The Missing Entrepreneurs

POLICIES FOR INCLUSIVE ENTREPRENEURSHIP IN EUROPE



OECD

European Commission

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Preface

More than five years after the onset of the global financial and economic crisis, tackling unemployment is at the top of our priorities. In the European Union, approximately 4 million jobs are needed to return to pre-crisis employment levels. Groups such as youth, women, seniors, ethnic minorities, and the disabled face particularly high risks of being marginalised in the labour market. Policies should leave no stone unturned in delivering a response, and one of the under-explored avenues is action for entrepreneurship and self-employment, targeted at disadvantaged and under-represented groups.

We need a better understanding of the potential for people to set up in business when they are not in the mainstream of the economy and the barriers they face. For example, there were some 8 million seniors in self-employment in the European Union in 2011, more than one-fifth of all those 55-64 year olds who remain active. But while there were approximately 21 million self-employed men, there were only 9 million self-employed women, suggesting that there are some important gender gaps to fill. Why are some social groups less involved in entrepreneurship than others? What problems can and should policy address? What policy actions are working well, and what are the conditions for their success?

This publication sheds light on these issues, by drawing a picture of entrepreneurship and self-employment today across the populations which are the focus of social inclusion policies in the European Union. It examines the barriers faced by each group, and provides guidance on how policy can overcome these barriers, focusing on improving institutions, skills and financing and finding the right approach to delivering policy to each group. Inspiration is offered from good practice policy actions that have been developed in the nations and regions of Europe.

The main message is that we should help those people with the desire and the aptitudes to go ahead in business creation and operation, and when they do, to focus on opportunities and areas of excess demand. Actions are needed to increase awareness of opportunities for entrepreneurship and self-employment, to simplify regulations and to ease the transition from welfare to business ownership. Mentoring, coaching and skills development are also needed, along with support for access to start-up finance, particularly for small amounts such as those provided by micro finance institutions. These actions need to be delivered to the communities of excluded people, using their language and offering familiar role models and approaches.

Not all those vulnerable to labour market exclusion are suited to business creation and ownership, and there will be failures among those who start. But many will indeed start successfully and create their own jobs. Furthermore, many others who engage but finally take a different direction will benefit from improved employment prospects. I hope that this book will provide inspiration to national, regional and local governments in developing effective actions to promote inclusive entrepreneurship, and to make the entrepreneurial dream a reality for many more people.



Angel Gurria, Secretary-General,
Organisation or Economic Co-operation and Development

Entrepreneurship is an important requirement for achieving sustainable and inclusive growth in Europe. It has great potential for creating jobs and reducing unemployment, not just in the population in general, but also among people who are vulnerable to social exclusion. However, while a lot of attention has been placed on traditional elements of active labour market policies – training, employment incentives, job matching – less attention has been given to the role of start-up support in helping people to create their own jobs or increase their employability. This balance needs to be redressed so that entrepreneurship can meet its full potential in promoting growth and inclusion.

Entrepreneurship has been a political priority in the European Union since the launch of the Lisbon Agenda in March 2000. It also figures centrally in the Europe 2020 strategy for smart, sustainable and inclusive growth. In particular, three of the seven Flagship initiatives directed to employment and social inclusion are relevant to entrepreneurship:

1. *The Agenda for New Skills and Jobs,* which supports the removal of measures that discourage self-employment;
2. *Youth on the Move,* which supports youth entrepreneurship and self-employment; and
3. *The European Platform Against Poverty and Social Exclusion,* which promotes the role of microfinance and entrepreneurship in combating social exclusion.

This year, the European Commission also launched its Entrepreneurship 2020 Action Plan to reignite the entrepreneurial spirit in Europe and promote specific actions for reaching out to groups that are disadvantaged on the labour market or under-represented within the entrepreneurial population, including women, seniors, migrants, the unemployed and young people.

To help move forward with these priorities, the European Union provides financial support for inclusive entrepreneurship programmes through its Structural Funds, particularly the European Social Fund, and recognises entrepreneurship as one of the priority action areas on which it is ready to support member states and regions in their efforts to combat unemployment and return to growth. For the next Multiannual Financial Framework (2014-2020), a Programme for Social Change and Innovation (PSCI), later renamed to Programme for Employment and Social Innovation (EaSI), has been proposed, which will contain an axis dedicated to microfinance and social entrepreneurship support. This book, produced by the European Commission together with the OECD, will provide evidence and inspiration to policy makers seeking to develop their own approaches in this field. I look forward to seeing these policies in action and achieving our entrepreneurship goals for the benefit of all.



Koos Richelle, Director-General,
Directorate General for Employment, Social Affairs and Inclusion
European Commission

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This is the first 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.

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Executive summary

On the most recent count, some 25.9 million EU residents were unemployed and actively seeking work, representing 10.7% of the labour force. In addition, there are discouraged workers who have given up looking for jobs, and people outside of the labour market for other reasons, who may welcome new work opportunities. One of the most promising and under-explored avenues for governments seeking to address these problems is promotion of business creation by people who are disadvantaged or under-represented in entrepreneurship and self-employment. Many inspiring policy practices are already in place across the nations and regions of Europe, but much more can be done.

Women are only half as likely to start businesses as men, despite having similar levels of human capital. Social norms can be a barrier, because women may feel that business creation is not an appropriate career choice for them or face discrimination in accessing finance. Lack of confidence, entrepreneurial experience and networks may also be a problem.

Young people express great interest in starting businesses, but often do not take this forward to concrete steps. They are only one-third as likely as adults to be self-employed, for example, and their businesses tend to be relatively small. Young people experience greater difficulty raising external finance, given their lack of savings and collateral, and often lack skills to run a business.

Seniors are another source of untapped potential, because of their tendency to leave the labour market upon redundancy or retirement from long-held employment posts. Entrepreneurship is an option for them to stay active in new ways. Indeed more than 20% of seniors who are currently active in the labour market are self-employed. They often have high levels of technical skills and access to finance, but can lack entrepreneurship-specific skills. And while some will wish to run businesses full-time, others will wish to start part-time businesses or prefer to invest in other people's start-ups through finance or mentoring.

Ethnic minorities and immigrant entrepreneurs are a diverse group. Some come from very entrepreneurial cultures. However, ethnic and migrant entrepreneurs also face many barriers. Regulatory requirements can be difficult to understand for new immigrants, while in financial markets, ethnic minority entrepreneurs are more likely to be forced to rely on non-bank and informal finance.

For people with disabilities, self-employment can provide important flexibility in work environments and schedules. However, relative to mainstream entrepreneurs, the disabled have more difficulty gaining the entrepreneurial experience and skills they need to operate businesses, may lack capital to invest in a start-up and may be constrained by state welfare policies that are poorly adapted to self-employment.

Targeted policy measures can be introduced by governments and agencies at national, regional and local levels to help these groups to overcome the particular barriers they

face. Institutions can be improved, drawing inspiration from initiatives such as France's deregulation of solo entrepreneurship, Sweden's reforms to the social security system for self-employed workers, and Germany's "welfare bridge", which reduces the initial loss of income for people who start businesses from unemployment. The skills and competences needed to start and successfully run businesses can be instilled, along the lines of the tailored consulting, business plan development and bank loan application assistance to female entrepreneurs offered by the assistance centres of the Jihomoravský and Zlínský regions in the Czech Republic, the free 7-month entrepreneurship training programme for 14-19 year olds supported by Estonia's ENTRUM energy company, and the on-line training for older entrepreneurs provided by the United Kingdom's PRIME initiative. Access to entrepreneurial finance can also be improved by measures such as the micro finance loans provided by ADIE in France to unemployed entrepreneurs who are unable to get start-up finance from a bank, the micro loans specially designed for migrants by *Sant Cosme Innova* in Barcelona, or the start-up loans and loan guarantees that the Netherlands government offers to people with good business projects who have been designated as partially occupational disabled.

A broad effort is now needed to better understand the issues that hold disadvantaged and under-represented people back from starting up or succeeding in entrepreneurship and self-employment and the policy measures that can respond. At the same time, evidence is needed to identify the most effective and efficient policy approaches and how they might be extended or adapted to other areas.

In scaling up and refining policies for inclusive entrepreneurship, it is critical that the actions reach out to the unemployed and excluded communities so that the support is visible to them, tailored to their needs, and provided in a "language" that they are comfortable with, while at the same time offering bridges to mainstream support.

Key recommendations

- Address unemployment problems and create jobs through promotion of business creation and operation by disadvantaged and under-represented groups. Focus in particular on helping business starters to identify and exploit areas of opportunity and excess demand in the economy.
- Introduce actions of sufficient scale to respond to the interest in entrepreneurship among youth, women, seniors, migrants, the disabled, the unemployed and other groups, and design actions that recognise the special obstacles they face.
- Simplify business regulations, particularly for micro firms, and adapt social security systems should so that they do not discourage business creation and self-employment.
- Develop entrepreneurship skills through extending and improving entrepreneurship education, offering stand-alone entrepreneurship training courses, including those that exploit the potential of on-line technologies, and offering advice and coaching using mentors from the same communities.
- Improve access to finance by providing financial information and advice to entrepreneurs, supporting matching and networking of investors and entrepreneurs, offering loan guarantees, and participating in the emergence of microfinance institutions and crowd funding platforms focused on disadvantaged and under-represented groups.
- Use custom-designed and delivered programmes and services where client density is sufficiently high and increase the engagement of mainstream support with disadvantaged and under-represented groups by ensuring diversity in those who run programmes, recruiting

members of the client group for diagnosis, referral and service delivery, training frontline staff in dealing with the target groups, using appropriate media channels and languages to communicate programmes, and setting and monitoring targets for client diversity.

- Seek inspiration from international good practices.

Policy checklist for supporting inclusive entrepreneurship

The following checklist is presented to guide policy makers in the development of a comprehensive support system for inclusive entrepreneurship. It will help them assess whether they have put appropriate actions in place to improve conditions for inclusive entrepreneurship and to deliver inclusive entrepreneurship policies effectively.

1. Building a supportive institutional environment

- ☐ Streamline administrative processes related to business start-up
- ☐ Align business start-up policies and support at the national, regional and local levels
- ☐ Make information on business start-up support readily available and easily accessible
- ☐ Vet entrepreneurship and self-employment policies for subtle discrimination against certain target groups
- ☐ Remove disincentives to business start-up in legal and regulatory frameworks
- ☐ Remove disincentives to business start-up in pension systems and other social security measures (e.g. employment insurance, disability supports)
- ☐ Cover self-employed workers in employment insurance schemes and other social security systems
- ☐ Ensure equal property rights and that anyone can register a business
- ☐ Educate service providers on the needs of different target groups
- ☐ Promote self-employment and offer entrepreneurship training in active labour market and employment programmes
- ☐ Develop networks for entrepreneurs and ensure that they are accessible by all
- ☐ Improve credential recognition for immigrants to facilitate and encourage business start-ups

2. Improving entrepreneurship skills

Embed entrepreneurship education in:

- ☐ Schools
- ☐ Higher education institutions
- ☐ Vocational training institutions

- ☐ Provide entrepreneurship education as part of the curriculum and through extra-curricular activities
- ☐ Develop entrepreneurial mind sets in entrepreneurship education as well as delivering entrepreneurship skills
- ☐ Provide students with opportunities to learn through experience (e.g. business simulations and competitions) in entrepreneurship education
- ☐ Teach about business sustainability and growth in entrepreneurship education and training
- ☐ Deliver business development support services as integrated support packages that are accessible to all potential entrepreneurs
- ☐ Use coaches and mentors from targeted client groups
- ☐ Support networking events and ensure that they are accessible to all potential entrepreneurs
- ☐ Train for entrepreneurship educators on current pedagogies and on the special needs of different client groups
- ☐ Provide training for business support providers, mentors and coaches on the needs of different target groups
- ☐ Include entrepreneurship training in active labour market measures

3. Facilitating access to finance

- ☐ Ensure that financial regulations support information flows between borrowers and lenders
- ☐ Provide financial literacy education to entrepreneurs and potential entrepreneurs
- ☐ Educate potential entrepreneurs on bootstrapping methods
- ☐ Develop microcredit schemes with competitive delivery mechanisms to target those with the greatest chances of success
- ☐ Complement finance schemes with business development support services
- ☐ Develop co-investment and fund matching schemes to increase the supply of funds available for start-ups
- ☐ Use loan guarantees and mutual guarantee schemes to stimulate private sector funding of new start-ups
- ☐ Support the development of micro-credit institutions to improve access to credit
- ☐ Support the creation of new institutions that facilitate access to microfinance (e.g. crowd funding mechanisms)
- ☐ Provide grants for business start-ups where loans are not feasible

4. Improving policy delivery

- ☐ Customise support to the specific challenges faced by different social target groups
- ☐ Deliver support through specialist agencies where it is cost effective to do so
- ☐ Use members of the target client group in the delivery of policy support
- ☐ Use outreach methods that target potential clients (e.g. cultural centres, alternative media)
- ☐ Provide bridges to mainstream support

Chapter 1

The meaning and importance of policies for inclusive entrepreneurship[1, 2]

The economic crisis has impacted greatly on labour markets in the European Union and many countries and regions are experiencing very high levels of unemployment and labour market exclusion. Certain social groups are experiencing particular problems – including women, youth, seniors, ethnic minorities, and people with disabilities – but at the same time have under-recognised potential for entrepreneurship. Policies for inclusive entrepreneurship 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.

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Inclusive entrepreneurship policies

Inclusive entrepreneurship policies have the objective of ensuring that all people, regardless of their personal characteristics and background, have an equal opportunity to start and run their own businesses. Governments can support this objective with programmes that increase people's awareness of and motivation for entrepreneurship as a career choice across all population groups and that correct for problems in the operation of markets and institutions that affect certain population groups to a greater extent than others.

They place their emphasis on supporting people in entrepreneurship who come from social groups that are under-represented in entrepreneurship or disadvantaged in the labour market. For example, there are relatively fewer women involved in business ownership and self-employment than would be expected from their proportion of the population, and there is a large pool of inactive older people, some of whom may find entrepreneurship an attractive option for extending their working lives beyond initial retirement. There are also segments of the population at higher risk of social exclusion than others who can benefit from business creation, such as ethnic minorities and migrants, people with disabilities, the young unemployed and people living in localities that face great economic distress. Inclusive entrepreneurship policies aim to target these groups with appropriate support measures.

Business start-up, or more correctly sustainable business start-up, is clearly a key outcome sought from inclusive entrepreneurship policies, and with it greater labour market participation by the target population groups. At the same time, however, the generation of sustainable business start-ups is not the sole outcome sought from inclusive entrepreneurship policies, because people who are encouraged to consider and test entrepreneurship will not always wish to go ahead with a business or to maintain it in the long term, but very often receive a boost to their skills, motivations, networks and employability from engaging in entrepreneurship, which in turn improves their chances to obtain jobs. In addition, inclusive entrepreneurship policies can support social entrepreneurship. In the case of social enterprises, the benefit is not only in the creation of new enterprises and job opportunities for the founders, but also in many cases the integration into work of excluded people or the generation of welfare services that combat social exclusion through the operation of the enterprise.

It should nonetheless be recognised that the business start-up route to labour market attachment is not suited to everyone. Inclusive entrepreneurship policies therefore do not seek to channel all those people who lack jobs or who are inactive into starting and running businesses, but rather to open up the opportunity of entrepreneurship to more people and to help them to evaluate the opportunity and to succeed if they choose to go ahead. Furthermore, displacement of non-supported established business owners by those receiving support can be a significant problem and attention needs to be placed on encouraging people to move into areas of opportunity and excess demand in the economy.

What is entrepreneurship?

Inclusive entrepreneurship policies aim to help people who are disadvantaged or under-represented in entrepreneurship to become business owners or self-employed. This includes the creation and operation of incorporated businesses and non-incorporated businesses, including those where people are working on their own account as self-employed, whether employing others or just themselves. These activities involve people in risk and uncertainty compared with employment. The expected benefits are both economic, in terms of innovation and employment of under-used resources, and social, in terms of increasing labour market attachment and reducing social exclusion.

Entrepreneurship is a complex concept, with different facets. The OECD has advanced work in defining and measuring entrepreneurship that is helpful in clarifying the distinctions through its on-going Entrepreneurship Indicators Programme (EIP), which is a joint work programme with Eurostat. The work has developed definitions of entrepreneurs, entrepreneurial activity and entrepreneurship and a set of indicators that measures these activities across the population as a whole is produced annually in the publication Entrepreneurship at a Glance. (Please refer to Box 1.1 the definition of entrepreneurship and Chapter 5 for more discussion on the Entrepreneurship Indicators Programme.)

In this book we focus on people as business creators and owners, including people creating and owning social enterprises operating for social goals as well as enterprises aimed at generating income for their owners. However, it should be recognised that people can also be entrepreneurial as employees. Furthermore, business creation and ownership does not in all cases involve people being entrepreneurial, especially when it involves self-employment. The OECD EIP defines entrepreneurs as people (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. However, inclusive entrepreneurship policies promote self-employment as well as the creation and operation of larger businesses. The rationale for supporting entry into self-employment is to promote labour market attachment and meet the personal preferences of individuals, rather than necessarily stimulating economic growth. The self-employed are not necessarily entrepreneurs, in the sense of business owners who act entrepreneurially in identifying and exploiting new products, processes or markets. Furthermore, many people who are self-employed would not consider themselves as entrepreneurs or business owners, because self-employment is more a form of employment than a form of business ownership for them, and some types of self-employment, e.g. construction jobs, are not particularly entrepreneurial. The reasons for supporting these people are more about securing labour market attachment than promoting entrepreneurship. At the same time, although self-employed people do not necessarily act entrepreneurially in creating new products, processes and markets, they often do, particularly where they do not work alone but also have employees.

In this publication, we build on EIP and other work to go into more depth on activities and policies for particular social target groups, focusing on disadvantaged and under-represented groups as entrepreneurs and self-employed people.

Box 1.1. **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).

