



# Inclusive Entrepreneurship Policies: Country Policy Assessment

Finland, 2018



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## FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group or personal characteristics. This 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. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. “The Missing Entrepreneurs” series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

The proportion of people in Finland who were self-employed in 2017 was approximately equal to the average for the European Union (EU) (11.6% for Finland vs. 13.7% for the EU). However, Finnish people were less likely than the EU average to expect to create a business over the next three years over the period 2013-17 (11.0% vs. 12.6%), and this gap is particularly large for youth (16.1% vs. 20.4%). The environment for entrepreneurship is generally considered to be very positive as the regulatory burden is low and support is accessible. However, there is some scope to provide further support for entrepreneurs in under-represented and disadvantaged groups.

This note is the third country assessment note prepared by the OECD in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each European Union Member State. Each note provides an overview and assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector. The 2018 notes include an additional section on female entrepreneurship support, which provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, the Better Entrepreneurship Policy Tool ([www.betterentrepreneurship.eu](http://www.betterentrepreneurship.eu)), a series of Policy Briefs on specific target groups, policies and issues, and country reviews of youth entrepreneurship and women entrepreneurship. For more information please refer to: [www.oecd.org/employment/leed/inclusive-entrepreneurship.htm](http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm).

## ACKNOWLEDGEMENTS

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes were prepared as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director. They provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

This note was prepared by Professor Jarna Heinonen of the Turku School of Economics. David Halabisky and Cynthia Lavisson of the CFE undertook additional drafting and editing of the note under the direction of Dr. Jonathan Potter, also of the CFE. A steering group was consulted during the preparation of this note, including policy analysts at the Ministry of Economic Affairs and Employment. Much of the data contained in this note were prepared under the direction of Dr. Jonathan Levie of the Global Entrepreneurship Monitor. This note benefited from feedback and suggestions provided by Guy Lejeune of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

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## KEY MESSAGES

- Entrepreneurship policy is currently driven by economic policies that promote innovation and business growth. The general environment for entrepreneurship is considered very positive: information, advice and training are easily available; the regulatory burden of starting a business is low; and financing is not a major problem. While inclusive entrepreneurship is not currently a policy priority, entrepreneurship support is part of the suite of active labour market policies for some social target groups (e.g. youth, people with disabilities, immigrants).
- The self-employment rate in Finland was below the European Union average in 2017 (11.6% for Finland vs. 13.7% for the EU). During the period 2013-17, Finnish people were less likely than the EU average to expect to create a business over the next the years (11.0% vs. 12.6%), and this gap was particularly large for youth (16.1% vs. 20.4%).
- While the Finnish environment for entrepreneurship is very strong overall, there are a number of policy actions that can be taken to provide further support for entrepreneurs in under-represented and disadvantaged groups. Key recommendations are to (i) introduce more flexibility in the social security, unemployment and pension schemes; (ii) increase entrepreneurship awareness and promotion of entrepreneurship among all social target groups with targeted messages; (iii) strengthen communication and collaboration between public support agencies for entrepreneurship and employment and private/third sector organisations; (iv) streamline entrepreneurship support for the unemployed; and (v) promote entrepreneurial ecosystems that develop entrepreneurial networks, actors and actions in collaboration with municipalities, towns and regions.

## 1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

Promoting entrepreneurship is a policy priority for the Finnish Government. The aim is that by 2025 Finland is a competitive country where entrepreneurship, ownership and investing are more profitable and it is always profitable to work and employ in Finland.<sup>1</sup> This implies that during the current governmental period (by spring 2019) 110 000 new jobs have been created and employment rate (among 15-64 year old adults) increased to 72%. With the improved economic situation, all of the employment targets have been met.

The government launched the Government programme, and particularly the “Entrepreneurship Package” to provide integrated support for encouraging entrepreneurship and removing obstacles from it. The updated package<sup>2</sup> focuses on new forms of entrepreneurship and working modes such as collaborative economy, platform economy, self-employment and various combinations of entrepreneurship and waged work. Although the European Commission’s (2012) Entrepreneurship 2020 Action Plan urges Member States to pay specific attention to groups that are under-represented or disadvantaged in the labour market (e.g. youth, women, older people, the unemployed, people with disabilities and immigrants), Finnish entrepreneurship policies do not currently highlight tailored actions for these groups, immigrants being an exception, but is rather of a more generic nature.

Finland has defined national targets that are in line with the European Union’s (EU) 2020 targets.<sup>3</sup> Finland aims to reach a national employment rate of 78% in the age group of 20 to 64 years old (Ministry of Finance, 2016), which is higher than the EU target of 75%. In 2017, the employment rate was 74.2%,<sup>4</sup> which is slightly below the EU target but recently the employment has continued to develop positively in Finland. In addition, the government aims to reduce the number of people at risk of poverty or social exclusion by 150 000 and while progress has also been made towards this target, more needs to be done. Fostering entrepreneurship among people from under-represented and disadvantaged groups could help in achieving both of these targets.

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<sup>1</sup> <http://valtioneuvosto.fi/hallitusohjelma-toteutus/tyollisyys>

<sup>2</sup> <http://valtioneuvosto.fi/hallitusohjelma-toteutus/>

<sup>3</sup> [http://ec.europa.eu/europe2020/europe-2020-in-your-country/finland/progress-towards-2020-targets/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-your-country/finland/progress-towards-2020-targets/index_en.htm)

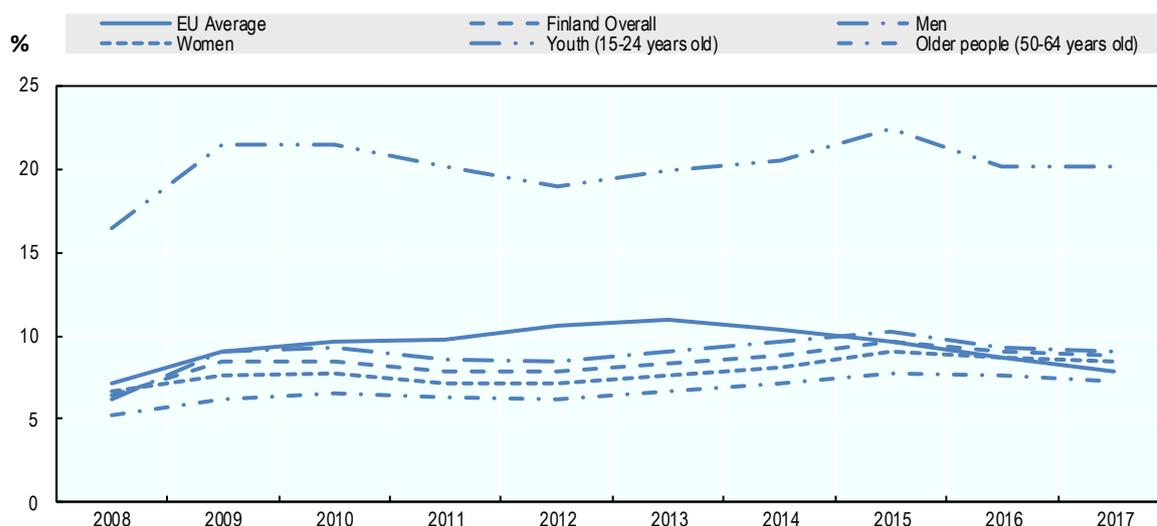
<sup>4</sup> [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-your-country/finland\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-your-country/finland_en)

## 2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

### 2.1. Labour market context

Entrepreneurship, and self-employment particularly, do not take place in the vacuum but their development is highly dependent on the labour market developments. Unemployment has increased in Finland in 2013-15 but started to decrease in 2016 being, however, above the EU average unemployment rate in 2017 (7.8%)(Figure 1). The unemployment rate in Finland varied only slightly across different population groups in 2017: women (8.5%), men (9.1%) and seniors (7.3%). The exception is the youth unemployment rate, which was more than double (20.1%) the overall unemployment rate (8.8%) and remained unchanged in 2016-17. In other population groups the unemployment rate decreased from 2016 to 2017.

Figure 1. Unemployment rates, 2008-17



Source: Eurostat (2018), Labour Force Survey 2017.

In addition to these target group-specific trends, the Finnish entrepreneurial landscape and labour markets have undergone major changes in the 2000s and the development is likely to continue in the future. In recent years a number of firms employing has decreased whereas a number of self-employed has increased. In addition, a succession of existing businesses remains to be an issue to be tackled in order to secure employment. Furthermore, globalisation, new technologies and new technological platforms influence the forms and contents of work, as well as the ways work in paid employment and in entrepreneurship is done. The kind of features of the platform and collaboration economy challenge traditional understanding on work, competence, livelihood and employability. A clear division of work and workforce into unemployed, waged workers and entrepreneurs is blurring and various new segments and stages of liminality emerge, e.g. project nomads, freelancer pensioners, voluntary workers, and those who are limitedly employable or outside labour markets (Oksanen, 2017).

Digitalisation is transforming entrepreneurship in two ways: first, it shifts the locus of entrepreneurial opportunities and second, it transforms entrepreneurial practices for the pursuit of such

opportunities (Autio, 2017). Digital platforms and collaborative economy can be an opportunity for the social target groups as they allow many who have been left outside the labour market to contribute their labour to worthwhile pursuits. Selling one's labour on a platform seems still for most a hobby or source of additional earnings. As a primary source of income, those income streams are somewhat limited and come sporadically. The "collaborative" economy account for an increasing amount of economic activity. It has been estimated that the value of transactions in Finland's collaborative market was a little over EUR 100 million in 2016. The largest sectors were collaborative finance at 65%, accommodation and space at 19% and small tasks and household services at 14%. The anticipated growth potential is huge, up till EUR 1.3 billion in 2020 (PwC, 2017). Collaborative economy can achieve a foothold in the markets and will, thus shape work and entrepreneurship in general and in the social target groups particularly. In all, the modern "digital economy" is an interaction economy and clearly different from the "manufacturing economy". "Digital economy" emphasises service-dominant logic of horizontal value co-creation in entrepreneurship ecosystem interactions (Autio, 2017) and as such challenges the traditional entrepreneurship policies and programmes.

## **2.2. Self-employment and entrepreneurship rates**

The self-employment rate was slightly below the EU average in 2017 (11.6% vs. 13.7%) (Figure 2a). The total number of self-employed in Finland was roughly 279 700 in 2017 implying a decrease of about 16 000 self-employed from the previous year. This decrease has taken place in all the groups (men, women, youth and old) although it has been relatively strongest among older people and lowest among women.

