The Missing Entrepreneurs 2014

POLICIES FOR INCLUSIVE ENTREPRENEURSHIP IN EUROPE

OECD

European Commission

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ENTREPRENEURSHIP
IN EUROPE

OECD
BETTER POLICIES FOR BETTER LIVES

European Commission

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Please cite this publication as:
OECD/The European Commission (2014), *The Missing Entrepreneurs: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing.
http://dx.doi.org/10.1787/9789264213593-en

ISBN 978-92-64-21357-9 (print)
ISBN 978-92-64-21359-3 (PDF)

European Commission
ISBN 978-92-79-38532-2 (print)
ISBN 978-92-79-38529-2 (PDF)

Catalogue number
KE-02-14-710-EN-C (print)
KE-02-14-710-EN-N (PDF)

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Preface

The global economy is expected to strengthen over the next few years and regain its former growth trend. However, the crisis has left a number of major economic and social challenges, including persistent unemployment and growing inequalities. Nearly 26 million people in the European Union (EU25) were unemployed at the end of 2013, of which 12.6 million had been unemployed for more than one year. Moreover, one-quarter of the EU25 population is at risk of falling into poverty.

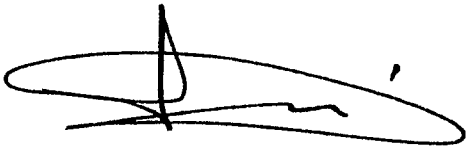
The time for action is now. We need policies that spur growth but at the same time create opportunities for all, ensuring that the benefits of economic activity are broadly shared so that living standards improve for all segments of the population, including the young, the women, the old, the poor and the migrants. The good news is policy makers can now switch focus from avoiding disaster to addressing these challenges.

This book examines the role that entrepreneurship can play as a conduit for inclusiveness, particularly within the European Union. It paints a picture of the scale and scope of self-employment and entrepreneurship activities by groups that are disadvantaged or under-represented in these activities and the labour market. The book also examines barriers and provides guidance for policy makers on how these barriers can be overcome, focusing on business creation by the unemployed, ethnic minority entrepreneurship, the design of business development services and making social security systems friendly to entrepreneurship and self-employment.

The key message of this book is that policy makers can make a difference, in terms of both increasing the quantity of businesses created by people from population groups that are disadvantaged and under-represented in entrepreneurship and increasing the quality of their business activities. There are many examples of public programmes that successfully supported disadvantaged individuals in creating sustainable businesses for themselves. Key factors in their success include setting down clear and specific objectives for the policy support in terms of addressing the barriers to entrepreneurship that each group faces and ensuring that the target clients are aware of the support that exists and able to access it easily.

Despite the examples of success, expectations must be kept in check. Entrepreneurship is not a suitable activity for everybody. It is also not a panacea for the unemployment challenge that the European Union countries face. But the costs of doing nothing are extraordinarily high.

I would like to thank the European Commission for partnering with the OECD on this important work programme and hope that policy makers at the national, regional and local levels use the policy advice in this book while they are designing and delivering actions to promote and support inclusive entrepreneurship.



Sergio Arzeni, Director,
Centre for Entrepreneurship, SMEs and Local Development,
Organisation for Economic Co-operation and Development

Promoting a climate of entrepreneurship is essential in terms of job creation. It is a means to respond to the current employment crisis and to fight social exclusion. The impact of the global financial and economic crisis calls for giving entrepreneurship and self-employment a stronger role in economic and social development policies.

The European Commission has a long history of supporting entrepreneurship and it is a key element of the Europe 2020 Strategy. More recently, the Entrepreneurship 2020 Action Plan outlines a blueprint for decisive action to unleash Europe's entrepreneurial potential, to remove existing obstacles and to revolutionise the culture of entrepreneurship in Europe. An important element of this plan is to support entrepreneurship and self-employment among those who are vulnerable to social exclusion. This inclusive entrepreneurship approach is not sufficiently addressed in Europe.

The European Social Fund is an important tool that policy makers can use to support inclusive entrepreneurship actions. The European Social Fund supports people who want to start their own companies and be self-employed, and this priority remains true today. In the new programming period 2014-20, the Commission has encouraged member states and regions to include targeted inclusive entrepreneurship actions in their operational programmes under the investment priority "Self-employment, entrepreneurship and business creation".

This book, produced in partnership with the OECD, provides an evidence base and a source of inspiration for policy makers. I encourage them to use the policy guidance and examples in this book to develop schemes to support inclusive entrepreneurship.

Michel Servoz, Director-General,
Directorate General for Employment, Social Affairs and Inclusion,
European Commission

Acknowledgements

This is the second report from an on-going collaboration on inclusive entrepreneurship policies in Europe between the Local Economic and Employment Development (LEED) Programme in the Centre for Entrepreneurship, SMEs and Local Development of the OECD and the Directorate General for Employment, Social Affairs and Inclusion of the European Commission.

The report was prepared and edited under the direction of Jonathan Potter, Senior Economist at the OECD Centre for Entrepreneurship, SMEs and Local Development. He was supported by David Halabisky, Economist in the LEED Division of the OECD, who undertook substantial drafting and editing and co-ordinated the written inputs from contributors.

Material was drafted by the following OECD Secretariat members and external experts: Marco Goli, Francis Greene, David Halabisky, Jonathan Potter, Shahamak Rezaei, Jacqueline Snijders, Stuart Thompson, Amber van der Graaf and Karl Wennberg. Additional inputs were prepared by Sergio Destefanis, Heike Grimm, Giuseppe Lubrano Lavadera and Nadine Levratto.

The report benefited from comments and inputs from the European Commission, Directorate General for Employment, Social Affairs and Inclusion. Key contributions were made by Ciprian Alionescu, Anastasios Bisopoulos, Laura Catana, Marco Fantini, Katarina Lindahl, Andrea Maier, Frédéric Merméty, Michal Petrik, Isabelle Prondzynski and Filip Tanay. The OECD established a steering group to guide the publication made up of Carin Holmquist, Iñaki Peña, David Smallbone, Roy Thurik and Friederike Welter, who also provided valuable comments and suggestions.

Key data contributions were received from the OECD Statistics Directorate and Niels Bosma and Jonathan Levie of the Global Entrepreneurship Research Association.

A number of country correspondents provided input for the policy descriptions in Parts II and IV of this report, namely: Leonie Baldacchino, Inga Blaziene, Sergio Destefanis, Anca Dodescu, Ladislav Faigl, Paula Fitzsimmons, Elias Hadjielias, Henri Hakala, Eva Heckl, Carin Holmquist, Annemarie Jepsen, Marina Kaas, Dimitris Karantinos, Teemu Kautonen, Giuseppe Lubrano Lavadera, Jonathan Levie, Nadine Levratto, Augusto Medina, Rui Monteiro, Iñaki Peña, Anna Pilková, Panikkos Poutziouris, Shirley Pulis-Xerxen, Olga Rastrigina, Petra Reszkető, Slavica Singer, Karin Širec, Jacqueline Snijders, Patrick Thill, Douglas Thompson, Kiril Todorov, Amber van der Graaf, Elisa Veronesi, Krzysztof Wach, Friederike Welter, and Patrizia Zanoni.

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Executive summary

There is a common perception that the typical entrepreneur in the European Union (EU) is white, male, and wealthy. In reality, most entrepreneurs do not fit into this category but come from a wide range of backgrounds. Nevertheless, there are several social groups (e.g. women, youth, seniors, the unemployed and people with disabilities) that are under-represented in entrepreneurship or face greater barriers to starting businesses than people from the mainstream. With entrepreneurship making such a valuable contribution to economic growth and job creation, the EU cannot afford not to capitalise on the potential that people from under-represented and disadvantaged groups hold.

This report surveys the available data on business creation and self-employment by different social groups in the EU member states, focusing on people who are not currently in the mainstream of entrepreneurship. For example, out of 30 million self-employed people in the European Union in 2012, only 30% were women. Similarly, only 3% of the self-employed were between the ages of 15 and 24. This is far from the idea of an inclusive society in which entrepreneurship is open to all. The report also shows that one-third of new businesses operate from home; a proportion which is higher for women and seniors.

In order to increase entrepreneurship activity by under-represented and disadvantaged groups it is important to understand the barriers they face. The report shows, for example, that young people are twice as likely as adults to report a lack of entrepreneurship skills (18% vs. 8%) as a barrier to business creation, and women are more likely than men to report that it would be difficult to reconcile business ownership with family commitments (8% vs. 4%). These barriers need to be addressed to ensure that everyone has an equal opportunity to pursue entrepreneurship and self-employment, regardless of their personal characteristics and background.

Inclusive entrepreneurship policies also aim to address the entrepreneurship "quality gap" affecting disadvantaged social groups, as indicated for example by significantly lower levels of turnover, income from self-employment and survival rates for businesses owned by women, youth and immigrants compared with the rest of the population. It is important to steer business starters from these groups towards activities that offer good prospects for income generation and survival and to help them develop good quality business management and business models.

This book is one of a series that examines "The Missing Entrepreneurs". In this second volume of the series, the thematic chapters focus special attention on two disadvantaged groups: the unemployed and ethnic minority and immigrant entrepreneurs. For the unemployed, business creation can be a particularly interesting and empowering route into employment. However, unemployed people often lack the skills and finance they need to start a business. Schemes such as the welfare bridges in Germany, which continue payment of unemployment benefits after business creation to support those transitioning

into self-employment have demonstrated success. More than half of the participants in the *Ich-AG* scheme were still operating in full-time or part-time self-employment after 5 years. Moreover, financial grants used in countries such as France have improved survival rates for businesses started by the unemployed to be nearly on-par with the overall business survival rate (72% after 3 years vs. 79%). Mentoring and training tailored to the needs of the unemployed is another part of the solution. At the same time, it should be recognised that only a minority of the unemployed will wish to try self-employment. On average, only 3% of unemployed people in Europe indicate an interest in starting a business. Among the unemployed, this is the target group for inclusive entrepreneurship policy.

Ethnic minority and immigrant entrepreneurs are a very diverse group. Some of them come from very entrepreneurial cultures; others do not. In both cases, however, ethnic minorities and immigrants tend to experience greater barriers to creating strong businesses than native entrepreneurs. For example, regulatory requirements can be difficult to understand for new immigrants and in financial markets, ethnic minority entrepreneurs are more likely to be forced to rely on non-bank and informal finance. A common policy response involves offering specialised training schemes that help immigrants and ethnic minorities to develop more solid business projects and become more aware of the financing opportunities available to them. In Denmark, Getting Started Camps provide a 2-day course in entrepreneurship for refugee and immigrant women. After 3 years, 16% of participants were self-employed, compared with 3% at the beginning of the camps. Targeted microfinance is another strand in the policy effort. For example, the *Szechenyi Entrepreneurial Programme* for the Roma population in Hungary provides grants of up to EUR 15 000 on a competitive basis combined with information services and networking events. It created more than 400 jobs between 2003 and 2007.

The book contains further thematic chapters on how to develop and deliver appropriate business development services to disadvantaged and under-represented groups, and how to redesign social security systems so as to remove unnecessary barriers to self-employment and business creation. Business development services offer support ranging from information services, such as descriptions of business registration processes and profiles of entrepreneurial role models, to more intensive and targeted coaching, mentoring and business counselling. It is often better to deliver such support using organisations and advisors from the same communities (e.g. women, immigrants) as the targeted entrepreneurs. It is also important to provide follow-on support and not focus solely on the start-up phase.

Social security systems often provide less generous coverage for the self-employed than for the employed or unemployed. This creates a disincentive for business creation or self-employment, particularly for entrepreneurs from under-represented and disadvantaged groups, since they are more likely to be interacting with social security systems, often drawing on multiple elements of welfare support that could be reduced if they pursue self-employment. EU countries have vastly different social security systems but some common approaches can be taken to support inclusive entrepreneurship. In particular, the coverage of unemployment, maternity, health of other benefits could be extended to the self-employed. In Finland, for example, a 2005 reform instituted the same basic social security coverage for those in paid employment and those in self-employment.

Finally, for each EU member state, the book provides data on the state of inclusive entrepreneurship activities within the country together with an example of policy approach that could provide inspiration for others.

Key policy recommendations

- Expand public actions to promote entrepreneurship by people from under-represented and disadvantaged groups including women, youth, seniors, the unemployed, immigrants and ethnic minorities.
- Offer support to upgrade the quality of businesses started by disadvantaged and under-represented groups, including by encouraging business projects in markets where there is excess or growing demand and by developing business management expertise.
- Support motivated and capable people to start up from unemployment by offering start-up finance and entrepreneurship skills development, and building connections between unemployed entrepreneurs and mainstream support providers such as chambers of commerce and micro finance institutions.
- Make support provisions sensitive to the operational and communications preferences of ethnic minority and immigrant groups, e.g. by channelling entrepreneurship awareness programmes through community-based media, using ethnically diverse support provider organisations and business development advisors, and supporting the creation or strengthening of ethnic minority business associations.
- Offer finance and training programmes to ethnic minority entrepreneurs, including language training for new immigrants, ensure that business regulations can easily be understood by ethnic minority entrepreneurs, and improve monitoring of programme take up by ethnic minority and immigrant groups.
- Offer integrated packages of business development services that combine counselling, coaching, mentoring and financial support, cover the pre start-up, start-up and post start-up phases and improve the co-ordination and cohesion of different programmes.
- Build up a body of accredited, trained and experienced business development services advisors, coaches and mentors from within the targeted client populations.
- Provide clear information on social security entitlements for the self-employed, including descriptions of how different benefits interact with each other and how they are impacted by changes in labour market status.
- Provide flexibility in how social security entitlements are paid, allowing for lump sum payments to support business creation and providing allowances or continuing to pay unemployment benefits for a fixed period of time to people who start up from unemployment.
- Increase the amount of social security coverage available to the self-employed to provide them with a comparable safety net to those who work in paid employment.
- Increase the use of evaluations to measure the impact of start-up support schemes on entrepreneurship and social inclusion. Such evaluations should not only examine efficiency and cost-effectiveness, but also deadweight (i.e. those who would have started a business without support) and displacement (i.e. the people put out of business by those who received public support) effects.

Reader's guide

This reader's guide provides information and methodological notes on the data sources used in this book: 1) OECD-Eurostat Entrepreneurship Indicators Programme, 2) Eurostat Labour Force Survey, 3) Global Entrepreneurship Monitor, 4) Flash Eurobarometer, and 5) Statistics on Income and Living Conditions.

This section provides information on each of the data sources used in Parts I and III of this book. It also provides methodological notes and explains the key statistical concepts used. Links and references are provided for readers who wish to obtain further information.

It is important to note that since this book draws on several data sources, the concepts and definitions used in the different sources are not always consistent. This is most apparent when presenting data by age. For example, Eurostat covers people in the labour force survey as young as 15. Thus, Eurostat defines youth as those 15 to 24 years old. Other data sources, such as the Global Entrepreneurship Monitor survey those 18 to 65 years old and consequently define youth differently. The Global Entrepreneurship Monitor defines youth as those aged 18 to 30. The same issue arises for data covering older entrepreneurs. Efforts are made to harmonise the data reported to the greatest extent possible but differences remain. The figures and text clearly highlight the definitions presented and discussed.

OECD-Eurostat Entrepreneurship Indicators Programme

The OECD-Eurostat Entrepreneurship Indicators Programme (EIP), jointly conducted by the OECD Statistics Directorate and Eurostat, is aimed at the development of policy-relevant and internationally-comparable indicators of entrepreneurship to support analytical and policy work on entrepreneurship. To that purpose, the programme has developed a *framework for addressing and measuring entrepreneurship* and a *methodology for the production of harmonised entrepreneurship statistics*. The framework introduces a conceptual distinction between entrepreneurial performance (i.e. how much entrepreneurship, what type), the determinants of entrepreneurship (i.e. what factors affect entrepreneurial performance), and the social and economic impacts of entrepreneurship.

A characterising feature of the programme, which clearly differentiates the EIP from other international initiatives, is the direct involvement of the National Statistical Offices (NSOs) of OECD and partner countries in the production of harmonised statistics on entrepreneurship. The production has so far concerned a core set of indicators of entrepreneurial performance, namely business demography statistics on the birth, death, survival and growth of enterprises, as well as statistics on the contribution of firm births and deaths to employment creation and destruction. The official statistics are produced annually by the NSOs, according to the methodology of the *Eurostat-OECD Manual on Business Demography*

Statistics (2007 – *www.oecd.org/std/39 974 460.pdf*). The database, available on OECD.Stat (*http://stats.oecd.org/*), covers some 25 countries and is updated on a yearly basis.

The methodology recommends the use of business registers to compute business demography indicators. In order to increase international comparability, and in light of the exclusion of non-employer firms from the business register of some countries, the relevant statistical unit for the EIP business demography data is the enterprise with at least one employee. Employer firms are also economically more relevant for their contribution to job creation and higher likelihood to innovate.

As a long-term programme, the EIP has been designed to respond to emerging information needs expressed by policy makers and the research community. In that perspective, the programme has recently addressed the question of measuring green entrepreneurship, and started a collection of indicators of women entrepreneurship. Also, to respond to the request for up-to-date, quarterly information, the programme has developed a new series of "Timely Indicators of Entrepreneurship", which provide recent trends in new firm creations and bankruptcies. In the area of determinants, the EIP has undertaken research to deepen the understanding of the international comparability of venture capital data.

The annual publication *Entrepreneurship at a Glance* (*www.oecd-ilibrary.org/industry-and-services/entrepreneurship-at-a-glance_22266941*) presents the main results and developments of the EIP.

Box 1. **The OECD-Eurostat definition of entrepreneurship**

The OECD-Eurostat Entrepreneurship Indicators Programme, launched in 2006, has developed definitions of the entrepreneur, entrepreneurship and entrepreneurial activity for the purpose of supporting the development of related indicators. The programme acknowledges the contention and different perspectives between researchers who confront this issue. It deliberately adopts a pragmatic approach based on two principles, relevance and measurability. Importantly, the definitions set out by the OECD and Eurostat emphasise the dynamic nature of entrepreneurial activity and focus attention on action rather than intentions. They are proposed to guide the collection and analysis of data sets:

Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Entrepreneurship is the phenomenon associated with entrepreneurial activity.

These definitions differentiate entrepreneurial activity from "ordinary" business activity, and additionally: i) indicate that corporations and other enterprises can be entrepreneurial, though only the people in control and owners of organisations can be considered entrepreneurs, ii) emphasise that entrepreneurial action is manifested rather than planned or intended, iii) do not equate entrepreneurial activity with the formation of any particular "vehicle", whether formal, such as an incorporated entity, or informal, although they do allow measurement to reflect particular vehicles as embodying entrepreneurial activity, and iv) although defined in the context of businesses they incorporate economic, social and cultural value created.

Source: Ahmad and Seymour (2008).

Box 2. **The Entrepreneurship Indicators Programme (EIP) framework for addressing and measuring entrepreneurship**

The EIP recognises that no single indicator can adequately cover the complexity of entrepreneurship, and it has therefore developed a set of measures to capture different aspects or different types of entrepreneurship. These measures are referred to as indicators of entrepreneurial performance and are conceived to assist the analysis of key questions such: *What is the rate of creation of new businesses in a country? How many jobs do they create? How many start-ups survive in the first years following creation? Will the young firms innovate or export? Are there more firms created by men or women? Do they set up businesses in the same sectors?*

Also, the programme takes a more comprehensive approach to the measurement of entrepreneurship by looking not only at the manifestation of the entrepreneurial phenomenon but also at the factors that influence it. These factors range from the market conditions to the regulatory framework, to the culture or the conditions of access to finance. Some of these determinants are more easily measured (e.g. the existence and restrictiveness of anti-trust law or the administrative costs to set-up a new business in a country), while for others determinants the difficulty resides in finding suitable measures (e.g. venture capital and angel capital) and/or in comprehending the exact nature of their relationship with entrepreneurship (e.g. culture). The EIP aims to advance research on these less understood, less measurable determinants of entrepreneurship.

Determinants						Entrepreneurial performance	Impact
Regulatory framework	Market conditions	Access to finance	Knowledge creation and diffusion	Entrepreneurial capabilities	Culture	Firm based	Job creation
Administrative burdens for entry	Anti-trust laws	Access to debt financing	Research and Development (R&D) investment	Training and experience of entrepreneurs	Risk attitude in society	Employment based	Economic growth
Administrative burdens for growth	Competition	Business angels	University/ industry interface	Business and entrepreneurship education (skills)	Attitudes towards entrepreneurs	Wealth	Poverty reduction
Bankruptcy regulations	Access to the domestic market	Access to VC	Technological co-operation between firms	Entrepreneurship infrastructure	Desire for business ownership		Formalising the informal sector
Safety, health and environmental regulations	Access to foreign markets	Access to other types of equity	Technology diffusion	Immigration	Entrepreneurship education (mindset)		
Product regulation	Degree of public involvement	Stock markets	Broadband access				
Labour market regulation	Public procurement						
Court and legal framework							
Social and health security							
Income taxes; wealth/bequest taxes							
Business and capital taxes	Patent system; standards						

Firms	Employment	Wealth
Employer enterprise birth rates	Share of high growth firms (by employment)	Share of high growth firms (by turnover)
Employer enterprise death rates	Share of gazelles (employment)	Share of gazelles (by turnover)
Business churn	Ownership rate start-ups	Value added, young or small firms
Net business population growth	Ownership rates business population	Productivity contribution, young or small firms
Survival rates at 3 and 5 years	Employment in 3 and 5 year old firms	Innovation performance, young or small firms
Proportion of 3 and 5 year old firms	Average firm size after 3 and 5 years	Export performance, young or small firms

Source : OECD (2013), *Entrepreneurship at a Glance 2013*, OECD Publishing.

Eurostat Labour Force Survey

The Eurostat Labour Force Survey is a monthly household survey in all EU member states that captures information on labour market activities. This report focuses on the self-employment data available from the Labour Force Survey. Eurostat defines self-employed people as those who work in their own business, farm or professional practice and receive some form of economic return for their labour. This includes include wages, profits, in-kind benefits or family gain (for family workers). Volunteer workers are excluded from this definition. The purpose of the business has no bearing on the self-employment status of individuals; in other words the business could have profit motives or be a non-profit or social enterprise.

It is possible for self-employed workers to own a business with one or more partners. This does not have an impact on their status as a self-employed person as long as they are working directly for the business. In these cases, there could be more than one self-employed person in the same business. For example, each member of a partnership would be counted as self-employed as long as the business was their principle labour market activity. However, business owners are excluded from the count of self-employed people if they are not involved in the day-to-day operation of the business.

There are different self-employment concepts:

- *Own-account self-employed* are those self-employed people that do not have other employees working for them.
- *Employers* are self-employed people that have employees.
- The *self-employment rate* is defined as the number of self-employed people, both own-account self-employed and employers (i.e. self-employed people with employees), relative to the number of employed people.

For more information on the Eurostat Labour Force Survey, please refer to: *http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/methodology.*

The Global Entrepreneurship Monitor

The Global Entrepreneurship Monitor (GEM) is an international initiative that measures entrepreneurship activities and attitudes around the world through annual household surveys of the adult population (ages 18 and older) in participating countries. It provides responses from interviewed adults on their reported attitudes towards entrepreneurship, their pre-start-up activities, their work on the initial phase of their firm, their involvement in the established phase of the firm and their business closures.

Unlike business enterprise surveys, the GEM surveys households (people) so it can identify those involved in different phases of entrepreneurship. Since the unit of analysis in this survey is the individual, it allows for the collection of information on entrepreneurial motivations, aspirations and other individual characteristics.

In 2013, the GEM covered 70 countries and it has surveyed 90 countries since 1999. All EU countries were covered in 2013 except Austria, Bulgaria, Cyprus, Denmark, and Malta.

In 2013 the sample size ranged from 2 000 in most countries to 24 600 in Spain. The total sample for the EU was 86 237. Survey responses are weighted by age and gender to make the results representative of the national population. To improve the reliability of the results, data presented in this chapter were pooled (i.e. combined) for each country for the

years 2008 to 2012, which increases the sample size greatly and allows for more detail to be presented.

Several of GEM indicators are presented in this report:

- The *Nascent Entrepreneurship Rate* is the proportion of the population that is actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months.
- The *New Business Ownership Rate* is the proportion of the population that is currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.
- The most well know measure that the GEM publishes is the *Total Early-stage Entrepreneurial Activity (TEA) Index*, which is the sum of the proportion of the population involved in nascent entrepreneurship activities and those who have started new business within the last 42 months. This is a measure of the stage in advance of the start of a new firm (nascent entrepreneurship) and the stage directly after the start of a new firm (owning-managing a new firm).
- The GEM's *Established Business Ownership Rate* measures the proportion of the population that is currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. This measure provides information on the stock of businesses in an economy.

Box 3. **Distinctions between self-employment and business ownership data**

- The self-employment data presented in Part I of this book come from the Labour Force Survey. Those data cover owner-managers of businesses who pay themselves profits or salaries from work that they undertake on their own account in the business and who declare themselves as self-employed. Self-employment data pick up people who generally employ only themselves or very few people in non-incorporated businesses. People running larger incorporated businesses generally do not declare themselves self-employed because they appear on the businesses' payrolls and are therefore considered employees. The data also exclude individuals who are in the process of setting up a business but have not yet realised the creation of their business and business owners who are not active in the day-to-day operations of the business.
- Many of the data presented in this book come from the Global Entrepreneurship Monitor. These data cover individuals who report that they are actively trying to start or are already operating their own business or any type of self-employment or selling goods or services to others. This is a broader definition than that used for the self-employment data. Self-employed people are included together with all other types of business owners. In particular, owner-managers of incorporated businesses are included here, whereas they are excluded from the self-employment data. The Global Entrepreneurship Monitor also picks up individuals who may be running businesses as a secondary activity, whereas data from the Labour Force Survey in these chapters report on the principle labour market activity. Therefore, the self-employment counts will only capture those who spend more time in self-employment than employment.

For more information on methodologies used by the Global Entrepreneurship Monitor, please refer to the *2013 GEM Global Report*, available at: *www.gemconsortium.org/docs/cat/1/global-reports*.

The Flash Eurobarometer

The Flash Eurobarometer survey "Entrepreneurship in the EU and beyond" (No. 354) is a household survey of the adult population aged 15 and older. The survey examines the development and determinants of entrepreneurship and asks questions on attitudes about entrepreneurship, entrepreneurship education, risk-taking, business start-ups, and factors for and barriers to self-employment. The survey covered 40 countries, including all 28 EU member states.

The 2012 survey was conducted in June 2012 and August 2012. Approximately 1 000 random people over the age of 15 were sample in each EU member state and the total sample for the 40 countries was 42 080 people. Most interviews were conducted with fixed-line telephones and a post-stratification weighting of results was implemented to ensure representativeness.

For more information, please refer to: *http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf*.

Statistics on Income and Living Conditions

The European Union Statistics on Income and Living Conditions (EU-SILC) is a framework that allows for the collection of timely and comparable data on income, poverty, social exclusion and living conditions. The data are collected in all 28 EU countries, as well as Iceland, Norway, Switzerland and Turkey.

Two types of data are collected. Cross-sectional data are obtained from approximately 130 000 households and 270 000 people over the age of 16 in the EU. In addition, longitudinal data are collected from approximately 100 000 households and 200 000 people over the age of 16 in EU countries. Social exclusion and housing condition data are gathered from households and labour, education and health information is gathered from individuals.

For more information on Statistics on Income and Living Conditions, please see: *http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc*.

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Chapter 1

Inclusive entrepreneurship policy in the European Union[1, 2]

Social inclusion is a longstanding policy priority for EU member states and the urgency for action has increased since the economic crisis as unemployment and labour market exclusion have increased. Entrepreneurship has the potential to be a part of the solution. Inclusive entrepreneurship policies aim to ensure that all members of society have an equal opportunity to start-up and operate in business and self-employment or to use the experience of engagement with entrepreneurship to increase their skills and employability. These policies aim to support those who face particular challenges in setting-up sustainable businesses – including women, youth, seniors, ethnic minorities, and people with disabilities – but at the same time have under-recognised potential for entrepreneurship.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Entrepreneurship for all

Entrepreneurship promotes economic growth through innovation and job creation (see the Reader's guide for the OECD-Eurostat definition of entrepreneurship), but its potential for inclusion will not be realised unless people from disadvantaged social groups are given the same opportunities as others to start and operate successful businesses. Much research suggests that the majority of entrepreneurs in the EU are male, wealthy, well-educated, white, and native-born, which is far from the ideal of inclusiveness. A range of figures illustrate the dearth in numbers of entrepreneurs from outside the mainstream. For example, there were only 9 million self-employed women compared with 21 million self-employed men in the European Union in 2012. In EU countries, rates of new business entries by women are also typically lower than men.

At the same time, there is also an entrepreneurship quality gap affecting disadvantaged social groups; indicators of business turnover, income from self-employment and business survival rates are all significantly lower for women, youth and immigrants compared with the rest of the population (European Commission, 2005). Moreover, only 24% of self-employed women, and 11% of self-employed youth (15-24 years old) had employees in 2012 in the EU, compared with 34% of self-employed men and 29% of self-employed adults.

Inclusive entrepreneurship policies aim to ensure that all people, regardless of their personal characteristics and background, have an equal opportunity to start and run their own businesses. Policy makers at national, regional and local levels can support this objective with programmes that increase peoples' awareness of and motivation for entrepreneurship as a career choice across all population groups and that address problems in the operation of markets and institutions that affect certain population groups to a greater extent than others.

These policies aim to support business creation and self-employment for those who come from social groups that are under-represented in entrepreneurship or disadvantaged in the labour market. This includes women, for example, who are less likely to be involved in business ownership and self-employment than men. It also address those who face a higher risk of social exclusion and who may benefit from business creation, such as ethnic minorities and migrants, people with disabilities, the young unemployed and people living in areas that face economic distress.

While business start-up, or more correctly sustainable business start-up, is clearly one objective of inclusive entrepreneurship policies, business creation is not appropriate for everyone. These policies also boost skills, self-confidence, motivations and networks, which improves the chances of obtaining a job in paid employment. Inclusive entrepreneurship policies can also support social entrepreneurship, which can further support the integration of people from disadvantaged groups into the labour market and society.

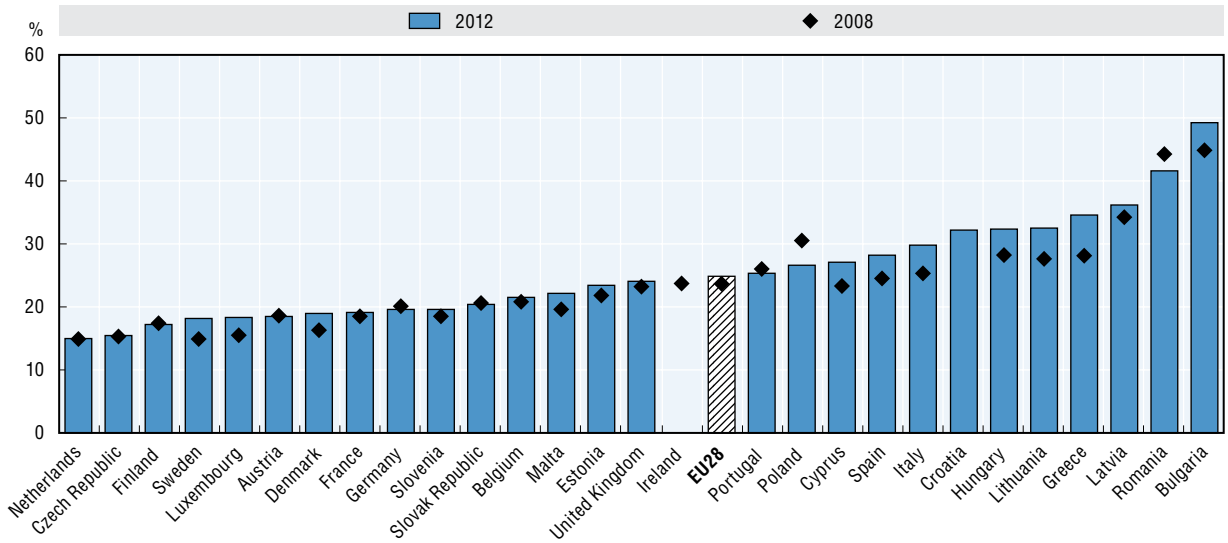
Addressing social exclusion

Social inclusion is a longstanding objective in the European Union but the recent economic crisis has increased the urgency of addressing this issue as the proportion of the population that is at risk of social exclusion has increased in many EU member states (Figure 1.1). In 2012, 25% of the EU population was at risk of poverty or social exclusion, representing 124.5 million people.

The countries with the lowest proportion of the population at risk are the Netherlands (15.0%), the Czech Republic (15.4%) and Finland (17.2%). The proportion in these countries has changed little since 2008. However, nearly all countries with a high proportion of their population at risk have had an increase in the proportion at risk since 2008. For example, nearly one-half of the population of Bulgaria was at risk of poverty or social exclusion in 2012 and this has increased 4.5 percentage points since 2008. Other countries with a high proportion of the population at risk for poverty and social exclusion include Romania, Latvia and Greece, where more than one-third of the population was at risk of poverty or social exclusion in 2012.

Figure 1.1. **Proportion of the population at risk of poverty or social exclusion, 2008 vs. 2012**

Percentage of 15-64 year olds



Notes: 1. Data for Ireland are not available for 2012. 2. The EU28 figure for 2008 excludes Croatia.
Source: Eurostat, Statistics on Income, Social Inclusion, and Living Conditions, 2013.

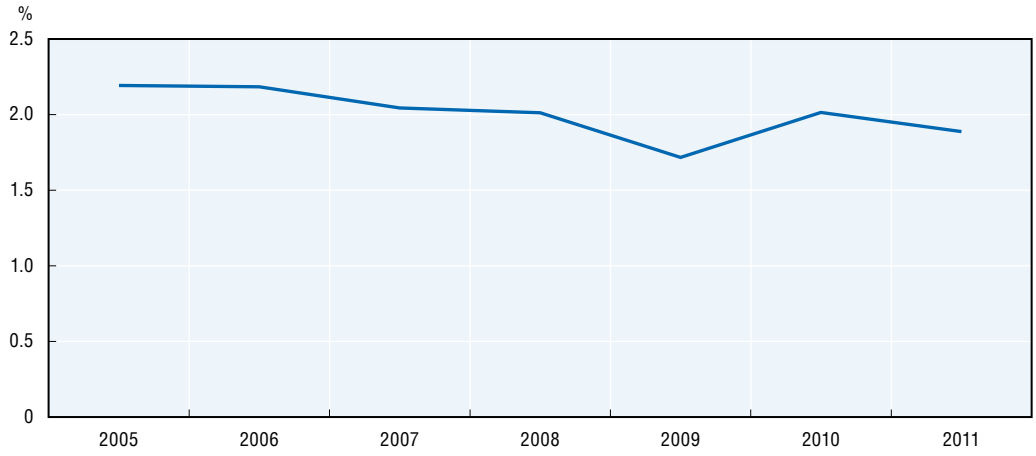
StatLink http://dx.doi.org/10.1787/888933154187

In response to this growing challenge, EU member states have renewed their commitment to addressing this challenge through the Europe 2020 Strategy (*http://ec.europa.eu/europe2020/index_en.htm*), which aims to reduce the number of people that are at risk of poverty by 20 million people by 2020. But there is room to fight social exclusion through inclusive entrepreneurship actions.

One of the most effective ways of fighting social exclusion is through active labour market policy (ALMP) and job creation measures aimed at supporting the integration and re-integration of people into the labour market. As unemployment increased and labour

market participation declined, expenditure on ALMP measures in the EU increased 22% between 2007 and 2011. These measures include entrepreneurship support schemes such as training and business start-up incentives. ALMP expenditure on measures that were designed to support and provide incentives for business creation increased 12% between 2007 and 2011, less than the overall increase in ALMP expenditures, resulting in a relative decline in the use of business start-up measures in ALMP measures in the EU (Figure 1.2). Use of start-up measures within ALMP measures by member states varies widely. In 2011, AMLP expenditure on business start-up incentives accounted for virtually zero in many member states, including Cyprus, Bulgaria, Luxembourg, Belgium, Malta, Portugal, Romania, Austria, Latvia, and the Czech Republic (Figure 1.3). While the impact of these measures on labour market attachment is not well-known because they are generally not well-evaluated, there is evidence of schemes having an impact. For example, many welfare bridge programmes have successfully helped unemployed people to start a business by continuing to provide basic income support during the early stages of business development. Welfare bridges are discussed in more detail in Chapter 6, which discusses support for entrepreneurs starting businesses from unemployment, and in Chapter 9, which examines the role of social security systems in influencing business creation and self-employment.

Figure 1.2. **Start-up support as a proportion of ALMP expenditure in the EU28, 2005-11**

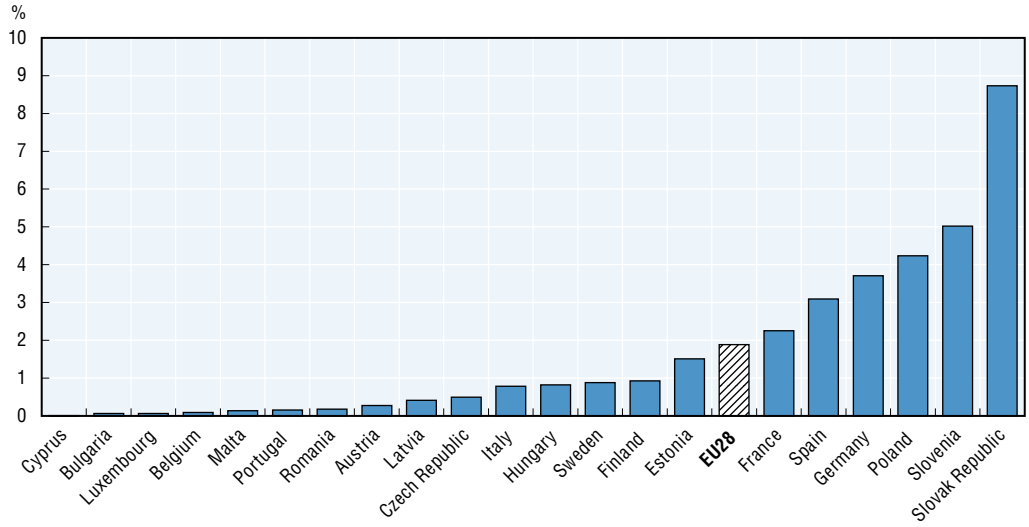


Source: Eurostat, LMP expenditure by type of action, 2014.

StatLink http://dx.doi.org/10.1787/888933154191

A second approach is to design schemes that leverage the EU Structural Funds. One of the key funding sources available with respect to using entrepreneurship as a means of promoting social inclusion is the European Social Fund (ESF). The ESF co-funds programmes that are tailored to help those who are vulnerable who have difficulty accessing the labour market. This includes training and education programmes for disadvantaged groups, notably the unemployed, and programmes that address discrimination and barriers to the labour market. Entrepreneurship could be included in each of these areas. In the 2007-13 programming period, the ESF provided nearly EUR 76 billion, of which approximately one-sixth went to programmes that promote social inclusion. To date, its possibilities for entrepreneurship promotion have been under-utilised by member states, but greater emphasis is being encouraged in the current programming period from 2014-20.

Figure 1.3. **Start-up support as a proportion of ALMP expenditure, 2011**



Note: Data are not available for Croatia, Denmark, Ireland, Greece, Lithuania, the Netherlands and the United Kingdom.
Source: Eurostat, LMP expenditure by type of action, 2014.

StatLink http://dx.doi.org/10.1787/888933154209

A roadmap for reading this publication

This book examines how policy can support inclusive entrepreneurship. Part I presents data on the level and quality of entrepreneurship in the EU by groups that are disadvantaged or under-represented in entrepreneurship, namely women, youth and seniors. It also includes data on location of entrepreneurship activities while data on the unemployed and ethnic minorities are included in Part II of the book.

The first chapter in Part I, **Chapter 2, presents data on self-employment and entrepreneurship activities by women in the EU**, including the rates and numbers of women that are self-employed and the sectors of the economy that they work in. The chapter also presents household survey data from the Global Entrepreneurship Research Association on entrepreneurship activities at different stages of the life cycle. These data present a picture of intentions to create, start-up and post start-up activities for those that are disadvantaged or under-represented in entrepreneurship. Other survey data are also used to inform on the barriers faced in starting a businesses and other key characteristics related to the impact of self-employment. Similarly, **Chapters 3 and 4 present data on self-employment and entrepreneurship activities by youth and seniors. Chapter 5 presents data on the location of entrepreneurship activities**, namely whether business creation activities are located in the entrepreneurs' home or whether they are undertaken in separate or mobile premises.

After setting out entrepreneurship activity rates by the main target groups, Part II goes on to examine two key target groups for inclusive entrepreneurship policies and policy actions in more detail. **Chapters 6 and 7 examine support for entrepreneurship activities by the unemployed and ethnic minority and migrant groups.** Data are presented in each chapter to illustrate the scale and potential of entrepreneurship for each group. The focus of each chapter is, however, on policy approaches to promoting and supporting business

creation and self-employment for these groups. Examples of current practices are provided along with policy recommendations.

The second half of Part II focuses on specific tools in a policy makers toolkit that can be used to support inclusive entrepreneurship. **Chapter 8 explores how policy makers can support business development services for under-represented and disadvantaged groups.** The chapter describes different approaches taken in the EU and recommendations are made for how these supports can be improved. **Chapter 9 examines influences that social security systems have on business creation and self-employment.** The chapter discusses how different components of social security systems can influence the decision to set-up in business, particularly for those from disadvantaged groups who may draw on more than one element of social security. It also presents recent actions in several EU countries to improve social security coverage for the self-employed and makes recommendations for policy makers.

Finally, Part III of the book provides a more in-depth look at each of the 28 member states. **Chapter 10 presents an inspiring policy practice that supports inclusive entrepreneurship for each EU country, as well as key self-employment and entrepreneurship data related to under-represented and disadvantaged groups.**

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PART I

Inclusive entrepreneurship activities in Europe

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Chapter 2

Self-employment and entrepreneurship activities by women[1, 2]

This chapter presents evidence on the quantity and quality of self-employment and entrepreneurship activities by women. This includes data on the prevalence of these activities across EU member states, the characteristics of self-employment and the barriers faced in starting a business.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

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Self-employment activities by women

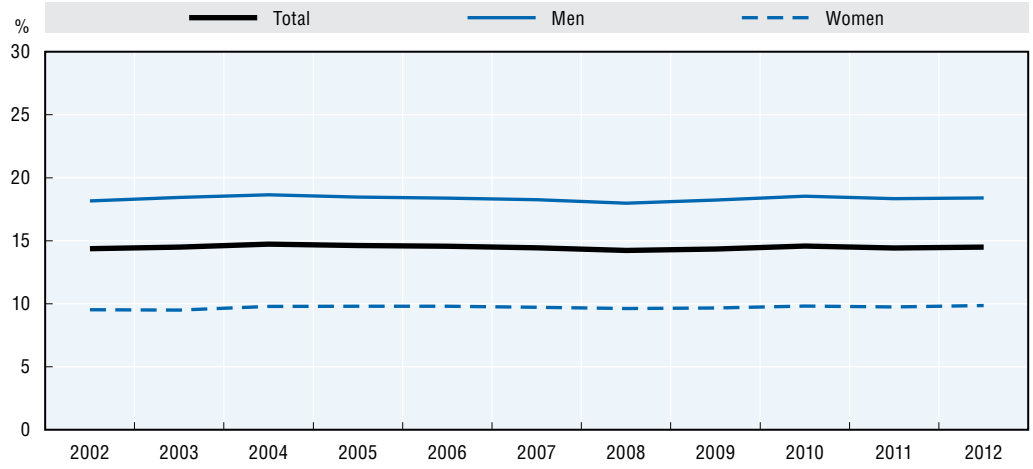
- Although self-employment rates for women have increased slightly over the last decade, women are significantly less likely to be self-employed than men. In 2012, there were more than 9.6 million self-employed women in the EU, whereas there were 21.3 million self-employed men.
- Of the nearly 30.9 million self-employed people in 2012, approximately 8.9 million had employees. This number has declined over the last decade. Of those self-employed with employees, 26% were women. The number of self-employed women with employees has remained constant over the past decade at approximately 2.3 million.
- Self-employed women are less likely than self-employed men to be operating in construction and manufacturing industries.

Self-employment is a form of employment in which people work in their own business, farm or professional practice and receive some economic benefit for their work, such as wages, profits, in-kind benefits or family gain (for family workers). Volunteer work is excluded from this definition. Self-employed people can work on their own (i.e. own-account self-employment) or have employees. It is often preferable to examine the self-employment rate rather than the count of self-employed people in order to account for changes in the size of the labour force. The self-employment rate measures the proportion of self-employed people relative to all employed people. More information on these concepts and data sources can be found in the Reader's guide at the beginning of this book.

Figure 2.1 presents the self-employment rates in the EU (including Croatia) between 2002 and 2012 by gender. The self-employment rate changed little over this period. In 2012,

Figure 2.1. **Self-employment rates for men and women in the EU28, 2002-12**

Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2002-12.

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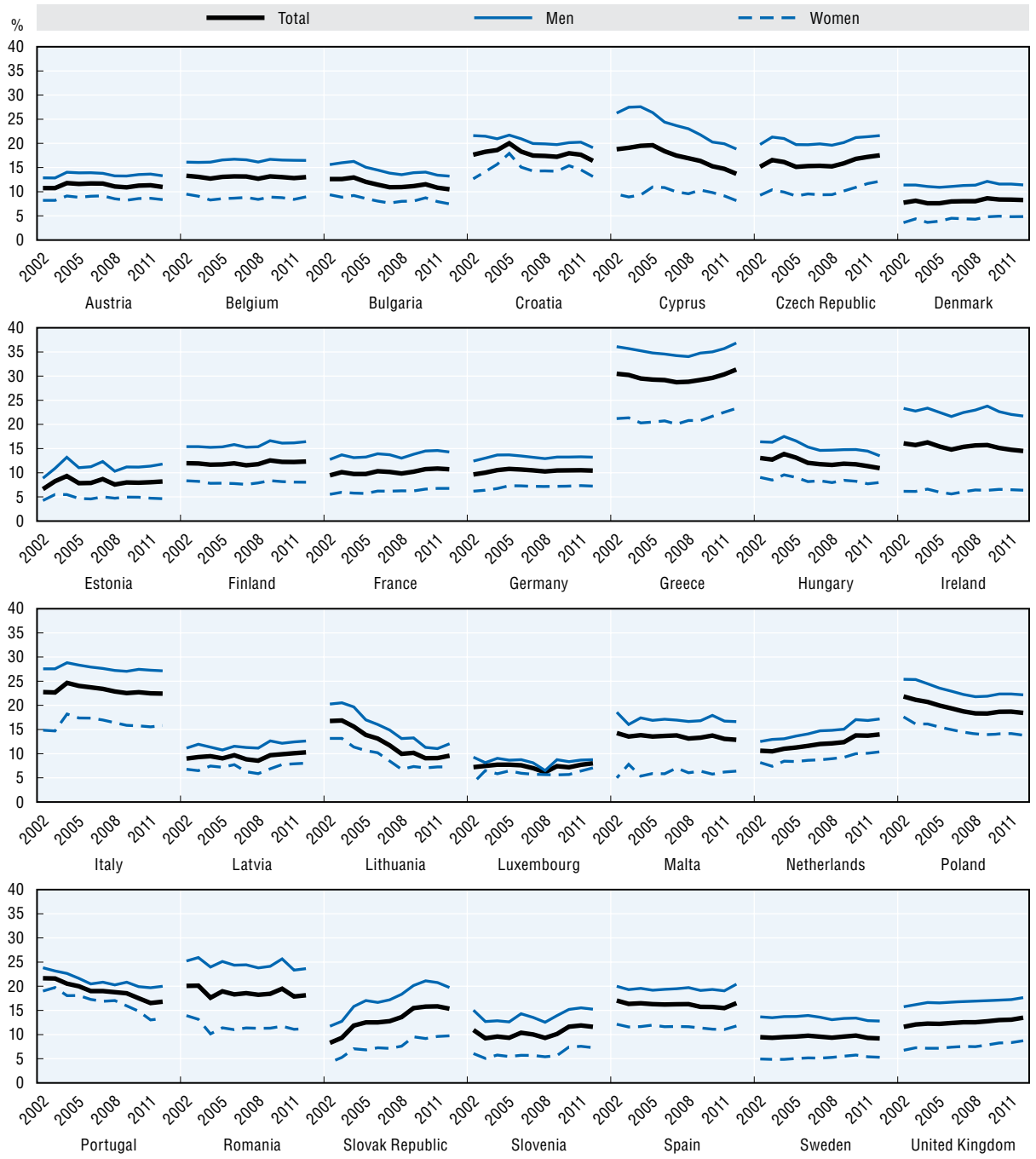
the self-employment rate for women in the EU was 9.9%, which was well below the rate for men of 18.4%. Out of a population of self-employed people of nearly 30.9 million, 9.6 million were women (31.1%).

The differences in self-employment rates across the EU member states are presented in Figure 2.2. It is clear that there is a significant variation in the rates across individual

Figure 2.2. **Self-employment rates for men and women, 2002-12**

Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154226

countries. The self-employment rates were the highest in Greece (23.3%), Italy (15.8%) and Poland (13.8%) and lowest in Estonia (4.6%), Denmark (4.9%) and Sweden (5.3%) are much lower. The differences can be explained by a number of factors, including social attitudes towards the role of women in society, labour market conditions and macro-economic factors.

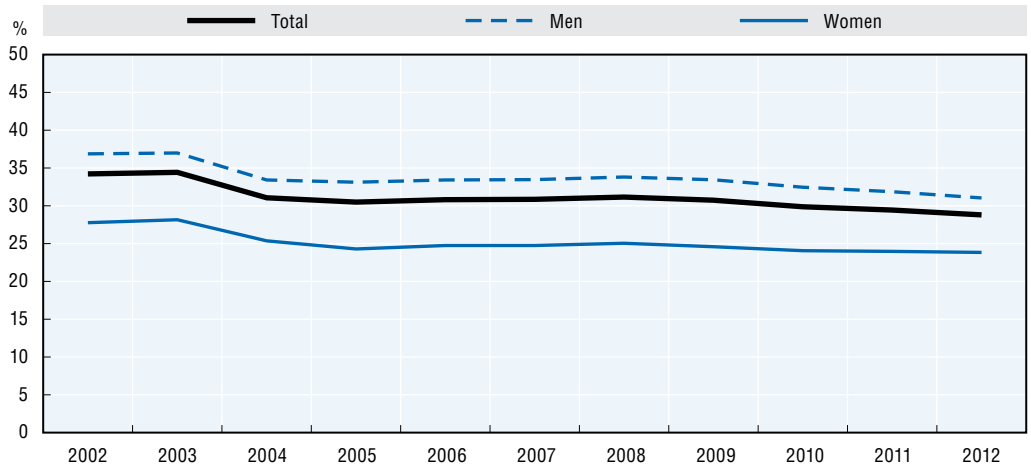
While the self-employment rates of women lag behind those of men in all of the member states, there are several countries where the self-employment rate for women is high. For example, the self-employment rate for women in Greece in 2012 was 23.3% which was higher than the self-employment rate for men in 25 of the other EU member states.

Over the 2002 to 2012 period, the self-employment rate for women increased in 18 EU member states. The largest increases were in the Slovak Republic (+130%), Luxembourg (+77%) and Denmark (+35%). The other 10 EU countries saw a decline. The most significant declines were found in Lithuania (-45%), Portugal (-30%) and Poland (-22%).

The proportion of self-employed women who had employees declined 14.2% between 2002 and 2012, which is approximately the same rate of decline in the proportion of self-employed men with employees (15.8%) (Figure 2.3). In 2002, approximately 28% of self-employed women in the EU had employees and this declined to 23.8% in 2012. Thus, of the 9.6 million self-employed women in the EU in 2012, only 2.3 million had employees. However, the proportion of self-employed women with employees increased in 11 countries: Belgium, Bulgaria, Cyprus, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Spain and Sweden between 2002 and 2012 (Figure 2.4).

Figure 2.3. **Proportion of self-employed men and women with employees in the EU28, 2002-12**

Percentage of 15-64 year olds



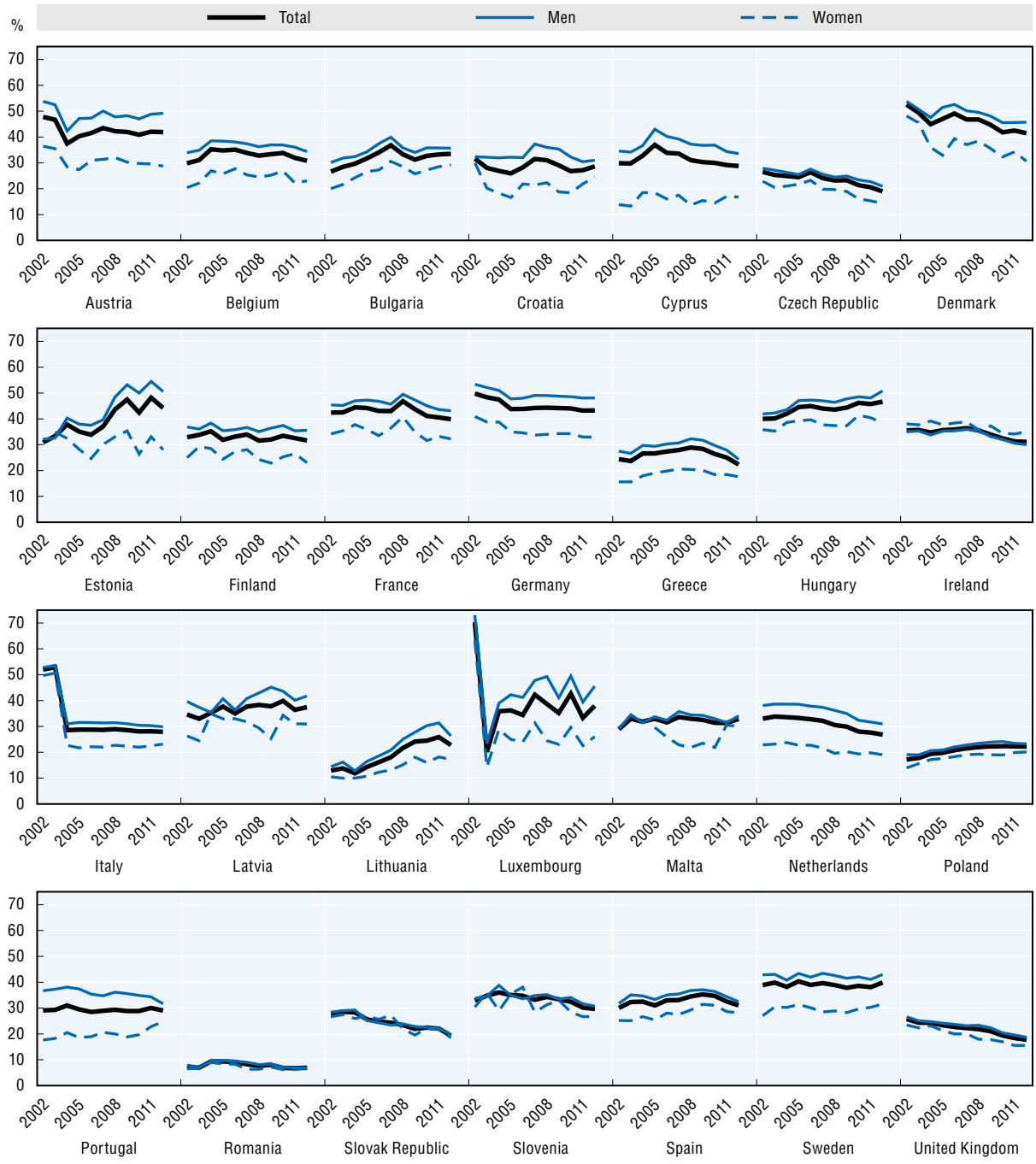
Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154230

Figure 2.4 also highlights two other findings. First, Ireland is the only member state where a higher proportion of self-employed women had employees than men. In 2012, 35.1% of self-employed women had employees whereas 30.1% of self-employed men had employees. Second, there is substantial variation across member states in the proportions of self-employed women with employees. Approximately one-third of self-employed women

Figure 2.4. **Proportion of self-employed men and women with employees, 2002-12**

Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2002-12.

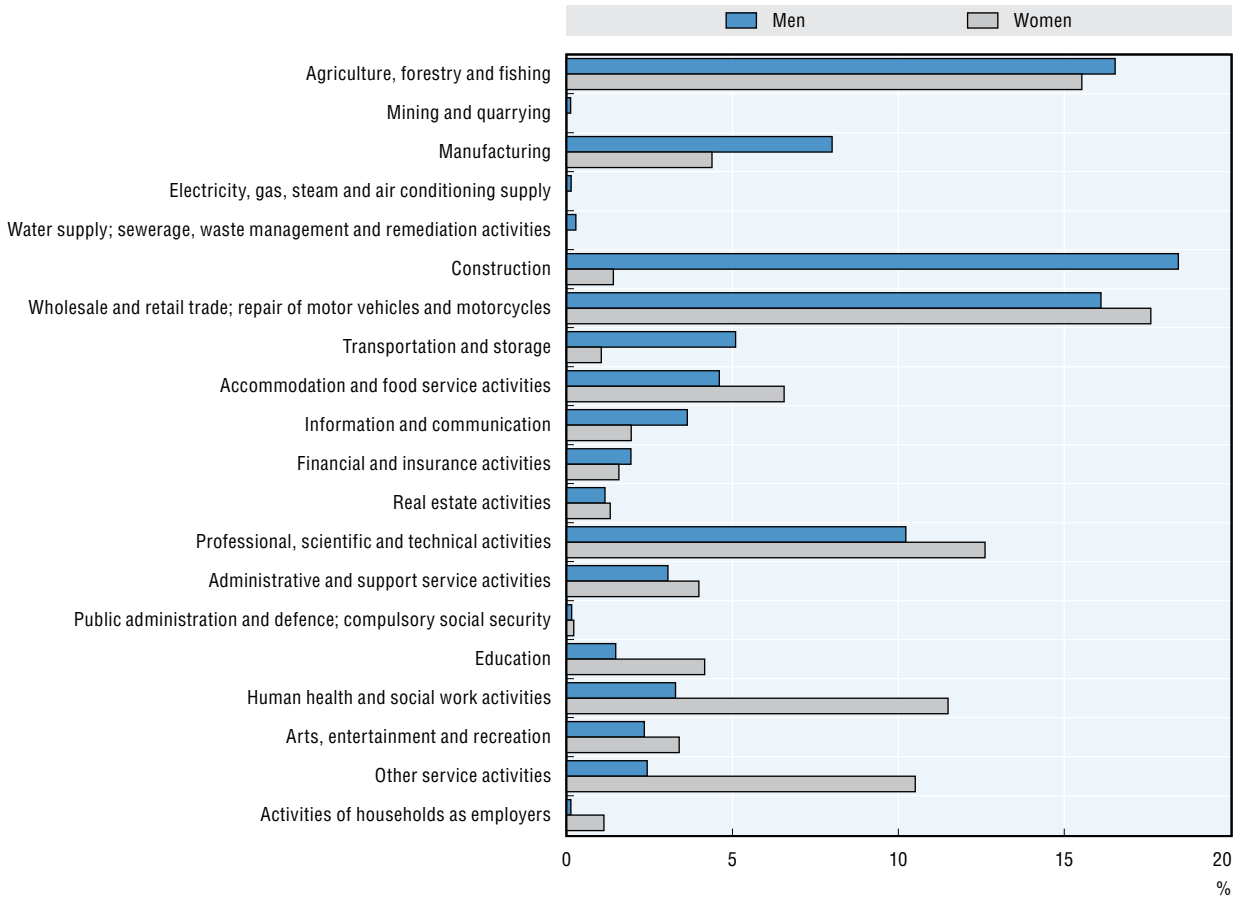
StatLink http://dx.doi.org/10.1787/888933154241

in France, Germany, Hungary, Ireland, Latvia, and Sweden had at least one employee while fewer than 10% did in Romania.

The distribution of self-employment activities by gender and sector is presented in Figure 2.5. In 2012, most self-employed women were active in the agriculture, forestry and fishing sector (15.5%); wholesale and retail sectors (17.6%); professional, scientific and

Figure 2.5. **Distribution of self-employed men and women by industry in the EU28, 2012**

15-64 year olds



Source: Eurostat, Labour Force Survey 2012.

StatLink http://dx.doi.org/10.1787/888933154257

technical activities (12.6%); human health and social work activities (11.5%); and other services (which includes repairs and services for consumer good and personal services) (10.5%). Combined, these five industries accounted for 67.7% of women's self-employment activities.

Self-employed women were more likely than self-employed men to be working in wholesale and retail trade; accommodation and food services activities; professional, scientific and technical services; administrative and support services activities, education; human health and social work activities; arts, entertainment and recreation, other services; and within of households that are employers (i.e. households that employ cooks, laundresses, etc.).

Activities by women over the entrepreneurship life-cycle

- Women are less likely than men to be in the process of starting a business (i.e. nascent entrepreneurs). Overall in the EU, 4.5% of men were involved in the process of setting up a business between 2008 and 2012 whereas only 2.4% of women were.
- Women were approximately half as likely as men to be operating new businesses between 2008 and 2012 (1.8% vs. 3.5%).

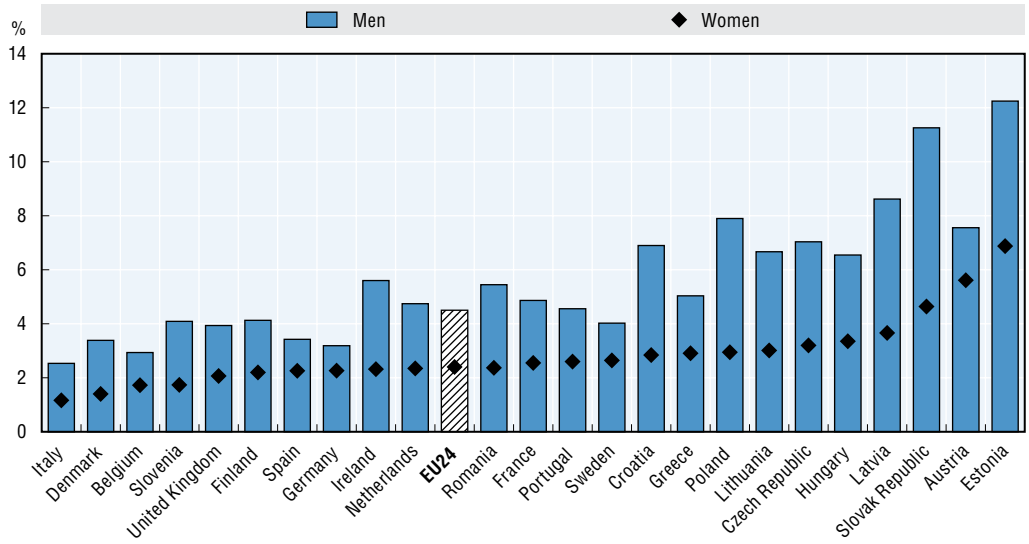
- Women were also less likely to be owners of established businesses. Over the 2008 to 2012 period, 3.6% of women in the EU owned established businesses, which is less than half of the rate for men (7.7%).

Figure 2.6 presents nascent entrepreneurship rates by gender for EU countries, which is defined as the proportion of the adult population who say that they are actively involved in setting up a business that they will own or co-own. The business must not have paid salaries, wages or any other payments to the owners for more than three months. For more information on this concept and data source, please refer to the Reader's guide at the beginning of this book.

Women are less likely than men to be nascent entrepreneurs in the EU as a whole and in each member state. In other words, they are less likely to be in the process of starting a business. However, despite being less active than men in the process of starting a business, there are several member states where women are very active in business creation. The proportion of women in Estonia, Austria and the Slovak Republic who are in the process of starting a business was higher than the rate of men in many member states between 2008 and 2012. The largest gender gap in nascent entrepreneurship rates was in the Slovak Republic (6.6 percentage points) while the smallest gap was in Germany (0.9 percentage points).

Figure 2.6. **Nascent entrepreneurship rates for men and women, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Nascent Entrepreneurship Rate is defined as the proportion of the adult population (age 18 to 64) that are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

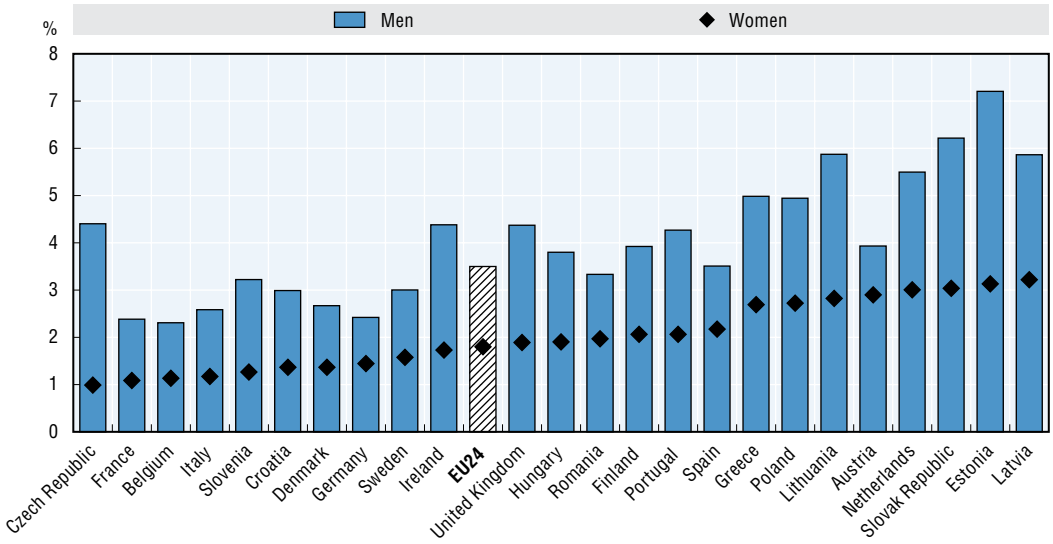
StatLink http://dx.doi.org/10.1787/888933154261

Figure 2.7 illustrates the new business ownership rates by gender, which shows the proportion of the adult population who report that they are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.

Overall, women were approximately half as likely as men to be new business owners (1.8% vs. 3.5%). However, as with the nascent entrepreneurship rates, female new business ownership rates vary substantially across EU member states. Out of all women who owned a business in the EU28, those in the Czech Republic had the lowest new business ownership rates (1.1%), while women in Latvia had the highest (3.2%). The figure shows that the gap between men and women in nascent entrepreneurship rates continues to be apparent in new business ownership rates.

Figure 2.7. **New business ownership rates for men and women, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The New Business Ownership Rate is the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

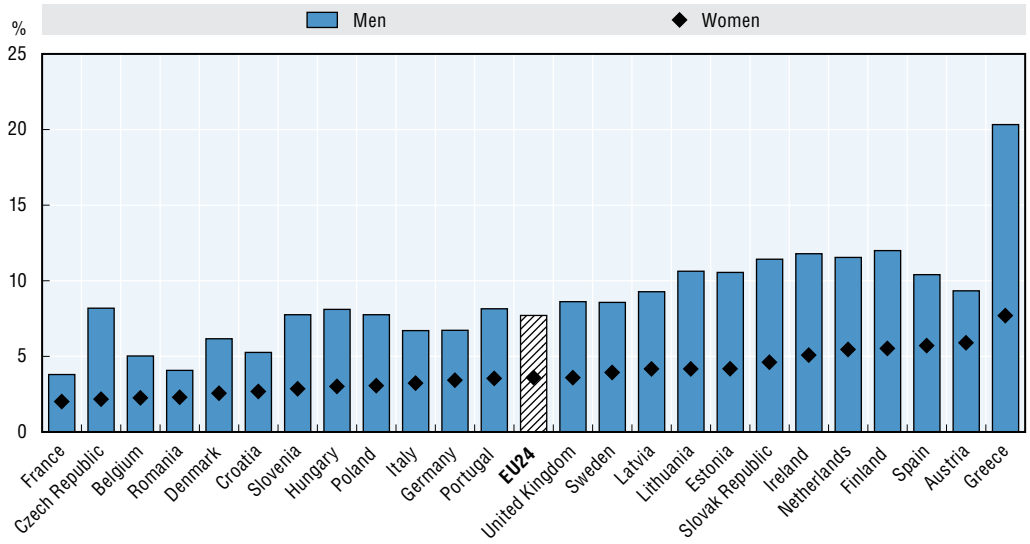
StatLink *http://dx.doi.org/10.1787/888933154278*

Figure 2.8 illustrates established business ownership rates by gender across the EU between 2008 and 2012. This shows the proportion of the adult population who report that they are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months.

Consistent with the observed gap in the nascent entrepreneurship rates and the new business ownership rates there is a substantial gender gap in the established business ownership rates. At the EU-level women were less likely than men to be established business owners (3.6% vs. 7.7%). The gender gap was largest in Greece (12.6 percentage points) and

Figure 2.8. **Established business ownership rates for men and women, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Established Business Rate measures the proportion of the adult population that are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. This measure provides information on the stock of business in an economy.
Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888933154287

smallest in France and Romania (1.8 percentage points). Some variation is observed in the levels of new business ownership across member states and countries with high or low nascent entrepreneurship or new business ownership rates generally have corresponding high or low rates of established business ownership.