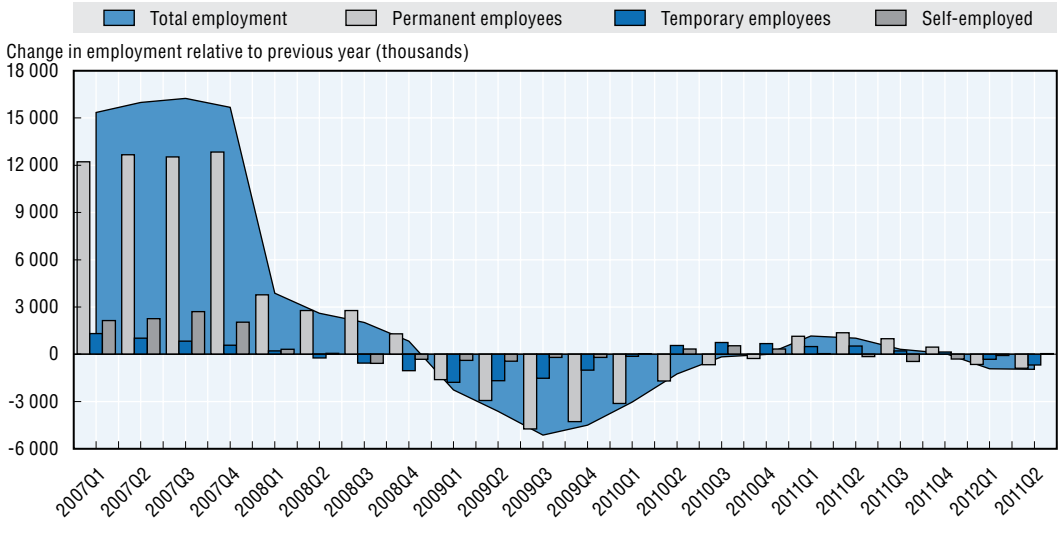
Inclusive entrepreneurship policy may encourage various non-standard types of businesses as well as the standard single business operation started by the single entrepreneur (Eurofound, 2011). Businesses may be started by partnerships, groups and cooperatives rather than by individuals. Part-time entrepreneurship is on the increase. It often involves people setting up as sole self-employed, working on their own account to supplement their existing paid employment or unpaid household or student activities. While part time entrepreneurship is often pursued out of necessity, it can also increase labour market integration and may support a longer term transition into full-time self-employment. Parallel entrepreneurship involves an entrepreneur operating two or more businesses at the same time. Advantages include the ability for the entrepreneur to offer complementary goods and services, creating synergies between the two ventures, or to combine businesses at different stages of development to help stabilise their income. Similarly, serial entrepreneurs start businesses successively with the intention of selling the young business for somebody else to grow rather than operating the business over its full life cycle. Finally, a form of entrepreneurship that is increasing in importance with the ageing of Europe's population is business transfers and successions. This may occur within families as one generation passes a business to another, but successors often need to be identified from outside of the family, and the act of transfer can often trigger growth as new approaches are introduced.

The motivations for becoming an entrepreneur will vary from one individual to another. Motivations are often viewed in a push-pull framework that suggests that people are attracted to entrepreneurship to pursue an opportunity to generate wealth or to gain more independence than paid employment can offer (i.e. they "pulled" into entrepreneurship). Alternatively, some people pursue entrepreneurship to generate income out of necessity because they lack opportunities in paid employment (i.e. they are "pushed" into entrepreneurship). Furthermore, social entrepreneurs are driven by the desire to generate social gains for the public interest rather than profits for the owners (OECD, 1999; European Commission, 2012a).

The employment challenge

The economic crisis hit the European Union hard and labour markets have yet to recover. Figure 1.1 illustrates the year-on-year employment gains and losses for the European Union for different categories of workers: permanent employees, temporary employees and self-employed workers. It shows that following significant growth in employment, the economic crisis eliminated nearly 20 million jobs between the first quarter of 2008 and the fourth quarter of 2010. On the other hand, it is interesting to note that the employment losses were concentrated among temporary and permanent employees and despite some periods of job losses among self-employed workers and some declines in certain countries, overall there was job creation among the self-employed over this period (*European Employment Observatory Review*, 2010).

Figure 1.1. **Change in employment in EU27 member states relative to previous year, 2007-11**



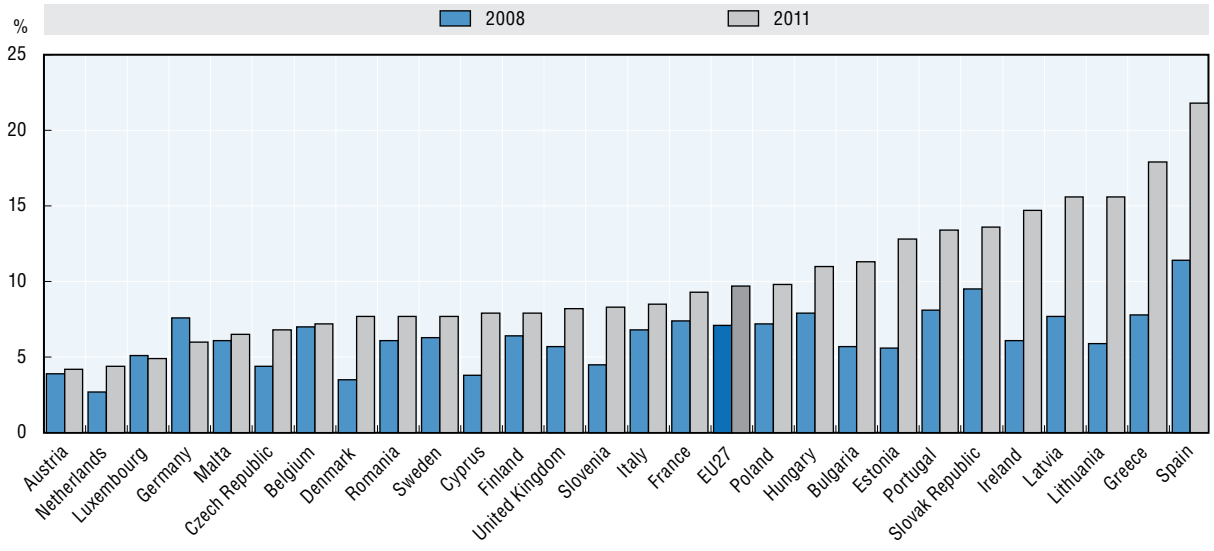
Source: Eurostat, Labour Force Survey 2012.

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Unemployment rates increased through the crisis in all EU member states except Germany and Luxembourg (see Figure 1.2). The most dramatic increase was in Lithuania, where it unemployment rose from 5.9% in 2008 to 15.6% in 2011 – an increase of more than 160%. The figure also depicts a wide variation in unemployment rates across EU member states. The unemployment rate was highest in Spain (21.8%) in 2011, more than five times the rate of Austria (4.2%) where the unemployment rate was the lowest. This gap in unemployment rates between the member states is increasing. In 2008, the gap in

employment rates between the highest (11.4% in Spain) and lowest (2.7% in the Netherlands) was 320% (of the lowest rate). This gap has grown in 2011 to 420% between Spain and Austria.

Figure 1.2. **Unemployment rates, 2008 and 2011**



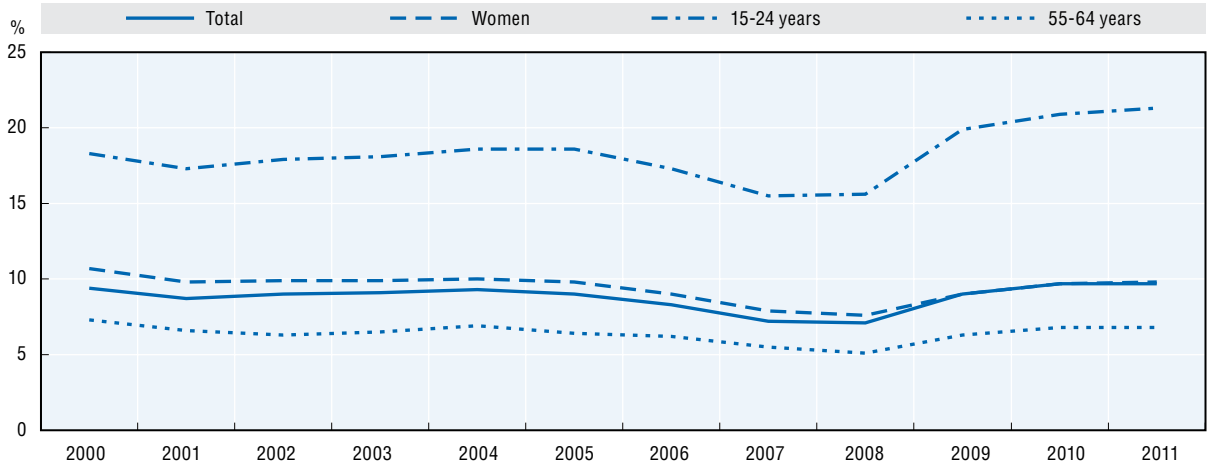
Source: Eurostat, Labour Force Survey 2012.

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While these data illustrate a significant gap between EU member states, it must be recognised that unemployment is not evenly felt within countries and regional variations can be large, with joblessness concentrated in certain areas. For example, in Spain, the unemployment rate in 2009 ranged from 9.0% in Guipúzcoa to 29.2% in Fuerteventura (OECD, 2011). Moreover, different population groups were affected to differing degrees by the crisis. Figure 1.3 illustrates the total unemployment rate between 2000 and 2011, as well as the rate for women, youth (ages 15 to 24) and older people (ages 55 to 64). The unemployment rate for youth is historically double that of adults and this remained consistent through the economic crisis. But further to this, the unemployment rate for youth has increased more than the overall rate, aggravating the problems of young people. The unemployment rate for women in the EU was slightly higher than that of men between 2000 and 2008 but converged with the unemployment rate of men during the economic crisis. The unemployment rate for older people was approximately 25% lower than the overall unemployment rate and this remained relatively consistent through the crisis.

Prolonged spells of unemployment can lead to discouragement and eventual withdrawal from the labour market, while inactivity in the labour market greatly increases the chances of individuals falling into poverty and impairs their ability to fully participate in social activities. In 2011, 24% of the EU population was at risk of poverty or social exclusion. Figure 1.4 shows the wide range in the proportion of the population at risk by gender. While less than one-quarter of the adult population was at risk in the majority of member states, the differences between states was significant. Several states had a low proportion of their population at risk such as the Netherlands (15.7%), Czech Republic (15.3%), and

Figure 1.3. **Unemployment rate for selected groups in EU27 member states, 2000-11**



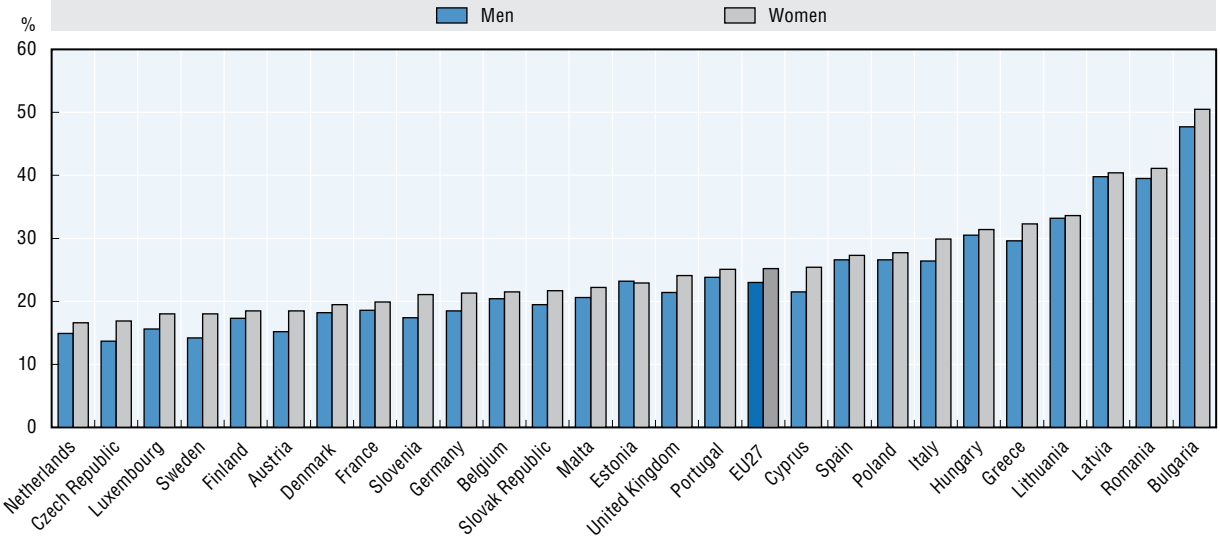
Source: Eurostat, Labour Force Survey 2012.

StatLink http://dx.doi.org/10.1787/888932925939

Luxembourg (16.8%), other states such as Latvia (40.1%), Romania (40.3%) and Bulgaria (49.1%) had more than 40% of their population at risk. Women are slightly more likely to be at risk than men, but in most member states this difference is less than two percentage points.

Figure 1.4. **Population at risk of poverty or social exclusion, 2011**

Percentage of 15-64 year olds



Note: Data for Ireland are not available.
Source: Eurostat, Statistics on Income, Social Inclusion, and Living Conditions, 2012.

StatLink http://dx.doi.org/10.1787/888932925958

The role of inclusive entrepreneurship

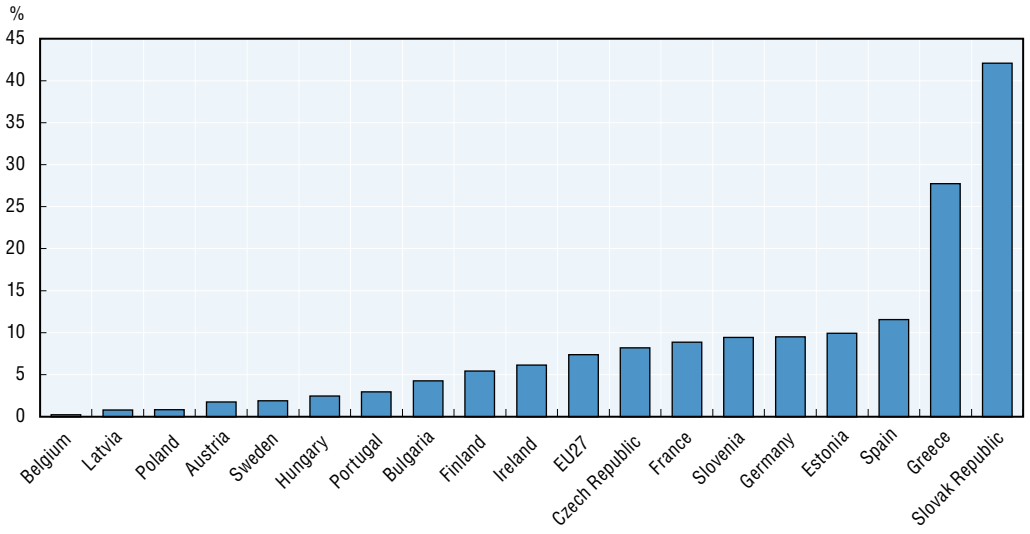
Social inclusion is a long standing objective in the European Union and the crisis has heightened awareness of the issue (European Commission, 2011; European Commission 2012b). As a result, EU members states have committed to addressing the problem over the

next decade through the Europe 2020 strategy, which aims to reduce the number of people that are at risk of poverty by 20 million people by 2020 (see *http://ec.europa.eu/europe2020/index_en.htm*).

One of the most effective ways of fighting social exclusion is through active labour market policy and job creation measures aimed at supporting the integration and re-integration of people into the labour market. These measures include training, job sharing, employment incentives, direct job creation incentives and business start-up incentives. Active labour market policy measures that were directly aimed at disadvantaged and unemployed people accounted for 28% for total labour market policy expenditures in 2008 in the EU (Eurostat, 2012).

However, encouragement and support for business start-ups have represented only a small share of these expenditures to date. Figure 1.5 illustrates the proportion of spending on start-up incentives relative to all spending on active labour market measures. Nearly all member states spent less than 10% of their active labour market expenditures on start-up incentives, although Greece and the Slovak Republic directed 28% and 42% of their expenditures on active labour market expenditures towards start-up incentives.

Figure 1.5. **Spending on start-up support, 2009**
Percentage of total labour market expenditure



Note: Data for Cyprus, Denmark, Italy Lithuania, Luxembourg, Malta, the Netherlands, Romania and the United Kingdom are not presented because some of the data used in the computations are incomplete.
Source: Eurostat, *Labour Market Policy Expenditure 2012*.

StatLink http://dx.doi.org/10.1787/888932925977

The impact of these start-up supports on labour market attachment is not well known because many are not well evaluated. However, there is some evidence from specific programmes that these expenditures are generating important benefits. For example, evaluations of the Start-up Subsidy in Germany show that this large-scale programme for supporting business start-up by unemployed people is effective and cost efficient. Some 70% of participants started a business, 20% ended up in paid employment, and fewer than 10% returned to unemployment, while nearly 70% of the start-ups survived for at least 5 years (Caliendo and Kritikos, 2010). More than 100 000 people use this subsidy each year and the average cost per participant is EUR 18 000. For more information on this scheme, please refer to Part III.

Entrepreneurship experiences can also be beneficial for those that do not go on to start a business or for those who are unsuccessful in entrepreneurship. Developing an entrepreneurial mindset or acquiring entrepreneurship skills can be beneficial for paid employment as employers value employees with initiative and the ability to adapt to challenges and changing environments.

The European Commission provides financial support for start-up support of various kinds through the 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. To date, its possibilities for entrepreneurship promotion have been under-utilised by member states, but greater emphasis is being encouraged in the next programming period from 2014-2020.

A brief 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 – women, youth, seniors, minorities, etc. The first chapter of the section, Chapter 2, presents data on self-employment activities by target group,** including the rates and numbers of people that are self-employed and the sectors of the economy that they work in. It has been noted that not all self-employed people can be considered to be entrepreneurs, since they may not be pursuing opportunities to add value through new products, processes and markets. However, self-employment is important to labour market attachment, and significant numbers of the self-employed can be expected to act entrepreneurially. **Chapter 3 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 the level of pre start-up intentions and 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 activities of entrepreneurs prior to starting a business. **Chapter 4 then presents data on the impact of self-employment and entrepreneurship activities**. These data provide an overview of the economic impact of these activities in terms of job creation and in terms of individual benefits accrued by the entrepreneur. **The final chapter of the section provides a brief overview of the data used in Part I and provides links on where to get more information.**

After setting out entrepreneurship activity rates by the main target groups, **Part II goes on to examine how policy can influence these rates. As shown in Figure 1.6, there are three broad determinants of inclusive entrepreneurship that policy can act on, namely institutional factors, entrepreneurship skills and competencies and access to finance and these determinants can present a number of challenges for entrepreneurs and potential entrepreneurs. The challenges faced by those who are disadvantaged or under-represented in entrepreneurship are often different and/or greater than for mainstream entrepreneurs and policy has a role in addressing the barriers and helping people overcome them to start a business. These issues are examined in Chapters 6-8 of this book.** Each chapter focuses on groups that are disadvantaged and under-represented in entrepreneurship and discusses the barriers that they face, provides examples good practice policy actions and makes recommendations for policy improvements.