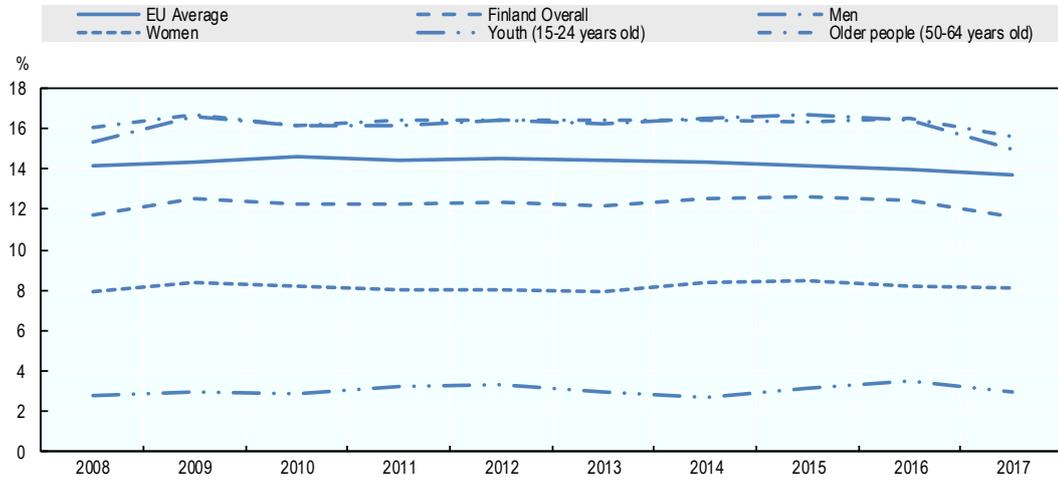
As in the whole of the EU, women are less involved in entrepreneurship than men in Finland. In general, roughly one-third of the self-employed are women. Over the period 2008-17, the self-employment rate among women has been around 8% and around 16% among men.

The self-employment rate for youth was 3.0% in 2017, which was down slightly from 2016. However, research tends to suggest a growing interest towards entrepreneurship. According to a recent study (Aarnio, 2015), 20% of students in universities and universities of applied sciences report that it is likely or highly likely that they will start a business. Another notable finding in this study is that from the 7 000 students who already run their own company or have been self-employed, as many as 35% considered it highly likely that they will continue as entrepreneurs after graduation.

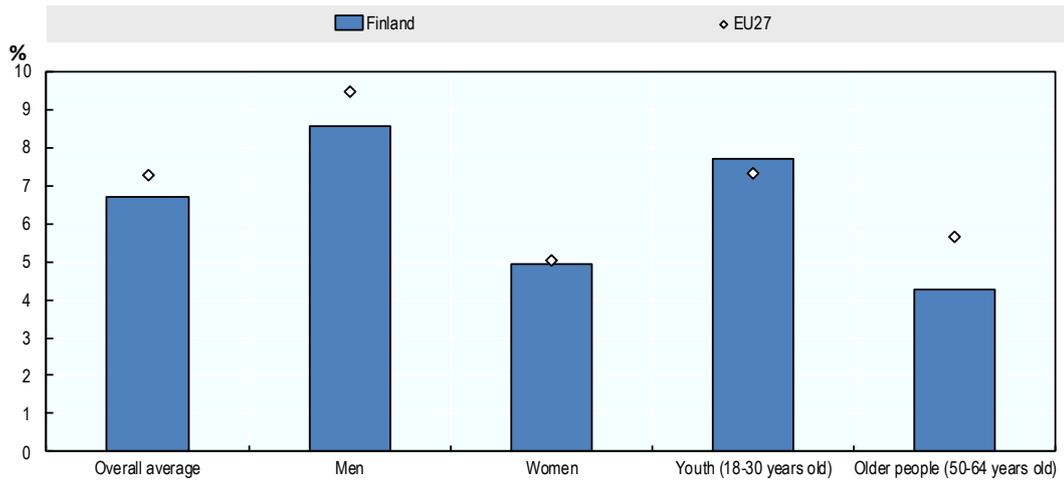
The self-employment rate for those 55 years old or older was 15.6%. Due to ageing population the number of self-employed has, however increased and this increase has taken place mainly among males. This includes a growing number of pensioners that are engaged in part-time entrepreneurship. During the 2000s the number of entrepreneurs in the age group 55–74 years old has increased from about 60 000 to 100 000 (Järnefelt, 2011).

**Figure 2. Entrepreneurship rates by target group**

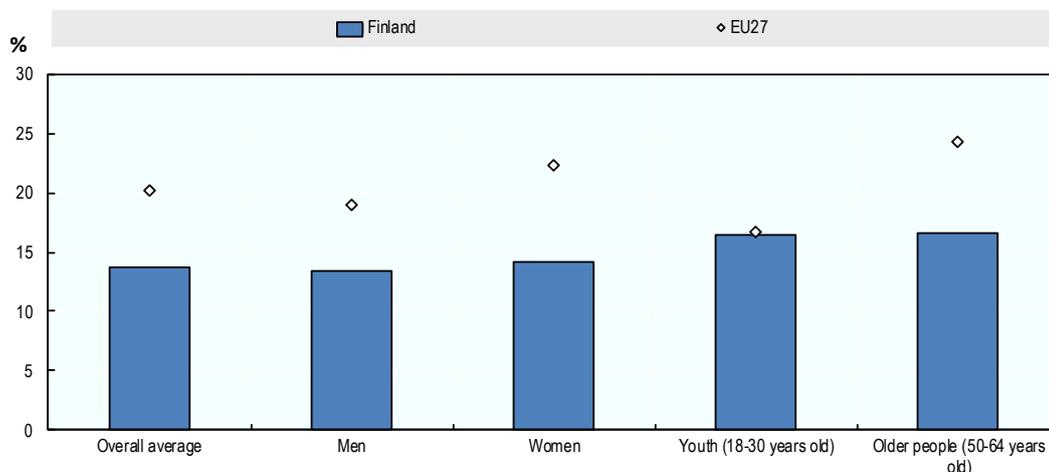
a. Self-employment rate, 2008-17



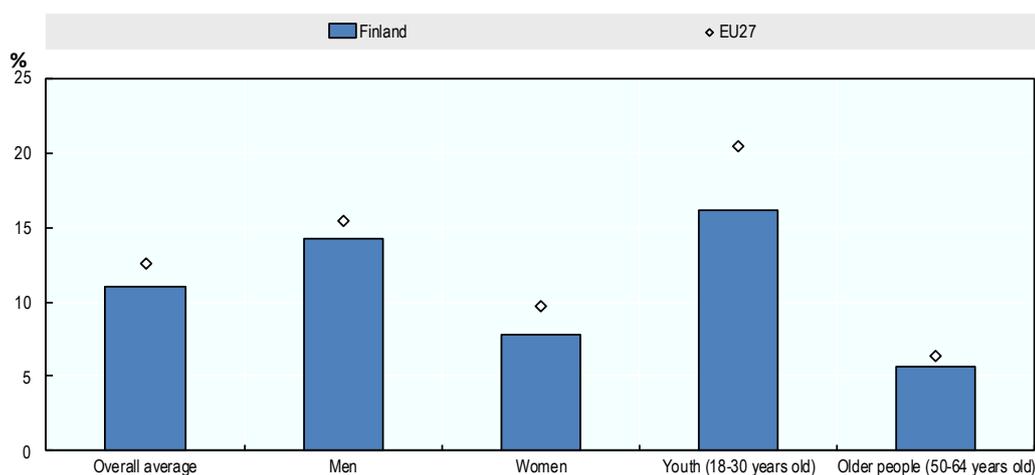
b. TEA-Rate, 2013-17



c. Proportion of TEA that is necessity entrepreneurship, 2013-17



d. Proportion who expect to start a business in the next 3 years, 2013-17



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total early-stage Entrepreneurial Activity rate, which is defined as the proportion of the population actively involved in pre-start-up activities and those who have started a new business within the last 42 months. The proportion of TEA that is necessity entrepreneurship is the proportion of entrepreneurs involved in setting-up a new business or operating a business that is less than 42 months old, who were motivated to start their business because they had no better options for work. Data for panels b, c, and d were pooled for the period 2013-17, producing an unweighted average. The EU27 average in panels b, c, and d covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: Panel a contains data from Eurostat (2018), Labour Force Survey; Panels b, c, and d contain data from the 2013 to 2017 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2018).

The unemployed represent a significant and growing group in the promotion of inclusive entrepreneurship. In April 2018 the number of unemployed jobseekers was 254 600 which is 49 799 less than a year earlier. During the previous year the total number of jobseekers has decreased in all age groups, at all levels of education and in all occupational groups in all ELY Centres across the country (i.e. regions). Furthermore, long-term unemployment has decreased – slightly more among women than among men (Employment Bulletin, 2018). Promoting entrepreneurship is one of the potential solutions for facilitating economic activity among the unemployed. Recent research shows that as much as 24%

of those who are currently self-employed say that they took up self-employment due to a lack of opportunities for waged work (Pärnänen and Sutela, 2014). On the other hand, the relatively modest level of necessity-entrepreneurship, even among the youth with high unemployment rates, indicates that even unemployment may not be a strong enough a trigger to entrepreneurship. The improved employment situation may further decrease the push towards entrepreneurship as 14% of SMEs reported difficulties in recruiting skilful staff as a significant obstacle for business growth (see e.g. Pk-yritysbarometri, 2018).

Immigration to Finland is small compared to many western countries, but the number of residents born outside Finland has nearly doubled between 2005 and 2015 (European Commission, 2016). The total number of long-term immigrants arriving to Finland annually has increased from about 21 000 in 2005 to almost 35 000 in 2016.<sup>5</sup> Entrepreneurial activity among immigrants differs between ethnic groups and countries of origin. Entrepreneurship is most prevalent among Turkish and Northern African males and Thai women (Aaltonen et al., 2015). In 2015 the highest entrepreneurial activity is found among Turkish (23%), Chinese (15%), British (14%), German (12%) and Thai (11%) citizens among which entrepreneurs are more prevalent than among original population (9%) (Statistics Finland, 2017).<sup>6</sup>

The Finnish Institute of Occupational Health estimates that there are some 70 000 people with disabilities in Finland who are capable of working (Nevala et al., 2010). However, only 60% of them are employed. Another narrow definition made based on the number of customers using services based on the Act on Services for Disabled suggests that there are roughly 35 000 working aged adults with disabilities in Finland. Niemelä et al. (2017) estimated that there is roughly 6 000 – 11 000 active entrepreneurs with disabilities in Finland. Entrepreneurship is an attractive option for people with disabilities as it allows them to be active in the labour market under flexible conditions so that they can manage their schedules and workload according to the conditions of the disability.

Another way to measure entrepreneurship activities is to use surveys to estimate the number of people that are active as entrepreneurs. One of the most well-known surveys is the Global Entrepreneurship Monitor, which estimates the number of people involved in different stages of entrepreneurship and the identifies the different characteristics of these activities. One of its key measures is the Total early-stage Entrepreneurial Activity (TEA) rate, which estimates the proportion of people who are actively working to start a business or who manage a business that is less than 42 months old. The TEA rate for Finland is approximately equal to the EU average for the period 2013-17 (6.1% vs. 6.7%) (Figure 2b). However, there were slight differences across different target groups. The TEA rate among women was 4.6% over this period, which was slightly below the EU average (4.9%). It was 5.5% for youth, which was also below the EU average (7.7%), and it was 3.9% for older people, which was about equal to the EU average (4.3%).