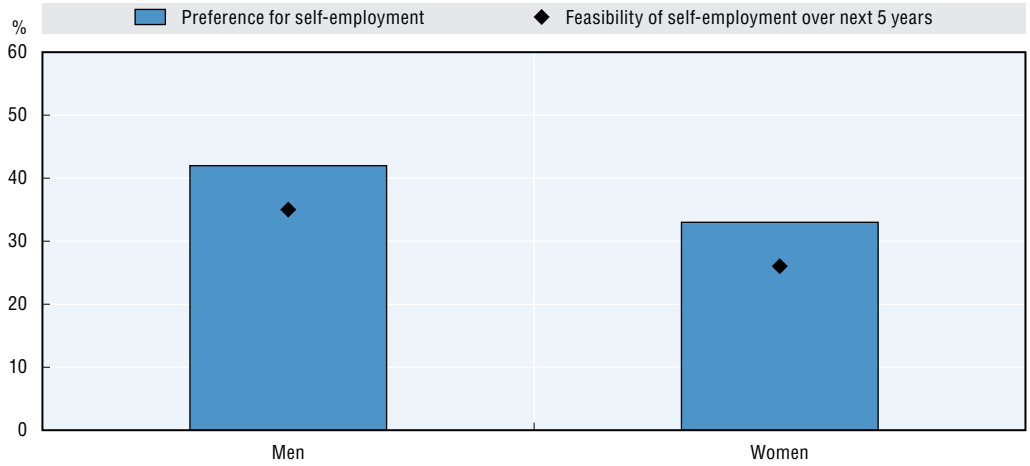
Barriers to business creation for women

- One barrier that women face to business creation and self-employment is their own self-perception of the feasibility of undertaking such as activity. Women are less likely than men to view self-employment as a preferable type of job (33% vs. 42%) and less likely to view it as feasible (26% vs. 35%).
- Women most often cited that self-employment is not feasible due to a lack of financial capital (22% in 2012), which is also frequently cited by men (20%).
- Women view self-employment as not feasible for many of the same reasons as men. However, they were more likely to report having difficulty reconciling self-employment with their family commitments (8% vs. 4%).

Figure 2.9 illustrates the differences between in men and women their perceptions about the desirability and feasibility of self-employment in 2012. Men were much more likely than women to prefer self-employment to employment (42% vs. 33%) and were also more likely to view self-employment as feasible (35% vs. 26%). These differences in

Figure 2.9. **Desirability and feasibility of self-employment for men and women in the EU28, 2012**

"If you could choose between different kinds of jobs, would you prefer to be self-employed?"
"Regardless of whether or not you want to become self-employed, would it be feasible for you to be self-employed within the next 5 years?"



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

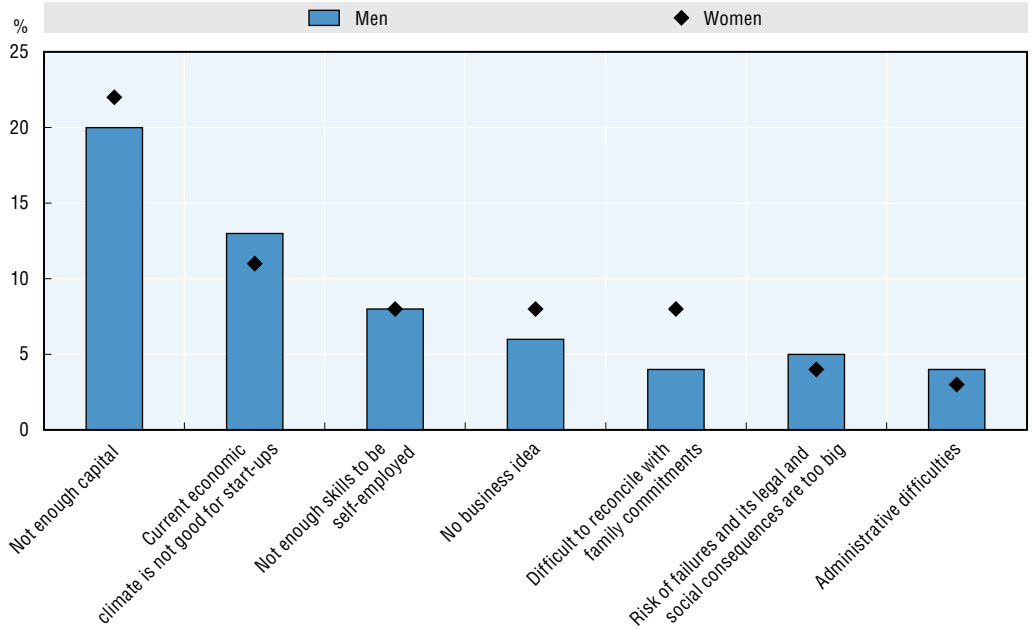
StatLink http://dx.doi.org/10.1787/888933154291

perceptions about self-employment can be explained by many factors including differences in the way that barriers to business start-up impact men and women differently.

Perceptions of barriers to business start-up by gender are illustrated in Figure 2.10. Both men and women identified access to capital for business start-up as the most significant

Figure 2.10. **Barriers to self-employment for men and women in the EU28, 2012**

"Why would it not be feasible for you to be self-employed within the next 5 years?"



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

StatLink http://dx.doi.org/10.1787/888933154305

barrier and women were slightly more likely than men to identify this as a barrier (22% vs. 20%). Men and women were equally as likely to identify a lack of skills, a high risk of failure and significant consequences of business failure and administrative difficulties. Women were more likely to identify difficulty reconciling self-employment with family responsibilities (8% vs. 4%) and a lack of business idea (8% vs. 6%). However, women were slightly less likely than men to identify the current economic climate as a barrier to start-up (11% vs. 13%).

Hours worked by self-employed women

- In 2012, self-employed women in the EU worked an average of 45.3 hours per week, 3.5 hours less per week than self-employed men (48.8 hours per week).
- Self-employed women in the EU, on average, worked 6.0 hours more per week than employees in 2012. This gap is slightly less than the difference between self-employed men and those who are employees (7.7 hours per week).
- In 2012, the number of hours worked per week for self-employed women varied substantially across member states, ranging from 39.3 hours per week in Romania to 52.2 hours per week in Austria.

Those who work in self-employment are more likely to work more hours than employees (Figure 2.11). On average in 2012, men who were employees worked 41.1 hours per week and those in self-employment worked 48.8 hours per week. Similarly, women who worked as employees worked 39.3 hours per week while those in self-employment worked 45.3 hours per week. There has been a slight downward trend over the last decade in the hours worked per week by self-employed people, the number of hours worked in a week for employees has remained constant.

Figure 2.11. **Average number of hours worked per week by self-employed men and women in the EU28, 2002-12**

Hours worked per week for 18-64 year olds that work full-time

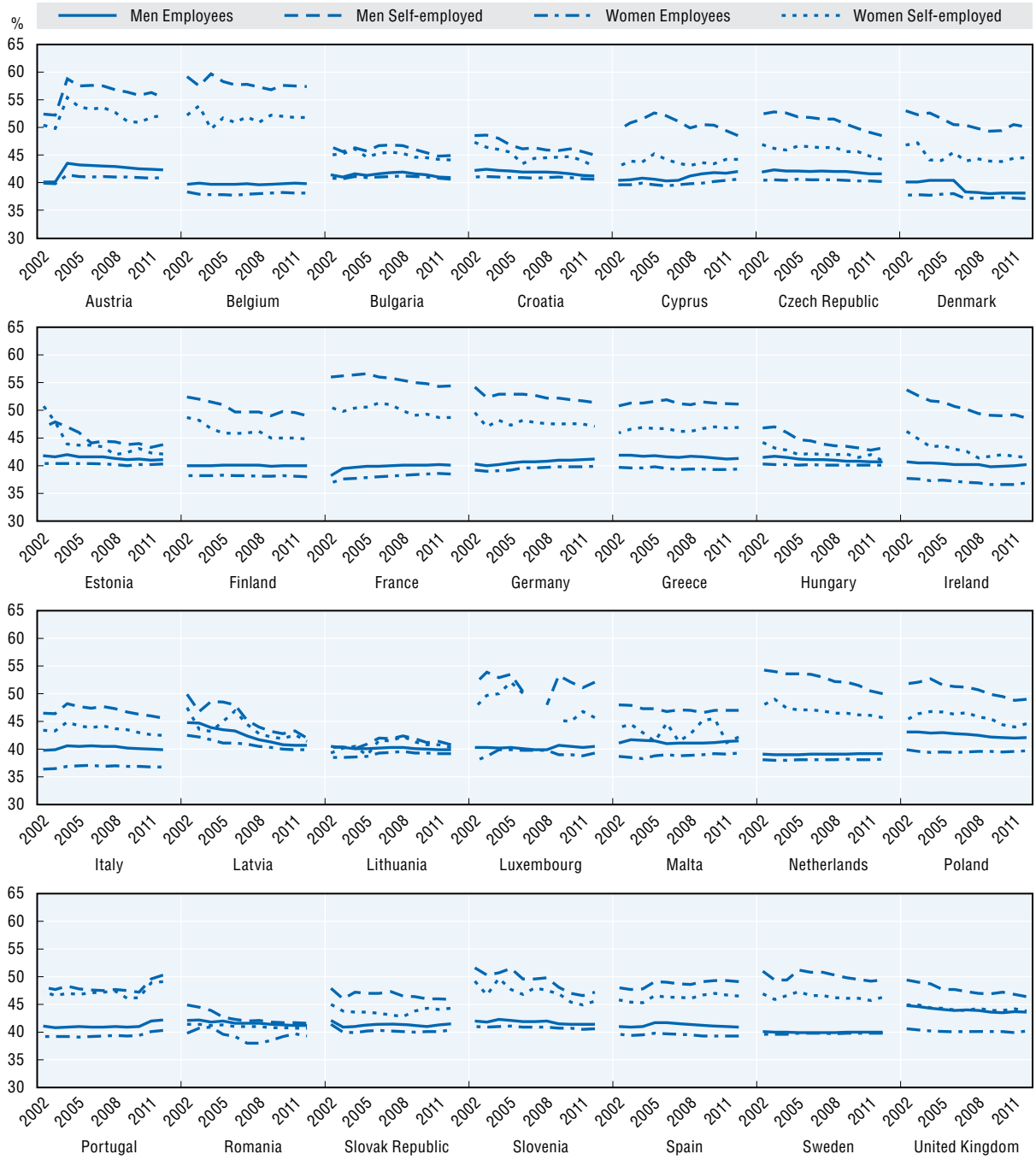
Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154313

Figure 2.12 shows the differences in hours worked by member state over the same period. There are significant differences in the average number of hours worked in a week across member states. In Latvia, Lithuania and Romania, the average number of hours worked varied little by gender or employment status in 2012. However, there were significant differences by gender in Belgium, France, Ireland and the Netherlands.

Figure 2.12. **Average number of hours worked per week by self-employed men and women, 2002-12**

Hours worked per week for 18-64 year-olds that work full-time



Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154327

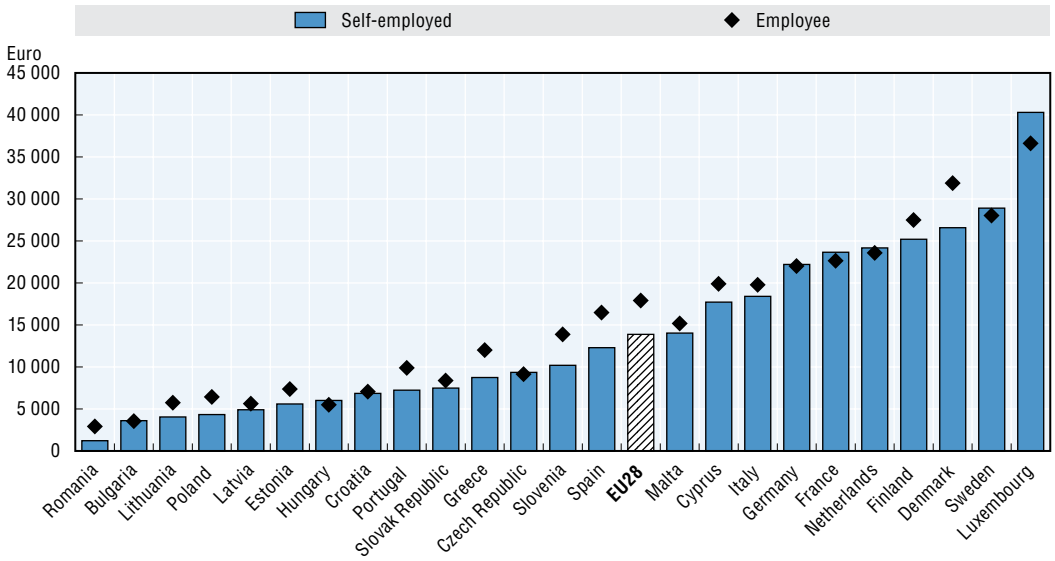
Self-employment earnings for women

- In 2012, women business owners were less likely than men to rely on their business as their main source of income (66% vs. 79%). 12% of women business owners had a full-time job and another 14% had a part-time job, relative to 11% and 7% of men, respectively.
- Self-employed women earned less than women who worked as employees in the EU in 2012. However, at the EU-level, self-employed women earned as much as self-employed men.

In 2012 women in the EU earned, on average, nearly EUR 18 000 if their main labour market activity was as an employee and just under EUR 14 000 if they were self-employed (Figure 2.13). Women who worked as employees earned more than those who were self-employed in all member states except for France, Luxembourg and Sweden. There was very little difference in the earnings of women who worked in employment or self-employment in Bulgaria, the Czech Republic, Germany and Hungary.

Figure 2.13. **Annual income earned by women, 2012**

Net median income earned for full-time labour market activities



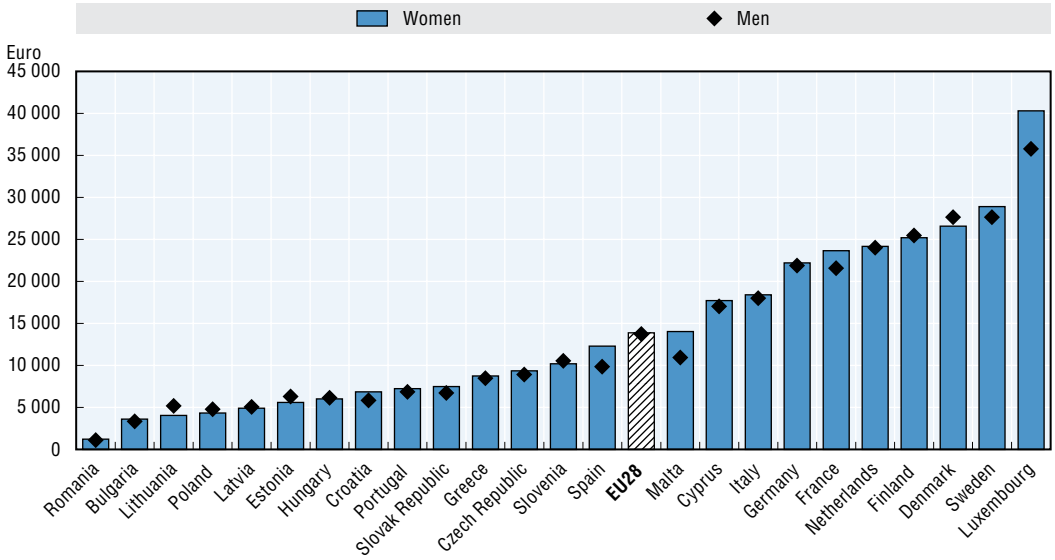
Source: Eurostat, Statistics on Income and Living Conditions 2012.

StatLink http://dx.doi.org/10.1787/888933154336

At the EU-level, self-employed women earned virtually the same income as self-employed men in 2012 (Figure 2.14). Both men and women that were self-employed earned just under EUR 14 000 in 2012, down slightly compared to 2011. While there is variation in the level of earnings across member states, self-employed women earned as much as self-employed men in nearly all member states. The exceptions are Denmark and Lithuania where self-employed men earned slightly more than self-employed women and France, Luxembourg, Malta and Spain where self-employed women earned more than self-employed men.

Figure 2.14. **Self-employment income for men and women, 2012**

Net median income earned for full-time labour market activities



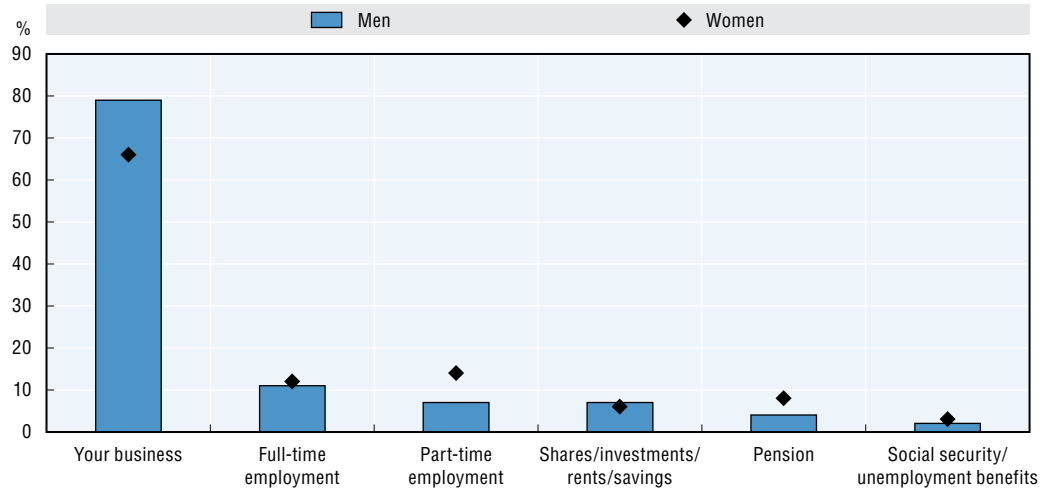
Source: Eurostat, Statistics on Income and Living Conditions 2012.

StatLink http://dx.doi.org/10.1787/888933154345

Figure 2.15 provides further insights on the earnings of the business owners. Women business owners were less reliant on their business as their main source of income than men. Only 66% of income earned by self-employed women came from their business, whereas men reported that 79% of their income was generated by their business. Men and women business owners were equally reliant on full-time employment as their main source of income but women business owners were more likely to seek income from part-time employment and pensions.

Figure 2.15. **Main sources of income for self-employed men and women in the EU28, 2012**

"What is/are your today your main source(s) of income?" (for those who own a business)



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

StatLink http://dx.doi.org/10.1787/888933154356

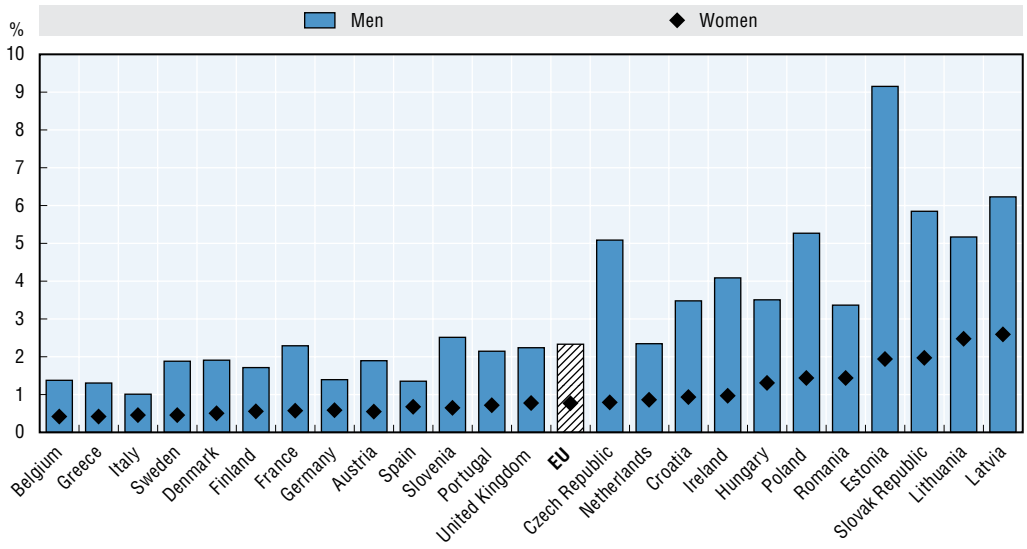
Growth expectations for women entrepreneurs

- Fewer than 1% of women were involved in early stage entrepreneurial activities in the EU between 2008 and 2012 and expected to create more than 6 jobs over the first 5 years of business operation. This is less than half of the rate for men (2.3%)

Figure 2.16 presents the proportion of women involved in early stage entrepreneurial activities between 2008 and 2012 who expected to create more than 6 jobs over the next 5 years. Women in the EU involved in early stage entrepreneurial activities were less than half as likely as men to expect to create 6 jobs (0.8% vs. 2.3%). Women in some member states such as Latvia (2.6%) and Lithuania (2.5%) were more likely to expect to create at least 6 jobs in the next 5 years than men in 12 member states. However, this proportion for women was less than 1% in two-thirds of member states.

Figure 2.16. **Growth expectations for men and women entrepreneurs, 2008-12 (combined)**

Proportion of 15-64 year olds involved in total early stage entrepreneurial activities that expect to create more than 6 jobs in the next 5 years



Note: Total early stage entrepreneurship activities which are defined as the proportion of the population that is actively involved in setting up a business they will own or co-own and those who have started new business within the last 42 months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888933154362

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Chapter 3

Self-employment and entrepreneurship activities by youth[1, 2]

This chapter presents evidence on the self-employment and entrepreneurship activities by youth. This evidence illustrates the proportion of youth that are active in business ownership and self-employment and presents evidence on the barriers to business creation and some of the key characteristics of those working in self-employment.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

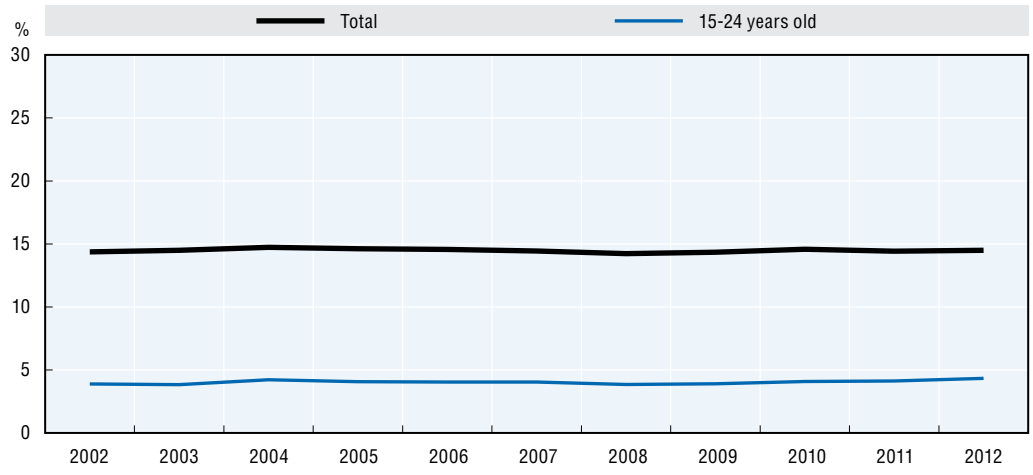
Self-employment activities by youth

- Few young people in the EU are self-employed. Of the 30.8 million self-employed people in 2012, less than 820 000 were youth between the ages of 15 and 24 (2.6%).
- The proportion of youth who were self-employed in 2012 ranged from 1.2% in Denmark to 12.2% in Italy.
- Self-employed youth most often work without employees. Only 11.3% of self-employed youth in 2012 had at least one employee, down from 18.9% in 2002.
- Self-employment activities for youth were concentrated in the following sectors: agriculture, forestry and fishing (12.6%); construction (16.9%); wholesale and retail trade (13.7%).

Youth (ages 15 to 24) are much less likely than the adult population to be self-employed (Figure 3.1). In 2012, 4.3% of youth that were in employment were self-employed, which was less than one-third of the rate of adults (14.5%). The self-employment rates for youth and adults were stable between 2002 and 2012.

Figure 3.1. **Youth self-employment rate in the EU28, 2002-12**

Percentage of 15-64 year olds



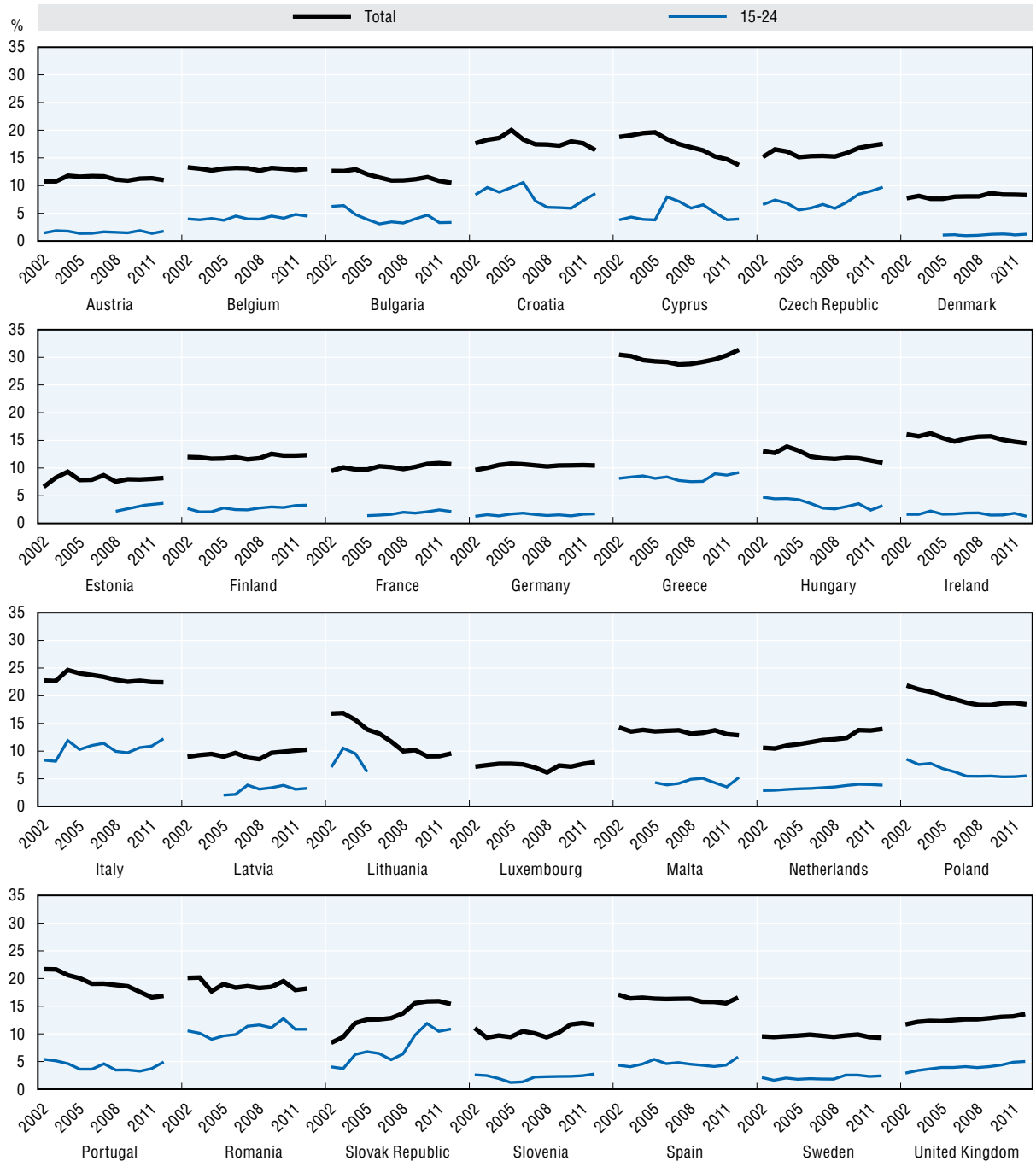
Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154370

Youth self-employment rates are presented for each member state in Figure 3.2. Between 2002 and 2012, the youth self-employment rates increased in 19 member states, including most notably the Slovak Republic (6.9 percentage points) and declined in 7 member states, including Poland (3.0 percentage points) and Bulgaria (2.9 percentage points). The self-employment rate for youth was unchanged in Denmark over the 2002 to 2012 period.

Figure 3.2. **Youth self-employment rate, 2002-12**

Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154382

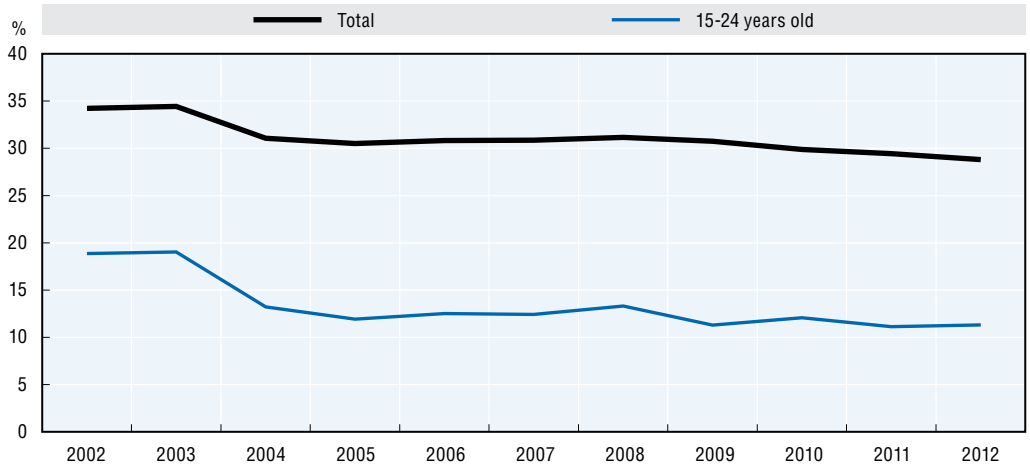
An important consideration for policy makers is the motivation for entering self-employment, especially for young people, because it can impact the chances of developing a start-up into a sustainable business. Some young people will start a business because they are pursuing an opportunity that they have identified and others will start a

business because they cannot find a job. These motivations change over time. Someone who starts a business because they cannot find a job may identify and pursue a high growth opportunity. However, policy makers also need to recognise that some people become self-employed because an employer may prefer to hire an individual as an independent contractor rather than an employee.

There was a substantial decline in the proportion of self-employed youth (ages 15 to 24) that employ other people between 2002 and 2012 (Figure 3.3). Approximately 19% of self-employed youth in the EU had employees in 2002 but this proportion declined to 11% in 2012. Of the 819 000 self-employed youth in the EU, only 92 400 had employees in 2012. This decline is consistent with the overall decline in the proportion of self-employed people with employees. This trend could be explained by several factors, including the macroeconomic environment and structural labour market issues. For example, one issue that is a concern for European policy makers is the extent to which employers contract self-employed people rather that hiring them as employees. The result is a less stable work arrangement for workers and employers reduce their contributions to social security systems. While it is impossible to draw conclusions about this simply by looking at self-employment data, the downward trend in the proportion of self-employed people with employees is consistent with an increased preference by employers to contract self-employed people instead of hiring employees.

Figure 3.3. **Proportion of self-employed youth with employees in the EU28, 2002-12**

Percentage of 15-64 year olds



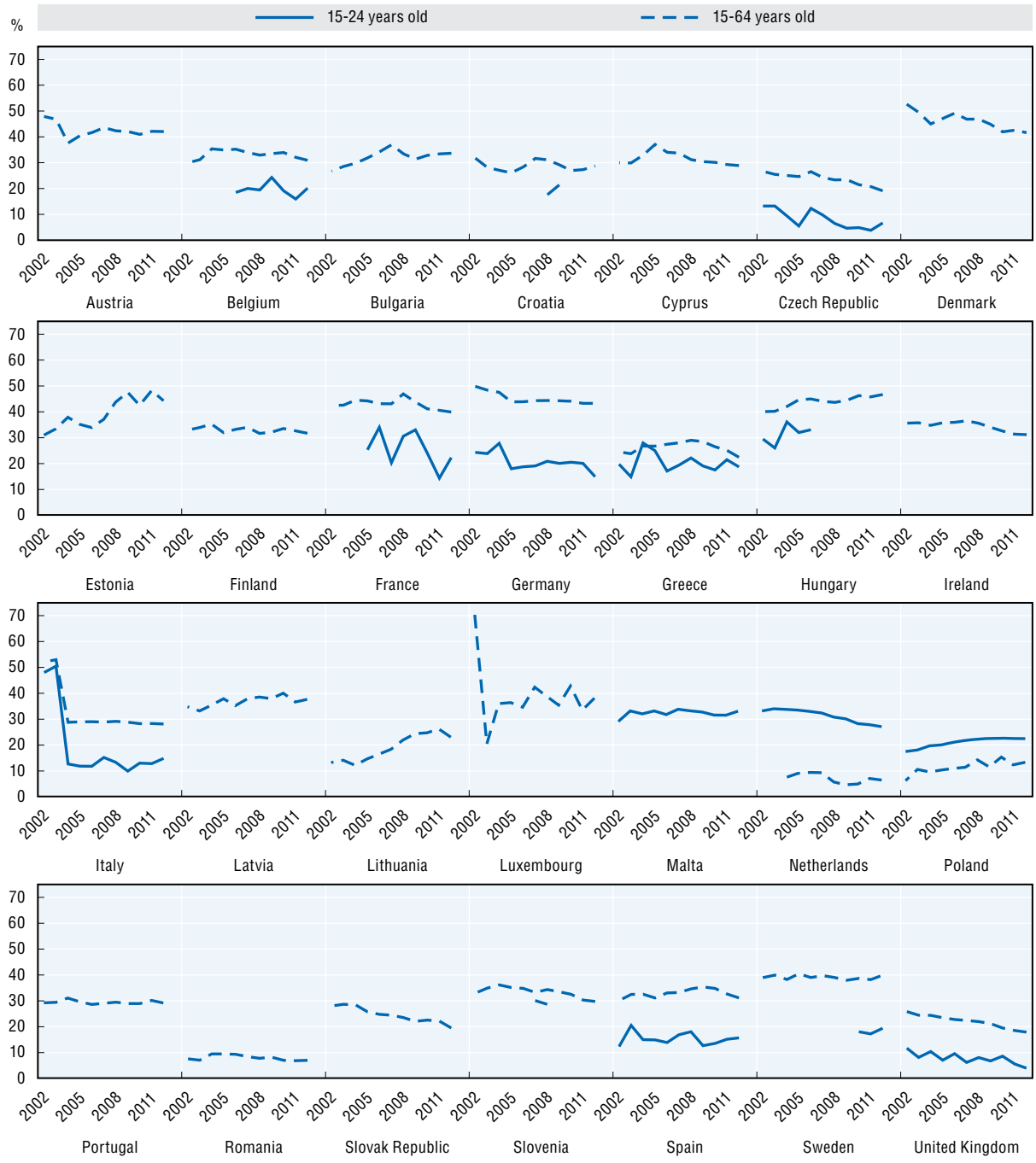
Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154396

The proportion of self-employed youth with employees within each member state is presented in Figure 3.4. Two key issues can be identified from this data. First, self-employed youth were less likely to have employees in all countries where data are available. Second, while the proportion of self-employed youth with employees declined dramatically at the EU level, there are a number of member states where this proportion increased. These member states include Poland and Spain.

Figure 3.4. **Proportion of self-employed youth with employees, 2002-12**

Percentage of 15-64 year olds



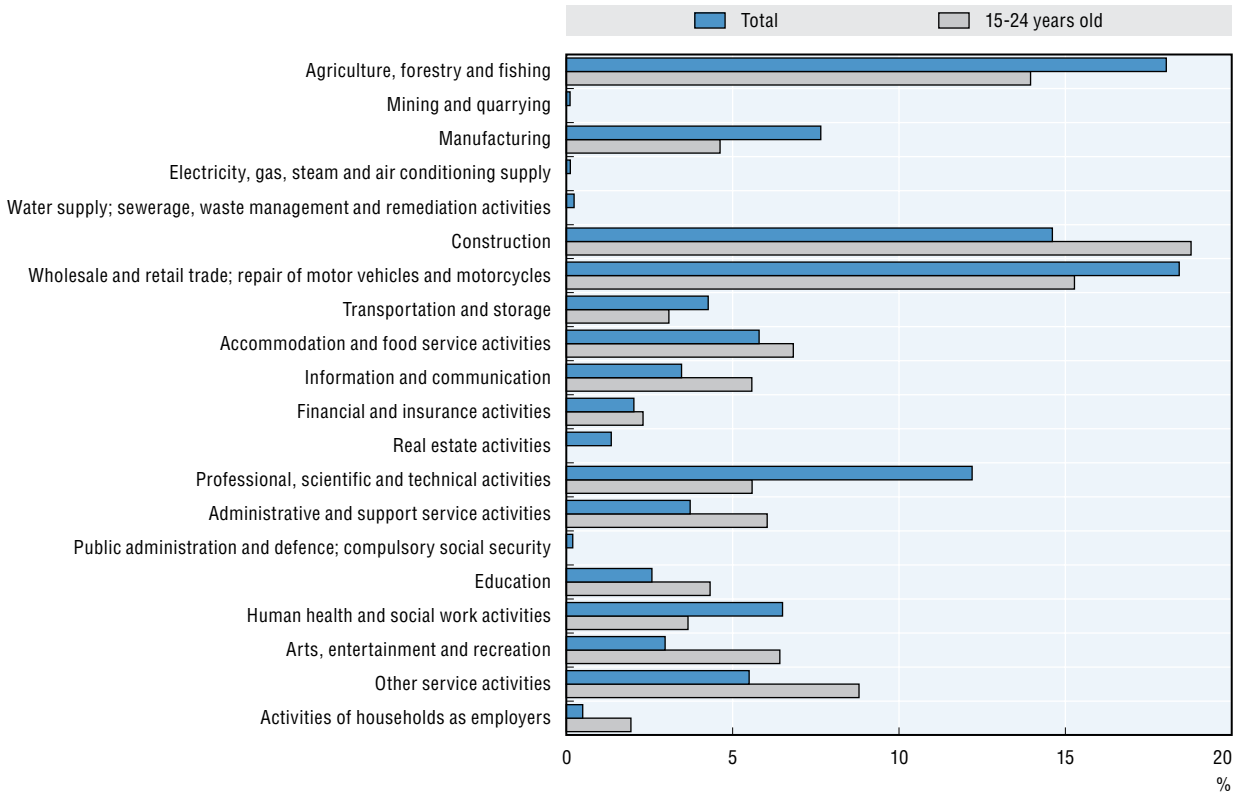
Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154400

The distribution of youth self-employment activities (ages 15 to 24) across industries are presented in Figure 3.5. The self-employment activities of youth were concentrated in 3 industries in 2012: agriculture, forestry and fishing (12.6%); construction (16.9%); wholesale and retail trade (13.7%). Together, these 3 industries accounted for 43.2% of self-employment activities of youth.

Figure 3.5. **Distribution of self-employed youth by industry in the EU28, 2012**

Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2012.

StatLink http://dx.doi.org/10.1787/888933154411

Activities by youth over the entrepreneurship life-cycle

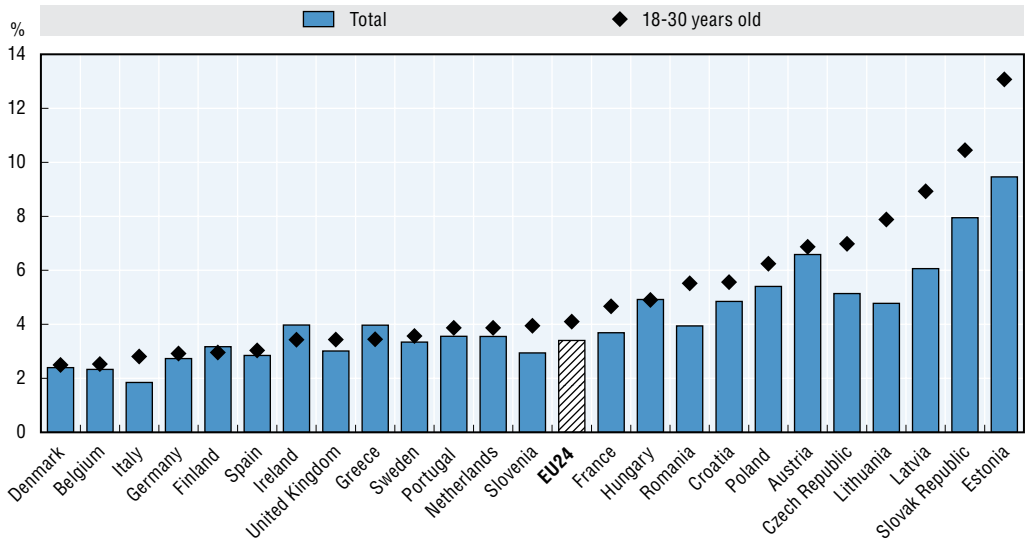
- Young people (ages 18 to 30) in the EU were slightly more likely than adults to be involved in the process of setting up a business between 2008 and 2012 (4.1% vs. 3.4%).
- The proportion of youth setting up businesses varied greatly by member state, ranging from 2.5% in Denmark to 13.1% in Estonia.
- Between 2008 and 2012 young people in the EU were almost as likely to be new business owners as adults (2.6% vs. 2.9%).
- Very few young people were established business owners in the EU: less than 2% of those between the ages of 18 and 30 owned an established business.

Figure 3.6 presents nascent entrepreneurship rates for youth (ages 18 to 30) and for the overall adult population (ages 18 to 64) for EU countries. The nascent entrepreneurship rate measures the proportion of the adult population who report that they are actively involved in setting up a business that they will own or co-own. The business must not have paid salaries, wages or any other payments to the owners for more than three months. For more information on this concept and data source, please refer to the Reader's guide.

Youth had higher nascent entrepreneurship rates than adults in the vast majority of EU member states (Figure 3.6). The gap between youth and adults was the largest in Estonia

Figure 3.6. **Nascent entrepreneurship rate for youth, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Nascent Entrepreneurship Rate is defined as the proportion of the adult population (age 18 to 64) that are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

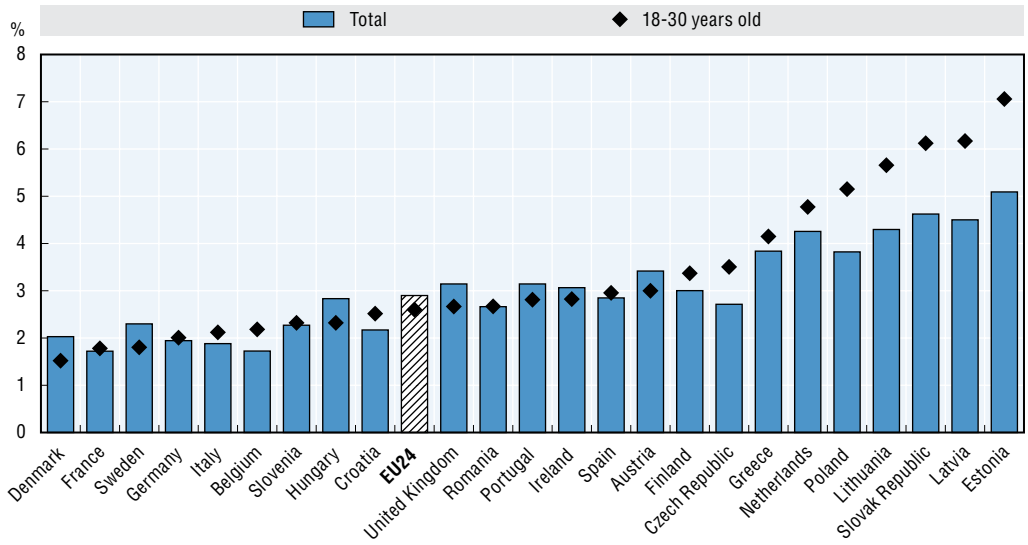
StatLink http://dx.doi.org/10.1787/888933154425

at 3.6 percentage points and there was no difference in the rates in Hungary. Figure 3.6 also illustrates that there is substantial variation across EU member states. The nascent entrepreneurship rates for youth were the highest in Estonia (13.1%), the Slovak Republic (10.4%) and Latvia (8.9%) and were the lowest in Denmark (2.5%), Belgium (2.5%) and Italy (2.8%).

Similar patterns are observed in the new business ownership rate, which measures the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. The new business ownership rate was higher for youth than for adults in 16 member states (Figure 3.7). As with the nascent entrepreneurship rate, the new business ownership rate was highest in Estonia (7.1%), Latvia (6.2%) and the Slovak Republic (6.1%). It was the lowest in Denmark (1.5%), France (1.8%) and Sweden (1.8%). The gap between the new business ownership rate for youth and the rate for adults was largest in Estonia (2.0 percentage points) and smallest in Portugal (0.3 percentage points).

Figure 3.7. **New business ownership rate for youth, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The New Business Ownership Rate is the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.

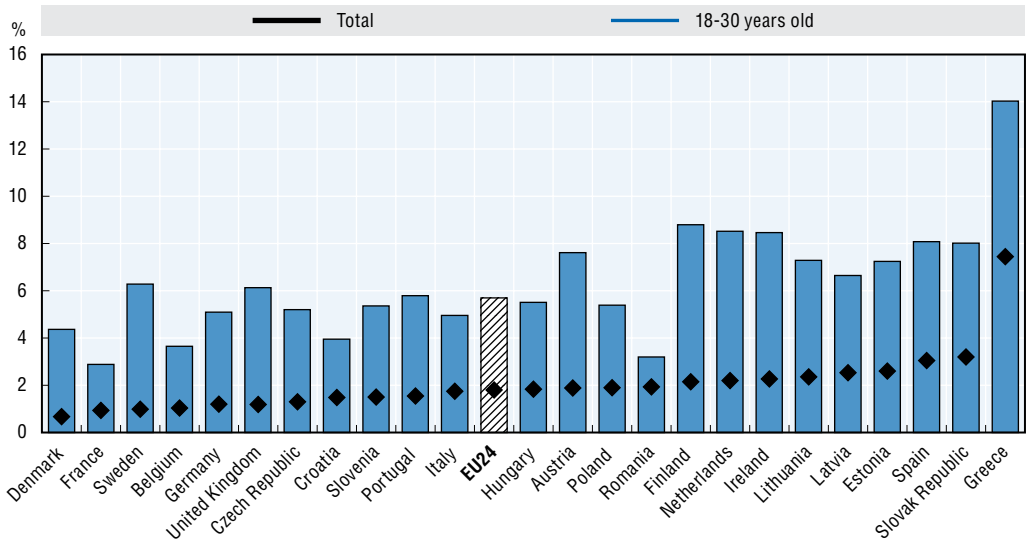
Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888933154432

In contrast to the nascent entrepreneurship rate and the new business ownership rate, the established business ownership rate for youth was much lower than the rate for adults in all EU member states (Figure 3.8). The established business ownership rate measures the proportion of the adult population that are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. Overall for the EU, youth were only one-third as likely as adults to be established business owners than adults. There was substantial variation in both the level of the established business ownership rate for youth and the relative gap between the rates for youth and adults. The established business ownership rate for youth was highest in Greece at 7.4%, which was slightly more than half of the rate for adults (14.0%). The member state where the gap in the established business ownership rates between youth and adults was the smallest was Romania, where youth had a rate of 1.9%, which was approximately 60% of the adult rate (3.2%).

Figure 3.8. **Established business ownership rate for youth, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Established Business Rate measures the proportion of the adult population that are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. This measure provides information on the stock of business in an economy.
Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888933154448

Barriers to business creation for youth

- Youth between the ages of 15 and 24 were more likely to view self-employment as a preferable to working as an employee than the adult population (45% vs. 37%). Youth also viewed self-employment as more feasible (41% vs. 30%).
- Youth were more likely than adults to cite access to finance (26% vs. 21%) and a lack of skills (18% vs. 8%) as barriers to self-employment.

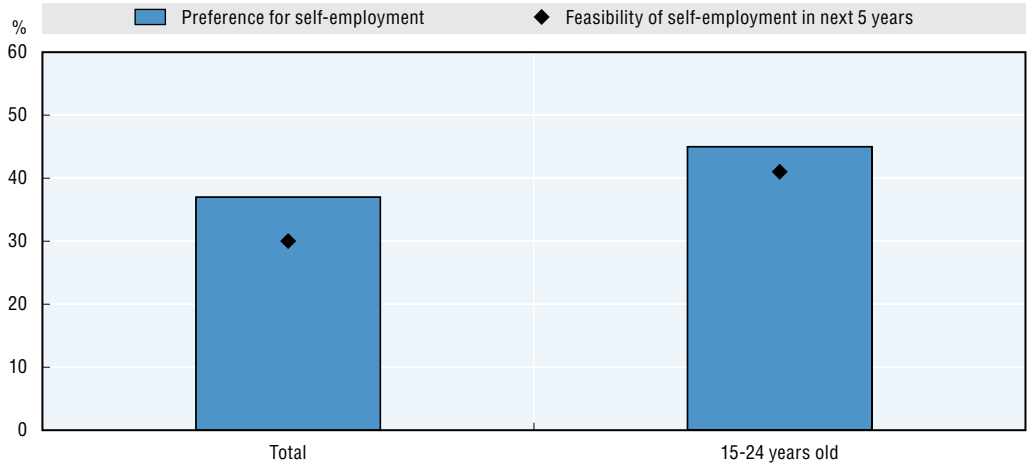
Youth (ages 15 to 24) were more likely than adults (ages 15 to 64) to indicate that they prefer self-employment to working as an employee (Figure 3.9). In 2012, 45% of youth in the EU indicated a preference for self-employment relative to 37% of adults.

Youth were also more likely to view self-employment as feasible (Figure 3.9). In 2012, 41% of youth in the EU reported that self-employment would be a feasible activity within the next 5 years. Only 30% of adults indicated that it would be feasible.

This gap between youth and adults in the preference and feasibility of self-employment is likely explained by several factors. First, young people are less likely to have experience in the labour market and in self-employment than adults. Consequently, they may not have a good understanding of self-employment or may underestimate the level of dedication and work that it involves. Second, young people may have a different attitude towards labour market activities as the nature of employer-employee relationships change.

Figure 3.9. **Preference and feasibility of self-employment for youth in the EU28, 2012**

"If you could choose between different kinds of jobs, would you prefer to be self-employed?"
"Regardless of whether or not you want to become self-employed, would it be feasible for you to be self-employed within the next 5 years?"



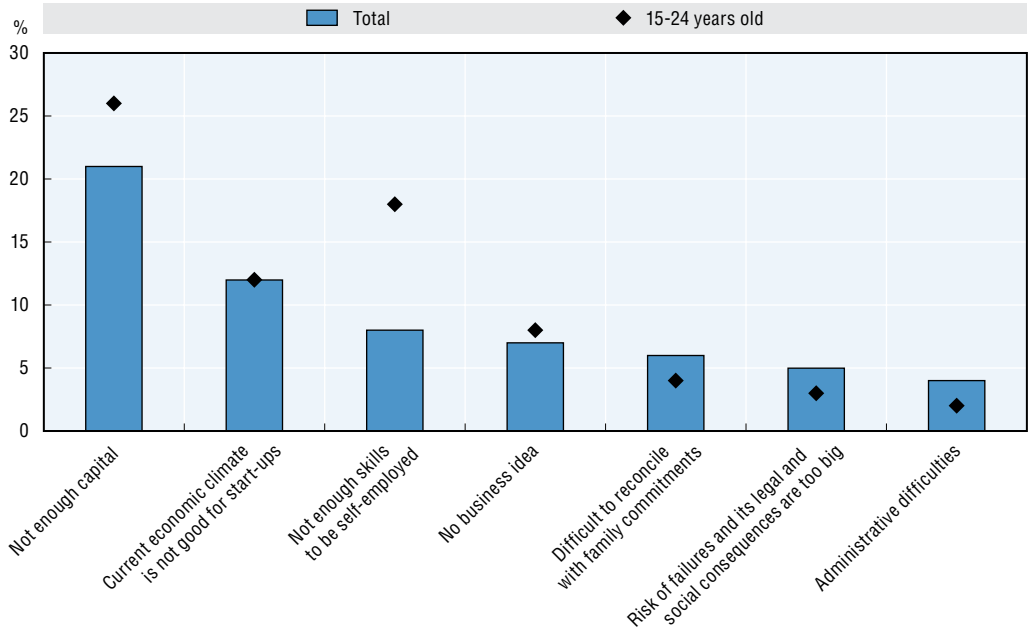
Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

StatLink http://dx.doi.org/10.1787/888933154459

Figure 3.10 shows some differences between youth and adults as to why self-employment would not be feasible within the next 5 years. Youth were more likely to report that they lacked capital (26% vs. 21%) and skills for entrepreneurship (18% vs. 8%). There was little difference between youth and adults for other perceived barriers. Administrative

Figure 3.10. **Barriers to self-employment for youth in the EU28, 2012**

"Why would it not be feasible for you to be self-employed within the next 5 years?"



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

StatLink http://dx.doi.org/10.1787/888933154466

difficulties do not appear to be a significant barrier for youth, suggesting that efforts to reduce regulatory burden are likely to have a small impact.

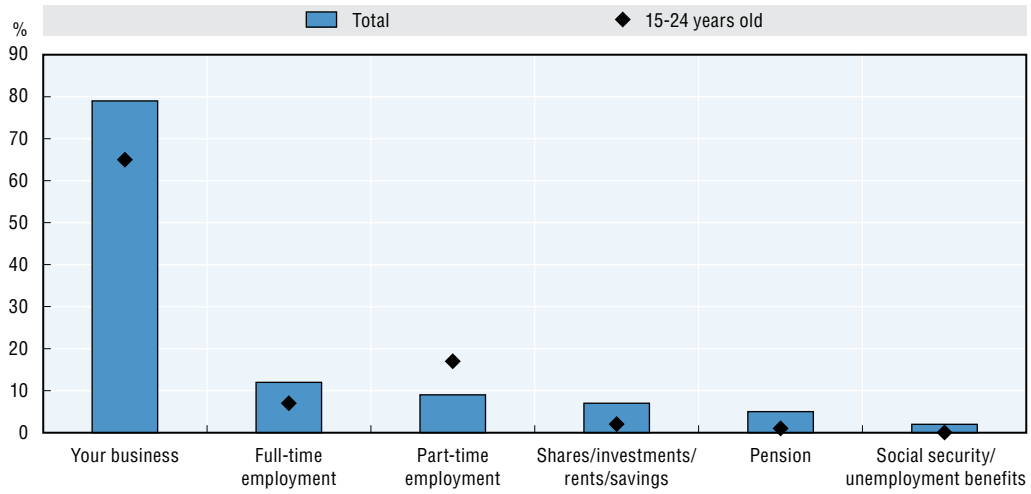
Self-employment earnings for youth

- Youth (ages 15 to 24) were less than likely than adults to rely on their business as their principal source of income in 2012 (65% vs. 79%). Accordingly, nearly 20% of youth cited part-time jobs as their main source of income.

The sources of income for young business owners (ages 15 to 24) are presented in Figure 3.11. Youth generated less income from their businesses than adults (ages 15 to 64), earning 65% of their income from their business versus 79% for adults. Youth were less likely to have a full-time job than adults (7% vs. 12%) but were more likely to have a part-time job (17% vs. 9%). Very few young business owners drew income from investments and savings, pensions and social security or unemployment benefits.

Figure 3.11. **Main sources of income for youth in the EU28, 2012**

"What is/are your today your main source(s) of income?" (for those who are a business owner)



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

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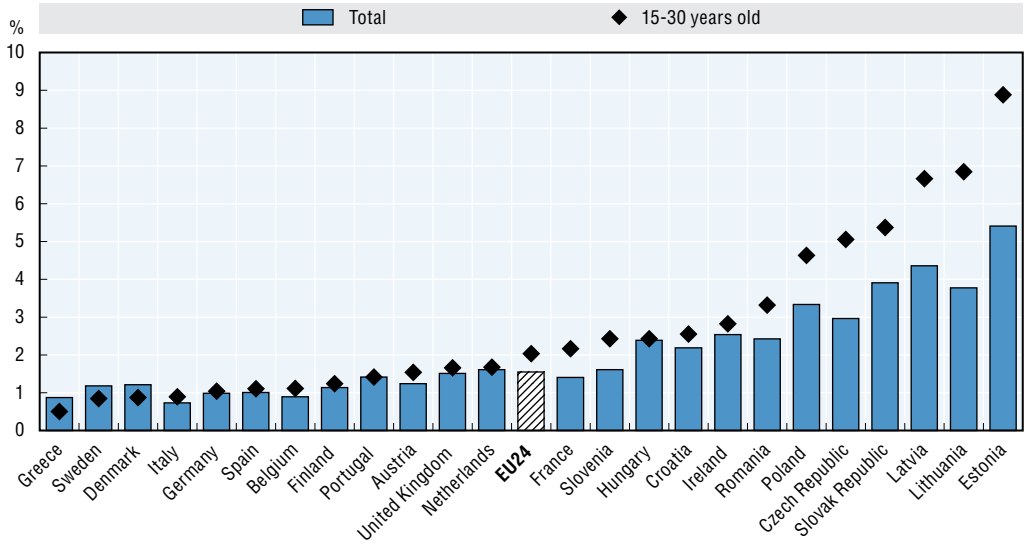
Growth expectations for young entrepreneurs

- Young people (ages 18-30) who are involved in early stage entrepreneurial activities were more likely than adults to expect to create more than 6 jobs in the next five years.
- In 5 member states (Estonia, Lithuania, Latvia, the Slovak Republic and the Czech Republic), the proportion of youth involved in early stage entrepreneurial activities that expected to create more than 6 jobs in 5 years was more than three times the adult average for the EU.

The proportions of young people (ages 18-30) in the EU who were involved in early stage activities and expect to create more than 6 jobs in the next 5 years are presented in Figure 3.12. This covers those who were actively involved in setting up a business that they will own or co-own and those who have started new business within the last 42 months.

Figure 3.12. **Growth expectations for young entrepreneurs, 2008-12 (combined)**

Proportion of 15-64 year olds involved in total early stage entrepreneurial activities that expect to create more than 6 jobs in the next 5 years



Note: Total early stage entrepreneurship activities which are defined as the proportion of the population that is actively involved in setting up a business they will own or co-own and those who have started new business within the last 42 months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink *http://dx.doi.org/10.1787/888933154489*

Overall, approximately 2% of young people in the EU involved in early stage activities expected to create at least 6 jobs in the next 5 years. This is higher than the overall average for adults and this finding is true in the vast majority of member states. However, this proportion varied from 0.9% in Greece to 8.9% in Estonia.

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European Commission (2012), "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354, available at: *ec.europa.eu/public_opinion/flash/fl_354_en.pdf*.

Eurostat (2013), Labour Force Survey, available at: *http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database*.

Global Entrepreneurship Monitor (2013), Special tabulations of the 2008-12 Global Entrepreneurship Monitor adult population surveys.

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Chapter 4

Self-employment and entrepreneurship activities by seniors[1, 2]

This chapter presents evidence on the self-employment and entrepreneurship activities of older people. It reports on the number and proportion of seniors involved in self-employment and the main characteristics of this type of employment. Evidence is also presented on the barriers to self-employment.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

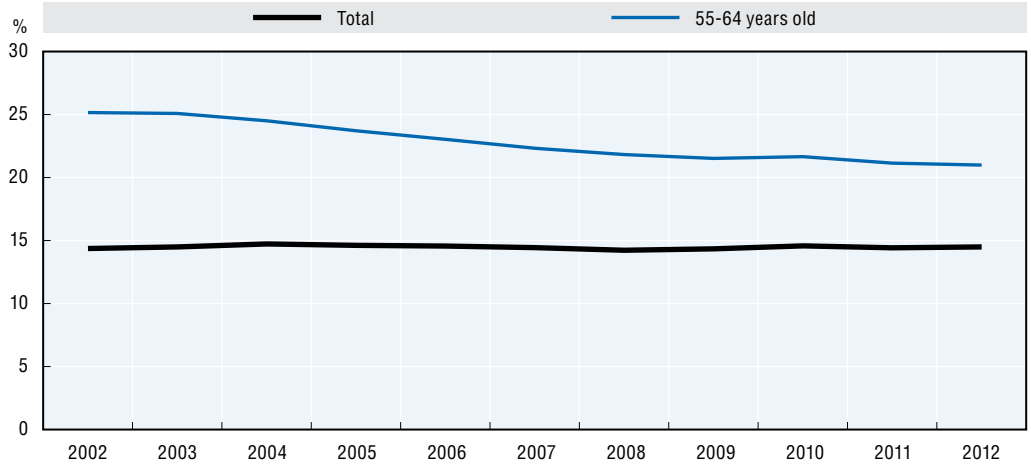
Self-employment activities by seniors

- Older people (ages 55 to 64) are more likely than adults to be active in self-employment. In 2012, there were 6.5 million self-employed older people in the EU, accounting for 21.0% of the labour market activity of this age group. However, the proportion of older people who are self-employed has declined from 25.2% in 2002.
- Within the EU member states, the proportion of older people involved in self-employment ranged from 7.3% in Estonia to 51.8% in Greece in 2012.
- Older self-employed people were as likely as the rest of the adult population to have employees. In 2012, nearly 30% of self-employed older people had employees.
- Older self-employed people were over-represented in manufacturing, construction and consumer related industries relative to the adult population in 2012.

Figure 4.1 illustrates the self-employment rates for older people (ages 55 to 64) and for the adult population (ages 15 to 64). In 2012, older people in the EU were more likely to be self-employed than the adult population (21.0% vs. 14.5%). Although the adult self-employment rate in the EU remained unchanged between 2002 and 2012, the rate for older people declined 16% (from 25.2% to 21.0%).

Figure 4.1. **Self-employment rate for seniors in the EU28, 2002-12**

Percentage of 15-64 year olds



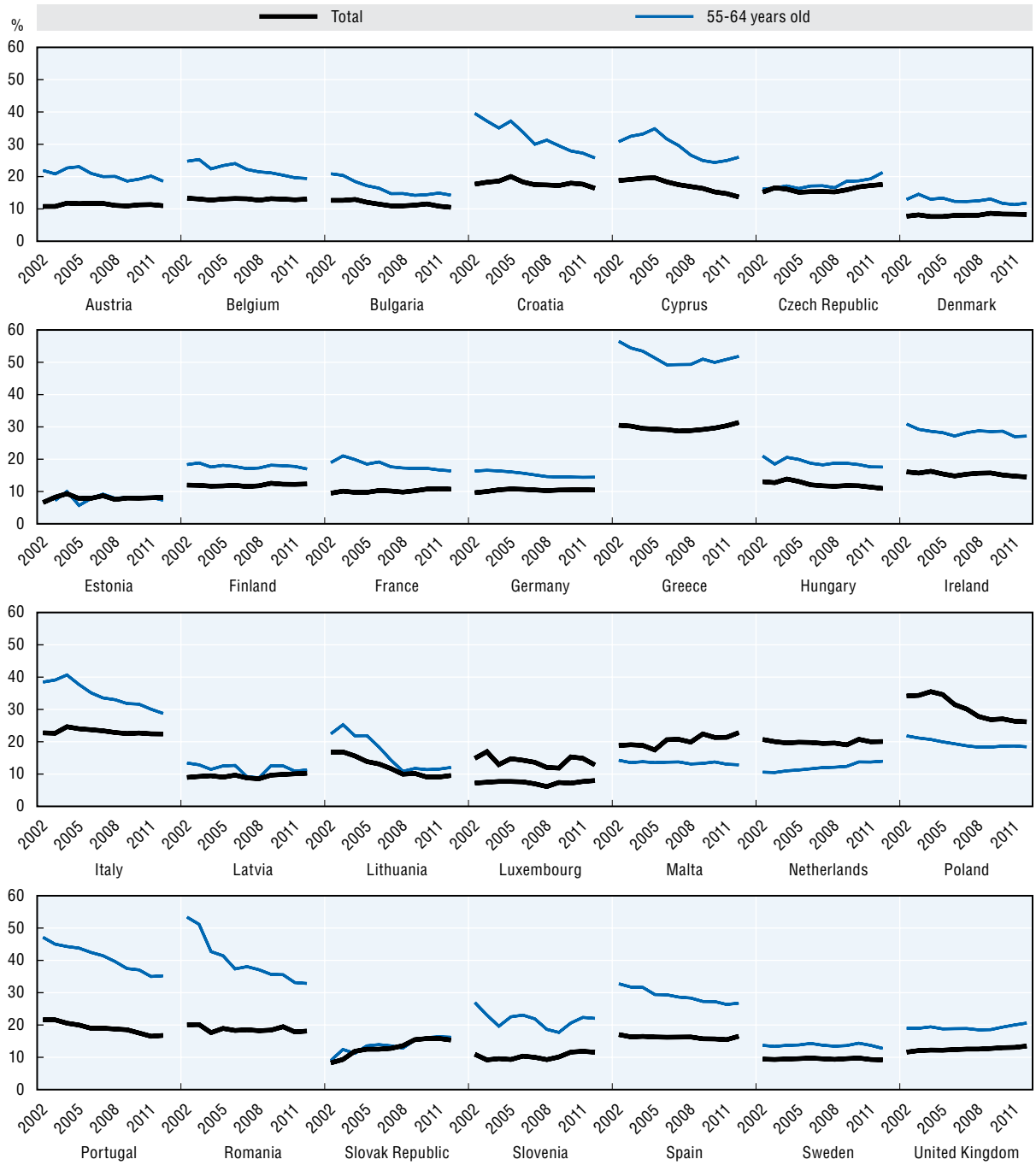
Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154490

The self-employment rates for older people and the adult population are presented for each member state over the 2002 to 2012 period in Figure 4.2. Self-employment rates for older people increased in only 3 member states over this period: the Slovak Republic

Figure 4.2. **Self-employment rate for seniors, 2002-12**

Percentage of 15-64 year olds

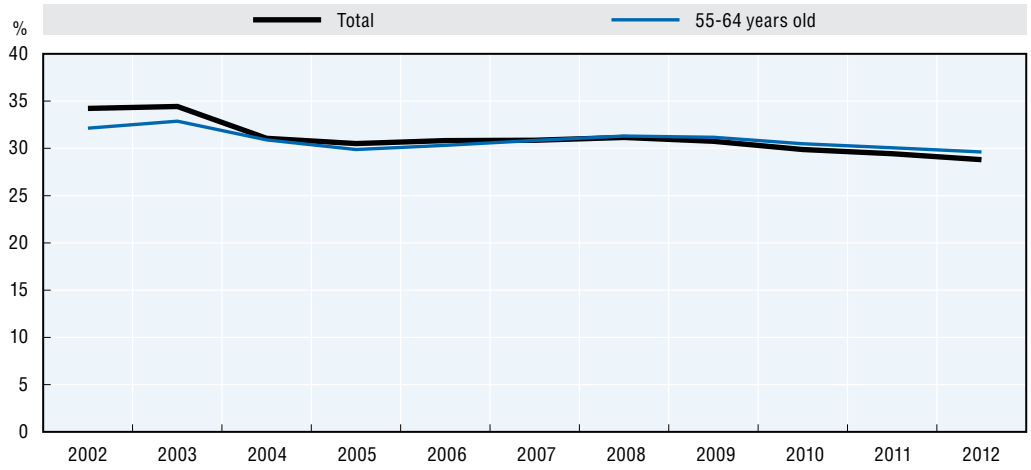


Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154509

Figure 4.3. **Proportion of self-employed seniors with employees in the EU28, 2002-12**

Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154515

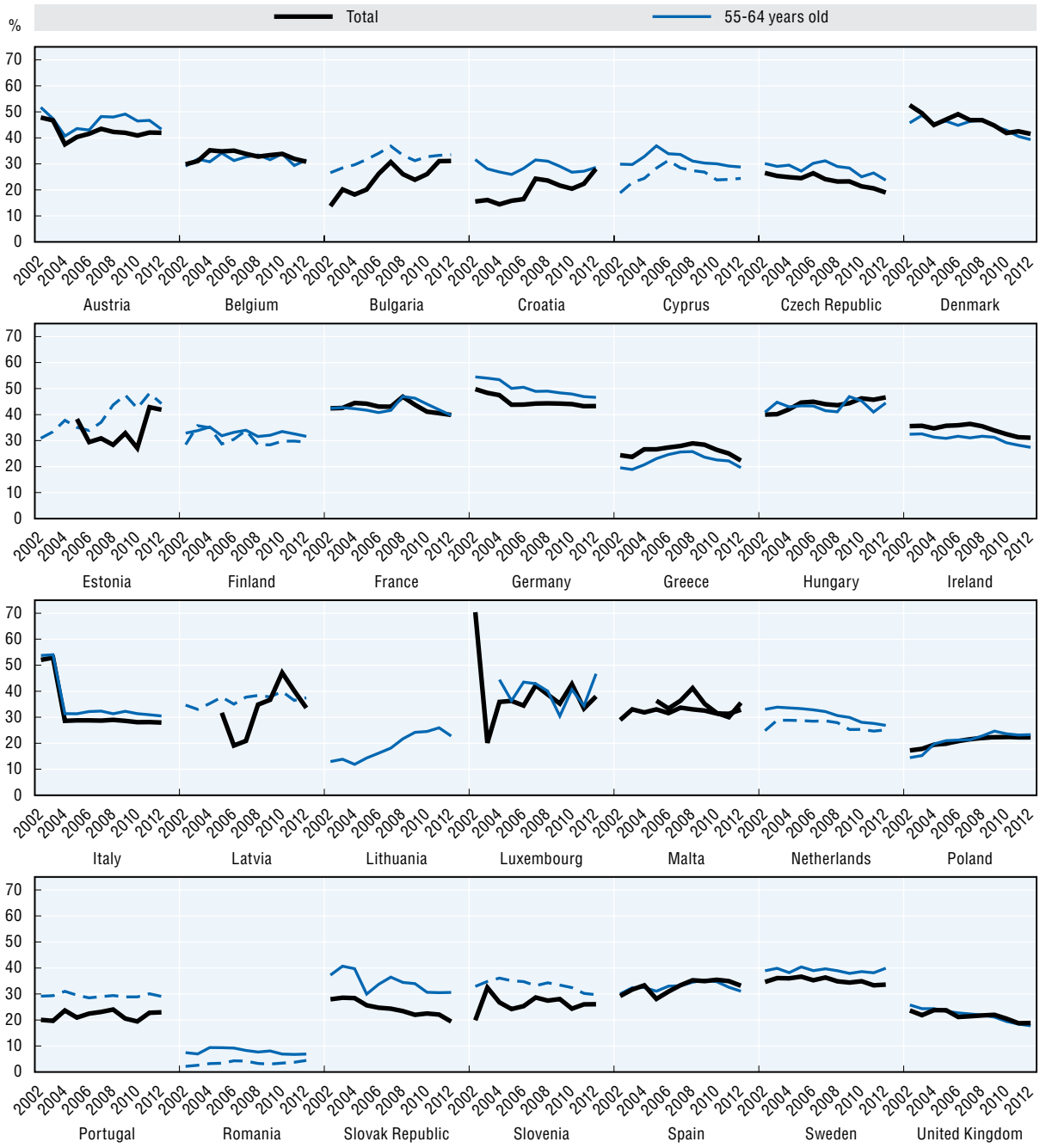
(7.2 percentage points), the Czech Republic (5.2 percentage points) and the United Kingdom (1.6 percentage points). The most significant declines were in Romania (20.5 percentage points), Croatia (13.7 percentage points), Portugal (11.9 percentage points) and Lithuania (10.5 percentage points).