Furthermore, addressing the factors that influence entrepreneurship is not sufficient for policy. The methods of policy design and implementation are just as important as the policy action itself. To be effective, policy must reach its target clients, while single policy actions are less effective than those that are delivered as part of an integrated strategy. **Chapter 9 discusses outreach and mechanisms for policy delivery.**

Finally, **Part III of the book provides a more in-depth look at each member state. Chapter 10 presents an inspiring policy practice that supports inclusive entrepreneurship, as well as self-employment and entrepreneurship data to provide more insights into the entrepreneurship activities in that country.**

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PART I

Inclusive entrepreneurship activities in Europe

Chapter 2

Self-employment[1, 2]

This chapter presents evidence on the quantity and quality of self-employment activities by disadvantaged and under-represented groups, including women, young people, older people, ethnic minorities and immigrants, those with low education and income levels, the disabled and the unemployed. Together these groups account for the majority of self-employment activities in Europe. The prevalence of self-employment activities varies widely across and within groups. Moreover, the activity levels vary greatly across EU member states.

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.

The self-employed

Box 2.1. **Key findings – The self-employed**

- Although self-employment rates for women have increased, women are significantly less likely to be self-employed than men. In 2011, there were approximately 21 million self-employed men in the EU and 9 million self-employed women.
- Relatively few young people are involved in self-employment in the EU. In 2011, there were approximately 800 000 self-employed people between the ages of 15 and 24.
- While there are only 8 million seniors (55-64 years) in self-employment, more than one-fifth of those seniors that are active in the labour market are active through self-employment.
- People with low education levels are more likely to be self-employed than the overall adult population.
- Ethnic minority and migrant populations are more likely to be self-employed than the overall adult population.
- There is little evidence available on entrepreneurs with disabilities, but they appear to have high self-employment rates.

Female self-employment rates

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 in Chapter 5.

Figure 2.1A illustrates self-employment rates in the EU between 2000 and 2011 by gender. The self-employment rates for both men and women were constant over this period. The self-employment rate for women was 9.7%, which lagged well behind the male rate of 18.3% in 2011. In total, out of a total self-employment population in the EU of approximately 30 million people, there are only 9 million self-employed women.

Figure 2.2 illustrates individual country differences in self-employment rates among men and women. Differences in the female self-employment rate are evident across EU member states. Some countries such as Denmark, France, and Germany have

much lower female self-employment than the EU average, while others such as Italy and Greece have rates that are much higher than the EU average. While self-employment rates for women lag those of men in all EU member states, there are instances where the self-employment rates of women are high. For example, the self-employment rates of women in Greece are higher than the self-employment rates of men in the majority of countries.

Over the 2000 to 2011 period, 13 EU countries experienced an increase in female self-employment rates. The most significant increases were in the Slovak Republic (5.5 percentage point change), the Czech Republic (2.8 percentage points) and the Netherlands (2.5 percentage points). There was no change in the self-employment rates for women over this period Latvia. The other 13 EU countries saw a decline. Of these, the most significant declines were found in Lithuania, Portugal (both 5 percentage points), Poland (3.7 percentage points) and Romania (2.1 percentage points).

Youth and senior self-employment rates

Figure 2.1B illustrates self-employment rates by age. Self-employment rates are highest among older people (ages 55 to 64) and lowest among youth (ages 15 to 24): in 2011, the rate for older people was 21.1%, more than five times the rate of youth (4.1%). Although the youth self-employment rate remained stable during the 2000 to 2011 period, the senior self-employment rate declined significantly. The rates are presented for each member state in Figure 2.3. Youth self-employment increased in 7 EU member states, most notably in the Slovak Republic (7.5 percentage points), Italy (2.5 percentage points) and the United Kingdom (2.2 percentage points). In 12 other EU countries, youth self-employment decreased, with this decline being most significant in Bulgaria (6.8 percentage points), Poland (5.4 percentage points) and Hungary (3.7 percentage points).

Self-employment rates for older people increased in five countries between 2000 and 2011 (Czech Republic, Malta, Slovak Republic, Sweden and the United Kingdom). The greatest increases in self-employment among older people were in the Slovak Republic (9.0 percentage points) and the Czech Republic (4.7 percentage points). Self-employment rates for older people declined over this period in the other 22 member states, most significantly Romania (18.0 percentage points) and Italy and Bulgaria (approximately 10.0 percentage points each, respectively).

Overall, these data show that very few young people are self-employed and that rates of self-employment among young people vary widely across the EU. At the same time, self-employment is an important employment activity among older people.

Self-employment rates among those with low educational attainment levels

Figure 2.1C shows self-employment rates among those with a background of low educational attainment compared to the general population of self-employed (total). A person with a low education level is defined as having undertaken formal education up to no more than lower secondary level. For more information please refer to the Reader's Guide in Chapter 5.

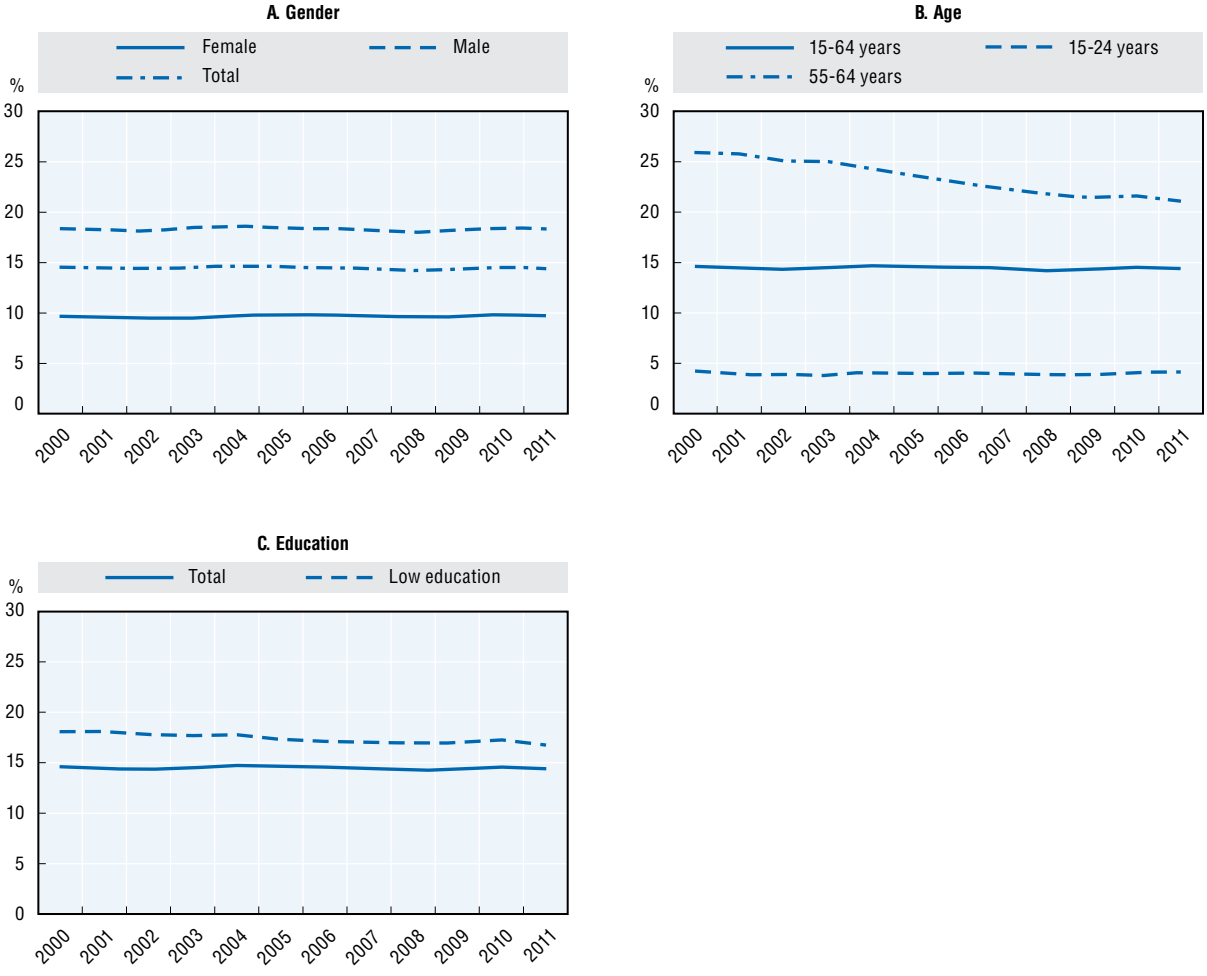
The rate of self-employment among the low educated is greater than in the total population, and has broadly been stable at around 16% over 2000-2011. Meanwhile,

self-employment rates among total self-employed increased from 10.8% in 2000 to 14.4% in 2011, leading to a narrowing of the gap in self-employment rates between the low educated and the total self-employed.

Figure 2.4 shows the differences among EU countries. Rates of self-employment among the low education group vary from approximately 5% in Hungary, Luxembourg, Germany and Denmark to more than a quarter in Poland (25.8%), more than one-third in Romania (36.4%) and more than two-fifths in Greece (42.7%). There are also further differences in terms of whether self-employment levels are higher among the low education group (13 countries) or among the total self-employed group (12 countries) and whether self-employment among those with a low education level is increasing (8 countries) or decreasing (18 countries) over this period.

Figure 2.1. **Self-employment rates in EU27 member states, 2000-11**

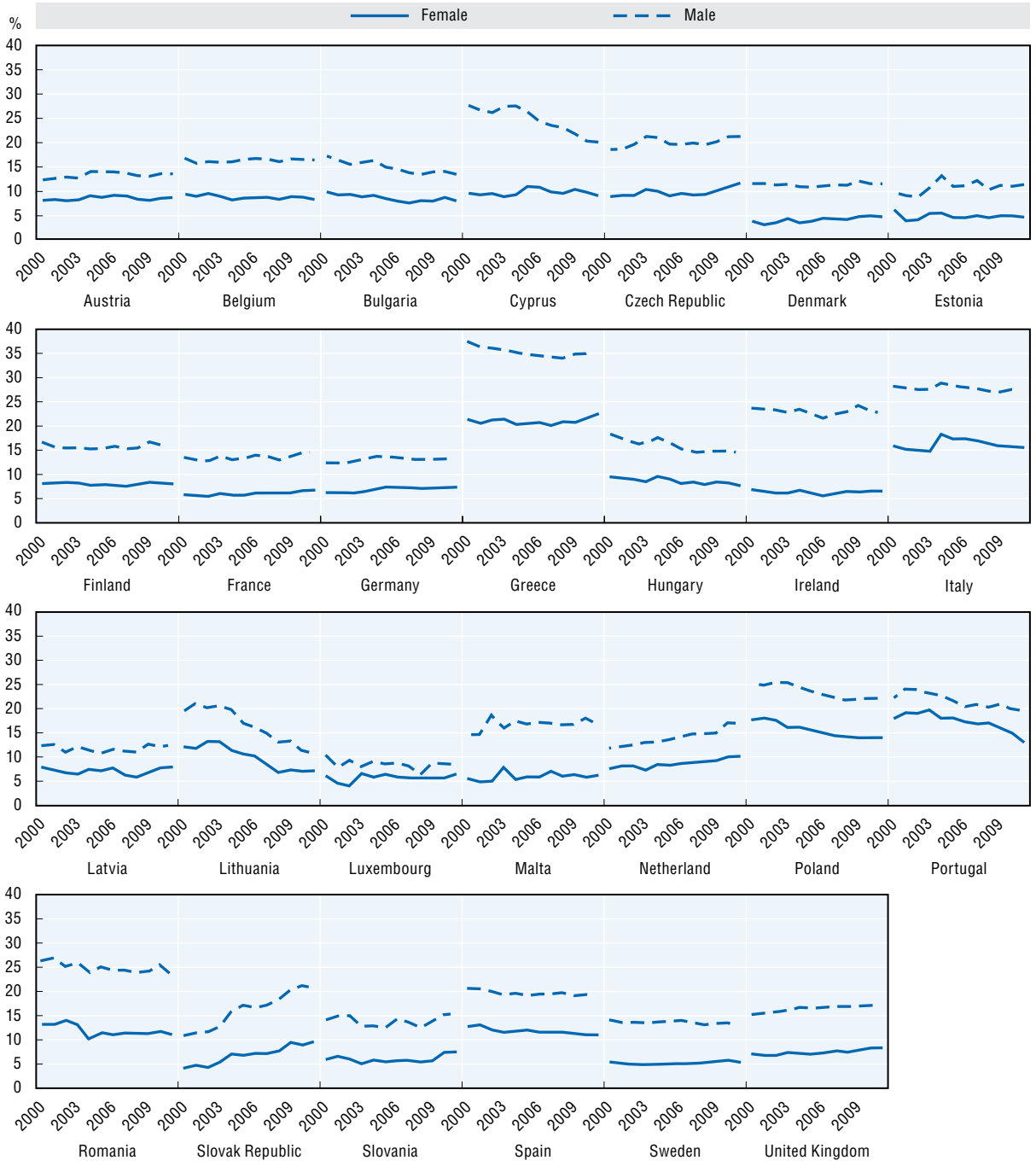
Percentage of 15-65 year-olds



Source: Eurostat, Labour Force Survey 2000-2011.

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Figure 2.2. **Self-employment rates by gender, 2000-11**
Percentage of 15-64 year olds



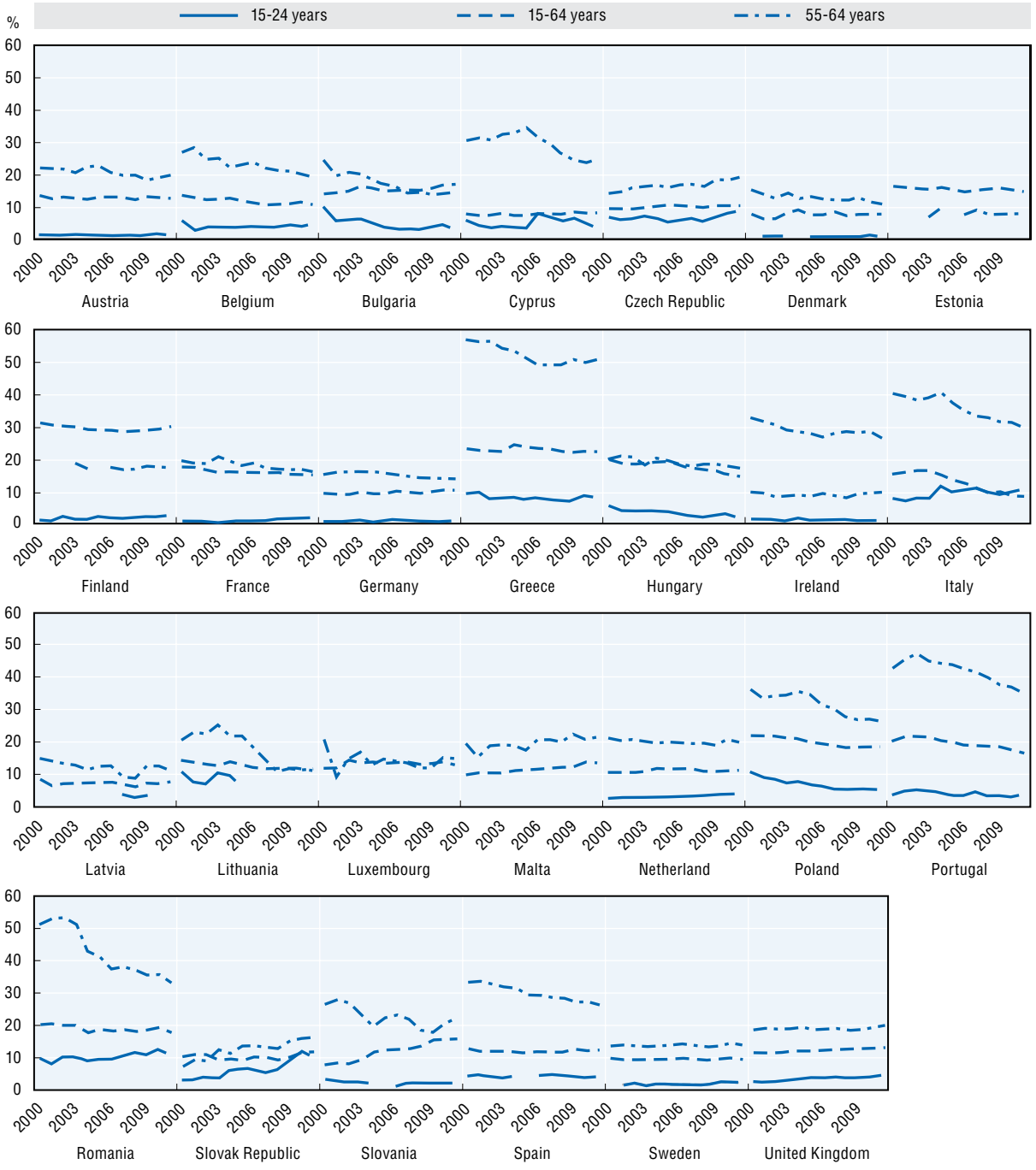
Source: Eurostat, Labour Force Survey 2000-2011.

