Administration and aims to inform the public about initiatives to reduce administrative burdens for companies in Slovenia (Ministry of Public Administration, 2013).

In addition, the national government continues with the implementation of its Action Plan for the Implementation of the Small Business Act, which emphasises the principle of “Think Small First” in the adoption of legislation and policies. This requires any proposal for a new or revised regulation to be evaluated for the effects on the economy, environment and SME sector (i.e. the so-called “SME test”).
Entrepreneurship culture

Social attitudes are a significant factor in influencing entrepreneurial behaviour. A broad acceptance of entrepreneurship will increase the interest in entrepreneurship and improve perceptions of desirability and feasibility. This is especially important for disadvantaged groups like the unemployed who often lack self-confidence.

In Slovenia, surveys indicate that people in Slovenia are less likely than the EU average to value and respect entrepreneurs (Rebernik et al., 2014a; GEM, 2013). Consequently, less people in Slovenia pursue business opportunities or have very high entrepreneurial intentions (Rebernik et al., 2014a). One way to address this is to actively promote entrepreneurship through the schools and the education and in the media. However, these activities are not systematically done in Slovenia (Rebernik et al., 2014a; GEM, 2013).

Information on business start-up

One of the ways in which governments can help entrepreneurs navigate the regulatory environment is to provide information services to help them comply with and understand legal obligations. Recent initiatives by the national government aim to make information easily accessible through web portals:

- **E-uprava – e-government**: E-government or the State Portal of Slovenia is a helpful tool to all the visitors interested in gaining general knowledge on Slovenia, information concerning public administration as well as those concerning the private sector. It offers information for several groups of business units: sole-entrepreneurs, companies in start-up phase (in the process of establishment), operating companies, and associations and institutions (Ministrstvo za notranje zadeve RS, 2014b).

- **Slovenia Business Point**: The Slovenia business point is a state business point that helps foreign business entities from the EU, EEA Member Countries and the Swiss Confederation who want to do business in Slovenia. The site provides information about the conditions and procedures required for performing a certain activity or profession in Slovenia. Since there are nearly 100,000 regulated business activities in Slovenia, the content is uploaded in stages (Ministry of Public Administration, 2012).

Areas for improvement and policy recommendations

Within the scope of its better legislation policy, government has started to actively implement the principles of preparing regulations better in order to achieve greater competitiveness for small and medium-sized companies, as well as to increase the satisfaction of its citizens. In October 2013, the government adopted a “Single document to enable better regulation and business environment and increase competitiveness” (Vlada Republike Slovenije, 2013b) to improve the regulatory and business environment and increase competitiveness. A more streamlined regulatory environment would be expected to increase the rates of business creation and improve business survival rates. Entrepreneurs starting from unemployment stand to benefit greatly given their lack of experience in self-employment.

The dissemination of information about business creation and self-employment to the unemployed can be strengthened. For the unemployed, employment services officers can play a significant role in informing clients about the potential of entrepreneurship and direct them to where
they can obtain support in starting and developing a business. This does not appear to be systematically done in Slovenia.

In addition, promoting entrepreneurship more widely in the media and schools is likely to lead to a greater awareness about entrepreneurship and a more positive view towards it. This, however, is a long-term investment.

**Policy recommendations**

- Use public employment services to increase awareness about the potential of entrepreneurship to improve its perceived desirability and feasibility among the unemployed. Employment services can have a more active role in providing basic entrepreneurship support and directly interested clients to more in-depth support programmes.

- Use the ESF to develop and promote success stories and role models to be promoted widely in the media, schools, career centres and employment offices.

- Continue to simplify and reduce business regulations. These improvements to the regulatory environment will help all SMEs but people who start businesses from unemployment stand to be one of the groups who benefit the most since they typically have low levels of entrepreneurship and workplace skills. They also are less likely to have experience with business creation and self-employment.

- Undertake a review of the unemployment benefit system to ensure that there are no disincentives for business creation.

**CONCLUSIONS**

Unemployed people are one of the most disadvantaged groups of potential entrepreneurs for several reasons. They often have not attained high levels of education and their skills diminish when they are not used in the workplace. Moreover, their professional networks lose value over time.

Slovenia currently provides a small number of targeted entrepreneurship programmes for unemployed people, including a number of very limited training programmes. The loan programmes are a relatively new offering and signal a trend away from the use of grants. The largest entrepreneurship support for unemployed was the Subsidy for Self-employment, which was essentially a welfare bridge programme delivered through small monthly grants. This subsidy ended in 2014 with the end of EU funding and has yet to be replaced with a similar support.

The strengths and weaknesses of current entrepreneurship support offerings for the unemployed are indicated in Table 1, along with opportunities for future development and threats to future policy actions.
Table 1. SWOT analysis of entrepreneurship for the unemployed

<table>
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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td>• Specialised entrepreneurship training is available to unemployed people interested in business creation and self-employment.</td>
<td>• Entrepreneurship education is generally under-developed across all levels of the education system.</td>
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<tr>
<td>• Highly educated unemployed youth can access entrepreneurship training, coaching and mentoring programmes.</td>
<td>• Entrepreneurship training often focuses on highly-educated unemployed people, creating a gap for the less educated and school leavers.</td>
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<tr>
<td>• The development of online information portals strengthens the dissemination of information related to entrepreneurship, especially to rural regions.</td>
<td>• There is a lack of support to help entrepreneurs coming from unemployment access start-up financing.</td>
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<tr>
<td></td>
<td>• Information on start-up financing and potential sources of investment is not widely available.</td>
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<tr>
<td></td>
<td>• Monitoring and evaluation activities could be strengthened.</td>
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<tr>
<th>Opportunities</th>
<th>Threats</th>
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<tr>
<td>• Existing entrepreneurship training programmes can serve as a base for developing entrepreneurship networks to support the unemployed.</td>
<td>• The ending of the subsidy for self-employment has not been adequately replaced with another grant or loan programme, leaving access to finance as a very significant challenge for the unemployment (especially those with low education levels and non-innovative business ideas).</td>
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<td>• There is currently momentum to continue streamlining and simplifying procedures and requirements for businesses, which would be expected to make entrepreneurship more attractive to unemployed people.</td>
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<tr>
<td>• Online portals such as E-uprava provide a good vehicle for improving the dissemination of information on business start-up and self-employment.</td>
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Entrepreneurship support for the unemployed is largely focussed developing entrepreneurship skills through specialised training programmes. These programmes are small and often focus on unemployed people who are young and highly educated. There is a need to make this training more accessible for other unemployed people. There is room to build entrepreneurship networks around these training programmes and to increase the availability of coaching and mentoring for entrepreneurs starting from unemployment.

The greatest weakness in the entrepreneurship support system for the unemployed is a lack of financial support since the end of the Subsidy for Self-employment. When looking to fill this gap, loans are preferable to grants because they have a multiplier effect since repayments can be lent to other borrowers. Moreover, loans put more pressure on the recipient to be successful since there is a requirement to repay the funding. Another instrument that could be considered is the welfare bridge. In principle it is very similar to the previous subsidy programme but rather than providing small grants each month, entrepreneurs from unemployment would continue to receive their unemployment benefits for a fixed period of time.

Ongoing efforts to improve the business regulatory environment should be continued. Entrepreneurs from unemployment will benefit from simplified procedures and requirements.
However, the impact is likely to be quite small for this target group because these improvements are unlikely to substantially alter the perceived feasibility of starting a business. It is more important to continue developing information dissemination channels such as E-uprava.

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