In 2012, nearly 30% of older self-employed people (ages 55 to 64) in the EU had at least one employee, which was approximately the same proportion as the overall adult population (ages 15 to 64). Thus, 1.9 million of the 6.5 million older self-employed people had employees. However, the proportion of older self-employed people (aged 55 to 64) providing employment declined slightly over the last decade. In 2002, 32.1% of older self-employed people had employees. A similar decline is also observed among the overall population of self-employed adults with employees over this period.

The proportions of older self-employed people with employees in each member state are presented in Figure 4.4. There were 10 member states where older self-employment people were more likely to have employees than the overall population in 2012. In 2012, older self-employed people were most likely to have employees in Luxembourg (46.7%), Germany (46.6%) and Hungary (44.5%). This contrasts with Romania (4.4%), the United Kingdom (18.8%) and Greece (19.6%), where less than one-fifth of older self-employed people had employees.

Figure 4.4. **Proportion of self-employed seniors with employees, 2002-12**

Percentage of 15-64 year olds



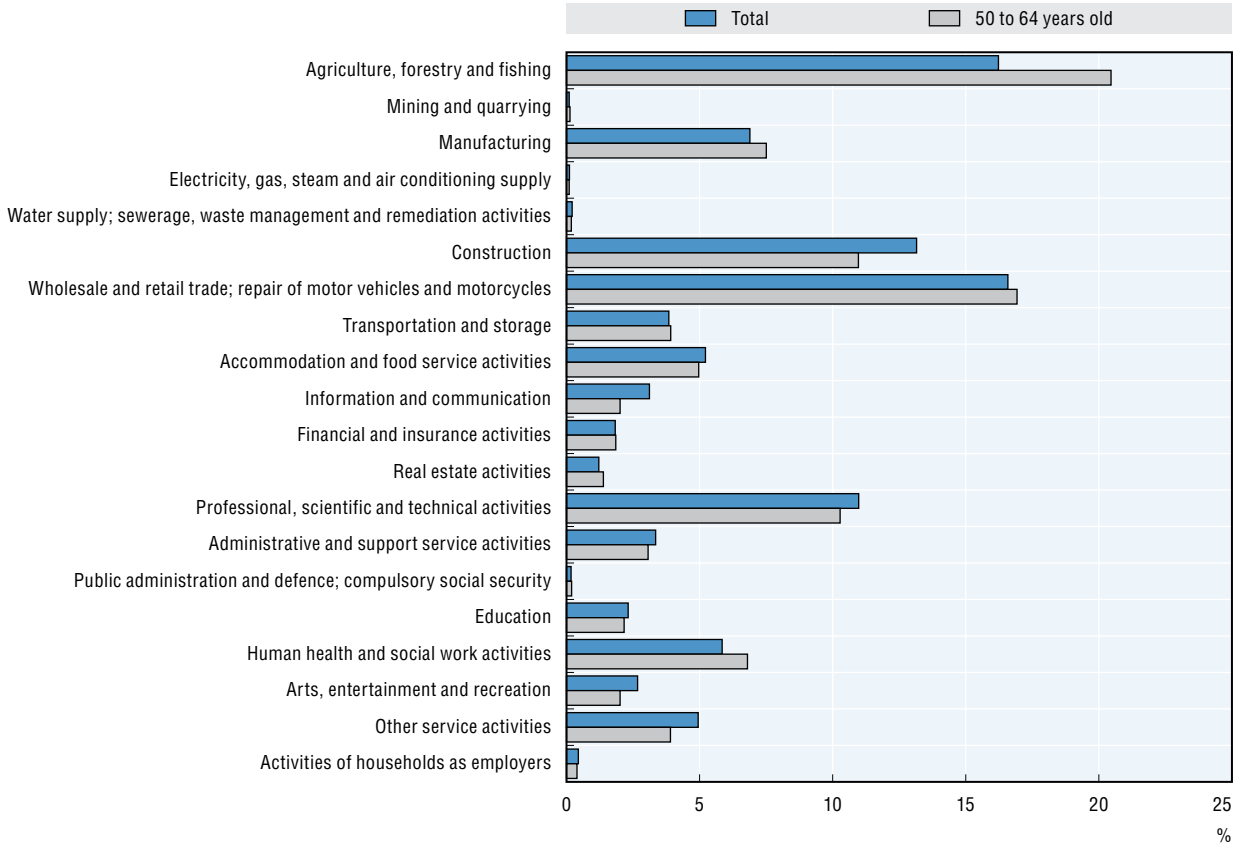
Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154526

The distribution of self-employed older people (ages 50 to 64) by industry is presented in Figure 4.5. Older self-employed people were more likely than the overall adult population to operate in agriculture, forestry and fishing; wholesale and retail trade and repair of motor vehicles; transportation and storage; real estate; and human health and social work. In 2012, the bulk of self-employed older people operated in agriculture, forestry and fishing (20.5%); wholesale and retail trade and repair of motor vehicles (16.9%); construction (11.0%); and professional, scientific and technical activities (10.3%). Nearly 60% of self-employed older people operated in these four industries in 2012.

Figure 4.5. **Distribution of self-employed seniors by industry in the EU28, 2012**

Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2012.

StatLink http://dx.doi.org/10.1787/888933154531

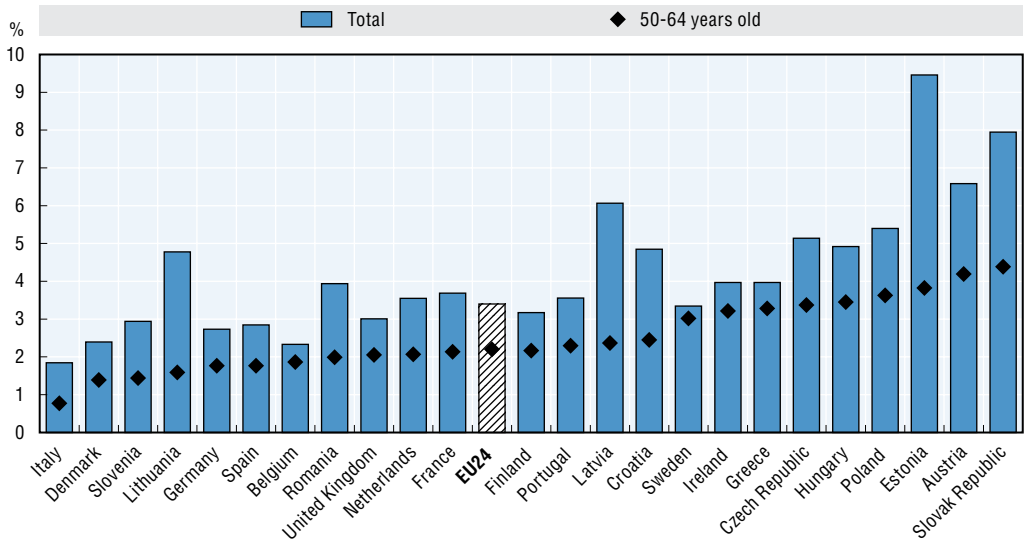
Activities by seniors over the entrepreneurship life-cycle

- Few older people (ages 50 to 64) in the EU were involved in setting up a business over the 2008-12 period: slightly more than 2% of older people were setting up a business.
- Approximately 2% of older people in the EU were owners of new businesses between 2008 and 2012 and approximately 7% were owners of established businesses. Neither of these rates differs significantly from the rates of the adult population.

Figure 4.6 presents the nascent entrepreneurship rates of older people (ages 50 to 64) for EU countries. This rate measures the proportion of the adult population who report

Figure 4.6. **Nascent entrepreneurship rate for seniors, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Nascent Entrepreneurship Rate is defined as the proportion of the adult population (age 18 to 64) that are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888933154542

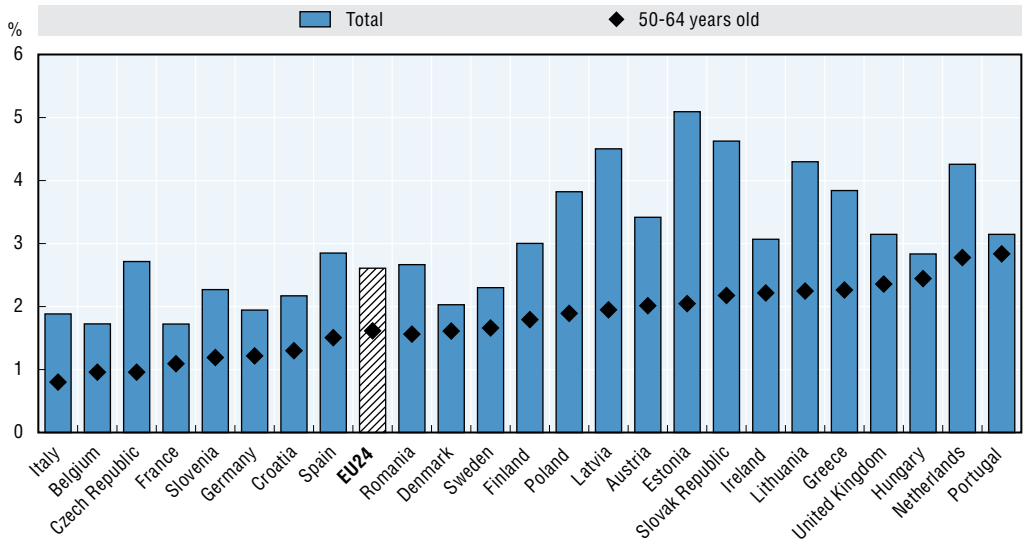
that they are actively involved in setting up a business that they will own or co-own. The business must not have paid salaries, wages or any other payments to the owners for more than three months. Data are presented by gender, age, educational attainment level and income levels. For more information on this concept and data source, please refer to the Reader's guide at the beginning of this book.

Older entrepreneurs had lower nascent entrepreneurship rates across the EU than the overall adult population (ages 18 to 64) over the 2008 to 2012 period (Figure 4.6). The EU average nascent entrepreneurship rate for older people was 2.2% vs. 3.4% for adults. The nascent entrepreneurship rates for older people ranged from 1.8% in Italy to 4.4% in the Slovak Republic. The difference between the nascent entrepreneurship rate for older people and for the adult population was greatest in Estonia (5.6 percentage points), Latvia (3.7 percentage points) and the Slovak Republic (3.6% points). The gap was the smallest in Sweden (0.3 percentage points), Belgium (0.5 percentage points) and Greece (0.7 percentage points).

Similarly, new business ownership rates were lower for older people than for the adult population in all EU member states (Figure 4.7). The new business ownership rate is the

Figure 4.7. **New business ownership rate by seniors, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The New Business Ownership Rate is the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

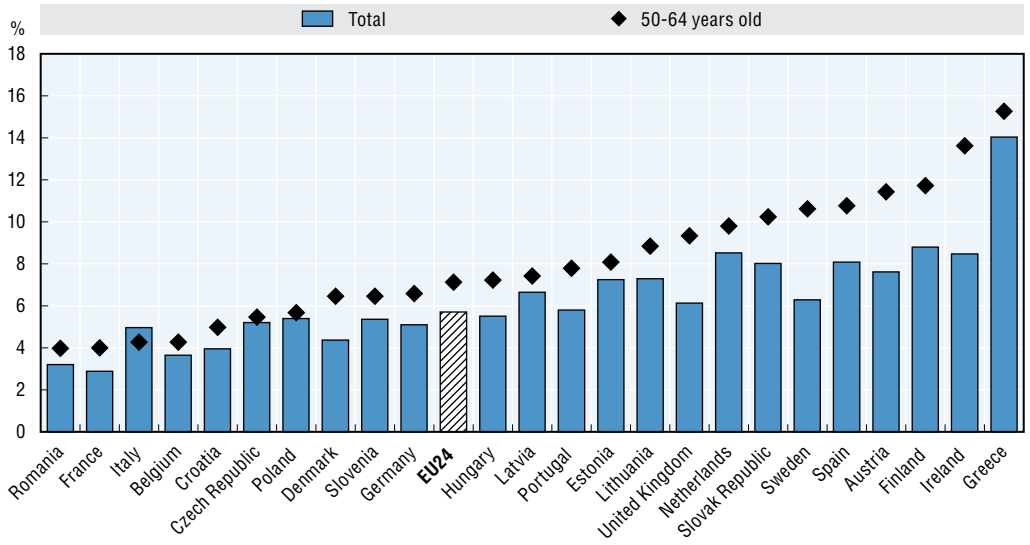
StatLink http://dx.doi.org/10.1787/888933154552

proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. The average new business ownership rate for the EU was 2.6% for the overall adult population in 2012 and 1.6% for older people. The highest proportion older people that were new business owners over the 2008 to 2012 period was in Portugal (3.1%) while the lowest proportion was in Italy (1.9%). The gap between the new ownership rate for adults and the new ownership rate for older people varied slightly across member states. It was the largest in Estonia (3.1 percentage points) and smallest in Portugal (0.3 percentage points).

However, older people were more likely to be established business owners in all member states except for Italy (Figure 4.8). Established business owners are defined as adults who are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. Between 2008 and 2012, 7.1% of older people in the EU were established business owners, which was higher than the average for the adult population in the EU of 5.7%.

Figure 4.8. **Established business ownership rate by seniors, 2008-12 (combined)**

Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Established Business Rate measures the proportion of the adult population that are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. This measure provides information on the stock of business in an economy.
Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888933154565

Barriers to business creation for seniors

- Older people in the EU were as likely as the adult population to view self-employment as desirable relative to working as an employee but were half as likely to view self-employment as feasible (16% vs. 30%).
- A lack of finance was the most frequently cited response by older people but adults were more than twice as likely to report this barrier (10% vs. 21%).

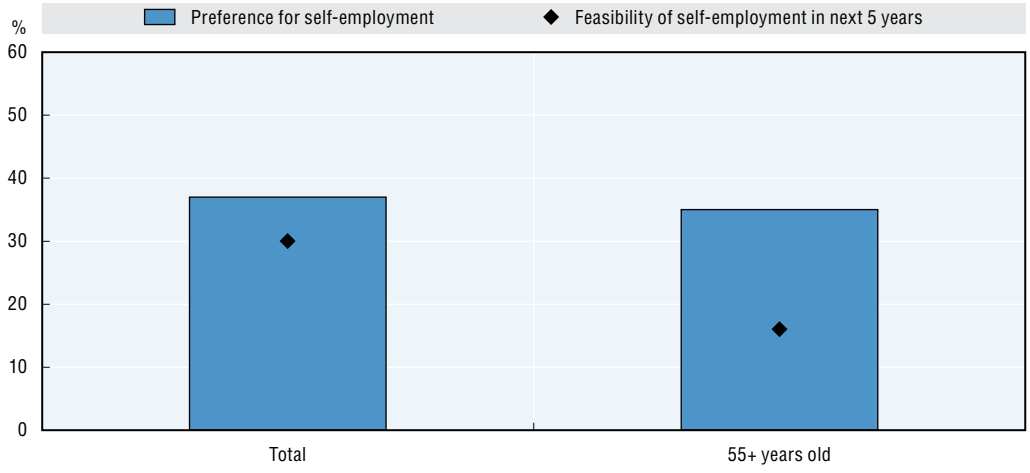
Figure 4.9 presents the proportion of older people (those older than 55) and adults that prefer self-employment to working as an employee and the perceived feasibility of self-employment within the next 5 years. In 2012, 35% of older people favoured self-employment to working as an employee, which was similar to the proportion of adults that preferred self-employment —37%.

However, older people were only half as likely as adults to view self-employment as feasible within the next 5 years. In 2012, 16% of older people reported that self-employment would be feasible within the next 5 years whereas 30% of adults reported that self-employment was feasible.

Even though older people were half as likely to view self-employment as feasible, they were much less likely to report barriers to self-employment. Only 10% of older people

Figure 4.9. **Desirability and feasibility of self-employment for seniors in the EU28, 2012**

"If you could choose between different kinds of jobs, would you prefer to be self-employed?"
"Regardless of whether or not you want to become self-employed, would it be feasible for you to be self-employed within the next 5 years?"



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

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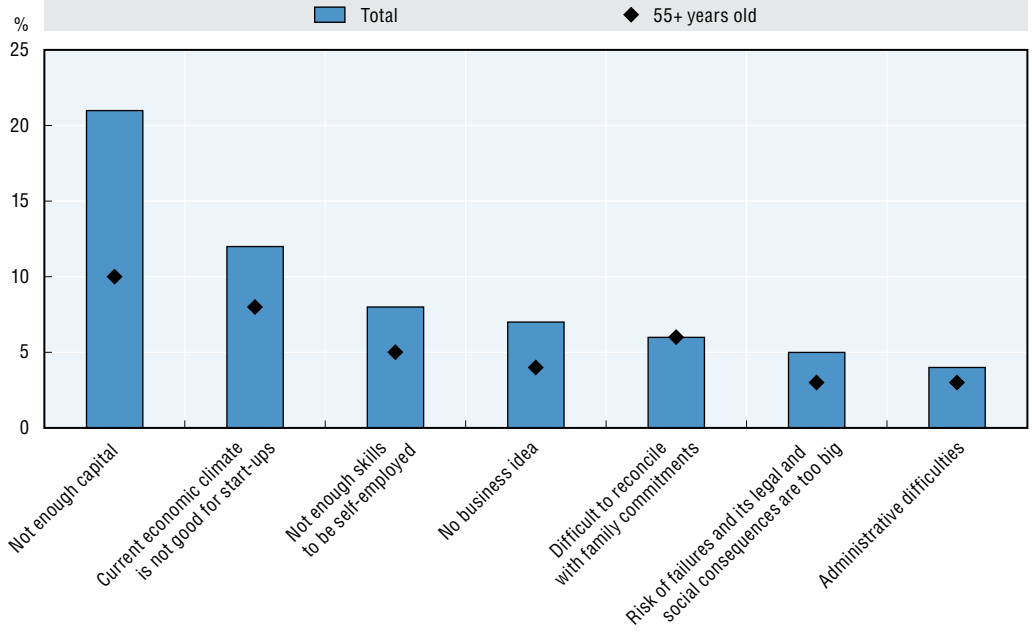
Figure 4.10. **Barriers to self-employment for seniors in the EU28, 2012**

"Why would it not be feasible for you to be self-employed within the next 5 years?"



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

StatLink http://dx.doi.org/10.1787/888933154580

reported that a lack of capital would prevent them from starting a business, relative to 21% of adults. Similarly, 5% of older people reported that a lack of skills prevented them from starting a business and 4% reported a lack of business ideas whereas 8% and 7%, respectively, of adults reported these barriers.

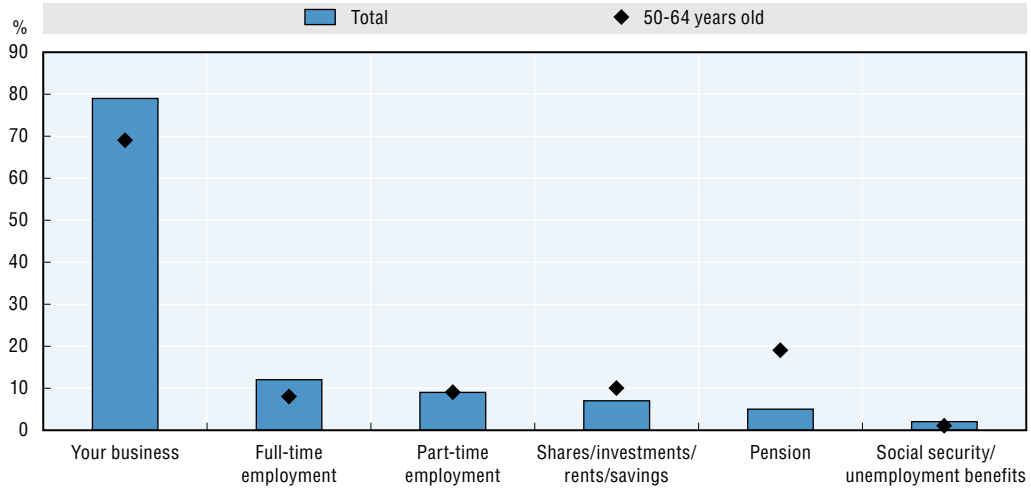
Self-employment earnings for seniors

- Business owners over the age of 55 were nearly as likely as the adult population to report that their business is their main source of income.

Figure 4.11 presents the main sources of income for older people that own a business. Nearly 70% of older business owners reported that their business was their main source of income. This was lower than the average for adults (79%), indicating that older business owners were more likely to be reliant on other sources of income. Nearly 20% of older business owners reported that their pension is their main income source and 10% relied on rental income, savings and investments. Nearly 10% relied on either part-time or full-time work to supplement the income generated by their business.

Figure 4.11. **Main sources of income for seniors in the EU28, 2012**

"What is/are today your main source(s) of income?" (for those who own a business)



Source: European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354.

StatLink http://dx.doi.org/10.1787/888933154594

Growth expectations for senior entrepreneurs

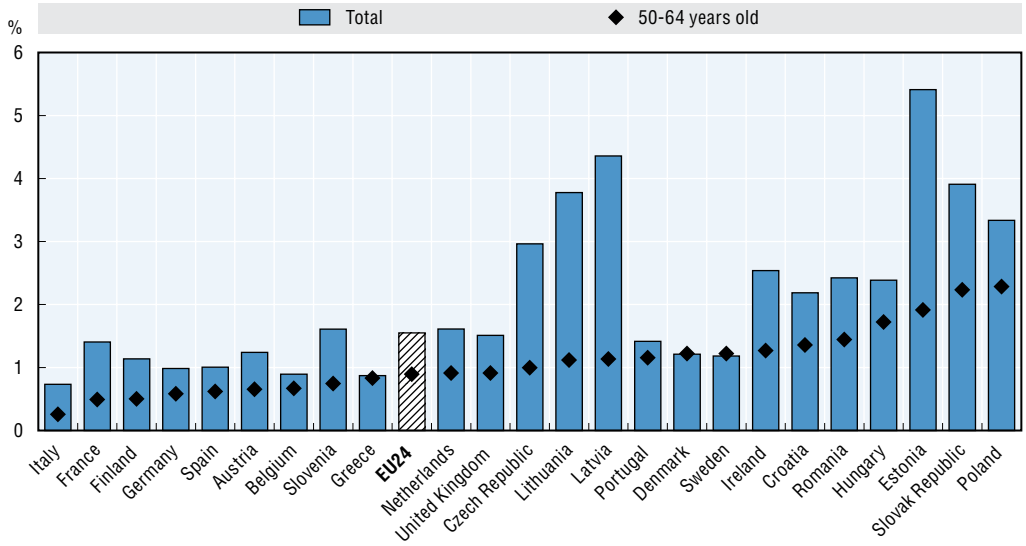
- Fewer than 1% of older people (ages 50-64) involved in early stage entrepreneurial activities in the EU expect to create more than 6 jobs in the next 5 years.

Figure 4.12 presents the proportion of older people (ages 50-64) in the EU who were involved in early stage entrepreneurial activities between 2008 and 2012 and expected to create more than 6 jobs in the next 5 years. Those involved in early stage entrepreneurial activities are those who were actively involved in setting up a business that they will own or co-own and those who have started new business within the last 42 months.

Overall in the EU, fewer than 1% of older people who are involved in early stage activities expected to create at least 6 jobs in the next 5 years, which was lower than the overall average of adults (1.6%). This suggests that very few seniors who are setting up businesses have aspirations to pursue growth. While this proportion varied little across member states, senior entrepreneurs with the highest growth aspirations were in Poland, where 2.3% of seniors involved in new businesses aimed to create at least 6 jobs over the next 5 years.

Figure 4.12. **Growth expectations for senior entrepreneurs, 2008-12 (combined)**

Proportion of 15-64 year olds involved in total early stage entrepreneurial activities that expect to create more than 6 jobs in the next 5 years



Note: Total early stage entrepreneurship activities which are defined as the proportion of the population that is actively involved in setting up a business they will own or co-own and those who have started new business within the last 42 months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink *http://dx.doi.org/10.1787/888933154602*

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Eurostat (2013), Labour Force Survey, available at: *http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database*.

Global Entrepreneurship Monitor (2013), Special tabulations of the 2008-12 Global Entrepreneurship Monitor adult population surveys.

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Chapter 5

Location of entrepreneurship activities

This chapter presents evidence on the proportion of entrepreneurs that operate from their home, a separate premise, a mobile business or other location across different stages of business start-up activity. Evidence on location of business activity is presented by gender and age.

Location of entrepreneurship activities

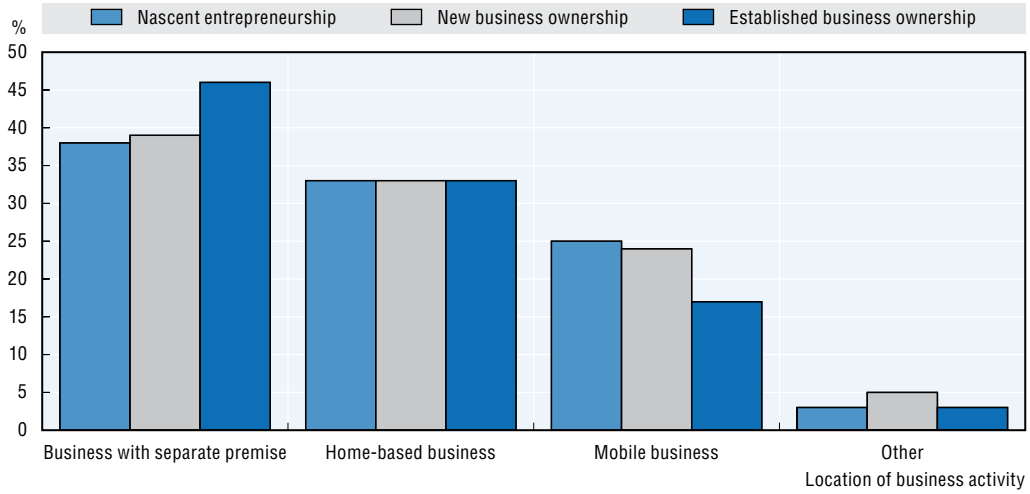
- In 2012, nearly half of businesses in the EU operated from a fixed location that was not the business owner's home.
- Approximately one-third of established businesses operated out of the business owner's home and another 17% were mobile businesses.
- Women and people over 40 years old were more likely to have home-based businesses.
- Start-up and new business activities were as likely as established businesses to be home-based, but less likely to be based in a separate premise.
- Nearly one quarter of start-up and new business activities were mobile activities, without a fixed location.

In 2012, approximately 46% of established businesses in the EU operated from a fixed location outside of the business owner's home (Figure 5.1). Established businesses are those that have paid salaries, wages or other payments to the owner for more than 42 months. Approximately one-third of established businesses operated out of the business owner's home and another 17% were mobile businesses. This includes businesses that operated out of a vehicle such as a food stand or business that conducted their business activities at the client's location. A small proportion of established businesses, approximately 3% had an "other" location which would include mostly businesses that only have an online presence.

However, this picture of the location of business activities changes when examining start-up activities and newly created businesses. Nascent entrepreneurship activities, defined as setting up a business that has not yet paid salaries, wages or any other payments to the owners for more than three months, were less likely to be undertaken in a separate premise. This means that only 38% of nascent entrepreneurship activities had a fixed location outside of the owner's home. One-third of nascent activities were based in the business owner's home while one-quarter had no fixed location.

The location of new business start-up activities, defined as businesses that have paid salaries, wages or any other payments to the owners for more than three months but not more than 42 months, was virtually the same as the location of nascent activities. New business activities were no more likely to have their own fixed location than nascent activities. Similarly, they were equally as likely to be home-based as nascent entrepreneurship activities.

Figure 5.1. **Location of entrepreneurship activities in the EU, 2012**



Note: Countries included in the EU total are: Austria, Belgium, Croatia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Poland, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.
Source: Special tabulations of the 2012 adult population survey of the Global Entrepreneurship Monitor.

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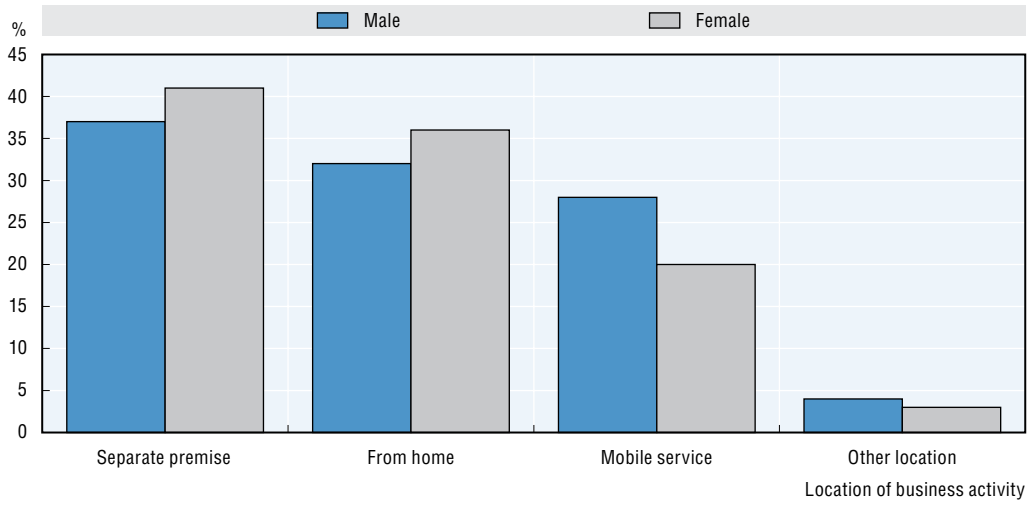
Location of early stage entrepreneurship activities by gender and age

- In 2012, women were more likely than men to base their early stage entrepreneurial activities in a separate premise or their home. However, men were more likely to have mobile early stage entrepreneurial activities.
- People over 40 were more likely to have home-based early stage entrepreneurial activities than those under 40, who were more likely to be based in a separate premise or mobile activities.

Figure 5.2 presents the location of total early stage entrepreneurial activities rate by gender for 2012. This rate represents the proportion of the population involved in nascent entrepreneurship activities and those who have started a new business within the last 42 months. Women were slightly more likely than men to undertake their start-up and new business activities in a separate fixed location (41% vs. 37%) and in their homes (36% vs. 32%). However, they were less likely to have mobile business operations (20% vs. 28%).

The location of total early stage entrepreneurial activities in 2012 is presented by age in Figure 5.3. There is very little difference in the location of early stage entrepreneurial activities between those who were under the age of 30 and for those between the ages of 30 and 39. Approximately 40% were based in a fixed premise outside of the owner's home and approximately 30% were based in the owner's home. Approximately 27% of early stage activities were mobile for those under 30 years old and 29% for those between the ages of 30 and 39.

Figure 5.2. **Location of early stage entrepreneurship activities for men and women in the EU, 2012**



Notes: 1. Countries included in the EU total are: Austria, Belgium, Croatia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Poland, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. This figure presents early stage entrepreneurship activities which are defined as the proportion of the population that is actively involved in setting up a business they will own or co-own and those who have started new business within the last 42 months.
Source: Special tabulations of the 2012 adult population survey of the Global Entrepreneurship Monitor.

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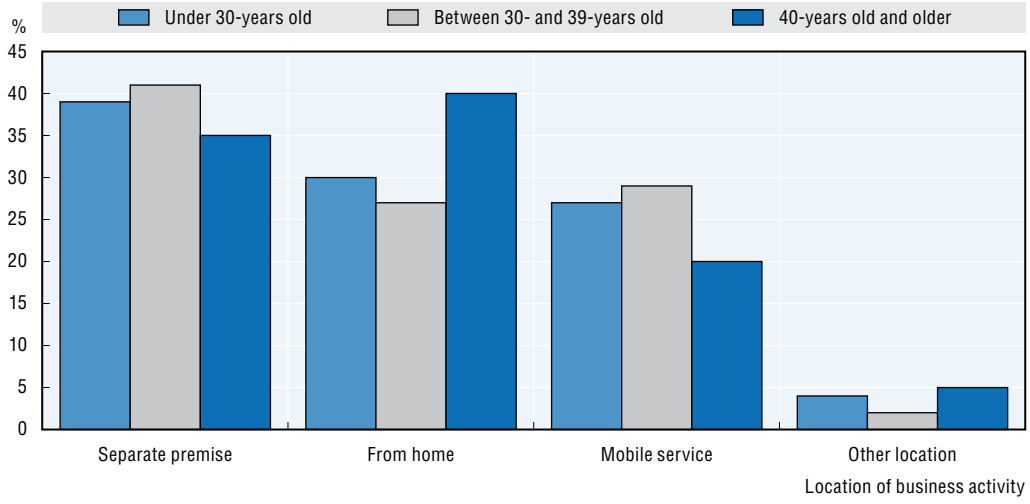
Figure 5.3. **Location of early stage entrepreneurship activities by age in the EU, 2012**



Notes: 1. Countries included in the EU total are: Austria, Belgium, Croatia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Poland, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. This figure presents early stage entrepreneurship activities which are defined as the proportion of the population that is actively involved in setting up a business they will own or co-own and those who have started new business within the last 42 months.
Source: Special tabulations of the 2012 adult population survey of the Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888933154630

However, those over 40 years old were more likely to base their early stage entrepreneurial activities in their home. Nearly 40% of these activities were home-based. Further, this age group was less likely than young people to have mobile early stage entrepreneurial activities (20% vs. 27% for those under 30 years old and 29% for those aged 30 to 39).

Reference

Global Entrepreneurship Monitor (2013), Special tabulations of the 2012 Global Entrepreneurship Monitor adult population survey.

PART II

Policies for inclusive entrepreneurship

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Chapter 6

Policy support for entrepreneurship from unemployment[1, 2]

One route to entering the labour market from unemployment is through business creation. However, unemployed people face many barriers to self-employment, including less access to finance for business start-up and depreciating skills and networks. This chapter presents the common public policy approaches used in the EU to support unemployed people in creating businesses, including information, financial support before and after start-up, the use of role models, training, coaching and mentoring and business consultancy.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Potential for business creation and self-employment from unemployment

- Unemployment continues to be one of the greatest social and economic challenges faced by EU member states.
- The youth unemployment rate is typically double the rate for adults and this trend held through the economic crisis.
- Only a small percentage of the unemployed are interested in self-employment.
- There is some evidence that policy action can increase the survivability of start-ups by unemployed people.

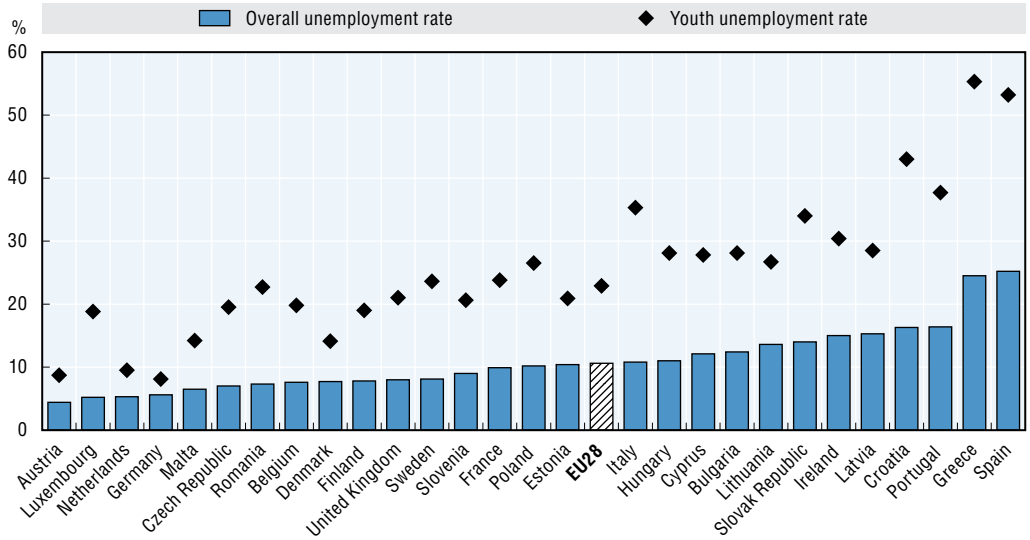
Unemployment, particularly among youth, is currently one of the greatest social and economic challenges faced by EU member states and many other countries around the world. The consequences of this are felt both are the macroeconomic level as well as at the individual level. For economies, the population of unemployed people represent a stock of unutilised economic resources that could be used to increase output and potentially economic growth. For individuals, the consequences can be devastating. Time spent in unemployment decreases current and lifetime earnings, and increases the chances of poverty and social exclusion. These negative effects are even more pronounced for youth. For example, an extra 3 months of unemployment prior to the age of 23 results in an extra 2 months of unemployment, on average, between the ages of 28 and 33 (Gregg, 2001) and it is estimated that one year of unemployment during youth can reduce annual earnings at age 42 by up to 21% (Gregg and Tominey, 2005).

The unemployment rate in the EU as a whole reached 10.7% in the fourth quarter of 2013 and the unemployment rate for youth (i.e. those aged 15-24) was slightly more than double at 23.0%. Thus there were 25.6 million unemployed people in the EU, of which 5.4 million were youth. The unemployment rates vary significantly across individual member states (Figure 6.1). In 2012, Greece and Spain had unemployment rates that were more than double the EU average and exceeded 50% for youth. Conversely, Austria, Luxembourg and the Netherlands had unemployment rates in 2012 that were less than half of the EU average rate.

Although labour force participation rates have returned to, or exceeded, pre-crisis levels in all EU member states except for Croatia, Denmark, Ireland and Slovenia, unemployment across the EU remains markedly higher than before the crisis (Figure 6.2). The only countries where the unemployment rate has declined since the onset of the crisis are Germany and Austria. The unemployment rate in Germany declined 3.8 percentage points between 2007 and 2012 and the unemployment rate in Austria returned to the 2007 level in 2012.

With the persistent unemployment challenge, policy makers continue to explore options for addressing stagnant economic growth and high unemployment. Business creation and self-employment could be one potential entry point into the labour market for those in unemployment. In 2011, 2.6% of unemployed people in the EU were actively seeking

Figure 6.1. **Unemployment rate by member state, 2012**



Source: Eurostat, Labour Force Survey 2012.

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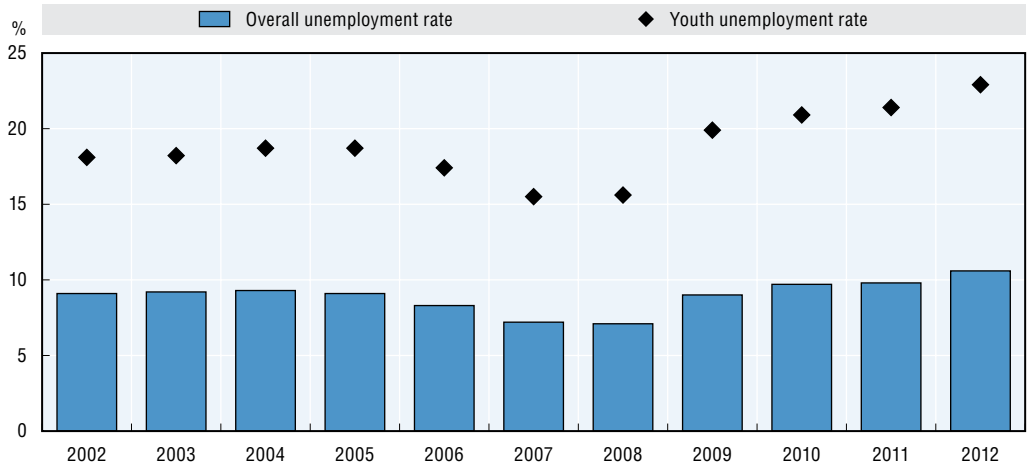
Figure 6.2. **Unemployment rate in the EU28, 2002-12**

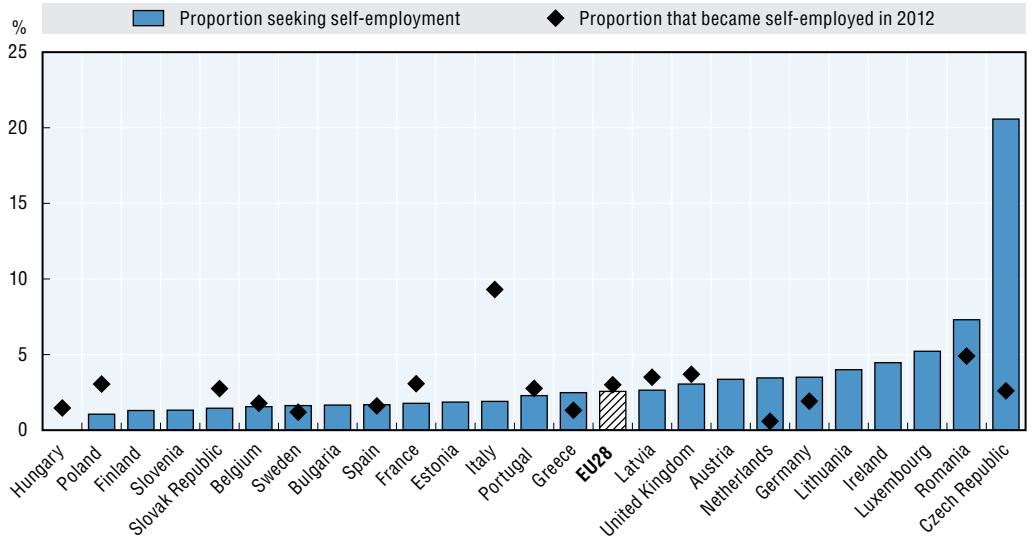


Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154655

self-employment as their primary method of re-entering the labour market (Figure 6.3) and 3.0% of those who were unemployed in 2011 were self-employed in 2012. This represents nearly 700 000 people who moved from unemployment to self-employment between 2011 and 2012. While these trends hold across most of the EU member states, the actual transition rates differ significantly across member states. In Italy, only 1.9% of unemployed people in 2011 aimed to become self-employed but, 9.3% became self-employed in 2012. This indicates that under certain conditions, many unemployed people enter self-employment even if few have a preference for self-employment over employment.

Figure 6.3. **Potential for self-employment by the unemployed, 2011**



Source: Special tabulations of the Eurostat Labour Force Survey, 2012.

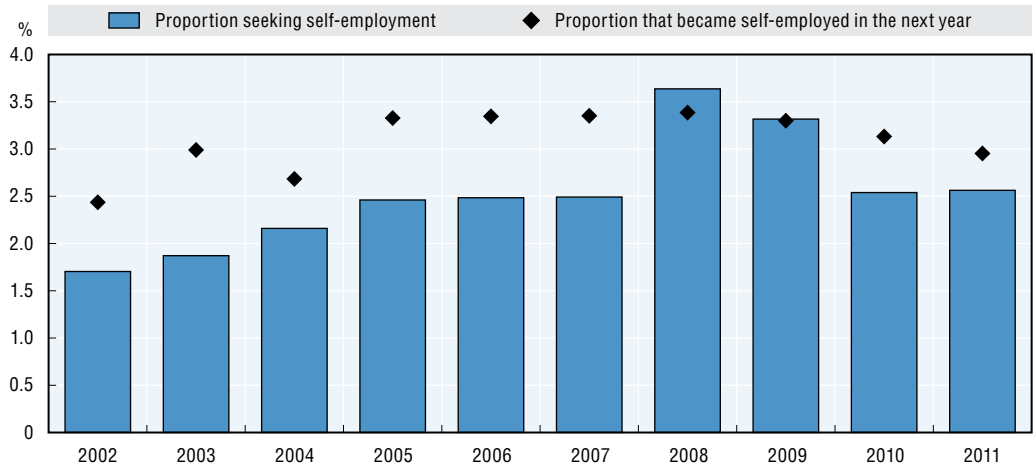
StatLink http://dx.doi.org/10.1787/888933154666

Over the past decade, the proportion of unemployed people who sought to become self-employed in the EU has increased marginally, but remains under 4% (Figure 6.4). Following the onset of the economic crisis, the proportion spiked but has since declined to the level of 2007.

There is a dearth of evidence across the EU on types of activities that those who move from unemployment to self-employment and about the quality of those activities. Evidence from France indicates that there is little gender difference between the proportion who move from unemployment to self-employment and that the unemployed are more likely to start businesses in the transportation sector (e.g. taxi drivers, transport trucks) than those who enter self-employment from employment and are less likely to start businesses in education, health and social work (INSEE, 2012). Further evidence from France suggests the survival rates of business started by those in unemployment, relative to those who started business from employment, were 5.0 percentage points lower after 5 years and 4.7 percentage points lower after 8 years (Désiage et al., 2011).

Despite the small number of people in the EU that start business from unemployment, there is potential for policy to have an impact. There is evidence from Germany to suggest that policy support can eliminate the differences in survival rates (see for example, May-Strobl, 2010) and can lead to additional job creation through the hiring of employees (Caliendo et al., 2009; Caliendo et al., 2010). Moreover, policy makers need to consider the costs of inaction, particularly for the young people in unemployment where the costs of not keeping them attached to the labour market can be immense for the economy, especially when considering the potential contributions over a 35 to 40 year career, and catastrophic for the individual.

Figure 6.4. **Potential for self-employment by the unemployed in the EU28, 2002-11**



Source: Special tabulations of the Eurostat Labour Force Survey, 2013.

StatLink http://dx.doi.org/10.1787/888933154679

Barriers to business start-up for the unemployed

- People starting businesses from unemployment face the same principal barriers to business start-up as other entrepreneurs – lack of finances, lack of human capital and lack of social capital. However, the scale of the obstacle is often greater for those in unemployment because they have lower levels of savings, human capital and social capital and are trusted less by banks and other lending institutions.
- Another important disincentive for people starting businesses from unemployment is the opportunity cost of business creation. In other words, business start-up may decrease their income despite their increased efforts to enter and stay in the labour market. This is particularly true for those with significant labour market experience and where unemployment benefits are generous.
- Unemployed youth (i.e. NEETs) face the same barriers as adults but evidence suggests that a lack of entrepreneurship skills and social capital are greater obstacles than a lack of finance.

Relative to entrepreneurs who start businesses from employment, those entering self-employment from unemployment often lack the necessary capital resources to start and grow a business (Davidsson and Honig, 2003; Dunn and Holtz-Eakin, 2000; Taylor, 1996). These capital resources come in three forms: financial capital, human capital and social capital. Importantly, these three factors are complementary in nature, i.e. an unemployed person with significant human and social capital resources can usually overcome deficiencies in financial capital (Baker and Nelson, 2005; Grichnik et al., 2014). Further, these forms of capital are also multiplicative in nature. In other words, individuals with significant stocks of two or all three sources of capital resources will be ideally positioned to successfully transfer to entrepreneurship and build a venture that can generate enough revenues to support him/herself and potentially also grow to employ others (Honig, 1998; Jonsson and Lindbergh, 2011).

For start-ups by the unemployed, these three capital resources need to be considered jointly, since they are intimately related to individual's position on the labour market. Unemployed individuals tend to have less financial means to start a business, which is often a primary reason that public support schemes focus on providing grants or soft loans to the unemployed seeking to set up a new business. However, at least as important as financial barriers are the lack of human capital (i.e. general and entrepreneurship skills) and social capital (i.e. business networks that can be used to find partners, suppliers and customers, as well as assistance and knowledge) among the unemployed, since both human capital and social capital tends to deteriorate with duration in unemployment. Human capital depreciates with duration in unemployment since skills often deteriorate when they are not used (Ritsilä and Tervo, 2002). Also, social capital deteriorates with duration in unemployment since individuals primarily build and maintain business networks through workplaces (Nanda and Sørensen, 2010).

Lack of financial capital

A barrier for people in unemployment when starting a business is that they tend to lack the requisite capital to set up a business and subsist until the business is able to generate a profit. The financial capital needed to set up a business can be in the form of debt or equity. Debt capital often comes from informal sources such as loans from family and friends, or from formal sources such as loans from banks and other lending institutions. Equity capital most often comes from entrepreneurs' own savings or from external investors (Le, 1999; Nykvist, 2008; Taylor, 2001). Also here, informal equity founding such as co-investments from family and friends are by far more common than equity from business angels or venture capitalists.

There are a number of reasons for the difficulty in accessing credit for business start-up by the unemployed. First, they typically lack personal savings following their unemployment period, which makes it difficult to self-finance a business and to provide collateral for a loan (Fairlie and Krashinsky, 2012; Rodgers, 1991). These can be considered as market entry barriers. In addition there may be cultural barriers on both the demand and supply side. On the supply side, unemployed people may be hesitant to approach lenders if they assume that they will not be granted a loan. On the demand side, unemployed people may not fit the profile of an ideal bank client and may therefore face difficulties due to discrimination (EC-OECD, 2014). Unemployed people also likely face skills barriers in accessing financing in that they may not know how to apply for a loan or complete the required business plans (EC-OECD, 2014).

Lack of entrepreneurship skills

Entrepreneurs need a wide range of skills to be successful in starting and operating a business (Otani, 1996; Unger et al., 2011). These skills include general workplace skills that are used in any work environment, as well as skills that are specific to entrepreneurship. These skills include, for example, business planning, self-motivation, assessing and managing risk, strategic thinking, making the best of personal networks, and motivating others. Please refer to Table 6.1 for a more complete listing of entrepreneurship skills.

Relative to people in employment, the unemployed are in a deficit of both updated general skills and specific skills that are relevant for entrepreneurship (Iyigun and Owen, 1998). This makes the successful establishment of a business more difficult for the

unemployed. The longer a spell in unemployment, the more rapid the unemployed will lose human capital by not being active on the labour market (Ljungqvist and Sargent, 1998).

Table 6.1. **Types of skills required by entrepreneurs**

Technical skills	Business management skills	Personal entrepreneurial skills
Written and oral communication	Planning and goal setting	Self-control / discipline
Environment monitoring	Decision making	Risk management
Problem solving	Human resource management	Innovation
Technology implementation and use	Marketing	Persistence
Interpersonal	Finance	Leadership
Ability to organise	Accounting	Change management
	Customer relations	Network building
	Quality control	Strategic thinking
	Negotiation	
	Business launch	
	Growth management	
	Compliance with regulations	

Source: OECD/EC (2013).

Lack of social capital

Social capital in the form of personal and professional networks is of imperative importance for entrepreneurs (Batjargal, 2003). During the start-up process, entrepreneurs use their networks to establish contact with relevant stakeholders such as partners, suppliers and customers that can help them in the process of establishing the business (Hite, 2005), as well as to locate others with experience and knowledge (Davidsson and Honig, 2003; Hite, 2005). Such networks are often geographically bounded to the local community (Cooke et al., 2005; Dahl and Sorenson, 2012) and can provide a support structure with different kinds of encouragement and support (Kwon et al., 2013; Ram et al., 2008).

Entrepreneurs coming from unemployment often lack the social capital needed to establish a sustainable business enterprise. For individuals, social capital is frequently defined as "the sum of resources, actual or virtual, that accrue to an individual by virtue of possessing a durable network of mutual acquaintance and recognition" (Bourdieu and Wacquant, 1992). As such, while human and financial capital are solely individual-level resources, social capital can be viewed as a form of public good, since it is derived from the social structure of relationships between individuals, and not as private property. During the start-up process, social capital is important to engage with and convince customers and suppliers. Once the business is established, social capital is beneficial to find and attract suitable personnel, financiers, customers and suppliers (Kim et al., 2013; Stam et al., 2014).

Opportunity cost

Those entering self-employment from unemployment can also face high opportunity costs in this transition. In other words, unemployed people may earn less money in self-employment than they would by collecting unemployment benefits. Thus, forgone unemployment benefit payments can act as a disincentive to business creation and any labour market activity. However, this disincentive does not apply equally to all population groups in unemployment. For example, youth with a short work history typically do not receive a large income from unemployment insurance schemes and therefore this income

would not act as a significant disincentive. On the other hand, people with a longer work history will receive more and those with children are often eligible to receive additional payments and social supports. Those with children also need to consider child care costs. These factors all contribute to increasing the opportunity cost of starting a business. Evidence and simulations in Germany suggest that the opportunity cost is lowest for youth, and highest for unemployed men that earned a high income in employment and single mothers with more than one child (Gawlitta, et al., 2010).

Box 6.1. **Barriers to business creation faced by youth that are not in employment, education or training (NEETs)**

Youth that are not in employment, education or training (i.e. NEETs) face the same barriers described in the previous section but these barriers are compounded since NEETs generally have less labour market experience, smaller business networks and lower levels of savings (Fairlie, 2005). As a result, they are less likely to be aware of the opportunities that entrepreneurship can offer and are less likely to have the skills and experience to exploit potential entrepreneurship opportunities.

Evidence suggests that addressing a lack of entrepreneurship skills and human capital among NEETs is more critical than providing financing to support business start-up because access to finance will not improve their chances of seeking to start a business and grow a sustainable business (Battistin et al., 2001). Entrepreneurship education in primary and tertiary education will likely enhance non-cognitive skills among youth (Rosendahl Huber et al., 2012), will make them more aware of the potential of entrepreneurship and will provide them with the skills to help them be successful. For NEETs who have finished education, more specific entrepreneurship training programmes have demonstrated to be effective (Rotger et al., 2012).

Unlike other unemployed people, NEETs have a low opportunity cost for entering self-employment. They often receive very little in terms of unemployment benefits, if any at all, and competing labour market opportunities likely do not offer substantial income.

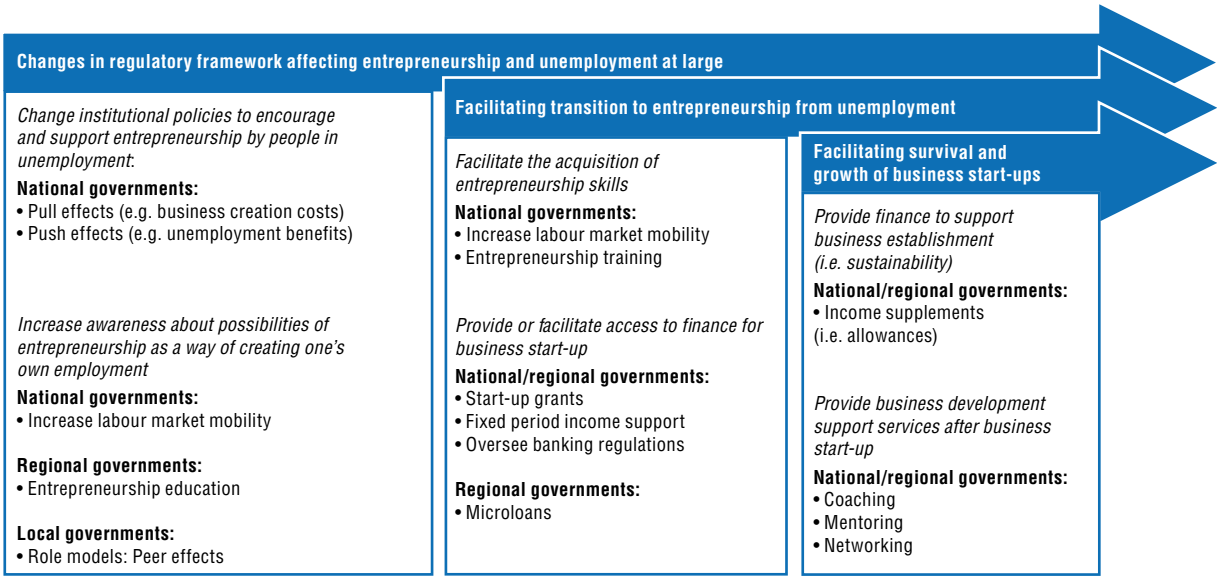
Policy actions to support entrepreneurship from unemployment

- A variety of policy approaches are used in the EU to support the transition from unemployment to self-employment. Common approaches include: awareness raising; training; financial support before and after start-up; business development services; and, broader regulatory changes.
- Integrated support packages are often more effective because they address multiple barriers, and the different supports offered are complementary.
- The effectiveness and impact of supporting business start-ups by the unemployed has been questioned. However, there is evidence to suggest that targeted actions that are delivered locally and customised services for target groups can have a positive impact on the sustainability of these start-ups and on their potential to create jobs for others.

Policy actions that support the transition from unemployment to self-employment are i) increasing awareness about possibilities of entrepreneurship, ii) facilitating the acquisition of entrepreneurship skills, iii) financial supports for business start-up, iv) financial support following business start-up, v) the provision of business development

services, and vi) broad regulatory changes. These approaches can be combined into a comprehensive approach that addresses the complementary and multiplicative nature of the barriers discussed in the previous section. Figure 6.5 illustrates the different types of schemes that can be included in a comprehensive policy strategy and the relationships between these components. A summary table of the key policy issues is presented in Annex 6 A1.

Figure 6.5. **A comprehensive policy response to support entrepreneurship from unemployment**



Source: Adapted from Wennberg, K. (2013), "Entrepreneurship from unemployment: A review of active labour market programmes and policy recommendations", prepared for the OECD LEED Programme.

Increase awareness about entrepreneurship

Increasing awareness about possibilities of entrepreneurship as a way of creating one's own employment is commonly included in active labour market measures across the EU. This includes the provision of information on self-employment and its benefits, as well as the opportunity to participate in basic entrepreneurship or small business management training. The rationale is to focus on the potential benefits of entrepreneurship as a labour market activity and to educate unemployed people about perceived barriers to business creation and how they differ from actual barriers.

There are many approaches from across the EU that can be used to draw inspiration. One example is *Perspektive 50plus*, which is a federal programme in Germany that promotes business start-up for older people as a method of maintaining attachment to the labour market and re-entering the labour market. It was launched because a regulatory change in 2008 increased the duration of unemployment benefits for those over the age of 50 from 12 months to 24 months. Evaluation evidence shows that older people are less afraid of failure than younger people but are 22.5% more likely to "give up on their business" than younger people (Werner et al., 2008). This suggests that an important role for policy actions

is to enhance the self-efficacy of unemployed people (i.e. their belief in their own abilities to successfully start a new business of potential entrepreneurs in unemployment).

Offer entrepreneurship training

Entrepreneurship training can be provided to unemployed people either as stand-alone training, or as part of an integrated package. This type of training is most often provided in workshops and structured courses. While it is to some extent possible to provide this type of training online, caution is needed because the unemployed are a population group that may be less likely to have access to training in this format. Furthermore, exposure to active entrepreneurs is an essential part to build the self-efficacy needed to successfully transfer to entrepreneurship (Krueger, 2003).

Entrepreneurship training for the unemployed is similar to that for the general population, which focuses on practical entrepreneurship skills such as business management skills (e.g. accounting, finance and basic law), but also supports personal development and builds confidence (OECD/EC, 2013). Overall, entrepreneurship training programmes have proven to be effective (Rotger et al., 2012), especially when the training is well-targeted (Kluve and Schmidt, 2002). Training is often more effective when delivered in tandem with other supports. For example, an evaluation of eight different Swedish active labour market policy programmes shows that those schemes that provide a combination of training and practical experience were the most successful (Carling and Richardson, 2004). Training is also effective because it helps new entrepreneurs consider and assess their skills and competences, as well as their needs (Dupuy and Mègemont, 2007).

In addition to preparing an individual for business start-up, entrepreneurship training can also increase the employability of an individual. Thus, someone may be more likely to transition to employment after entrepreneurship or an experience with business start-up. Even though this does not result in the creation of a sustainable business, it can be seen as a success if the individual has successfully transitioned back into the labour market. Evidence from Romania and Germany shows that the training and re-training of unemployed people and small business assistance that supports business start-up improve labour market outcomes (Rodriguez-Planas and Benus, 2007; Baumgartner and Caliendo, 2008) and earnings potential (Caliendo and Künn, 2011) of unemployed people.

However, evaluation evidence does not always support this logic. Some evidence from the United Kingdom found that entrepreneurship training and other start-up supports for youth do not impact their subsequent employment status (Meager et al., 2003). These evaluations point to an application process that was too heavily focused on the quality of the business plans rather than characteristics of the applicants. This highlights the need to consider individual motivations when selecting (unemployed) participants for entrepreneurship training schemes.

Provide financial supports for business start-up

One approach to supporting business creation for those in unemployment is to provide start-up financing in the form of a grant or lump sum payment of unemployment benefits. These schemes typically function in the same manner as grants for mainstream entrepreneurs, where a screening mechanism is used to vet business ideas prior to awarding the funding. After funding is awarded, a number of business development supports are available to the new entrepreneur.

Unemployed people are able to access general start-up grants as well as targeted funding programmes that support business creation by the unemployed. In Italy, Law 608/1996 aims to support those who have been unemployed for more than 6 months in business creation. Following a screening process that evaluates business plans, a grant of up to 60% of start-up costs can be offered, as well as a 5-year low interest rate loan. The support also includes training and some business consultancy services.

Similar schemes can be found in France. For example, ACCRE (*Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprises*) is a support mechanism that provided a start-up grant of nearly EUR 5 000 for business creation between 1993 and 1997 (see Box 6.2). Evidence shows that those business created by unemployed people with support had higher survival rates than those without support and rates that were only slightly below those business that were not started by the unemployed (e.g. the 3-year survival rate for the short-term unemployed population was 72%, which is slightly below the non-unemployed population of 79%) (Crépon and Duguet, 2002). However, the 3-year survival rate for the long-term unemployed was 64% (Crépon and Duguet, 2002).

An alternative approach to providing start-up financing for unemployed people is to provide a lump sum payment of their unemployment benefits for the purpose of starting a business. One example of this approach can be found in Portugal (see Box 6.3). In this example, unemployed people are eligible to receive up to the full amount of eligible unemployment benefits (less any already received) in the form of a lump-sum payment that can be used for business creation. Under this scheme the potential entrepreneurs submit their business plan to their job centre for a verification of the feasibility of the business idea. Once it is agreed, the entrepreneur receives their lump-sum payment. Additional support is also available to those participating in the scheme. Some training and business consultancy is available and they can also access micro-credit and subsidised loans through two public financing programmes.

As noted in the previous section, financial support and training are often provided in tandem. An example of how these two supports complement each other can be found in a business start-up programme for NEETs in the Slovenia (see Box 6.4).

Provide financial supports for business sustainability

The period following start-up is almost always characterised by activities that aim to establish the business enterprise (i.e. the development of products and services) and it often takes time before the business owner can draw any earnings from the business (Parker and Belghitar, 2006). Accordingly, the most common start-up support for unemployed people is a subsidy following business start-up to provide some income over a fixed period after business start-up. These subsidies are often set according to participants' unemployment grants but can also be set uniformly for all participants in a programme. At the same time, these schemes often offer additional support services such as training (voluntary or as a requirement for participation) and/or other business development support services (e.g. business consultancy).

This form of support is commonly known as the Welfare Bridge and there are many examples in the EU. The most well-known schemes are the German initiatives Start-Up Subsidy and the Bridging Allowance. Following approval of a business plan, these programmes provided regular payments to unemployed individuals who had started a business to help them cover living expenses while starting their own business. Evaluation

Box 6.2. **ACCRE – Financial assistance to unemployed persons, France**

Description: ACCRE (*Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprises*) is a national scheme that offers financial support to set up a business to those who are unemployed and to social security claimants. Eligible persons are:

- Registered unemployed, and in receipt of unemployment benefit, or about to become registered unemployed.
- Registered unemployed, but not in receipt of unemployment benefit, provided you have been registered unemployed for at least six months during the previous 18 months with *Pôle Emploi* (the government employment agency).
- An employee from a business in bankruptcy or liquidation who decides to start own business.
- Recipients of certain social security benefits (e.g. RSA, API).
- Young people less than 30 years eligible for preferential employment contracts.

ACCRE grants exoneration from some social security contributions to a business start-up. The nature of the assistance depends on the tax status of the business to be established.

i) The most generous level of assistance applies to those registered as an auto-entrepreneur, who benefit from reduced contribution rates for the first three years of the business activities.

ii) Those who are not auto-entrepreneurs are exempt from paying the main pension and health contributions, although they will continue to be obliged to pay the social welfare levy CSG/CRDS at the rate of 8%. In addition, they are exempt from making invalidity and death contributions, as well as payments into the complementary pension scheme. However, these exemptions are only for one year.

Problem addressed: The rise in unemployment at the end of the 1970s induced a reaction from the French government. It was recommended by the Prime Minister to support unemployed people in creating their own jobs.

Approach: In 1979, exoneration from some social security contributions dedicated to entrepreneurs formerly unemployed were implemented for the first time (*loi n° 79-10 du 3 janvier 1979*). This was in addition to the already existing direct financial support. Since then, the scheme has been adapted several times to the changing context. The major change took place in 1997 when the direct attribution of financial support has been replaced by a massive exemption of social security contributions for the first three years following creation. According to a recent report by the French Court of Auditors, in 2011 the burden of ACCRE for the public budget was up to EUR 245 million (EUR 150 million in 2006), i.e. 40% of the total cost of exemptions of social security contributions for employers.

Impact: According to the French Court of Auditors, in 2011, 179 301 unemployed people who created their own business benefited from this scheme. Each supported entrepreneur receives exemptions of, on average, EUR 1 370.

evidence shows that participants were less likely to return to unemployment than non-participants, and were also less likely to make a living with the income generated from their own business (Caliendo and Steiner, 2007; Baumgartner and Caliendo, 2008). Despite the success of these schemes, they were merged into a single subsidy called *Gründungszuschuss*

Box 6.3. ***Apoios à Criação do Próprio Emprego por Beneficiários de Prestações de Desemprego*, Portugal**

Description: This national measure was initiated in 2009 under the Programme for Entrepreneurship and Self-Employment, aims to support the entrepreneurial projects of recipients of unemployment benefits. Total or partial payment of unemployment benefits are provided in a lump sum for business start-up. This support can be used with the secured credit and interest rate subsidies from other national microfinance programmes (i.e. Microinvest and Invest+ programmes).

Problem addressed: The impact of the worldwide recession starting in late 2007 was less dramatic in Portugal than in many other EU countries. However, the unemployment rate has increased from 9.5% in 2009 to 16.4% in the second quarter of 2013. Youth were impacted even more significantly and the youth unemployment rate is now nearly 40%.

Approach: The programme supports entrepreneurial projects promoted by recipients of unemployment benefits by anticipating unemployment benefits in a lump sum, provided that they ensure the full-time employment of subsidised promoters. The latter must be at least 18 years of age at the time of application. Applicants cannot combine the activity for which they were supported with another activity that seeks to earn profits. The projects that get funded under the *Apoios* measure may benefit from free tutoring and mentoring during the first two years of activity.

The start-up projects must be economically viable and applicants are required to submit their business plans to the local job centre. If, however, secured lending and an interest rate subsidy are also requested, the project must be submitted to one of the above centres, and to one of the banks participating in the Microinvest and Invest+ programmes.

Impact: No rigorous evaluation for this programme is publicly available. Between September 2009 and August 2011, the number of jobs created with the support of this measure was 6 234, versus 2 113 jobs created for first-job seekers with the support from micro-credit and the Microinvest and Invest+ credit lines. For 2012 there is an estimated value of over 2 000 jobs created and the annual budget was EUR 7.8 million.

Conditions for success: The Portuguese programme is more generous than its Spanish counterpart, because lump-sum payments may reach the total of the unemployment benefit due to the recipient (and not 60% to 80%, with differentiation between age groups, as in Spain).

A further relevant factor of potential success elsewhere is the free tutoring and mentoring provided by *Apoios*. This is critical, particularly for young people. According to the Prince's Youth Business International (2011), training and mentoring make up, to some extent, for the lack of experience and collateral that often leads banks to constrain their credit to young people.

in 2006. While evaluations of this scheme found that it was less effective at reaching youth and women with low skill levels, the survival rates continue to be very high (Caliendo et al., 2011). Another example from Germany is the *Ich-AG* scheme (Me Inc.) which started in 2004 and aimed to support unemployed people in starting-up a business. Evidence showed that participants in *Ich-AG* had quite high survival rates over their initial years of operation, although these rates were slightly lower than those receiving the Bridging Allowance. See Box 6.5 for a more detailed description of *Ich-AG*.

Box 6.4. **Programme for NEETs to transfer to self-employment, Slovenia**

Description: The programme has an explicit target to reduce unemployment among young people. Self-employment benefits in the form of maintained unemployment benefits during start-up can be given to anyone who has been registered as unemployed for 3 months. Another part of the programme is "graduate placements" – a type of targeted start-up support for graduates. This provides access to the support programme for graduates under 25 years old even if they have not been unemployed for long. The programme was implemented before the financial crisis of 2008, but demand has increased in-line with increasing unemployment rates from 2008 to 2010, and the number of participants increased accordingly.

Problem addressed: The programmes' main objective is to lower unemployment in general and among young people in particular. A strong focus is also put on helping graduates and young unemployed (NEETs) enter the labour market through self-employment.

Approach: Procedures of the programme varies across regions and administrations, financial grants are higher in regions with higher unemployment. Applicants first complete a business plan at their local Labour Office (a branch of the Employment Service of Slovenia – ZRSZ). They must then attend a consultation interview where their business idea is assessed, and attend a training workshop for self-employment. They then receive a self-employment grant of up to EUR 4 500 per person. Additional training is available for participants, but this varies across regions.

85% of the programme's budget is financed by the European Social Fund and 15% is funded from the Slovenian state budget. In August 2011, the ZRSZ received a cash injection of EUR 9.5 million, which allowed for funding for 2 110 new applicants.

Impact: The Employment Service of Slovenia (ZRSZ) considers the programme a success since 85% of participants operated companies for at least two years. The number of participants has annually increased from 417 in 2007 to 4 330 in 2009 and 5 148 in 2010.

Conditions for success: The differentiation of training programme across regions is likely an advantage for countries that face a similar situation to Slovenia with large regional differences in unemployment rates and economic conditions.

Other examples of the Welfare Bridge include the *Chômeurs Créateurs* programme in France, which assists unemployed individuals in business start-up by providing them start-up capital through a lump-sum payment in lieu of unemployment benefits (Elias and Whitfield, 1987; Meager, 1996; Michaelides and Benus, 2012). Belgium, Denmark, Hungary, Italy, Poland and Spain have also implemented similar programmes (Meager, 1996; O'Leary et al., 1998; Cueto and Mato, 2006).

Given the large number of start-up subsidy schemes in the EU, there is a significant body of evidence that can shed light on how effective these schemes are. Table 6.2 provides key evaluation results on the survival rates of businesses started by unemployed receiving some sort of subsidy vary greatly across various studies as well as the number of jobs that were created per 100 start-ups. After two years, survival rates tend to be between 66% and 85% which is only slightly lower than the overall survival rates of new businesses (Wennberg, 2009; Yang and Aldrich, 2012).