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Self-employment rates among immigrants

Within the majority of EU member states, immigrants are more likely to be self-employed than the native-born population. Figure 2.5 illustrates this by presenting the member states in order of the gap between self-employment rates for native-born relative

Figure 2.3. **Self-employment rates by age, 2000-11**

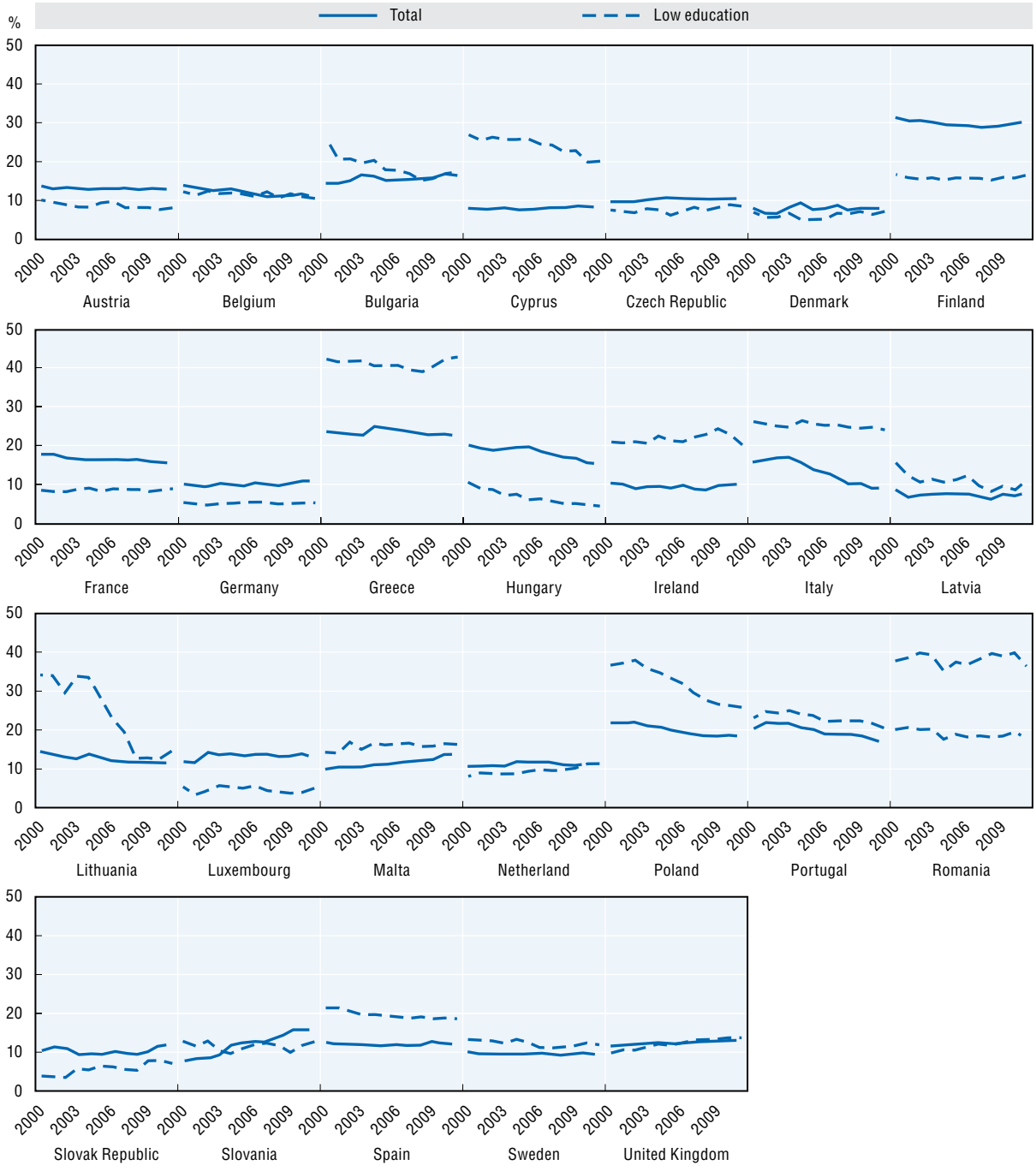


Source: Eurostat, Labour Force Survey 2000-2011.

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to foreign-born. Only 6 member states had higher self-employment rates for native-born people: Greece, Italy, Ireland, Spain, Portugal, Germany and Austria.

Figure 2.4. **Self-employment rates by education level, 2000-11**

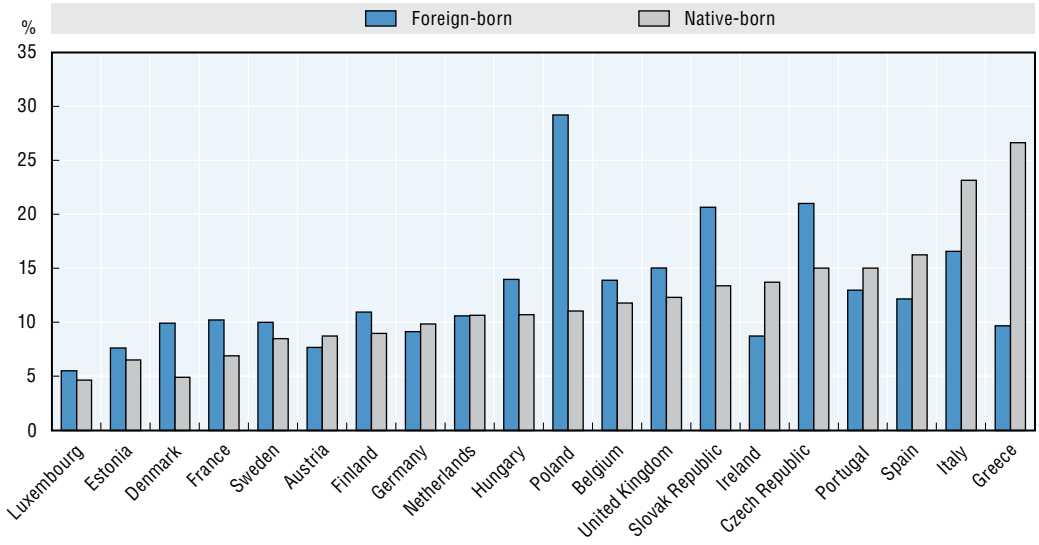


Note: Self-employment data for Estonia are not available by education level.
Source: Eurostat, Labour Force Survey 2000-2011.

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Figure 2.5. **Self-employment rate by place of birth, 2008**

Percentage of 15-64 year olds



Source: Adapted from OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Paris.

StatLink http://dx.doi.org/10.1787/888932926110

Box 2.2. **Self-employment rates for entrepreneurs with disabilities**

There is very little research or data covering entrepreneurs with disabilities in the EU. However, a study using data from the European Community Household Panel from 1995-2001 across 13 EU member states, found that people with disabilities were more likely to be self-employed than to work in paid employment (Pagán, 2009). People with disabilities were more likely to be self-employed than non-disabled people in nearly all the countries covered in the study. Men with disabilities were 10.5% more likely to be self-employed in Greece than those without disabilities, 8.6% more likely in Portugal and 8.1% more likely in Ireland. In Germany, Denmark and the Netherlands the rates were the same for disabled and non-disabled men. The male non-disabled self-employment rate was higher than the male disabled self-employment rate (3.0% higher) only in Belgium. For females, those with disabilities were 13.5% more likely to be self-employed in Greece, 10.3% more likely in Portugal and 8.2% more likely in Austria. There was no different in self-employment rates for women with and without disabilities in Belgium, Finland, Germany, Denmark and the Netherlands.

There is evidence from the UK that confirms these findings. Working age-people with disabilities were more likely than non-disabled people to become self-employed: 18% of men, and 8% of women with disabilities were self-employed compared with 14% and 6% of non-disabled men and women respectively (Boylan and Burchardt, 2002).

Jones and Latreille (2005) find that people with disabilities seek self-employment as a method of accommodating their disability because self-employment offers greater flexibility in hours and work times. However, other research highlights that the role of discrimination, both perceived and actual, plays a significant role in motivating people with disabilities to pursue self-employment (Blanck et al., 2000; Schur, 2003).

Box 2.3. **Bogus self-employment**

The term bogus self-employment, sometimes referred to as false self-employment, refers to an employment arrangement where an employee is registered with the tax authorities as a self-employed worker rather than as an employee on the employer's payroll. Although self-employed, the worker has only one customer, which can be seen as their employer. However, formally the relationship is not between an employer and an employee but between two business entities. While bogus self-employment often appears as own-account self-employment, it can also appear as self-employment partnerships, limited liability companies and joint venture enterprises. This type of work arrangement has significant implications for the way in which workers are covered by the tax and social security systems, as well as which party assumes legal responsibilities.

It is often thought that employers encourage workers to accept this type of arrangement because they stand to gain the most. An employer will typically pay lower social security contributions for sub-contracted work than for payroll employees. In addition, employers gain by transferring health and safety responsibilities to the worker since the sub-contractor (i.e. the self-employed person) bears responsibility and liability for the safety of the workplace. As a result, employers avoid also many insurance costs.

Bogus self-employed workers also stand to gain in the short-term, primarily because the income taxes and contributions to social security that they pay as a self-employed worker tend to be substantially lower (regardless of the legal form that their business assumes) than they would be as an employee. However, under this type of work arrangement, the worker assumes two significant risks. The first, as already mentioned, is that they assume liability for health and safety in the workplace and are typically not covered by an employer's insurance. If there is an accident or if legal proceedings are brought against the worker, they bear the risks and responsibilities. Second, the self-employed worker has less job security. An employer can often terminate the relationship with little notice and the worker is typically not entitled to compensation or any benefits under an unemployment insurance scheme.

Few reliable estimates of the scale of bogus self-employment exist. In the Czech Republic, it is estimated that between 13% and 26% of all self-employed workers are bogus self-employed (Geissler, 2012). The phenomenon is often thought to be the most prevalent in the construction section and a wide range of estimates have been produced for this sector, ranging from 10% of construction workers in Netherlands to 25% of construction workers in Sweden (Jorens, 2008).

It is important to understand the prevalence of bogus self-employment, for example by examining the proportion of businesses with only one large firm customer, since it affects our understanding of the economic and social impact of self-employment. Essentially, there is little net benefit from policies that encourage people who would otherwise be in an employment relationship into bogus self-employment. However, the vast majority of the self-employed do not fall into that category even in sectors where the phenomenon is known to be prevalent.

The self-employed with employees

Box 2.4. **Key findings – The self-employed with employees**

- Out of a total self-employed population in the EU of approximately 30 million, less than one-third (9 million) employ other people and this number has declined over the last decade.
- A clear gender gap is evident among the proportion of self-employed with employees. In 2011, 2 million self-employed women in the EU (24% of self-employed women) had employees while approximately 7 million self-employed men had employees (34% of self-employed men).
- In 2011, 88 000 young people (aged 15 to 24) were self-employed with employees. This represents only 11% of self-employed youth. However, older people (aged 55 to 64) were as likely as other adults (aged 15 to 64) to have employees (30% vs. 29%).
- Although self-employment rates vary little by education level, those with low educational attainment levels are much less likely to have employees than those with tertiary level qualifications. Out of the 5 million self-employed people with employees, about one-third has a low education level.

Self-employed women with employees

The proportion of self-employed women with employees declined between 2000 and 2011 (Figure 2.6A). Approximately, one-third of self-employed women in the EU had employees in 2000, but by 2011 this had declined to one-quarter. Of the nearly 9.5 million self-employed women in the EU in 2011, only 2.3 million had employees. This pattern is not uniform across the EU (Figure 2.7), and the proportion of self-employed women with employees actually increased in 9 EU countries (Bulgaria, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Romania and Spain).

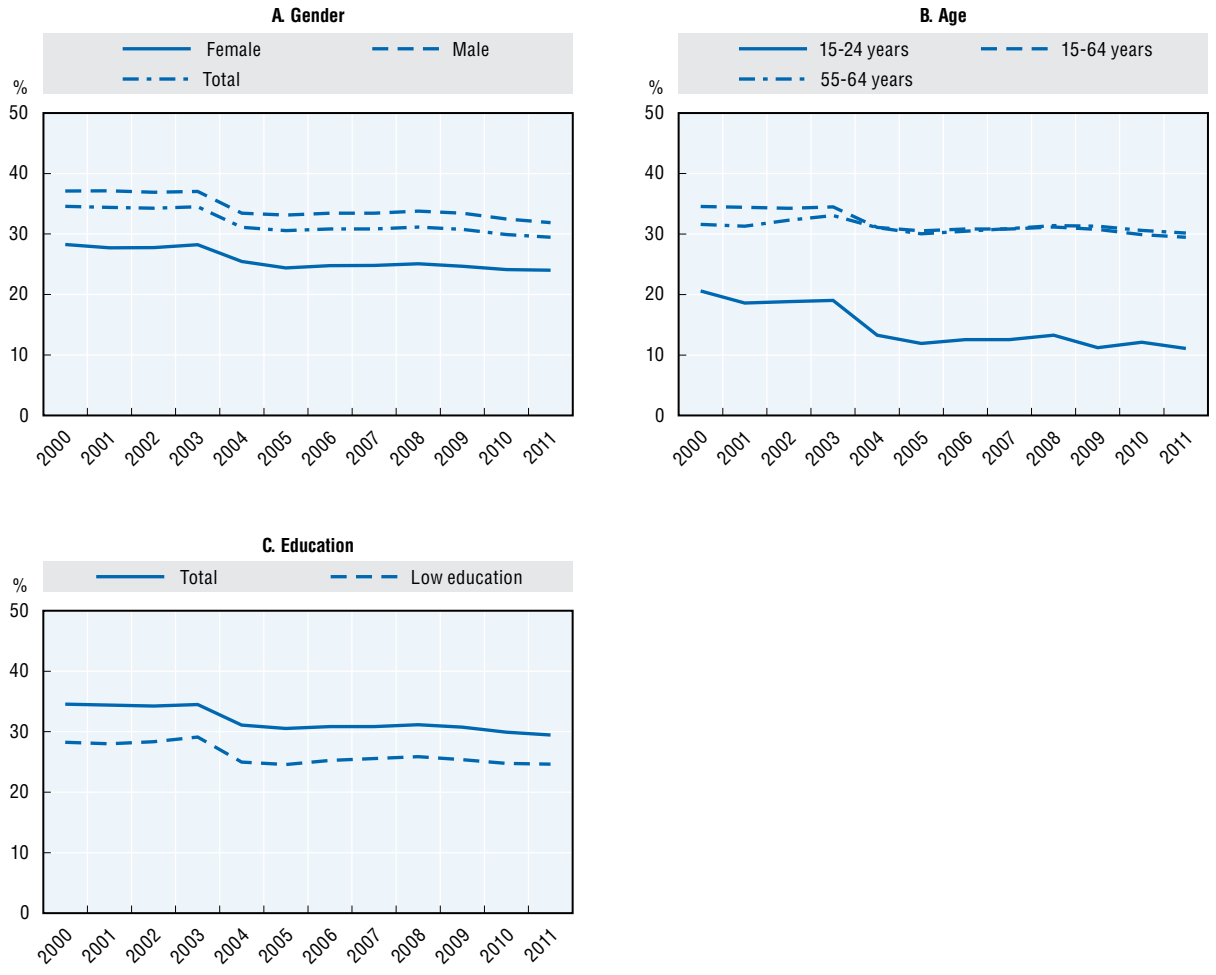
Figure 2.7 also highlights two other points. First, Ireland is the only country in the EU where a higher proportion of self-employed women have employees than men. Second, again there are wide country variations in the proportions of self-employed women with employees. Romania has a very low proportion, while more than one-third of self-employed women in Germany, France, Denmark, Ireland and Hungary have at least one employee.

Self-employed youth and seniors with employees

Figure 2.6B shows a dramatic decline in the proportion of self-employed young people (ages 15 to 24) with employees. Approximately 30% of self-employed youth in the EU were employers in 2000 but this had fallen to 11% in 2011. Only 89 000 self-employed young people in the EU employed workers in 2011, down from 157 000 in 2000.

The proportion of self-employed older people (ages 55 to 64) with employees is similar to the proportion of adults overall. However, the proportion of self-employed with employees has declined in both groups, although to a lesser extent than for youth. In 2000, approximately 40% of self-employed adults and older people had employees. This had declined to 30% in 2011 for both groups.

Figure 2.6. **Self-employed with employees, 2000-11**
Percentage of self-employed 15-64 year-olds



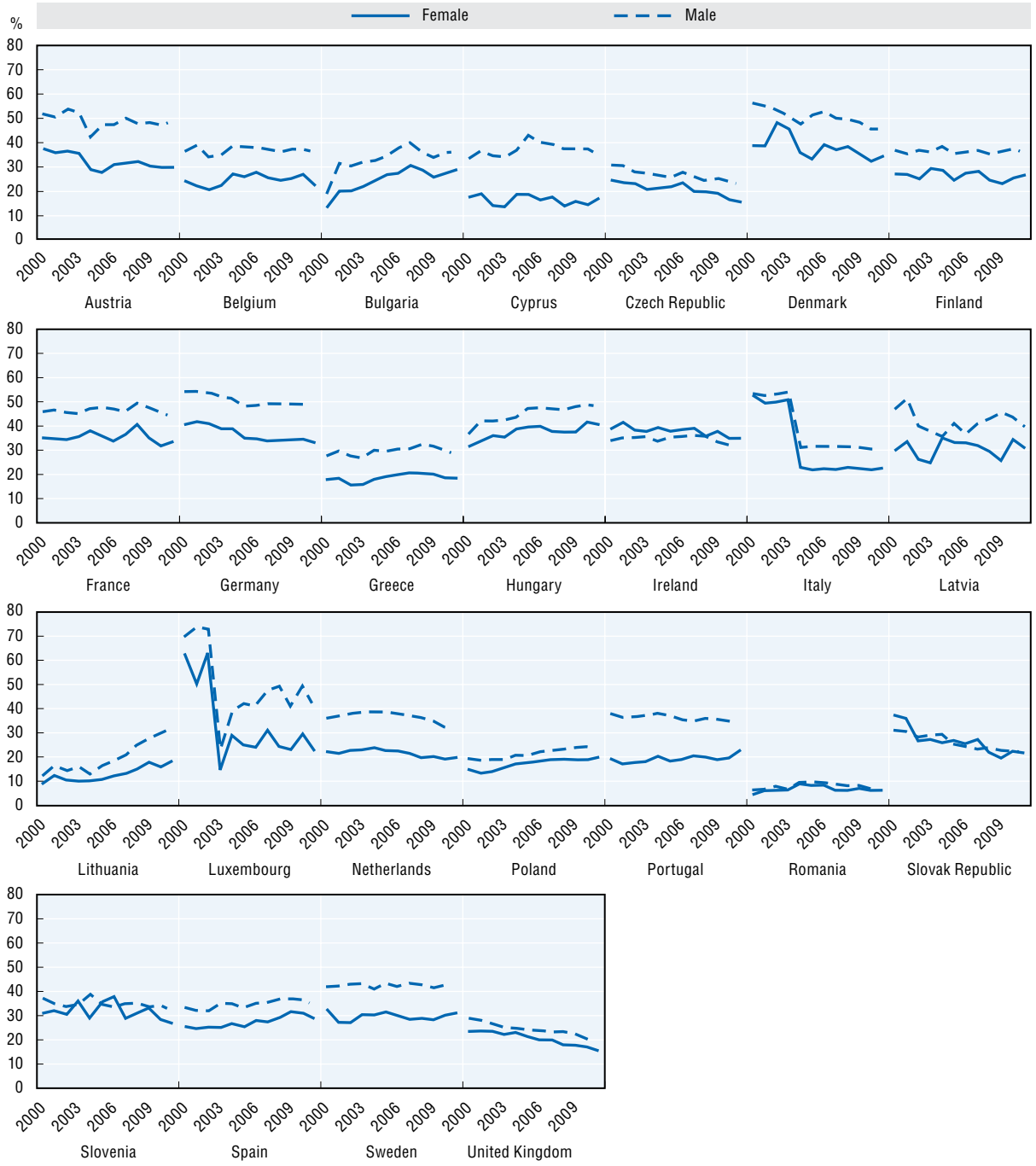
Source: Eurostat, Labour Force Survey 2000-2011.