The level of necessity-based entrepreneurship in Finland was lower over the 2013-17 period, indicating that there is clearly a smaller share of entrepreneurs who started their businesses because they had no other opportunities in the labour market (13.6% vs. 20.3% EU average) (Figure 2c).

Adults in Finland were also less likely to expect to create a business in the next three years than those across the EU average for the 2013-17 period (11.0% vs. 12.6%) (Figure 2d). This suggests that

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<sup>5</sup> <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tps00176&language=en>

<sup>6</sup> [http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin\\_vrm\\_tyokay/025\\_tyokay\\_tau\\_105.px/?rxid=6bbe2a23-26da-43d8-a968-e8a052b105cf](http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin_vrm_tyokay/025_tyokay_tau_105.px/?rxid=6bbe2a23-26da-43d8-a968-e8a052b105cf)

Finns are not “forced” to start-up businesses even if the labour market situation were poor, and similarly their intention to create a new business is lower than in EU average. These observations hold among men and women as well as among youth (18-30 years old) and older people (50-64 years old).

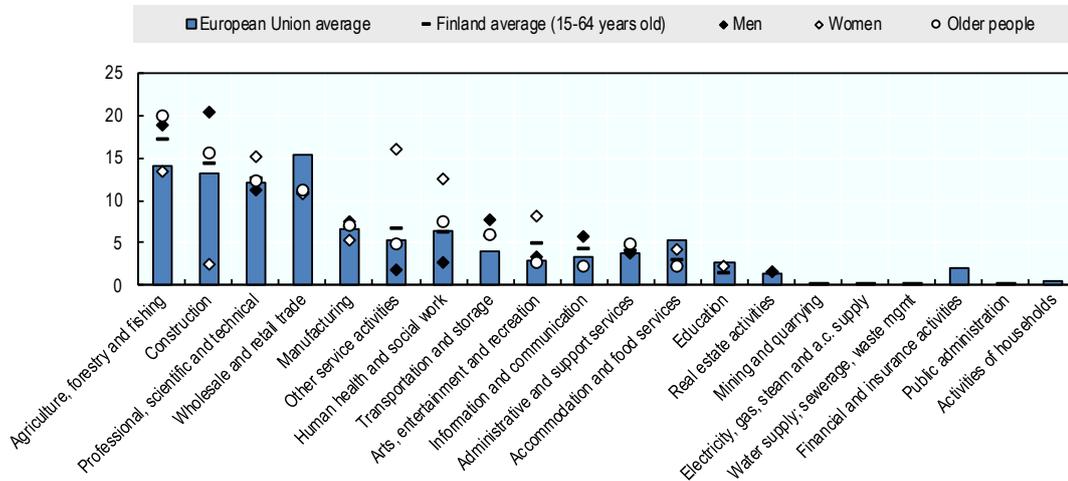
### **2.3. A profile of the self-employed**

In 2017, about 17% of the self-employed worked in agriculture, forestry and fishing, and 14.3% in construction and 12.5% in professional, scientific and technical services (Figure 3a). Wholesale and retail trade accounted for 10.8% of the self-employed. In comparison to EU averages agriculture, forestry and fishing and construction are more prevalent whereas wholesale and retail trade is less prevalent in Finland. In agriculture, forestry and fishing, and in construction the prevalence of self-employed was above the national average among the older people and men, and in professional, scientific and technical services among women.

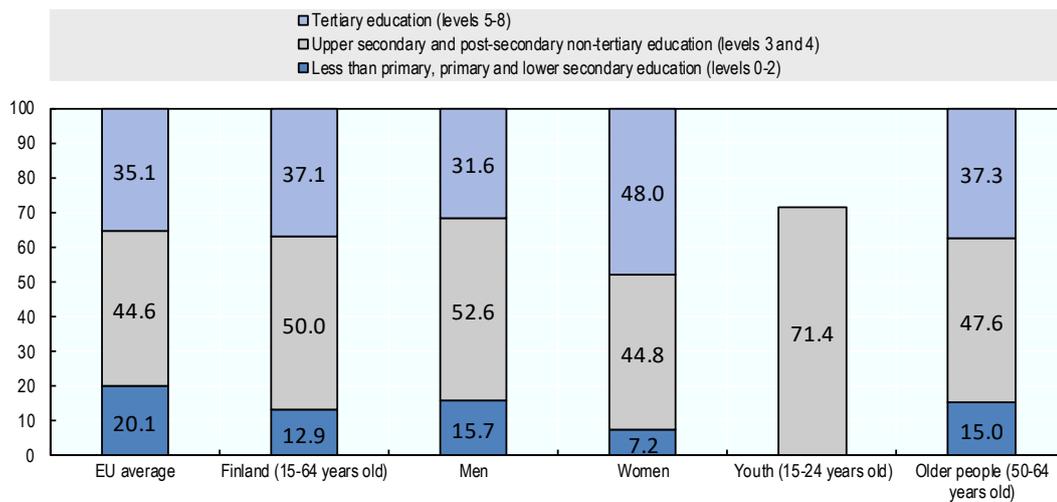
Immigrants tend to be entrepreneurially active in service sector, particularly in catering business. Also wholesale and retail trade as well as beauty care, hair dresser’s, cleaning, construction, interpretation, management consulting, car reparation and food kiosk are common among immigrant entrepreneurs. The sectoral choices of entrepreneurs diverge between ethnic groups: e.g. Estonians are active in construction, Northern Africans, Turkish and Asians in catering business, Russians in transports and entrepreneurs from Nordic countries, Western Europe, Russia and Baltic countries are active in business services. Entrepreneurial activity among immigrants differs according to education level: lower education level suggests higher entrepreneurial activity (Joronen, 2012). However, previous studies further suggest that higher education level does not protect immigrants from unemployment in a similar manner it protects original population (Joronen, 2012; Aaltonen et al., 2015). Furthermore, deficiencies in language, cultural and marketing competences are the main obstacles among immigrant entrepreneurs (Aaltonen et al., 2015).

**Figure 3. Characteristics of self-employed workers by target group**

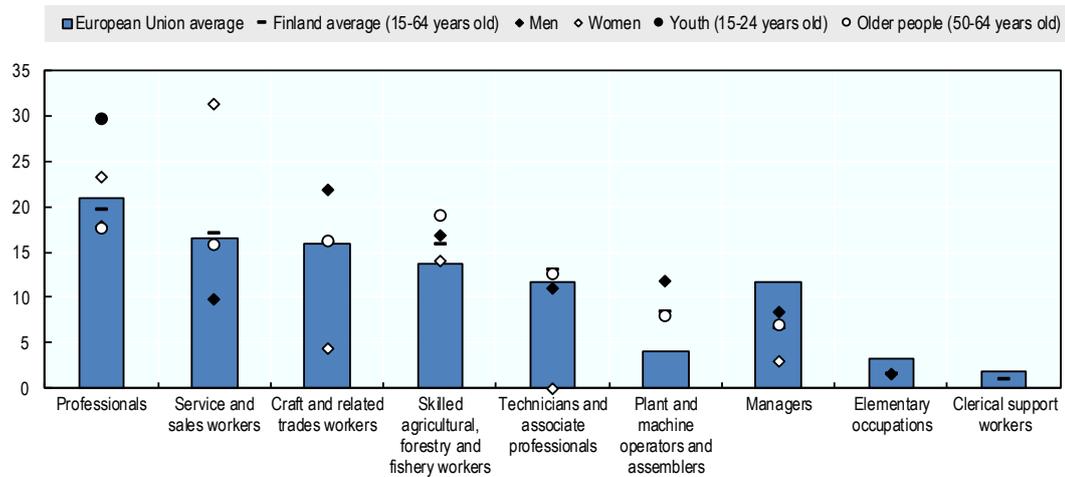
a. Proportion of self-employed by economic activity, 2017



b. Proportion of self-employed by educational attainment, 2017



c. Proportion of self-employed by occupation, 2017



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed.

Source: Eurostat (2018), Labour Force Survey.

The education level of self-employed has increased and in 2017, only 12.9% of the self-employed had less than primary, primary and lower secondary education (Figure 3b). This was below the EU average (20.1%). Furthermore, 37.1% of self-employed had tertiary education (EU average 35.1%) and among self-employed women the share was as high as 48.0% indicating that highly-educated women see potential in self-employment and entrepreneurship as a career option.

The professions and occupations such as professionals, technicians, service and trade workers, craft and related trades workers as well as skilled agricultural, forestry and fishery workers were most prevalent among self-employed (Figure 3c). This is roughly in line with EU averages.

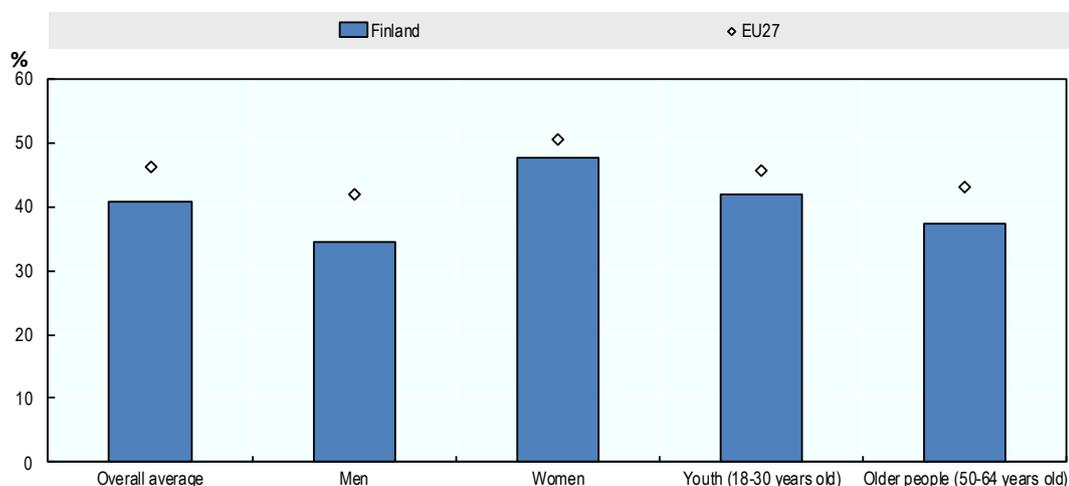
#### 2.4. Barriers to business creation

Finnish adults were less likely to report that fear of failure was a barrier to start-up a business in comparison to EU averages (Figure 4a). Women were more likely to report a fear of failure as a barrier to business start-up than men (47.6% vs. 34.6%) over the 2013-17 period, and youth and older people were about as likely as the Finnish average to identify this barrier (41.9% and 37.4%).