However, examining survival rates is not sufficient when considering the effectiveness and efficiency of these schemes. Programme costs need to be considered, as well as deadweight and displacement costs (see Box 6.6). Estimates of deadweight costs (usually self-reported measures of "I would have started a business none withstanding the subsidy")

Box 6.5. ***Ich-AG* scheme, Germany**

Description: The German *Ich-AG* scheme (translated "Me Inc") was aimed at helping start-ups by unemployed individuals receiving unemployment benefits as well as participants of other programmes at the Federal Employment Agency. The programme works as a complement to the already existing Bridging Allowance that was less attractive for unemployed already receiving government benefits. Thus the programme lowers the threshold for engaging in business creation by increasing the level of subsidies.

Problem addressed: As a part of the Hartz Commission's reform proposals the initiative sought to battle unemployment through subsidising self-employment.

Approach: The applicant applied for the grant at the job centres (*Arbeitsagentur*) by submitting a business plan. Government-funded consultants helped with evaluating the required business plans. Approved participants received financial support for up to three years, with the allowance declining for each year, from EUR 600 in the first year to EUR 360 in the second year, and EUR 240 in the third. It also included coverage by old-age pension schemes and other insurance schemes. In addition, the participants – unlike other self-employed in Germany – were obliged to contribute to the pension and insurance system. They also received a discount on the legal health insurance.

When the programme was installed in 2003, participants were not obliged to submit business plans, but were required to do so from November 2004.

In 2004, EUR 670 million was spent for the scheme subsidised by the active labour market policy budget.

Impact: Evaluations show that 5 years after business start-up, 50% to 60% of former *Ich-AG* participants were still in full- and part-time self-employment.

Conditions for success: The programme provides benefits to promote the participants' integration into the German social security system.

Table 6.2. **Evaluating the success of start-up subsidies**

	Business survival	Job creation by 100 start-ups	Reference
Denmark	76% after 2 years	36 after 2 years	Meager (1996; 1994)
Denmark	40% after 1 year	n.a.	Wilson and Adams (1994)
France	75% after 2 years	97 after 5 years	Meager (1996; 1994)
France	51% after 4.5 years	45 job after 54 months	Wilson and Adams (1994)
Germany	90% after 1 year	16 after 1 year	Pfeiffer and Reize (2000)
Germany	70% after 3 years	45% had at least one employee	Wießner (1998)
Hungary	85.4% after 1 year	17.6% had at least one employee	O'Leary et al. (1998)
Netherlands	52% after 3 years	n.a.	Wilson and Adams (1994)
Poland	84.5% after 2 years	26.7% had at least one employee	O'Leary et al. (1998)
Spain	93.1% after 1 year, 76.2% after 4 years	n.a.	Cueto and Mato (2006)
Sweden	65% after 4 years	n.a.	Carling and Gustafsson (1999)
United Kingdom	72% after 2 years	n.a.	Meager et al. (2003)
United Kingdom	66% after 2 years	35 after 5 years	Meager (1996; 1994)
United Kingdom	71% after 7 months	27 after 18 months	Wilson and Adams (1994)

Source: Wennberg (2013).

vary according to the country and the characteristics of the programme. Displacement effects are rarely investigated in evaluations but also warrant consideration by policy makers.

Box 6.6. **Deadweight costs and displacement effects**

Deadweight costs: The extent to which participants would have set up a new business without the subsidy. Since behaviour of these "deadweight participants" is unaffected by the scheme, their participation does not contribute to economic value but involves a public outlay. The social cost of this outlay is the sum of the distortionary cost or excess burden of the tax that finances it and the expenses to cover arrangement costs.

Displacement effects: The extent to which subsidised businesses take business from and displace employment in existing, unsubsidised business.

Another approach to supporting entrepreneurs in the context of business start-up is to provide exemptions to payroll taxes. This approach is commonly used in conjunction with a start-up subsidy. For example, the ACCRE programme in France started as a start-up subsidy and exemption from certain payroll deductions in the early 1990s. By 1998 the subsidy had been eliminated and the support became primarily an exemption from payroll taxes for one year. (ACCRE has since transformed into NACRE – *Nouvelle Aide à la Création d'Entreprise* – which is principally a zero interest loan). A recent evaluation shows that start-ups that received assistance under the 1998 version of the programme had 5-year survival rates that were 17 percentage points higher than those that did not receive support, which is attributed to the strong selection process that is employed when selecting participants (Cabannes and Fougere, 2012). However, other evaluations have less positive results. A 2011 evaluation found that entrepreneurs starting businesses from unemployment that received assistance have a 5-year survival rate of 49.5%, which is lower than the survival rate for unassisted businesses (53.2%) (Vari-Lavoisier, 2011). One possible explanation suggested by evaluators is that those businesses that seek help are lower quality business enterprises.

Offer business development services

Business development services are often available to new entrepreneurs as part of start-up support. This is no different for entrepreneurs who are starting businesses from unemployment. These services include training, coaching, mentoring and business consultancy. The aim of these support services is to increase the level of entrepreneurship skills for entrepreneurs, which will allow them to be more likely to succeed. For a more complete discussion on business development services, please refer to Chapter 8.

Business development support services are often mandatory as a condition for receiving a start-up grant or some form of allowance. This can be seen in Boxes 6.4 and 6.5, and a third example is provided in Box 6.7. This example is the New Enterprise Allowance programme from the United Kingdom, which illustrates how business development supports can be combined with financial supports. This approach has demonstrated success because the financial and non-financial supports reinforce each other. Non-financial support permits the entrepreneur to better use the financial support and the financial support permits the entrepreneur to put into practice what they have learned through training or working with a coach or mentor. For additional examples of public support that includes business development services as part of an integrated offer, please see the following examples in

Part III of this book: Business Start-up Programme (UGP – *Unternehmensgründungsprogramm*) in Austria and Support for Self-employment in Spain.

However, business development support services for people starting businesses from unemployment are not always integrated with financial support. In Germany, for example, *Innovative Beschäftigungsförderung GmbH G.I.B* offered an intense multi-stage consulting and training to prepare unemployed people for business start-up as well as follow-up support after start-up (e.g. consulting). This programme ran from 2004 to 2007 and participants achieved survival rates of 85% after 3 years (May-Strobl, 2010).

Box 6.7. **New Enterprise Allowance, United Kingdom**

Description: The New Enterprise Allowance (NEA) programme targets recipients of the Jobseeker's Allowance (JSA) with an interest in starting business. In addition, single parents with income support are also eligible. The scheme is part of the Get Britain Working measures that are designed to tackle unemployment in general. It has been running for many years with differential levels of success depending on both specific features, as well as the overall economic conditions in the period investigated.

Problem addressed: The programme was developed to support unemployed people to establish sustainable businesses.

Approach: The programme works closely with the UK's Jobcenter Plus staff that both oversees the project and helps identify potential applicants. The programme provides applicants with a weekly allowance, worth GBP 1 274 (approximately EUR 1 490) over 26 weeks, paid at GBP 65 (approximately EUR 75) per week for the first 13 weeks and GBP 33 (approximately EUR 39) per week for a further 13 weeks. In addition, applicants have access to unsecured loans to help facilitate costs of starting the company. The programme also offers training in the form of a workshop for participants. The programme gives access to business mentoring to support them for the first 6 months as self-employed.

As soon as participants have been approved for a JSA, they are eligible to apply for the NEA. When taken into the programme, applicants get help from a mentor to develop a business plan. If the business plan is viable, the participant will be able to access the financial benefit in forms of the subsidies and the loan.

Changes were made in October 2012 when individuals got able to access mentoring and support from the start of their JSA claims; whereas before they could only do this after claiming JSA for 6 months. The scheme was originally designed to include 60 000 individuals up until September 2013, but was extended with an additional 70 000 claimants up until December 2014.

The scheme is run by the UK government, and the cost for extending the scheme for new applicants between September 2013 and December 2014 was GBP 34 million (approximately EUR 39.8 million).

Impact: Overall, the NEA programme is effective in getting targeted unemployed people into self-employment, although the enterprises started on a smaller scale and have less growth potential (Ecorys, 2013).

Conditions for success: The key strength of the programme is the combination of mentoring and support with financial assistance.

There are very few examples of business develop services that are targeted specifically at youth (i.e. NEETs). This group can typically access supports that are available for the unemployed population; the exception is those initiatives that are aimed at older workers or specific groups of workers that have been made redundant. One example that provides an integrated package of financial assistance and non-financial supports can be found in Box 6.4 (Programme for NEETs to transfer to self-employment in Slovenia). Another example of a programme for NEETs is *Junge Leute machen sich selbständig*, which is a state-level programme offered in Brandenburg, Germany. It supported unemployed people that were under the age of 27 with a combination of group workshops and training, as well as individual consultancy. One of the principle aims of the initiative was to support professional and personal development. Over the 2005 to 2007 period, 685 young people participated in the programme and 396 went on to start businesses that created an additional 300 jobs over the first 24 months of business operation (Schreiber et al., 2009). After two years, only 26% of the start-ups had stopped operating, which is similar to the survival rates of the overall business population (Schreiber et al., 2009).

Despite the number of business development support services for those starting businesses from unemployment, few have been rigorously evaluated. Local initiatives such as publicly-funded business support services are often questioned as the extent to which they distort competition and well-functioning markets are not clear (e.g. Bessant, 1999; Huggins and Williams, 2009). However, recent research suggests that publicly-funded business development support tend to exhibit a positive net impact. Evidence in the United Kingdom derived from the Business Link programme shows that such support positively impacted on firms' employment growth (but not revenue growth). A quasi-experimental study that examined the effectiveness of a "guided preparation" advice service for new start-ups in Denmark found that there were positive effects on subsequent firm growth (Rotger et al., 2012). As such, there appears to be some support for the notion that certain policy interventions related to leadership training and skills enhancement can be beneficial for start-ups (Littunen and Tohmo, 2003). Key lessons from the evidence are that policy makers should strive to organise delivery from local actors, since these are more likely to facilitate both, skills-enhancement, advisory, and networking opportunities with relevant stakeholders (Huggins and Williams, 2009).

Broad regulatory changes

Broad forms of regulatory changes to improve conditions for entrepreneurship are typically expected to increase both rates of firm formation, firm survival and growth. This will lead to positive impact on employment as well as increased tax revenue. Even in times of economic stagnation, policy makers need to simultaneously consider regulatory changes and more tailored programmes. Broad regulatory changes that improve general conditions for entrepreneurship will have more lasting impact and with lower displacement costs than targeted entrepreneurship programmes (Henrekson and Johansson, 2008). In the case of the unemployed, social security systems are the most pertinent broad regulatory tool for policy makers and a complete discussion of these issues is covered in Chapter 9.

Conclusions and policy recommendations

The objective of supporting the transition from unemployment to self-employment is to provide an alternative to working as an employee for those seeking to return to employment. Although this can contribute to economic growth and job creation, it likely

has a greater impact for individuals because it provides them with an opportunity to earn a living, be an active, contributing member of society and reduces their chances of falling into poverty. This is particularly important for young people where unemployment spells can negatively impact their career trajectory and life path. The opportunity cost of not supporting groups such as NEETs is extraordinarily high; it is estimated that the direct economic cost of NEETs to the EU economy in 2011 was EUR 153 billion (Eurofound, 2013). This cost would be expected to grow an individual's lifetime since people typically become more productive with experience, and this does not include social costs.

In general, self-employed individuals that enter from unemployment have lower growth and chances of survival of their business than those that enter from employment (Wennberg and Delmar, 2010). However, sustainable self-employment is not necessarily the goal of providing people with the opportunity to start a business as some may return to paid employment. This should also be viewed as a success. There is a limited body of evidence that shows that many people exiting self-employment transition into working as an employee. Evidence from the Finland shows that 39% exits from self-employment result in transitions to paid employment (Johansson, 2000) and evidence from the United Kingdom shows the same for 48% of self-employment men and 36% of self-employment women (Taylor, 1999). Thus, self-employment could be a "bridge" to paid employment however there is evidence to suggest that this is not necessarily true for youth (Meager et al., 2003).

Overall, the accumulated evidence suggests that well-targeted programmes with considerable training content do have the potential to improve the labour market outcomes of those targeted, and that well-designed financial incentives might also raise employment at lower cost (Kluve and Schmidt, 2002). Moreover, these schemes tend to be especially effective in economic downturns (Carling and Gustafson, 1999). Comparatively speaking, business start-up supports seem to be more cost-effective than other labour market supports for those who are unemployed (Baumgartner and Caliendo, 2008).

A central question to gauge the effectiveness of policy schemes supporting business creation for people in unemployment is the relative "deadweight effect" and "displacement effect" by the programmes. Evaluations of different programmes have obtained wide-ranging estimates of deadweight, according to the country and the characteristics of the program. For example, deadweight costs are often reported to be between 20% and 70% (Falkenhall et al., 2003; Meager et al., 2003). These figures indicate that deadweight costs might be substantial and policy evaluations cannot merely look at number of firms created as a measure of programme success. However, the deadweight costs of entrepreneur supports are not higher than other active labour market policies, and are substantially lower than direct employment creation measures e.g. public sector jobs (Carling and Gustafson, 1999). Displacement effects are much more seldom investigated in evaluations, but needs to be considered, especially for large programmes and/or programmes that are maintained during periods of low unemployment rates (Meager et al., 2003).

Based on these conclusions, the following policy recommendations are offered:

Key policy recommendations

- Provide an allowance, or continue to pay unemployment benefits, for a fixed period of time to support those who start businesses from unemployment during the early stages of business development.

- Target support provisions to the needs of specific groups of unemployed (e.g. women, youth, seniors, workers who were recently made redundant).
- Offer complementary financial and non-financial supports as part of integrated packages to maximise the complementarity of providing financial support with the development of entrepreneurship skills.
- Involve local partners in business start-up schemes for the unemployed to i) increase awareness of these supports by involving unemployment offices, chambers of commerce and other civil society actors (e.g. the business community, microfinance institutions), and ii) take advantage of their knowledge and networks.
- Ensure that start-up support schemes are aligned with tax and social security schemes to ensure that policy approaches are complementary rather than competing.
- Increase the use of evaluations to measure the impact of start-up support schemes for the unemployment, including deadweight and displacement effects, to build a more robust evidence-base that can inform policy development across the EU.

ANNEX 6.A1

Policy approaches to supporting entrepreneurship from unemployment

Type of policy approach	Objectives and rationale	Main methods	Expected impacts	Achieved impacts	Considerations for policy delivery and design
Increasing awareness about possibilities of entrepreneurship as a way of creating one's own employment	Lowering perceived barriers to entrepreneurship as a potential labour market choice.	Educational efforts, public outreach programmes, education of public bureaucrats.	More positive attitudes towards i) the self-employed as a group, and ii) individual's willingness to consider entrepreneurship as an alternative to paid employment.	Attitudes towards becoming self-employed have increased across Europe (Blanchflower, 2000; Henrekson, 2005).	There is a difference between "positive attitudes" and actually becoming self-employed. Further, positive attitudes do not affect skills and/or ability to create a successful firm. Risk of social engineering instead.
Facilitating the acquisition of entrepreneurship skills	Increasing entrepreneurship-specific human capital for groups on the labour market, especially youth.	Entrepreneurship education and training. Internships in start-ups, for example by subsidised employment in young/small companies	Entrepreneurship education more relevant for youths, entrepreneurship training more relevant for adults.	Entrepreneurship education may affect both cognitive and non-cognitive entrepreneurial skills (Moberg, 2013).	If goal is to increase short-term entrepreneurial willingness, the focus should be on entrepreneurship education that enhances cognitive skills. If the wish is to increase long-term labour market skills, the focus should be on non-cognitive skills.
Providing or facilitating access to finance for business start-up	Solving the liquidity constraint problem for self-employed	Start-up subsidies, guarantees for bank loans, specialised banking loan products (micro loans)	Increased start-up rates among the unemployed, more long-surviving firms (gross impact), potentially employing others (net impact)	Various success ratios (see Table 6.2) but with some deadweight loss of interventions. Displacements costs seldom investigated.	Effectiveness of policy schemes needs to consider the relative dead-weight effect and displacement effect by the programmes. Programmes should consider regional aspects as well as potential complementarities with training programmes
Providing income supports for a fixed period after business start-up	Solving the problem of little income from sales during the start-up process, where entrepreneurs have to live off their own savings	Start-up subsidies, tax breaks for self-employed, potential to defer taxes to later and more profitable periods	More long-surviving firms among formerly unemployed entrepreneurs (gross impact), potentially employing others (net impact)	Evaluations indicate that fixed-period income support programmes more effective than other labour market training efforts (Carling and Gustafson, 1999)	Consideration needs to be given to i) potential displacement costs and/or negative market effects on non-subsidized start-ups if income support is too lengthy/too generous, and ii) potential crowding out of other labour market training efforts
Providing business development support services after business start-up (e.g. coaching and mentoring)	Increasing entrepreneurship-specific human and social capital for nascent entrepreneurs especially novice entrepreneurs	Public advise/coaching Peer-to-peer learning (business incubators, accelerators, start-up groups)	Higher rates of successful business start-ups among treatment group Higher rates of survival and growing businesses among treatment groups	Study of public assistance programmes in Denmark validate the effectiveness of "guided preparation" for self-employee entry and growth (Rotger et al., 2012)	Best-practice programmes needs to be validated and replicated. Relevance of such programmes depends both of treatment group (e.g. skills/ incentives of participants) and delivery group (e.g. skills/ incentives of coaches). Programmes need to be designed with comparison groups and data collected so they can be evaluated.

Type of policy approach	Objectives and rationale	Main methods	Expected impacts	Achieved impacts	Considerations for policy delivery and design
Other broad regulatory changes that encourage and support entrepreneurship by people in unemployment	Objective for broad changes is to improve general conditions for entrepreneurship. Such broad changes will have more lasting impact with less displacement costs than specific programmes tailored for the unemployed.	Broad institutional changes such as lowering unemployment benefits (push effects), or lowering business creation costs (pull effects)	Regulatory changes to improve conditions for entrepreneurship expected to increase both rates of firm formation, firm survival and growth. This will lead to positive impact on employment as well as tax payments.	Positive effects of improving general conditions for entrepreneurship are well-documented, especially factors such as lowering tax rates for entrepreneurs, decreasing administrative costs and regulations	"Push" effects such as lower unemployment benefits generally evidenced not to lead to lasting self-employment, hence lowering business creation costs and other administrative burden recommended.

Source: Adapted from Wennberg (2013).

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Chapter 7

Policy support for entrepreneurship by ethnic minority groups[1, 2]

Ethnic minority groups are very active in entrepreneurship in many EU countries. This chapter reports on the level of entrepreneurship activities by ethnic minority groups and some of the key characteristics of these businesses. It also presents the main barriers to business start-up for potential ethnic minority entrepreneurs and actions that policy makers can take to support ethnic minority groups in overcoming these barriers. Inspiring practices from across the EU are presented to illustrate these actions.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Potential for business creation and self-employment by ethnic minority groups

- Ethnic minority or immigrant entrepreneurs are a diverse group with substantial differences across ethnicities, by gender and by duration of settlement in the host country (i.e. newly arrived, first-, second-generation, etc.).
- The self-employment rate for foreign-born people is higher than it is for native-born people in 9 EU member states, highlighting the entrepreneurship potential of this group.
- There is limited evidence on the survival rates of businesses operated by foreign-born people, but evidence from France indicates that businesses operated by foreign-born entrepreneurs have lower survival rates than those operated by native-born people.

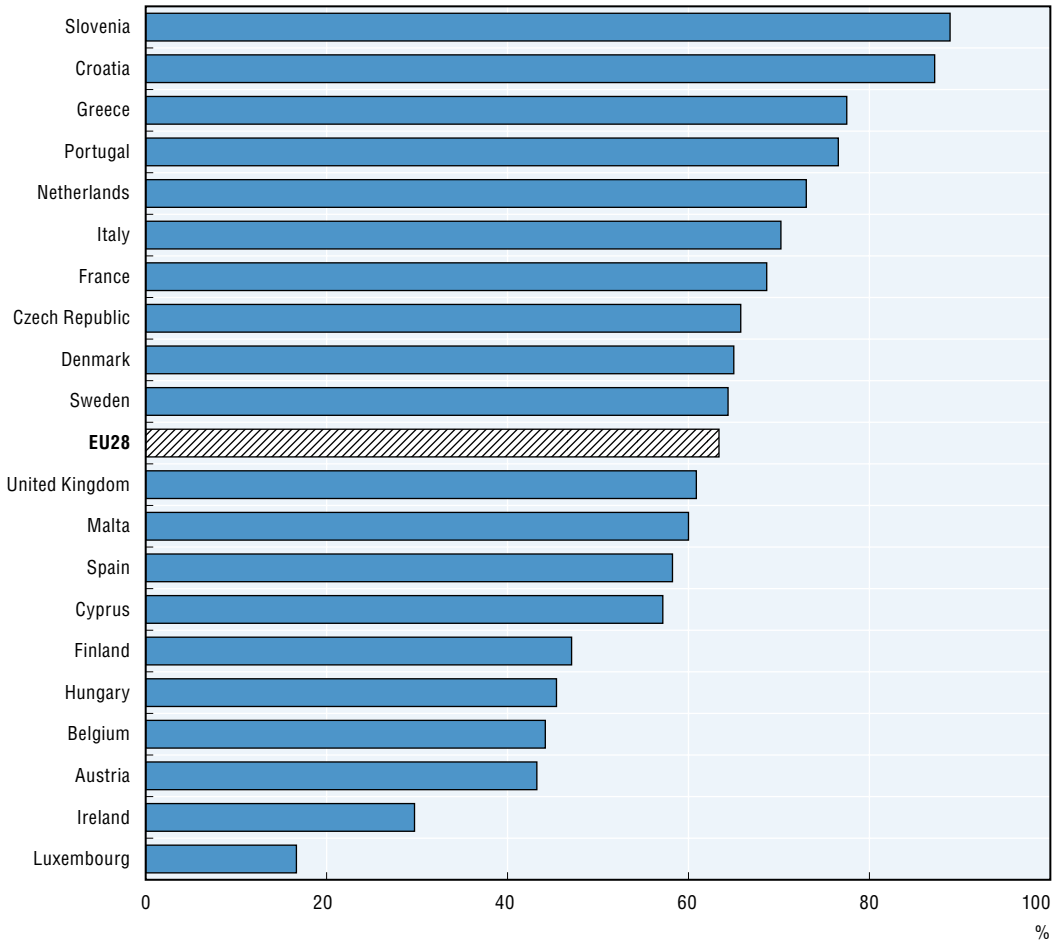
Entrepreneurship by ethnic minority groups refers to business start-up and self-employment activities by people that belong to an ethnic minority group and by people who were born in a different country than the one in which they reside. It must be recognised that this is not a homogenous group as there are differences across ethnicities, by gender and by whether the individual is a new immigrant or 1st or 2nd generation ethnic minority (Pécoud, 2012). The concept also applies differently within different contexts and can vary between cities and regions and the national level (Rath et al., 2011).

Self-employment rates

It is difficult to accurately measure the scale and scope of self-employment activities of ethnic minority groups in a comparable way across EU member states for several reasons. First, national labour force surveys do not ask questions related to the ethnicity of an individual. Second, an individual's self-identification as belonging to an ethnic minority group varies depending on self-perception and context. Despite belonging to an ethnic minority group, individuals may not view themselves as belonging to an ethnic minority group and therefore may not self-identify. Third, an ethnic minority group in one city or region is not necessarily a minority group in another city or region within the same country.

One way to approximate self-employment rates for ethnic minority groups is to look at a narrower segment of the population, namely those who are foreign-born. For statistical purposes, this concept is more easily defined. However, it must be recognised that this is not conceptually the same as the ethnic minority population because people from ethnic minority groups can be native-born, and conversely non-ethnic minority populations can be foreign-born. Further, the profile of foreign-born people varies across member states. In 2012, at the EU-level, 63.3% of foreign-born self-employed people were born outside of the EU (Figure 7.1). Luxembourg had the lowest proportion of foreign-born self-employed people who were born outside of the EU, while Slovenia and Croatia had the highest proportions at 87.2% and 88.9%, respectively. A further consideration is that the population born outside of the EU will also vary greatly across countries, reflecting historical patterns, macroeconomic and labour market conditions, immigration laws and social policies.

Figure 7.1. **Proportion of foreign-born self-employed who were born outside of the EU, 2012**



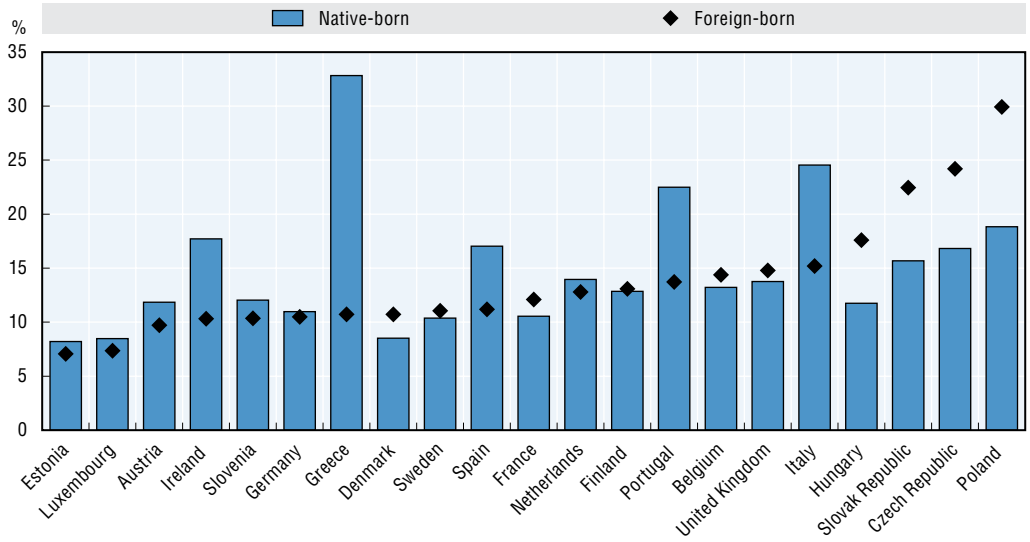
Source: Eurostat, Labour Force Survey 2012.

StatLink http://dx.doi.org/10.1787/888933154687

In many EU member states, those who are foreign-born were more likely to be self-employed than native-born people (see Figure 7.2). In 2012, these countries were Belgium, the Czech Republic Denmark, France, Germany, Hungary, and the United Kingdom. However in half of the EU countries, foreign-born people were less likely to be self-employed than the native-born population. The figure shows that the biggest gap in self-employment rates between native-born and foreign-born people was in Greece, where foreign-born people were one-third as likely as those born in Greece to be self-employed. However, differences across ethnic minority groups are often greater than the differences between the native-born and foreign-born populations.

The proportion of self-employed people in the EU that is foreign-born has changed little since 2004 (Figure 7.3). It has only changed significantly in Estonia and Denmark. In Estonia, the proportion increased approximately 7 percentage points while in Demark in declined by nearly 5 percentage points. At the same time, marginal changes can be observed in France (slight increase) and the United Kingdom (slight decrease).

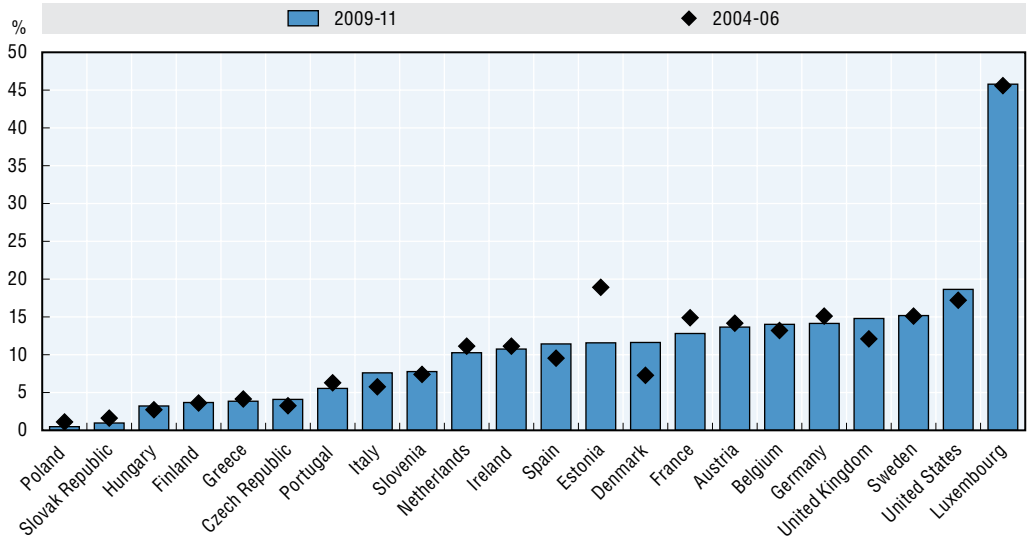
Figure 7.2. **Self-employment rates for by location of birth by member state, 2012**



Source: Eurostat, Labour Force Survey 2012

StatLink http://dx.doi.org/10.1787/888933154698

Figure 7.3. **Proportion of self-employed who are foreign-born, 2004-06 vs. 2009-11**



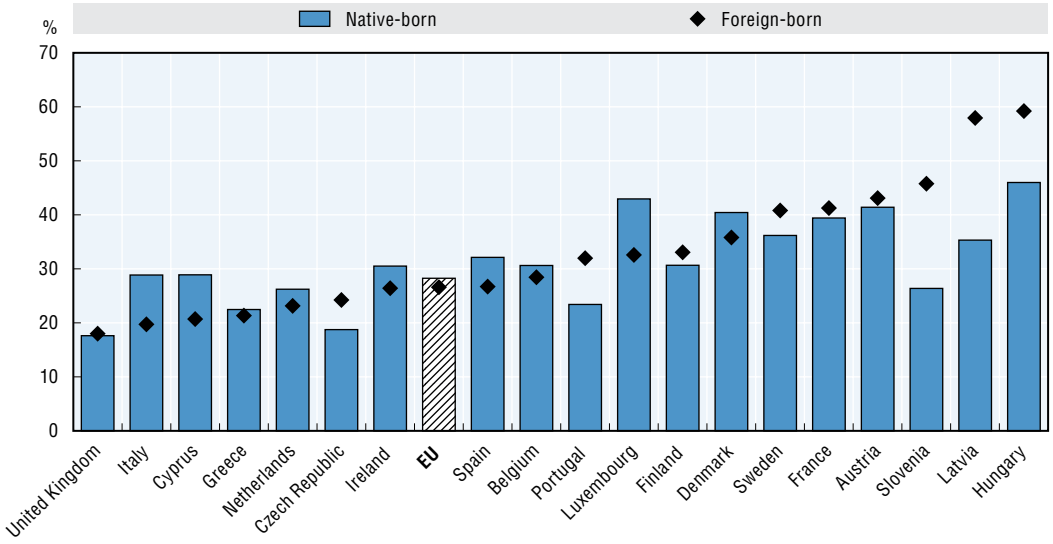
Note. This figure excludes self-employed people that work in agricultural sectors.
Source: Adapted from OECD (2013), Entrepreneurship at a glance.

StatLink http://dx.doi.org/10.1787/888933154705

At the EU-level, self-employed people who are foreign-born are as likely as those who are native-born to have employees (see Figure 7.4). However, there is variation across the member states. Self-employed foreign-born people were less likely to have employees in

9 member states, with the greatest differences in Italy (32%), Cyprus (28%) and Luxembourg (24%). In the other 9 member states (for which data are available), self-employed people that are foreign-born are more likely to have employees. For example, foreign-born self-employed people were much more likely to have employees in Slovenia (73%), Latvia (64%) and Portugal (36%).

Figure 7.4. **Proportion of self-employed with employees by location of birth, 2012**



Source: Eurostat, Labour Force Survey 2012.

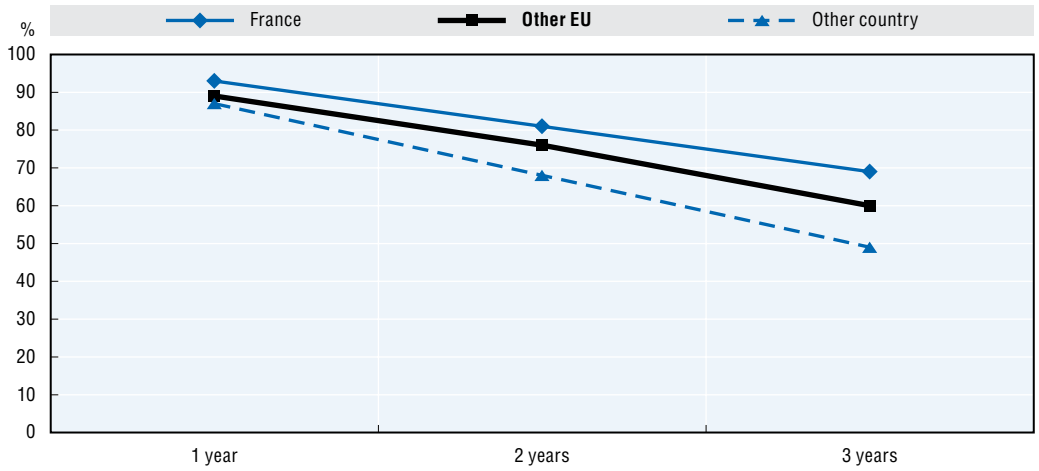
StatLink http://dx.doi.org/10.1787/888933154710

Survival rates

Entrepreneurs from ethnic minority and immigrant groups frequently operate in highly competitive industries with low barriers to entry and low skill requirements (Kloosterman and Rath, 2003; APCE, 2013). For example, this includes restaurants, retail shops and the textile industry. These businesses often compete on price (Rezaei and Goli, 2006; Kloosterman and Rath, 2003; Rath et al., 2011) and are frequently labour intensive and usually do not generate enough earnings to fuel firm development and growth (McKay et al., 2009).

Given these business characteristics, it is not surprising to find that self-employed people that are foreign-born operate businesses that have lower survival rates than those who are native-born. Evidence from France shows that foreign-born self-employed people have lower survival rates than native-born self-employed (see Figure 7.5). Moreover, those born outside of the EU had lower survival rates than those born inside the EU. After the first year of operation the difference is only a few percentage points, but this gap increases to 20 percentage points after 3 years.

Figure 7.5. **Survival rates of migrant enterprises (France)**
Average of 2006-09 cohorts



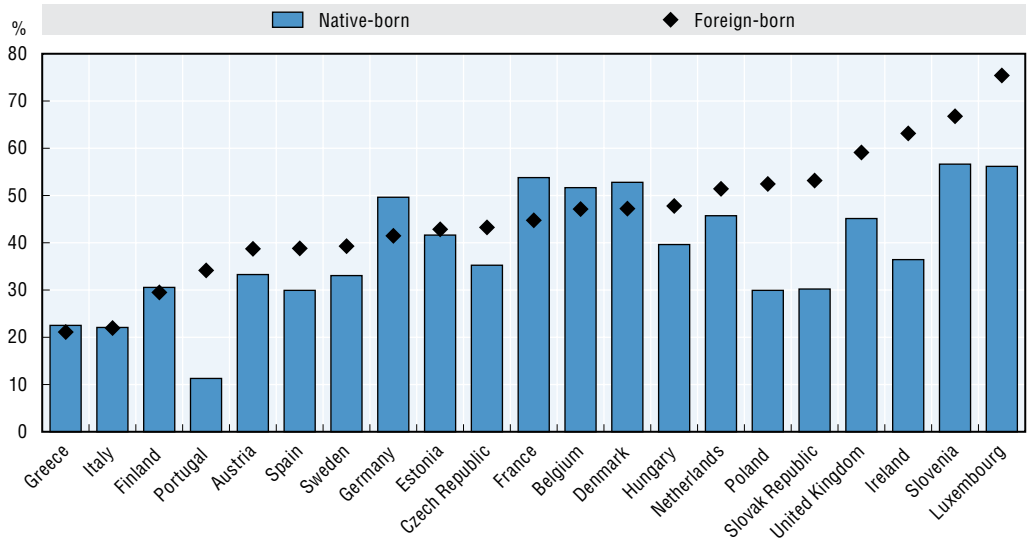
Note. This figure excludes self-employed people that work in agricultural sectors.
Source: Adapted from OECD (2013), *Entrepreneurship at a Glance*.

StatLink http://dx.doi.org/10.1787/888933154723

Skill levels

Figure 7.6 provides some evidence on the educational attainment of self-employed people. While this is not the same as skill level, the two are frequently correlated. At the EU-level, self-employed people that are foreign-born are more likely to have achieved a tertiary education than self-employed people who are native-born. This finding holds in

Figure 7.6. **Proportion of the self-employed with a tertiary education by place of birth, 2012**



Notes 1. Tertiary education is measured as the proportion of those who attain level 5 or higher on International Standard Classification of Education (ISCED). 2. This figure excludes self-employed people that work in agricultural sectors.
Source: Adapted from OECD (2013), *Entrepreneurship at a Glance*.

StatLink http://dx.doi.org/10.1787/888933154735

the vast majority of member states, with the exceptions being Germany, France, Belgium and Denmark where the native-born self-employed people are more likely to have attained a tertiary education. The proportion of native-born and foreign-born self-employed people who have attained a tertiary education is roughly equal in Greece, Italy, Finland and Estonia.

An issue not picked up in this data is the recognition of qualifications earned by foreign-born people. Often qualifications that are earned in a foreign country are not recognised in the host country (Rezaei and Goli, 2006). This presents an additional barrier for ethnic minority entrepreneurs because they may not be able to acquire the necessary licenses and certifications to start their business.

Barriers to business start-up for ethnic minority groups

- Entrepreneurs from ethnic minority groups face the same barriers to business start-up as native-born entrepreneurs but are typically held back to a greater extent by these barriers.
- Both formal and informal institutions can negatively influence business start-up and self-employment activities by immigrants because they are typically unfamiliar with the business and regulatory environment. This is especially true when immigrants seek to set-up business in highly regulated sectors.
- Access to finance can be a barrier to business start-up, particularly for recent immigrants who cannot demonstrate a credit history or have never participated in the formal banking system.
- As with all entrepreneurs, a lack of entrepreneurship skills can hinder business creation. Particular challenges for ethnic minority and immigrant entrepreneurs are often related to business management skills and ability to speak the language used in the business environment.
- Ethnic minority and immigrant entrepreneurs benefit from some competitive advantages. They can access their ethnic community for clients and suppliers, and may be able to exploit linkages to their home country for international trade.

Entrepreneurs from ethnic minority and migrant groups face similar barriers to business creation as the population as a whole. However, these barriers are typically greater for many ethnic minority entrepreneurs than for mainstream entrepreneurs. There is some evidence to suggest that ethnic minority women face even greater barriers than ethnic minority men (*Agentur fur Gleichstellung*, 2010).

One set of barriers often discussed in relation to entrepreneurs from ethnic minority groups are sector specific, rather than being related to ethnicity. However, these challenges may be identified more frequently for enterprises operated by ethnic minority entrepreneurs since these entrepreneurs tend to cluster more in particular sectors (Ram and Smallbone, 2003). For example, many ethnic entrepreneurs operate in the textile and retail sectors, both of which are highly competitive sectors that are characterised by dominant large chains that are able to operate on small margins to undercut competitors.

Institutional barriers

Institutions refer to specific structures such as regulatory bodies and/or the business support infrastructure. These can be further divided into formal and informal institutions, both of which are relevant when considering institutional barriers for entrepreneurs from ethnic minority groups because together they make up the broader institutional structures

of a society. Institutions may be both enabling and constraining forces with respect to business creation. As enabling forces, institutions can reduce transaction costs and generally facilitate the operation of market economies. At the same time, institutions can present constraints to entrepreneurs because they define the scope for action, which do not affect all entrepreneurs, or ethnic groups, in a similar fashion (OECD/EC, 2013).

Formal institutions

Formal institutions include laws and regulations, including any rules that directly affect the cost of setting-up a business, conducting business activity and closing a business. This includes regulations for market entry and exit, and laws governing commercial transactions. It also includes regulatory institutions and policies that influence the desirability and feasibility of entrepreneurship (e.g. labour market and business development policies) and those that influence the costs and opportunity costs of setting-up a business (e.g. the legal framework).

Government regulation is often cited as a barrier to entrepreneurship but laws and regulations can also open-up opportunities for entrepreneurship by creating a favourable environment for entrepreneurship. Regulatory processes are wide ranging, with some being constraining (e.g. health and safety legislation) while others are enabling (e.g. financial incentives). Both enabling and constraining processes impact all entrepreneurs, but ethnic minority entrepreneurs tend to perceive government regulation as a major negative influence. Entrepreneurs from ethnic minority groups can have difficulties understanding of the laws, administrative requirements and regulations, especially when immigrant entrepreneurs come from a context with different regulatory requirements.

While there is little evidence to suggest that regulatory institutions are a greater barrier for entrepreneurs from ethnic minority groups than for the general population (Welter, 2012), the effects of regulatory institutions are likely to be greater in the case of recently-arrived migrants. Their attitudes may be more affected by the environment in the country that they have moved out of than those of the country they are moving into. Unlike ethnic minority entrepreneurs who are born in their country and are familiar with its rules, cultures and institutions, immigrants lack the experience, knowledge and skills to cope with an unfamiliar institution or environment, which might be aggravated by low levels of education (Welter, 2012). Immigrants have been shown to face considerable problems in setting-up businesses, particularly in highly regulated industries and professions (Kay and Schneck, 2012). This is corroborated by evidence from Italy which demonstrates that migrant entrepreneurs have difficulty understanding business start-up procedures and legal obligations (De Luca, 2011). Responses to these challenges can result in ethnic minority businesses starting and operating in the informal sector. Evidence from Sweden shows that some Asian immigrants forego Swedish immigration rules and enter the country on a tourist visa to set-up unregistered businesses (Alund, 2003).

One of the major institution-related barriers is access to business support services. Ethnic minority entrepreneurs are under-represented as clients of business support agencies (Ram and Smallbone, 2003). While some evidence from the United Kingdom suggests that take-up of business support services by ethnic minority entrepreneurs is improving, this varies considerably between different ethnic groups (Ram and Smallbone, 2003). This also tends to vary between recent immigrants and native-born ethnic minority groups (Tisserant, 2003).

Many argue that public and private business support services are alternatives to one another, suggesting that lack of access to public sector business support is compensated for by the use of friends, family and professionals within their own network. However, this is not true. Most successful entrepreneurs make use of friends, family and business associates in addition to the services and supports that are available from the public sector. This is important because evidence from the United Kingdom suggests that the most successful ethnic minority entrepreneurs were Chinese, who showed the highest propensity to take in business advice at start-up, although this was mainly Chinese accountants and professionals (Ram et al., 2002). A further caution on this issue is that evidence often captures entrepreneurs' perceptions rather than their experiences and actions (Law, 2007).

Normative institutions

Normative institutions are the values that influence preferences in a society or the social standards of what is considered preferable and desirable. They have been shown to affect the value that society generally places on entrepreneurship (Davidsson and Wiklund, 1997). A key question is how these institutions affect the nature and extent of entrepreneurship activities for ethnic minority and migrant groups relative to the rest of the business population.

Normative institutional barriers include role models and entrepreneurship culture. In both cases, it has been shown that African and Caribbean entrepreneurs in the United Kingdom are affected by a lower level of acceptance of entrepreneurship and a lower value placed on entrepreneurship in their communities than is the case in, for example, the South Asian communities (Ram and Smallbone, 2003). In contrast with African and Caribbean entrepreneurs, Asian entrepreneurs from China or India are much more likely to have been exposed to successful entrepreneurial role models, which is less likely in the case of Pakistani or Bangladeshi entrepreneurs (Ram and Smallbone, 2003).

Alongside within-group norms and attitudes, which might either foster or hinder entrepreneurship, ethnic minority entrepreneurs are also exposed to the attitudes that prevail in their country of residence. This may reinforce a prevailing positive attitude towards entrepreneurship within their culture, or work against it through negative stereotyping and discriminatory attitudes. There is a limited body of evidence that indicates that discrimination against ethnic minority groups from society and business communities exists and some evidence from Denmark suggests that discrimination goes both directions, i.e. ethnic minority groups discriminate against the native-born population (Serden Özcan, 2013). Subsequent generations of ethnic communities are likely more resilient and less affected by the negative impact of normative institutions (i.e. stereotypes and prejudices) than earlier generations and educational attainment can also affect this perception (Welter, 2012).

Social capital has an important role to help ethnic minority and migrant entrepreneurs cope with normative institutions. If there is a positive attitude towards entrepreneurship within their community, social capital can help members of the minority communities to cope with negative attitudes and discrimination. For example, entrepreneurs within South Asian communities act as guarantors when new entrepreneurs are seeking bank loans (Ram and Smallbone, 2003). Social capital is especially important for first generation immigrants, who have not had a chance to become acquainted with the social and regulatory systems

of the host country. Social capital is typically based on family and social relations within ethnic communities and rarely involves cross-ethnic relations, including with the native population. This kind of social capital reinforces existing ties (Granovetter, 1983; Coleman, 1987) and is more bounding than bridging since it is based on trust and loyalty (Putnam et al., 1993). Thus social capital can be used to help ethnic minority entrepreneurs establish a business but is not likely to have a significant impact in terms of supporting survival and growth (Hegedahl and Rosenmeier, 2007).

Access to finance

Access to start-up capital is one of the most frequently cited barriers to business creation for all entrepreneurs. This is often true for entrepreneurs from ethnic minority groups as well. Evidence from France indicates that foreign-born entrepreneurs are more likely than native-born entrepreneurs to start a business without start-up capital (73% vs. 62% in 2006) (APCE, 2012). Similar evidence can be found in other EU countries such as Germany (Kay and Schneck, 2012).

Some entrepreneurs from ethnic minority groups are able to securing financing from family members and acquaintances who live abroad through informal or community-based funding mechanisms such as Hawalah and rotating capital systems (Rezaei and Goli, 2006). However, these funding mechanisms are often limited to relatively low values since they are essentially cash-based systems. Thus the majority of ethnic entrepreneurs who access these informal financing systems when starting a business are often forced to downsize their business plans.

When considering challenges to accessing start-up financing, ethnic minority entrepreneurs can face market barriers, cultural barriers, skills barriers and institutional barriers.

Market barriers

A central characteristic of credit markets is that information asymmetries exist between lenders and borrowers. For example, lenders often lack information on borrowers and the viability of their projects. Therefore it is difficult for lenders to evaluate loan proposals and they often require collateral that can be seized in the event of a loan default (i.e. asset-based lending).

Businesses operated by entrepreneurs from ethnic minority and migrant groups are often viewed by the market as being high-risk clients. They are more likely to have fewer collateral assets than the mainstream population (e.g. real estate, vehicles) and are less likely to be able to demonstrate a good credit history, or in some cases, any banking or credit history (Heelsum, 2012). As a result, their loan requests are more likely to be turned down (Kay and Schneck, 2012).

While lenders could charge higher interest rates for those who lack collateral to compensate for the higher risk-profile, this would attract risk-prone borrowers and lead to adverse selection. Additionally, borrowers may be induced into riskier projects to pay back larger loan instalments, which would also result in higher chances of loan defaults (i.e. moral hazard). The result of these market failures is to prevent equal access to finance by entrepreneurs from ethnic minority and migrant groups.

Cultural barriers

Cultural barriers stem from stereotypes and expectations and can occur on both the supply side and demand side of credit markets. On the supply side, cultural barriers typically arise from lending officers and formal lending procedures. Lending officers are trained to deal with self-employed people who operate one business, on a full-time basis. This of course is not always the case. Moreover, migrant entrepreneurs who manage multiple businesses at the same time may be credit-rationed because they fall outside of the standard client profile. Cases of social discrimination towards ethnic minority are also possible, although there is no strong evidence of this in EU credit markets (OECD/EC, 2013).

On the demand side of credit markets, ethnic minority entrepreneurs may face language and social barriers to building a close and confident relationship with banks and other lenders. They may also be unwilling to share full information on personal revenues and indebtedness with loan officers, who are perceived as outsiders (Leicht et al., 2012). Therefore they may be less successful at accessing external financing.

Another barrier is that entrepreneurs from ethnic minority and immigrant groups may not apply for loans because they believe that they are less likely to receive a loan than native-born entrepreneurs. This could be due to perceived discrimination or a lack of knowledge about how financial markets operate. Evidence from the United Kingdom shows that entrepreneurs from ethnic minority groups who operate fully or partially informal business believed that private lenders were obligated to share borrower information with the tax authorities and therefore they did not seek loans (Ram et al., 2002). Moreover, some Muslim entrepreneurs do not accept to pay interests on loans and therefore will never seek them (Rezaei and Goli, 2006).

Skills barriers

In credit markets, the bulk of loan applications are denied because the information submitted is incomplete or incorrect. This happens more often for entrepreneurs that do not belong to the male white mainstream group and one contributing factor is a skills gap between ethnic minority and immigrant groups and mainstream entrepreneurs. Common skills barriers involve business planning and management, and financial literacy. First, many entrepreneurs from ethnic minority and immigrant groups lack experience with formal business plans and have not managed an enterprise before. As a result, they often have poor financial records, which makes it difficult to obtain a loan as these are required by formal lending institutions. Second, entrepreneurs from ethnic minority and immigrant groups may not have a good grasp of business finance concepts that are key to understanding the risks and opportunities associated with an entrepreneurial venture (e.g. interest rates, time value of money). Third, ethnic minority entrepreneurs also often have little knowledge about where financing can be obtained (Rath et al., 2012).

Institutional barriers

The structure of financial institutions and their operating procedures can also cause a number of problems for entrepreneurs from ethnic minority and immigrant groups. One example is that some forms of microcredit do not allow borrowers to build a credit history, which could be used to help them obtain loans from formal lending institutions at lower

interest rates. Building credit can also be important for those who do not have a formal banking history.

Another example is a lack of legislation and regulations in Islamic financing and emerging financial sectors such as peer-to-peer lending and crowdfunding.

Lack of entrepreneurship skills

Entrepreneurs need a variety of skills to increase their chances of launching a successful business venture. These skills include technical skills (e.g. written and oral communication, problem solving, environmental monitoring), business management skills (e.g. goal setting, decision making, finance, negotiation, customer relations) and personal entrepreneurial skills (e.g. risk management, change management, strategic thinking, leadership) (OECD/EC, 2013). Entrepreneurs from ethnic minority and migrant groups often lack many of these skills, particularly competences related to management (Rath et al., 2011). This can be especially true for women from ethnic minority groups.

One area where ethnic minority and immigrant groups can be particularly challenged is in language abilities, which creates a barrier when navigating new regulatory and institutional regimes to launch a business (Rath et al., 2011). Similarly, language difficulties can make it more difficult to apply for loans and start-up capital and to look for business partners. Moreover, the development of customer and supplier relations is more challenging. One way for entrepreneurs from ethnic minority and immigrant groups to get around this challenge is to set-up a business that focuses on customers from the same ethnic group and to seek suppliers that also speak the same language (Rezaei and Goli, 2007; Nkakleu and Levy-Tadjine, 2005). This of course, can be restrictive for the business in terms of growth potential.

Box 7.1. **Competitive advantages for entrepreneurs from ethnic minority groups**

While entrepreneurs from ethnic minority groups face challenges, they also benefit from several competitive advantages. There are certain market opportunities that are closed to indigenous business, particularly where the city, region or country is large enough to allow for markets that can sustain ethnicity-related goods or services. Examples of this phenomenon are observed in several areas of immigrant concentration in large urban areas (Andersen, 2008; Rezaei and Goli, 2007).

The concentration of people from the same ethnic group in certain areas creates some advantages in terms of availability of ethnic customers, employees and community support. Ethnic minority entrepreneurs often have a relatively strong reliance on ethnic resources and especially on co-ethnic employees and often on family members. This is can be advantageous for managing the business because common language and customers among employees can reduce the need for formal management structures. This can allow for more flexibility in dealing with staff and suppliers, often reducing transaction costs.

Migrant businesses also have the advantage of knowing more than one culture. This can be beneficial when internationalising and growing the business in international markets. Often this is most easily accomplished by first generation ethnic minority entrepreneurs who have an intimate knowledge of their parents' culture and the culture of their native country (Light, 2010).

Policy actions to support entrepreneurs from ethnic minority groups

- Policy makers can take actions to address institutional barriers by either directly reducing the institutional burden, or by helping the entrepreneur to better operate within the business environment. Many actions at the local, national and EU-levels are aimed at reducing the regulatory burden for businesses and making services more accessible (e.g. one stop shops). In addition, governments can provide training and facilitate access to business development services to better navigate the institutional environment.
- Loan guarantees and microcredit are common approaches to assisting entrepreneurs from ethnic minority groups in access financing for start-up. A key element of these approaches is to leverage the expertise of the financial sector in the design and implementation of public schemes.
- Training and business development schemes improve the chances of success of entrepreneurs from ethnic minority groups by increasing the entrepreneurship skills and helping them adjust to a new business culture. Language courses can be incorporated to improve the entrepreneurs' integration into society.
- Outreach is one of the greatest challenges when supporting entrepreneurs from ethnic minority groups since many do not trust public delivery agencies. It is therefore critical to partner with community organisations to reach these groups.

Public policy interventions that promote and support ethnic minority entrepreneurship tend to be justified by one or both of the following arguments. First, businesses operated by ethnic minority entrepreneurs make an economic contribution and public policy has a role in mobilising entrepreneurship in all sections of the society, including ethnic minority groups. Second, entrepreneurship by ethnic minority groups can address challenges related to social inclusion and this is sometimes seen as the main rationale for public policy action in this area (Jaegers, 2008).

Public policy that promotes and supports ethnic minority entrepreneurship can take place at different levels: national, regional and local levels. There is considerable variation across EU member states in the extent to which public policy measures have been taken to promote ethnic minority entrepreneurship, reflecting the relative size of ethnic minority populations and differences in attitude regarding the potential contributions of these entrepreneurs to the economy. Most North West EU countries have a national minority policy or integration policy for newly arrived immigrants, as well as policies to support SMEs (Triodos Facet, 2008). But the way in which various countries combine the two, in other words promote ethnic minority and migrant entrepreneurship, is highly variable. In some countries national policies do not distinguish between immigrants and nationals, including France, Greece and Slovenia.

Address institutional barriers

Public policy interventions related to institutions fall into two broad categories. First, policy actions aim to address structural constraints such as regulatory frameworks and the institutional environment. These regulatory and structural interventions need to be considered in the wider context of immigration and integration policies because in many cases the issues are not specific to business, but can nevertheless have a significant impact on entrepreneurship. The issues have more to do with settling and becoming part of a new society, which includes understanding and responding to institutional requirements

(e.g. acquiring a business license and registering with the tax authorities). For some ethnic minority entrepreneurs this may be a new experience despite the fact that, in their home country, they may have experience of running a business for some years.

The European Union has taken several broad actions to address some of the challenges faced in the institutional and regulatory environment. One example is the Small Business Act for Europe (SBA), which is designed to "make life easier" for small businesses in the EU. Entrepreneurs from ethnic minority and migrant groups stand to benefit from such actions as the "Think Small First" principle aims to reduce administrative burdens and make them more competitive (EC, 2008). Specific actions under the SBA that are relevant for entrepreneurs from ethnic minority and migrant groups include improved access to finance through strengthened loan guarantee schemes and improved access to venture capital, as well as "credit ombudsman"-type solutions that aim to facilitate the dialogue between SMEs and credit institutions. One-stop shops have also been created to help SMEs apply for European, national and local grants. The SBA also aims to improve networking and competition rules so that SMEs can better compete in global markets and improve cross-border payment systems and increase access to public procurement so that SMEs can better compete within the EU (EC, 2013).

In addition, many relevant policy actions to address institutional barriers for ethnic minority and migrant groups are taken at the local-level. The majority of public policy interventions at this level take the form of information provision, business advice and increasing the supply of business property, there are some examples of cities where public bodies are active in seeking to reduce institutional barriers. Where this occurs it tends to take the form of reducing regulations, reducing urban planning restrictions, and encouraging and facilitating the formation of ethnic minority business associations, which can be a strong influence on increasing the ability of ethnic minority entrepreneurs to respond to institutional deficiencies.

The second set of measures to address institutional challenges aims to improve the personal capabilities of ethnic minority entrepreneurs, allowing them to better understand and operate within their institutional environment. Such public policy actions are more common at a city-level as local authorities have more freedom to offer support and take an active role in this area. In Dortmund, Germany, for example, the city has a number of support offerings including *Förderung ethnischer Ökonomie*, which provides consulting and exporting support for ethnic minority entrepreneurs (Fischer-Krapohl, 2010).

One important policy action is to increase awareness about entrepreneurship within ethnic communities. Certain ethnic minority groups have a long history of commerce in their culture, but others do not and targeted promotional campaigns can make a positive impact. Another important awareness raising effort for governments is to promote ethnic minority entrepreneurs within their city, region or country, to highlight their value to the economy and to raise awareness about their contributions to society. An example of one approach that can be used is an awards ceremony. For instance, in Nottingham, United Kingdom, the First Enterprise Business Agency, a non-profit organisation, operates an annual award ceremony for ethnic minority businesses. The event has an annual budget of GBP 25 000 (approximately EUR 29 300) and is held in partnership with local authorities and private sector sponsors. The aim of the ethnic minority business awards is to promote ethnic minority businesses to the community and to motivate ethnic minority entrepreneurs by showcasing role models.

Other policy actions that aim to help ethnic minority entrepreneurs navigate through the institutional environment include training, information services and business advice centres. Training can provide ethnic minority entrepreneurs with skills to help them understand the business and regulatory environment, increasing their chances for success. Local governments can offer targeted training for ethnic minority entrepreneurs, which is typically delivered in partnership with organisations that are embedded in various ethnic communities. This is discussed in greater detail later in this chapter where policies to address skills are covered.

In addition, information services and business advice centres can offer support on a more ad hoc, informal basis. Although many of these services are generic and apply to all entrepreneurs, governments can make efforts to target these services to ethnic minority groups. Business support services are discussed in more detail later in this chapter. Alternatively, policy makers can support business associations to help promote and support ethnic minority entrepreneurship.

Improve access to finance

Loan guarantees

Loan guarantee schemes, also known as credit guarantee schemes, are commonly used to help entrepreneurs from ethnic minority groups to secure financing. These schemes are increasing used in public policy because they leverage private sector expertise and resources through the use of banks. These loans are backed by public guarantees, which lower the credit risk. There are three principle approaches to loan guarantee schemes (EC/OECD, 2014):

- Public schemes, which are either managed directly by the government or implemented in a more decentralised manner through the banking system. The first approach, which is more common of Eastern Europe (e.g. Slovenia and the Slovak Republic), tends to see a stronger involvement of government agencies in the decision-making process about the provision of the loan guarantee. The second approach, used by the United Kingdom and the Netherlands, is implemented through the banking sector with little if any direction on how the guarantee scheme is managed and for which loans the public guarantee is used.
- Public-private schemes, which involve both public and private sector actors. The government's role can be more or less active, for example in facilitating the creation of the programme. Irrespective of the degree of public sector involvement, the management of the programme (e.g. risk assessment and monitoring of the loan) is left to the lending institutions. An example of more active involvement is given by the Hungarian government, which sought the involvement of both lending institutions and SME associations when it launched its national guarantee fund.
- Private schemes generally operate through bottom-up mutual guarantee associations that group entrepreneurs from the same local business community or from the same industry. In this type of scheme, it is the mutual guarantee associations that provide a first assessment of the member who intends to borrow and that are involved in the recovery of losses in case of default. The final lending choice, nonetheless, remains with the bank, which carries out its own full credit risk assessment. The role of the government is limited to setting the regulatory and legal framework and supplying

financial assistance, which can take the form of direct funding or counter-guarantees. An example of private loan guarantee scheme is Italy, where the government provides a sizeable last-resort counter-guarantee to banks on top of first-level guarantees offered by local mutual guarantee associations (i.e. called *confidi* in Italy).

A key characteristic with all three approaches is that the final lending decision is left with banks because they still carry a part of the default risk, which is typically between 20% and 50% of the loan amount. While loan guarantee schemes often target entrepreneurs from ethnic minority and migrant groups, these potential clients still risk being excluded by loan guarantee schemes if the private sector lenders do not deviate from their typical client profile.

Loan guarantee schemes for ethnic minority and migrant groups can be supported by the EU through the Structural Funds. Two examples from the previous programming period are the JEREMIE (Joint European Resources for Small and Medium-sized Enterprises) and JASMINE (Joint Action to Support Micro-finance Institutions in Europe) initiatives. JEREMIE is a joint initiative by the European Commission and the European Investment Fund, which promotes the use of financial engineering instruments to improve access to finance for SMEs with EU Structural Fund interventions. Within this broader initiative, JASMINE was launched by the European Commission, the European Investment Bank and the European Investment Fund. It aims to disseminate good practices in the area of microcredit lending, support the development of microcredit providers and to help these intermediaries become sustainable and viable operators on commercial terms. Originally, JASMINE offered both financial and non-financial services to micro-finance institutions but it now focuses on delivering technical assistance to microcredit providers and financing is made available through the European Progress Microfinance Facility, which is part of the Employment and Social Innovation (EaSI) programme. EaSI is a financing instrument at EU-level that promotes quality and sustainable employment and social protection, and aims to combat social exclusion, poverty and improve working conditions by supporting the modernisation of employment and social policies, job mobility and access to micro-finance and social entrepreneurship.

In designing loan guarantee schemes, national and regional governments should use the expertise of private sector lending institutions for credit risk assessment. Lenders, on their part, should continue to carry a small part of the default risk (e.g. 10-20%), so that they have an incentive to apply due diligence in the assessment of loan applications. Maximum default rates should be set beforehand to make credit guarantee schemes financially sustainable for public finances.

Microcredit

A second policy approach to supporting access to finance for business start-up for entrepreneurs from ethnic minority and immigrant groups is to improve access to microcredit. In the European Union microcredit typically refers to loans of less than EUR 25 000 for micro-enterprises employing less than 10 employees, self-employed or unemployed and inactive people who want to move into self-employment but do not have access to traditional banking services (EIF, 2009).

An example of an area with a successful microcredit scheme for ethnic minority entrepreneurs is in Aarhus, Denmark. The region offers microcredit of up to EUR 7 000 and

each municipality can implement and manage the microcredit scheme as it sees fit. The scheme operates with four phases. First, applicants are required to submit business plans and those with potential are selected for an informal consultation meeting, which is the second phase. During this meeting, a business adviser and the client informally discuss their "partnership" and areas where the client could use support and training. The third phase is comprised of training where the client takes courses on financing and business management over 2 to 4 months. The final step is a seminar where the clients and business advisors discuss the preparations for business launch and the business advisors decide which clients are the most ready for business creation and offer them microcredit to help them launch (Goli and Rezaei, 2013). This example illustrates that many microfinance schemes also provide integrated business development services and often entrepreneurs are required to seek this support as a condition for receiving the finance.

In addition to providing financing, more than 70% of microcredit lenders also provide business support and other financial services (e.g. consumer credit, insurances) (EMN, 2010). The business model of microcredit institutions, therefore, relies on a combined product offer and the ability to charge higher-than-market interest rates, and loan application fees to clients that cannot access the formal banking system. However, the sector still largely depends on public support to cover both operational costs and the loan capital, as shown by the 63% average repayment ratio of microfinance institutions surveyed by the European Microfinance Network (EMN, 2010).

Additional examples of microcredit schemes for ethnic minority and migrant entrepreneurs can be found in Boxes 7.2 and 7.3, which describe the *Szechenyi* Entrepreneurial Programme for Roma people in Hungary and the EXZEPT Development Partnership in Germany. The Hungarian demonstrates the effectiveness of using programme monitoring to adjust the approaches taken to identifying and targeting clients. The EXZEPT example relies on a network of one-stop shop model has been successfully implemented in three cities.

While it may seem like microcredit is ideal for entrepreneurs from ethnic minority and immigrant groups, the most recent EMN survey (EMN, 2010) suggests that only 41% of its members have clients who are ethnic minorities and migrants. This underlines the potential for policy makers to do more to support access to microcredit for ethnic minority entrepreneurs.

Islamic finance

Within the EU, the Muslim population is currently 19 million people, or 3.8% of the EU population, and growing (Pew Forum, 2011). This population is not spread evenly throughout the EU. Western and Northern Europe, particularly, the Netherlands, Belgium, France and the United Kingdom tend to attract more Muslim migrants and have larger populations of second-generation Muslim Europeans.

Islamic finance refers to financing tools that comply with Sharia-law, which forbids the charging of interest rates. With a recent surge in the number of Islamic financing institutions worldwide, there is potential for Islamic financing to help promote and facilitate entrepreneurship within the Muslim community.

Box 7.2. ***Szechenyi* Entrepreneurial Programme (SEP), Hungary**

Description: The *Szechenyi* Entrepreneurial Programme (SEP) aims to encourage the integration of Roma people into Hungarian society. Specifically, it provides financial support to improve the market position of Roma enterprises and to increase the social inclusion of Roma people.

Problem addressed: The Roma people face social exclusion from the mainstream of society in Hungary, but as well as a number of other EU countries. More specifically, Roma people often face discrimination and are not supported by mainstream support providers. This programme has been developed to enable the Hungarian government to provide support dedicated to the needs of Roma people and delivered in a way that is accessible to them.

Approach: The initiative provides financial support, which is delivered through a tendering procedure. It is intended to address the investment needs of Roma businesses and those employing Roma people. The programme is implemented by the Hungarian Ministry of Economy and Transport and covers the whole country. The scheme also offers non-financial support, including information services and networking events.

Impact: The Hungarian Ministry of Economy and Transport report both an increase in self-employment among Roma populations and employment of Roma in non-Roma enterprises. Between 2003 and 2007 a total of 332 grants (worth a total value of EUR 4.6 million) were distributed and an estimated 400 new jobs were created.

Conditions for success: Part of the reason for success of the programme has been the willingness of its managers to be flexible and to redefine eligibility criteria as the programme was implemented. The offer of both financial and non-financial support is advantageous because these two aspects are mutually supportive. Regular monitoring activities have prevented a misappropriation of grants, which has been a problem with other similar schemes.

Some of the major Islamic finance investment vehicles are the following (Molenaar, 2013):

- Profit sharing (i.e. *mudharabah*): The investor supplies the entrepreneur with funds and receives a return, based on an agreed profit-sharing ratio. This principle can apply both to bank deposits and business financing. Any losses are suffered by the provider of capital.
- Cost plus (i.e. *murabahah*): This transaction involves the sale of goods at a price which includes a profit margin agreed by both parties. However, in *murabahah*, sellers must let buyers know the actual cost of the assets at the time of the initial agreement.
- Joint venture (i.e. *musharakah*): This refers to a partnership in which profits will be shared between the borrower and lender based on an agreed ratio which may not be in the same proportion of the invested amounts. Any losses occurred will be shared according to the original ratio invested by each partner.
- Agency (i.e. *wakalah*): This is a contract whereby a person (principal) asks another to act on his/her behalf for a specific task. The person who takes on the task is an agent who will be paid a fee for the service.
- Interest-free financing (i.e. *quard*): financing is given for a fixed period on a goodwill basis and the borrower is only required to repay the amount borrowed. However, borrowers may pay an extra amount as a way to thank the lender if they wish so.

Among EU countries, Islamic finance is the most advanced in the United Kingdom, with the Islamic Bank of Britain standing out as the only fully Sharia-compliant bank in the country. As the number of banks that introduce Sharia-compliant products increases,

Box 7.3. **The EXZEPT Development Partnership, Germany**

Description: The EXZEPT Development Partnership, based in the German state of Hessen, is targeted at ethnic minorities and other potential entrepreneurs from disadvantaged groups. The scheme offers better access to microcredit and business advice.

Problem addressed: This initiative recognises that members of disadvantaged groups are under-represented in the client base of business support centres, which affects their ability to raise finance. EXZEPT was established to address this gap. At the outset the Partnership undertook some basic research to identify the gaps faced by ethnic minorities, with regards to business support. Challenges for ethnic minority and migrant entrepreneurs identified were difficulties in raising small sums of finance (less than EUR 25 000) and that existing support structures, such as Chambers of Commerce, prefer to work with entrepreneurs with a track record, which can be difficult for migrants to demonstrate.

Approach: The approach involves two parallel strategies. One for finance and one for business support. The partnership has established a "one-stop shop" which co-operates with the German Micro-Finance Institute and the German quality circle for business support. In addition, EXZEPT is part of the transnational partnership, which enables benchmarking with other EU countries. Staff of business support initiatives working with migrant groups in four large German cities were interviewed to help identify the key success factors among new business start-ups by members of ethnic minority groups. Hence, one of the strengths of the EXZEPT Partnership is the attempt to make the approach evidence-based.

Impact: The EXZEPT one-stop shop model has been successfully implemented in three cities, supporting 2 500 people in 2003-04. Although it has developed a good reputation for start-up support, it is in the field of micro-finance where the experience of EXZEPT makes the strongest impact. EXZEPT has also been involved in benchmarking studies of micro-lending initiatives in Germany and in other countries. The partners designed and implemented a four-point system for assessing the loan application: personality check, concept check, market check, and risk check. Following a successful application there is a clearly defined system of aftercare, consisting of individual and group coaching and self-evaluation.

Conditions for success: The EXZEPT model uses and integrated approach that includes financing as well as business advice, which reinforce each other and increase the chances of success. The approach is supported by one-stop shops that are firmly embedded in the existing networks of regional actors, thereby helping to build acceptance among the traditional support institutions. Moreover, the systematic and documented approach helps others learn from their experience.

government has a role in educating both the supply and demand sides of the market. Muslim entrepreneurs may be unaware of new Sharia-compliant products in the credit market, while financial institutions that offer these products need to be ushered into working with entrepreneurs.

While Islamic finance is growing and offers great potential to Muslim entrepreneurs, policy makers should be aware that recent experiments to introduce Islamic financial products have not always been successful in the EU. A key factor that is often overlooked when governments are considering introducing or supporting Islamic financial products is that they need to be demand-driven. There is no evidence to suggest that the introduction of the products can stimulate entrepreneurship activities (Stressman Foundation, 2012).