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Data for each member state are presented in Figure 2.8 and show three key issues. First, self-employed older people are more likely to have employees than self-employed younger people in all member states where data are available. Second, the while the overall picture is a decline in senior levels, 7 EU countries have seen an increase in the proportion of seniors in self-employment with employees. Third, there are large country differences in proportions of senior self-employed with employees. In countries such as the United Kingdom, Greece and Poland, less than a quarter of self-employed seniors have employees. This contrasts with Germany, Austria and France where more than two-fifths have employees.

Figure 2.7. **Self-employed with employees by gender, 2000-11**

Percentage of self-employed 15-64 year-olds



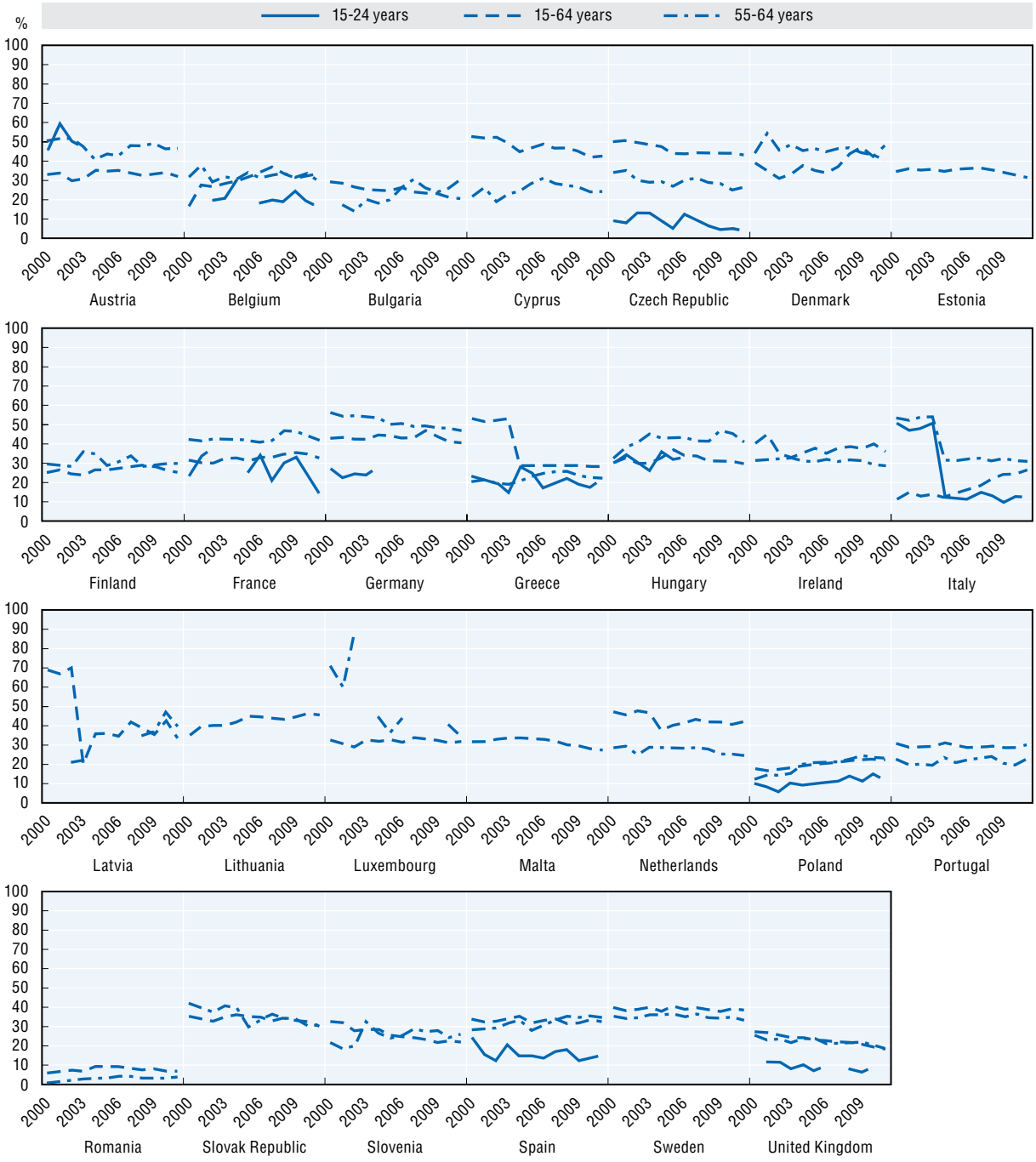
Note: Data are not available by gender for Estonia and Malta.

Source: Eurostat, Labour Force Survey 2000-2011.

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Figure 2.8. **Self-employed with employees by age, 2000-11**

Percentage of self-employed 15-64 year-olds



Notes: 1. The proportion of self-employed young people with employees is not available in Bulgaria, Cyprus, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Malta, the Netherlands, Portugal, Romania, the Slovak Republic and Sweden. 2. The proportion of self-employed older people with employees are not available for Estonia, Lithuania, Malta and the Netherlands.

Source: Eurostat, Labour Force Survey 2000-2011.

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The self-employed with employees and education level

Figures 2.6C and 2.9 show that self-employed people with a low educational background are less likely to employ others than the general self-employment population and this has been consistent over the period 2000-2011. There has also been a decline in the proportion of the self-employed with employees among those with a low education level from approximately 35% in 2000 to 25% in 2011 (Figure 2.6C). A low education level is defined as having no more than pre-primary education, primary education and lower secondary education. For more information on this concept and data source, please refer to the Reader's Guide in Chapter 5.

There are wide country variations in the proportion of self-employed people with employees across EU member states (Figure 2.9). In the United Kingdom, Greece, Poland, Slovenia and the Czech Republic no more than one-fifth of those with a low education level have employees. In Germany and Sweden, the equivalent rates are two-fifths. Some 11 EU countries have seen declines in proportions of the self-employed with a low education level that employ people. The largest declines have been in the Czech Republic (13.6 percentage points) and Italy (22 percentage points). Nine countries have, however, seen increases, the largest increases being in Austria (15.7 percentage points) and Hungary (11 percentage points). Furthermore, there are some countries in which the proportion of the self-employed with low education levels who have employees is greater than that of the self-employed population as a whole (Estonia, Finland, France and Italy).

Self-employment by industry

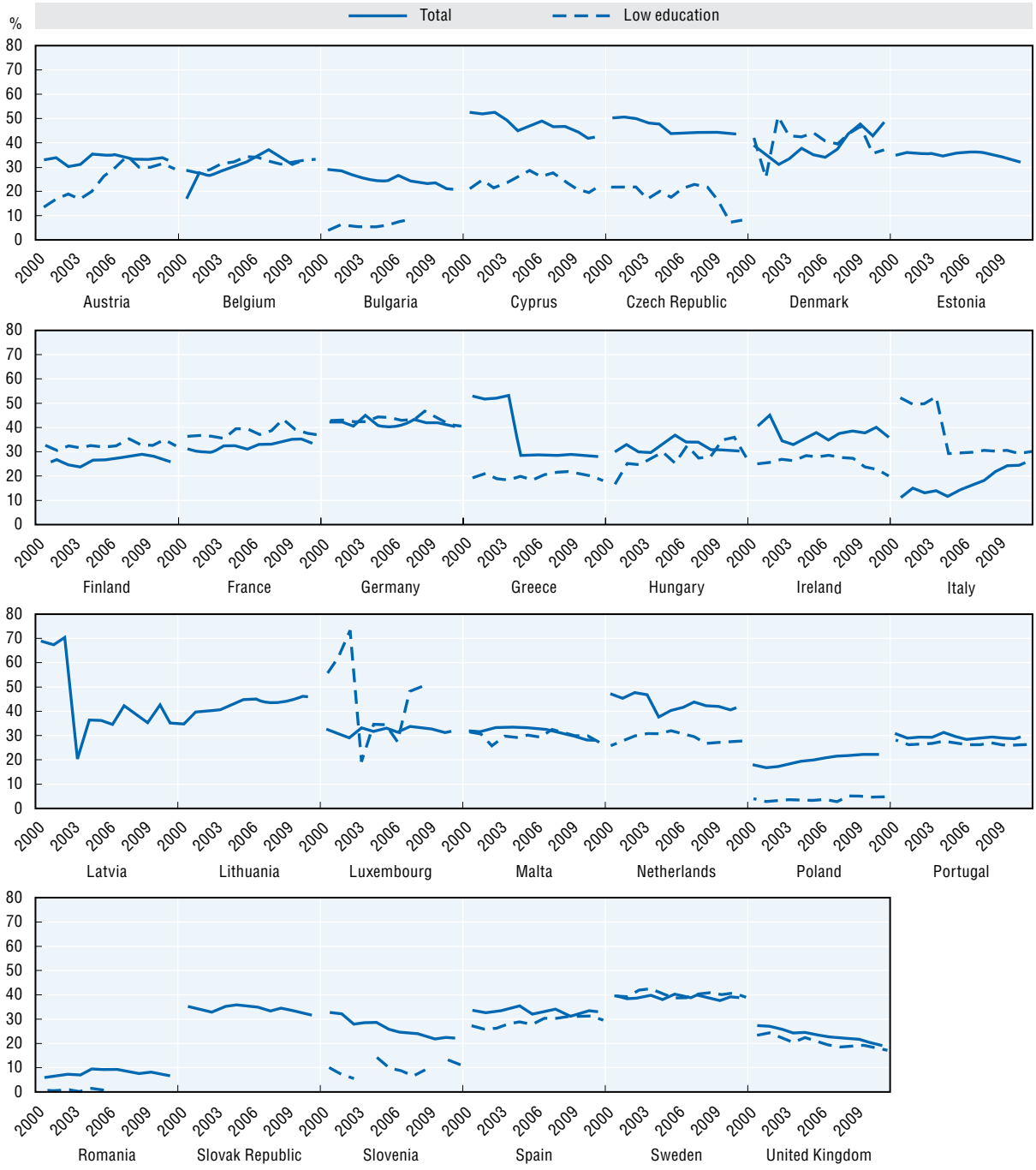
Box 2.5. **Key findings – Self-employment by industry**

- Self-employed women are less likely than self-employed men to be operating in construction and manufacturing industries.
- Older self-employed people (age 55 to 64) are more likely than young self-employed people (ages 15 to 24) to be operating in manufacturing, construction and consumer-related industries.

Figure 2.10 illustrates the industrial sector of self-employment activities by gender and age. Similar proportions of women and men are involved in professional services and in agriculture, forestry and fishing. Women, though, are much less likely to be involved in manufacturing and construction than men, which represent approximately one-quarter of male self-employment but only one-in-twenty for women. Self-employed women, on the other hand, have much higher rates of participation in consumer orientated services (e.g. health and social work, arts, education) than men. Nearly two-fifths of women are in consumer orientated self-employment, whereas male self-employment in these sectors is around one-in-eight. There are also age differences. Relative to seniors, self-employment among youth is much more prevalent in agriculture, forestry and fishing and business services. By contrast, seniors are more likely to be self-employed in manufacturing, construction and consumer orientated sectors.

Figure 2.9. **Self-employed with employees by education level, 2000-11**

Percentage of self-employed 15-64 year-olds

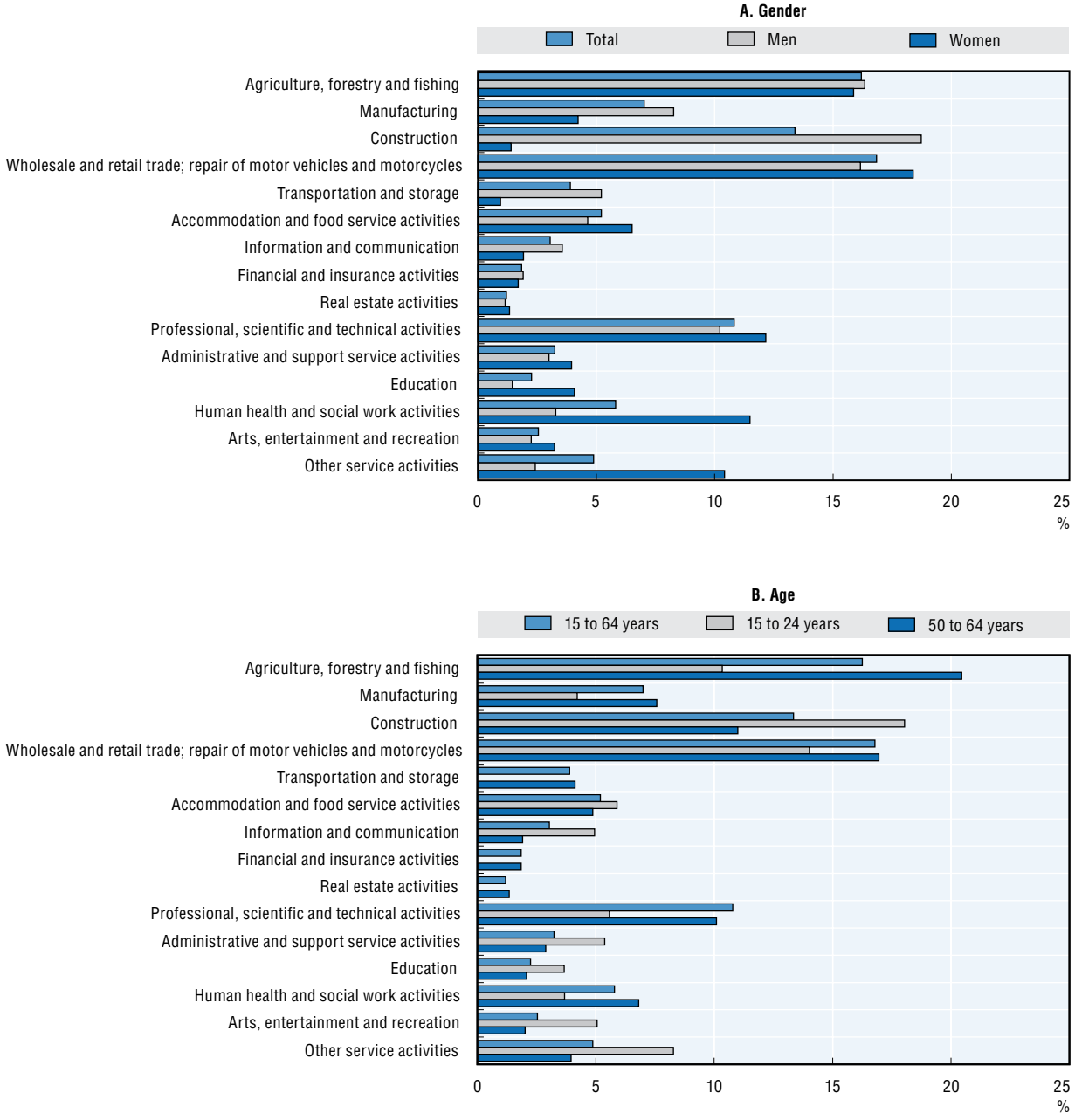


Note: Data by education level are not available for Estonia, Latvia, Lithuania, and the Slovak Republic.

Source: Eurostat Labour Force Survey 2000-2011.

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Figure 2.10. **Self-employment rates by industrial sector in the EU, 2011**



Notes: 1. Data in Panel A were suppressed for the following industries: Mining and quarrying; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities; Public administration and defence; compulsory social security; Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; Activities of extraterritorial organisations and bodies; and no response. 2. Data in Panel B were suppressed for the following industries: Mining and quarrying; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities; Public administration and defence; compulsory social security; Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; Activities of extraterritorial organisations and bodies; and no responses.
Source: Eurostat Labour Force Survey 2011.

StatLink http://dx.doi.org/10.1787/888932926243

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Chapter 3

Inclusive entrepreneurship over the business life cycle

This chapter presents evidence on business start-up and operation by disadvantaged and under-represented groups using data from the Global Entrepreneurship Monitor, an international household survey. Data are presented for women, young people, older people, ethnic minorities and immigrants, those with low education and income levels, the disabled and the unemployed. In addition to the self-employed, this survey also identifies those who are trying to start or already running their own business, including those who employ others. The data suggest that, taken together, the disadvantaged and under-represented groups account for the majority of business start-up activities in Europe. However, rates of business start-up and operation within each group tend to be lower than in the mainstream population. The chapter also presents information from various sources on the prior labour market experience and motivations of self-employed people and people starting businesses.

Entrepreneurial activity

Box 3.1. **Key findings – Entrepreneurial activity**

- There are substantial differences in business creation rates across different social groups in Europe, but the differences vary by country.
- Women are less likely than men to be in the process of starting a business. People with low levels of education and low income levels are also less likely to be starting up. However, young people are more likely that adults and older people to be starting a business.
- Women are approximately half as likely as men to be operating new businesses. Those with poor educational outcomes and low incomes are also less likely to be new business owners. Young people are much more likely than seniors to be new business owners.
- Women and those with low education levels and low incomes are also less likely to be owners of established businesses. Although youth have high start-up and new business ownership rates, they are less likely to own an established business than adults and seniors.

Box 3.2. **Distinctions between self-employment and business ownership data**

- The self-employment data presented in Chapter 2 of this report 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. By focusing on self-employment, the chapter picks up people who generally employ only themselves or a very few people in non-incorporated businesses. People running larger incorporated businesses generally do not declare themselves self-employed. 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 chapter 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 in Chapter 2. The Global Entrepreneurship Monitor also picks up individuals who may be running businesses as a secondary activity, whereas the Labour Force Survey counts people as self-employed only if it is more time consuming than employment.

Nascent entrepreneurship activity

Figure 3.1 presents nascent entrepreneurship rates for EU countries. It measures 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. 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 in Chapter 5.