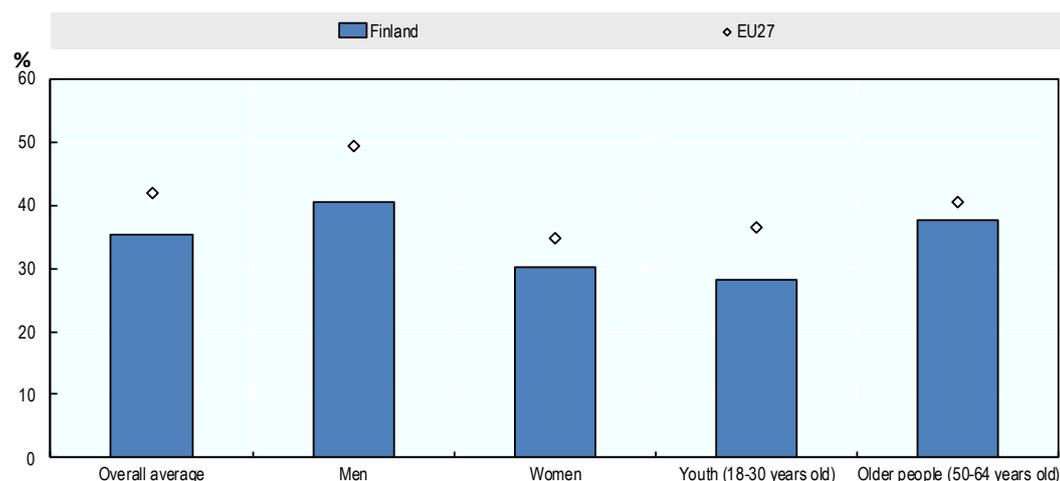
Similarly a lower proportion of women consider they have sufficient skills to start a business (30.2% for women vs. 40.4% for men) (Figure 4b). Over the period 2013-17, only 28.2% of youth reported that they had the necessary skills for business creation, which was clearly below the EU average for youth (36.3%), and below other social target groups in Finland (Figure 4b) indicating that the perceived skills gap can form a real obstacle for business start-ups among youth. 37.7% of older people perceive to have the skills to start a business. The share is above the Finnish overall average (35.4%) but below the EU average among older people (40.4%) suggesting that a lack of entrepreneurial skills is not a major obstacle for older people.

**Figure 4. Barriers to entrepreneurship by target group**

a. Proportion who report that a fear of failure prevents them from starting a business, 2013-17



b. Proportion who perceive that they have the skills to start a business, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

There are a number of other key barriers faced by some social target groups. Deficiencies in language, cultural and marketing competences are the main obstacles encountered by immigrant entrepreneurs in business creation (Aaltonen et al., 2015).

People with disabilities face the same obstacles as any other entrepreneurs (such as lack of entrepreneurial skills, finance or relevant networks and contacts) but they may be amplified. Furthermore, due to prejudices towards disabilities people in support agencies do not necessarily understand and actively offer support to entrepreneurship among the persons with disabilities. Legislation related to social security benefits may also contain disincentives for entrepreneurship for some groups and support offers may not address the barriers faced (Niemelä et al., 2017). Finally,

disability-linked impediments to everyday activities (due to e.g. restrictions to mobility and communication) also affect entrepreneurship (Niemelä et al., 2017).

## 2.5. Entrepreneurship performance

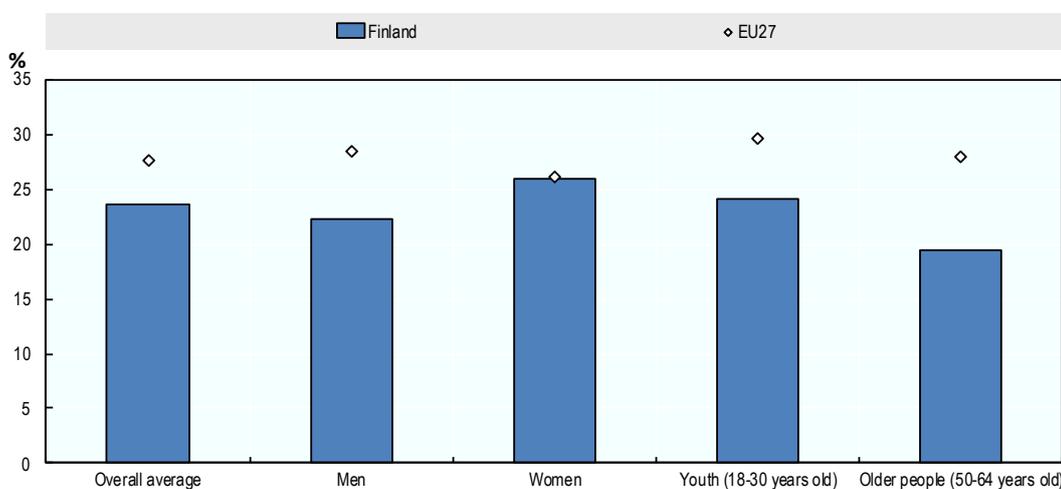
Finnish entrepreneurs overall were less likely than the EU average to offer innovative products and services (23.7% vs. 27.6%). This is true across all groups with the notable exception of women: 26.0% of early stage women entrepreneurs perceived to offer new and innovative products or services, above the overall Finnish average (24.6%) and equal to the EU average for women (26.0%) (Figure 5a).

Finland also has a lower rate of export-oriented new businesses: 47.4% of early-stage entrepreneurs have international customers, below the EU average (57.4%). This applies to all categories considered here: men, women, the youth and older entrepreneurs (Figure 5b).

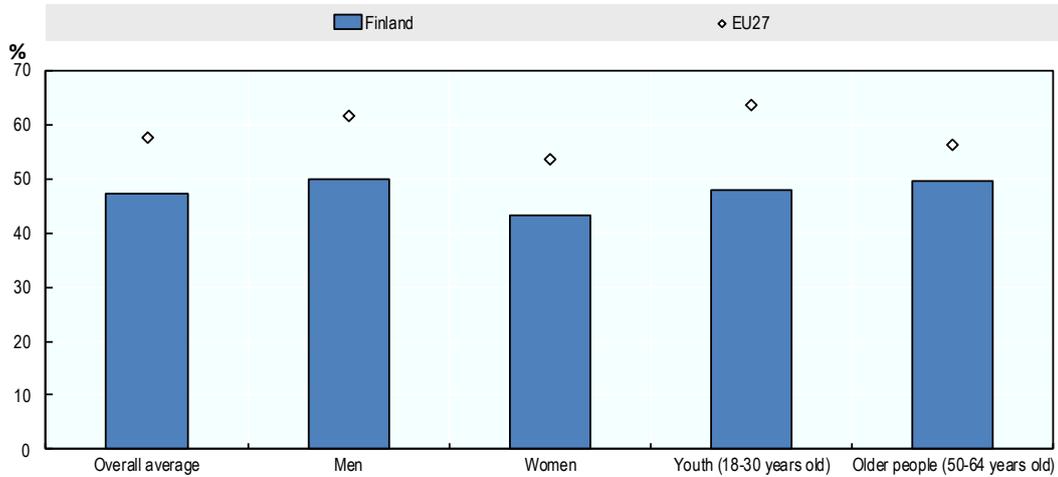
Finnish entrepreneurs also have modest growth expectations: a lower percentage of new business owners expect to create a significant number of jobs in the near future. The growth expectations are especially low among women entrepreneurs as is the case across the EU. Only 5.5% of early-stage women entrepreneurs expected to create more than 19 jobs in five years in 2013-17 (Figure 5c).

**Figure 5. Self-employment and entrepreneurship activities by target group**

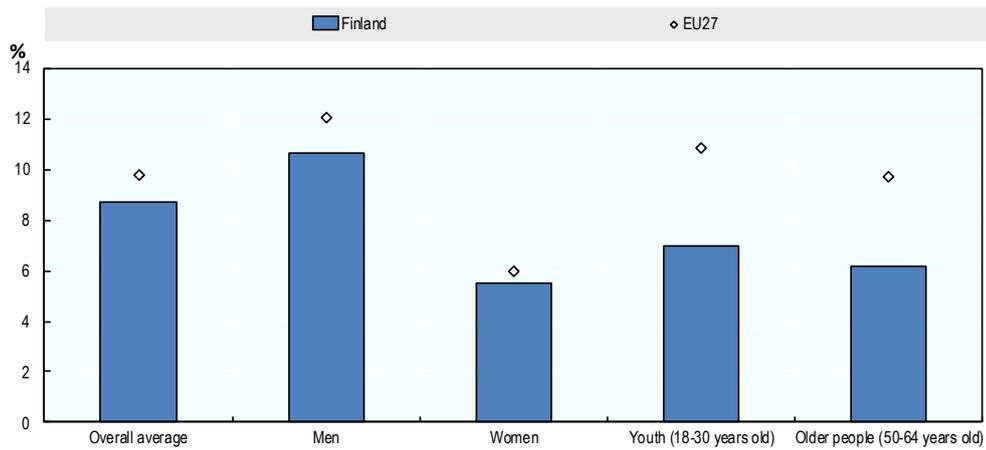
a. Proportion of new entrepreneurs whose products or services are new to all or some customers, 2013-17



b. Proportion who sell to customers in another country, 2013-17



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

### 3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

#### 3.1. Policy framework

Supporting and promoting entrepreneurship is a policy priority for the government and the guidelines are given in the Government programme, particularly in the “Entrepreneurship Package” and the 26 “key projects”,<sup>7</sup> which make the strategic objectives of the government more concrete. These guidelines form basis for developing measures to encourage more disadvantaged individuals to start-up in business. Several of the key projects are relevant for inclusive entrepreneurship policy, including the projects “Strengthening competitiveness by improving conditions for business and entrepreneurship”, “Youth guarantee towards community guarantee” and “Career opportunities for people with partial work ability”. The “Entrepreneurship Package” includes eight measures – Renewal of Growth services, Lowering the threshold for employing the first employee, Piloting innovation and service voucher, Innovation bank, Residence permit for start-up entrepreneurs, Immigrant entrepreneurship, Recruitment of international experts, and Renewal of employment benefit system- which are further discussed below in relevant subsections.