Improve entrepreneurship skills

Training

Many cities and regions across the EU offer courses and workshops in business start-up and business management for entrepreneurs from ethnic minority groups. These courses cover the typical issues that would be expected in training for any entrepreneur, including planning, taxation and human resource management. The difference in training for ethnic minority entrepreneurs is that these offerings typically include modules on business culture and societal issues. Often these training sessions are offered in various languages to make them attractive and relevant to ethnic minority entrepreneurs. One unique approach to offering training for ethnic minority groups and migrants is Getting start camps in Denmark (see Box 7.4). This approach uses 2-day camps to deliver training and help with network building.

In addition to training on business start-up and business management, some cities offer language courses that can help ethnic minority entrepreneurs integrate into their community. For example, in Terrassa, Spain, the municipality offers a Catalan language course, which is used by the Chinese Community (Goli and Rezaei, 2013).

Business development services

Business development services cover a wide range of advisory services that address the developmental needs of both entrepreneurs and their businesses. (For a more in-depth discussion of business development services, please refer to Chapter 8). Examples of such services include consultancy and business advisory services, coaching and mentoring. See Box 7.5 for a description of *Cre'Action* in France which was a mentoring programme for young migrant entrepreneurs from North Africa. The ESF-funded programme used entrepreneurship as a mechanism to support the integration of these young migrants into French society. Other examples are described in Part III of this book, including Stebo in Belgium and Best Form – Boosting Entrepreneurship Tools for Migrants in Portugal which offer coaching and training for migrant entrepreneurs.

Policy makers also need to be aware of particular issues rather related to delivery of these support services to ethnic minority entrepreneurs. Evidence from Germany shows that two barriers to accessing business development services by ethnic entrepreneurs are cost and lack of trust in business consultants (Leicht et al., 2012). The cost issue can be overcome by providing free or low-cost services and this approach is common in the EU. The second issue, trust, is more complex because it takes time to establish trust between service providers and the community. There is often a gap in the ethnicity of business advisors relative to their target clients in that business advisors do not reflect the ethnic make-up of their client groups, which contributes to low levels of take-up by ethnic minority entrepreneurs. These issues are even greater for women entrepreneurs from ethnic minority groups. Evidence from Germany suggests that ethnic minority women prefer specialised consultancy services (Leicht et al., 2009) but caution is needed on this point. Policy makers always run the risk of reinforcing exclusion by providing targeted support services.

Box 7.4. **Getting started camps, Denmark**

Description: The goal of Getting started camps for ethnic women entrepreneurs (January 2009-April 2010) was to make refugee and immigrant women aware of the possibility of becoming self-employed. The project was conducted with the support of the Ministry of Refugees and Immigration, and Integration and Copenhagen Municipality. The project targeted two groups: 1) the more resourceful women, for example, immigrants from Western countries that lack the final push to realise their entrepreneurial skills, and 2) the less resourceful women, including from disadvantaged areas, lacking both confidence and formal skills.

Approach: The project relied on a co-operation between municipal and national governments, and key private sector companies who provided some funding for competitions prizes. Outreach was an important first activity of the project. Efforts were made to disseminate information about opportunities for self-employment and the available assistance in Copenhagen. Information sessions were held in housing areas with a high concentration of ethnic minority and migrant groups. In addition, the printed material was distributed to relevant clubs, associations and community groups.

The camps were used to deliver an intensive 2-day course on developing creative ideas, solutions, as well as entrepreneurial concepts. The first camp with 45 participants from the first target group, females who were skilled and motivated. The focus was on the development of participants' concepts and business ideas. The second camp was held with 5 participants over 2.5 days and targeted the second target group, i.e. females who were relatively far from becoming economically independent. The training provided in this camp was more basic.

Following the camps, participants who had developed a complete business plan had the opportunity to participate in a business idea competition for a prize of DKK 20 000 (approximately EUR 2 680). Judges were selected from business associations, business consultants and financial institutions. They provided detailed feedback to participants and awarded one prize.

Impact: According to the evaluation of this project, 16% of participating women became self-employed, compared with 3% who were self-employed at the start of the project. While 34% of participants abandoned their plans to become self-employed during the project, 44% indicated that they still intend to do so.

Conditions for success: The project's strong focus on collective activities, including camps, has contributed to creating networks, commitment and confidence among the participating women. Evaluations find that the camp approach to training and the competitive element for financing are effective and should be incorporated into other projects (EVU, 2007; Rezaei and Goli, 2006).

Reaching clients in ethnic minority groups

The most significant challenge for policy makers in assisting ethnic minority entrepreneurs is that there are a number of barriers related to the take-up of business support among ethnic minority entrepreneurs (Ram and Smallbone, 2003). Business support agencies often have difficulty identifying potential clients from ethnic minority groups for several reasons. First, few business support agencies record the ethnicity of business owners that are supported so existing databases are inadequate for follow-up and learning from past experiences. Second, the product-oriented approaches taken by the vast majority of mainstream business support agencies are inadequate for culturally-specific

Box 7.5. ***Cre'Action*, France**

Description: The French programme *Cre'Action* ("From migration to business creation") aims to support unemployed North African immigrants between the ages of 18 and 30 in business creation by matching them with experienced business owners from their ethnic community. The mentorship programme started in 2002 and was modified in 2005 before it ended in 2007.

Problem addressed: Youth with immigrant backgrounds or immigrants are under-represented among the business start-ups in France. The *Cre'Action* Programme aimed to help young immigrants integrate into French society and create employment for themselves.

Approach: This mentoring programme developed a network of entrepreneurs from North Africa. The use of entrepreneurs from the same ethnic group aimed to make the project attractive to the youth and to build on social capital that exists within the community. The programme had a total budget of EUR 775 000 over 3 years (2002-05). In 2005, *Cre' Action* was replaced by the programme "From migration to creation", which had a budget of EUR 368 400 over the 2005-07 period. Half of the funds of each programme came from the European Social Fund through the EQUAL programme and 40% of the funding came from local governments the remaining 10% from private investors.

Impact: Between 2002 and 2006, 223 potential entrepreneurs applied to the programme. Applicants were generally well-educated, with 76% having at least a bachelor's degree. Among the 225 applicants, 48 were selected into the programme and 25 went on to start businesses. Even though 23 did not create businesses, the mentorship resulted in a positive outcome for many who were able to find a job in paid employment.

Condition of success: Support to business creation provided to youths with immigrant backgrounds relied on relationships built on trust. This allowed for high quality services to be delivered in a face-to-face manner. The managing organisation had more than 30 years of experience working with this community, providing it with an in-depth knowledge of the challenges faced by the youth within this community.

issues which can include language, religion and in some cases, gender. Similarly, a third challenge is that the offerings of mainstream agencies can be irrelevant for businesses operated by ethnic minority entrepreneurs. Fourth, there is plenty of evidence that suggests that there are trust issues related to those delivering support on the part of ethnic minority business owners (e.g. Ram and Smallbone, 2003; Leicht et al., 2012).

The emphasis in terms of the policy response to this challenge must be placed on the development of engagement strategies, which itself defines the role for outreach. By implication, this means that it is not outreach per se, but rather the way that mainstream organisations go about developing the outreach activity. It is important that business support agencies are well-connected with other intermediaries that are dealing with migrant and ethnic minority people since many of the barriers are related to institutions and rooted in legislation.

Therefore, a community-based approach is needed where support and advice is delivered through community networks and mechanisms. A key strength of this approach is that the needs of the community are likely better identified when relevant stakeholders are involved. A "joined-up" community-based approach that emphasises engagement

is also important because it provides a basis for improving the trust-base relations. Establishing trust is essential for gaining acceptance in the community and is a necessary first step to attract individual business people. See Box 7.6 for an example from the United Kingdom of how local partnerships were effectively used to reach ethnic minority groups.

Additional evidence about the potential of a community-based approach may be drawn from the experience of the Phoenix Fund in the United Kingdom. Many black and ethnic minority businesses and members of refugee groups do not readily access mainstream support, therefore the approach take relied on intermediaries who had an established trust within the community (Ramsden, 2005). This proved to be successful but this approach is not the most efficient and requires a cost premium because support for clients who are hard-to-reach needs to be intensive, flexible and delivered locally. Flexibility may mean out-of-hours delivery and by advisors with special skills who have been specially trained for working with these clients. Ideally, these advisors have been recruited and trained from within the communities themselves.

Box 7.6. **Community-based business advisors, United Kingdom**

Description: SIED/REFLEX is a partnership led by a local authority. The partners are a group of business support providers. The target group for the initiative is difficult-to-reach entrepreneurs and potential entrepreneurs. In the case of London, the difficult-to-reach groups include Muslim women, recently arrived immigrants and asylum seekers. The common link between these groups is that they are all difficult to reach from the point of view of mainstream business support agencies.

Problem addressed: The SIED/REFLEX partnership is seeking to plug a major gap in support delivery by targeting difficult-to-reach groups which are largely outside the mainstream business support system. The main issue is a lack of trust in the mainstream agencies, associated with a wariness of mainstream business support. While the explanation for these groups lying outside the mainstream has mainly to do with trust and identity, in some cases their support needs go beyond narrowly defined business support. This particularly applies to newly arrived migrants and asylum seekers, who may need more basic help in dealing with institutions within their new environment. How to open a bank account would be one example.

Approach: Advisors within the partnership provide information, consultancy and advice, and assist firms and potential firms in accessing finance. A key goal is to lay the basis for trust-based relationships between business advisors and their clients. This is achieved because the advisors who deliver the business advice and support are recruited from within the communities. At the same time, a key element in the approach is that these advisors are fully trained and accredited on the basis of national criteria.

The community-based business advisors are attached to community institutions which in the minority of cases may be business-related, such as a business club or association. Most of these institutions are community centres or similar institutions which are used regularly by members of a community. As a result, attending a community centre to obtain business advice does not present the psychological barrier that many potential clients face in relation to some mainstream support agencies such as Business Link, perceived very much as a part of the establishment.

Box 7.6. **Community-based business advisors, United Kingdom** *(cont.)*

Resources are distributed to the community organisations which are intended to be a source of stability within the system since individual business advisors may change their job and move on. So it is important that there is an institutional base. The SIED/REFLEX partnership received two sets of EQUAL funding, enabling it to develop over an 8-year period. The second tranche of funding enabled geographical extension of the project to include new boroughs in London.

Impact: The scheme has not been formally evaluated, although monitoring data had to be provided as part of the EQUAL programme. In addition, at the Small Business Research Centre at Kingston University, one of the partners in the SIED/REFLEX partnership was tasked with undertaking some evaluation which was intended to feedback into the programme. Another key institution underpinning the operation of the initiative was the Association of Community Based Business Advice (ACBBA) which was actually created as part of the initial funding. This is important because ACBBA provides the organisation which cuts across the partnership and which, in the period after the funding ended, has been the main organisation looking for additional contracts and to develop the partnership further.

It is an umbrella networking organisation which facilitates sharing of good practice and professional development of business advisors. In making an assessment of impact it is important to keep in mind that the area which the project covered is among the most deprived in the country. Clearly this scheme had impact on client businesses, which numbered more than 1 000 during the funding period, but in addition it has also had some impact on policy and practice.

Conditions for success: Any consortium of networks partners requires strong leadership which in this case was provided by the London borough of Islington, who initiated the project. They were also responsible for drafting the initial application as well as the required monitoring reports. The second condition for success is to secure on-going core funding because institutions like ACBBA have very limited resources of their own and yet they perform a key role in the project, particularly in terms of dissemination of results.

Conclusions and policy recommendations

Members of ethnic minority and migrant groups face a number challenges when setting-up in business. There is evidence to suggest that the institutional environment, in terms of laws and regulations as well as culture and social attitudes, can have a negative influence on entrepreneurship activities because of an unfamiliarity with the institutional environment and also because many migrants to the EU come from low regulation environments. There are also challenges related to accessing finance for start-up and a lack of entrepreneurship skills. There are numerous examples of policy actions at local, national and EU-level that are designed to assist entrepreneurs from ethnic minority groups in each of these areas.

However, the challenge for EU policy makers is often one of effective engagement with members of ethnic minority groups and facilitating access to existing support. Clearly in a situation of low ethnic population density, it is not cost effective to provide dedicated specialist advice. It therefore becomes necessary to consider other options, such as the recruitment of ethnic minority advisors to provide specialist support as part of the offer of mainstream agencies. Agencies dedicated to the needs of minority groups may not be

an option in these cases, whereas they are an option in urban areas where the density of minority people is much higher.

Many of the support needs of ethnic minority and migrant entrepreneurs are not specifically related to business. Therefore strong linkages are needed between entrepreneurship support schemes and programmes that are designed to equip newly arrived migrants with the knowledge and skills that make them eligible for citizenship. Similarly, linkages with integration policies are needed to support the inclusion of ethnic minority groups in society.

Key policy recommendations

- Promote awareness about entrepreneurial opportunities and existing entrepreneurship support schemes set up to ethnic minority and immigrant groups. It is important to use local community-based media such as radio stations, newsletters and newspapers and not to promote exclusively through mainstream media.
- Aim to have business support providers that are as ethnically diverse as the demand side (i.e. entrepreneurs). This is important because trust is a key factor influencing the level of take-up of mainstream business support by ethnic minority and immigrant groups. An effective approach is to partner with community organisations.
- Design public policy actions to build on and enhance existing social capital and networks rather than imposing new infrastructures. For example, support the formation of ethnic minority and immigrant business associations which can help to provide a trust-based environment for the provision of business support. In other words, any attempt to strengthen formal institutions would benefit from the enhancement of informal ones.
- Actively proof new regulations that are introduced which have a potential impact on business development to ensure that they do not discriminate against ethnic minority groups or immigrants. In particular, vet regulations for the creation of barriers related to language abilities.
- Ensure that ethnic minority and immigrant groups can access loan guarantees and microcredit programmes by either setting up special sections in mainstream schemes, or by launching new targeted schemes.
- Provide training to improve financial literacy skills among ethnic minority and immigrant entrepreneurs to enhance their chances of obtaining finance in credit markets.
- Provide language training as part of the suite of entrepreneurship training to help ethnic minority and immigrant groups integrate into society and better be able to navigate the institutional environment.
- Improve systematic and comprehensive monitoring and evaluation of policy interventions. It is important to monitor take-up of business support, considering the gender, ethnicity, and migrant status of the client base of public business support agencies at local, regional and national levels.

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Chapter 8

Business development services for start-ups

This chapter examines the role of business development support services in promoting and supporting business creation and self-employment among potential entrepreneurs from disadvantaged and under-represented groups. The chapter investigates the range of public and not-for-profit policy approaches in the European Union and makes recommendations on how to strengthen such support.

Rationale for business development services for start-ups

- There is a strong rationale for the provision of business development services to increase the levels of human and social capital of entrepreneurs from disadvantaged and under-represented groups.
- The economic rationale for business development services include addressing market failures and obstacles that entrepreneurs, particularly those from disadvantaged and under-represented groups, face in business creation and development.
- Social rationales include benefits related to increased social inclusion.

Business development services for start-ups are services that aim to improve the performance of a new business by improving its ability to compete and access markets. These support services that aim to encourage entrepreneurial tendencies, strengthen individual entrepreneurial skills and competences, increase the likelihood of venture creation and improve the sustainability of new business start-ups. They can offer valuable support for those who may have skills related to a sector or a specific trade, but lack the skills and knowledge to start and operate a business. These services include sign-posting information, promoting role models and providing training, coaching, mentoring and business counselling.

Economic rationale

One of the most important rationales for public policy action is to correct market failures such as information imperfections. Individuals may be simply unaware of entrepreneurship as a viable career choice or their propensities towards entrepreneurship. They may also be unfamiliar with the way that particular markets, regulations or supply-chains operate and fail to realise the benefits of using outside specialist advice and assistance to develop entrepreneurial and managerial acumen (e.g. training, planning, strategic counselling) and networks (e.g. trade fairs, mentors).

Business development services also increase the resources available to entrepreneurs. A key advantage of external business support is that it supplements the entrepreneur's human and social capital through business support which increases their ability to recognise and evaluate favourable business opportunities, develop and enact strategies that allow them to successfully exploit markets and maintain their presence in such markets (Chrisman et al., 2005). In addition to acquiring these skills, entrepreneurs also learn where they can access further support when needed.

There is also a rationale for providing business development services to complement public financial assistance (e.g. grants or loans). For example, the development of a formal business plan can act as a screening device for accessing start-up loans and grants. Deepening and broadening an entrepreneur's skill set may also have positive impacts on their likelihood of gaining financial support. A review of micro-finance schemes in the EU showed that integrated packages of financial support blended in

with business support were typically offered to entrepreneurs such as migrants, women and the unemployed to increase the chances of success of the financial support (Botti and Corsi, 2011). The study does not make conclusions about the effectiveness of business development services provided by European microfinance providers but notes that microfinance schemes that disperse loans to low-income or disadvantaged beneficiaries are less sustainable because the loans are for small values and are more expensive to administer (Botti and Corsi).

Finally, business development services can unlock positive externalities such as demonstration externalities (e.g. role models) (Audretsch, 2002). Role models, for example, are often pivotal to supporting entrepreneurial intentions (Van Auken et al., 2006) and are integral to developing and sustaining new start-ups (Bosma et al., 2012). Examples of entrepreneurial role models that have successfully created pathways out of economic disadvantage can be important to particular communities and individuals where entrepreneurship is under-represented. For example, those with low educational attainments are less likely to have a role model which may block their attempts to develop and sustain their new business (Bosma et al., 2012). Other positive externalities include strengthening and embedding the social capital of entrepreneurs from disadvantaged and under-represented groups. These entrepreneurs are often disadvantaged because they lack specific "know how" and "know who" knowledge. Hence, there are benefits from accessing best practice as it cascades down through particular industries and markets to increase the long-term sustainability of new businesses.

Social rationale

There are also social inclusion and equity reasons for providing business support to entrepreneurs from disadvantaged and under-represented groups. In many EU economies, there are pockets of persistent economic disadvantage and supporting entrepreneurship may lead to positive externalities for particular communities. Entrepreneurs whose roots are in deprived communities may demonstrate that it is possible for others in these communities to escape poverty through business creation and self-employment. Successful women entrepreneurs may also signal the potential of entrepreneurship and encourage the development of knowledge and network externalities as female entrepreneurs come together to share experiences and expertise with new aspiring female entrepreneurs.

Business development can also promote equity and opportunity. For example, one of the distinguishing features of self-employment in the EU is that women only make up 31% of the self-employed and only 25% of the self-employed with employees (see Chapter 2). If more women could be encouraged into entrepreneurship, and more of these businesses could be develop into successful sustainable businesses, this could help address inequalities faced by women and entrepreneurs from disadvantaged and under-represented groups in the labour force.

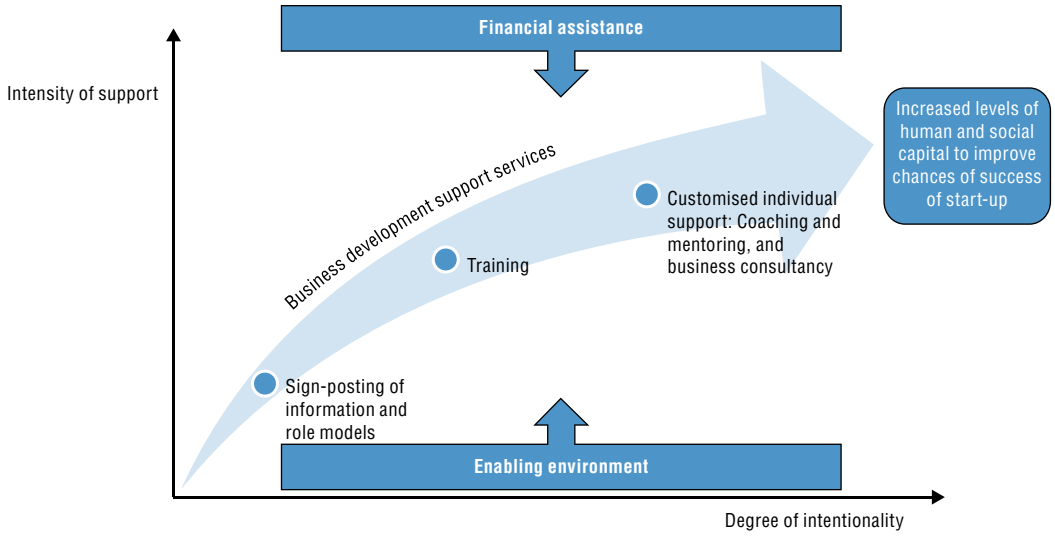
Public policy approaches to delivering business development services

- Publically provided business development services in the EU range from sign-posting information, which reaches a large client group, to more intensive forms of support that are provided on an individualised basis such as coaching, mentoring and business consultancy.

- Clients of individualised supports often better-identify with service providers that are from the same target group (i.e. women, youth, seniors, ethnic minority groups).
- Evidence on the effectiveness of public business development services is thin but the existing evidence base suggests that supports have more positive results when they are designed and delivered in an integrated manner that supports entrepreneurs from the start-up to post start-up phases.
- EU member states take different approaches to delivery business development services. Some use specialised agencies while others use mainstream delivery mechanisms. There is little evidence to suggest that one method is more effective than the other, it often depends on the relative size of the target group.

In response to the barriers identified in the previous section, there are a range of options for the public sector to support a range of business development services, either directly or through the not-for profit sector. Figure 8.1 illustrates the three principle types of business support services for new start-ups: sign-posting of information; training; and customised support (i.e. coaching, mentoring and business consultancy).

Figure 8.1. **Business development services for new start-ups**



Source: Adapted from Greene, F. (2013), "Start-up Business Development Support Services for Inclusive Entrepreneurs", prepared for the OECD LEED Programme.

Although business creation can occur without having received any formal support, Figure 8.1 suggests that there is a pathway of potential public support available to nascent entrepreneurs. As the degree of intentionality increases towards starting a new business, business support services are likely to increase in their intensity. There is a general shift from operational or transactional forms of assistance (i.e. sign-posting of information) which are largely orientated towards large numbers of entrepreneurs to more strategic or transformational forms of support (e.g. coaching, mentoring and business consultancy) that seek to work on a more individualised basis.

Financial assistance and the enabling environment are not addressed in this chapter but it must be recognised that they are important factors in the process of business creation, especially for entrepreneurs from disadvantaged and under-represented groups

(OECD/EC, 2013). Financial support, although more likely to be available to nascent entrepreneurs with strong intentions towards creating a new business, is also likely to be available post start-up to help sustain these new businesses. As Figure 8.1 indicates the nature of the enabling environment is influential in shaping the ways nascent entrepreneurs develop and exploit new business situations. In general, the more supportive the enabling environment, the greater the opportunities for setting up a new business.

Sign-posting of information

Information sign-posting services are "operational" resources (Hjalmarsson and Johansson, 2003) that can play an important brokerage, awareness-raising and disseminating role that gives potential entrepreneurs information on their entrepreneurial propensities, what support is available and how they can diagnose their future needs. The International Labour Organization (ILO) (2006) suggest that these services can make entrepreneurs from disadvantaged and under-represented groups aware of the availability of support, allowing them to access training, advice and mentoring support. Increasingly, information and sign-posting services are delivered via the Internet (EC, 2002) and there exists a range of Internet platforms provided by the EU and individual member states that seek to provide a "one-stop" facility whereby all entrepreneurs can access information on a range of operational start-up issues (e.g. marketing, operations, business registration, tax compliance, sources of finance).

There are significant challenges for prospective entrepreneurs from disadvantaged and under-represented groups to identify whether entrepreneurship is desirable and feasible. Two-thirds of women (63%) have never thought about setting up a business (EC, 2012) indicating that awareness is a significant barrier for the target groups of inclusive entrepreneurship policy. Moreover, there is also a gap between the number of people wanting to start a business and the number that actually do. For example, EU data show that 45% of young people (15-24 year olds) are interested in becoming an entrepreneur but only 6% of them have actively taken actions to start a new business (EC, 2012).

There is also a widespread perception that information barriers exist. Over half of women, the unemployed and young people believe it is difficult to obtain information on how to start up a business (EC, 2012). Outcomes for entrepreneurs from disadvantaged and under-represented groups can also be limited, threatening their long term sustainability. The EC/OECD (2012) showed that senior entrepreneurs (those over the age of 55) are less likely to have growth orientations for their business than younger people whilst the OECD/EC (2013) showed that women are less likely to survive or grow their business.

Therefore the aim of public policy initiatives that sign-post information is to direct potential and actual entrepreneurs to professional sources of information and assistance. Many nascent entrepreneurs rely on their family and friends and only a minority take professional training related to their business. For example, in France, less than one-quarter of entrepreneurs surveyed in 2010 received professional assistance at any point during their career (INSEE, 2012). One approach is *Empresarias* in Spain (*www.e-empresarias.net*). It is an online information portal that provides information for women thinking about and actively developing a business idea. Central to its on-line advice is a promise to respond to queries raised by potential female entrepreneurs within 48 working hours. The topics it provides advice and support on are areas such as business registration procedures, accessing finance, tax, employing workers, internationalisation,

market research and premises. It also provides newsletters, self-diagnostic tools, discussion forums and showcases of female businesses created. The aim is to build a virtual network of women entrepreneurs who can share experiences, find partners for new projects and provide support for new entrepreneurs. To date, it has assisted 96 000 women entrepreneurs who operate 16 500 businesses. Another is example of an approach to increase awareness about entrepreneurship for women and to provide information is "National Women's Enterprise Day" in Ireland, which is described in Part III of this book.

While clear, easily accessible sign-posting information is important in increasing awareness about entrepreneurship and raising the profile of available support services, it alone is likely to have a minimal impact on people setting up a new business. There is little evidence that directly examines the impact of sign-posting information but an evaluation of a youth business support programme found that information and sign-posting services did not aid the transition into self-employment (Greene and Storey, 2004). (Please refer to Annex 8 A1 for a summary of results of evaluations that examined sign-posting schemes and other business development services).

Role models

Role models are experienced entrepreneurs who promote entrepreneurship. They act as ambassadors for entrepreneurship through both formal and informal mechanisms. Role models can be effective when they appear in promotional campaigns and in media (i.e. formal mechanisms), and can have an impact in their community by influencing others through their actions (i.e. informal mechanisms).

Role models have an important function in helping many entrepreneurs from disadvantaged and under-represented groups to overcome negative social attitudes to start up. In particular, young entrepreneurs and those who are still in education are more likely to feel the need for role models in order to make their first steps towards entrepreneurship. There is also evidence in the EU that shows that more self-employed women than men see role models as very important (OECD/EC, 2013). Those from under-represented and disadvantaged groups often identify better with role models from their own communities than mainstream entrepreneurs because they believe them to be similar to them in terms of characteristics, motivations or goals (Bosma et al., 2012).

Many current public policy approaches to supporting and promoting role models focus on women. An example is the European Network of Female Entrepreneurship Ambassadors, which is an EU funded project with the aim to "have successful entrepreneurs campaigning on the ground to inspire women of all ages to become entrepreneurs and to set up their own businesses". The Ambassadors help to raise the confidence necessary for setting up and creating successful businesses. They are also role models to inspire other women to become entrepreneurs by "telling their own story" (European Commission, 2013). It consists of 270 female entrepreneurs from across the EU. In their first year, ambassadors held 141 national kick off meetings and reached 7 600 nascent female entrepreneurs. Data from five of the participating countries showed that 52 new women led companies were formed and 68 new jobs were created through the support of the ambassadors. One of the participating countries is Sweden and a more in-depth description of their Ambassadors for Women's Entrepreneurship can be found in Chapter 10.

Another example is WomEqual in Finland, which operated between 2007 and 2012 (see Box 8.1). This example combines an online community with coaching and training. The aim of the online community is to showcase success stories of female entrepreneurs that manage businesses in the technology sector to increase awareness of the potential for graduating students and to strengthen the self-confidence of young women regarding self-employment. It follows up the awareness-raising with offers of training, coaching and mentoring for those who decide to start a business. WomEqual has been developed into an international co-operation with partners in Austria and Germany, providing young women with international role models, coaches and mentors.

Training

The aim of entrepreneurship training is to improve entrepreneurial and business management skills of an entrepreneur. This can increase the chances of success for new business start-ups. For example, training can improve the managerial capabilities of individuals, allowing them to better manage resources (e.g. set goals by writing business plans), information (e.g. analyse and interpret data), relationships (e.g. negotiation and interpersonal skills), staff (e.g. communication and delegation skills) and their own activities (e.g. time management skills). Training may also allow individuals to self-assess their entrepreneurial capacities and competencies through training activities – either on-line, through educational material or in structured classroom settings – which seek to develop their understanding of the need for business strategy (e.g. product choice, market positioning (domestic, exporting, niche), a responsive competitive focus (e.g. quality, flexibility, innovation, cost, delivery), crafted business practices (e.g. supplier relationships, innovation and technology practices) and the development of a positive business culture.

Training can also provide peer-to-peer networking and learning opportunities while accredited training can signal to outside stakeholders (e.g. investors) that the entrepreneur has skills and credibility. Additionally, training increases the information resources available to the entrepreneur and increases their dynamic capability to learn (Chrisman et al., 2005). There is also a link between entrepreneurship training and the formation of positive entrepreneurial intentions (Peterman and Kennedy, 2003).

Training can occur either formally or informally. Formal training is "learning that occurs in an organised and structured environment and is explicitly designated as learning" (OECD, 2010) and informal training is "learning that results from daily activities related to work, family or leisure" (OECD, 2010). Formal training is often delivered through short-term courses, but workshops on specific issues or challenges are also common. Online delivery is increasingly used and evidence suggests that can be as effective as traditional distance learning (i.e. correspondence courses, educational television and videoconferencing) and can be more effective than classroom learning when combined with face-to-face interaction (Means et al., 2010).

The most common forms of entrepreneurship training include online classes, thematic workshops and structured courses taught in person. They can teach various business management skills such as accounting and finance, law and legal issues, and also support personal development. A significant amount of delivery of this type of training is through online courses, which requires the development of web-based platforms and course materials. Online learning has the advantages of allowing business owners and potential business owners to develop their skills flexibly and can be delivered at low marginal costs once fixed costs have been met.

Box 8.1. **WomEqual, Finland**

Description: WomEqual was launched as one of the EU EQUAL programmes by the Department of Electrical and Communications Engineering at the Helsinki University of Technology in co-operation with other universities, between 2005 and 2007. Though it had substantial impact on national and international networking, the scheme stopped receiving funding in 2012 and no longer operates.

Problem addressed: This scheme aims to address the demands of young female graduates and female scientists interested in working in the technology sector as well as female entrepreneurs working in this sector already. The goal for the WomEqual project was to develop operational models to support women to advance their careers in technological companies and research centres and to support their innovativeness and entrepreneurship.

Approach: Two policy tools, the establishment of a web community weme.fi and a coaching and training programme titled "Introduction into business thinking" to foster entrepreneurial thinking through the provision of role models and practical know-how. These two platforms presented success stories of female entrepreneurs managing a business in the technology sector to boost the self-confidence of young women.

In addition, a mentoring programme was developed to offer practical guidance to new female entrepreneurs by experienced female mentors with technical, higher education. This co-operation was acknowledged by a mentoring contract in which both parties clarify their needs and goals. The University of Oulu was one of the WomEqual partners who have successfully implemented the mentoring programme. WomEqual was further embedded into a transnational co-operation called Women Entrepreneurs East/West consisting of three other EQUAL development partners from Austria (*Selbstständigkeit als berufliche Alternative*), Latvia (Reducing causes of professional segregation) and Germany (AWoPE – Activating women's potential for entrepreneurship). This gave participants access to international networking platforms, workshops and conferences and empowered them to set gender-sensitive standards in the European entrepreneurship vocational training. All women from the technology sector were eligible to participate in the WomEqual´s activities free of charge.

The programme was implemented at several universities whereby each university had put its focus on a different component of the programme. Helsinki University of Technology (Department of Electrical and Communications Engineering) was in charge of the leadership management while the department of telecommunication managed the development and maintenance of the weme.fi community. The Graduate School in Electronics, Telecommunications, and Automation (GETA) operated the training programme Introduction into business thinking, technology applications and enterprise leadership. Three other academic institutions took part in the implementation of the programme. The project had a budget of EUR 1.3 million for the duration of two years (2005-07) and was supported by the European Social Fund, the Finnish Ministry of Education and various Finnish municipalities participating in EQUAL.

Impact: The success of the programme was reflected by the rapidly growing number of members of weme.fi. Within the first two months after the launch of the platform in March 2007, the number of users increased from zero to 800.

Conditions for success: The programme received continuous support by selected universities emphasising the components networking through professional mentoring and role modelling. In addition, entrepreneurship education became a crucial element of the GETA on the basis of the programme's experience and success.

There are a number of notable entrepreneurship training programmes across the EU. One example of a scheme that tries to increase entrepreneurial orientations and skills is *Una Empresa en Mi Centro* (EMC) in Spain. This is an entrepreneurship education programme aimed at supporting intellectually-challenged adults in the region of Asturias. Its specific goals are to combine the provision of basic skills (e.g. numeracy, literacy, and

communication skills) with entrepreneurial skills (e.g. teamwork, problem solving); aid school to work transitions and integrate those with special educational needs into the community. Participants are expected to work together to set-up and manage their own enterprise. In 2012, nearly 2 000 people participated in the programme and the programme has been successfully transferred to the neighbouring region of Galicia.

An additional example of entrepreneurship training for women is described in Boxes 8.2. Other examples are described in Part III of this book, including Youth Entrepreneurship Support Scheme in Cyprus, which provides grants and training for aspiring young entrepreneurs, *Schüler-Institut für Technik und angewandte Informatik* (SITI) in Germany, which provides hands-on training for youth, and the MEXX Programme in Hungary, which targets women entrepreneurs, and the REGIONFEMME project in the Slovak Republic which provides training and networking events for women entrepreneurs.

While training generally has a positive impact on participants, there are examples of training programmes that have had a "sorting" impact. In other words, training can be a reality check that discourages those from setting up in business where it is not appropriate. For example, an evaluation of the Bridging Allowance in Germany found that coaching and training for unemployed people looking to start a business had no impact on self-employment duration, that training actually increased the likelihood of subsequent unemployment and that coaching increased the likelihood of exiting from employment (Oberschachtsiek and Scioch, 2011). On the surface this may appear to be a negative result but a possible explanation is that training and coaching sharpens the preconceptions of the future economic prospects of the start-up and, therefore, causes higher exit rates in order to avoid running into debt (Oberschachtsiek and Scioch, 2011).

Coaching and mentoring

Coaching is typically a short-term relationship aimed at developing specific skills of an entrepreneur. It is a collaborative process, in which the participants each have clearly defined roles. The coach is responsible for developing goals and guiding the coachee towards the goal by providing constructive feedback. The coachee is responsible for generating ideas and options, taking action to achieve the goal, and reporting progress.

Mentoring is a professional relationship in which an experienced entrepreneur (the mentor) assists another, often with less experience (the mentee), in developing skills and knowledge that will enhance the mentee's professional and personal growth. These relationships are often long-term relationships and function in an informal manner. The functions of a mentor can be organised around three themes: psychological support (i.e. to help entrepreneurs identify their strengths and weaknesses, to provide support during difficult periods and to provide encouragement and motivation), career support (i.e. to help strengthen an entrepreneur's networks, to provide knowledge and information, to act as a sounding board for new ideas and to help mentees solve problems) and role model (i.e. the mentor shares their experience and challenges to illustrate how to persevere and overcome challenges) (St-Jean, 2010).

Coaching and mentoring is typically provided in a face-to-face manner, although it is possible for support to be provided remotely with online instant messaging tools such as Skype. Where coaching potentially differs from mentoring is that the relationship tends to be more short-term and is typically focused around a business activity and a single or narrow range of goals.

Box 8.2. **Empowering and Activating Women in Osijek-Baranja County, Croatia**

Description: The project "Empowering and Activating Women in the Labour Market" was one of eighteen projects contracted in the framework of implementing the European Union's Programme for Croatia IPA (Instrument of Pre-Accession Component) IV – Human Resources Development Project Grant Scheme "Women in the Labour Market", created by the Croatian Employment Service.

Problem addressed: The goal of the grant scheme was to increase the employability of disadvantaged women and assist their access to the labour market through self-employment. This includes the long-term unemployed, unemployed women over 40, inactive women, single mothers who are inactive or unemployed for more than 6 months, unemployed women from counties with the highest unemployment and unemployed women belonging to national minorities with the focus on Roma population.

Approach: The scheme provides grants along with combining education, training and work-practice activities with individualised advisory services and mentoring, as well as with development and implementing organisational models (e.g. co-operatives, associations) more suitable for providing support network for those wishing to re-enter job market through self-employment.

The scheme was awarded EUR 121 120 in August 2009 from a public call for proposals. The project started on December 4, 2010 and was implemented one year later, led by Croatian Employment Service Regional Office Osijek and its partner the Peace and Human Rights Association Baranja. Partner service providers included the Centre for Entrepreneurship in Osijek (i.e. for training in entrepreneurial skills and business planning), J.J. Strossmayer University in Osijek, Faculty of Agriculture (i.e. for practical training in vegetable production), Centre for Professional Rehabilitation (i.e. for practical training in manufacturing handicrafts from wood, textile, ceramics, glass, wool) and Escape (i.e. for practical training in developing web shops).

Impact: Initially, 200 applicants applied for the programme and 79 unemployed women were selected by psychologists for participation in entrepreneurship motivational workshops and training. Of this group, 31 participants opted for more practical training in agriculture and 29 for further training in handicrafts and 19 chose both. Following the training and grants, 52 participants successfully launched their own businesses (EuropeAid/128290/D/SER/HR: Evaluation of Active Labour Market Measures Targeting Disadvantaged Women in the Labour Market (2007-10), *Evaluation Report*, September 2011, p. 130-136).

Conditions for success: There are two major components of success of this project: a) the provision of inter-connected supports for participants (i.e. motivational workshops, training and grants) and b) strong collaboration between Croatian Employment Service, Regional Office Osijek and the Peace and Human Rights Association Baranja and partner organisations (Centre for Entrepreneurship in Osijek; J.J. Strossmayer University in Osijek, Faculty of Agriculture; Centre for Professional Rehabilitation, Escape) to ensure that participants were supported adequately at all phases of start-up and business activities.

Most of the schemes in operation are aimed at the general population as a whole, with a number that target particular disadvantaged and under-represented groups. It is therefore important to ensure that targeted socio-economic groups are aware of and can access these programmes and that the programmes are designed and delivered in such a way as to enable their effective participation (OECD/EC, 2013). Many schemes aimed at clients from disadvantaged and under-represented groups provide coaching services with a coach from the same target group as the client (e.g. coaching by women for women, or by seniors for seniors).

There are many examples of coaching and mentoring schemes in the EU, including Erasmus for Young Entrepreneurs. This is a traditional mentoring scheme but focused on giving young existing entrepreneurs a chance to go to another European country and be mentored by an experienced entrepreneur. Young people are anticipated to spend between

1 and 6 months working with their mentor. The aim is that the young entrepreneurs will benefit by receiving on the job support, allowing them to access potential new markets and develop international co-operation and collaboration. Mentors also potentially benefit from the scheme because it can provide them with new skills and experiences.

Other examples include the 12/8 Group, which is a peer mentoring programme for Afro-Caribbean businesses in the West Midlands of England. Since 2004, its aim has been to foster business development not only for businesses already in the mentoring network but for people seeking to set-up their own business and develop their local community. The key advantages of the scheme is that it is a cost-effective tool by which businesses can mentor and support business development. It also provides an example of how corporate social responsibility can work sustainably. The 12/8 group works with a large anchor business in the region allowing the group access to the resources of the large firm. This has led to the group being able to develop further capacity, engagement and support for aspiring businesses and the local community.

The individual nature of coaching and mentoring is often believed to be a strength of this form of support. Evidence shows that mentoring is more effective when offered as part of an integrated package of supports that includes financial start-up financing (Meager et al., 2003). This blended approach, relative to stand-alone mentoring support, could improve survival chances for young entrepreneurs, particularly in the first year of operation. However, those who received mentoring support had lower earnings, suggesting that those who had difficulties with their new business were more likely to seek mentoring and require greater levels of mentoring assistance (Meager et al., 2003).

Business consultancy

Business consultancy services focus on the transfer of expert knowledge from the consultant to the entrepreneur to strengthen specific areas of the entrepreneur's business. This is often focused on strategic or transformational support delivered in a one-on-one fashion. It is often delivered using a mix of formal techniques (e.g. business excellence models and assessment tools) with informal tacit knowledge gained through experience (e.g. extracting lessons from the entrepreneur's previous entrepreneurial experiences). The aim of business consultancy services is to strengthen the human and social capital of the individual entrepreneurs so that they can overcome the identified challenge(s).

Business consultancy is often provided as part of integrated support packages where professional advisers are made available to scheme participants, often in partnership with the not-for-profit sector. A common approach to offering business counselling services is to make professional business advisors available to participants in an integrated support programme. Many initiatives make financial support conditional on participating in business counselling as participants are not always interested in using the available support. For example, only 38% of participants in the ACCRE scheme (*Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprises*) in France use the available consulting support (Daniel, 2008).

Typically, participants can access these professional services for a fixed number of hours. It is important to ensure that appointments with business advisors can be made easily and quickly, that the advisors have strong listening skills and can help the entrepreneurs overcome the specific challenges (in their context) and that these services cover a wide-range of support such as business management, accounting, taxation and meeting administrative requirements. One example of an approach is Nutek in Sweden,

which offers professional consulting and coaching (see Box 8.3). A similar approach is used in "First business year baskets (vouchers) for youth" in Lithuania (see Part III of this book), which provides vouchers to participants who can shop for the business advisory services that they need.

Business counselling support to new and existing businesses can have positive impact. A study of Denmark's North Jutland Entrepreneurial Network used propensity score matching to examine the performance of three types of counselling services (basic counselling provided by the local business centre, counselling with private sector advisors, and extended counselling by private sector advisors). The findings show that private sector business counselling services had an overall positive impact on business survival, a positive impact on turnover and a positive but short-term impact on employment (Rotger et al., 2012). Other evidence on integrated support schemes tend to corroborate this finding. For example, the Small Business Assistance programme in Romania provides a mixture of financial and targeted business supports for those starting businesses from unemployment. Evidence shows that this support has positive employment impacts (Rodriguez-Planas, 2010).

Delivering business development services

There is a debate about whether inclusive entrepreneurship is best supported by targeted services or through mainstream business provision. The potential advantage of targeted specialist support entrepreneurs from disadvantaged and under-represented groups is that these entrepreneurs may face particular barriers (e.g. discrimination, stereotyping, work-family issues) making them less likely to access and use mainstream business support providers. For example, entrepreneurs from ethnic minority groups in Germany typically avoid mainstream support because mainstream supports do not address their specific needs (Bella, 2013; Leicht et al., 2009; Leicht et al., 2012). However, the alternative view is that targeted services are likely to prove counter-productive because they merely reinforce differences between groups in society, replicate institutional structures in society (Ahl, 2006; Bella and Leicht, 2011) and discount that entrepreneurs from disadvantaged and under-represented groups operate within a complex institutional, societal and cultural milieu (Rath et al., 2011).

There is limited evidence to suggest whether targeted or mainstream service provision to inclusive entrepreneurship is more appropriate. This partly reflects that different EU member states have chosen different ways of organising business support. Taking the example of support for women entrepreneurs, there is a wide spectrum of female entrepreneurship support provision in northern EU countries. Some countries have national action plans, co-ordinated national, regional and local activities and large budgets while others lack of a distinctive national strategy for female entrepreneurship and very little targeted support (Pettersson, 2012). This underlines that the appropriate approach often depends on i) the relative size of the target client group, ii) local and regional economic context and iii) political priorities.

There is a need for better impact evaluations. Alongside the effective design and implementation of business support programmes, there is a need for clear evidence on what works. Tödtling-Schönhofer et al. (2011) show that impact evaluations (i.e. relative to evaluations that examine cost effectiveness and efficiency) form the minority of evaluations conducted in the EU's ESF programme. So, although monitoring promotes the

Box 8.3. **Nutek, Sweden**

Description: Nutek is a publicly funded consulting service and coaching programme for women entrepreneurs, initiated in 1993, operated by the Swedish Agency for Economic and Regional Growth.

Problem addressed: At the beginning of the 1990's Sweden faced high unemployment rates, particularly in rural areas and among women. Therefore, Nutek can be perceived as the Swedish government's attempt to re-vitalise declining rural areas and markets by establishing an exclusively female consultant agency fostering female entrepreneurship. Research has shown that women are less prone to take advantage of "traditional" business consulting services and that they do not feel comfortable when discussing critical questions such as finances with male advisors. Further, banks were rather reluctant to grant loans to female entrepreneurs. Women interpreted this attitude as a lack of respect and trust when negotiating loans with bank advisors which negatively impacted on their entrepreneurial attitude. A woman-to-woman consulting service was, therefore, established to create a a more welcoming and professional environment for female entrepreneurs, allowing them to discuss openly their issues and concerns without the fear of humiliation and discrimination.

Approach: The main target group is women interested in entrepreneurship while specifically reaching out to women living in peripheral regions to decrease their propensity to migrate to bigger cities and to promote entrepreneurship as an alternative to overcome unemployment due to a lack of job opportunities in rural areas. The approach is to intensify consultancy and advisory services for potential female entrepreneurs by female consultants to meet the demands by this target group.

In addition to female consultants, Nutek hires female entrepreneurs to share their entrepreneurial experience with newcomers. These entrepreneurs provide advice and support with financial and judicial issues, accounting and marketing and provide access to networks. Apart from their advisory role they serve as positive role models of female entrepreneurship in rural areas fighting stereotypical attitudes. Nutek´s long-term objective is the development of consulting tools for female entrepreneurs universally applicable irrespective of the region or country. The programme has a yearly budget of EUR 400 000 to EUR 600 000. Business advisors are financially subsidised whereas the national level contributes 25%, the regional level 50% and the municipal level 25% of funding. The tasks are distributed as follows: the national level (Swedish Agency for Economy and Regional Growth) is responsible for co-ordination; the regions contribute funding and the municipalities are responsible for operating the programme.

Impact: Between 1993 and 2009, around 1 000 new businesses were established by women participating in Nutek. In addition to helping individual entrepreneurs, the programme was successful in raising the awareness of female unemployed women to start-up a business in rural areas. It further contributed to clear many of the afore-mentioned obstacles paving the entrepreneurial route and pinpointing to the advantage and success of already existent female-managed businesses.

Conditions for success: The role modelling approach has proven to be successful. The use of women entrepreneurs in delivering support allows for peer learning, which is attractive to potential clients. It is also can increase outreach because the women entrepreneurs who work for the programme help promote it.

better management of a particular programme, it is no substitute for evaluating whether business development services increase societal welfare. Conducting more evaluations, particularly using RCTs (see Box 8.4), will represent a shift in the evidence base from counting inputs and perceived outcomes (e.g. satisfaction levels, attendance at events) to establishing whether the programme has a significant impact. Having better impact evaluations of the efficacy of business development service support to entrepreneurs from disadvantaged and under-represented groups will also guide policy makers and business support providers.

Box 8.4. **Randomised controlled trials**

Randomised controlled trials (RCTs) are commonly used in international development to work out which policy is the most effective. The basis of the RCT is that individuals or firms are randomly assigned to two or more groups. The treated group gets the policy whilst the control group gets the placebo or no treatment at all. The important feature of the RCT is that the random assignment to different groups means that it is possible to compare the policy intervention against what would have happened if nothing had been done (the counterfactual). This eliminates very many sources of bias. For example, if a policy offered nascent entrepreneurs an information and signposting service to access technical support, it might be that the entrepreneurs might have found this support themselves. Having a control group means that that very many biases do not impact on the measurement of the efficiency and effectiveness of the information and signposting service.

Although RCTs are the "gold standard" now beginning to filter through into enterprise policy, the alternative approach is to use non-experimental statistical approaches (e.g. Heckman style selection models) to control for differences between those that got the policy (i.e. the treated) and the control (i.e. counterfactual) group. If a control group cannot be constructed, the evaluation is a de facto monitoring exercise. Whilst monitoring can provide useful information assessing client satisfaction and user up-take, it is no substitute for working out the efficiency and effectiveness of the programme or policy.

For more information, please refer to the European Commission/OECD policy brief on evaluating inclusive entrepreneurship policies: *www.oecd.org/cfe/leed/Policy_brief_evaluation_inclusive_entrepreneurship_programmes.pdf*.

Another critical question concerning the delivery of business development services is whether or not they should be offered free of charge. Most business development support services for disadvantaged entrepreneurs are offered without a fee. The rationale is to ensure that support schemes are attractive and accessible. Most often, these schemes rely on recruiting volunteers to deliver the services or professionals who deliver bulk services at a discounted rate. In principle, there can be some advantages in having a (small) fee-based service rather than one that is completely free service, even if the support is delivered by volunteers. An initial or annual fee serves to ensure the commitment by the entrepreneur, which is a success factor for many of these services. There is no evidence that fee-based support schemes are of higher quality that free schemes, but it is arguable that they are more likely to be sustainable as some of the more established programmes do include small fees albeit at minimum levels.

There are however, some key principles that can be applied when designing business development services to better engage and support entrepreneurs from disadvantaged and under-represented groups. While group characteristics can be important considerations when desiging and implementing outreach, the support provision itself should focus on the requirements of individuals rather than generalised needs based on group characteristics because targeted support may reinforce stereotypes and lock inclusive entrepreneurship into particular forms of entrepreneurial activity. Other key principles for effective delivery include (OECD/EC, 2013):

- ensure diversity among those who run and administer programmes and business support agencies, including their boards of directors and managers;

- recruit client referral officers, advisers, consultants and trainers from within the target client groups;
- provide training for other advisers, consultants and trainers in supporting people from the target groups;
- use media and other information channels that tend to be accessed by entrepreneurs and potential entrepreneurs from the target groups
- offer multilingual services;
- provide bridges to mainstream support services; and,
- set targets for the support and monitor and evaluate the impact of programmes against these targets.

In practice, an effective approach to delivering business development services is to offer integrated support that packages financial support with a range of "soft" supports that increase the business management and entrepreneurship skills of the entrepreneurs. Evaluations show that integrated approaches are effective because financial and non-financial supports reinforce each other, combining to increase the chances of success for the entrepreneur (e.g. Walsh et al., 2001; Meager et al., 2003). An example of a comprehensive, integrated approach is described in Box 8.5. This example is the RABE programme in Austria, which provides a range of supports for people with disabilities who are interested in entering or returning to the labour market, including through business start-up. Other examples of integrated support offers include "Build your own enterprise as a way to connect work with childcare" in the Czech Republic, Promoting entrepreneurship in areas with an aging population in Denmark and IkStartSmart in the Netherlands. Each of these examples are described in Part III of this book.

Another common approach is for regions or local areas to offer one-stop shops. These are advantageous because they provide easy access to information and sign-posting services for prospective entrepreneurs. These can also ease the accessing of more individualised forms of support such as business counselling. There is evidence from Italy that one-stop shops can have a slight positive impact on start-up rates as they decrease the administrative burden of starting a new firm (Ferrara and Marini, 2004).

Often these one-stop shops are not targeted exclusively at specific clients groups. One such example of a local one-stop shop service is found in Poznan, Poland. The City of Poznan identified that it was difficult for potential entrepreneurs to navigate their way round the large number of different support services that were available. Research conducted for the city indicated that there was a need for a one-stop shop that could act as

Box 8.5. **RABE, Austria**

Description: RABE is an acronym of a state programme titled Regionales Arbeitsmarktpolitisches Behindertenprogramm operated by the state office (*Landesbüro*) of the Federal Ministry of Social Affairs in Upper Austria. It supports self-employed for people with disabilities with coaching and financial subsidies.

Problem addressed: The promotion of entrepreneurship is just one of various components of a comprehensive approach to support disabled people to enter the labour market, stay employed or create new employment through own entrepreneurial activities. The regional programme is based on the federal labour policy and programme BABE (*Bundesweites Arbeitsmarktpolitisches Behindertenprogramm*) while having been customised to the regional demand and situation of disabled individuals in Upper Austria.

Box 8.5. **RABE, Austria** *(cont.)*

Approach: The programme puts special emphasis on gender mainstreaming to develop equal opportunities for disabled men and women on the labour market. The challenges of disabled women on the labour market are perceived as a major issue and tackled by various measures, such as close co-operation of actors co-ordinating labour market policies; enforced mechanisms to transfer knowledge and information to increase transparency, efficiency and efficacy; regular exchanges of experiences to continuously improve at all levels of support and promotion. Since 2012, further emphasis is put on an intensified support scheme to promote young disabled Austrians to enter the labour market, among others, through starting-up an own business. The sub-project CLEARING was initiated as a new service for young disabled pupils and worked at the interface between school and employment. A close co-operation with schools is the precondition to assist young disabled pupils at an early stage of job orientation with personal counselling, mentoring and a professional diagnosis of strengths and opportunities of individuals to open up new perspectives. In 2013, the programme was renamed and titled *Jugendcoaching* with the goal to address not only pupils enrolled at schools but also young people pursuing a vocational training or being without any employment. Further individual support mechanisms have been implemented to guarantee personal guidance and support to enter the labour market and/or self-employment. The programme does not aim to pave the way for entrepreneurial activity specifically though strengthening personal and entrepreneurial skills are key factors of the promotion.

The state office Upper Austria operating RABE emphasises its service orientation and offers, among others, personal mentoring and coaching, clearing, training, case management and other approaches to assist disabled individuals to enter or stay active on the labour market. Potential entrepreneurs receive a 50% subsidy to cover the costs and investments generated by a start-up. The maximum sum of investment which is subsidised for start-up amounts to EUR 23 800. Approximately 25 start-ups by disabled individuals are supported per year. The programme managers emphasise that the subsidy and support schemes are rather welcomed by older disabled entrepreneurs (40+). Their major motivation to start-up a business is a strong aspiration to pursue an independent career and employment. Furthermore, self-employment is acknowledged as an important option to overcome unemployment; especially elder disabled people face the risk of unemployment and acknowledge the programme as very valuable to enter self-employment.

Impact: The programme is evaluated every three years. 90% of the subsidised and supported disabled entrepreneurs who started-up a business supported by RABE are still successfully acting on the market after three years of start-up. The overall funding for promoting disabled entrepreneurs through subsidies amounts to EUR 300 000 per year. The programme is financially supported by a *Ausgleichstaxfonds* plus federal funding plus a small ESF contribution (around 5% of overall total funding for RABE).

Conditions for success: The attractiveness of the programme lies in the comprehensiveness of approaches to support disabled individuals, among others, through entrepreneurship. The amount of funding to support entrepreneurial activity is rather low but impacts significantly on elder entrepreneurs facing unemployment. Younger people receive an individual coaching and mentoring to assess strengths and develop strategies to enter the labour market. Although entrepreneurship is not seen as a key perspective, the programme prepares young individuals for an entrepreneurial economy. One major reason for the success of the programme is a professional co-operation of actors involved in managing the programme at the federal and state level but also across departments of the state office in Upper Austria.

For further information please refer to:

www.neba.at/jobcoaching/warum.html

www.bundessozialamt.gv.at/cms/basb/attachments/2/8/1/CH0011/CMS1199700026676/rabe_oberoesterreich_2012_2013.pdf

an intermediary between entrepreneurs and support providers and was able to co-ordinate and disseminate information and promotional materials. The city set up a training and advisory centre to provide sign-posting and information services and training support to increase awareness of entrepreneurship among young people and support entrepreneurs. The City of Poznan fully finances the centre and it is implemented in partnership with 25 public and private organisations, including five chambers of commerce, three technology and industry parks, business incubators and pre-incubators. In 2012, 5 529 visited the centre for specific training events and entrepreneurship awareness days.

However, there are also examples of one-stop shops that are targeted at specific client groups. The *Bundesweite Gründerinnenagentur* agency (BGA) in Germany offers a comprehensive one-stop shop for women to increase awareness of the opportunities of self-employment, support network development and to link business support services. Its role is to act as a comprehensive one-stop-shop, providing a range of information, sign-posting, advice and assistance for support both potential and existing female entrepreneurs. Key activities include supporting the development of women business networks, raising awareness (e.g. campaigns, exhibitions, action days), the provision of on-line assistance (e.g. news, factsheets, specialist publications, business plan information, expert database), and linking the provision of over 400 business development services (e.g. training seminars and events, e-training, symposiums, trade fairs, coaching and mentoring). To achieve this BGA works with national, state and regional partners across Germany. It has representatives in each of the 16 German states and works with a range of key partners (e.g. government ministries, Chamber of Commerce, business associations) to advise and support female entrepreneurship. It delivers these activities through 460 advisory agencies, 1 080 experts and 320 female business centres.

Conclusions and policy recommendations

This chapter focuses on the role that public and not-for profit business development support services plays in supporting business start-ups by entrepreneurs from disadvantaged and under-represented groups. The rationale for such support is that it leads to job generation, increased wealth creation and promotes social inclusion and integration.

There is a wide range of services available to entrepreneurs from disadvantaged and under-represented groups that aim to increase awareness of entrepreneurship, unlocking entrepreneurial propensities and providing the skills and knowledge to set up a new business. However, awareness of available services is often low (Duke et al., 2013) and because of this, and the large number of supports available, uptake is also low.

Existing evidence suggests that there is always likely to be a role for information and sign-posting services because there is a lack of awareness about entrepreneurship as a career. Moreover, because information and sign-posting services are broad based, have a wide reach and – relative to training or customised support – are cheaper, such services are often important precursors in effectively supporting entrepreneurial awareness development. Training and more intensive business development services such as coaching, mentoring and business counselling are commonly offered in the EU and are often provided in integrated packages. However, there is a need for a stronger evidence base on whether the level and mix of support offerings are appropriate and effective. It is clear that these integrated offers need to be designed to meet local needs and be flexible to respond to changes in these needs.

Key policy recommendations

- Provide information on self-employment and business start-up supports in a wide variety of formats, including accessible formats to ensure that those with disabilities can access the information. Moreover, not all target clients have Internet access or the abilities to work online so information needs to be available in alternative formats where potential clients cannot use the Internet.
- Design business development services as part of integrated packages that offer counselling, coaching and mentoring, as well as financial support. These packages should be designed to support to entrepreneurs through the pre-start-up, start-up and post-start-up phases.
- Build up a body of accredited, trained and experienced coaches and mentors from within the various target communities to deliver support that will have better credibility and impact with disadvantaged and under-represented groups.
- Improve policy co-ordination and cohesion to ensure that business development services complement each other.
- Make impact evaluations a compulsory part of future funding for support programmes. Conduct more and more robust evaluations of business development services for clients of inclusive entrepreneurship policies. Technical assistance is available from the ESF for support in evaluation of ESF activities.

ANNEX 8.A1

Evaluations of business development support targeted at entrepreneurs from disadvantaged and under-represented groups

Source	Country	Programme	Type of assistance	Target group(s)	Outcomes
Oberschachtsiek and Scioch (2011)	Germany	Bridging Allowance	Enterprise training and coaching	Unemployed	Training and coaching: duration of self-employment (n.s.);Training: exit into unemployment (+) exit into employment (n.s.);Coaching exit into unemployment (n.s.) (+) exit into employment (-)
Rodriguez-Planas (2010)	Romania	Small Business Assistance	Business Counselling, Training, Loan	1) the unemployed; 2) young people; 3) Less well educated	1) Employment (+), unemployment (-), earnings (n.s.); 2) Employment (n.s.), unemployment (n.s.), earnings (n.s.); 3) Employment (+), unemployment (-), earnings (n.s.)
Almeida and Galasso (2007)	Argentina	JEFES	Technical training, grants	Unemployed	Hours worked (+), income (n.s.)
Perry (2006)	New Zealand	Enterprise Allowance	Enterprise training and grants	Unemployed	Unemployment (-)
Greene and Storey (2004)	UK	Shell Livewire	Advice and sign-posting	Young people	Transitions into self-employment (n.s.)
Meager et al. (2003)	UK	Prince's Trust	Mentoring support as part of a package of financial assistance	Young disadvantaged people	Business survival (+), Earnings (-)
Walsh et al. (2001)	Bulgaria	Motivating the unemployed into self-employment	Provides a lump sum equal to benefit entitlement, business support (e.g. training, skill development)	Unemployed people	Net impact on employment: unemployed (+), women (+), educated to primary (+) and secondary (+) level; young people (+), long term unemployment (+)

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Chapter 9

Social security and inclusive entrepreneurship[1, 2]

Social security systems can influence business creation decisions even though their overall objectives do not normally include the promotion of entrepreneurship. The costs and benefits of social security for the employed and the self-employed differ and this often has the effect of lower levels of coverage for the self-employed. This chapter considers the ways in which social security affects inclusive entrepreneurship and the policy approaches which have been made to mitigate perverse effects of social security systems on self-employment and business creation.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Social security systems

- Social security systems vary widely between member states in terms of costs, benefits, funding mechanisms, and eligibility criteria.
- Social security systems can impact on decisions related to entrepreneurship and self-employment by influencing the opportunity costs, as well as direct costs and benefits of setting-up in business.

Social security systems are systems of social protection that aim to assist people when they face unforeseen or difficult circumstances. There are a wide range of benefits available in sophisticated social security systems and this chapter focuses on those that have the most significant impact on entrepreneurship (Panteia/EIM, 2007):

- insurance related to permanent disability;
- insurance related to temporary long-term disability/sickness;
- old-age insurance and state pension;
- survivors' benefits;
- social insurance for unemployment (i.e. bankruptcy or ceasing to trade);
- income support (preventing unemployment through subsidy of low-earners);
- insurance for maternity (leave);
- insurance for (temporary) child care.

Other aspects of legislation have a bearing on the security, for example Employment Protection Legislation has an impact on labour flexibility, including the degree to which it is easy to move from employment to self-employment.

While all EU countries have social security systems, the composition of the systems varies widely in terms of contribution rates, cost allocations, and levels of benefits (see Table 9.1).

The influence of social security systems on entrepreneurship

Evidence demonstrates that at the macro level, more developed social security systems with more extensive benefits tend to have a negative effect on entrepreneurial activity (Parker and Robson, 2004; Panteia/EIM, 2007; Hessels et al., 2007). In addition, specific programmes (for example welfare bridges, see below) have been shown to have a significant impact on self-employment which appears to substantiate the idea that the social security system has a negative impact on entrepreneurship in some areas. However, there is very limited research about how specific elements of the general social security system impact entrepreneurship and self-employment *decisions*.

Table 9.1. **Contribution rates for social security programmes, 2010**

In per cent of salary

	Old age, disability, survivors			All social security programmes[1]		
	Insured person	Employer	Total	Insured person	Employer	Total
Austria[2]	10.25	12.55	22.8	17.2	25.15	42.35
Belgium[2]	7.5	8.86	16.36	13.07	24.77	37.84
Bulgaria[2]	7.1	8.9	16	12.1	16.8	28.9[4]
Croatia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cyprus[2]	6.8[3]	6.8[3]	13.6[3]	6.8	6.8	13.6[4]
Czech Republic[2]	6.5	21.5	28	11	34[5]	45[4,5]
Denmark	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Estonia[4]	2	20	22	2.6	33.3	35.9[4]
Finland	4.5	17.1	21.6	7.1	20.38	27.48[4]
France[2]	6.65[7]	9.9[7]	16.55[7]	9.8	32.68[5]	42.48[5]
Germany[2]	9.95	9.95	19.9	19.25	19.61	38.86[4]
Greece[2]	6.67	13.33	20	11.55	22.1	33.65
Hungary[2]	9.5[3]	24[3]	33.5[3]	17	27	44[4,8]
Ireland	4[3]	8.5[3]	12.5[3]	4	8.5	12.5[12]
Italy[2]	9.19	23.81	33	9.19	30.17	39.36
Latvia	9[3]	24.09[3]	33.09[3]	9	24.09	33.09[4]
Lithuania	3	23.3	26.3	9	30.98	39.98
Luxembourg[2]	8	8	16	12.35	11.4	23.75[4]
Malta[2]	10[3]	10[3]	20[3]	10	10	20
Netherlands[2]	19	5.7	24.7	22.5[8]	17.5	40[4,8]
Poland[2]	11.26	14.46	25.52	22.71	17.61	40.32[4]
Portugal	11[3]	23.75[3]	34.75[3]	11	23.75	34.75
Romania	10.5	20.8	31.3	16.2	27.8	44[4]
Slovak Republic	4	14	18	10.4	27.2	37.6[4]
Slovenia	15.5[3]	8.85[3]	24.35[3]	22.1	16.1	38.2[4]
Spain[2]	4.7[3]	23.6[3]	28.3[3]	6.25	31.08	37.33[4]
Sweden	7[7]	11.91	18.91	7	23.43[12]	30.43[4,12]
United Kingdom	10[3]	12.8[3]	23.8[3]	11	12.8	23.8[4]

1. Includes Old Age, Disability, and Survivors; Sickness and Maternity; Work Injury; Unemployment; and Family Allowances. In some countries, the rate may not cover all of these programmes. In some cases, only certain groups, such as wage earners, are represented. When the contribution rate varies, either the average or the lowest rate in the range is used.
2. Contributions are subject to a ceiling on some benefits.
3. Also includes the contribution rates for other programmes.
4. Government pays the total cost of family allowances.
5. Employers pay the total or most of the cost of work injury benefits.
6. Portion of set amount for Old Age, Disability, and Survivors. Central and local government and other types of contributions for the other programmes.
7. Contributions finance old-age benefits only. Additional contributions are required for survivor and disability benefits.
8. Plus flat-rate contributions for medical benefits.
9. Government pays for most of the cost of family allowance benefits.
10. Government pays the total cost of unemployment benefits.
11. Disability benefits are paid under another program.
12. Government pays the total cost of basic unemployment insurance; employer and employee pay the cost of voluntary unemployment insurance.

Source: SSA (Social Security Administration), Office of Retirement and Disability Policy, Office of Research, Evaluation, and Statistics, (United States of America), (2010), Social Security Programs Throughout the World: Europe, 2010, Washington, United States of America.

- At the macro level, there is evidence that the quality of social security systems is inversely correlated with the level of business creation and self-employment activities.
- Social security systems can exert a negative influence on entrepreneurship because relative to employees, self-employed people may pay more for the same benefits (e.g. paying for both the employer's and employee's contributions); receive fewer benefits for the same costs (e.g. lower pension benefits); be ineligible for certain benefits (e.g. unemployment insurance); have difficulty working with complex systems (which the employer would normally deal with); fear losing existing benefits; have changed benefits around maternity and childcare; and face requirements to contribute to systems for longer before being eligible for benefits.
- The social groups that are disadvantaged and under-represented in entrepreneurship are more likely to be already using the social security system, possibly in multiple ways. Therefore the detailed provisions of measures can be more important for, for example, the disabled than for general entrepreneurs.

Social security systems impact entrepreneurship by influencing the costs and benefits setting-up in business. The contribution rates for individuals can vary depending on their employment status, and eligibility and benefit levels can also vary. Since the general objectives of social security systems do not normally include the stimulation of entrepreneurship, many systems have perverse disincentives to entrepreneurship through differences in costs and benefits because the self-employed have either higher costs or lower coverage than normal employees. Thus business growth is restricted due to social security considerations.

The influences of social security systems on business creation and self-employment are more acute for socially disadvantaged groups due to their higher vulnerability within society (Boylan and Burchardt, 2002). In particular, disadvantaged groups are more likely to be involved in the existing social security system and to be claiming benefits from it. Moreover, members of disadvantaged groups are more likely to interact with several different aspects of the social security system (e.g. multiple different benefits) and therefore the net effect is likely to be greater.

The principle influences of the various components of social security systems include direct financial disincentives, reduced benefits, the fear of losing entitlements, administrative costs, maternity and childcare provisions, value for money in pensions and the need to contribute before claiming benefits.

Direct financial disincentives

Social security systems in the EU operate on a contribution system that involves the state, employers and employees. In many countries, those who become self-employed have to cover both the employee and employer premiums to receive the same level of coverage that they would have as an employee (Panteia/EIM, 2007). This therefore increases the costs of setting-up in business in many EU countries. In Slovenia and Hungary, for example, the self-employed pay the contributions for both employees and employers, resulting in a higher contribution rate overall. In Slovenia, 15.5% of social security contributions usually come from employers, with 8.85% from employees: for self-employed people this becomes 24.35%. In Hungary the division is 8.5% and 27% respectively, both of which are covered by the self-employed (MISSOC, 2013).

Reduced benefits

Those who are self-employed are not covered by unemployment insurance schemes in most EU countries, including Estonia, France, Ireland, Cyprus and Malta (MISSOC, 2013). However, they are often required to contribute. Thus they pay for a support system that they cannot access. This has a negative influence on the decisions to start a business, particularly for those who were previously employed, because there is no protection in the event that the business start-up is unsuccessful.

Additional areas where the self-employed have fewer benefits than employees are health insurance and pensions, although this varies widely across EU countries (MISSOC, 2013). Furthermore, some countries such as the Slovak Republic do not provide protection for occupational or work-related injuries for self-employed people (MISSOC, 2013).

Fear of losing existing entitlements

The fear of losing benefits may be as strong a disincentive as the actual knowledge of the changes that self-employment brings about. For people in disadvantaged groups, the level of benefits may be significant and therefore they are likely to be very risk-averse, unless they have clear information regarding any changes that self-employment may bring about.

This can especially be a barrier of perception when systems are complicated. For example disability benefits are typically computed based on the level of disability and the level of support needed. This complexity in the computation of benefits can create confusion for those considering self-employment because new entrepreneurs may not know how their existing benefits will be impacted. As a result, business creation is often abandoned.

Administrative costs

The costs of complying with the administrative requirements of social security systems increase the costs of being self-employed because the time and cost of filing and paying contributions is relatively fixed, regardless of firm size. Moreover, the perceived complexity can be a deterrent to business creation because small businesses lack the resources to invest in fully understanding the details of the administrative obligations (Hessels et al., 2007). It is even more difficult for entrepreneurs who have no experience with complying with administrative obligations (Guyot and Lohest, 2008). Recent Eurobarometer data indicate that 72% of people cite administrative burden as a disincentive to self-employment (European Commission, 2012).

Maternity and childcare provisions

For both entrepreneurs, and employees, the coverage for maternity leave and childcare varies across EU countries. At the national level, evidence shows that there is a negative relationship between the supportiveness of a welfare state to maternity and childcare and the level of entrepreneurship in a country (Elam and Terjesen, 2010).

For individuals, self-employment women face two challenges related to maternity benefits that those in employment do not. First those in self-employment typically do not receive any payments (i.e. wages or salary) which create a disincentive to self-employment for young women considering having a family. Second, in the few countries that do provide

some maternity benefits for the self-employed, a financial disincentive to self-employment remains because employers typically cover the costs of this coverage.