Women are less likely than men to be nascent entrepreneurs, i.e. in the process of starting a business (Figure 3.1A). However, the gender differences vary across member states. The country with the lowest difference is Austria (1.4% women are starters compared with 1.6% of men) while the largest difference is in the Slovak Republic (5% female, 13.5% male).

In nearly all countries, young people (18-30 year olds) have higher nascent entrepreneurship rates than adults in general (18-64 year olds) or seniors (55-64 year olds) (Figure 3.1B). Overall the youth nascent entrepreneurship rate is double that of seniors in the EU22, at approximately 4% for youth compared with 2% for seniors. The Slovak Republic has the highest rates for both youth (11.9%) and seniors (4.7%). There are evident gaps not only between seniors and the young but also between EU countries in nascent entrepreneurship activity.

People with low education levels are, relative to university graduates, much less likely to be nascent entrepreneurs (Figure 3.1C). The only exception is Germany which has higher rates of nascent entrepreneurship among this group (2.0%) than graduates (1.3%).

Similar patterns are also evident in terms of the income levels of people who are in the process of starting a business. Those on lower incomes (in the lowest third of the income distribution) are much less likely to be involved in setting up a business than those with higher income levels (top third). Italy is the only exception to this pattern.

New business activity

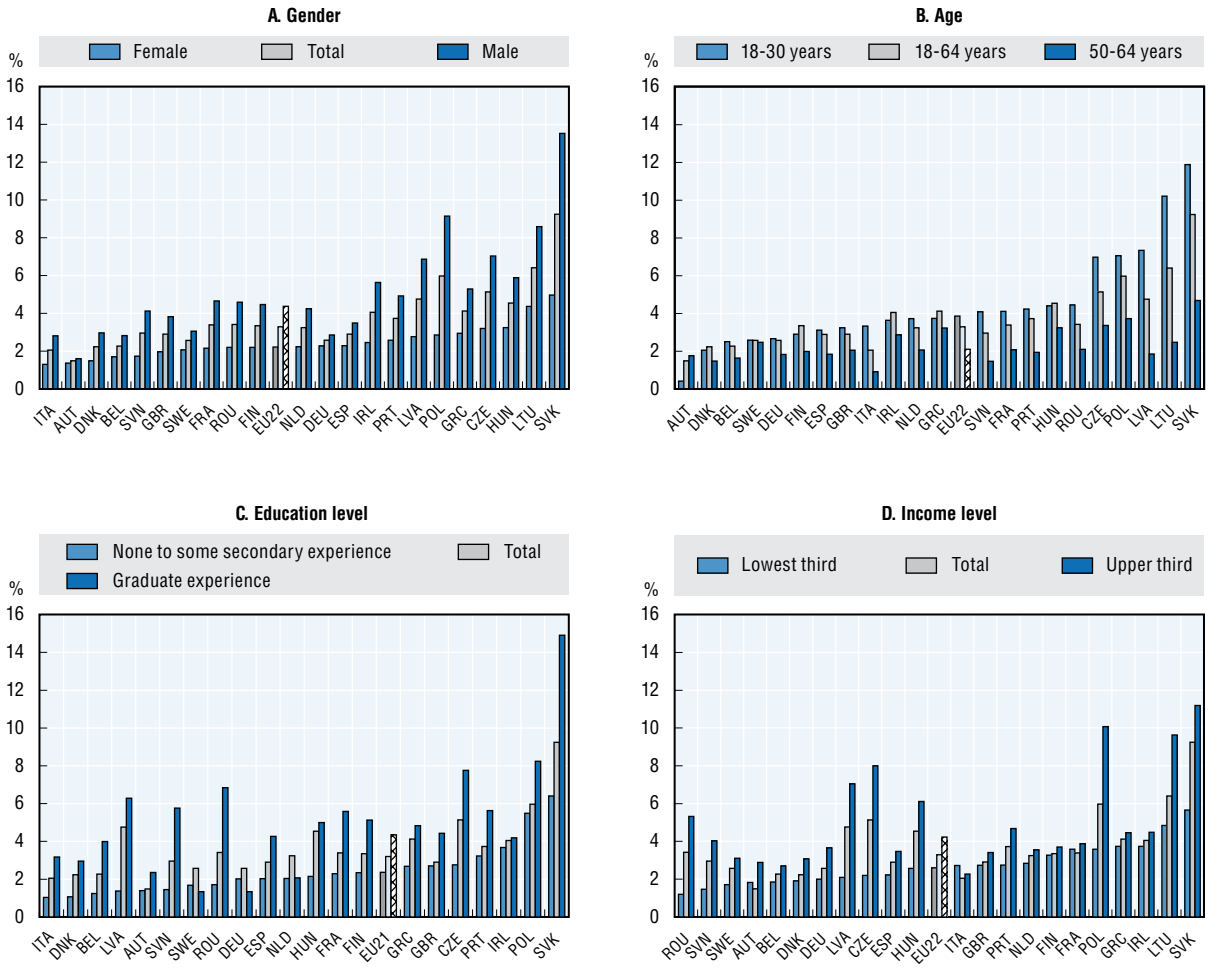
Figure 3.2 presents data on new business ownership rates by gender, age, education and income. The measure shows the proportion of the adult population who report that they are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. For more information on this concept and data source, please refer to the Reader's Guide in Chapter 5.

Women are less likely to be new business owners than men across the EU as a whole, with an average rate of female new business ownership of 1.8% compared with 3.8% among men. However, female new business ownership rates vary markedly across EU member states. Austria has the lowest rate (0.5%) while, as with nascent rates, the Slovak Republic has the highest rate (3.4%). These differences indicate that the gap identified between men and women and between countries in nascent activities continues to persist in new business ownership.

The patterns evident in nascent business activity also continue into business ownership among young people and seniors. Thus the rate of new business ownership among the young is on average nearly double the rate for seniors across the EU. These differences are greater in Lithuania, the Slovak Republic and the Netherlands, although seniors do have higher business ownership rates than the rest of the adult population in countries such as Austria and Portugal.

Figure 3.1. **Nascent entrepreneurship rates, 2007-11 (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, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, the UK. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2007-2011 period. A number of countries only participated in the GEM survey once in this time period but were included in the tables: Austria (2007), Czech Republic (2011), Lithuania (2011) and the Slovak Republic (2011). Furthermore, a small number of countries participated in the GEM in three or four of the five years: Germany, Ireland, Italy, Portugal and Sweden. 3. Data for Lithuania could not be presented by education level and are therefore not included in Panel C. Similarly, the EU total in Panel C excludes Lithuania.4. 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.

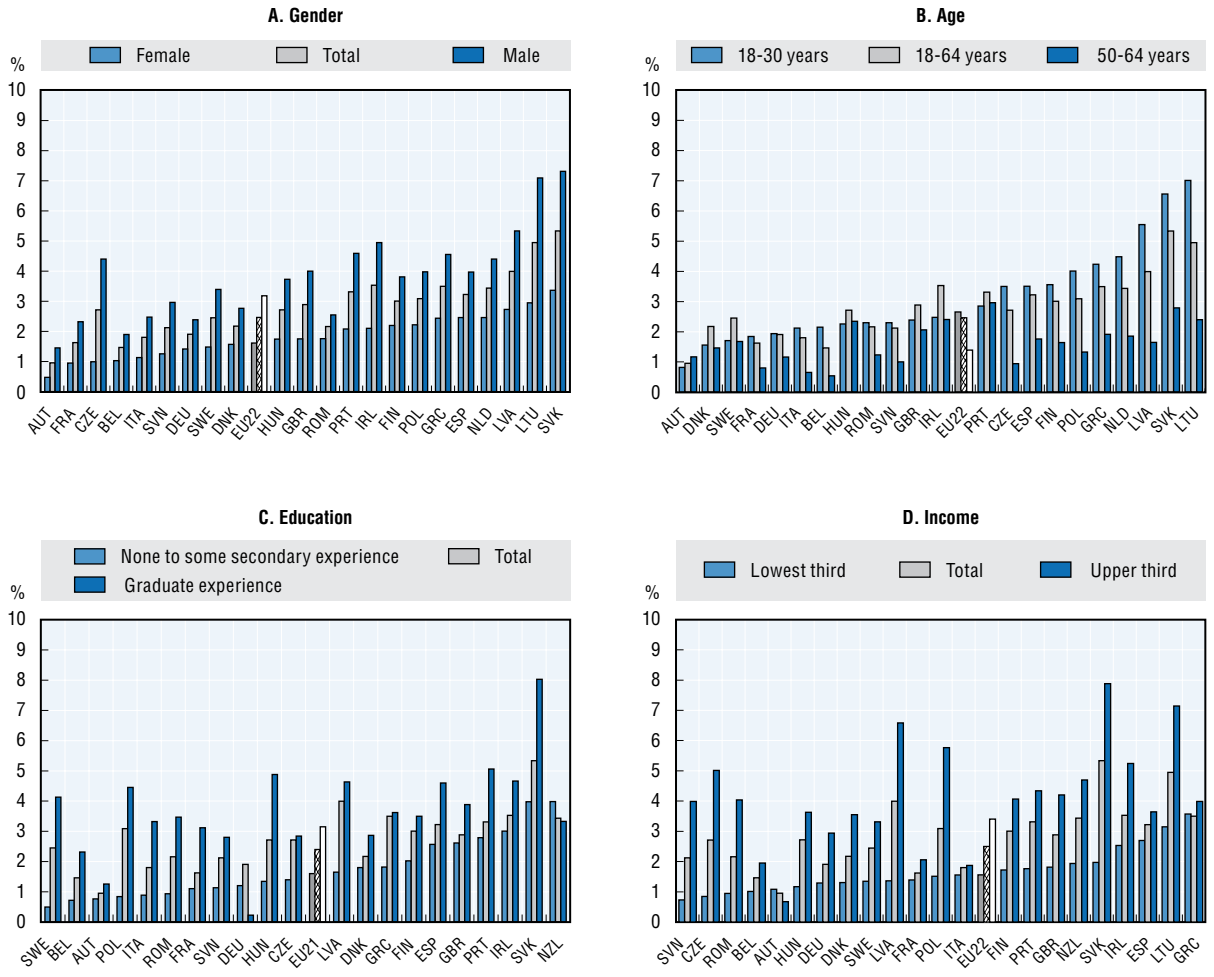
Source: Special tabulations of the 2007-2011 adult population surveys from Global Entrepreneurship Monitor.

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Similarly, the low rates of business start-up activity continue into new business ownership for people with low education and income levels. In the case of low education, this pattern is evident across all countries with the exception of Germany and the Netherlands and in the case of low income levels the only exception is Austria.

Figure 3.2. **New business ownership rates, 2007-11 (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, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, the UK. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2007-2011 period. A number of countries only participated in the GEM survey once in this time period but were included in the tables: Austria (2007), Czech Republic (2011), Lithuania (2011) and the Slovak Republic (2011). Furthermore, a small number of countries participated in the GEM in three or four of the five years: Germany, Ireland, Italy, Portugal and Sweden. 3. Data for Lithuania could not be presented by education level and are therefore not included in Panel C. Similarly, the EU total in Panel C excludes Lithuania. 4. 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 2007-2011 adult population surveys from Global Entrepreneurship Monitor.

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Existing business ownership

Figure 3.3 examines patterns of existing business ownership. This measure 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. (For more information on this concept and data source, please refer to the Reader's Guide in Chapter 5.) Again, the main patterns found in data on nascent

and new business ownership continue into established business ownership, with the important exception of youth.

First, women are about one-half as likely as men to be running existing businesses in EU countries, indicating a major gap with important consequences for potential job creation and labour market attachment. Furthermore, there are substantial differences across countries in the proportion of women running established business, ranging from less than 2% in France to some 5% in Finland and 8% in Greece.

Second, those with low education levels are less likely to be existing business owners than university graduates in all countries except Finland, Germany, Greece and Ireland.

Third, those with low incomes are less likely in all countries to own an established business than those with higher income levels. However, Greece had very high rates of existing business owners – roughly one-in eight – who are drawn from the bottom third of the income distribution, compared with an EU average of 3.6%.

However, in the case of youth the patterns are reversed. While Figures 3.1 and 3.2 show that young people are much more likely to be nascent or new business owners than either seniors or adults in general, Figure 3.3 shows that youth are much less likely to be established business owners than seniors and adults. For example, business ownership among Irish young people stands at 2.3% while for seniors the rate is 13.6%.

Prior labour market experience of entrepreneurs

Box 3.3. **Key findings – Prior labour market experience of entrepreneurs**

- The most common route into self-employment is through prior employment. However, women, young people (under 30 years old) and people with low education levels are more likely to start up in self-employment from previous inactivity in the labour market or unemployment than the population as a whole.
- Women, young people and people with low education levels are less likely to have had business ownership experience before starting up than the population as a whole.

Labour market background of women entrepreneurs

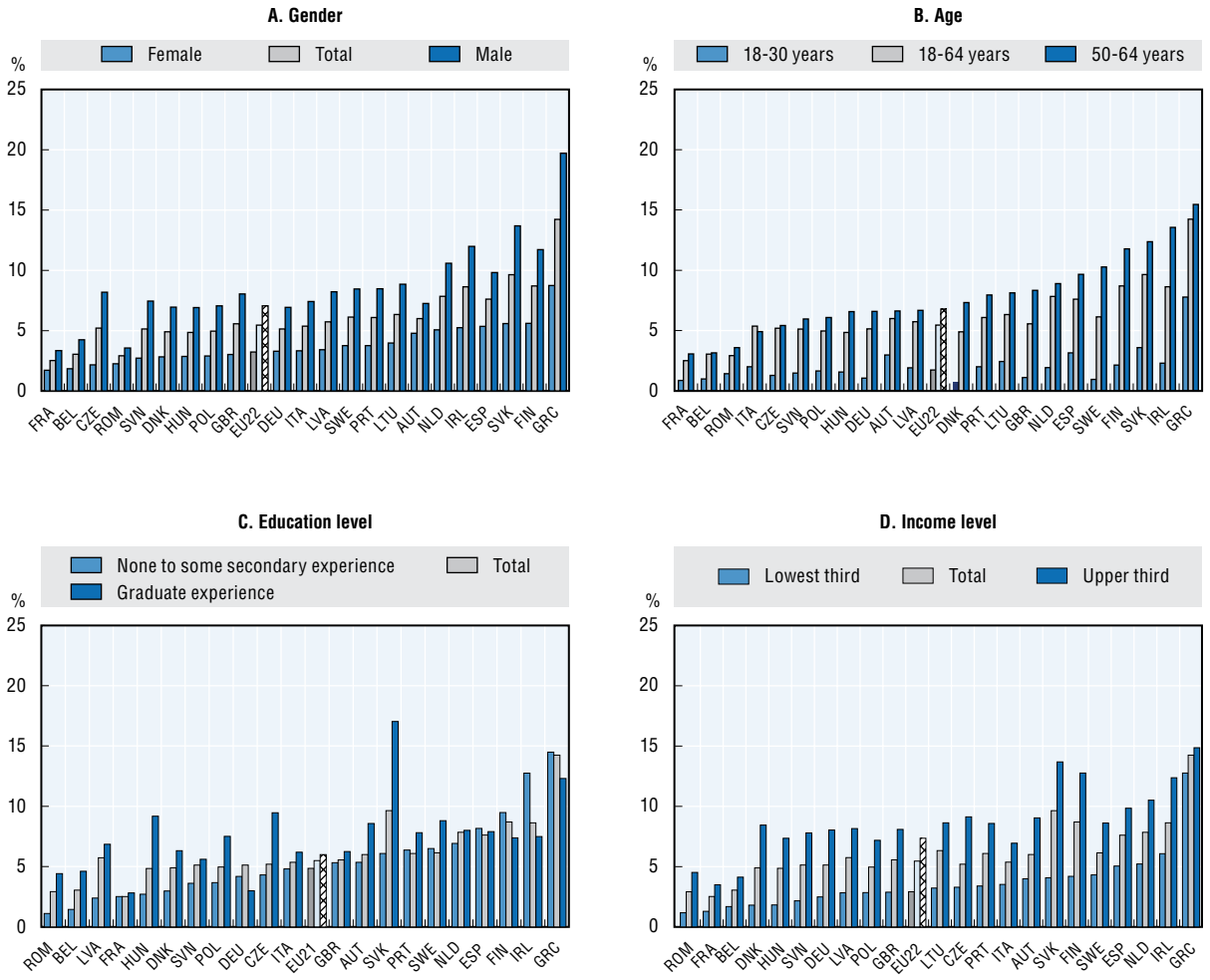
Figure 3.4 focuses on the prior labour market experiences of self-employed women and men in the EU, showing some important contrasts. Across the EU, a greater proportion of men (60%) than women (50%) entered self-employment from a previous position in employment. The only exceptions are Luxembourg, Estonia, Portugal, Lithuania and Latvia. Women are also more likely to have entered self-employment from unemployment or from previous labour market inactivity. Furthermore, they are less likely to have had a prior spell of business ownership.