Entrepreneurship-related policies and programmes typically fall under the auspices of the Ministry of Economic Affairs and Employment, the Ministry of Education and Culture, the Ministry of Agriculture and Forestry and the Ministry of Finance. Implementation of policy actions is carried out through several organisations reporting to the ministries on regional and municipal levels. Reorganisations and changes in responsibilities of different actors are anticipated in the near future (i.e. a broad reform of the regional administration) and these may also influence local entrepreneurship policy, including the renewal of Growth services. The reorganisation on its way does not imply new service offerings but rather changes in organising the public services. Policy planning and implementation often involve co-operation between the government, ministries, parliament, and major interest organisations, nationally and within the European Union. In addition, there are some organisations targeted to promote the needs of the special target groups. The Minister of Economic Affairs Mika Lintilä requested the former CEO of Finnish Entrepreneurs Jussi Järventaus and start-up entrepreneur Henrietta Kekäläinen to submit a proposal for Finland’s first national entrepreneurship strategy in October 2018.<sup>8</sup>

In the middle of the governmental period the government made an interim assessment of its achievements in Spring 2017 (Ratkaisujen Suomi...2017<sup>9</sup>). Some “key projects” have progressed well but some initiatives still remain under preparation. In addition, in interim discussions (in April 2017) and budgetary discussions (as of August 2017) of the government, the following measures have been highlighted: updated employment and entrepreneurship packages, the renewal of Business Finland, measures in competence and creative industries, the business transfer project, financing of Travel 4.0 key project and strengthening export support (Härmälä et al., 2017). Based on the recent study on government’s entrepreneurship policy measures (Härmälä et al. 2017) the following target groups for the “Entrepreneurship Package” were identified: immigrants, international experts, those considering entrepreneurship as an option, existing entrepreneurs, students and self-employed and “light

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<sup>7</sup> <http://valtioneuvosto.fi/hallitusohjelman-toteutus/karkihankkeiden-toimintasuunnitelma>

<sup>8</sup> [https://valtioneuvosto.fi/en/article/-/asset\\_publisher/1410877/esitys-suomen-ensimmäiseksi-yrittäjyysstrategiaksi-valmistunut](https://valtioneuvosto.fi/en/article/-/asset_publisher/1410877/esitys-suomen-ensimmäiseksi-yrittäjyysstrategiaksi-valmistunut)

<sup>9</sup> [http://vnk.fi/documents/10616/4610410/Toimintasuunnitelma+H\\_5\\_2017+280417.pdf](http://vnk.fi/documents/10616/4610410/Toimintasuunnitelma+H_5_2017+280417.pdf)

entrepreneurs” (i.e. small businesses that bill customers through a billing service company or a billing co-op). Recently immigrants and international experts have gained more focus in the policy. The most important target group seems to be existing entrepreneurs and particularly those with development, internationalisation and recruiting potential. A comprehensive assessment of inclusiveness in entrepreneurship is missing although some social target groups, such as immigrants, are clearly addressed. For example, one of the “key projects” is on career opportunities for people with partial work abilities, including entrepreneurship. Several proposals were made by the project, including the development of entrepreneurship networks.<sup>10</sup> Overall, Finland tends to apply a generic approach to entrepreneurship policy.

The measures mostly involve sharing of information and strengthening the networks and collaboration needed in entrepreneurship. Another focus is on changing the social security schemes (see 3.2. Government regulations) which attempts to reduce the incentive traps and regulations without offering any extra support but still encouraging and making it easier to step into entrepreneurship. In general, the functioning of the labour markets has been identified as a major obstacle in promoting entrepreneurship (Härmälä et al., 2017) and therefore the social security and related incentives (and incentive traps) are being addressed. In concrete policy measures the needs of the special target groups are often addressed by launching specific projects or targeted programmes for their needs. Consequently, in general the mainstream policy delivery infrastructure, i.e. support agencies, do not necessarily understand the specific needs of the target groups and lack, thus, sensitivity towards the non-mainstream clients.

### **3.2. Government regulations**

The administrative burden of starting a business is generally considered to be moderate. Information on administrative requirements is easily available on the [www.suomi.fi](http://www.suomi.fi) portal. The portal includes relevant information about Finland for citizens, companies and organisations as well as authorities. For companies and organisations the portal offers services and information on: starting a business, being an employer, changes and crisis situations, financing a business and business subsidies, financial management and taxation, responsibilities and obligations, developing the business, product and service design as well as growth and internationalisation, i.e. in fact on all basic needs of a company during its different life phases. The portal also includes various wizards, such as Business planner wizard, Business start-up wizard and Recruitment wizard to support companies. In addition, Enterprise Finland Telephone Service offers information about the public enterprise services in Finland and guidance on starting up your own business. Many of the administrative tasks related to establishing and running a simple business can be taken care of by using the information and tools provided in the portal. Overall, regulations related to the start-up process do not appear to be a barrier for taking up self-employment.

One of the key projects of the government is to streamline business regulations and norms by simplifying licencing and reporting obligations and developing electronic communication to enhance information flow between different public authorities, for example. An example of simplifying licencing is the new Law on Traffic Services (*Laki Liikenteen palveluista*<sup>11</sup>) which opens up the regulated taxi markets. From July 2018 and onwards, the number of drivers and cars are no longer regulated and prices can also alter depending on the markets/situation. The deregulation may provide new self-employment opportunities for immigrants who have been employed as taxi drivers.

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<sup>10</sup> <https://stm.fi/en/career-opportunities-for-people-with-partial-work-ability>

<sup>11</sup> <https://www.finlex.fi/fi/laki/ajantasa/2017/20170320>

Information on business start-up is easily available through the [www.suomi.fi](http://www.suomi.fi) portal and additional sources for information and advice are available for specific target groups of inclusive entrepreneurship. The Women Entrepreneurs of Finland (*Suomen Yrittäjänaiset*<sup>12</sup>) is the industrial association of the Federation of Finnish Enterprises (*Suomen Yrittäjät*<sup>13</sup>) providing support and information for women entrepreneurs. Young entrepreneurs can utilise the peer network “Young Entrepreneurs” that operates as part of the Federation of Finnish Enterprises.<sup>14</sup> Information on start-up is also provided in educational institutions. Unemployed individuals can obtain information on the rules and regulations affecting their benefits status in the case of a start-up from their local TE Offices (i.e. employment and business services). Immigrants who are not fluent in Finnish, Swedish or English (the languages in which [suomi.fi](http://www.suomi.fi) -portal is available) can turn to many public and private organisations that help immigrants to integrate into the Finnish society (e.g. the network of Finnish Enterprise Agencies) but not all such organisations are familiar with start-up practices and entrepreneurship. Dedicated specialist organisation for the persons with disabilities, Vates-foundation<sup>15</sup> rather focuses on promoting employment of persons with disabilities than their self-employment.

There are some relief measures for small businesses in terms of business regulations to lower the threshold of taking up part-time and small-scale entrepreneurial activity, such as relieves in value added tax payments and procedures. The administrative obligations become greater when firms hire employees; the Finnish labour market ranks as one of the most rigid among developed economies (Heritage Foundation, 2016). Therefore, the government has launched initiatives to reduce the thresholds for employment, such as lengthening the trial period of an employee, changing the prerequisites for fixed-term contracts and shortening the period of being obliged to take back employees after lay-offs. Furthermore, incentive traps that may prevent individuals from taking on work or becoming self-employed are gradually being addressed. These are important actions as entrepreneurs from disadvantaged groups are more likely to operate small-scale businesses.

One significant obstacle in labour markets in promoting entrepreneurship among disadvantaged groups is the unemployment benefit regime. The high level and long duration of unemployment benefits increases the opportunity cost of starting a business in two ways. Not only does the aspiring entrepreneur have to exchange the steady income from unemployment benefits to the uncertain income from entrepreneurship, but also in case the business does not succeed, returning to their previous unemployment benefit recipient status is not straightforward, as it requires proof that the business has been shut down completely. To tackle these challenges, the government has changed the regulations so that from the beginning of 2018 an unemployed can start-up a company without losing her/his unemployment benefit during the first four months after starting up a company. The income received from the company will be reconciled with the unemployment benefit so that incomes reduce the amount of benefit. TE Office evaluates whether the unemployed is a full-time or a part-time entrepreneur. Furthermore, a new kind of integrated insurance is under preparation. The new insurance would make it possible to acquire an unemployment insurance which is valid for employment and entrepreneurship at the same time.<sup>16</sup>

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<sup>12</sup> <http://www.yrittajanaiset.com/>

<sup>13</sup> [www.yrittajat.fi](http://www.yrittajat.fi)

<sup>14</sup> <http://www.nuoretyrittajat.fi>

<sup>15</sup> <http://www.vates.fi/>

<sup>16</sup> <https://www.ukko.fi/kevytyrittajan-tyottomyysturva-2018/>

Unemployment benefit can also be used to finance Start-up grant (of which see 3.3.). Furthermore the duration of income-related unemployment benefit has been shortened to reduce the thresholds for employment and start-ups.

For those approaching retirement the pension scheme might create a barrier for engaging in entrepreneurship as the amount of pension is dependent on the income-level in the final years of one's career. This might make it unattractive for seniors to leave employment and become entrepreneurs at this point (Kyrö et al., 2012), as they would not only face the risk to their current but also to their retirement income. The pension scheme has been changed to encourage individuals to work longer with a higher (4.5% instead of 1.5% to 1.9%) accumulation of annual income. The persons with disabilities may also find difficulties in reconciling their social security benefits, pension and entrepreneurial incomes all affecting their livelihood and potentially posing an incentive trap for entrepreneurship. For example, different types of income (i.e. salary and capital income) influence differently on pension and/or other benefits. A general implication of this discussion is that the information on the financial implications of starting a business should be more transparent especially for the disadvantaged groups who often are recipients of different benefits.

The social security of the self-employed is arranged through a mandatory insurance (YEL), which is similar to the social security costs paid by employers for their employees and influences the pension entitlement as well as the level of unemployment coverage, sick leave and parental leave benefits. Some reliefs in YEL-scheme to lower the threshold for entrepreneurship have been made for senior citizens and for those who start their first business.

Especially at the early stages of starting a business or if the activity is intended to remain small-scale, the entrepreneur can avoid all bureaucracy including the social security payments by using an invoicing service.<sup>17</sup> In return for a fee, these services invoice the clients on the entrepreneur's behalf and the entrepreneur receives their income as salary. This makes the threshold for small-scale entrepreneurial activity low.

Since 1 April 2018, immigrants coming to Finland in order to start up a business can apply more flexibly in a timely manner a residence permit, so called growth entrepreneurship permit. In order to get the growth entrepreneurship permit the application needs to be supported by Business Finland which evaluates the international growth potential of the business. Given the positive assessment the residence permit is typically given for two years (Härmälä et al. 2017).

The main challenges in the regulatory environment relate to the rigidity of working life and benefits regime particularly. This has been acknowledged by the government, but addressing this issue is a challenge. This was clearly noticed when the "Activity Model" was launched in the beginning of 2018 and it was criticised by some. The model seeks to "push" unemployed to become active in the labour markets (i.e. to participate to training or work as an employee or an entrepreneur) or alternatively to face a reduction in their benefits. It is noteworthy that the requirement of having been active can also be fulfilled based on the income from entrepreneurship (Härmälä et al., 2017).