The availability of childcare services generally has a positive influence on self-employment. Where childcare services are offered in abundance, self-employment can be encouraged because women may have more time to pursue business creation opportunities (Elam and Terjesen, 2010; OECD, 2012).

Value for money in pensions

Older workers considering self-employment often face financial disincentives to creating a business or taking one over because switching from employment into self-employment reduces the length of time contributing to a pension associated with employment. The result is a lower time period of contributing to the pension and this typically reduces the entitlements that would be received in the future (MISSOC, 2013; Zissimopoulos et al., 2003). At the same time, some EU countries offer pension schemes for the self-employed. However, these pension plans are typically less attractive than those for employees (Betzelt, 2004).

Conversely, pensions can be a stimulus for older people to become entrepreneurs when they have not accumulated enough entitlements to retire and have the lifestyle that they desire (Efrat, 2008). Self-employment can therefore be an effective method of supplementing pension benefits.

Need to contribute before claiming

For both employees and the self-employed, many elements of the social security system require a period of contribution before an individual is eligible to draw on the benefits. This requirement can have a positive influence for business creation because some disadvantaged groups may have difficulty accessing social benefits if they cannot obtain employment. Therefore, self-employment can become one method of gaining access to at least a minimum level of social security coverage. This is particularly true for new immigrants (OECD, 2010).

Policy approaches to address disincentives to entrepreneurship

The primary ways in which policy makers can encourage and support entrepreneurship through the social security system are by reducing the risk of going into self-employment (European Commission, 2012). Specific approaches include the use of welfare bridges, reducing contribution and tax rates, extending social security benefits to families of the self-employed, providing voluntary additional coverage for self-employed people and providing equal treatment in the social security system regardless of an individual's labour market activity.

Welfare bridges

The term "welfare bridges" is used to categorise policies that allow an individual to keep receiving benefits or entitlements (e.g. small grants) while they set-up their own enterprise. Through these "bridges", unemployed individuals receive a base income while they are setting-up an enterprise to provide a means of sustenance to encourage self-employment.

- Despite the widely differing nature of social security systems, there are a number of common approaches used by EU governments to address the negative influences of social security systems on entrepreneurship. Approaches include:
  1. Welfare bridges allowing claimants to continue receiving benefits in some form while they are establishing their own businesses. This eases the financial transition from welfare to self-employment and in some cases provides for a certain amount of start-up capital.
  2. Lowering of contributions for self-employed people can ensure that the contributions are commensurate with benefits accrued. This can help ease the financial strain of starting a new business.
  3. Extending benefits to family can reduce the level of risk that an entrepreneur and family face in the event of an unsuccessful business.
  4. Offering voluntary extra coverage that allows for the purchase of additional benefits when those for self-employed people are inferior to those in employment. In this case, the coverage for entrepreneurs is made more flexible so that they are not forced into overly expensive or inadequate coverage.
  5. Providing equal treatment of the self-employed and employees under the social security systems.

A number of EU countries have welfare bridge provisions, which provide support to entrepreneurs coming from unemployment. An overview of the different measures and arrangements is presented in Table 9.2. An often-cited example is the German policy of the Enterprise Subsidy, or *Gründungszuschuss*, which is similar previous welfare bridge policies, the Start-Up Subsidy and Bridging Allowance (Panteia/EIM, 2007). The Start-up Subsidy was a subsidy provided to unemployed people under the age of 65 years for the first three years of their business start-up. The Bridging Allowance measure was for unemployed individuals under the age of 65 and provided a monthly allowance to cover the living costs which setting-up in self-employment. Entry requirements for the Bridging Allowance required that receivers had been registered as unemployed for at least 4 weeks and had a viable business plan. Beneficiaries of this programme received unemployment benefits for 6 months, plus an additional lump sum of 68.5% of their benefits to cover their social security payments. These two schemes were merged to create the Enterprise Subsidy.

A similar programme is the Back to Work Enterprise Allowance in place in Ireland. This measure specifically targets those who receive benefits from a social welfare scheme and offers financial support with the continuation of social security benefits. This measure is examined in more detail in Box 9.1.

Other countries have introduced similar measures. In the United Kingdom for example, the New Enterprise Allowance provides financial support for business creation to registered unemployed people and those receiving income support benefits (Eurofound, 2011). The allowance provides a loan to aid with start-up capital and a weekly allowance of up to GBP 1 274 (approximately EUR 1 500) over 26 weeks. Similar approaches are also used in Denmark, Sweden and the Netherlands.

A slightly different type of Welfare Bridge is one that provides a lump sum payment of future benefits rather than a continuation of benefit payments. This approach is found in Spain and Portugal. In Spain unemployed people can receive up to 60% of their total benefits

Table 9.2. **Overview of main welfare bridge policies in Europe**

Classic welfare bridge	
Denmark	Continued provision of unemployment benefits to people starting an enterprise
Germany	"Bridging Allowance" for people receiving unemployment benefits, under age of 65
Ireland	"Back to Work Allowance" for people receiving social security benefits
Sweden	Continued provision of unemployment benefits to people starting an enterprise
United Kingdom	"New Enterprise Allowance" for people receiving unemployment benefits, or income support, or disability benefits
Payment of benefits as a lump sum	
Portugal	Unemployment benefits are paid as a lump sum in one payment to help start up the new business
Spain	A proportion of unemployment benefits are paid as a lump sum in one payment to help start up the new business
Subsidy based on Specific social security status	
Croatia	National Employment Policy: providing loans and grants to unemployed people who want to become self-employed.
Czech Republic	Subsidies for the Unemployed in buying machinery, office space etc. to person who presents a viable business plan. (European Employment Observatory Review, 2010)
Estonia	Start-up grant for people who are receiving unemployment benefits
France	"Contrat d'insertion á la vie sociale"(CIVIS): personalised and intense support for a year plus an allowance of up to EUR 450 per month for the unemployed and low qualified young people (European Employment Observatory Review, 2010)
Hungary	Subsidy scheme for registered unemployed entering self-employment: three prongs to the scheme aimed respectively at the disabled, 50+ market entrants and young mothers, and the registered unemployed. Groups are granted start-up subsidies for setting up businesses
Italy	Start-up incentives for young and unemployed people in urban, underdeveloped areas (European Employment Observatory Review, 2010)
Netherlands	Support services aimed at the unemployed: loans to the unemployed and to welfare recipients to set up a business; costs of receiving coaching and market surveys can be refunded
Slovak Republic	Employment Services Act of 2004: financial subsidy for job seekers and parallel subsidy for disabled people wanting to set up an enterprise

Box 9.1. **Back to Work Enterprise Allowance, Ireland**

Description: This initiative is aimed at those who receive assistance from one of the following social welfare schemes: Jobseeker's Allowance; Jobseeker's Benefit; One-Parent Family Payment; Blind Pension; Disability Allowance; Career's Allowance; Farm Assist; Invalidity Pension; Incapacity Supplement; Pre-Retirement Allowance; Widow's/Widower's or Surviving Civil Partner's (Non-Contributory) Pension; Deserted Wife's Benefit or Allowance; Prisoner's Wife's Allowance; or, Illness Benefit for 3 or more years. The measure includes information provision and referrals, provision of finance, and checking the viability of the business plan (Panteia/EIM, 2007).

Problem addressed: The principle aim of this initiative is move unemployed people who are at risk of poverty back into the labour market through self-employment.

Approach: The allowance provides benefits at a decreasing rate over 2 years to long-term unemployed people who wish to create a business. To be eligible, the individual must have been unemployed and have been receiving welfare benefits of some kind for 12 months. Participation requires the submission of a viable business plan that has been approved by a Local Area Partnership Company/Integrated Local Development Company or a Department of Social Protection Jobs facilitator. The duration of benefit reception was initially 4 years, but in May 2009 this arrangement was altered. Now a person receives 100% of their benefits throughout the first year and 75% in the second.

Impact: Between 1997 and 1999, 86.8% of beneficiaries had not made a social welfare claim. Only 5.9% made a brief welfare claim and 7.3% of beneficiaries fully returned to being back on welfare (Department of Enterprise Trade and Employment, 2002). The impact of the recent changes to the allowances has not yet been measured.

Conditions for success: A condition for success is the broad scope of the target group. By being open to a variety of social groups the coverage of this measure is higher.

in one payment, while women under the age of 35 can receive 80% of the unemployment entitlements in one payment (European Employment Observatory Review, 2010). In Portugal, claimants can receive 100% of the benefits as a lump sum (Naumann, 2011).

A third type of Welfare Bridge is one that provides a fixed grant to entrepreneurs starting from unemployment, regardless of their level of unemployment benefits. In Estonia, for example, a start-up grant of up to EUR 6 400 is available for the registered unemployed who receive benefits. However, entrepreneurs are required to cover 20% of the start-up costs from their own savings or other sources (European Employment Observatory Review, 2010).

Please see Chapter 6 for additional discussion of welfare bridges.

Lowering contribution rates and taxes

Self-employed people often pay proportionally more than employees as they cover the contributions usually paid by both an employer and an employee together (Panteia/EIM, 2007) and several governments have taken steps to reduce the burden of social security contributions for self-employed people. One approach is to lower the required contributions for self-employed people for different aspects of social security coverage in order to make the system more equitable. In Finland, for example, the Earnings-Related Pension Scheme (YEL) provides some flexibility for Finnish entrepreneurs to choose how much is contributed to the compulsory age, disability and survivor's pensions (European Employment Observatory Review, 2010). Moreover, these contributions are tax deductible for the self-employed (see Box 9.2 for more details). This approach is also found in Spain, where its National Action Plan on Social Inclusion, 2008-2010, stipulates a collection of fiscal measures to help entrepreneurs, including a 20% reduction in taxes on income and a 50% reduction on contributions to be paid by the entrepreneur for a newly recruited worker for up to 24 months (European Employment Observatory Review, 2010).

A second approach, although less common, is to provide exemptions to contributions for the self-employed. In Lithuania for example, the 2010 Amendments to the Law of Support for Employment stipulates that job seekers wishing to start a business can be exempted from social insurance contributions and can receive reimbursement for the training costs involved in starting their business (Panteia/EIM, 2007). Self-employed and employees in Lithuania are compulsorily insured under the Law on State Social Insurance and thus such lowered contributions are a positive incentive for entrepreneurs.

The Czech Republic also has an earnings-related contributory scheme. The social security system is uniform for all members of the active population and covers health care, disability and maternity benefits. The self-employed can opt for an assessment based on less than their actual earnings (but no lower than 50% of the difference between income and expenses), although this will result in lower earnings-related benefits. This does not include family benefits, which in the Czech Republic are state financed (MISSOC, 2013). While such earnings-based contribution reductions are quite universal in their target, their advantage towards socially disadvantaged groups is clear. These groups have a more vulnerable position in the labour market and society and such measures offer more flexibility within compulsory social security arrangements. The State coverage of family benefits in the Czech Republic is especially useful for those long-term unemployed people and women, especially those who bear the responsibility of raising children.

Box 9.2. **2005 Reform of the Self-Employment Pension's Act (YEL), Finland**

***Description*:** In Finland, the same basic social security arrangements are applied to both the employed and self-employed, namely sickness, maternity and family benefits, as well as basic unemployment benefits and national pensions. Prior to 2005, the self-employed were entitled and obliged to be insured under the Self-employment Pension's Act (YEL). The 2005 reform introduced and an earnings-related element to the contributions paid by the self-employed towards their social security thus providing the self-employed more financial freedom. This is an indirect way of improving the availability of finance.

***Problem addressed*:** Prior to the reform, self-employed people were bound to set amounts of contributions for their coverage under the social security system. This created a financial burden for many entrepreneurs, who often could not draw on the benefits.

***Approach*:** Though YEL was introduced in 1970, the reform of 2005 introduced an earnings-related element. The entrepreneur was given more flexibility, being able to pay what they wish within certain parameters for their social security. The entrepreneur can also opt to pay for extra coverage and can pay a percentage of between 10 and 100% of their obligatory contribution amount. The Finnish Centre for Pensions supervises contributions and also co-ordinates with entrepreneurs the levels of contributions to be paid based on income. In 2006 for example the contribution was 20.8% of the entrepreneurs' annual income, which is funded entirely by the entrepreneur. If the contributions prove to be insufficient, the state pays the deficit. Pension contributions are also tax-deductible for entrepreneurs. The freedom to select the level of contribution for both the compulsory and optional extra pension insurances allows entrepreneurs to save where possible, reducing the financial constraints coupled with starting a business (Eurofound, 2013b).

***Impact*:** In 2011 the Finnish Centre for Pensions commissioned two separate evaluations of the pension system. While both reports found the system to be comprehensive and sustainable (Eurofound, 2013b), both identified issues related to too much of an incentive to retire early and that the pensions are administratively inefficient (Barr, 2013; Ambachtsheer, 2013). Another study suggests that the system is less than ideal for those with low incomes (whose coverage decreases with their income) and for those with higher earnings (who are no longer eligible for national coverage when they earn more than a certain income) (Panteia/EIM, 2007).

***Conditions for Success*:** This pension reform requires a high administrative capacity to annually calculate earnings-based contributions. However, the greatest challenge going forward is addressing the lack of coverage of those whose earnings are too low.

Bulgaria adopts a similar system of income-based contributions for the supplementary coverage for general illness and maternity benefits. The basic pension concerns invalidity and sickness, old age pension and survivor insurance alone.

Family or partner coverage

Policies classified under this "Family or Partner Coverage" category aim to expand the coverage of the social security system by allowing a spouse or family member to be covered in connection with the enterprise. This approach aims to reduce the risk of self-employment because more members of a household can receive the benefits of social security in the event of a business failure.

For example, in Denmark all residents are insured equally under the Act on Social Pension 2005, regardless of their labour market status. Thus spouses and extended family automatically receive the same coverage as the self-employed person in the Danish system (MISSOC, 2013). A supplementary pension can be arranged to provide basic coverage for old age and can be extended to all relatives of an entrepreneur as well. However, there are residency requirements for these provisions, which renders this support inaccessible to migrant entrepreneurs.

An example of a more deliberate approach to providing coverage to the self-employed is in Luxembourg. In the "Assisting Spouse Regulation", partners are insured in the same way as the entrepreneur for all social security areas, including old age pensions and sickness and unemployment benefits. However, entrepreneurs pay the contributions for both the employer and employee and therefore pay more than an employee would to extend benefits to their spouse or dependants (Panteia/EIM, 2007).

Another example is in Italy, where entrepreneurs can insure their family members who contribute to the enterprise under the "Family Partnership" measure. The entrepreneur can distribute 49% of the enterprise's income across family members with registered contracts and in doing so, share the taxes as well.

Voluntary extra coverage

Most EU countries have some form of basic social security coverage for the self-employed though generally less than that for employees. Therefore, some countries make an extra supplementary form of insurance available so that entrepreneurs have the option of upgrading their coverage. For example, the Basic Pension Insurance *(Duchodové pojištení)* for old-age, survivor's and invalidity pensions are compulsory for all members of the active population in the Czech Republic. However, sickness insurance is not compulsory for the self-employed, but they may join on a voluntary basis (MISSOC, 2013). In Belgium the Voluntary Supplementary Pension and "Social" Voluntary Supplementary Pension provide voluntary coverage (Panteia/EIM, 2007). Under this programme entrepreneurs pay lower contributions towards their compulsory old age pension and can make tax deductible payments on contributions towards the supplementary pension. Besides this, the partners of entrepreneurs are also fully insured for old age.

In Bulgaria too there is a compulsory insurance for invalidity and sickness, old age pension and survivor insurance. Entrepreneurs may insure themselves further for general illnesses and maternity care as well (MISSOC, 2013). Similarly, the 2002 Amendments to the Law on State Social Insurance in Lithuania provides for a supplementary extra coverage for all active members of the population and therefore also the self-employed (Panteia/EIM, 2007).

This approach can also be taken to protect against business failure. Germany has a system that gives formerly unemployed individuals the ability to voluntarily apply for public insurance against unemployment. Evaluation suggests that this has worked well, although better targeting and making it compulsory for some categories of entrepreneur may be appropriate (Evers et al., 2013).

Levelling the playing field

It is quite common for countries to not cover unemployment benefits for the self-employed in their security systems, and to a lesser degree, to not cover occupational or

work related accidents or injury. The lack of unemployment benefits can understandably form a hurdle for potential entrepreneurs because there is no protection to fall back on if the enterprise fails, making entrepreneurship more risky than employment. One approach taken by policy makers to make self-employment more attractive is to try to equalise the treatment of the employed and the self-employed within the social security system. Different approaches are described below.

Broad legislative changes

A number of EU countries have started adopting broad legislative changes in recent years to improve support for the self-employed. Countries that have adopted this approach include Lithuania, and Poland.

The Lithuanian Amendment to the Law of State Social Insurance of 2002 is a mechanism which helps to equalise the position of employees and the self-employed in terms of social security protection (Panteia/EIM, 2007). Under this amendment the self-employed are provided with increased social insurance guarantees, specifically for old age and disability, allowing them to receive the additional earnings-related pensions that are available to employees as well as the basic state pensions that are available to everyone. Self-employed people make compulsory insurance contributions and supplementary insurance can be arranged according to their income. If the income from the enterprise is equal to, or exceeds, 12 times the minimum wage, self-employed individuals are entitled to have the full additional pension and are fully covered. However, in the event that individuals cannot cover these contributions, they are still entitled to the basic pension and therefore have some basic social protection.

In Poland a similar change was made through an amendment to the Social Insurance System Act of 1998. This amendment came into effect in 2005 and extended coverage of the social insurance system to the self-employed (MISSOC, 2013). This introduced coverage for old age, survivors and invalidity pensions, as well as occupational injuries. Although this coverage is mandatory, the self-employed are not eligible for the same benefits as employees. Accordingly, their contributions are lower. For the first 24 months, contribution rates for the self-employed are set at a minimum of 30% of the earnings and increase in the third year (Panteia/EIM, 2007).

Targeted policy changes

An alternative approach used in the EU is to equalise the treatment of the self-employed and employed within social security systems through targeted actions. For example, in the Netherlands, self-employed people have been given a lower threshold for some tax exemptions (European Employment Observatory Review, 2010). Changes have also been made to specifically promote maternity leave and childcare. The Netherlands re-introduced a law in 2008 which entailed the right to maternity and paternity leave among the self-employed as well as the same access to day care as employees (European Employment Observatory Review, 2010).

Denmark and Spain have adopted a similar approach. In Denmark entrepreneurs and their spouses have the same right to unemployment and maternity or paternity benefits as the employed. Similarly, Spain has introduced the Self-Employed Workers' Statute, which came into force in 2007, and stipulates the working conditions for male and female self-employed people, with a specific focus on maintaining a good work-life balance. Right to

maternity and paternity leave are now therefore the same as among employees under the General Insurance Scheme, which applies to all employees. This case is describer further in Box 9.3.

Box 9.3. **The Self-Employed Workers' Statute, 2007, Spain**

Description: The Self-Employed Workers' Statute (*Estatuto del Trabajador Autónomo*) came into force in 2007 in Spain. The measure was aimed at legally defining self-employed people and protecting them under labour law, and at promoting equal working conditions for the male and female self-employed. The law also lays down provisions to bring the general social security system more in line with the special security system available for self-employed. Notable is the provision of both maternity and paternity leave under this law.

Problem addressed: The self-employed workforce has not been well regulated and they have had less social protection than those working as employees. There is a specific focus on also equalising the positions of men and women with regards to self-employment possibilities and as such paternity and maternity care are both provided. In doing so the issue of getting women to entering the labour force is also addressed.

Approach: The statute defines distinct employment categories for the self-employed with workers and those without. By legally defining these categories and by providing legal frameworks covering important aspects of self-employment, a substantial part of the labour market is drawn into and covered by labour law. From a social security perspective a number of provisions are included which among others, allow self-employed people to obtain benefits in case the enterprise activities cease, benefits in case of temporary sick leave, and early retirement opportunities. As was mentioned above, maternity and paternity care is also included. Not only do self-employed people now have a more equal footing in the eyes of the law, which provides an improvement in their social security position, women are specifically targeted as well through the introduction of childcare. Spanish surveys demonstrate that some 32% of women indicated that maternity may have hindered their professional career (Eurofound, 2009). Childcare thus helps to free up the time and thus the opportunities of women and this statute promotes this.

Impact: Establishing the impact of this measure is difficult, in part because other additions to the self-employment laws have been added. The right to unemployment benefits for the self-employed was added in 2010 for example (European Employment Observatory Review, 2010). Added to the effects of the economic crisis which has hit Spain especially hard, the impact of such a measure as the Self-Employed Workers' Statute is difficult to discern in terms of entrepreneurship levels. Policy evaluations on the effects of this statute were also difficult to procure. However it should be borne in mind that the effect of attributing a legal status to the unemployed is likely to have effects which are also soft and difficult to quantify.

Conditions for success: While few concrete success or failure factors could be distinguished for such an overarching policy reform, in Spain the issue of getting women to participate more in the labour market has been on the policy agenda for some time evident in the Law on Childcare services, of 2006, implemented to stimulate, among others, female employment (Organic Law on Education, 2006). Childcare is seen as a key tool to this and also forms the subject of much policy debate. Bearing this in mind and reviewing the Spanish context in 2009 that almost a third of its work force were in self-employment, the Self-Employed Workers' Statute is likely to have had significant backing (Pereiro, 2008). Indeed the social partners and their discussions on this topic appear to have played an important role.

Conclusions and policy recommendations

Social security systems are designed with broad objectives that typically do not include supporting entrepreneurship. However, these systems can influence decisions about business start-up and self-employment by altering the opportunity costs and direct costs and benefits. This is especially true for entrepreneurs from disadvantaged groups who are more likely to interact with social security systems, and often many elements of it.

Social security systems vary widely across the EU in terms of the coverage available, how it is funded and the extent to which the self-employed can access these supports. Nonetheless, some conclusions can be drawn regarding the impacts of social security policies in supporting inclusive entrepreneurship. A large-scale overhaul of the social security system to provide more equal treatment of self-employed and the employees would not be feasible in most countries (Ascoli and Pavolini, 2012). Without adequate political and public support for such an exercise, such an overhaul would not be realistic.

Instead smaller policy changes may hold more immediate value. The efforts being made by countries to equalise the position of both groups of workers, such as in Spain and the Czech Republic could hold the key for changes to improve the situation of (inclusive) entrepreneurship from within the social security system. Smaller policy changes tend to require less political and public support: as such smaller adaptations of a social security system seem more efficient and feasible. While the Self-Employed Workers' Statute in Spain was by no means a small alteration, it was not so large or contentious that it caused public or political outcry. Rather it targeted a specific social need which had been prevalent in Spain for some time, namely, getting women in to work and increasing the protection of Spain's many self-employed.

Smaller changes such as reducing the taxes needed from entrepreneurs (e.g. the Netherlands) or introducing income-based social security coverage (e.g. Poland, Bulgaria, Finland, Ireland), may also be useful in stimulating inclusive entrepreneurship. These measures improve the flexibility experienced by entrepreneurs from a financial and social coverage perspective. While the freedom such measures provide is attractive to entrepreneurs, in certain cases the means or income-based coverage systems also coincide with less coverage in the case of lower contribution payments. As noted already the trade-off between flexibility and security needs to be explicitly considered.

Those policies that target the main problems facing entrepreneurs directly seem most effective. In the absence of systematic evaluation this judgment is based on the long-term continuation of such measures and the statistics, which are available on the use of those measures. From this perspective the Irish Back to Work Enterprise Allowance is a good practice in that it has survived throughout times of economic adversity and helped 86% of its participants (at last count in 2002) to be weaned off of social welfare. The German Enterprise Subsidy appears to have been successful given that it is the merging of two other, long running subsidy programmes (partly to reduce administrative complexity). Considering once again the Eurobarometer survey, which pointed to "administrative" burden as being a significant disincentive to entrepreneurs, the clear set-up of this instrument could understandably also make it more effective. Programmes and instruments providing financing or welfare bridges for people receiving benefits, and which do so in a clear manner therefore appear to be among the more effective instruments: they target a main problem directly and do so transparently.

Socially disadvantaged groups suffer from similar obstacles to entrepreneurship to those of entrepreneurs generally. In this vein, those policies helping the self-employed generally are likely to also have a positive impact on the socially excluded. In more extreme cases of socially disadvantaged individuals, however, this reasoning may not hold as well. In some cases, a more tailored approach may be appropriate to target the specific issues relevant to a particular social group. For seniors, pension related measures could be introduced and communicated to this group, seeing as this is one of the elements which is thought to form a strong deterrent to entrepreneurship. In the case of women, childcare and maternity/paternity leave have shown themselves to be effective, and disabled people benefit from grants where the equipment and disability-specific adjustments to the work environment are paid in combination with their existing benefits. The reasons for discrimination and for being more vulnerable on the labour market differ: as such the social security instruments to stimulate inclusive entrepreneurship could also benefit from a tailored approach. However implementing such specific regulations could come at the cost of becoming rather complex and making the social security systems of a nation less transparent, creating a different kind of barrier to inclusive entrepreneurship.

Key policy recommendations

- Increase the amount of society security coverage available to the self-employed to provide them with the same safety net that is available to those who work in paid employment.
- Increase the availability of information related to social security coverage and options for entrepreneurs more visible and clear to potential beneficiaries. This is needed especially for disadvantaged entrepreneurs who draw on more than one element of social security. It is important that they understand how their benefits interact with each other and how they would be impact by business creation or changes in status within the social security systems.
- Provide flexibility in the how social security entitlements are paid by allowing for lump sum payments to support business creation.
- Reduce the complexity of social security systems by streamlining administrative requirements for the self-employed. Where this is not possible, make sure that training and information is available in order to demystify the intricacies of the system
- Undertake regulatory impact analysis when making amendments to social security systems and include the impacts on entrepreneurship in general, and inclusive entrepreneurship in particular. This would help avoid perverse incentives, in particular financial incentives to avoid self-employment.

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PART III

Country profiles

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Chapter 10

Data and inspiring practices in inclusive entrepreneurship policy[1, 2]

This chapter presents inspiring policy practices from 28 EU member states together with a set of figures that benchmark key indicators for entrepreneurship and self-employment in under-represented and disadvantaged groups against the European Union averages.

1. Note by Turkey:

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

This section of the book provides short descriptions of inspiring policies for inclusive entrepreneurship from each EU member state. An inventory of these schemes is provided in Table 10.1. The descriptions aim to help national, regional and local policy makers to think about methods available to address the common challenges faced in supporting inclusive entrepreneurship across the European Union. Each description provides a brief overview of the key activities of the policy action, along with information on its impact and considerations for successful operation of this kind of policy intervention.

The inspiring policy descriptions are complemented with a common set of country-specific data that benchmark key indicators against the European Union average to provide some context for each country. All country notes contain three charts that present some key economic and entrepreneurship indicators that add context to the policy description.

- Chart A shows the unemployment in the country and illustrates how the unemployment rate differs for different social groups. These rates are shown for the 2000-12 period to illustrate medium-term trends and the impact of the global economic crisis.
- Chart B shows the self-employment rates in 2012 for different population groups relative to the European Union average. The self-employment rate is the ratio of the number of self-employed people relative to the total number employed in each respective target group.
- Chart C illustrates self-employment rates trends for different population groups between 2000 and 2012. This shows the reader how the relative level of self-employment activity has changed for each target group as a result of the crisis.

Two additional charts are presented for EU countries that participated in the adult population surveys conducted by the Global Entrepreneurship Monitor (GEM) in at least one year between 2008 and 2012. These countries are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom (EU24).

- Chart D shows the annual Total Early-stage Entrepreneurial Activities (TEA) rate by gender, for the adult population (ages 18-64) in each country for the most recent year available. These data are benchmarked against the average of European Union countries that participate in the GEM survey. Please refer to the Reader's guide at the beginning of the book for more information on GEM data and the TEA rate. Please also note that the countries participating in the GEM vary from year to year. Therefore, the European Union averages were computed using only those countries that participated in that year.
- Chart E presents the TEA rate by age for each country and the European Union average. To increase the sample size, data are pooled (i.e. combined) for 2008-12.

Table 10.1. **Overview of inspiring policy descriptions**

	Name of scheme	Approach	Target group covered by scheme	EU Funding
Austria	Business Start-up Programme (UGP – Unternehmensgründungsprogramm)	Integrated approach	Unemployed	
Belgium	Stebo	Information and coaching	Migrants	
Bulgaria	Social Entrepreneurship – Popularisation and Support for Social Enterprises /Pilot Phase/	Social enterprise	Various	ESF
Croatia	"Together towards social inclusion" and "It's time for women"	Integrated approach	Long term unemployed Women	IPA
Cyprus	Youth Entrepreneurship Support Scheme	Grants and training	Young people	ERDF
Czech Republic	Built your own enterprise as a way to connect work with childcare	Integrated approach	Parents with small children, particularly women	ESF
Denmark	Promoting entrepreneurship in areas with an aging population (Northern Jutland and Bornholm)	Integrated approach	Various, remote areas and ageing population	ESF ERDF
Estonia	ETNA Microcredit scheme for women entrepreneurs in rural areas	Finance	Women in rural areas	
Finland	Women's Enterprise Agency	Integrated approach	Women	ESF
France	Guarantee funds for the creation, buyout or development of companies initiated by women	Guarantee fund	Women	ESF
Germany	Schüler-Institut für Technik und angewandte Informatik (SITI) in Havelberg	Learning by doing	Young people	ESF
Greece	Social Co-operatives for persons with mental health problems	Social enterprise	People with mental health problems	
Hungary	MEXX Programme	Training	Women	
Ireland	National Women's Enterprise Day	Promotional event	Women	ESF
Italy	Starting a Business within the Giovanisì Project in Tuscany	Finance	Young people	
Latvia	Business incubators in the Latvian regions	Business incubators	Disadvantaged regions	ERDF
Lithuania	First business year baskets (vouchers) for youth	Consultancy vouchers	Young people	ESF
Luxembourg	Jonk Entrepreneuren Luxembourg	Enterprise in Education	Young people	
Malta	Hands On Project	Improving skills of educators	Students with disabilities	
Netherlands	"IkStartSmart" Gelderland	Integrated approach	Various	
Poland	PONAD: Solidarity between Generations. Governmental Programme for People 50+	Integrated approach	People over 50	ESF EAFRD
Portugal	Best Form – Boosting Entrepreneurship Tools for Migrants	Training advisors	Migrants	LLP
Romania	A chance for those in rural areas, Romania	Integrated approach	Rural areas	ESF
Slovak Republic	REGIONFEMME project	Training and networking	Women	ERDF
Slovenia	Entrepreneurially into world of business 2013	Trial employment	Young people	ESF
Spain	Support for Self-Employment: Navarra, Spain	Subsidy for training and advice; finance	Unemployed	ESF
Sweden	Ambassadors for Women's Entrepreneurship	Promotion	Women	
United Kingdom	Local Enterprise Growth Initiative (LEGI) Programme, England	Integrated approach	Disadvantaged areas	

Note: EAFRD – European Agricultural Fund for Rural Development; ERDF – European Regional Development Fund; ESF – European Social Fund; IPA – Instrument for Pre-Accession; LLP – Lifelong Learning Programme.

Austria: Business Start-up Programme (UGP – *Unternehmensgründungsprogramm*)

Description: The Business Start-up Programme (*UGP – Unternehmensgründungsprogramm*) of the Austrian Public Employment Service (*AMS – Arbeitsmarktservice*) is an integrated support offer that provides business advice and consulting from external management consultants, tailored training, and a start-up allowance (for living expenses) during the period of setting-up a business. The target client group is unemployed people who have a business idea as well as relevant professional abilities.

Problem addressed: The first regional pilot projects to support motivated and capable unemployed people in setting-up a business started in 1995. They were launched as the AMS looked for new ways to re-integrate experienced older workers who had lost their job back into the labour market.

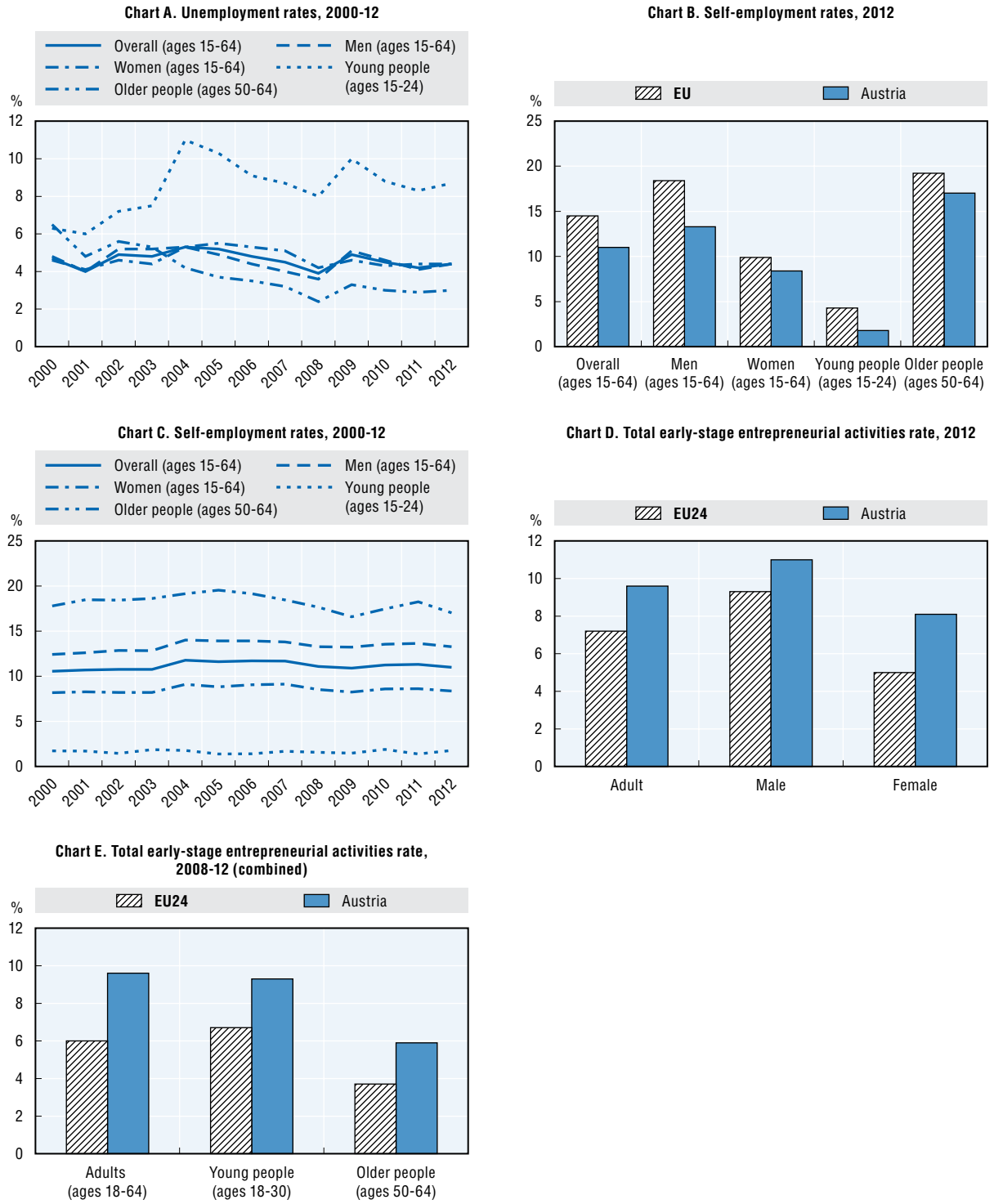
Approach: This scheme is delivered through a partnership between the AMS and external management consultants who deliver training and business advisory services. Requirements for participation in the UGP are to be registered with the AMS as unemployed or looking for work, have willingness to start-up a business, have a specific business idea and the relevant professional skills and abilities. Potential participants are screened into the scheme with selection interviews in regional AMS offices, where their eligibility, feasibility of their business idea, and individual qualification are assessed. The support provided by UGP is structured into four phases. The first step is "clarification", where participants work on the feasibility of the business idea and elaborate plans with advisors. In the second step, "preparation", advisors provide advice on tailoring the business concept and financial planning. The third phase is "realisation" where participants can access business start-up support and a start-up allowance, and the fourth phase is "follow-up" where business advisors meet the participants and provide consultation two years after the business is launched. In 2012, the UGP budget was EUR 4.8 million (for 8 069 participants) and an additional EUR 11.1 million was provided in start-up allowances for 4 802 beneficiaries who started up in 2012.

Impact: Although the project began as a temporary project, it has evolved into an ongoing comprehensive and successful project. An evaluation undertaken in 2006 covering both founders and non-founders showed that the UGP has contributed significantly to job creation (Dornmayer et al., 2006). In total, since the start of the programme in 1995, more than 20 000 business founders have been supported by the UGP. The cohort of participants that started businesses in 2000 created, on average, 0.34 additional full-time jobs during the year following start-up, 0.9 full-time jobs after 3 years and 1.26 full-time jobs after 5 years. The business survival rate after one year was 94% and 73% after five years, which is roughly equivalent to the survival rates for the overall business population.

Conditions for success: The UGP has become an important element in the Austrian labour market and economic policy. It was developed from successful regional projects, and the menu of activities and the incentives have been adjusted over time to build on the elements that have demonstrated an impact and to reflect the experiences that other countries have with "unemployment to self-employment" schemes.

Key inclusive entrepreneurship data

Figure 11.1. **Entrepreneurship and self-employment data for Austria**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154741

Belgium: Stebo

Description: Stebo (*www.stebo.be/*) is a non-profit organisation that develops and delivers projects, services and initiatives to address social and economic exclusion including access to the labour market, housing and education. This includes supporting entrepreneurs from disadvantaged groups, such as recent migrants, with information services, training, coaching and support with networking and project development.

Problem addressed: In the last decade, migration to Belgium from Eastern Europe has increased. A recent study of Bulgarian, Polish and Romanian entrepreneurs in Flanders found that these entrepreneurs experience two types of problems (Mampaey, 2013). First, they typically lack human capital such as language skills, knowledge of the legal obligations for entrepreneurs, as well as social capital (e.g. business networks) and financial capital to invest in their businesses. Second, these entrepreneurs experienced greater challenges related to the business environment, including high levels of competition.

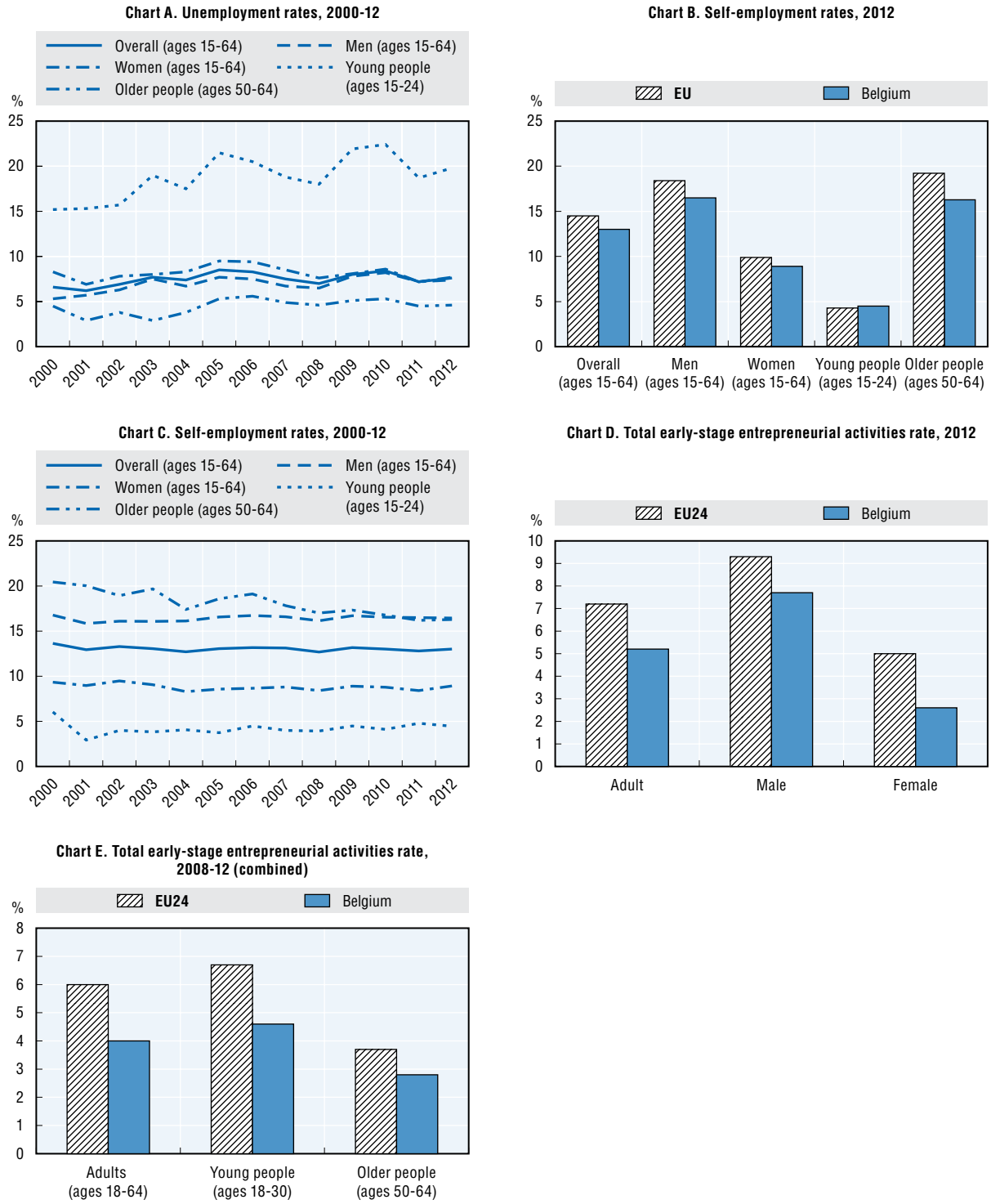
Approach: Stebo addresses the problems experienced by migrant entrepreneurs by providing a programme that aims to develop and support business start-ups and to help them strengthen their linkages to the local community. The organisation received EUR 250 000 for a three-year period 2007-09 from the Flemish government and these funds are supplemented by additional public grants. The support offer is based around the provision of information and coaching and it is delivered at no cost to the participants. After registration, a partner organisation (VDAB) assesses migrants' entrepreneurial motivation and skills, and only candidates with sufficient motivation and skills are accepted into the programme. Coaching focuses on the development of entrepreneurship skills for the entrepreneurs and on the development of their business project and business plan. To support the development of social capital among migrant communities, Stebo tailors the support according to the needs of the community.

Impact: 28% of the migrants who participated in the programme in 2007, 2008 and 2009, started their own business.

Conditions for success: This programme shows the importance of embedding support to entrepreneurs in local neighbourhoods, particularly for migrant entrepreneurs. Key elements of the success of the programme are networking to enhance individuals' social capital and the provision of information on legal issues, which migrants find particularly difficult to access.

Key inclusive entrepreneurship data

Figure 12.1. **Entrepreneurship and self-employment data for Belgium**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154755

Bulgaria: Social entrepreneurship – Popularisation and support for social enterprises

Description: This scheme aims to support the creation of social capital through the creation and development of social enterprises that realise projects that improve management and business skills through motivational training and individual advisory services. The support is targeted at people with disabilities, persons who have served a prison sentence, single parents, members of minority ethnic groups, people living in institutions, persons suffering from addiction, and long-term unemployed people.

Problem addressed: Promoting social entrepreneurship is a mechanism for assisting the most vulnerable groups in society. The services provided by the third sector can complement public support by addressing gaps and areas where public support is ineffective or inadequate. The challenge in Bulgaria is that there is a low level of awareness of these opportunities and the benefits that social entrepreneurship can provide. Finance is currently one of the greatest challenges for social enterprises in Bulgaria.

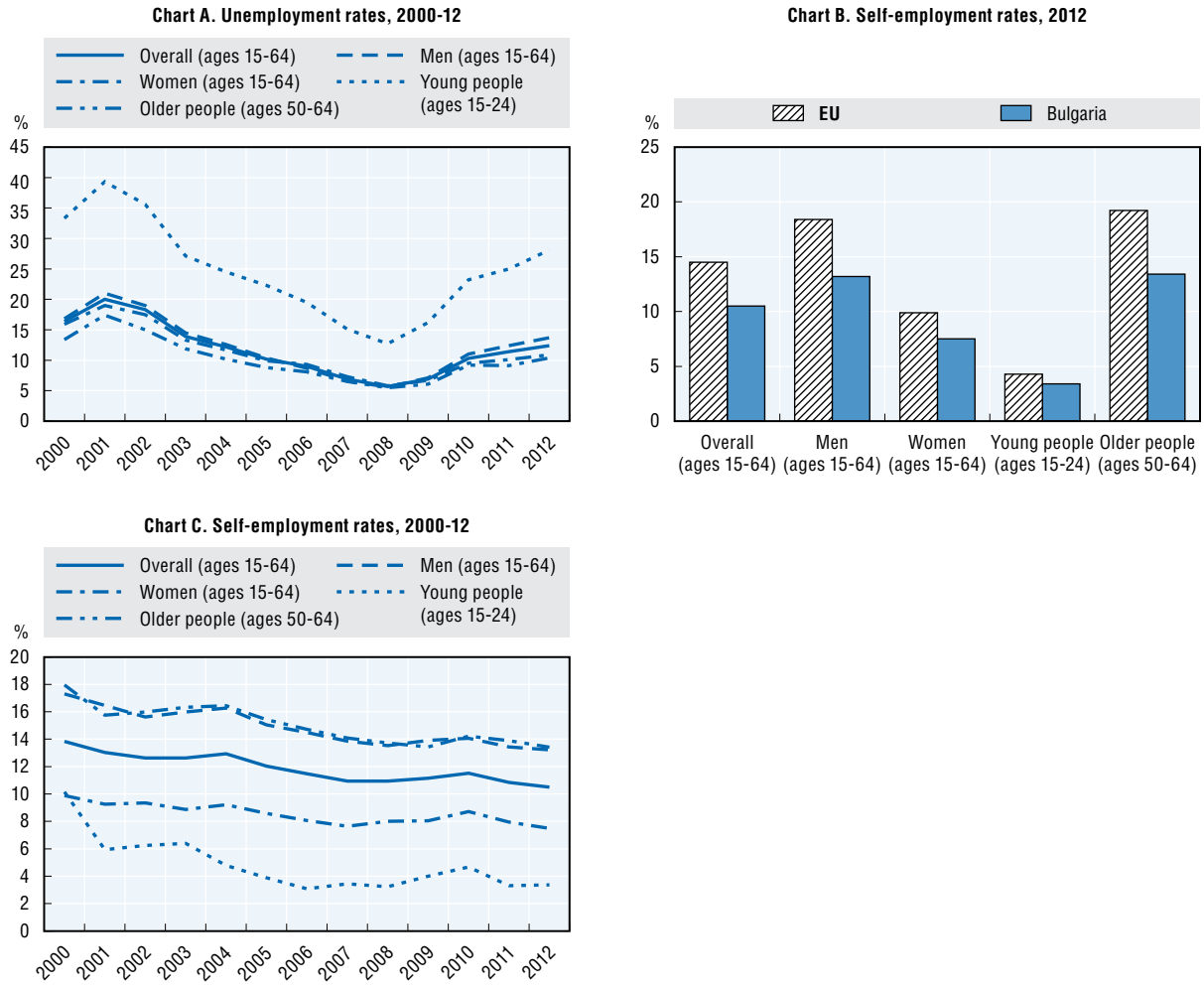
Approach: The scheme supports both the creation of new social enterprises and the development of existing ones through the provision of grants of between BGL 50 000 and BGL 350 000 (approximately EUR 25 000 to EUR 175 000). Grants are awarded through an application process that awards funds to support the development of existing social enterprises by increasing the scale and range of their activities, and to support the creation of new social enterprises. The total budget for the programme was BGL 15 680 000 (approximately EUR 8.0 million) of which BGL 13 328 000 (approximately EUR 6.7 million) came from ESF. It was implemented throughout the country in a two-year period 2010-11.

Impact: Over the two years 2010-11, a total number of 46 projects were funded, establishing 35 new social enterprises and supporting the development of 11 existing social enterprises. The number of beneficiaries of the supported social enterprises over these 2 years was approximately 2 694 people from various disadvantaged groups. Of the 1 869 beneficiaries in 2010, 43% were people with disabilities and 34% self-identified as belonging to an ethnic minority group (of which 90% self-identified as Roma). In 2011, 45% of 825 beneficiaries had a disability and 23% self-identified as a member of an ethnic minority group (82% self-identified as Roma).

Conditions for success: One of the key success factors in growing and developing sustainable social enterprises is ensuring sustainable financing. This example was a pilot, allowing the model to be tested on a small scale before being scaled-up, and can be tailored to meet local needs through an application process that can identify priority actions and areas.

Key inclusive entrepreneurship data

Figure 13.1. **Entrepreneurship and self-employment data for Bulgaria**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12.

StatLink http://dx.doi.org/10.1787/888933154762

Croatia: "It's time for women"

Description: The project "It's time for women" supports unemployed women in re-entering the labour market through training for self-employment. It was implemented in counties affected by the war, where the unemployment levels of women remain higher than the Croatian average.

Problem addressed: "It's time for women" offers one potential solution to help address the labour market challenge for women in counties affected by war, including high unemployment rates and long durations of unemployment.

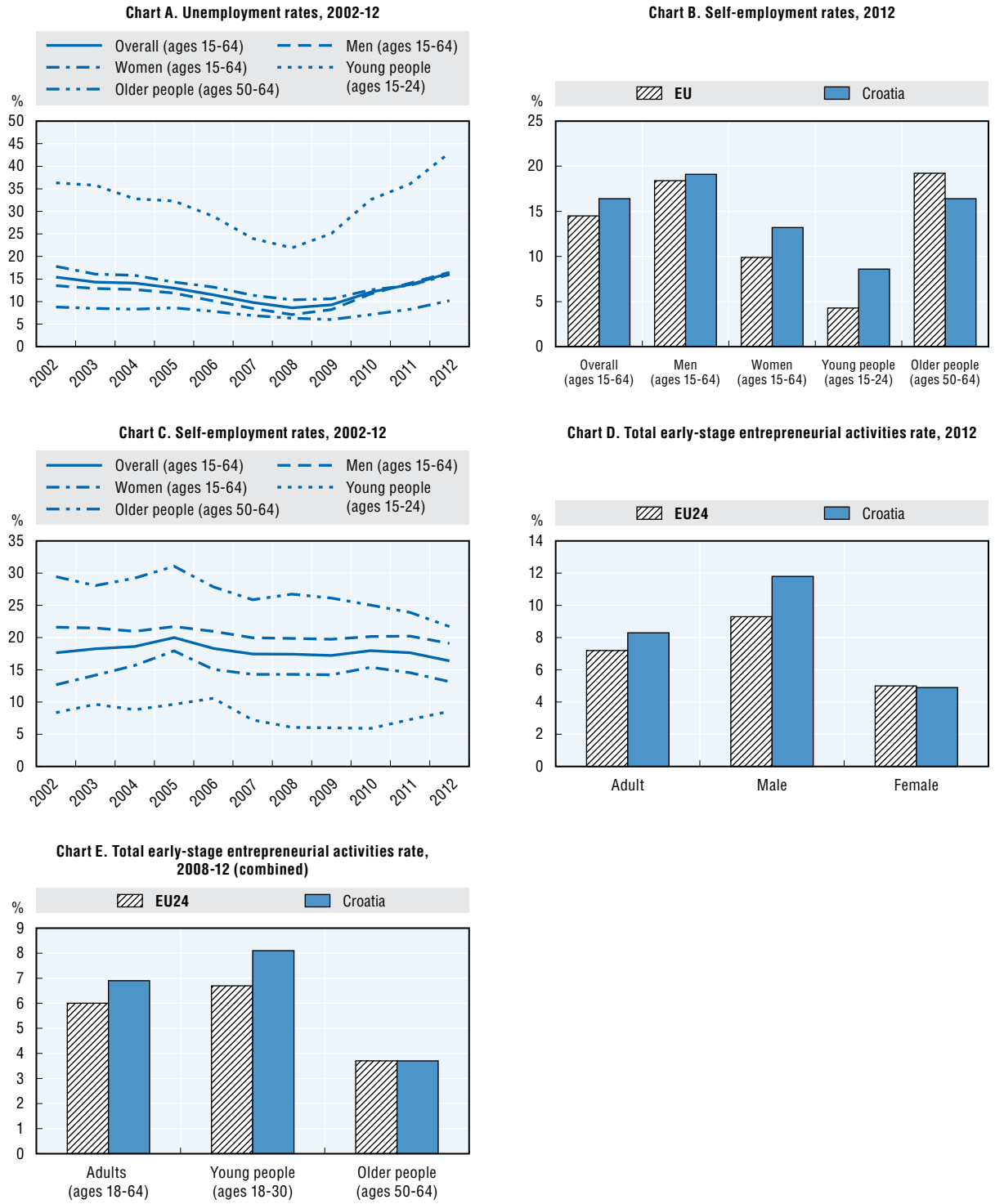
Approach: The project started in 2009 and offers training and start-up support to unemployed women for 12 months. It was designed and implemented by the Association for Peace and Human Rights (*Baranja*) in Osijek Baranja county, along with partners, including the Croatian Employment Service – Regional Office Beli Manastir and municipal governments in Popovac, Draz and Petlovac. Activities focused on building individuals' entrepreneurship skills, capacities and knowledge through training in business management and computers (e.g. basic training in Word and Excel), as well as increasing self-confidence. Following training project participants could apply for a small grant to launch their project. Project partners worked to ensure that the project was visible by giving press conferences and appearing on *Osjecka* TV, Slavonia Television and on the radio. Calls for participation in the project were broadcast twice daily for two months on the radio. The project budget was EUR 144 285 and the majority of funding came from IPA IV (85%) as a grant and the rest was contribution of the beneficiary of grant contract and its partners.

Impact: The project "It's time for women" provided three separate training programmes which 25 nurses, 19 vegetable producers and 20 producers of hot/sweet paprika powder spice successfully completed. All participants got additional training in self-confidence, entrepreneurial skills and basic usage of IT. Of the 64 participants, 14 developed business plans to produce paprika and 10 business plans were awarded grants.

Conditions for success: The projects show the importance of a tailored and integrated approach in dealing with the long-term unemployed. Financing these projects by competitive tender allowed a variety of approaches tailored to local needs. However, evaluations indicated that too much time elapses from submission of project proposals to the launching the project activities.

Key inclusive entrepreneurship data

Figure 14.1. **Entrepreneurship and self-employment data for Croatia**



Sources: Chart A. Eurostat, Labour Force Survey, 2002-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2002-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154772

Cyprus: The Grant Scheme for the Enhancement of Youth Entrepreneurship

Description: The Grant Scheme for the Enhancement of Youth Entrepreneurship offers financial support in the form of grants coupled with start-up and small business management training to young people between the ages of 20 and 39 who seek to start and develop their own businesses. Its primary aim is to alleviate unemployment among graduates but it also supports women re-entering the job market (with an age limit of 55).

Problem addressed: The grant scheme aims to support business creation as one method of addressing high youth unemployment (nearly 30% in 2012) and countering the career mind-set of youth, which has traditionally been oriented towards jobs in the civil service and the heavily unionised banking sector. These grants provide start-up capital to help capable young people pursue new venture ideas that can generate jobs and open new avenues of growth.

Approach: The scheme supports new business ventures in the fields of manufacturing, e-commerce and services. Up to 50% of the start-up costs can be awarded, up to a maximum of EUR 70 000 for production-based manufacturing activities and EUR 50 000 for services. Both individual young entrepreneurs and teams are eligible for funding. Eligible start-up expenses include machinery and equipment, training, promotion, and working capital. Applications for the grants must contain a business plan that outlines capital requirements and indicates how the grant would be used. The grants are conditional on participation in entrepreneurship training which is co-ordinated and supported by the Human Resource Development Authority of Cyprus. The scheme is co-funded by the Republic of Cyprus and the European Regional Development Fund (ERDF) in the context of "Sustainable Development and Competitiveness Program" framework. Between 2007 and 2013, approximately EUR 16 million have been designated for the scheme through ERDF.

Impact: The scheme has helped launch 395 new ventures, creating approximate 1 000 new jobs. The majority of businesses created were in the fields of manufacturing such as bakeries, small food factories, metal factories, e-commerce ventures and services such as law and accounting offices, surgeries, nurseries, mechanics, and tourism such as taverns, restaurants, bars, cafes and traditional small hotels.

Conditions for success: The provision of finance is backed-up with compulsory training that increases the participants' skill levels, which increases their chances of launching a successful project with their grant.

Note by Turkey:

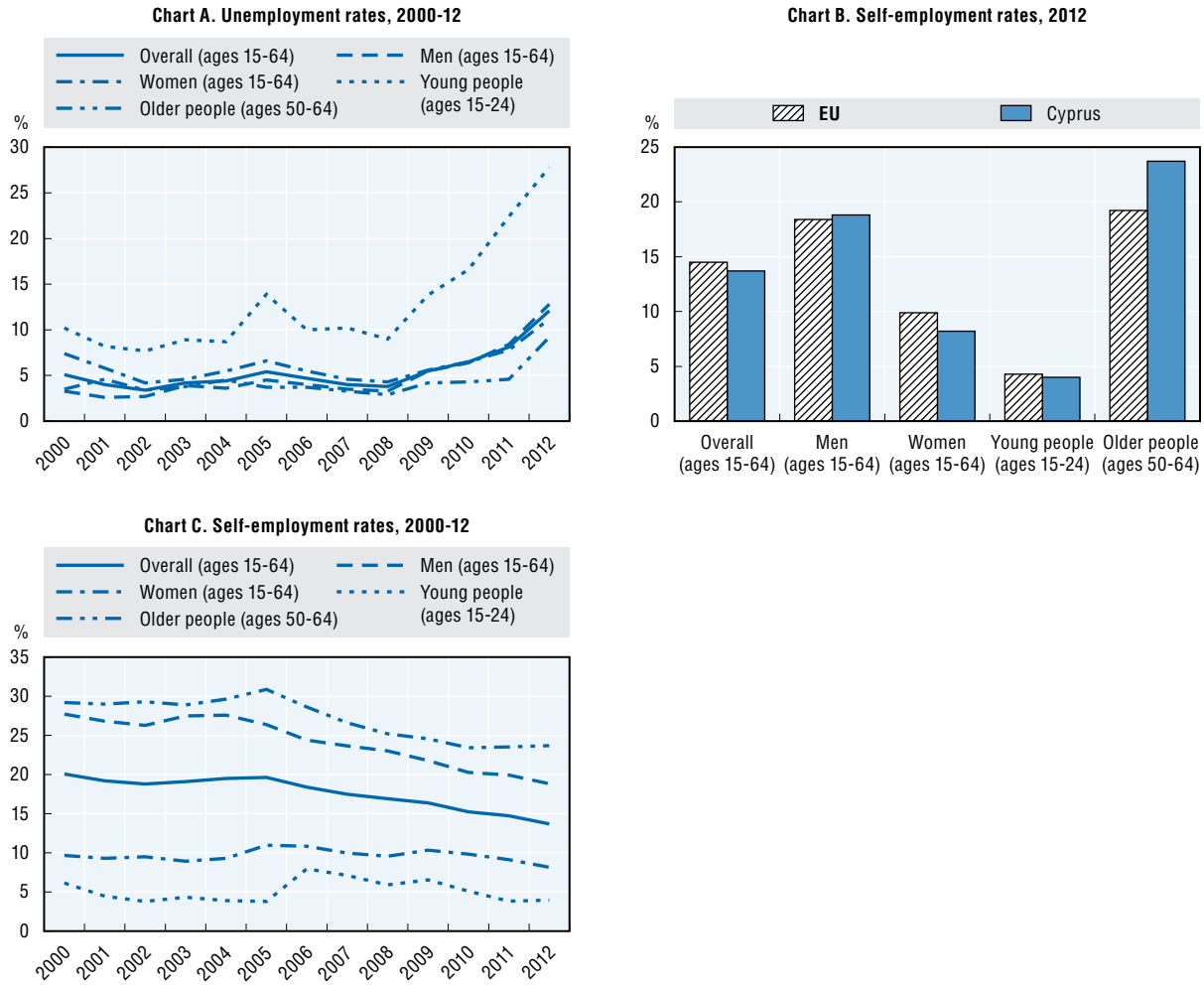
The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

Note by all the European Union member states of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Key inclusive entrepreneurship data

Figure 15.1. **Entrepreneurship and self-employment data for Cyprus**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12.

StatLink http://dx.doi.org/10.1787/888933154788

Czech Republic: Build your own enterprise as a way to connect work with childcare

Description: "Build your own enterprise as a way to connect work with childcare" is a project that supports entrepreneurship for parents on or exiting parental leave. The aim of the project is to provide information on self-employment and business start-up to parents to support them in business creation. The project was implemented in the capital city of Prague between 1 June 2011 and 31 May 2013.

Problem addressed: The project responds to the low employment rate of women with young children by addressing some of the perceived barriers related to self-employment, including fear of the unknown and a lack of confidence. Families with young children face many practical challenges in balancing family and professional life, such as child care and time management. These challenges can be even greater for entrepreneurs with young children due to unpredictable income and the financial demands of launching a business.

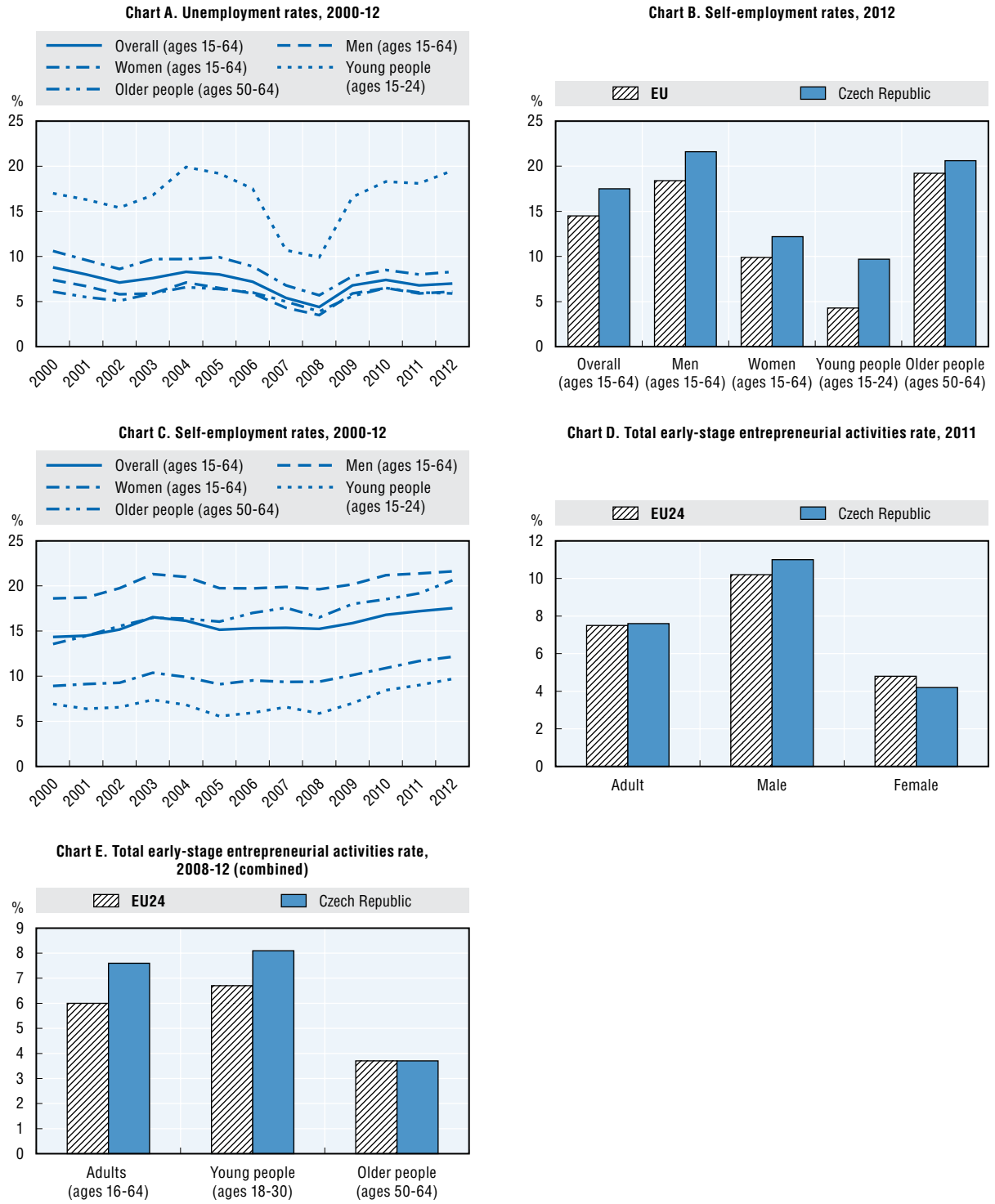
Approach: This project provides an integrated support package that includes training and advisory services. The target client group is parents on parental leave (mostly mothers) who live in the capital city of Prague in the Czech Republic. Most parents were in the last year of parental leave (which is up to 3 years) or had recently finished it. All were eligible regardless of employment status and educational attainment. The support consisted of five phases. First, interviews were conducted by business advisors to provide personal diagnostics and to help clients identify potential business ideas. Second, two months of training were provided, covering legal matters and general business skills such as marketing. Third, specialised courses were provided according to the needs of the participants and their projects. Fourth was an internship in a small business was used to deliver the practical knowledge of running a business. Finally, individual consulting and advisory services were provided during the business start-up phase. In addition, the project produced an e-learning system and a website that includes educational materials (e.g. case studies, homework, and textbooks) and an archive of business advisory material. The project also arranged child care while clients were participating in seminars and training sessions. The project budget was EUR 244 562, 85% being funded by ESF.

Impact: A key indicator for the success of the project was the number of project graduates who started their own business. Altogether, 160 people participated in the project. The full course was successfully completed by 152 people (95%) and 103 of the graduates (64%) started a business.

Consideration for success: Keys to the success of the project were the identification of the specific needs of the target client group and using the experience of other parental support projects. Project participants reported that the internships in SMEs, organised through the Association of SMEs and Crafts had the greatest impact, in terms of gaining know-how, experience and insights in to business in their field of work.

Key inclusive entrepreneurship data

Figure 16.1. **Entrepreneurship and self-employment data for the Czech Republic**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2011; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154799

Denmark: Promoting entrepreneurship in Bornholm

Description: This project in Bornholm aims to stimulate business creation to rejuvenate the regional economy to stop the outmigration of young people who leave seeking education and employment opportunities. The Business Centre Bornholm (BCB) provides training and advice for those seeking to set-up businesses.

Problem addressed: Bornholm is an island in the Baltic Sea that is 30 km wide and 40 km long. The total population is approximately 41 800 but it has been declining in recent years. Further, the population is aging. Bornholm was affected more than the rest of Denmark by the recent economic crisis and unemployment has is approximately 3 percentage points higher than the national average. Consequently, many young people having been leaving the island to search for education and employment opportunities.

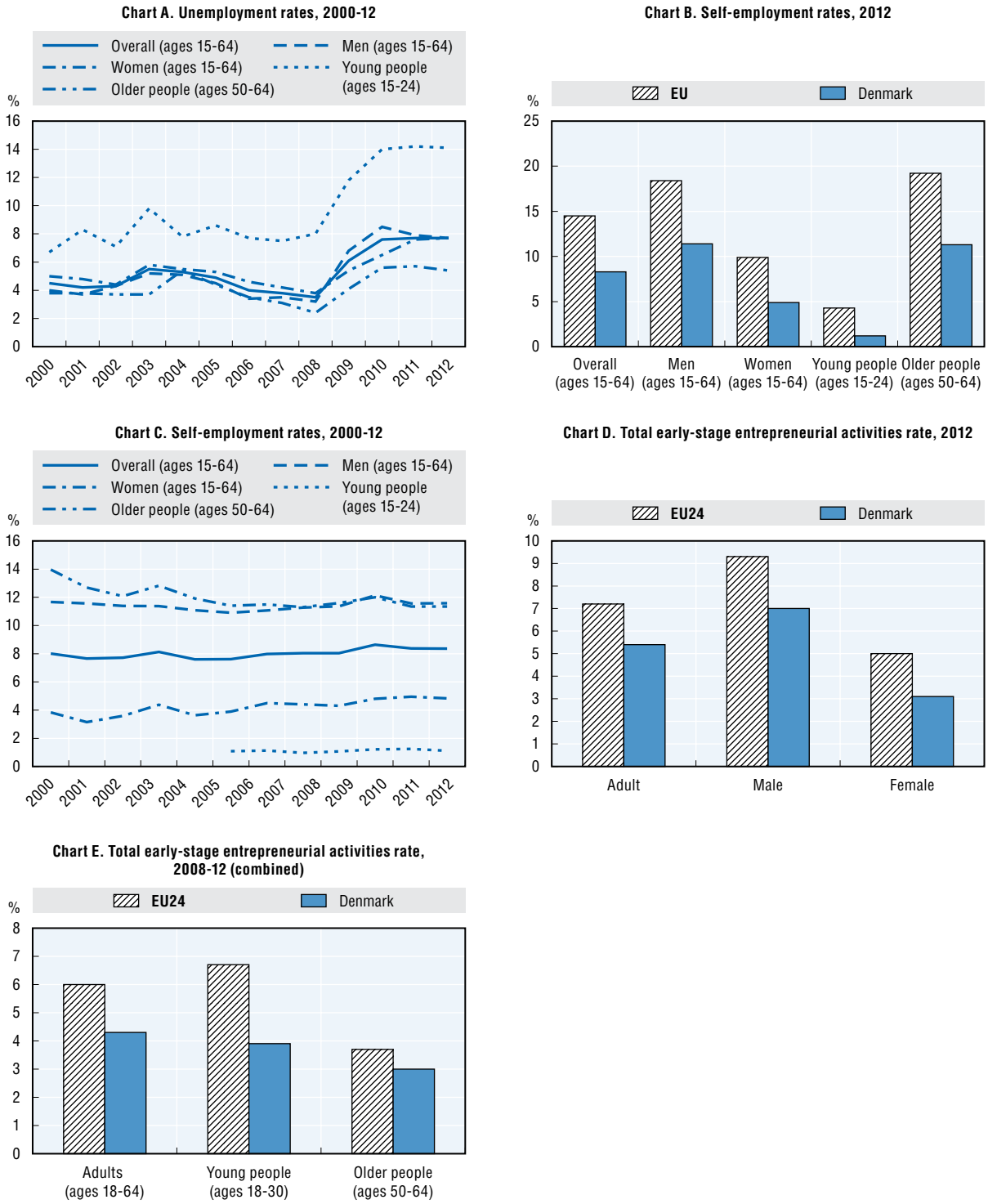
Approach: The principal mechanism for offering support is through the BCB, which is part of the national programme to support businesses and potential entrepreneurs with advice and guidance on how to approach starting a local business. The hands-on assistance covers both practical and strategic issues and is provided through individual meetings with consultants, training in market analysis, marketing, contracts, budgeting and accounting, and networking events through the Ziværk network for entrepreneurs. The BCB also offers an online toolbox for entrepreneurs. Potential entrepreneurs can apply for subsidised advice from local consultants, where the costs are shared 50-50 between the BCB and the entrepreneur. The BCB also directs entrepreneurs to other support services (e.g. Growth Factory or the Entrepreneur Factory incubators) that are available on the island, as well as sources of microfinance (e.g. E*rhversfond and Fonden for Beskæftigelsesfremmende Initiativer*). The system of business support services in Bornholm has an annual budget of DKK 61.5 million (approximately EUR 8.2 million), of which DKK 12.0 million (EUR 1.6 million) are provided by the national regional development fund, DKK 10.5 million (EUR 1.4 million) from ERDF, DKK 13.0 million (EUR 1.7 million) from the ESF, DKK 13.2 million (EUR 1.8 million) from participating private sector enterprises and DKK 12.8 million (EUR 1.7 million) from other sources.