Labour market background of youth and senior entrepreneurs

Figure 3.5 examines the labour market background of young people (under 30 years) and older people (over 40 years) before starting up in self-employment. The typical prior labour market experience of these two age groups was employment; 50% for youth compared with close to 60% for older people across the EU13. Young self-employed people were more

Figure 3.3. **Established business ownership rates, 2007-11 (combined)**

Percentage of 18-64 year-olds



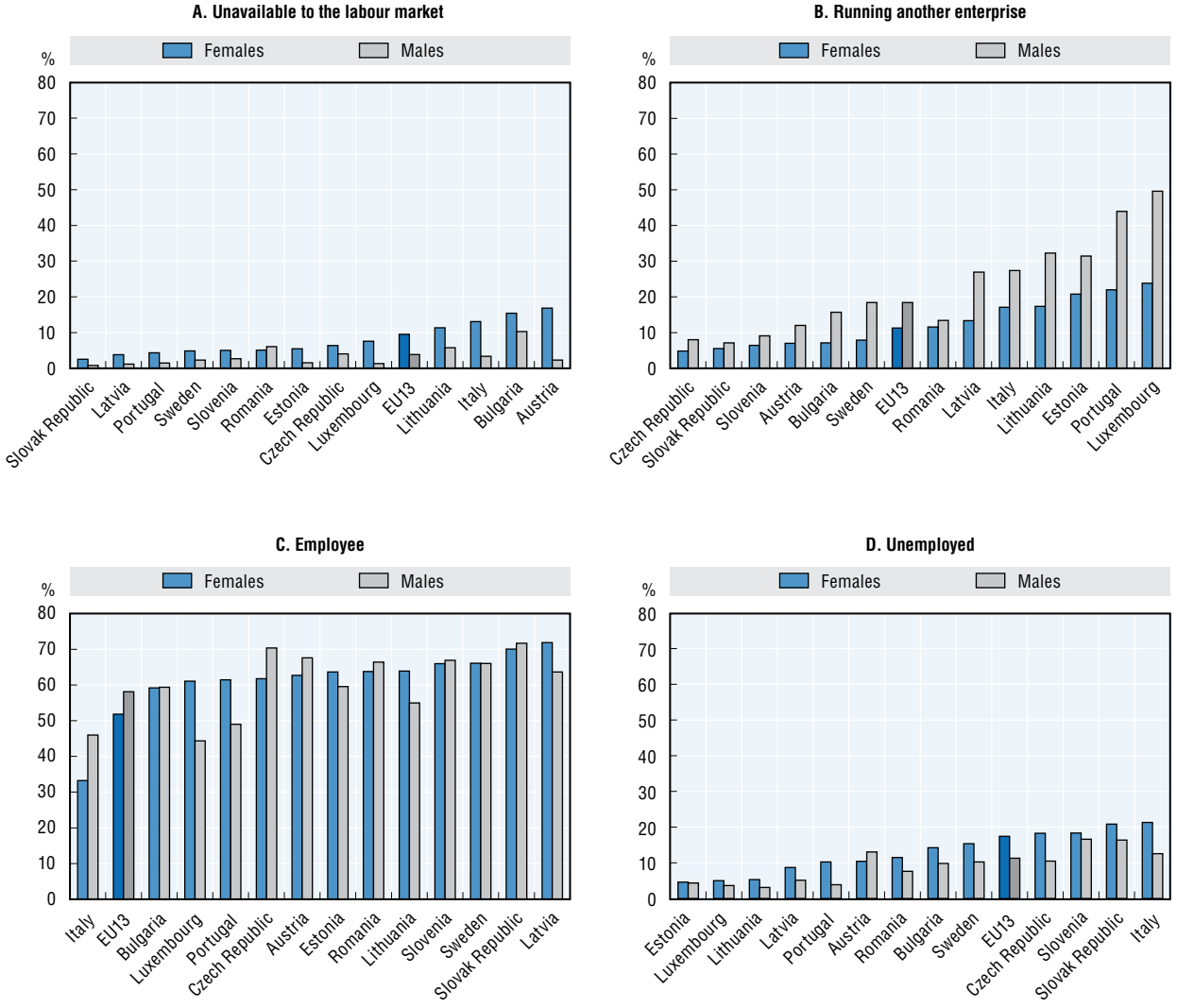
Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, the UK. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2007-2011 period. A number of countries only participated in the GEM survey once in this time period but were included in the tables: Austria (2007), Czech Republic (2011), Lithuania (2011) and the Slovak Republic (2011). Furthermore, a small number of countries participated in the GEM in three or four of the five years: Germany, Ireland, Italy, Portugal and Sweden. 3. Data for Lithuania could not be presented by education level and are therefore not included in Panel C. Similarly, the EU total in Panel C excludes Lithuania. 4. 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 2007-2011 adult population surveys from Global Entrepreneurship Monitor.

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likely to start up in self-employment after being unemployed than older entrepreneurs. By contrast, self-employed people over the age of 40 were more likely than younger people to have previously been inactive in the labour market. Older people were more likely to have had prior experience with business ownership than youth. These proportions nonetheless vary across EU countries.

Figure 3.4. **Occupation prior to self-employment by gender, 2005**



Note: 1. The EU13 average covers the following countries: Austria, Bulgaria, Czech Republic, Estonia, Italy, Latvia, Lithuania, Luxembourg, Portugal, Romania, Slovak Republic, Slovenia and Sweden.

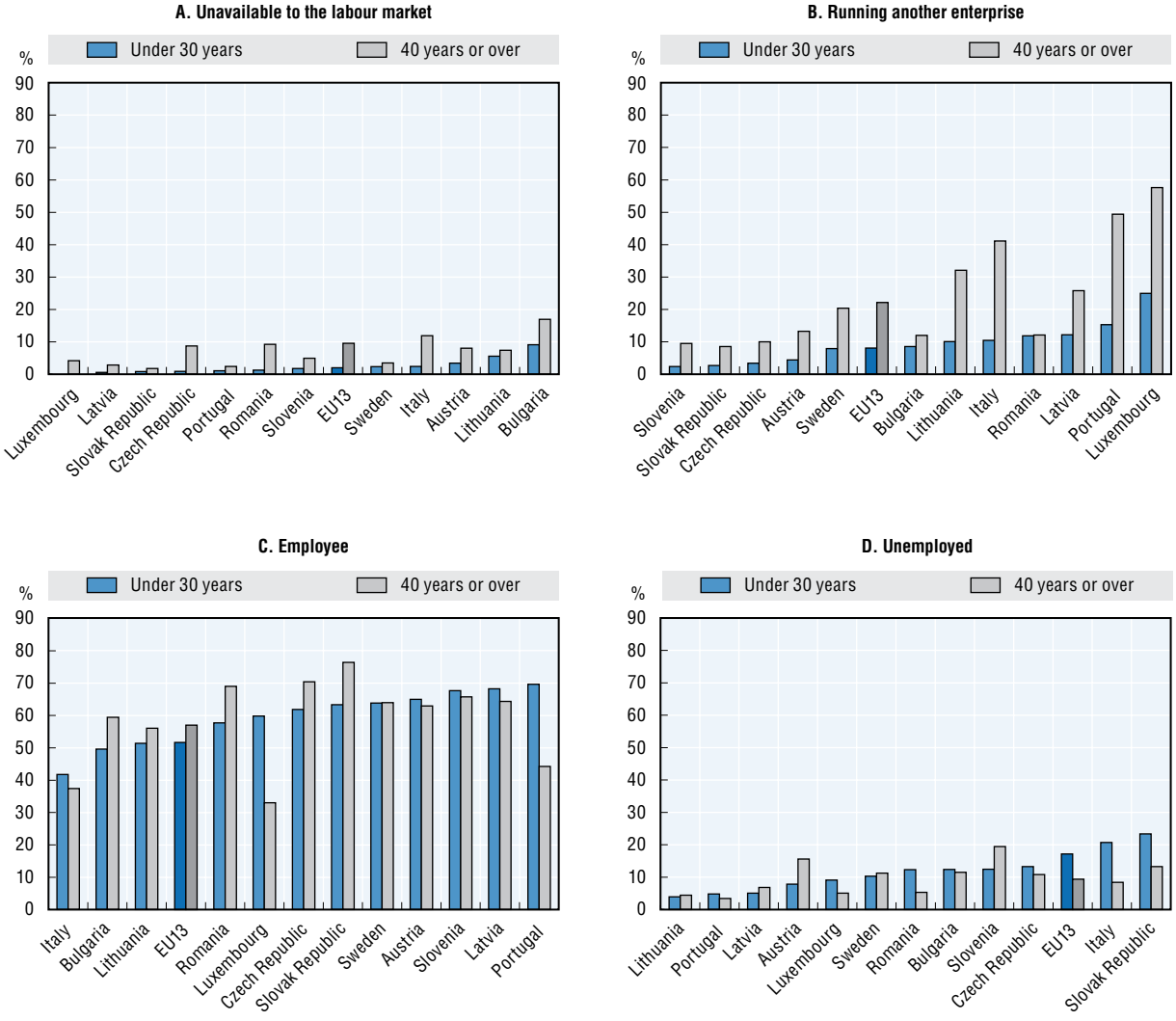
Source: Eurostat, Factors of Business Success 2005.

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Labour market background of entrepreneurs by education

Self-employed people with low education levels (primary and lower secondary education) predominantly enter self-employment from paid employment (Figure 3.6). However, relative to those with high education levels (first and second stage of tertiary education) they are also more likely to have been inactive in the labour market, more likely

Figure 3.5. **Occupation prior to self-employment by age, 2005**



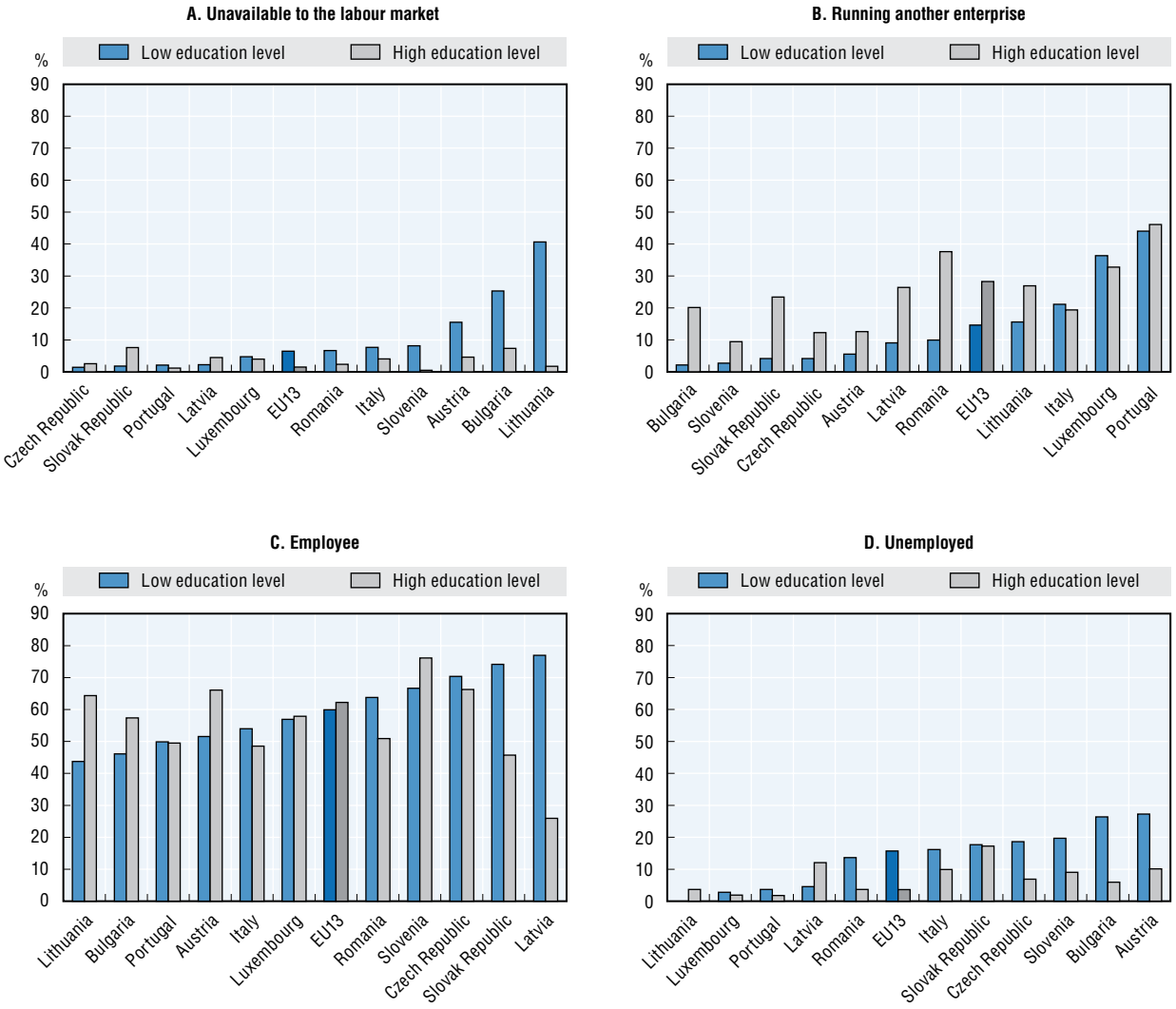
Note: 1. The EU13 average covers the following countries: Austria, Bulgaria, Czech Republic, Estonia, Italy, Latvia, Lithuania, Luxembourg, Portugal, Romania, Slovak Republic, Slovenia and Sweden. Data for Estonia could not be presented in the figure because of the small sample size but are included in the EU13 total.

Source: Eurostat, Factors of Business Success 2005

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to have been unemployed and less likely to have prior business ownership experience. There are nonetheless significant variations across EU countries, and in some cases (e.g. Luxembourg) the overall pattern does not apply.

Figure 3.6. **Occupation prior to self-employment by education level, 2005**



Notes: 1. The EU13 average covers the following countries: Austria, Bulgaria, Czech Republic, Estonia, Italy, Latvia, Lithuania, Luxembourg, Portugal, Romania, Slovak Republic, Slovenia and Sweden. 2. Low education level is defined as primary and lower secondary education (levels 1 and 2) and high education level is defined as first and second stage of tertiary education (levels 5 and 6).
Source: Eurostat, Factors of Business Success 2005.

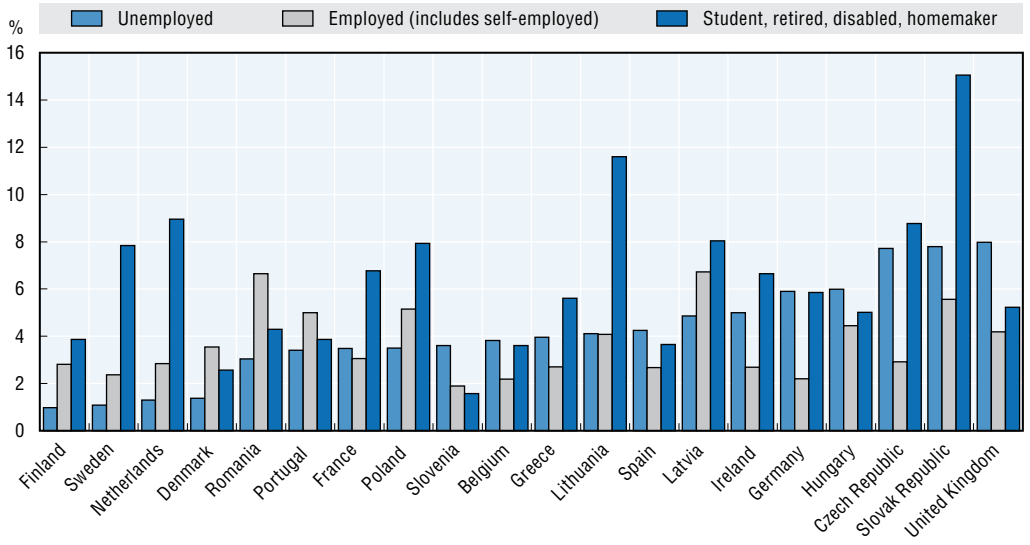
StatLink http://dx.doi.org/10.1787/888932926661

Box 3.4. **From unemployed to self-employed**

Figure 3.7 presents data on the nascent entrepreneurship rate (i.e. the proportion of people who report that they are taking steps to establish a business) for three groups: previously unemployed, previously in paid employment or different self-employment activity, and those that were inactive in the labour force because they were students, retired, disabled or homemakers.

It shows significant differences across countries in the proportions of the unemployed who say they are in the process of setting up a business. This varies from approximately 1% in countries such as Finland and Sweden to around 8 % in the Czech Republic, the Slovak Republic and the United Kingdom. Nascent entrepreneurship rates were equal to or higher for unemployed people than for employed people in 12 of 20 European countries.

Figure 3.7. **Nascent entrepreneurship rates by previous employment status, 2011**
Percentage of 18-64 year-olds



Source: Special tabulations of the 2011 adult population survey from the Global Entrepreneurship Monitor.

StatLink http://dx.doi.org/10.1787/888932926737

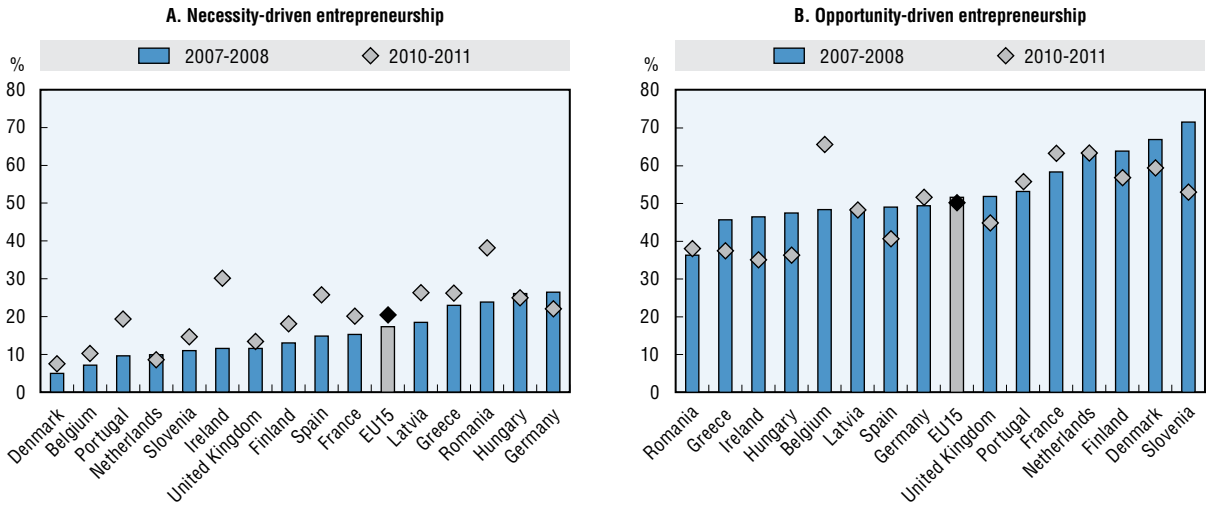
Motivations for entrepreneurship and self-employment

Box 3.5. **Key findings – Motivations for entrepreneurship and self-employment**

- Fewer entrepreneurs in the EU are pursing entrepreneurship to exploit opportunities now relative to before the crisis.
- The majority of entrepreneurs indicate that a key factor in their decision to start a business is dissatisfaction with their previous situation. This proportion is higher among young people.
- Approximately one-half of women business owners pursue entrepreneurship as a career option as a way to improve the balance between their work life and private life.