The ambiguity and complexity of the benefits regime is a challenge for all, but especially for people who run very small businesses such as those in under-represented and disadvantaged groups. It can be difficult for an individual to know when it pays for them to derive self-employed income and when they would be better off as a benefits recipient. The recent changes have clarified the system particularly from the point of view of self-employed and so-called "light" entrepreneurship by making it easier to anticipate the implications from the individual unemployment benefit point of view and, thus, they

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<sup>17</sup> See for example [ukko.fi](http://ukko.fi) or [eezy.fi](http://eezy.fi).

encourage to entrepreneurship (Härmälä et al., 2017). However, the social benefits regime could be further simplified and pointed to a need to ensure that all forms of employment, including self-employment, are always preferable to the benefits-recipient status. This is particularly highlighted among the disadvantaged groups.

### 3.3. Financing entrepreneurship

Several institutions provide grants, loans, and guarantees for new business start-ups with different emphasis in their finance provision for entrepreneurs. These include the TE Offices that focus on labour market policy; ELY Centres that concentrate on regional policy; the financing company Finnvera and Business Finland.<sup>18</sup> Business Finland was created on 1 January 2018 by the merger of two organisations: Finpro, which offered services for internationalisation, investments and tourism promotion, and Tekes (Finnish Funding Agency for Innovation), which offered funding for innovation activities. The remit of Business Finland is to develop Finland to be the most attractive and competitive innovation environment in which companies are able to grow, change, and succeed. This is done by supporting companies to go global and funding innovations.

The most important grant scheme from the perspective of inclusive entrepreneurship is the Start-up Grant. Issued by the TE Offices, the grant is designed to provide a new entrepreneur with a regular and secure income during the time that getting the business up and running is estimated to take – for a maximum of 12 months. The recipients of the grant report that the grant accelerated the establishment of entrepreneurial activities and provided them with encouragement from the government. The greatest impact was reported among women and those with modest prior experience in entrepreneurship or industry indicating that the grant may compensate the lack of individual networks (Stenholm and Aaltonen, 2012; OECD, 2016). Although eligibility for the grant is not dependent on the labour market status, it is intended for full-time entrepreneurship such that grant recipients cannot draw a salary or any other type of benefit at the same time. Therefore, retired individuals and persons with disabilities receiving pension are not eligible for these grants, but they can use their pension to secure a base income when starting a business. Furthermore, Start-up Grant scheme contains features that can be disadvantageous to some social target groups. For example, certain professions that are typical amongst self-employed women (e.g. hairdressing) tend not to be given start-up grants because the public authorities want to avoid displacing others in the local market.

The ELY Centres offer grants for significant investments that are meant to support the growth and renewal of small and medium-sized enterprises. They also offer specific support for entrepreneurial activity in the rural areas where labour market opportunities are more scarce in general. In all, it has been acknowledged that a wide system of enterprise subsidies needs to be streamlined and considered in Finland. A parliamentary working group assigned for the task submitted its report on April 2018 but could only agree upon the need to further develop the system. The working group could not agree upon how to do this (i.e. no consensus on the importance and impact of various subsidies).<sup>19</sup>

Banks are the major financiers of the Finnish small businesses and entrepreneurs. Access to finance is not considered to be a significant problem for most entrepreneurs since the sources of finance have become more multifaceted (Pk-yritysbarometri, 2018). In general, the banking industry in Finland is in a good shape and capable of financing viable business although the terms of finance (i.e. credit marginal, requirement for collateral, own equity and quality requirements in general) particularly for small and medium-sized companies have become stricter. This reflects the tightened EU regulations which pose

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<sup>18</sup> [www.businessfinland.fi](http://www.businessfinland.fi)

<sup>19</sup> [http://tem.fi/artikkeli/-/asset\\_publisher/yritystukityoryhman-loppuraportti-luovutettu](http://tem.fi/artikkeli/-/asset_publisher/yritystukityoryhman-loppuraportti-luovutettu)

constraints to bank's risk appetite and, thus, influence negatively on banks' capabilities to finance small businesses. In such cases public risk financiers, such as Finnvera, may pack-up and share the risk with banks by offering guarantees (usually 50%) for loans increasing, thus, state's liabilities. Finnvera continues to be a complementary financier for SMEs: more than 20% of SMEs turn to Finnvera when planning to acquire finance. The share is higher among internationalising (30%) and growth-oriented (35%) SMEs (Pk-yritysbarometri, 2018). For those who face difficulties accessing bank loans (e.g. the unemployed, youth and migrants without financial assets or collateral), Finnvera offers junior loans with the condition that the applicant presents a viable business plan that meets Finnvera's funding criteria. Finnish companies have also found well the European Fund for Strategic Investments (EPSI-financing) as its share on population is highest among European countries (PK-yritysbarometri: rahoituksen näkymät, 2018).

The Finnish business environment provides several platforms for crowdfunding and business angel investments and the new legislation is expected to encourage the establishment of such new services. In addition, a Crowdfunding Act came into force in July 2016 with an aim to clarify the responsibilities of various authorities in the supervision of crowdfunding, improving investor protection and diversifying the financial markets. Crowdfunding is volume-wise the largest form of collaborative economy<sup>20</sup> in Finland due to a significant value of individual transactions and this is anticipated to be the case also in the future with a volume of roughly EUR 500 million by 2020 (PwC, 2017).

Overall, the availability of start-up financing is not considered to be a major problem. This is reflected in the recent survey results. According to the Eurobarometer (European Commission, 2013), only 4% of respondents in Finland mention the lack of capital or financial resources as an obstacle for starting a business. Compared to the EU average of 21%, this is very low. Although the credit policies of the financiers have become stricter in general access to finance is considered sufficient. Furthermore, international studies suggest that the disadvantaged groups may face discrimination based on e.g. their gender or race in start-up financing (Henderson et al., 2015).

In addition, despite the recent government actions to facilitate more versatile and abundant financing opportunities for start-ups, none of the existing crowdfunding platforms or business angel services are tailored to the needs of the inclusive entrepreneurship target groups. This implies that there is not necessarily enough understanding of the special needs of the target groups among the financiers and public officers to secure a holistic advice and service. There are also no policy schemes that would support investments in enterprises run by members of under-represented or disadvantaged groups as they are not explicitly focused on. The policies highlight the role of entrepreneurship, but with special focus on growth and innovation on one hand and on labour market renewal on the other hand, but not explicitly on the social target groups.

### **3.4. Entrepreneurship skills**

In international comparison (GEI-data in Autio, 2017) on entrepreneurial ecosystems Finland shows weaknesses in entrepreneurial abilities. Finland, thus, lags behind in attracting quality human capital to flow into new ventures despite relatively high education level of the country. Furthermore, during 2017 and 2018 the economic cycle in Finland has improved considerably and already 18% of SMEs report difficulties in finding competent staff as a major obstacle for hiring new employees (Pk-yritysbarometri, 2018). There are several measures to support start-up entrepreneurs and existing companies to find and develop needed skills.

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<sup>20</sup> The following forms/activities were included in the study: accommodation, transport, household and small tasks, professional services and crowdfunding.

In addition to the suomi.fi portal mentioned in section 3.2., TE Offices and ELY Centres offer entrepreneurship and business development training, consultancy and advisory services in Finland. There are also public coaching and mentoring services that are offered to the whole population through the TE Offices. As a part of the government's Entrepreneurship package 13 ELY Centres and TE Offices launched a tailor-made service package for self-employed, "From self-employed to employer" with an aim to lower their threshold to recruit the first employee. During the experiment a self-employed is provided with basic abilities to recruit and act as an employer. The service providers have been acquired through competitive tendering and the services include personal guidance and national level communication of the services with an aim to provide entrepreneurs with better competences for growing the business. The project is co-ordinated by Uusimaa ELY Centre and TE Office and it will end at the end of 2018 (Härmälä et al., 2017). Furthermore a nation-wide growth service is still under construction to support entrepreneurship as a part of the regional restructuring of administration (see 3.1.)

Innovation vouchers and the innovation bank are measures that aim at promoting innovation activities in SMEs. Both measures are generic and not especially targeted to disadvantaged. Innovation voucher (worth of EUR 5000 + VAT) can be used to purchase services to e.g. developing product and service strategies, preparing development projects, testing and measuring innovations and feasibility studies. The innovation voucher project implemented by Business Finland will continue at least until the end of 2019. Innovation bank aims at supporting business growth and development as well as new business creation through promoting collaboration between higher education institutions, research institutions and businesses (Härmälä et al., 2017).

In addition to the generic services, there are also specific training and advisory services available for some of the inclusive entrepreneurship target groups. For women the Entrepreneurs of Finland (*Suomen Yrittäjänaiset*) provide legal and economic advice and networks for women entrepreneurs.

The Junior Achievement Finland (*Nuori Yrittäjyys ry*) initiative, for example, provides entrepreneurship education programmes for 7 to 25 year-olds through schools, colleges and universities allowing young individuals to gain experience from running a business and for some, a smooth transition from an educational project to real business ownership. Some educational institutions have an important role in entrepreneurship ecosystems: for example at Aalto University and University of Turku, where the ecosystem comprises, among others, formal and extracurricular training in entrepreneurship; a student-run entrepreneurship association including an incubator (Start-up Sauna or Start-up Journey). Business incubators for more advanced business ideas are an integral part of ecosystem and, indeed, business incubators across the country are usually situated in the vicinity of universities. Furthermore, workshops for young entrepreneurs (*Nuorten yrittäjyyspaja*) – including business advice, mentoring, training and start-up grant were launched in 2017 to support entrepreneurship among the youth. The workshops are run by *Suomen Yrittäjäopisto*<sup>21</sup> and organised regionally in collaboration with TE Offices. The programme is available for young people (below 30 years old) who are unemployed or face a threat of becoming unemployed, interested in and motivated to start planning one's own business or to continue existing business through business transfer, or willing to find new ways to "productise" one's competences.

The public employment and business services (TE Services) provide "labour market training" targeted especially at the unemployed. This training includes a short introduction to entrepreneurship. The TE Services also have the responsibility for supporting the employment of migrants and people with disabilities, including provision of entrepreneurship training. Special training courses and projects

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<sup>21</sup> <https://www.syo.fi/>

engaging special target groups to employment and entrepreneurship are usually organised by related associations. It is important that the dedicated organisations and the mainstream business support system communicate on their offerings and services in order to provide a more holistic service for the target groups particularly in terms of entrepreneurship.