Impact: An analysis of the business promotion programme on Bornholm has indicated that only 10% of the companies that have worked with the BCB found the support helpful and inspiring. In addition, evaluations suggest that support has been focussed on too few businesses. The BCB is currently planning a targeted impact evaluation of the programme components and will use the results in the design of a new business promotion strategy.

Conditions for success: The scheme shows the importance of regular counselling programmes for entrepreneurs in establishing new businesses and combatting outward migration. In achieving this outcome, the analysis in Bornholm stresses the importance of integrating the local business community in work with business promotion programmes.

Key inclusive entrepreneurship data

Figure 17.1. **Entrepreneurship and self-employment data for Denmark**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154802

Estonia: ETNA Microcredit scheme for women entrepreneurs in rural areas

Description: This microfinance scheme is targeted at self-employed women and female-owned micro-enterprises in rural areas of Estonia. The project aims to establish loan groups in 10 rural regions for women who are starting or developing businesses and provides mentoring and training support. It was established by ETNA, an Estonian non-profit association of rural women-entrepreneurs.

Problem addressed: This microcredit scheme developed as a grass-roots initiative of rural female entrepreneurs to support their businesses and to stimulate economic activity in rural areas. With the continual decline of employment in the agriculture sector, an increasing number of people are moving from rural areas to cities in search of work. Enterprises founded by women in Estonia are typically small but provide jobs for themselves and their family members, which helps sustain rural communities. Supporting and encouraging women to start enterprises or become self-employed is especially important in rural areas, where alternative employment opportunities are scarce.

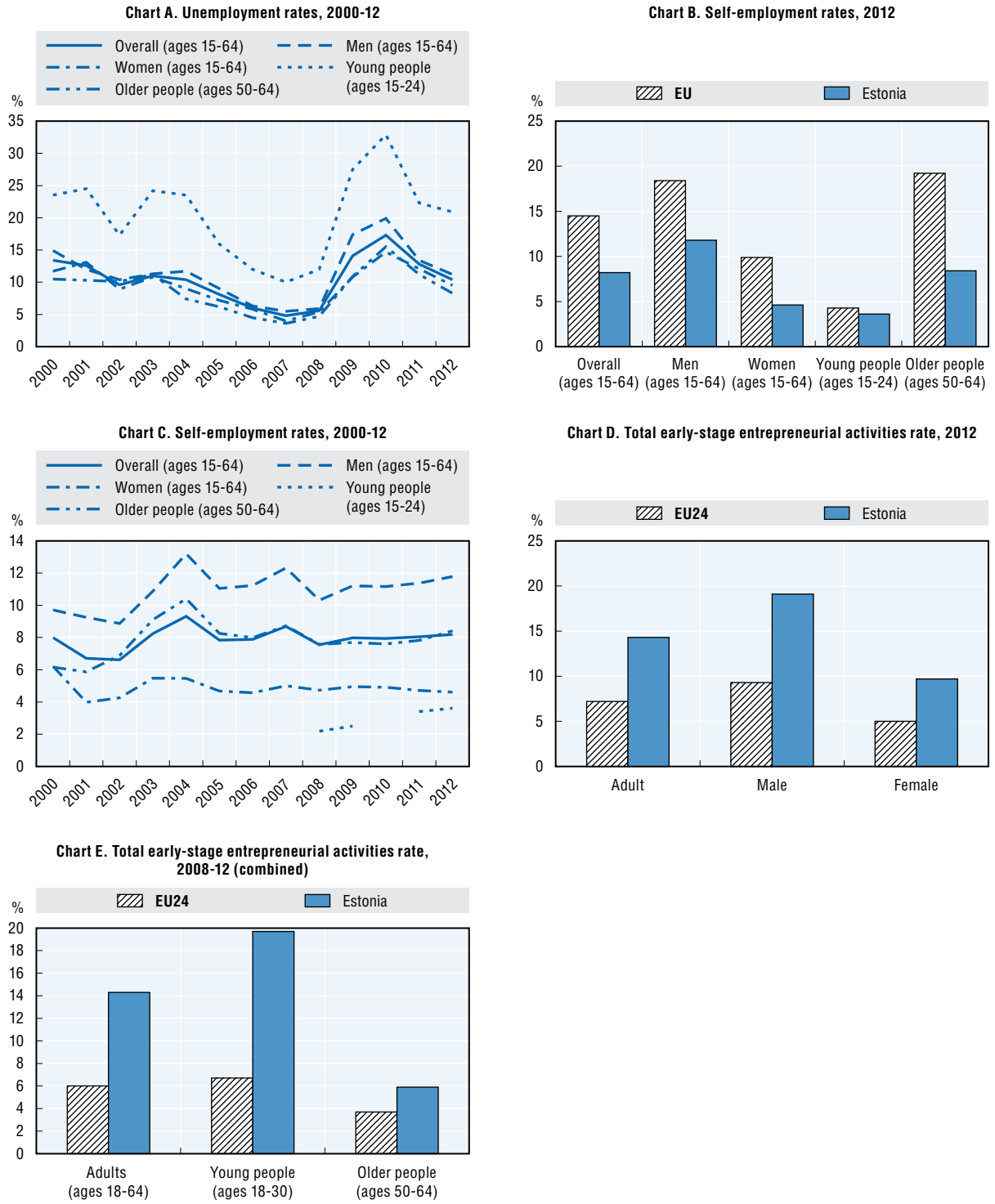
Approach: This microfinance scheme operates through loan groups with up to 10 members, who provide loans to group members who are starting or expanding their business. The loan groups are composed of people from the same rural area, who have common social networks and can provide support to each other. To become a member in a loan group, potential members must participate in training courses on the basics of entrepreneurship, document management, accounting, and business plan development. Group members can receive loans of up to EUR 2 000 and maturity up to 3 years for purchasing services and equipment, covering the own-financing requirement in other business-support programmes or for payment for a specific service (financial consultation, business plan consultation). No collaterals or mortgages are required, the loan and the responsibility is taken by the person. The issue of loans consists of three steps: i) preparation of the business plan by the applicant and its approval by the lending group; ii) assessment of the compliance of the loan application with the objectives of the scheme; iii) signature and issuance of the loan. The annual budget for the scheme is EUR 268 794 and it is operated by 3 salaried staff, including a network co-ordinator and a loan-manager. This initial funding was obtained from the Open Estonia Foundation.

Impact: During the first 16 months of the project there were 10 mentoring groups with 65 members established, which by the end of 2013 matured into 11 lending groups with 72 members. This project started as a group mentoring project and only commenced lending activities in July 2013. It is therefore too early to draw conclusions about the impact of issued loans.

Conditions for success: The scheme was established with private funds and will require additional external funds since the revolving fund is unlikely to generate sufficient income to be self-sustaining. Social factors also influence the impact and sustainability of such funds, including a balanced age structure for the lending groups, and actions to support self-confidence and motivation to grow.

Key inclusive entrepreneurship data

Figure 18.1. **Entrepreneurship and self-employment data for Estonia**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154811

Finland: Women's Enterprise Agency

Description: The mission of the Women's Enterprise Agency is to promote female entrepreneurship and support women entrepreneurs in developing their businesses and creating networks. The Agency provides diverse services for female-led start-ups including information provision and referrals, training, mentoring and advisory services. Established in 1996, the Agency currently operates an all-female staff of 5 in two offices (Helsinki and Tampere) and is one of the 32 enterprise agencies that form the Finnish Enterprise Agencies network (the other agencies have a specific regional, rather than a demographic focus).

Problem addressed: Women are under-represented in the Finnish population of entrepreneurs. According to the Federation of Finnish Enterprises, women comprise 50% of the Finnish workforce but only 26% of the population of entrepreneurs. The motivation behind the initiative is to address the latent entrepreneurial potential in the female population. The problems addressed by the initiative include a lack of courage to seek equity investments, difficulty managing work-life balance, learning to value and price labour and understanding employees' maternity and sick leave rights when taking on employees.

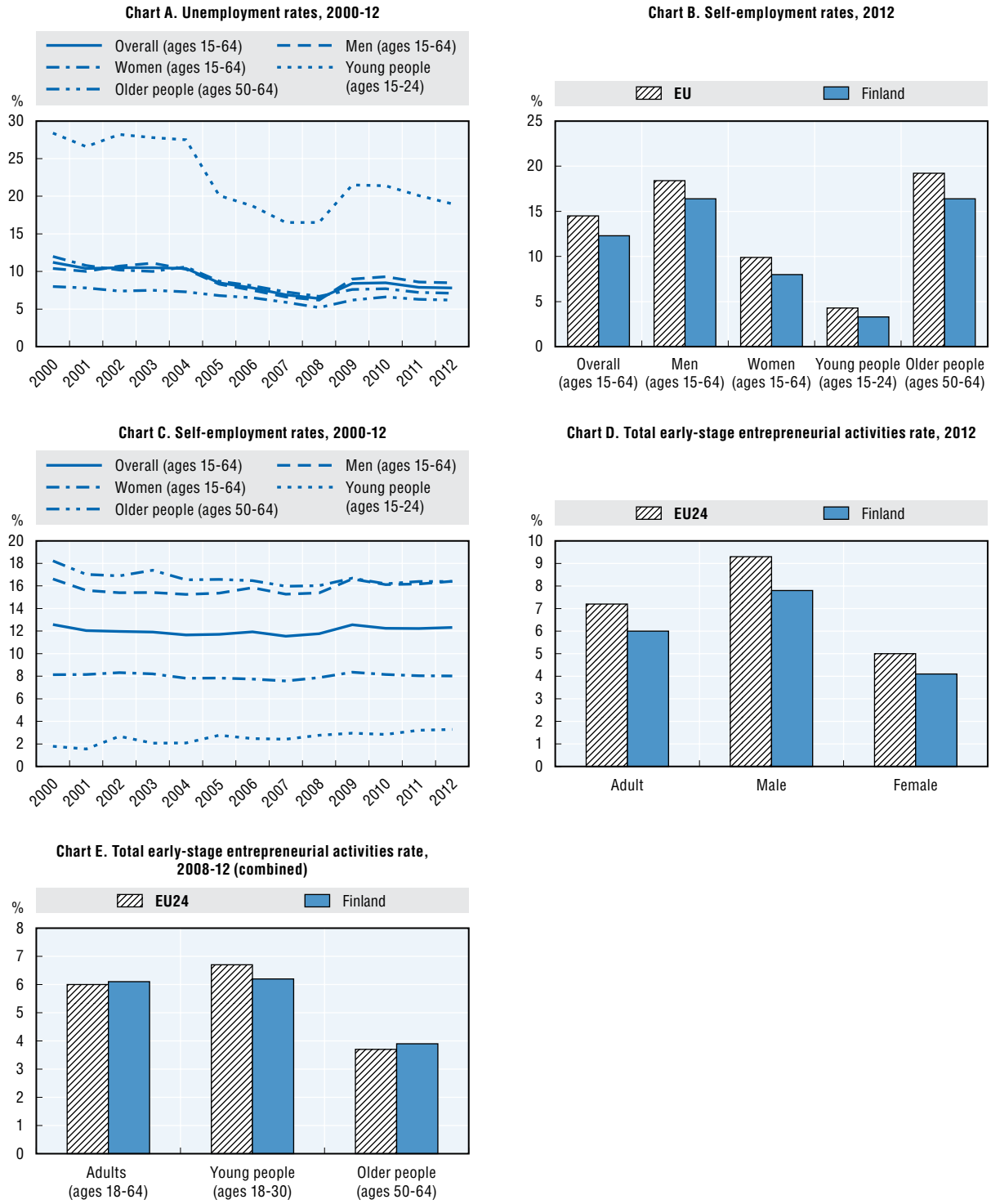
Approach: The guiding principle is to utilise the know-how of experienced entrepreneurs in all of the Agency's activities. It provides a range of services, including practical business counselling, introductory lectures and training on entrepreneurship (including an entrepreneur degree programme which is a set of training modules that provides basic skills for running a business), networking events and mentoring. The *InnoLadyCamp* concept was introduced in 2011 for academically educated women in expert or managerial positions who are planning to start their own business. The format is based on action learning and peer mentoring which takes place during four weekend "camps" set in the Finnish countryside. The *InnoLady Cloud* is a web-based platform that allows the participants to develop their business idea together with the other users including peer participants, mentors and business angels. The Agency also helps aspiring female entrepreneurs to apply for start-up funding and microloans from Finnvera, which is an organisation that offers financing solutions for business start-up, growth and internationalisation, by providing statements of support. The annual budget of the agency is around EUR 400 000, half of which is contributed by ESF.

Impact: In 2012 the various activities of the Agency had over 1 000 participants. Calculated into cost per customer, this translates into less than EUR 400 per participant. The initiative has not been formally evaluated for impact, but there has been monitoring through satisfaction surveys. Many of the 40 women that have participated in InnoLadyCamp have established a business. From the 2012 edition of the *InnoLadyCamp*, 4 out of the 20 participants started their business during the programme, and a further 11 intended to start-up shortly after the scheme's conclusion.

Conditions for success: This shows the effectiveness of having an enterprise agency, within a national network, orientated purely towards women. The main conditions for success relate to finding active, talented people to run the operation and to serve as mentors and advisors. A further challenge is securing adequate funding for organising and marketing the activity, especially in the early stages when there is no evidence of impact to support the funding applications. The Agency is run as an association in which all members have a say in major decisions. While this model may be beneficial for example in terms of finding innovative solutions, it may sometimes slow down the decision making processes.

Key inclusive entrepreneurship data

Figure 19.1. **Entrepreneurship and self-employment data for Finland**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154825

France: Guarantee funds for the creation, take-over or development of companies initiated by women

Description: The *Fonds de garantie à l'initiative des femmes* (FGIF), part of the national Guarantee Funds scheme, encourages the creation, take-over and development of companies by women. The state provides a loan guarantee, through *France Active Garantie* to facilitate the granting of bank loans to women who wish to create or develop their business.

Problem addressed: Women create only one-third of new businesses in France and they are less likely to succeed than those created by men. Survival rates 5 years after creation are 46.5% for companies created by women and 52.5% by men (Fabre and Kerjosse, 2006). According to a European survey, the main difference between male and female entrepreneurs in France is access to bank credit (European Commission, 2013b). Further, the share of female-owned enterprises that did not apply for bank loans over the previous 6 months due to fear of rejection is significantly higher than the rate for men (9% vs. 5%). Guarantee funds for the creation, take-over or development of companies initiated by women are intended to help women with economically viable business plans, but who have little credit history or funds, to apply for loans through banks or micro-financing institutions.

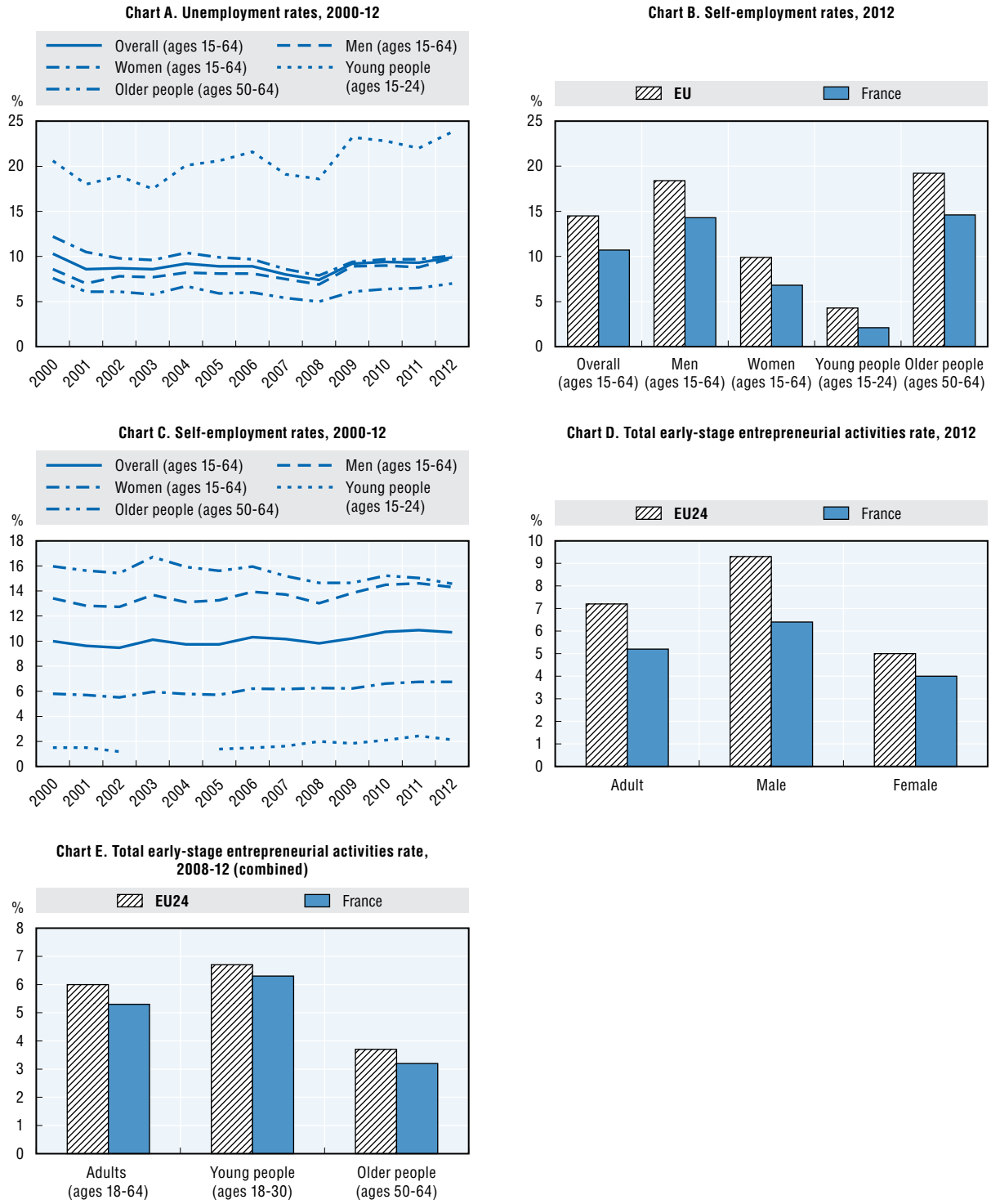
Approach: The FGIF loan guarantee scheme is available to all women, regardless of professional status, who want to create or take-over a company, regardless of its legal form or sector business activity. The scheme is managed at a local level but the selection criteria are defined at the national level. All business proposals are appraised by business advisors and business professionals (e.g. lawyers, accountants), who decide whether the project will be covered. Loan guarantees are for loans of at least EUR 5 000 per company and for a period of 2 to 7 years. The guarantee rate is 70% for loans under EUR 38 000 and the guarantee is capped at EUR 27 000 for loans greater than or equal to EUR 38 000. Guarantees are put into place as soon as *France Active Garantie* receives the commission and contribution cheques, a copy of the loan contract and a copy of the amortisation table from the banking institution. These loan guarantees are funded through the Ministry of Labour with support from the ESF.

Impact: The Department on Women's Rights and Gender Equality of the Ministry of Labour reports a regular increase in the number of women supported. The number of guarantees provided was 195 in 2004, 745 in 2007.

Considerations for success: This project shows that guarantees can be used as a way of supporting women entrepreneurs while simultaneously promoting the idea of female entrepreneurship. The key element of this programme is an individual approach with a strong and personalised selection process involving an ex ante assessment of the applicant and their business plan and some periodical meetings to coach the project initiator.

Key inclusive entrepreneurship data

Figure 20.1. **Entrepreneurship and self-employment data for France**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154830

Germany: *Schüler-Institut für Technik und angewandte Informatik* (SITI)

Description: The Students' Institute for Technology and Applied ICT (SITI), founded in 1999, is a pioneer in the field of entrepreneurship education and in the promotion of innovation and technology skills among young students, mainly from secondary schools (aged 10-18). SITI's primary aim is to support the personal and skill development of young people in technology-oriented fields, in order to develop opportunities for a career, particularly self-employment, in innovative sectors of the economy.

Problem addressed: Young peoples' talents in the fields of arts, music and sports are supported in Germany by a large number of specific schools and training facilities. The systematic promotion of young students' talents in the areas of entrepreneurship, innovation and (information) technology, however, lags far behind. Due to tight curricula, regular school lessons usually do not provide sufficient space for students to identify and develop their technology- and entrepreneurship-related interests and capabilities. As a consequence, many students are unaware of their specific talents and often choose one of the more conventional career paths, such as in banking, sales or administration.

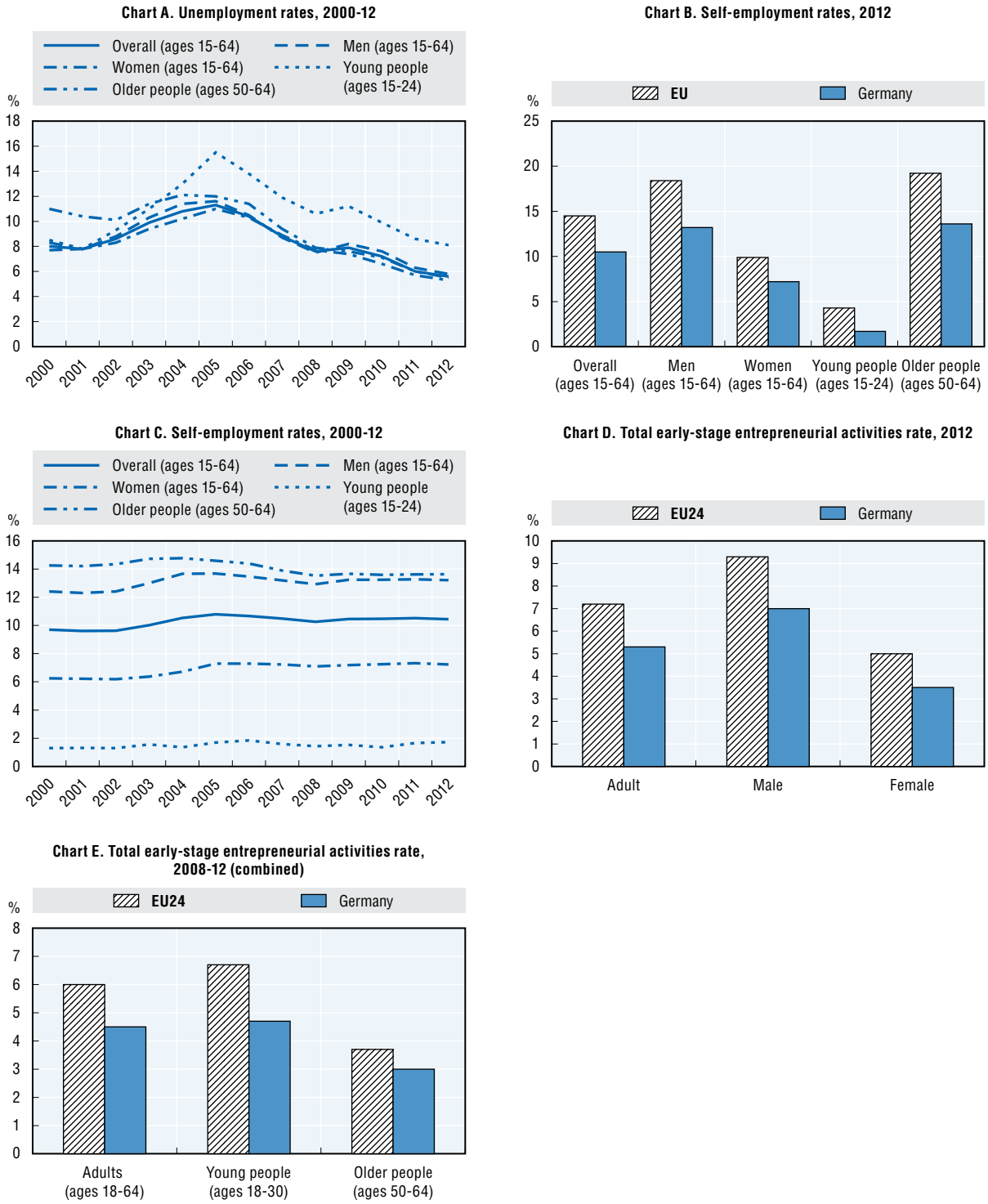
Approach: SITI offers a large variety of innovative and challenging extra-curricular learning-by-doing projects in the areas of manufacturing technology, applied ICT, natural sciences and entrepreneurship which follow a systematic and long-term oriented approach. In a so-called "ideas conference", students and coaches jointly decide on the projects to be worked upon in the next school year. SITI operates every week on Tuesday, Thursday and Friday afternoon and is frequented by approximately 50 young students. Basic regular training courses in ICT, multimedia, robotics, CAD/CAM/CIM, physics and astronomy lay the foundations for the comprehensive theme-specific project work. Each year, SITI-students work on 3 to 4 challenging R&D-projects on behalf of technology-oriented companies and universities and on six "Young researchers"-projects, as part of a national R&D-competition. In addition, students also participate in several other public competitions in the fields of R&D and entrepreneurship. SITI maintains regular and close network relations with more than 30 institutions, among them schools, universities, innovative companies, technology and start-up centres, business associations and ministries. The initiator and the main driving force is SITI's chairman, who is a computer science and economics teacher. His time at SITI is volunteered and is assisted by a local electrician, a retired engineer and a retired teacher. Since 2011, a publicly funded part-time assistant helps with administrative tasks for the team. The institute uses 9 rooms at the local school campus, which are furnished with high-quality technological and ICT equipment, for no charge. The total annual budget of SITI is approximately EUR 15 000 and comes from various sources, including the Ministry of Economics, co-financed by ESF.

Impact: A formal survey among SITI alumni in 2013 indicates that approximately 75% of them have chosen career paths in technology-, ICT- and entrepreneurship related fields. The alumni almost consistently point out that SITI has been strongly decisive in detecting, shaping and promoting their talents and career choices.

Conditions for success: This project shows the way in which entrepreneurship can be introduced into schools when they are motivated, committed and have creative teachers who are able to coach and train talented and enthusiastic children and youths in an encouraging, but goal-oriented way. An important factor for success is the long-term co-operation with companies and other network partners, who share a common vision.

Key inclusive entrepreneurship data

Figure 21.1. **Entrepreneurship and self-employment data for Germany**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154840

Greece: Social co-operatives for persons with mental health problems

Description: The establishment of the Social Co-operatives of Limited Liability (KoiSPE) in 1999 under (Article 12), is a specific form of a co-operative organisation (i.e. social enterprise), which serves both economic and social purposes. It aims to improve the socio-economic re-integration and vocational re-insertion of persons with mental health problems, contributing both to their rehabilitation and to their economic self-sufficiency.

Problem addressed: During the 1990s, Greece underwent a process of de-institutionalisation of the large psychiatric hospitals, which created a need for alternative services for people with mental health challenges. One particular challenge that arose with the de-institutionalisation process was re-integrating patients into the labour market.

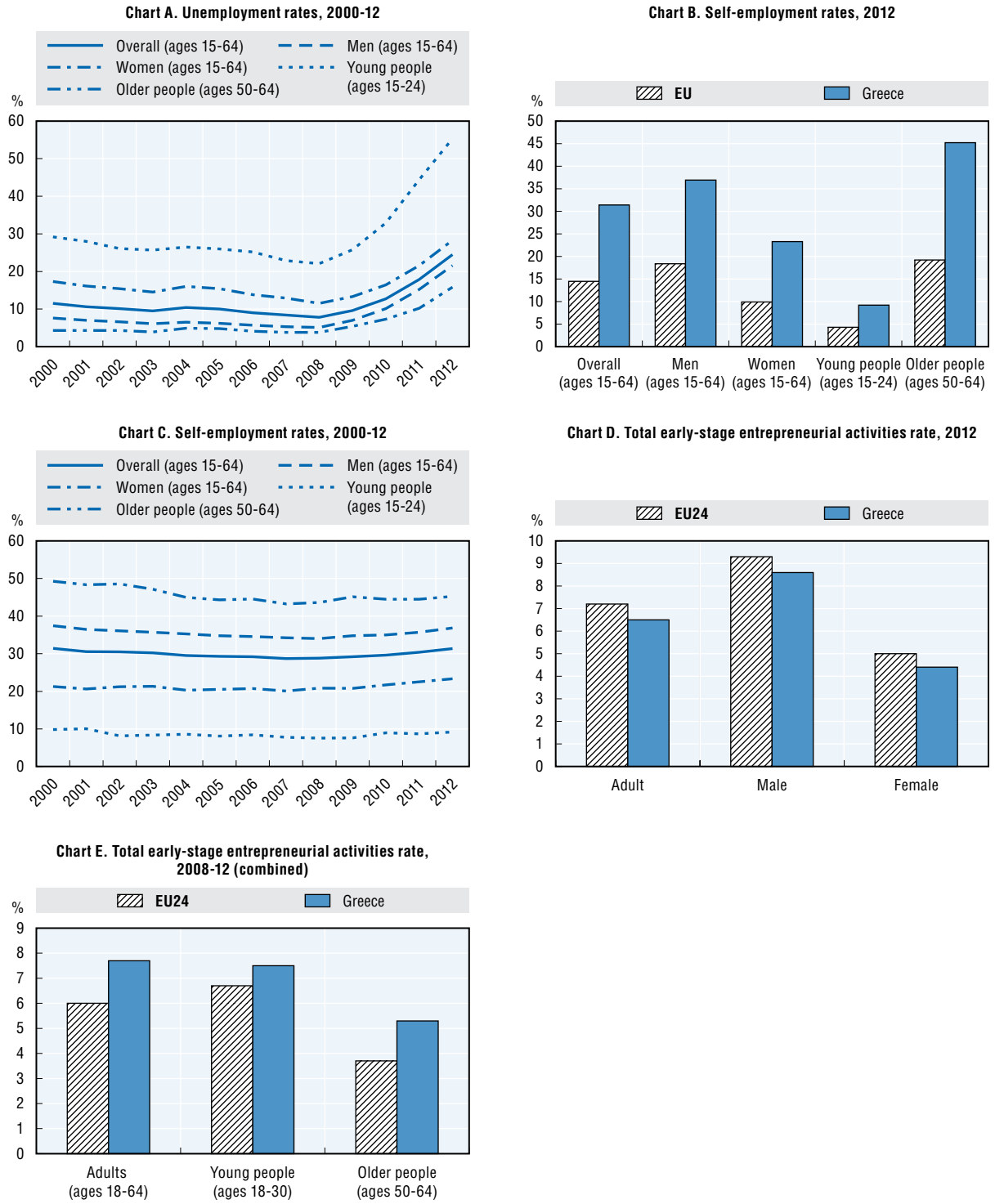
Approach: Provisions under Article 12 of the Greek Law No. 2716/1999 have been designed to be conducive to the creation of alternative business activities that provide vocational rehabilitation and work activities for those with mental health issues. The relevant legal provisions strictly define that a KoiSPE is partnership consisting of three parties: (i) people with mental health issues (at least 35% of all members of the co-operative); (ii) mental health professionals (a maximum of 45% of all members); and, (iii) other persons and agencies from the local community (a maximum of 20% of all members). This partnership structure avoids creating a "sheltered" work environment for clients. Upon becoming a member of the co-operative, each member receives one co-operative share and there are options of obtaining more shares. These social co-operatives provide an opportunity for people with mental health challenges to regain skills or to acquire new ones through on-the-job training and work experience. At the same time, they can learn to work on a collective basis and can contribute to managing the performance of the co-operative's activities. The operation of a KoiSPE, including salaries, is principally funded from the sales of products and services but many also receive donations, state grants and EU funding.

Impact: Today there are 17 Social Co-operatives of Limited Liability operating across Greece. They have developed a wide range of activities, including cultivation and trading of agricultural products; cleaning services; honey processing, packaging and trading; environmental restoration and protection services; and restaurants and catering services. Of the 450 persons currently engaged full-time in these activities, 330 are people with mental health issues. In addition, approximately 100 people with mental health issues work in the co-operatives on a part-time basis. Despite creating employment for people with mental health issues, an evaluation shows that the co-operative members lack management skills and experience, which creates operational challenges and consequently, the co-operatives struggle to become financially sustainable (Ziomas and Vezyrianni, 2010).

Conditions for success: A clear-cut legislative framework is required to enable the creation of social enterprises. The active involvement of local socio-political actors including professional organisation and local companies appears to have been important in the resilience shown by the co-operatives during the recent economic crisis, though they still face significant problems which will possibly require further public policy interventions. Access to financial resources is critical for the long-term success of these co-operatives, including the establishment of alternative financial tools and specific public procurement arrangements.

Key inclusive entrepreneurship data

Figure 22.1. **Entrepreneurship and self-employment data for Greece**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154851

Hungary: MeXX Programme, 2004-09

Description: The main goal of the MeXX Programme was to assist unemployed women in entering the labour market through self-employment and to support female entrepreneurs who were already established. More specifically, the programme targets women with small children or those on maternity leave, pregnant women, and women older than 40 years. The scheme provided a comprehensive support package consisting of training, personal and peer-based mentoring and consultancy services. These components were designed to boost self-confidence and to support the development of communication and business skills.

Problem addressed: The employment rate for women in Hungary is among the lowest in the EU (56% in 2012). Research suggests that reasons for the low female participation rate are among others the lack of part-time employment options, the significant wage gap between men and women, limited access to child care services, relatively generous maternity benefits and discrimination (Budapest Institute, 2008; Lovász, 2012; Köllő, 2012). Social attitudes on gender roles tend to negatively influence the pursuit of a career, particularly for women with children (Nagy, 2006; European Commission, 2013a; SEED, 2007).

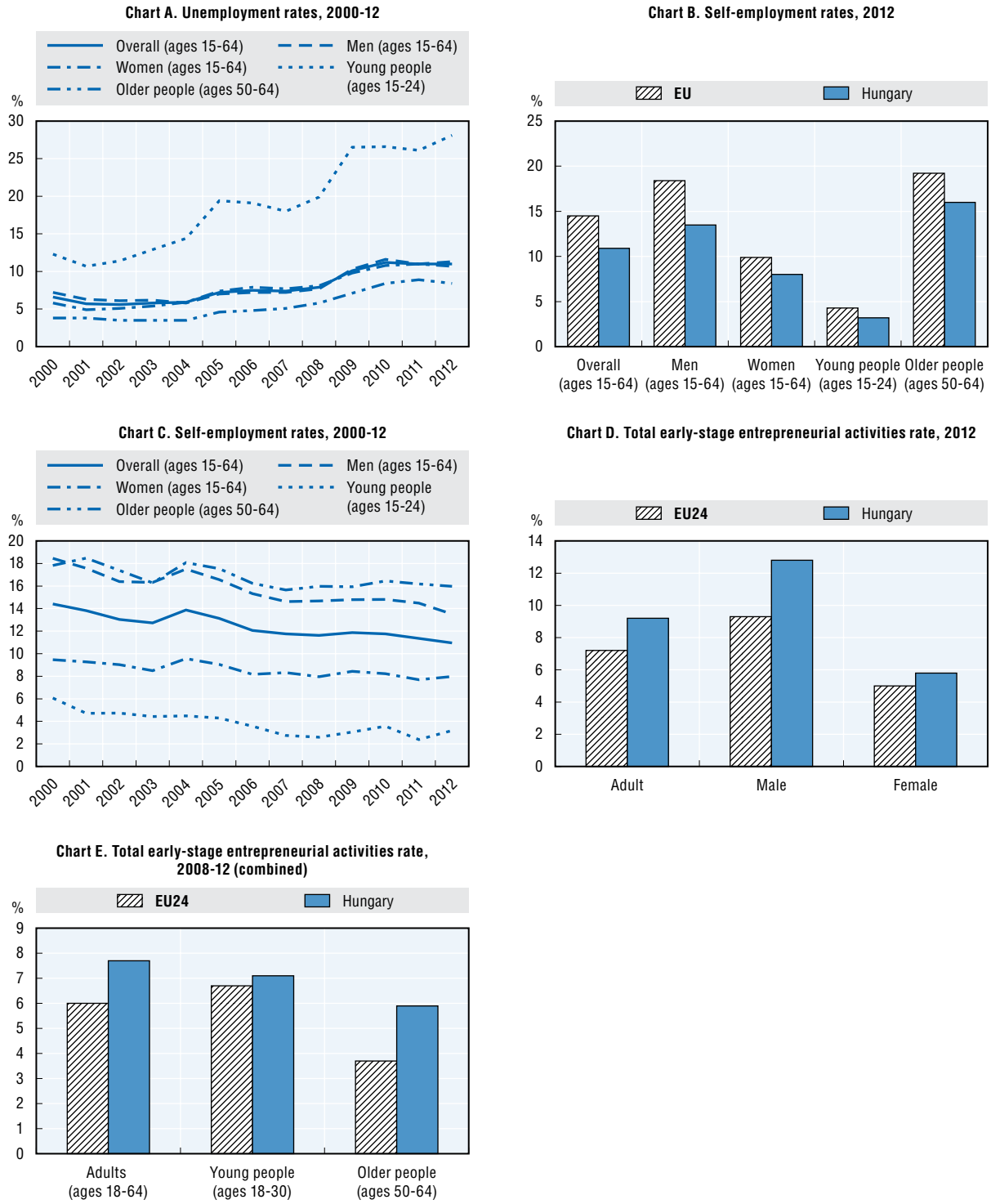
Approach: The programme began with a 12-day training course in Budapest that was delivered in 2-day thematic modules over 6 weeks. The first module was on motivation and focusses on pro-active thinking, self-reliant decision-making and risk-management. The subsequent training modules covered skills for business management and were delivered with interactive methods that used presentations, individual and team-work, group discussions and role-playing. Peer-learning was central to this approach. In addition to training, participants could also receive personal counselling to support the creation and development of their businesses during or after the training sessions. The counselling was provided at no charge. Programme managers also offered information on business development through newsletters, an online forum and a blog.

Impact: Approximately 250 women participated in the project between 2003 and 2009 and the follow-up monitoring covered 172 clients. Based on this monitoring data, 37% of participants were older women (older than 45), 21% had small children, and 13% had large families at the date of entering the programme.

Conditions for success: Experience of the programme suggests that a long pilot period is beneficial to ensure that the supports are appropriate for clients. Follow-up with clients is important to ensure that personal support can be provided as needed by clients.

Key inclusive entrepreneurship data

Figure 23.1. **Entrepreneurship and self-employment data for Hungary**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154869

Ireland: National Women's Enterprise Day

Description: National Women's Enterprise Day is an annual event that started in 2008. It is organised by the 35 City and Country Enterprise Boards (CEBs) and co-financed by the European Social Fund, with support from the Department of Justice and Equality. The aim is to encourage female entrepreneurs and to support them in developing their networks and improving their skills.

Problem addressed: Data suggest that men are nearly three times as likely as women to be engaged in the process of setting-up a business in Ireland. As a result, the government directed development agencies to disaggregate start-up support on the basis of gender. Recommendations to the government in 2006 (Small Business Forum, 2006) promoted the idea that female entrepreneurship should be a significant part of national policy to support SMEs. Expressions of interest were sought in 2007 in relation to organising a national event for women in business to support them starting and growing businesses and to promote best practice in networking.

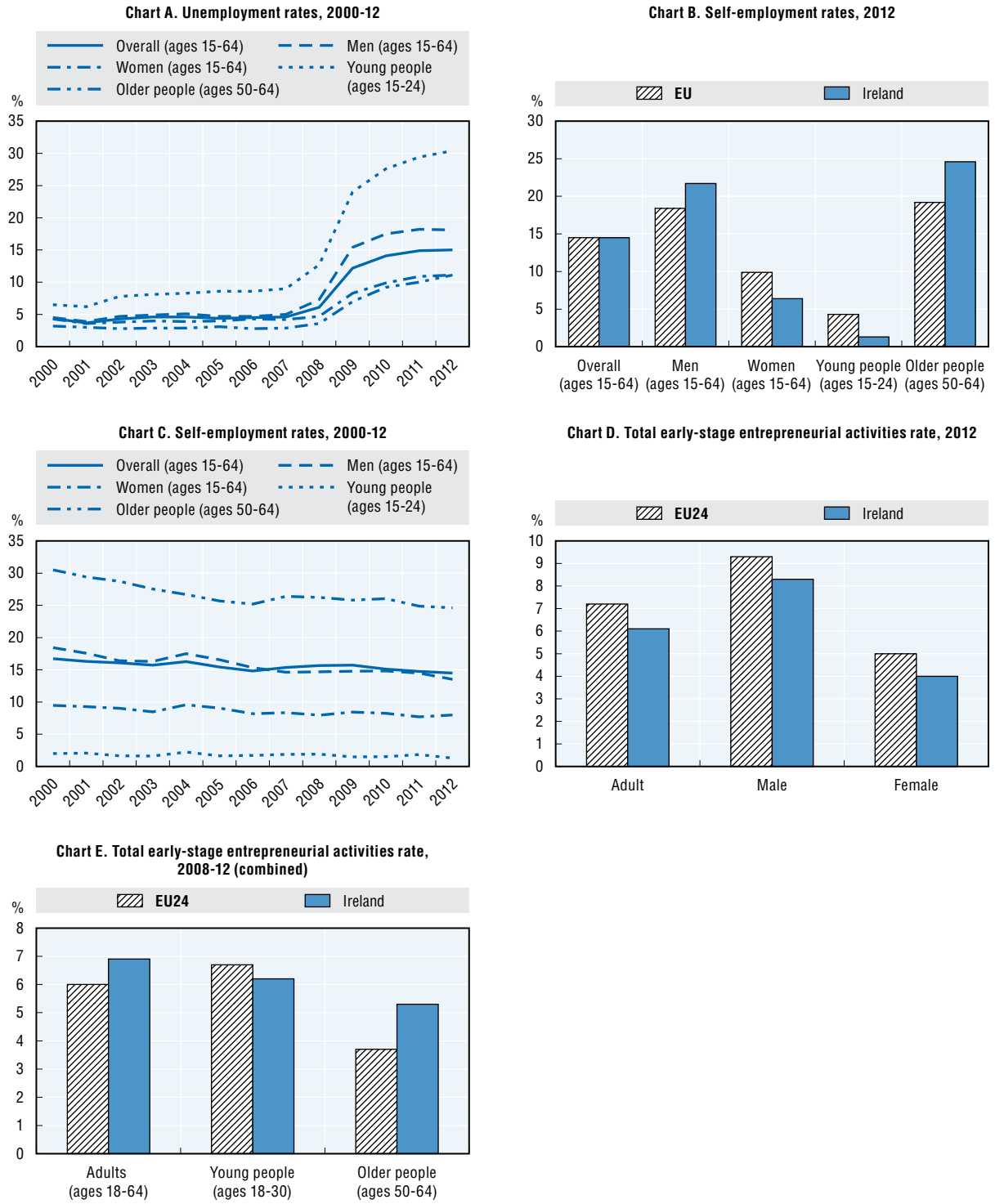
Approach: National Women's Enterprise Day is a 2-day national event led by the CEBs. The centrepiece of the event is a conference that showcases role models, exhibitions of public supports for enterprises, networking opportunities and one-on-one business mentoring. This provides attendees with information about setting-up or expanding a business. The objective is that participants are stimulated, informed and motivated to fully exploit their potential as entrepreneurs. The event uses a major media campaign to increase its impact by highlighting the achievement of women entrepreneurs and women's entrepreneurial potential.

Impact: The event was attended by more than 250 women entrepreneurs in 2012, providing them with information and networking opportunities that are greater than what they could receive in their local area. The media campaigns have a much wider reach in the promotion of women's entrepreneurship as coverage in newspapers and on the national television station RTE One reached an estimated 2 million people between July and October 2013.

Conditions for success: A large part of the success of the event is in its branding. The name clearly indicates its purpose and this simple message has been critical for obtaining media coverage. The media coverage not only promotes the event but also carries its message to a much wider audience aims to positively influence social attitudes towards women's entrepreneurship. The content of the event also has an important role in providing useful and relevant information and support to women entrepreneurs.

Key inclusive entrepreneurship data

Figure 24.1. **Entrepreneurship and self-employment data for Ireland**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154871

Italy: Starting a business (as part of *Giovanisì* strategy in Tuscany)

Description: In 2011, the Tuscany regional government set-up an integrated strategy to improve the transition into the labour market for youth. This strategy, *Giovanisì*, aims to address both short-term challenges in response to the recent economic crisis and longer-term development and demographic challenges. The strategy has four priority targets: students; postgraduates and researchers; youth not in employment, education and training (i.e. NEETs); and potential entrepreneurs. *Giovanisì*'s policies promoting entrepreneurship are organised as a programme called Starting a Business.

Problem addressed: The youth unemployment rate in Tuscany has increased rapidly in the last five years (from 13.7% to 28.9% by 2012). The recession has been exacerbated by a crisis in the industrial districts, which have been historically very important in Tuscany. Youth face particular challenges because they cannot accumulate sufficient initial capital and have difficulty accessing credit (GfK, 2012).

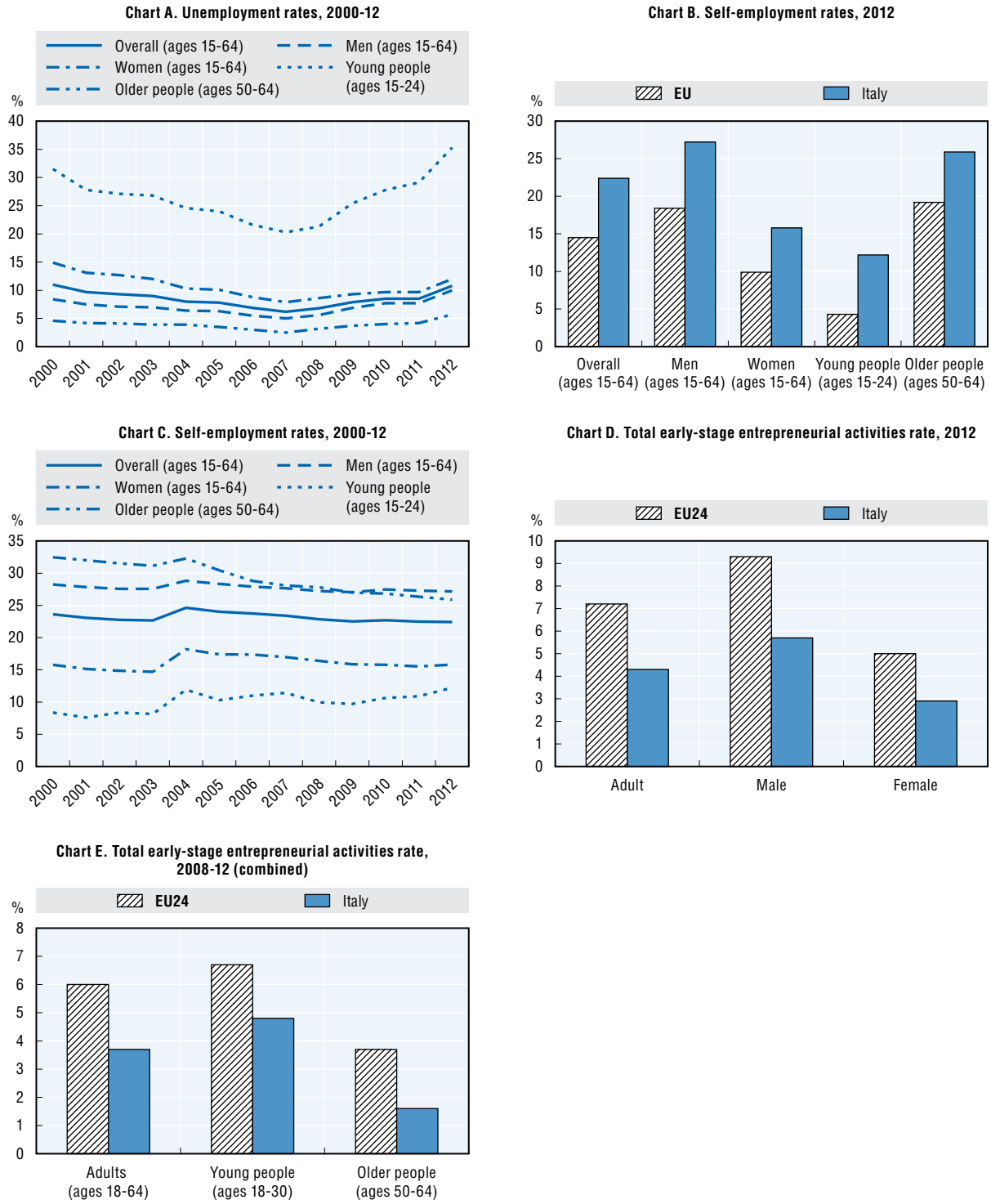
Approach: Starting a Business provides financial support to otherwise non-bankable activities. Firms of any legal form or size qualify for aid, provided their activity is located in Tuscany. Applicants must be aged 18 to 40 years, although there is no age limit for females and workers that have been laid-off. Starting a Business is based on a new regional law for youth and female entrepreneurship (*legge regionale* **n° 28 – 11/07/2011).** Under this law, a limited liability company (*Fidi Toscana*) evaluates the applications for funding and *Starting a Business* issues aid in three alternative ways. First, it provides financial support in the form of a loan guarantee, subsidies or funds to start a firm. Loan guarantees are available for up to 80% of total initial capital needed as well as subsidies of up to 50% of interest costs up to a maximum of EUR 50 000. It also provides up to EUR 10 000 for the temporary acquisition of minority shares in new innovative firms. These shares can be held for up to 7 years. Second, 21 territorial information offices have been opened throughout Tuscany to inform, support and involve the young in all its activities and an online portal has been set-up to provide information and general business assistance. Third, it interacts with *Fidi Toscana*'s one-stop shop structure for youth (*Fidi Toscana Giovani)*, which has been set up for assistance and advice to young applicants, including a web portal and 8 branches across Tuscany. A total of EUR 12.5 million has been committed to Starting a Business.

Impact: As of September 2013, *Law 28-2011* assessed 1 300 projects and financed 884 of them. However, the number of subsidies (rather than financial instruments such as guarantees and equity investments which can pay back) is currently being scaled-back to increase the financial sustainability of the project.

Consideration for success: *Giovanisì*'s main innovation consists in offering an integrated strategy to youth challenges. The one-stop-shop approach strengthens the responsibility of non-institutional stakeholders (i.e. youth) in the project, as well as their possibility to influence policies. Moreover, this approach makes communication more effective and simplifies the access for potential beneficiaries, both crucial elements of a policy package that also targets marginal subjects, such as NEETs.

Key inclusive entrepreneurship data

Figure 25.1. **Entrepreneurship and self-employment data for Italy**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154881

Latvia: Business incubators in the Latvian regions

Description: The scheme Business incubators in the Latvian regions supports the establishment of business incubators in disadvantaged and rural regions to support entrepreneurs in setting-up and developing their business. The aim of the policy is to stimulate economic development of the Latvian regions outside of Riga. These incubators provide discounted business development services and facilities to businesses in the early stages of development.

Problem addressed: The Latvian regions outside of Riga lag behind in terms of attracting investment and employment creation (Cabinet of Ministers, 2012). There are also fewer business start-ups in these regions and they have lower survival rates. The barriers that businesses face include low levels of management skills and difficulty in attracting financial resources, which are much more significant barriers in rural and underdeveloped regions.

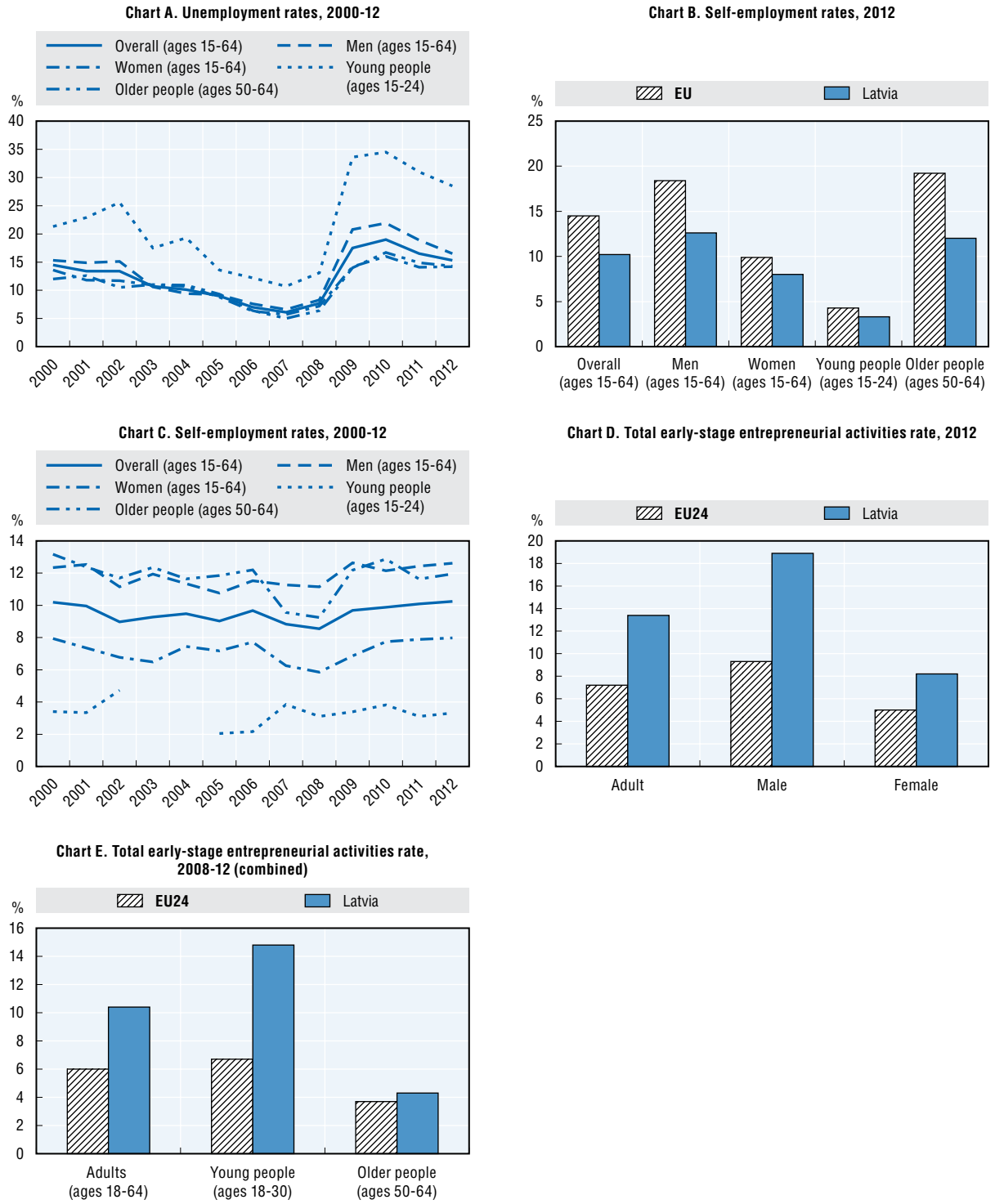
Approach: The project is operated by the Ministry of Economics of Latvia and the Investment and Development Agency of Latvia. New companies apply for support and are selected based on the feasibility of their project and are eligible to receive support for up to 4 years. Businesses are supported from all sectors except agriculture, financial intermediation, transport, alcohol and tobacco. Services offered by the incubators include low-cost office space, communication services (e.g. Internet, telephone), discounted business consulting (e.g. business plan development, accounting, attracting financing, sales and marketing, legal services), networking services at local and international level and help with staff recruitment. During the first year at the incubator, 80-85% of the cost of services is covered by the programme and this declines to 55-60% in the second year, 35-40% the third year and 10% in the fourth year. Some incubators also assist businesses located outside the incubator. The total budget of this project is just over LVL 20 million (approximately EUR 28 million). The European Regional Development Fund covers 85% of the budget and the remaining 15% comes from the state budget. The 5 regions in Latvia receive equal funding. The programme finishes at the end of 2014.

Impact: In the first quarter of 2013, 9 business incubators were operating in 22 cities. These incubators supported 513 businesses, creating 1 077 jobs in the regions.

Conditions for success: The programme shows the role of incubators in promoting regional entrepreneurship. The gradual phasing-out of financial support will ensure the long-term viability of supported businesses.

Key inclusive entrepreneurship data

Figure 26.1. **Entrepreneurship and self-employment data for Latvia**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154896

Lithuania: First business year baskets for youth

Description: The project First business year baskets was implemented in Lithuania from May 2011 to July 2013 to support people under the age of 29 in business creation. It offered a menu of business development services and participants received an allotment of vouchers that could be used to "purchase" some of the available support services.

Problem addressed: Lithuania has had one of the highest youth unemployment rates in the European Union in recent years, ranging from 25% to 30% between 2009 and 2012. Many measures were implemented to combat youth unemployment, including the promotion of entrepreneurship. Data suggested a growing interest in entrepreneurship among youth (GEM, 2012) so a previous project that offered business start-up vouchers for youth was renewed to increase their self-confidence and entrepreneurship skills.

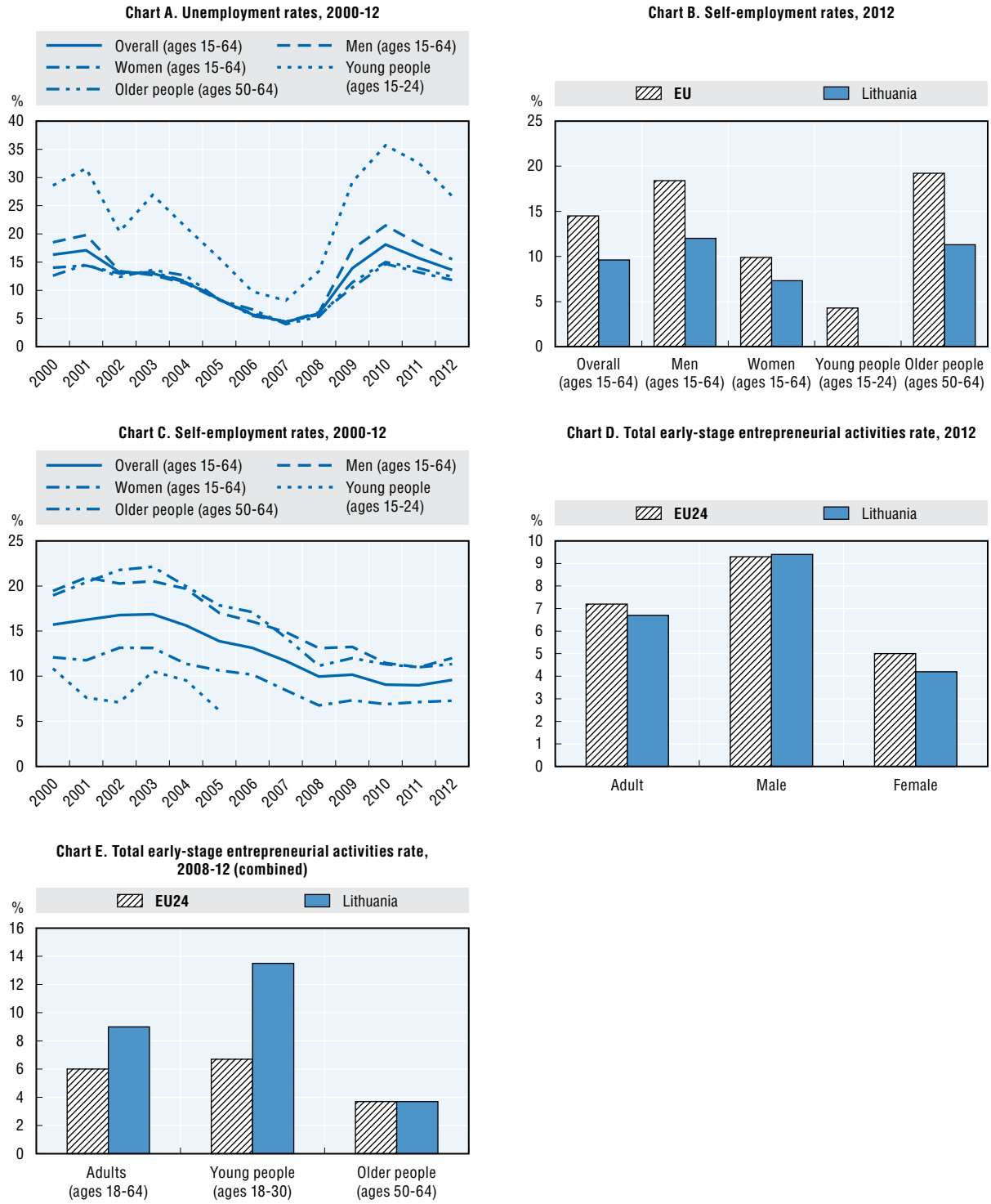
Approach: The project is implemented by *Versli Lietuva* (Enterprise Lithuania), a non-profit agency under the Ministry of Economy. Vouchers are distributed to people under the age of 29 who attend entrepreneurship promotion events organised by *Versli Lietuva*. Each person can receive only one voucher and they can be used to "purchase" public business development support services from designated providers for up to LTL 6 000 (approximately EUR 1 740). To use the voucher, the young entrepreneur must establish and register a profit-seeking business within 6 months of receiving the voucher. Services can be "purchased" during the first 12 months following business registration. The voucher entitles young people to consultations prior to start-up (4 hours), post start-up consultations (50 hours) and post start-up training (24 hours). Pre-incorporation consultations include advice on the legal form of the business and assistance with business registration. The consultation services include bookkeeping and accounting, labour law, occupational safety, record-keeping, contracting, licences and permits, business financing, staff regulations, advertising and commercial offers. Training covers support for business financing, marketing, business planning, negotiation, strategic management, labour law and occupational safety and contracting issues. The budget for this project was LTL 1.5 million (approximately EUR 435 000) over two years, and was supported by the European Social Fund.

Impact: From May 2011 to July 2013, more than 5 000 vouchers were distributed and approximately one-third have been used to support a new business start-up. According to *Versli Lietuva*, 98.9% of businesses started-up with the help of vouchers successfully survived for at least one year and a day. For comparison, this indicator was only 63.3% on average throughout Lithuania in 2012.

Conditions for success: The scheme shows the role of vouchers as a way of giving flexible demand-orientated support to young people. The approach, which allows support both in identifying specific areas of need and in giving tailored support, is well-established and could be applied to other disadvantaged groups.

Key inclusive entrepreneurship data

Figure 27.1. **Entrepreneurship and self-employment data for Lithuania**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154901

Luxembourg: *Jonk Entrepreneuren Luxembourg*

Description: The public-private initiative *Jonk Entrepreneuren Luxembourg* (Young entrepreneurs in Luxembourg) aims to increase students' interest in entrepreneurship. It aims to promote entrepreneurship and self-employment as an alternative to paid employment for young people and promote innovative behaviour among young people through a wide range of activities including group projects and "mini companies".

Problem addressed: Young people in Luxembourg prefer the stability and fixed income of working in employment to working in self-employment (Eurobarometer, 2012). With fewer opportunities available in paid employment since the onset of the economic crisis, the project aims to increase entrepreneurship skills among young people to open-up self-employment as a possible route into the labour market.

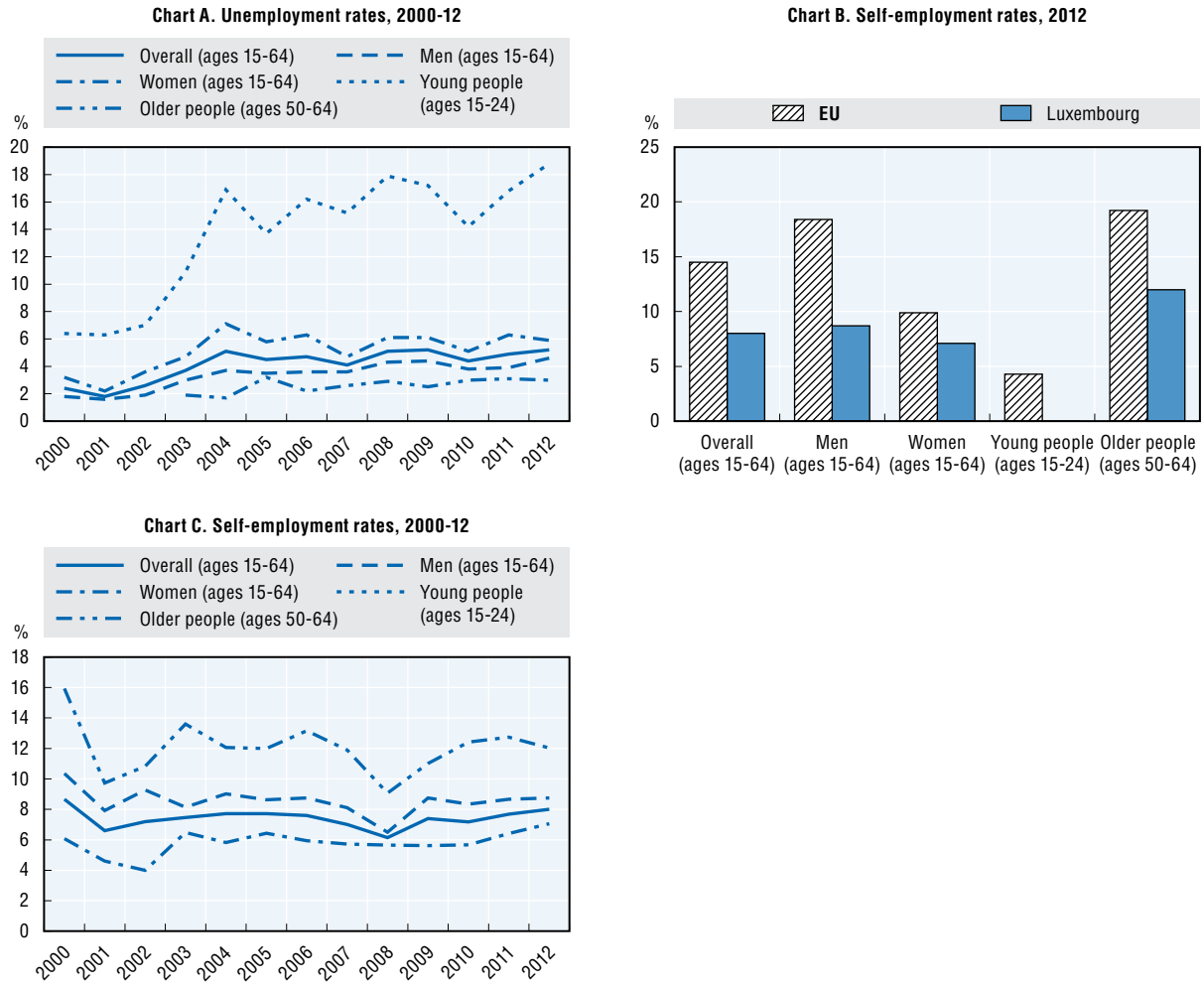
Approach: The non-profit organisation offers tailor-made and practice-orientated training programmes for students that are supported by the private sector and the main professional chambers in Luxembourg providing guidance and expertise. The general approach of the initiative is flexible and interactive with actors from the private sector who provide their expertise on a voluntary basis in workshops. For example, at the primary education level, the initiative "Boule and Bill create an enterprise" teaches young students about business creation and management through the design of a company-related cartoon. At the secondary education level, a total of seven programmes are organised, including information-campaigns such as job shadow days, and awards that reward projects that encourage creativity. In the one-day Innovation Camp, young people are confronted with a business challenge to which they are invited to invent a solution, under the guidance of an expert. Although these programmes have been developed for all levels of education, the focus is place on secondary education in the technical professions.

Impact: While an impact assessment has not been undertaken, the project reaches students through their formal education and annual fairs and entrepreneurship events. For example, the annual fair in 2013 was attended by 400 students from 13 schools. The project has also been successful at raising the profile and awareness about youth entrepreneurship through extensive media coverage.

Condition for success: This programme shows how entrepreneurship in public education can be supported through the availability of expertise provided by companies from the private sector and from professional associations. Success is significant if schools integrate the programmes into their system and communicate these opportunities to the student community.

Key inclusive entrepreneurship data

Figure 28.1. **Entrepreneurship and self-employment data for Luxembourg**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12.

StatLink http://dx.doi.org/10.1787/888933154918

Malta: The Hands-on project

Description: The Hands-on project was designed to develop entrepreneurship skills among students with special needs attending Guardian Angel Secondary Education Resource Centre and Dun Manwel Attard Young Adult Education Resource Centre in Malta. The project provides training for educators at the two schools and supports them in delivering the training programme to students.

Problem Addressed: Students with special needs often experience barriers in entering the labour market as employees and working as self-employed because they often face limitations due to their disability, have lower skill levels and face discrimination (*Kummissjoni Nazzjonali Persuni b'Dizabilita*, 2009). This project fosters an understanding among educators of entrepreneurship which helps students with disabilities become aware of the options that self-employment can offer.

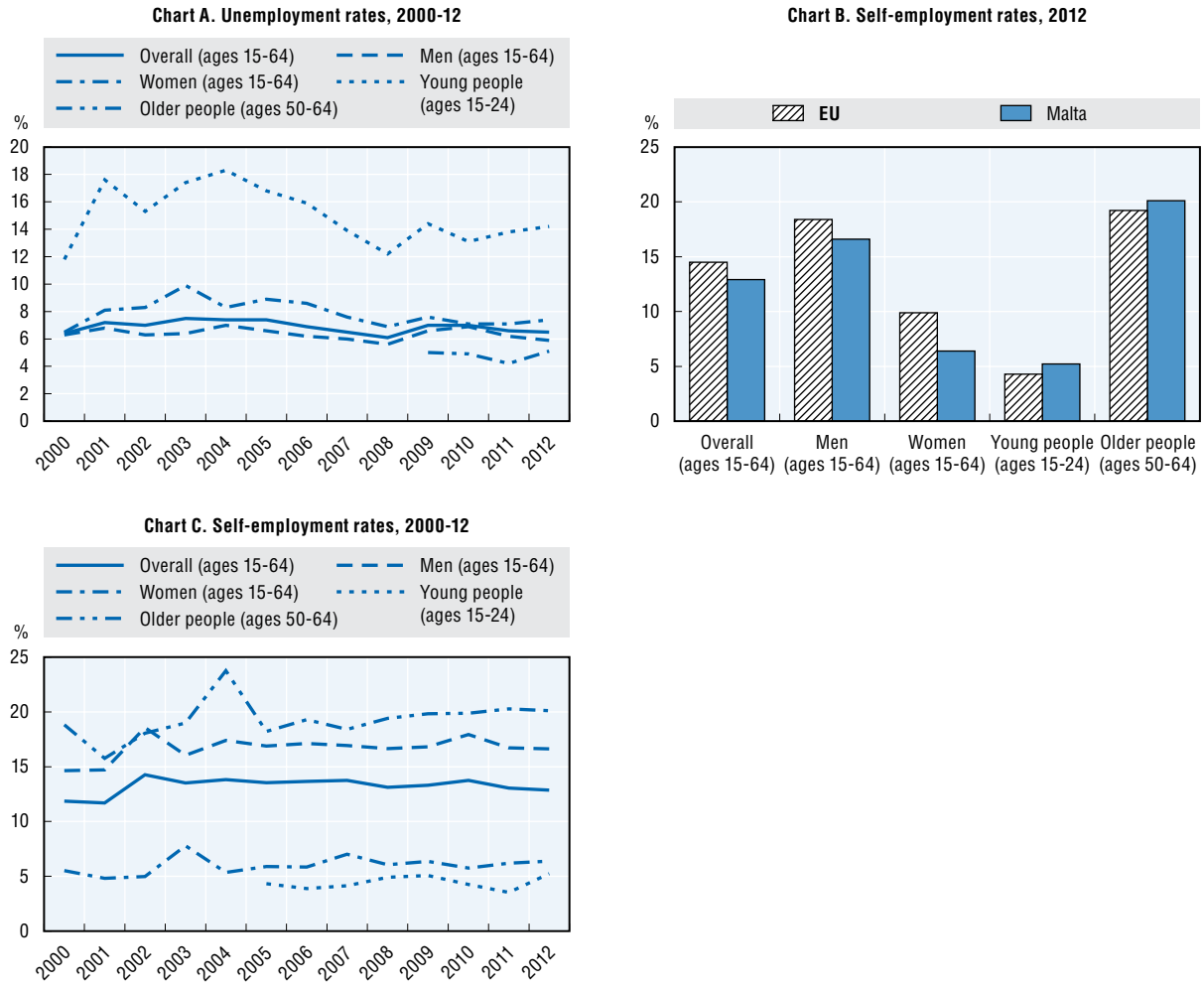
Approach: The first step in developing the project was to design the project to meet students' needs. An assessment was carried out at the Resource Centres of the students' and educators' current entrepreneurship skills and of the climate for creativity and entrepreneurship. It revealed that there was entrepreneurial potential among some of the students, even though the levels of abilities of the students varied considerably. The first step was to provide training and support for teachers. The teachers were encouraged to maximise their students' strengths and they were trained on teaching methods that taught basic entrepreneurship thinking and to help students identify their strengths and weaknesses. Participants learn a number of thinking tools and concepts, such as idea generation, and explore opportunities for marketing and selling products. The project emphasised the development of entrepreneurship skills and attitudes such as creativity, perseverance, risk-taking and self-esteem. The students were given the opportunity to engage in a series of entrepreneurial activities. This included designing, producing and selling of a selection of hand-made products, namely hand-painted canvas carrier bags at Guardian Angel Resource Centre, and hand-made wedding invitations and souvenirs at Dun Manwel Attard Resource Centre.

Impact: Follow-up semi-structured interviews with the project leader and project participants have been used to monitor the project's impact. These interviews indicate that students have been involved in the design of every phase of the project, and that the experience of creating and selling their own products led to an increase in their self-confidence.

Conditions for success: This project illustrates how "hands on" experience is important in entrepreneurship education, particularly for people with disabilities. In order to maximise the impact and benefits of such an inclusive entrepreneurship project, students should be actively involved in planning each phase of the project, from the introductory meetings and training to the design, production, promotion and selling of the products.

Key inclusive entrepreneurship data

Figure 29.1. **Entrepreneurship and self-employment data for Malta**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12.

StatLink http://dx.doi.org/10.1787/888933154923

Netherlands: "IkStartSmart" Gelderland

Description: The programme *IkStartSmart* ("I Start Smart") is an integrated support programme for people in the province of Gelderland who wish to start a business or develop an existing business that is less than 5 years old.

Problem addressed: This programme aims to increase business creation in Gelderland and to support young businesses in their development. Businesses in this province have lower than average survival rates and there are few policy instruments that aim to support start-ups.

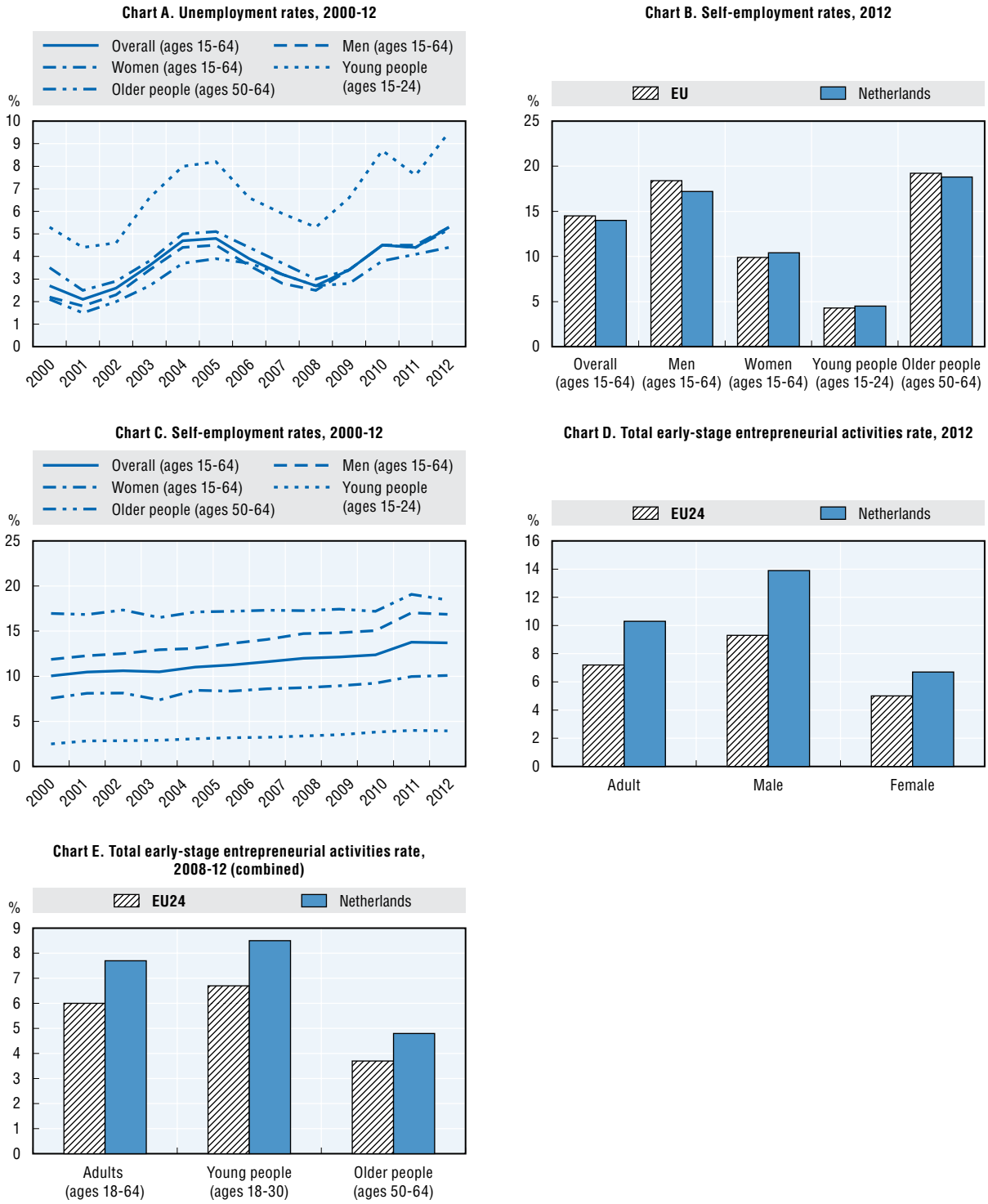
Approach: The *IkStartSmart* (ISS) initiative uses an 8-step scheme to train and support new business owners. First, potential participants attend information meetings that screen their interest and suitability for the support. Following this, participants take a test (*ondernemerstest*) to identify their strengths and weaknesses and the results are discussed with a business advisor from the chamber of commerce (*dianosegesprek*). In this meeting the advisor designs a personal training plan. Coaches are then assigned and their role is defined in collaboration with the participant. The aim of the coach is to support the personal development of the entrepreneur. The business advice stage provides access to more specialised business support experts to provide more technical support than the coaches. This is complemented with training according to the personal plan and networking workshops. The final stage supports access to microcredit, either *Microkrediet* or *Qcredit* which are offered by partner organisations. Participants pay a small fee of EUR 250 for this support.

Impact: A formal evaluation shows that the ISS programme achieved all of its stated objectives (Panteia/EIM, 2011). Though the programme has wide eligibility criteria, namely all those individuals who have had their own company for a maximum of 5 years, regardless of gender, age or background, a significant proportion of entrepreneurs were women and immigrants. The female participation rate is almost double the national rate of women entrepreneurship under this programme, demonstrating that the programme is successful at reaching this particular group.

Conditions for success: An inclusive approach is preferable when developing integrated support programmes, since the main needs of different groups coincide. Moreover, the contacts between them prove useful in shaping a successful business, rather than keeping them separate, which could create stereotypes (e.g. concerning women and immigrants) and delay the inclusion of these groups in the society and in the professional networks.

Key inclusive entrepreneurship data

Figure 30.1. **Entrepreneurship and self-employment data for Netherlands**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154938

Poland: Solidarity between Generations

Description: The government of Poland has a programme entitled Solidarity between Generations: Measures to Increase Labour Force Participation of People Aged 50+. This programme is planned for the years 2009-20 and aims to provide a variety of activities to improve the quality of life for mature people, organised by the public or publicly funded institutions, and including support for entrepreneurship.

Problem addressed: The programme attempts to address the low employment rate of people aged 55-64 and targets an employment rate of 50% for this age group by 2020. Self-employment has been identified as one method of increasing the employment rate for this age group.

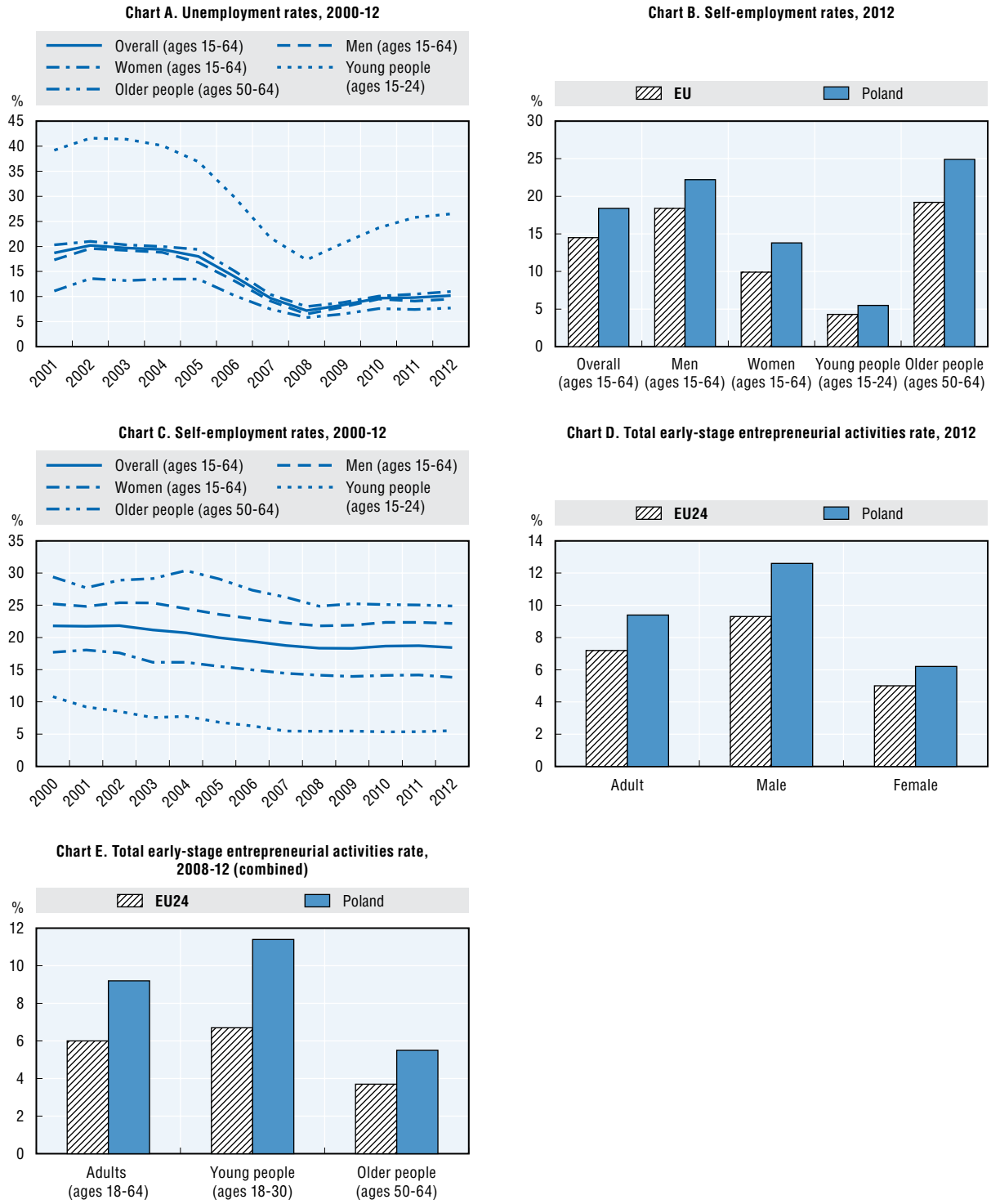
Approach: Solidarity between Generations promotes and supports employment, self-employment, and social entrepreneurship, particularly for those over the age of 55 experiencing problems in the labour market. It includes 44 different actions, including both promotion and development of social entrepreneurship and of self-employment among people over the age of 50. The actions to support self-employment and social entrepreneurship include awareness raising and specific support for those wishing to start business activities such as training and business consultancy. Training includes workshops on business plans and business creation. In addition, financial grants are available, ranging from PLN 20 000 to PLN 40 000 (approximately EUR 5 000 to EUR 10 000), as well as monthly financial support to cover fees associated with doing business, e.g. social security contributions. The overall programme is financed from seven different sources, including 2 EU funds (ESF and EAFRD) and 5 Polish funds, with a total allocation of PLN 17 million (EUR 4 million) over the first 3 years.

Impact: Between 2010 and 2011, 3 695 people benefitted from the self-employment elements of programme, of whom 605 received financial support. However, due to the economic crisis the programme is being implemented much slower than expected and the monitoring of effectiveness was temporally suspended.

Conditions for success: This is a national programme for older people, integrating a wide range of activities, and shows how inclusive entrepreneurship can form a part of broad measures to increase employment and the quality of life for seniors. Promoting employment and self-employment of people aged 50+ implies a change in the perception of mature people by Polish society and vice versa, so the connection of actions to promote entrepreneurship with other actions of a more general nature should show some synergy in their long-term impact.

Key inclusive entrepreneurship data

Figure 31.1. **Entrepreneurship and self-employment data for Poland**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154949

Portugal: Best form – Boosting entrepreneurship tools for migrants

Description: This project transferred, applied and disseminated a Community-Based Business Support (CBBS) model that was developed in the United Kingdom. It was developed and co-ordinated by *Sociedade Portuguesa de Inovação* (SPI) and ran between 2010 and 2012. The focus of the project was to support entrepreneurship activities by immigrant communities by improving the abilities of business advisers to address specific challenges faced by the immigrant communities and training new business advisers who come from immigrant communities.

Problem addressed: The growing immigrant population in Portugal has faced high unemployment since 2008. A needs assessment suggests that the immigrant community has lower skills levels that the native population and that migrant entrepreneurs often do not seek formal business support. Therefore, the project attempts to improve the take-up of public support services for migrant entrepreneurs.

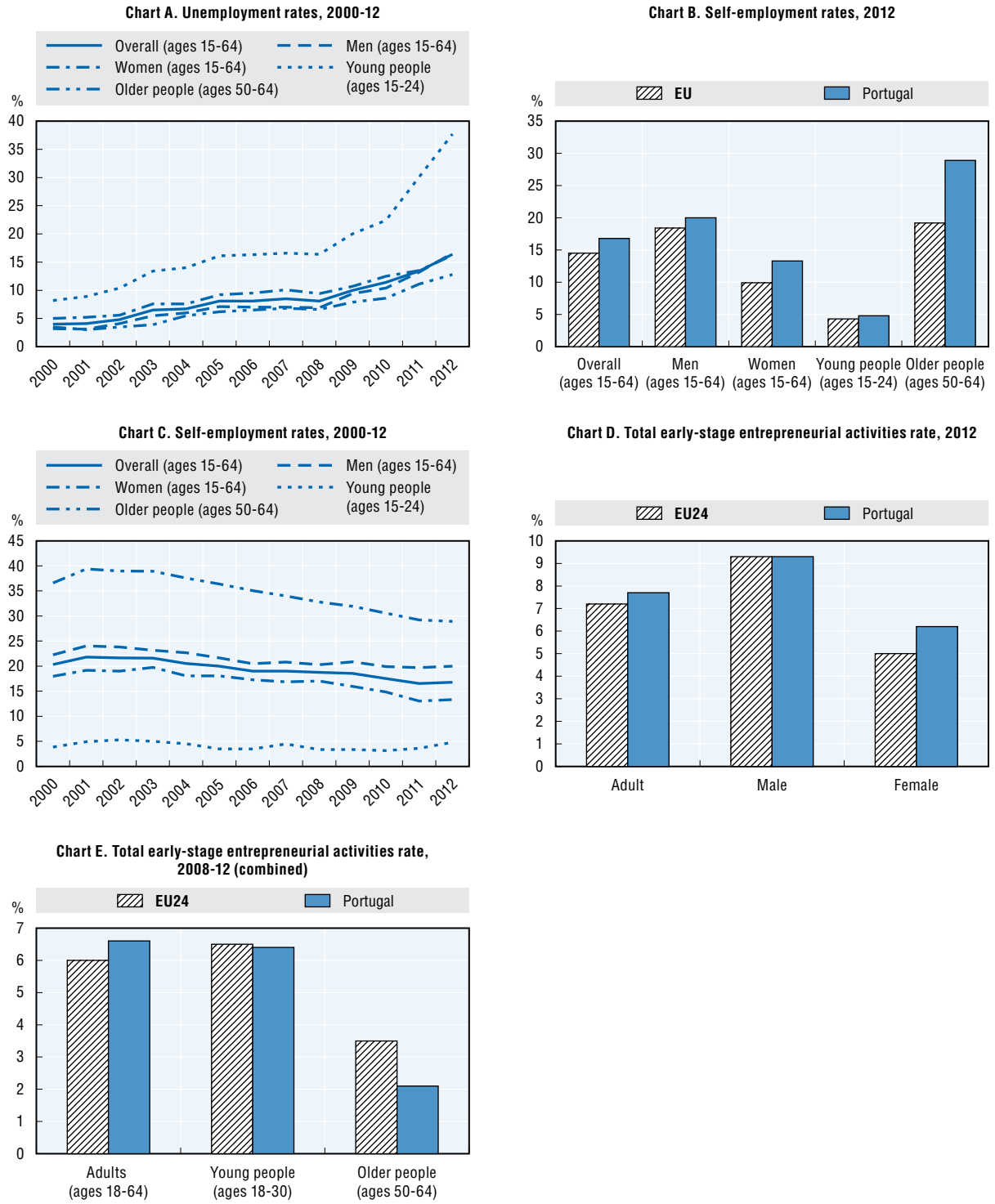
Approach: Best Form was developed by a consortium of 8 institutions across 7 EU member states. Best Form trained business advisors from immigrant communities who are already acting as business coaches and advisors, as well as mainstream business advisers who were willing to enhance their cultural and/or interpersonal skills to deal with immigrant entrepreneurs. A set of training tools was developed, including a support handbook (i.e. self-study manual), a guideline handbook (i.e. an aid for trainers to implement training sessions) and an interactive learning tool. These tools included support materials for the implementation of workshops as a full training package. All of the tools are available online and are translated into Portuguese, English, German, Italian, Polish, Romanian and Spanish. The project was funded through the European Union Lifelong Learning Programme with a total budget of EUR 280 000 over 2 years.

Impact: The project evaluation performed as part of the project indicated that an important added value of the pilot course was that it improved networking opportunities between professionals and organisations with different skills. Additionally the feedback received from the workshop participants (6 months after participation) indicated that they were implementing the training and content learned from the workshop in their daily work.

Conditions for success: This programme shows an effective approach to training advisors from within immigrant communities. It is clear that a preliminary assessment of the specific local needs should be made to adapt the approach and address any specific context issues.

Key inclusive entrepreneurship data

Figure 32.1. **Entrepreneurship and self-employment data for Portugal**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154954

Romania: A chance for those in rural areas

Description: This 3-year project started in August 2010 and aims to promote entrepreneurial culture in rural areas by creating conditions for the development of profitable non-agricultural enterprises. This project covers the rural areas from the North-West Region and Centre Region of Romania and is implemented by two partner NGOs, Maramures Center for Development of SMEs and Harghita Center for Innovation and Business Incubation. Eligible participants are unemployed people who have worked in subsistence agriculture.

Problem addressed: Rural areas in Romania are much less developed than urban areas and have traditionally relied on subsistence agriculture. This project aims to stimulate business creation in rural areas to promote the sustainability of these communities.

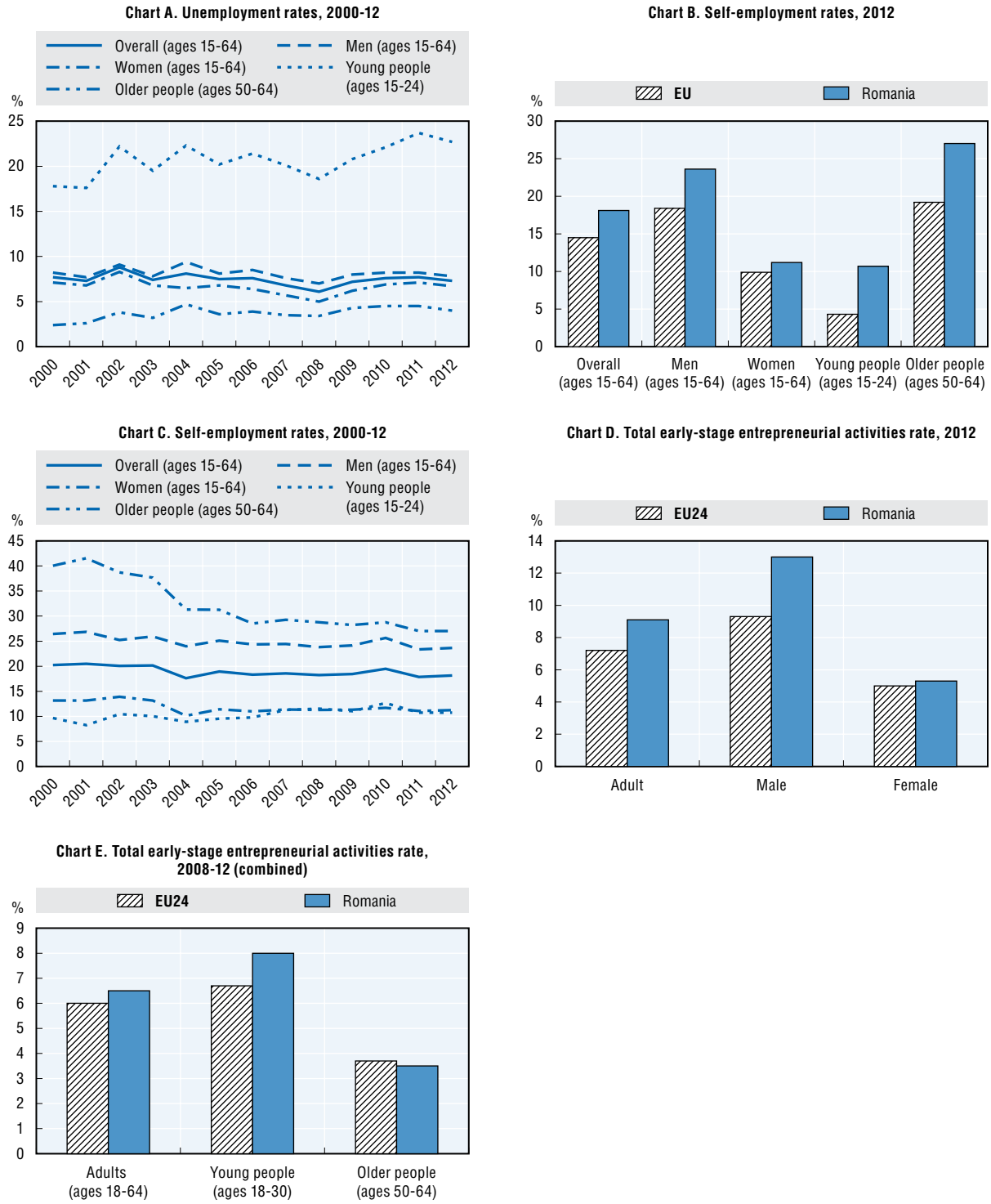
Approach: This project uses an integrated approach that includes information provision, entrepreneurial and management training, consultancy and advisory services and other services such as promoting rural businesses and an online portal that provides labour market information. The project started with background research on employment in subsistence agriculture in rural areas, and on business opportunities in non-agricultural activities. This was followed by an information and awareness campaign on employment opportunities in non-agricultural areas aimed at students in the last year of high school, people employed in subsistence agriculture and women. As a result of the information and awareness campaign, participants registered for the training projects. Each participant signs a contract that affirms their commitment to complete the training programme, attend all sessions, and write a business plan for evaluation. Following entrepreneurship training, participants and others in the rural community can access free business counselling and assistance for starting a self-employed activity or starting a business. The total budget was RON 5.5 million (approximately EUR 1.3 million) almost all of which came from the European Social Fund and the Romanian government.

Impact: The project organised 32 promotional seminars, 8 entrepreneurial training sessions and 4 managerial training sessions. These training sessions were attended by 232 people. It also provided business consultancy 288 start-up projects and 40 new businesses were created.

Considerations for success: This programme is an example of integrated support in a rural area. Its success has depended on favourable government policies for rural entrepreneurship; strong partnership with local public administration to establish the contact with rural communities (which are usually fairly closed); and, importantly, programming courses during the autumn and winter when people living in rural areas are not engaged in agricultural work. The Internet portal has been important for sharing and accessing information about business and job opportunities, but this is, of course, conditional on increasing the availability of the Internet in rural areas.

Key inclusive entrepreneurship data

Figure 33.1. **Entrepreneurship and self-employment data for Romania**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154965

Slovak Republic: REGIONFEMME

Description: REGIONFEMME is a project aimed at the support and training of women entrepreneurs in the western region of the Slovak Republic, near the Austrian border. The project operated between 2009 and 2013 and provided education and training, as well as business counselling. It was implemented in co-operation with the Slovak Chamber of Commerce and Industry – Bratislava Regional Chamber of Commerce and the Association of Women in Business. The project also partnered with the *Wirtschaftskammer Wien* in Austria.

Problem addressed: The proportion of women that are active in entrepreneurship in the Slovak Republic is among the lowest in the EU. Approximately 28% of the entrepreneurs are women, in comparison with Austria where the proportion is approximately 42% (GEM, 2012). Furthermore, only 30% of SMEs include women in the top management positions. Women in the Slovak Republic are also less likely to identify opportunities to start a new business than men, and have significantly higher fear of failure (GEM, 2012). Furthermore, a significantly lower percentage of women in comparison to men believe they possess the adequate knowledge, skills and experience to start a new business. The project aimed to stimulate entrepreneurship activities by women.

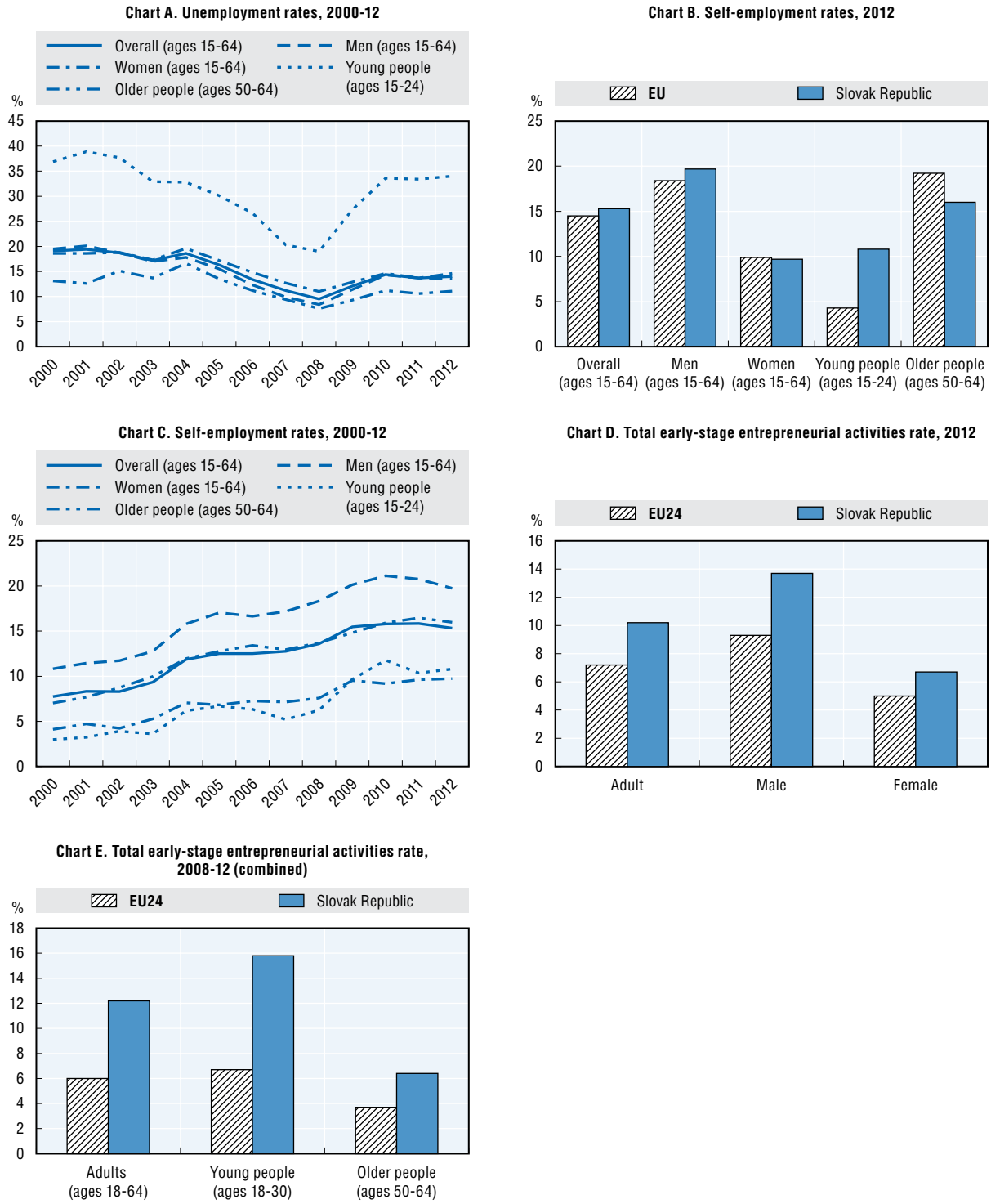
Approach: The project focused on entrepreneurial opportunity awareness and the development of management skills. It provided seminars on the regulatory environment and seminars on business management and cross-border commerce. More than 900 participants attended 17 seminars. A number of supports were available to those women who were ready to implement their business ideas. One was start-up consultations, which were provided by the chambers of commerce on both sides of the Slovak Republic-Austrian border. 140 women took advantage of this support. Other start-up supports included networking events, start-up academies and academies for women entrepreneurs, which focussed on the process of starting a business, accessing information and surviving the initial start-up period. All of these supports were provided free-of-charge to participants and most services were offered in Slovak or German. German language courses were also offered for Slovak women entrepreneurs.

Impact: Although there has been no formal impact evaluation, feedback from participants in the project's activities has been largely positive. In all 2 200 women participated in the project. From the 900 seminar participants, more than 30% expressed a desire to start a new business. From the participants of the start-up academies, in Bratislava 33 out of 50 participants started their own businesses while in Austria 23 out of 57 participants did so.

Conditions for success: REGIONFEMME addresses what is seen to be a national and regional necessity. The international co-operation and exchange of know-how and experience is of importance in the Bratislava region where women entrepreneurs can seize opportunities on each side of the border. The co-operation with regional Chambers of Commerce was important for the project, because they not only possess necessary information for women starting business, but also are able to provide experts in needed areas, as well as networks of contacts of established business women that are able to transfer their practical experience and are a great example to new women entrepreneurs.

Key inclusive entrepreneurship data

Figure 34.1. **Entrepreneurship and self-employment data for the Slovak Republic**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154973

Slovenia: Entrepreneurially into the world of business 2013

Description: The project Entrepreneurially into the world of business 2013 was implemented in the framework of the Operational Programme for Human Resources Development for 2007-13. The project uses a combination of mentoring and training to help participants to acquire the core skills to launch and develop their business ideas. The target group for this project are highly educated unemployed individuals in Slovenia under the age of 35 who have a higher education, masters or doctoral degree, regardless of school or study programme.

Problem addressed: The youth unemployment rate was 23.6% in the first quarter 2013 and young people face increasing difficulty entering the labour market. While entrepreneurship offers one route into the labour market for youth, there has been a decrease in the number of young people starting businesses in Slovenia, especially among highly educated youth (Rebernik et al., 2013).

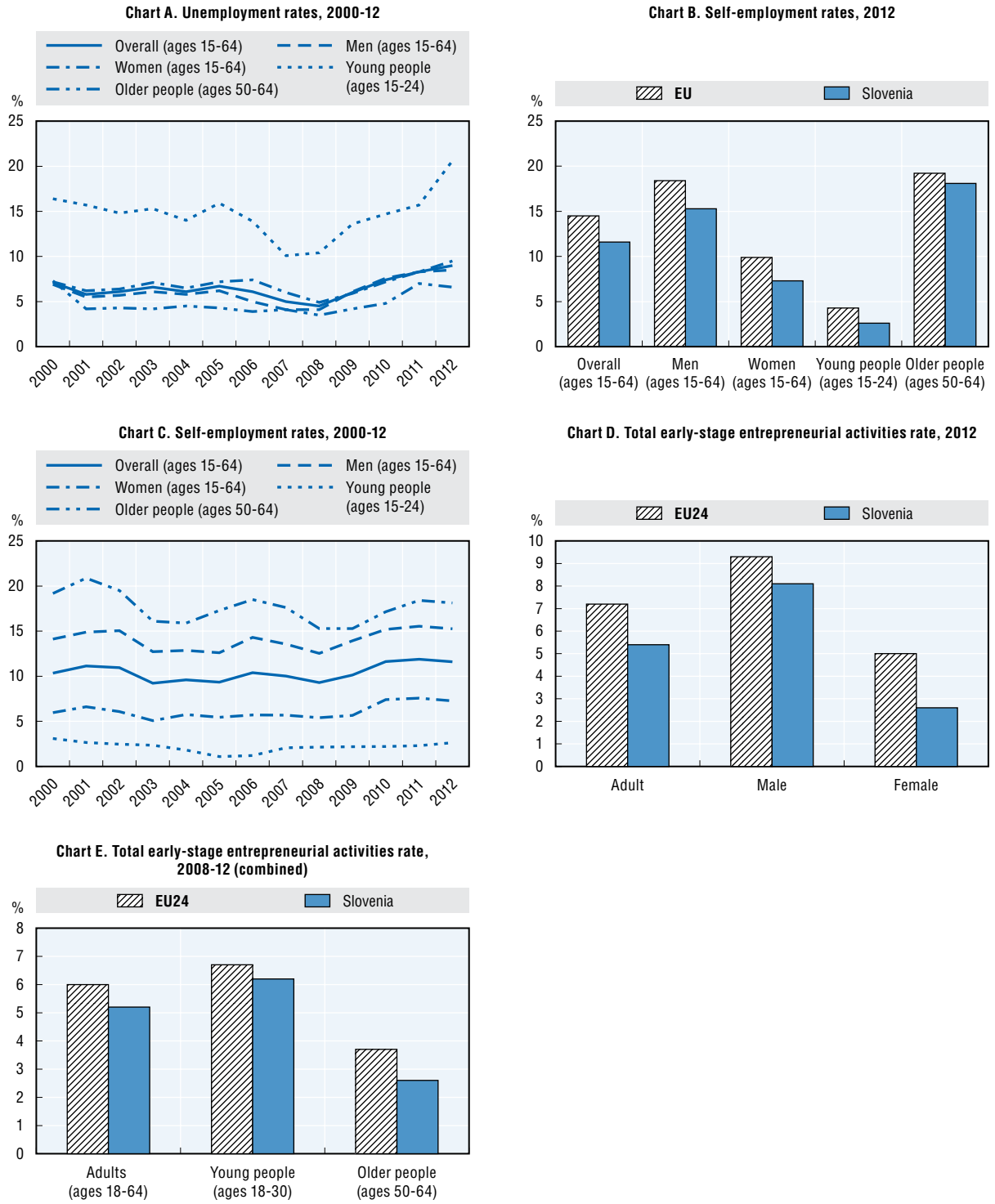
Approach: The project was the result of a successful regional project between 2009 and 2012 in the Zasavje area. The project was scaled-up to the national level in 2013 with a budget of EUR 3.89 million, 85% funded by the European Social Fund. In the national project, each of the 12 regions selects 2 groups of 10 participants who already have business ideas through an interview process. Selected participants are provided with a 5-month paid internship in the public service. However, rather than working as an employee, the interns receive entrepreneurship training, assistance in the development of business plans and mentors who help them implement their business ideas. Nonetheless, participants receive a small income while on the internship. A total of 754 unemployed young people registered for the first call for participation (January 2013) in of the 2013 programme. Of these, 130 were selected for the programme, 10 for each region. Following a second call later in the year, the number increased to around 250. It is expected that more than 720 youth will participate in the project in 2014.

Impact: The first set of 13 groups of 10 people showed a 36.2% success rate in starting a business at the end of their internship. More than half of the most recent cohort of participants was successful at entering self-employment.

Conditions for success: This is a project which shows how internships or employment can be used to provide a stable income and assistance for young people in the development of their business ideas. A critical success factor is the strength of the network of Regional Development Agencies.

Key inclusive entrepreneurship data

Figure 35.1. **Entrepreneurship and self-employment data for Slovenia**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154984

Spain: *Programa operativo de la Comunidad Foral de Navarra* 2007-13 (Support for self-employment in Navarra 2007-13)

Description: The aim of this scheme is to engage unemployed people in self-employment. The programme provides training, technical advice and financial support to launch a new business (up to EUR 10 000) for unemployed individuals who invested at least EUR 12 000 in long-term assets in the previous 6 months.

Problem addressed: Navarre is a region of near 600 000 inhabitants and Gross Domestic Product (GDP) per capita fell from EUR 29 917 to EUR 29 071 between 2007 and 2012. Although the unemployment rate in the region (16%) was lower than the overall rate for Spain (25%) in 2012, it remained high relative to other EU countries. Incentive programmes for self-employment are under-utilised by unemployed people in disadvantaged groups (i.e. youth, seniors, people with disabilities, women and ethnic minorities). The aims to stimulate economic activity and job creation by providing training and financial support for those interested in self-employment.

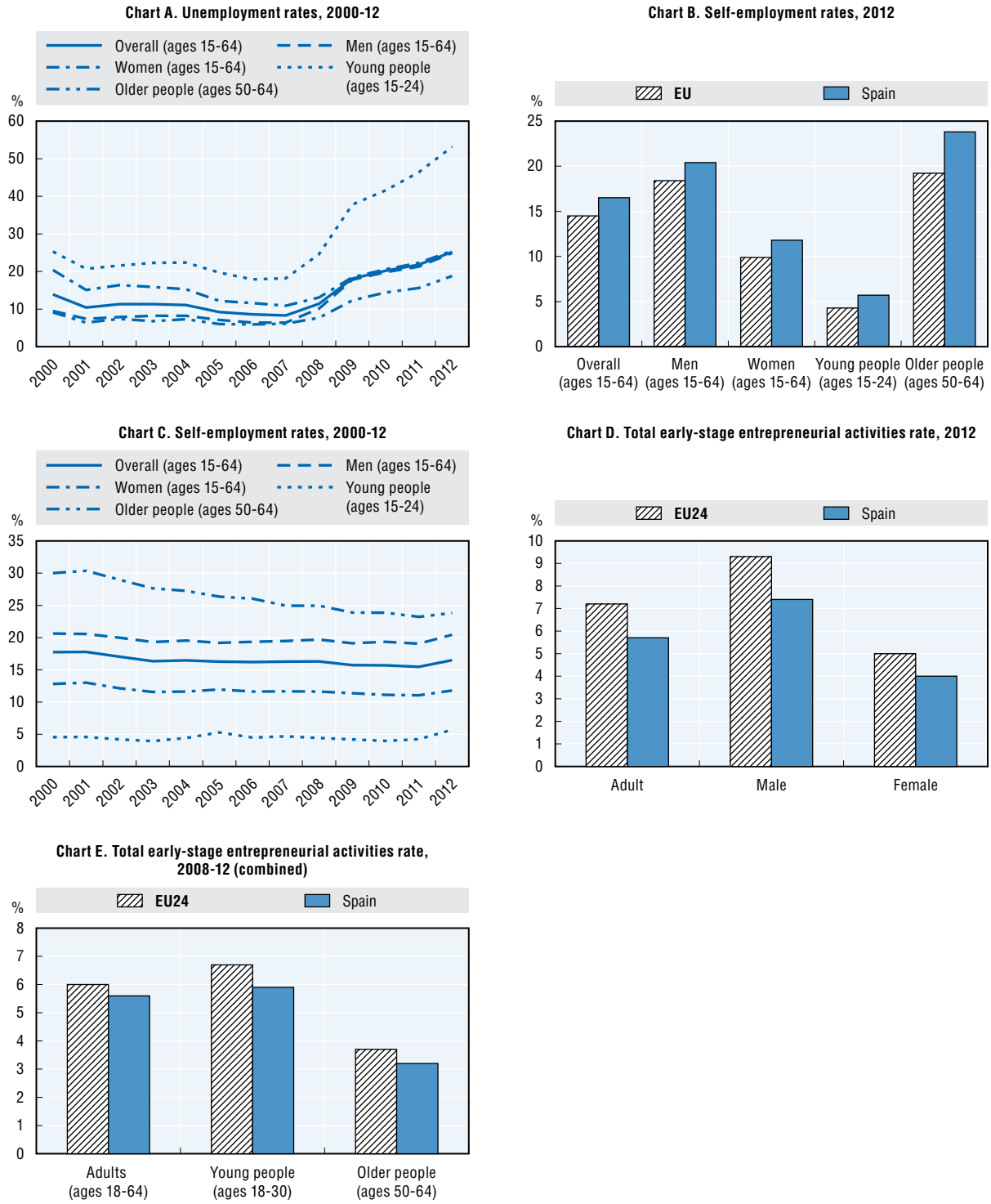
Approach: Potential participants apply to the Public Employment Service (PES) of Navarra and they must be registered as unemployed jobseekers for at least 3 months prior to the application. Once accepted into the scheme, participants must be involved in new start-up activity for at least 3 years following start-up. The recipient also must be registered in the social security system and maintain their invested assets over the 3 years. Direct financial support is available depending on individual circumstances. Unemployed people are eligible to receive up to EUR 5 000 and those with disabilities can receive up to EUR 10 000. The scheme's financial support cannot be co-financed with benefits coming from other programmes. Non-financial support includes training for self-employment, where up to 75% of the training cost are covered, up to a maximum of EUR 3 000. In addition, technical advice for self-employment is available, also covering up to 75% of the costs up to a maximum of EUR 2 000. The total budget for the programme is EUR 5.2 million and 50% of the budget is provided by the European Social Fund.

Impact: Nearly 500 unemployed individuals benefited from the programme during the last 3 years. This group represent about 0.5% of the newly self-employed people during 2010-12. More than half of the recipients of the support were female and more than 10% were young unemployed.

Conditions for success: This programme has yet to be formally evaluated, but demonstrates a demand for financial support from the unemployed, even when they have to provide some part of the cost themselves. It will be important to follow up the programme after three years in order to determine how well participants maintained their commitments to remaining self-employed.

Key inclusive entrepreneurship data

Figure 36.1. **Entrepreneurship and self-employment data for Spain**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933154994

Sweden: Ambassadors for women's entrepreneurship

Description: This project is one element of a more general policy to increase women's interest and participation in entrepreneurship. The project aims to increase general knowledge on women's entrepreneurship in society so that more women will create businesses. It is aimed at experienced (i.e. ambassadors) and potential women entrepreneurs, as well as the general public. The project includes a variety of actions, focussing on a group of women entrepreneur role models.

Problem addressed: Women, in Sweden as elsewhere, constitute a minority part of the pool of entrepreneurs (approximately 35%). It is not only for the supply of entrepreneurship that this has a consequence. Not only are women under-represented, but that the sectors in which women are more likely to start businesses (i.e. services and trade) are under-represented among new ventures. Since the traditional image of entrepreneurship and of entrepreneurs is male-gendered, this programme is important to increase the visibility of women as entrepreneurs. The ambassadors' function is to be role models, especially for young women aspiring to become entrepreneurs.

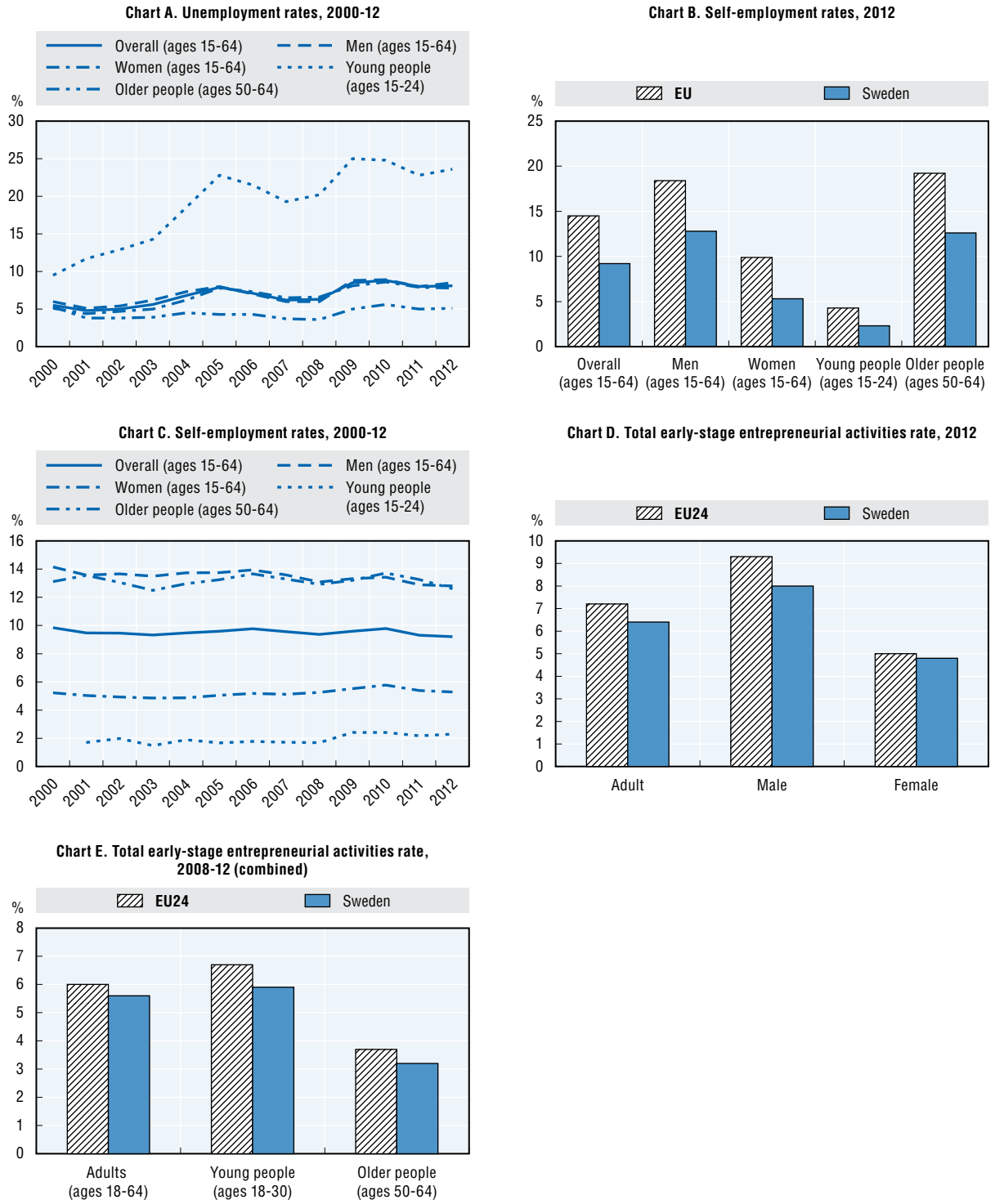
Approach: The project is national in scope and ambassadors are selected in all 21 counties, representing different business sectors. As role models, each ambassador agrees to carry out approximately 4 voluntary assignments during a year, speaking at schools, universities, and other organisations welcoming study visits or holding personal meetings with women considering starting a business. Since 2008, more than 800 women entrepreneurs were selected to be Ambassadors for Women's Entrepreneurship. The ambassadors receive no reimbursement for travel costs and are not paid for their contributions. The Swedish Agency for Economic and Regional Growth implements and co-ordinates the activities within the programme, including the selection and training of the ambassadors. The Ambassadors project is a part of a broader programme focused on increasing women's entrepreneurship. The budget for the overall programme is SEK 100 million a year (EUR 11.3 million) with only SEK 6 million a year (EUR 680 000) going to the ambassadors programme.

Impact: Since 2008 the Ambassadors for Women's Entrepreneurship have met in total 127 000 people, presenting themselves and their companies. After the initial project period (2008-11), a report was written on the short-term effects of the project. Increased visibility of women's entrepreneurship was demonstrated in the media and public interest in the project. For example, more than 400 articles in newspapers and magazines reported on the project in 2010.

Conditions for success: The project illustrates a successful approach for using volunteers in promoting and supporting entrepreneurship among disadvantaged and under-represented groups. Its success is largely due to the low level of commitment required by volunteers and the national scope of the project, which ensures a broad reach. The ambassadors invest time and cover their own expenses and in return, they get to give back to the community and develop their networks. They may also benefits from media exposure. This win-win situation is central in the programme, which has been transferred within the EU and there are good possibilities to transfer it to other contexts.

Key inclusive entrepreneurship data

Figure 37.1. **Entrepreneurship and self-employment data for Sweden**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

StatLink http://dx.doi.org/10.1787/888933155002

United Kingdom: Local Enterprise Growth Initiative (LEGI) programme

Description: The Local Enterprise Growth Initiative (LEGI) programme ran from 2006 to March 2011. It aimed to release the economic and productivity potential of the most deprived local areas in England through entrepreneurship and investment and thus boosting local incomes and employment opportunities to build sustainable communities. The programme was based on national funding being provided to 20 deprived areas following a competitive tendering process. A local authority was eligible to apply for LEGI funding if it ranked among the 50 most deprived local authorities areas against the 2000 or 2004 Index of Multiple Deprivation indices. All bidders were required to provide an integrated support package and while the offerings varied widely, they often included a variety of support to enterprise and employment such as enterprise education, support with franchising opportunities, cluster and sector development, increased access to public procurement opportunities and attracting investment.

Problem addressed: The key market challenges that LEGI aimed to address included high start-up costs and other barriers related to markets in deprived areas, such as lack of access to finance for business creation (Lee and Cowling, 2012). Other barriers for start-ups in deprived areas include low workforce skill levels, little entrepreneurial culture, difficulty for small and medium-sized enterprises to access public procurement opportunities and a lack of corporate engagement with local populations.

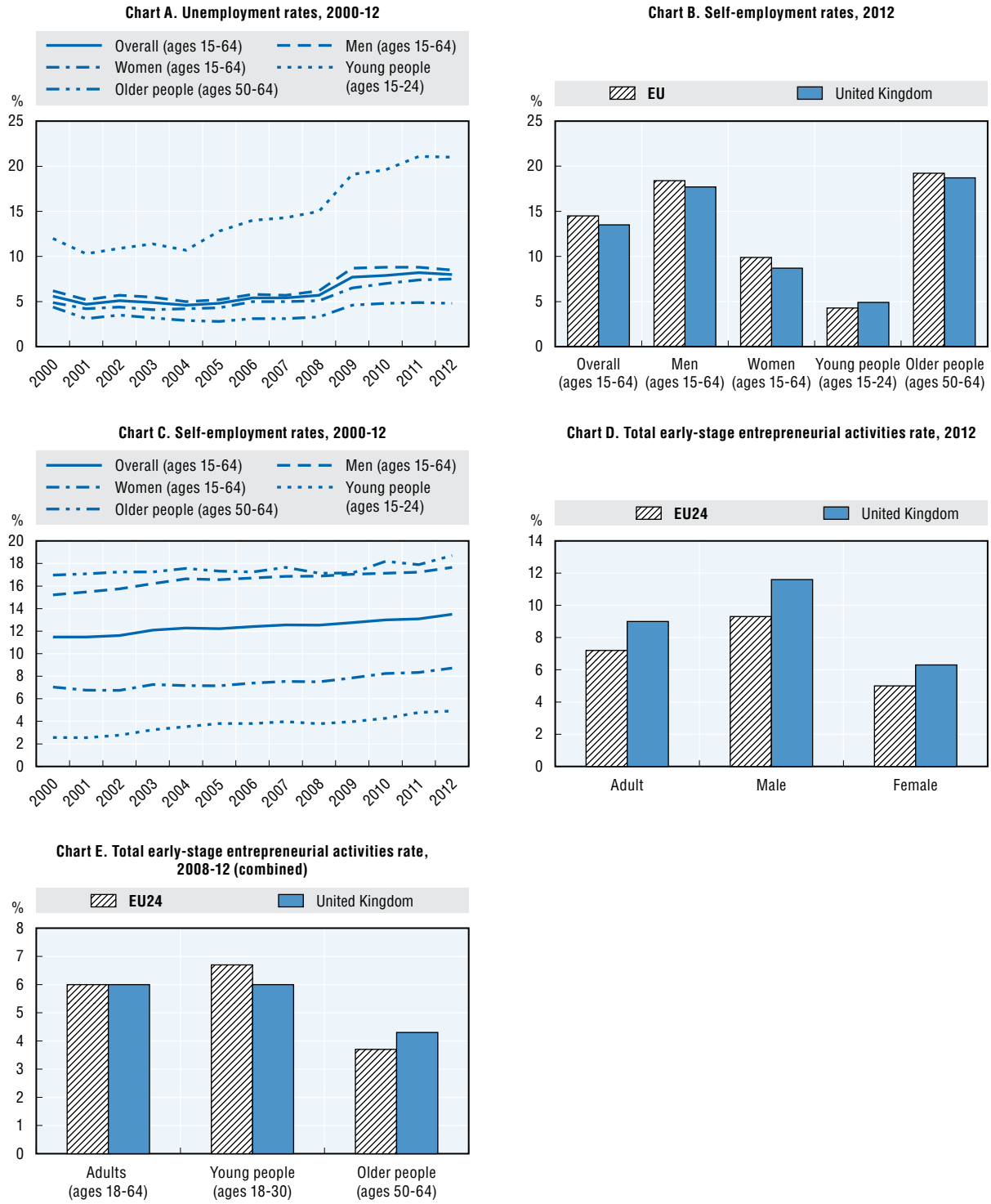
Approach: The scheme aimed to support enterprise and employment creation by allowing local authorities the opportunity to experiment with innovative approaches. It recognised the need for flexible strategies to be designed and implemented by local partnerships of local authorities and private and voluntary sector organisations given the very different contexts of deprived areas. Local partnerships, led by local authorities, had to bid for a limited funding pot and bids were chosen on overall coherence rather than specific targets. Between 2006 and December 2009, the scheme's spending breakdown was 31% on business growth, 29% business start-ups, 19% on skills development and 10% on improving and promoting the areas.

Impact: A final evaluation was published in December 2010 (Amion Consulting, 2010) and a key finding was that the gap in business start-up rates between the LEGI areas and the national rates narrowed between 2006 to 2009-15 of the 20 LEGI programme areas performed better than the England average in terms of business formation. Econometric difference-in-difference analysis showed a statistically significant increase in performance in LEGI areas in terms of business formation rates. A Value for Money analysis found that the benefits of the programme (as measured by net additional Gross Value Added) exceeded the total public sector costs. An independent analysis however suggested that there were significant displacement effects in adjacent areas (Einiö and Overman, 2012).

Conditions for success: Success factors noted in the final evaluation included the flexibility allowed to local consortia of public, voluntary and for-profit sector organisations to design a strategy tailored to their unique context and work together for the long-term benefit of their community, ensuring that LEGI programmes were additional to and did not duplicate existing provision, lack of a rigid nationally-determined performance targets framework which enabled innovation and the testing of new approaches, and the use of inclusive and "intensive" client support enabling the engagement of vulnerable groups.

Key inclusive entrepreneurship data

Figure 38.1. **Entrepreneurship and self-employment data for the United Kingdom**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.

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Glossary

Active labour market measures: Measures to assist the unemployed and others to participate in the labour market. These measures typically include job brokering (matching vacancies and job seekers), training (to upgrade and adapt the skills of job applicants), and direct job creation (either public-sector employment or subsidisation of private-sector work).

Business counselling: This business development service provides professional advice. A common approach to offering business counselling services as part of integrated support schemes and make business counselling as a condition for receiving financial support.

Business development support services: These are services that aim to improve the performance of the enterprise by improving its ability to compete and access markets. Support services include training, mentoring, coaching, consultancy, marketing assistance, information, technology development and transfer assistance and networking. Both strategic (medium to long-term issues that improve performance) and operational (day-to-day issues) are included.

Business start-up indicators: A set of quantitative measures that indicates the number of people that move from thinking about starting a business to realising the creation of a registered business. In other words, these indicators relate to business start-up, which is the point where entrepreneurial ideas become reality and firms make an economic contribution. Policy makers can use these indicators as one measure of entrepreneurial culture.

Business operation indicators: A set of quantitative measures that indicates the number of people that have established on-going business operations. Examples include number of businesses, turnover, export levels, employees, etc. Policy makers can use such indicators to measure the stock of entrepreneurs and businesses in an economy.

Coaching: A typically short-term relationship aimed at developing the skills of an entrepreneur. It is a collaborative process, in which the participants have clearly defined roles. The coach is responsible for developing short-term goals and guiding the coachee towards the goal by providing constructive feedback. The coachee is responsible for generating ideas and options, taking action to achieve the goal, and reporting progress.

Collateral assets: Assets required of borrowers by lenders to issue a loan. They usually include goods (real estate, vehicles, etc.) that can be seized, totally or partly, by the lender in the event of loan default.

Dead-weight costs: The extent to which participants would have set up a new business without the subsidy or support. Since behaviour of these "deadweight participants" is unaffected by the scheme, their participation does not contribute to economic value but involves a public outlay. The social cost of this outlay is the sum of the distortionary cost or excess burden of the tax that finances it and the expenses to cover arrangement costs.

Displacement effects: The extent to which subsidised businesses take business from and displace employment in existing, unsubsidised business.

Disabled entrepreneurs: Entrepreneurs with a disability. The vast majority of disabled people have "hidden" disabilities, including mental health conditions, chronic pain and muscular/skeletal conditions. A very small proportion has obvious disabilities, such as wheelchair users or visually impaired people. Many countries have now identified systemic barriers against people with disabilities such as negative attitudes and exclusion by society (purposely or inadvertently).

Disadvantaged groups: Those facing additional barriers to full participation in the labour market and society. Disadvantage often originates from individual characteristics such as limited experience of business, low levels of qualifications, or limited social capital, but the disadvantage may be linked to shared characteristics across a group. As a result, disadvantaged groups face intentional or unintentional discrimination.

Economic participation: A measure of the active portion of an economy's labour force. The economic participation rate refers to the proportion of people who are either employed or are actively looking for work. People who are no longer actively searching for work are not included in the participation rate. An individual's circumstance will affect their likelihood of being in work or seeking work. For example, those in education or retirement are often not looking for work and are therefore excluded from activity rates. During an economic recession, the participation rate typically decreases as many workers become discouraged with the lack of opportunities in paid employment and stop looking for work.

Entrepreneur: A person (business owner) who seeks to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets (see the OECD Entrepreneurship Indicators Programme). It is possible to behave in an entrepreneurial manner in the public sector, in a social enterprise, or as an employee within a business.

Entrepreneurship skills: A combination of technical skills, business management skills and personal skills required for starting and operating in business and self-employment. For example, they include team building, negotiation, strategy development, financial planning, and marketing.

Established Business Ownership Rate: This measures the proportion of the adult population that are currently owner-managers of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. This measure was develop by the Global Entrepreneurship Monitor and helps inform on the level of entrepreneurship activities in an economy.

Ethnic minority entrepreneurs: Ethnic minority entrepreneurs are those born in their country of residence, belonging to an ethnic minority group and retaining strong links to their ethnic culture. Immigrant entrepreneurs have migrated to another country. They may be from the same ethnic group as the majority of residents in the country but are unlikely to be as familiar with its rules, culture and institutions.

Evaluation: The objective of evaluation is to measure the relevance, impact, effectiveness and efficiency of a programme or policy action. Evaluations can be qualitative, quantitative or a combination of the two. Successful evaluations are planned during the policy design and indicators are collected throughout the implementation to feed into the evaluation. Evaluation should be designed and implemented in ways that provide useful

information to decision-makers, given the political circumstances, programme constraints and available resources. Results of evaluation should be used to improve policy design.

Financial exclusion: Lack of, or limited, access to financial services. For example, those without a bank account pay more for their utility bills, and those without collateral are charged much more for loans. Financial exclusion increases the likelihood of poverty.

Inclusive entrepreneurship: Entrepreneurship that contributes to social inclusion and give all people an equal opportunity to start up and operate businesses. Target groups are those who are disadvantaged and under-represented in entrepreneurship and self-employment, including youth, women, seniors, ethnic minorities and immigrants, disabled people and many other groups.

Incubators: Business incubators are facilities designed to support the creation and growth of entrepreneurial companies through an array of business support resources and services, offered both directly in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organisational structure, and in the types of clients they serve. While virtual/online incubators exist, most programmes host start-up companies on their premises for a limited period of time. Successful completion of a business incubation programme increases the likelihood that a start-up company will survive and grow.

Islamic Finance: Financing activity in compliance with Sharia law that forbids the charge of interest rates by lenders on borrowers. Lending is not ruled out, but lenders are treated as stakeholders. It has so far been more commonly used by large investment funds than to support entrepreneurs.

Loan guarantee: Commitment by a third party to cover part of the losses related to a loan default. It can be provided by the government and/or or by a private business association. It is backed up by a fund acting as collateral.

Mentoring: Mentoring is a professional relationship in which an experienced person (the mentor) assists another (the mentoree) in developing skills and knowledge that will enhance the less-experienced person's professional and personal growth. These relationships are typically more long-term than the coaching relationship.

Microcredit: Small-sized loans to borrowers who find it difficult to obtain credit from traditional banks. It consists in small sums generally at higher interest rates than those available at traditional banks to reflect the riskier profile of the borrower. In the EU, the microcredit threshold is set at EUR 25 000.

Nascent Entrepreneurship Rate: The proportion of the population that is actively involved in setting up a business they will own or co-own. This business has not paid salaries, wages or any other payments to the owners for more than three months. It is one of the measures developed by the Global Entrepreneurship Monitor to quantify entrepreneurship activities in an economy.

New Business Ownership Rate: The proportion of the population that is currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. It is one of the measures developed by the Global Entrepreneurship Monitor to quantify entrepreneurship activities in an economy.

Outreach: A systematic attempt to provide services beyond conventional limits to reach particular segments of a community. Outreach services can be employed to raise the profile of (more mainstream) services and inform people of the provision Outreach services can also be used to reach and engage specific groups and those who do not tend to use mainstream services. One approach is to deliver services in locations where people already go (e.g. community centres, youth centres, places of worship, shopping centres) rather than establishing an office and attempting to attract people to it.

Parallel entrepreneurship: This is when an entrepreneur operates more than one business venture. Businesses can offer complementary goods and services to the same client base, building synergies between the two. Alternatively they can be unrelated businesses that aim to provide a more stable income to the entrepreneur.

Part-time entrepreneurship: Entrepreneurship undertaken on a part-time basis. It is most often part-time self-employment, where a person works less than 35 hours per week on a self-employment activity. Often this form of entrepreneurship is used to supplement other activities such as paid employment, unpaid household work and educational activities.

Pre-business start-up indicators: These measures capture society's attitude towards entrepreneurship and the level of interest that people have in starting a business and are an important policy tool in determining the cultural disposition towards entrepreneurship.

Role models: An experienced entrepreneur who can inspire others to business start-up or self-employment activities.

Self-employment: An employment status where people work in their own business on their own account and receive an economic return for their labour in the form of wages, profits, in-kind benefits or family gain (for family workers). The self-employed may work alone or employ others. They tend to be running their own business as a sole proprietorship, independent contractor, member of a partnership, or a non-incorporated company.

Senior entrepreneurs: Typically categorised as entrepreneurs over 50 years of age, they are also variously known as "grey entrepreneurs", "silver entrepreneurs", "older entrepreneurs", "third age entrepreneurs", "elder entrepreneurs" and "senior-preneurs". They are predicted to play an increasingly important part of economic activity, as populations age and the traditional workforce age cohort declines.

Serial entrepreneurship: The process of successively starting businesses and selling them while they are young rather than operating a business over its full life cycle.

Sign-posting: To make information available to direct potential and actual entrepreneurs to professional sources of information and assistance.

Social capital: Social capital is the value of social networks, which family, friends, colleagues, and business and personal contacts through which opportunities are received. Social capital provides access to knowledge, networks of clients, suppliers and professional support, and can therefore increase an individual's chances of business success.

Social entrepreneurship: Entrepreneurship where the main objective is to have a social impact rather than make a profit for their owners or shareholders. Social enterprises operate by providing goods and services for the market in an entrepreneurial and innovative fashion and use their profits primarily to achieve social objectives. They are managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.

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Social inclusion: Positive action taken to include all sectors of society in economic and social activity. This includes ensuring that the marginalised and those living in poverty have greater participation in decision making which affects their lives, allowing them to improve their living standards and their overall well-being.

Total Early-stage Entrepreneurial Activity (TEA): A measure used by the Global Entrepreneurship Monitor and computed by summing the proportion of the population involved in nascent entrepreneurship activities and those who have started new business within the last 42 months.

Under-represented groups: Those segments in society that are less represented in the enterprise economy than their proportions in the overall population, for example women and people with disabilities.

Work-life balance: A concept involving a proper prioritisation between "work" (career and ambition) and lifestyle (health, pleasure, leisure, family and spiritual development).

Youth entrepreneurs: Entrepreneurs in their late teens and twenties. The exact definition of age range depends on the context. For example, the Global Entrepreneurship Monitor defines young entrepreneurs as those from 18 to 30 years old, while the Flash Eurobarometer focuses on those from 15 to 24 years old.

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OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(84 2014 08 1P) ISBN 978-92-64-21357-9 – 2014

The Missing Entrepreneurs 2014

POLICIES FOR INCLUSIVE ENTREPRENEURSHIP IN EUROPE

This publication examines how public policies at national, regional and local levels can support job creation by encouraging business start-ups and self-employment by people from disadvantaged or under-represented social groups in entrepreneurship. It shows that there is substantial potential to combat unemployment and stimulate social inclusion by promoting entrepreneurship in populations such as women, youth, seniors, the unemployed, and migrants, if the specific problems they face can be addressed and if entrepreneurship policies are opened up to all. Policy discussion in this report focusses on business creation from unemployment, entrepreneurship by ethnic minority groups, business development services for start-ups and the interaction between social security systems and inclusive entrepreneurship policies, and offers the inspiration of existing good practices from across the European Union.

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Consult this publication on line at ***http://dx.doi.org/10.1787/9789264213593-en.***

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ISBN 978-92-64-21357-9
84 2014 08 1 P

9 789264 213579