Immigrants willing the start-up a business have access to the nation-wide support system consisting of services targeted to immigrants (integration services) as well as services for start-up entrepreneurs and businesses and for job seekers (Aaltonen et al., 2015). The public offering is plentiful and not easy for an immigrant to picture. The “Entrepreneurship Package” targets the immigrants and aims to identify the entrepreneurial potential of immigrants and to channel their expertise, networks and innovation potential to support growth and internationalisation of Finnish companies. To reach the aim it is important to secure that business ecosystems, innovation platforms and labour markets are equally open to immigrants and encourage them to entrepreneurship. The main measures of which the Ministry of Employment and the Economy is responsible for include: strengthening the service offerings for immigrants as part of TE-services and Suomi.fi portal, increasing entrepreneurship education provided in English across Finland, offering models for self-employment to immigrants (e.g. sharing economy and light entrepreneurship), raising the awareness of innovation platforms and start-up societies among immigrants, and growth through international experts –agenda/programme (Härmälä et al., 2017).

In the wake of the recent influx of asylum seekers into Finland,<sup>22</sup> initiatives have been launched to provide entrepreneurship training, coaching and incubators for this group (e.g. Shortcut<sup>23</sup>, StartUp Refugees<sup>24</sup>, NewCoHelsinki<sup>25</sup>, Talent Tampere<sup>26</sup>). The initiatives include the recognition of entrepreneurial potential among immigrants and presentation of entrepreneurship as an option. Collaboration between the initiatives and enterprise associations, businesses and business support organisations needs to be encouraged as there is a clear need to integrate the immigrants to local people and businesses rather than to their immigrant peers. In addition, the need to familiarise oneself to local culture and routines is also of importance. Language may impose a barrier particularly to those not fluent in official languages and English (Aaltonen et al., 2015; Yijälä and Nyman, 2017). Language skills are emphasised by immigrant entrepreneurs as it is associated often with building trust and credibility, particularly in service sector and smaller towns (Aaltonen and Akola, 2018). It has been acknowledged that immigrants diversify the Finnish entrepreneurial landscape and bring new dynamics and capabilities (Aaltonen et al., 2015) – the impact starts making difference gradually as during the 21<sup>st</sup> century the number of entrepreneurs with immigrant origin has more than tripled (OSF, 2017). Furthermore, it has been recognised that particularly educated immigrants can be an asset for SMEs intending to enter the international markets. The Talent Boost – Growth through international experts programme – aims at tempting international talent to Finland to support internationalisation and growth of Finnish companies. The programme is a cross-sectoral joint venture of the Government (Härmälä et al., 2017)

Similarly, the persons with disabilities have an access to the nation-wide support system. In addition, due to the benefit schemes based on their impairment they approach related public authorities regularly. The integration of benefit schemes and pensions and start-up financing is a challenge. Other challenges that need to be addressed in targeted support projects are collaboration with those who do

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<sup>22</sup> In 2015 Finland received over 32 000 asylum seekers which is almost 10 times more than before (Jauhiainen, 2017) but the amount of asylum seekers has lately reduced from the top level.

<sup>23</sup> <http://theshortcut.org/>

<sup>24</sup> <https://startuprefugees.com/>

<sup>25</sup> <https://newcohelsinki.fi/fi/startup-palvelut/>

<sup>26</sup> <https://talent tampere.fi/>

not have a disability, provision of entrepreneurial role models with impairments and provision of holistic (not only business competence) support for entrepreneurship. Finally, access to physical aids and supporting persons are crucial in promoting entrepreneurship of persons with disabilities. Easy physical accessibility to support agencies needs also to be secured. These issues have been raised in the recent report prepared for the government (Niemelä et al., 2017) and the preparations for their implementation are under discussion. For example, Enterprising! (*Yritystä!*<sup>27</sup>) project (in 2016-18) promotes entrepreneurship and well-being among the persons with disabilities. The project is run by The Finnish Association of People with Physical Disabilities (Invalidiliitto) in close collaboration with other related associations, including Vates and Federation of Finnish Enterprises in several major towns. Enterprising! –project funded by RAY (*Raha-automaattiyhdistys* within Veikkaus [Lottery] Finland) offers potential entrepreneurs with disabilities individual support, counselling and networks.

In all, the entrepreneurship skills support offered is typically of very good quality. However, the challenge faced by potential entrepreneurs from under-represented and disadvantaged groups is that they are often unaware of the available initiatives and how to access them. In addition, their business networks usually need to be widened in order to get support from the peer entrepreneurs. Furthermore, the mainstream support agencies are not necessarily well aware of the special needs of the target groups. One way to improve the dissemination of information and strengthen the existing networks among the under-represented and disadvantaged groups could be to increase co-operation with the associations that represent and organisations that operate with the disadvantaged groups. Those organisations may not have the skills and expertise to provide entrepreneurial training themselves but they have the advantage of being acquainted with the needs of their members. Furthermore, some targeted support organisations may not necessarily be geared towards entrepreneurship but rather becoming employed in the labour markets.

### 3.5. Entrepreneurial culture and social capital

Finland has improved in entrepreneurship culture over the last years. The general attitude is that entrepreneurship is a valid career option, and the political climate is very favourable to entrepreneurship. In international comparison (GEI-data in Autio, 2017) on entrepreneurial ecosystems Finland shows strengths in entrepreneurial attitudes but weaknesses in entrepreneurial aspirations. Successful entrepreneurs are highly valued and media attention for entrepreneurship is good (Suomalainen et al., 2016). Similarly the government highlights the role of entrepreneurship in boosting economic development. However, none of the key measures of the “Entrepreneurship Package” aim to support entrepreneurship culture *per se* although many likely implicitly have such effects. Particularly the measures promoting entrepreneurship among immigrants evidently influence entrepreneurship culture in Finland. Similarly innovation voucher and innovation bank may enhance innovation culture in a longer run (Härmälä et al., 2017).

The educational system at all levels forms an important backbone for nurturing the entrepreneurial culture. These measures are naturally targeted to boost entrepreneurial culture and minds-sets mainly among the youth. Educational institutions implement entrepreneurship courses, projects and activities and integrate them even in the curriculum. Recently entrepreneurship has been given more ground also in universities and several universities have given a special emphasis on it even in their strategies. For example the University of Turku strengthens its profile as an Entrepreneurial University<sup>28</sup> and enhances entrepreneurial attitudes, behaviour, and culture across the entire university (students and staff in all faculties) and its various activities and stakeholders. Furthermore, the events like Slush and Shift raise

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<sup>27</sup> <http://www.yritystä.fi/>

<sup>28</sup> <http://www.yrittäjyysyliopisto.fi/>

entrepreneurship awareness among young particularly but also among wider audience. Education institutions as a part of entrepreneurship ecosystem collaborate with other actors to help the students to build social capital. Consequently, students have generally positive attitudes towards entrepreneurship and the media has actively showcased stories of successful high-growth enterprises that have been established by young entrepreneurs. Despite positive attitudes and appreciation of entrepreneurship and all the favourable developments the entrepreneurial rate remains modest (OECD 2017). The culture of employment sits tight in the Finnish society where the waged and salaried employment still remains a norm.

There are organisations for the social target groups organising events and offering opportunities for networking as described earlier. Growth entrepreneurs particularly are showcased in the media, but it may be hard for the disadvantaged to associate them with highly successful entrepreneurs. Studies suggest that it is important to get peer influence on entrepreneurship, i.e. relevant role models with which to associate and to gain entrepreneurial experience (Markussen and Røed, 2017). The awareness of disadvantaged groups becoming entrepreneurs remains low, as there are not many role models. This is particularly visible in case of entrepreneurs with disabilities. On the other hand, immigrant entrepreneurs are better showcased in the media. Attention to immigrant entrepreneurs also in the policy arena has increased due to the recent growth in the number of asylum seekers resulting to measures of the government to better exploit the potential immigrants can offer to the growth and internationalisation of Finnish business.

Entrepreneurship is gradually shedding its “heroic” image. For the disadvantaged groups particularly it is important that entrepreneurship is considered accessible and something reserved for certain types of persons only. The notion of entrepreneurship becomes more mundane when more individuals have natural collaboration with them. Therefore creating boundary breaking networks for exchanging experience is of importance. In addition to offering positive examples and success stories of specific individuals (role models and live cases within the target group) that have succeeded as entrepreneurs, networks allow sharing experiences on the everyday life as an entrepreneur. They can also directly contribute to increasing the level of entrepreneurship by offering opportunities for team start-ups. Recent studies among the social target groups highlight the importance of networking with general population (e.g. Finnish-born entrepreneurs for immigrants) than solely amongst the peers (Aaltonen et al., 2015; Niemelä et al., 2017). The observation highlights the importance of not only focusing on providing tailored services and special care for the disadvantaged groups but also focusing on integrating them tightly into the wider entrepreneurial ecosystem.

## 4. OVERVIEW OF WOMEN'S ENTREPRENEURSHIP

### 4.1. Barriers to entrepreneurship

For a long time, roughly a third of entrepreneurs are women in Finland. Although the rate of self-employment among Finnish women is at a reasonable level among the European economies, it is surprisingly low given the almost non-existent gap in women's labour market participation in comparison to men. The situation and challenges in women's business creation in Finland reflects very much the situation in other European countries (OECD/EU, 2017). Also women entrepreneurs tend to operate smaller businesses, in different sectors than men (dominance of wholesale and retail trade and services, particularly health and social work) with more modest growth and employment potential (Terveyden ja hyvinvoinnin laitos, 2018). However, they are more likely to have innovative product and service offerings to the markets than men and the survival rate of their businesses equal to men. In Finland, Tervo and Haapanen (2007) found that factors behind women's entrepreneurship are different from men's and they do not relate to differing characteristics between the genders but rather on the different behaviours. They argue that women are more motivated by non-financial motives towards entrepreneurship whereas men more easily turn into entrepreneurship as a means of (self-)employment.

Women entrepreneurs are challenged by unsupportive, "masculine" entrepreneurship culture which is further emphasised due to segregated labour markets in Finland. In general, Finland lacks behind its competitors in skilful human capital flowing into new ventures (Autio, 2017). This is highlighted among women as they tend to perceive lacking entrepreneurial skills and networks. In Finland, women perceive having relatively good and equal access to entrepreneurship training but their perceptions of their access to finance is at lower level than men's (OECD/EU, 2017).

Similarly to other European countries family and social security policies impact on the costs and feasibility of women entrepreneurship. In Finland, women have a long history of work and employment and a dual breadwinner career model (i.e. a full-time employment model of both parents) has been widely accepted. Social security premises (including parental leaves and allowances as well as public and private childcare) for being a working mother in Finland are among the best in the world, but they are considered to be more supportive to employment than to entrepreneurship. Furthermore, Finnish labour markets are strongly segregated by gender guiding also women's entrepreneurial careers: Women entrepreneurs are typically active in service sectors and men in construction (Huhta and Pasila, 2013) posing extra costs to women-dominated businesses.

### 4.2. Brief overview of the main entrepreneurship policies and programmes

As described in the assessment of current and planned inclusive entrepreneurship policies and programmes (see Chapter 3) the Finnish entrepreneurship policy follows a generic approach implying that currently no specific governmental programme or emphasis are given to women entrepreneurship. The situation was different about 10 years ago when promoting women entrepreneurship was included in the Government programme. This was reflected in several national or international policy reports focusing on women entrepreneurs and innovators.<sup>29</sup> Several initiatives, such as InnoLady Camp (2012-13) and Development of women entrepreneurship and education by the Centre for Women

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<sup>29</sup> e.g. Naisyrittäjyys – Nykytilanne ja toimenpide-ehdotukset (2005), Evaluation of policy: Promotion of women innovators and entrepreneurship (2008), The European network to promote women's entrepreneurship... (2008).

Entrepreneurship (*Naisyrittäjyyskeskus*<sup>30</sup>) (2013-14) guided women towards entrepreneurship but did not remain sustainable measures in a long-run. Similarly, some targeted instruments for women entrepreneurs existed, such as a micro-credit programme for female entrepreneurs by Finnvera, which was abolished as a separate product in the end of 2012. This does not imply that women entrepreneurs were not targeted anymore, but rather that the offerings for women entrepreneurs are streamlined and served via the mainstream system.

Basically all the entrepreneurship policy measures offered by the mainstream policy infrastructure are also available for women entrepreneurs. In addition, there is a specialised lobbying organization the Women Entrepreneurs of Finland (*Suomen Yrittäjänaiset*<sup>31</sup>), an industrial association of the Federation of Finnish Enterprises (*Suomen Yrittäjät*<sup>32</sup>), which provides support, networks, peer-mentoring, information and events for women entrepreneurs locally and nationally through its roughly 70 local associations and 6 200 members. Their lobbying touches upon topics, which challenge women entrepreneurs particularly, such as social security. Furthermore, different educational institutions around the country organise targeted programmes for women entrepreneurs on an *ad-hoc* basis.

Indeed, a major issue for women entrepreneurs is costs related to parental leave.<sup>33</sup> These are a bigger problem for female entrepreneurs than for men, because women typically operate in the service sector and hire other women. To promote equal treatment and employment of women in labour markets as well as employment and growth in sectors dominated by women, the government has launched several measures. Since April 2017 mother's employer is entitled for a fixed one-time state subsidy of EUR 2 500 to equalise the maternity and parental leave costs between the employers of both parents.<sup>34</sup> The subsidy is financed through the insurance for income for work (*työtulovakuutus*) which is paid by employers. Furthermore, the fees for early childhood education have been reduced in the beginning of 2018. The aim has been to increase the participation of children in early childhood education and, thus, support child's development and prevent exclusion<sup>35</sup> but it likely also lowers the threshold to enter to work or entrepreneurship.

The topic of women networks in business has been widely discussed and several private initiatives to boost women's executive business positions and entrepreneurship have been active already for years.<sup>36</sup> Such initiatives provide role models and understanding of business women in general. Although these do not address new business creation or entrepreneurship among women *per se* they provide role models and cultural and attitudinal ground for women entrepreneurship in the Finnish society.

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<sup>30</sup> <http://naisyrittajyyskeskus.fi/>

<sup>31</sup> <http://www.yrittajanaiset.com/>

<sup>32</sup> [www.yrittajat.fi](http://www.yrittajat.fi)

<sup>33</sup> <http://www.yrittajanaiset.com/index.php?k=3979>

<sup>34</sup> <http://valtioneuvosto.fi/hallitusohjelman-toteutus/karkihankkeiden-toimintasuunnitelma>

<sup>35</sup> [http://minedu.fi/artikkeli/-/asset\\_publisher/varhaiskasvatuksen-asiakasmaksut-alenevat-ensi-vuonna](http://minedu.fi/artikkeli/-/asset_publisher/varhaiskasvatuksen-asiakasmaksut-alenevat-ensi-vuonna)

<sup>36</sup> For example, women decision makers, listing and events of Talouselämä, business magazine, women leaders programme and related study by the Finnish Chamber of Commerce.

## 5. POLICY RECOMMENDATIONS

The Finnish environment is generally supportive of entrepreneurship. Business start-up information is plentiful, the regulatory burden related to business start-up and registration is low, financing is available for entrepreneurs, and training is available for those who want it. Entrepreneurs from under-represented and disadvantaged groups (i.e. youth, older people, women, people with disabilities and migrants) can access and benefit from this mainstream infrastructure alongside with the general population although they are not necessarily well aware of the offerings. Hence, despite the lack of particular policies for inclusive entrepreneurship all the relevant elements are there to support business creation and self-employment among people in under-represented and disadvantaged groups. However, there are, a number of policy actions that can be taken to improve support for the social target groups to make it more accessible and effective for them:

1. *Introduce more flexibility in the social security, unemployment and pension schemes so that it is easier to enter self-employment and create new business without being afraid of losing a base income of any kind when starting a business.* This is highlighted and valid for promoting entrepreneurship in Finland in general, but particularly for unemployed and persons with disabilities. The social security scheme is considered complex, insufficient and hard to anticipate from the individual point of view (Härmälä et al., 2017). The blurring boundaries between waged work entrepreneurship emphasise the need to be able to flexibly move between entrepreneurship and waged work of different forms so that it is always more profitable to work than stay on benefits. This implies also identifying and abolishing different kinds of “incentive gaps” prohibiting employment of any kind. Technically the real-time income register (currently in planning phase) would allow such assessments in the future. The measures taken to tackle these challenges are in the right track but not yet enough. It is noteworthy that these changes are tied in more general challenges of increasing labour market dynamism (e.g. through changes in labour legislation, local negotiations and other related changes traditionally negotiated in tri-partite agreements). Furthermore, a flexible benefits system would facilitate a lower threshold for exploring entrepreneurship, which would allow people to gain valuable business experience. Also GEI-data suggests that entrepreneurial experiments need to be further encouraged (Autio, 2017) as prior engagement in entrepreneurship has been clearly shown to affect the intentions and skills to running one’s own business.
2. *Increase entrepreneurship awareness and promotion of entrepreneurship among all social target groups with targeted messages.* The predominantly youth-oriented enterprise discourse will likely be off-putting to older individuals, discouraging them from seizing entrepreneurial opportunities. Similarly, persons with disabilities find it hard to associate with (heroic) entrepreneurship role models and even general public and business advisors do not necessarily consider entrepreneurship as a relevant choice for them. However, there are many successful entrepreneurs in different social target groups and their example should be better communicated to influence attitudes related to entrepreneurship in respective target groups. In all, it is suggested to offer targeted messages for the social target groups and the related associations and agencies in order to increase awareness and attractiveness of entrepreneurship among them.
3. *Strengthen communication and collaboration between public support agencies for entrepreneurship and employment and private/third sector organisations and projects dealing with the social target groups.* It seems that the targeted organisations understand and are

sensitive towards the needs of the related target group but they are not that inclined to guide their customers towards entrepreneurial careers. On the other hand, business support system has expertise in supporting their customers to start-up a business but does not necessarily recognise the potential and special needs of the target groups (e.g. persons with disabilities or immigrants). Furthermore, it is important that public services for job seekers offered by TE Offices also systematically refer to entrepreneurship as an option when promoting employment among social target groups. In addition, collaboration with local associations of entrepreneurs is an asset that could be better exploited. A concrete policy action is to actively promote collaboration with mainstream support organisations and organisations for special support for the target groups to secure the sensitivity of the target group needs within the system on one hand and understanding and promotion of entrepreneurship among the target group associations on the other. Such measures likely improve the pre-requisites (e.g. skills and competences) of entrepreneurial individuals of the disadvantaged groups to enter into entrepreneurship.

4. *Streamline entrepreneurship support for the unemployed and increase the sensitivity towards target group needs within the mainstream support system.* Streamlining the entrepreneurship support offerings for the unemployed is needed to remove overlaps and ambiguous allocation of responsibilities for entrepreneurship-related services (e.g. TE Offices, ELY Centres and regional business service centres, i.e. *seudulliset yrityspalvelut*). Referrals between the actors (including third sector/private actors, see above) should also be promoted. Numerous actors cause variation in the interpretation of the regulations and regional differences in the availability of start-up services. In addition, it is still unclear how the regional reform of administration under its way influences the provision of Growth services. It should be ensured that entrepreneurship is actively presented as an option to the unemployed but also to other social target groups indicating that the outreach of various entrepreneurship initiatives needs to be improved among the social target groups. Moreover, opportunities to take over existing businesses should be encouraged and advertised together with job vacancies by exploiting the existing business transfer registers, for example.
5. *Promote entrepreneurial ecosystems that develop entrepreneurial networks, actors and actions in collaboration with municipalities, towns and regions.* It is highlighted that companies of all types and sizes and irrespective of their growth ambitions are beneficial for the society (Morris et al., 2015). Therefore it is important to provide favourable conditions to any companies and entrepreneurs. Given the nature of the digital economy it is important to support value co-creation in ecosystem interactions. Vivid entrepreneurial ecosystem strengthens and diversifies service offerings within the mainstream infrastructure and as such benefits also the disadvantaged groups without special offerings.

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## ANNEX: METHODOLOGY

Each note was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with key stakeholders and government representatives. The information was then verified by government partners, programme managers and other inclusive entrepreneurship stakeholder groups through email exchanges and one-day seminars in selected countries.

The notes are based on an assessment framework that was developed by the OECD Secretariat. The assessment framework provided a common analytical framework and report structure for the 28 notes that are in this series.

The framework contains five pillars:

### 1. Policy framework

- Is there an entrepreneurship strategy or action plan that explicitly covers the promotion and support of entrepreneurship for people in under-represented and disadvantaged groups?
- Is there a mechanism for co-ordinating inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations?
- Is there a systematic monitoring and evaluation process for the policies, programmes and schemes that promote and support entrepreneurship for people in under-represented and disadvantaged groups?

### 2. Government regulations

- To what extent are entrepreneurs from under-represented and disadvantaged groups treated equally with employees by social security schemes?
- Do measures exist that temporarily cover the loss of state income supports (e.g. unemployment benefits, disability allowances) for entrepreneurs amongst under-represented and disadvantaged groups when they start a business?
- Do measures exist to support under-represented and disadvantaged entrepreneurs in dealing with administrative procedures for entrepreneurship amongst under-represented and disadvantaged groups (e.g. information provision, support with administrative requirements)?
- Are there any entrepreneurship policy initiatives or schemes to address group-specific institutional challenges related to dependents (e.g. childcare, eldercare)?

### 3. Financing entrepreneurship

- Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?

- Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?
  - Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?
  - Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?
- 4. Entrepreneurship skills**
- Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
  - Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
  - Are there public initiatives that provide information on available support programmes or on business start-up procedures for entrepreneurs from under-represented and disadvantaged groups?
  - Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
  - Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?
- 5. Entrepreneurial culture and social capital**
- Is entrepreneurship actively promoted as an employment opportunity amongst under-represented and disadvantaged groups through the education system, media, role models, etc.?
  - Are there public policy actions that attempt to build specific business networks for entrepreneurs amongst under-represented and disadvantaged groups?

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