Figure 3.8 illustrates whether those involved in early stage entrepreneurship activities (i.e. nascent entrepreneurship and new business ownership) are pursuing those activities out of necessity (for example because of a lack of paid employment) or whether they are pursuing an opportunity. Panel A illustrates the proportion of those who became involved in entrepreneurship out of necessity in the period 2007-2008, prior to the major employment impacts of the crisis, and in period 2010- 2011, during which the impacts of the crisis had become felt. The proportion starting through necessity increased from approximately 18% to 20% in the 15 EU countries covered. The proportion increased in almost all the countries covered except for the Netherlands, Hungary and Germany where there was a marginal decline in this proportion. For most countries, however, the increases were not as dramatic as might be anticipated, and the proportions of people stating that they are starting up because they recognise an opportunity consistently exceed those who say they are starting up because of necessity.

Figure 3.8. **Necessity and opportunity based entrepreneurship, pre- and post-crisis**



Source: Special tabulations of the 2007-2011 adult population surveys from the Global Entrepreneurship Monitor.

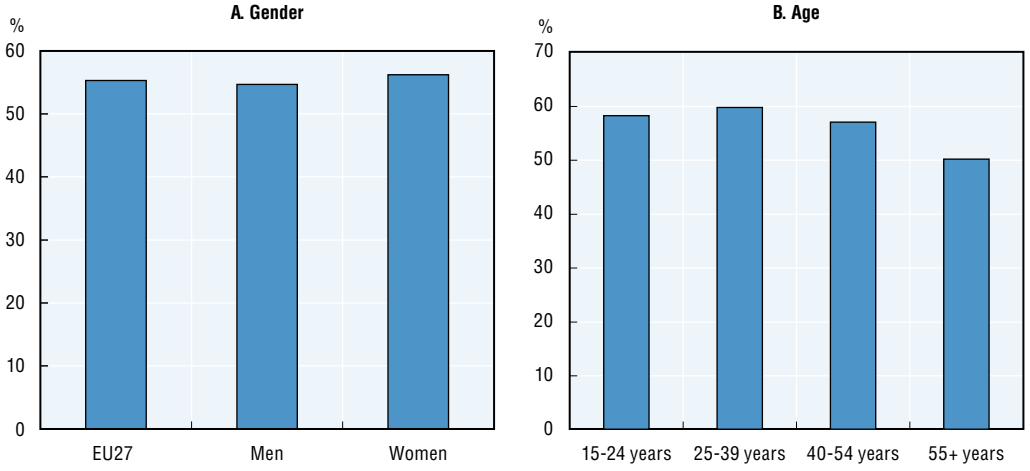
StatLink http://dx.doi.org/10.1787/888932926756

Data from the Flash Eurobarometer provide further insights into the motivations for entering entrepreneurship by disadvantaged and under-represented groups. As show in Figure 3.9 more than one-half of people starting a business said that dissatisfaction with their previous situation was a very or rather important to their decision. While differences are not apparent by gender, the proportion of those who pursued entrepreneurship due to dissatisfaction with their previous situation declined with age.

An often cited advantage of entrepreneurship is greater flexibility than employment. Figure 3.10 shows the proportion of business owners who said they started a business because it provided them with the opportunity to better balance work and private life. The data indicate this is true for many entrepreneurs, particularly women. Overall, approximately one-half of women business owners in the EU cited this factor as motivation for starting a business. This is approximately 10 percentage points higher than for male business owners. These data suggest that many women pursue entrepreneurship to manage other responsibilities in their lives such as family duties. However, despite this intention, many people are not successful at improving their work-life balance through self-employment (see Figure 4.13).

Figure 3.9. **Dissatisfaction with regards to previous situation, 2009**

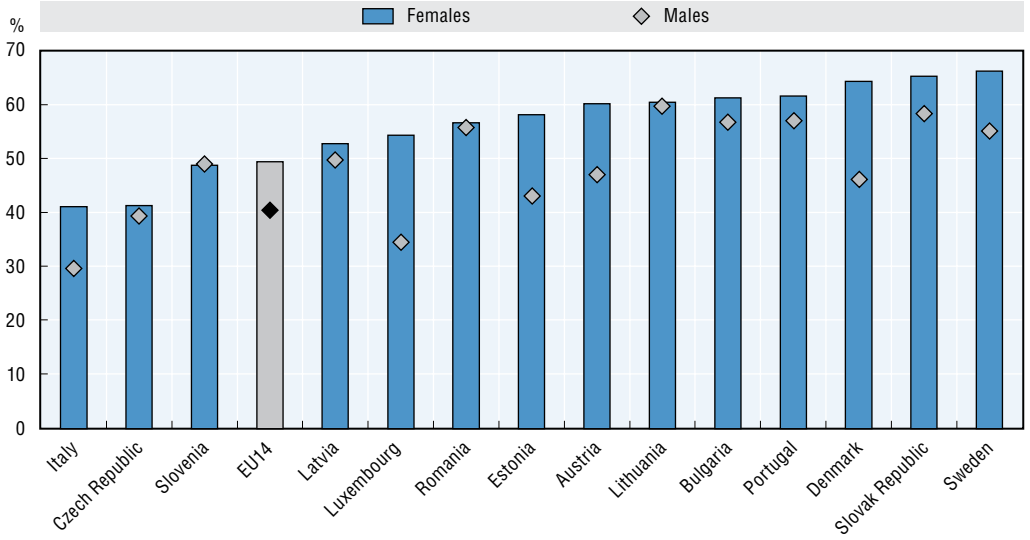
"Please tell me if it was very important, rather important, rather not important or not important at all for making you take steps to start a new business or take over one – dissatisfaction with regard to your previous situation"



Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

StatLink http://dx.doi.org/10.1787/888932926794

Figure 3.10. **Proportion of entrepreneurs who start a business to improve the balance between work life and private life, 2005**



Note: The EU14 average covers the following countries: Austria, Bulgaria, Czech Republic, Denmark, Estonia, Italy, Latvia, Lithuania, Luxembourg, Portugal, Romania, Slovak Republic, Slovenia and Sweden.

Source: Eurostat, Factors of Business Success 2005.

StatLink http://dx.doi.org/10.1787/888932926832

Chapter 4

Impact of self-employment and entrepreneurship[1, 2]

This chapter examines the impact of business start-ups, both in terms of economic contribution and in terms of individual benefit. Data presented provide an overall picture of enterprise dynamics in the EU, including business entry and exit, as well as survival. The data show that entrepreneurs from disadvantaged and under-represented groups have businesses that are relatively small and have lower growth potential than those of the population as a whole. Nonetheless, there are important labour market attachment benefits for the entrepreneurs themselves and other benefits, including improved life satisfaction.

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.

Enterprise dynamics

Box 4.1. **Key findings – Enterprise dynamics**

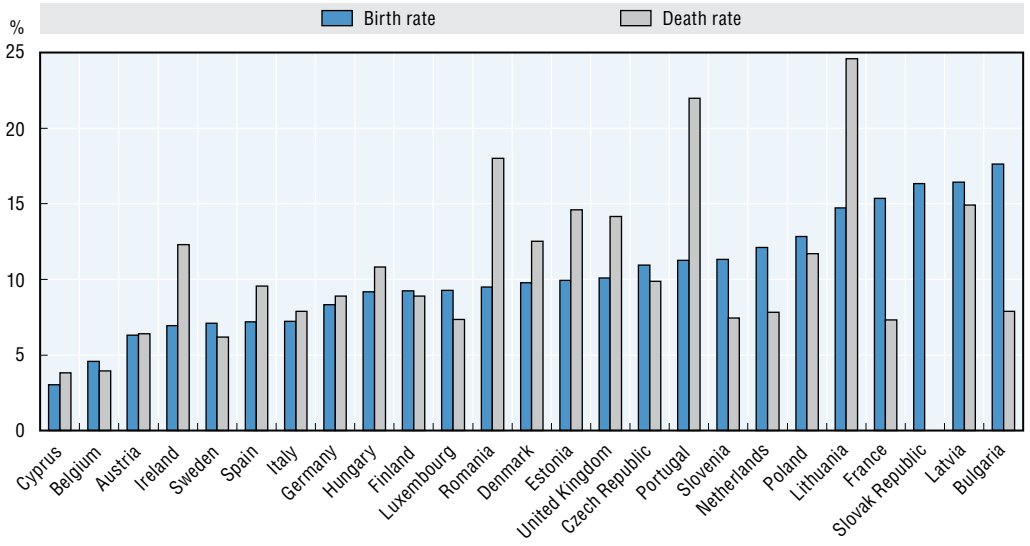
- Specific data on entry and exit and survival rates for businesses operated by people from disadvantaged and under-represented groups are extremely limited. However, information on enterprise dynamics in the enterprise population as a whole provide a number of relevant insights:
  - Business entry and exit rates are correlated – countries with high entry rates also have high exit rates.
  - Micro businesses, those with less than 10 employees, have the highest entry rates and the highest death rates.
  - New enterprise starts in a given year account for between around 2% and 5% of total employment.
  - Only 80% of start-ups survive more than two years, but survival rates vary by business sector.

Birth and death rates

International evidence suggests that there is a great deal of churn in the enterprise population (OECD, 2011). This is illustrated in Figure 4.1, which shows that enterprise birth rates tend to be correlated with death rates. Countries with low birth rates tend to have low death rates while countries with high birth rates also tend to have high death rates. However, there are some exceptions. For example, Estonia had a much higher birth rate in 2009 than death rate, and the reverse was true in Lithuania. The figure also shows that the churn (births and deaths) varies markedly between member states. Cyprus has very little turnover in its population of enterprises – the birth rate was 3.8% in 2009 and the death rate was 3.0%. In contrast, Latvia had business birth and death rates of 16% and 15%.

Differences in birth and death rates across EU member states result in different growth rates of the population of enterprises. Thirteen EU member states experienced higher death rates than birth rates in 2009, indicating a contraction in their business population. This was most evident for Lithuania, whose death rate was 9.9 percentage points higher than its birth rate in 2009. Eleven EU countries, however, had greater levels of births than deaths in 2009, with the Bulgaria and France having the largest percentage point differences.

Figure 4.1. **Enterprise birth rate and death rate, 2009**

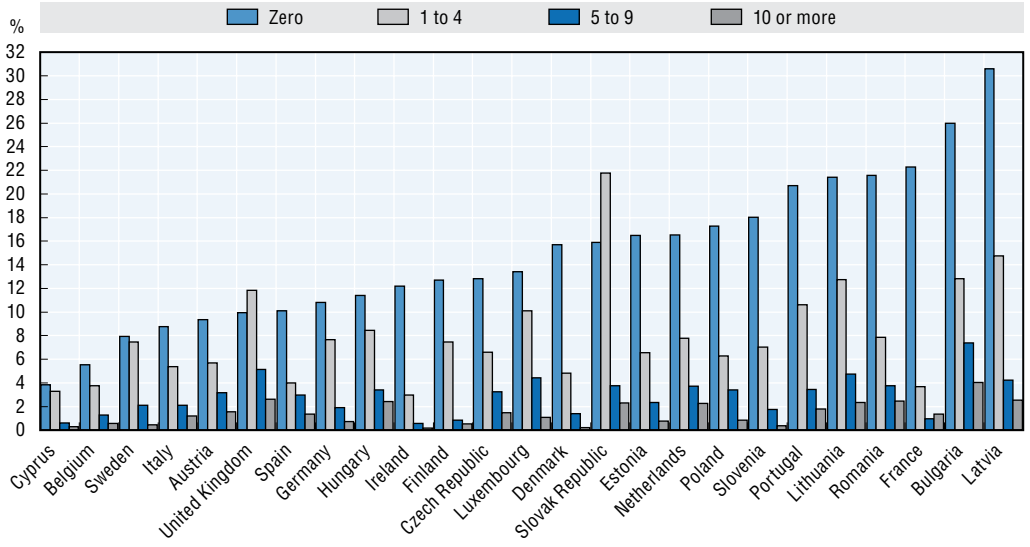


Source: Eurostat, Business Demography Statistics Size class differences.

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Figures 4.2 and Figure 4.3 show business birth and death rates by employment size class. In general, most new businesses start as zero sized, no-employee, businesses (Figure 4.2). Businesses with no employees are also most likely to fail (Figure 4.3). Few businesses are set up with more than 4 employees, but these businesses are less likely to fail.

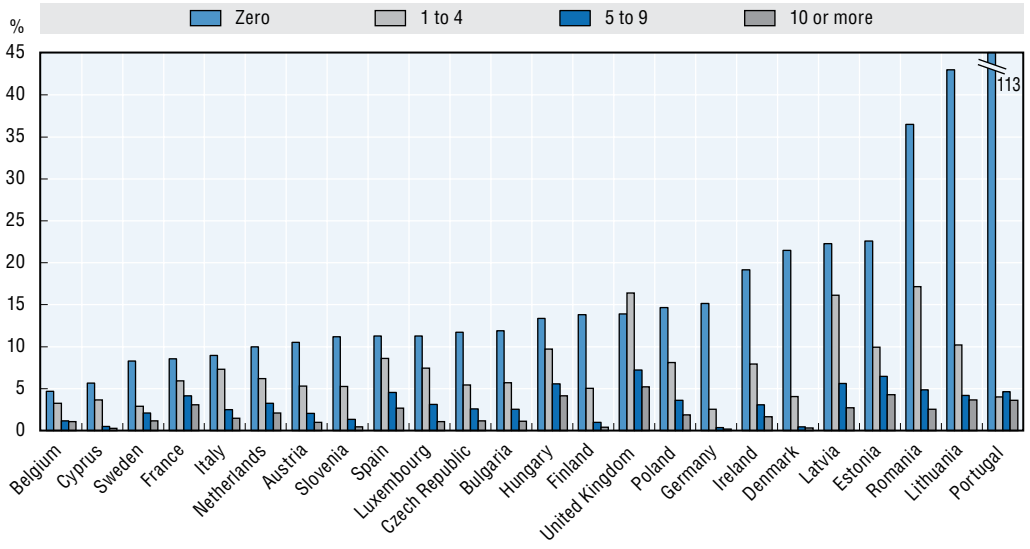
Figure 4.2. **Enterprise birth rates by firm size, 2009**



Source: Eurostat, Business Demography Indicators.

StatLink http://dx.doi.org/10.1787/888932926870

Figure 4.3. **Enterprise death rates by firm size, 2009**



Source: Eurostat, Business Demography Indicators.

StatLink http://dx.doi.org/10.1787/888932926889

Employment creation and survival

Figure 4.4 shows that new firm creation is important to job creation, but that there are important differences between countries in the rate of employment creation by new enterprises. It measures business enterprises with at least one employee and therefore excludes self-employment activities. The new employer enterprises in countries such as Portugal and the Slovak Republic over the period 2005-2008 accounted for more than 4% of total employment. This is approximately two percentage points higher than that found in countries such as Slovenia, Sweden and Luxembourg.

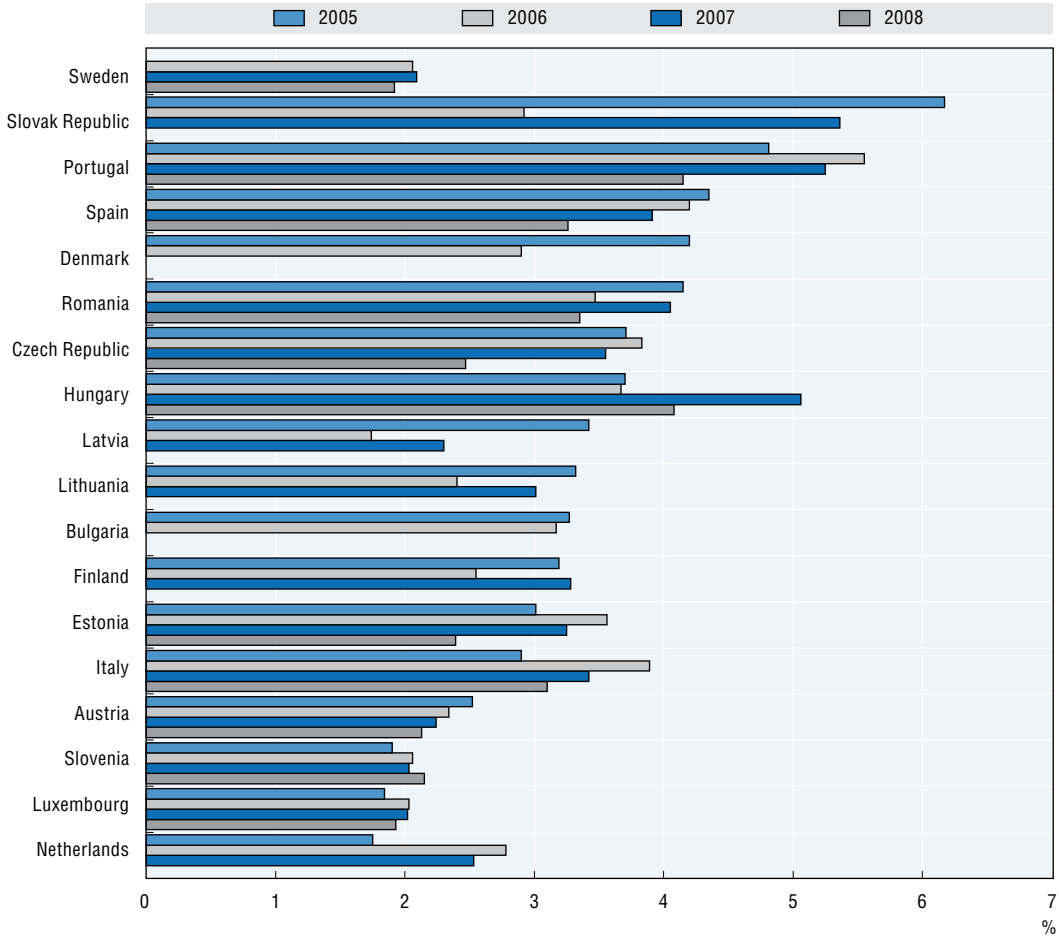
Figure 4.5 concentrates on firm survival rates. Survival rates after one year are below 90% in nearly all EU countries and below 80% after two years. Panel A shows survival rates in manufacturing for different EU countries, while Panel B shows survival rates in services, with service firms, on the whole, having lower survival rates. Some countries, such as the Netherlands, have low survival rates, while others, such as Austria have high survival rates.

Turnover, employment and income

Box 4.2. **Key findings – Turnover, employment and income**

- Self-employed women and youth tend to have fewer employees and lower levels of business turnover than the self-employed population as a whole. People with lower education levels often have smaller employment and turnover than the more highly educated, but the pattern is reversed in some countries.
- Self-employed men tend to earn more than self-employed women, and self-employed women tend to earn somewhat less than employed women. Young self-employed people tend to earn less than the adult self-employed.

Figure 4.4. **Employment creation by employer enterprise births, 2008**

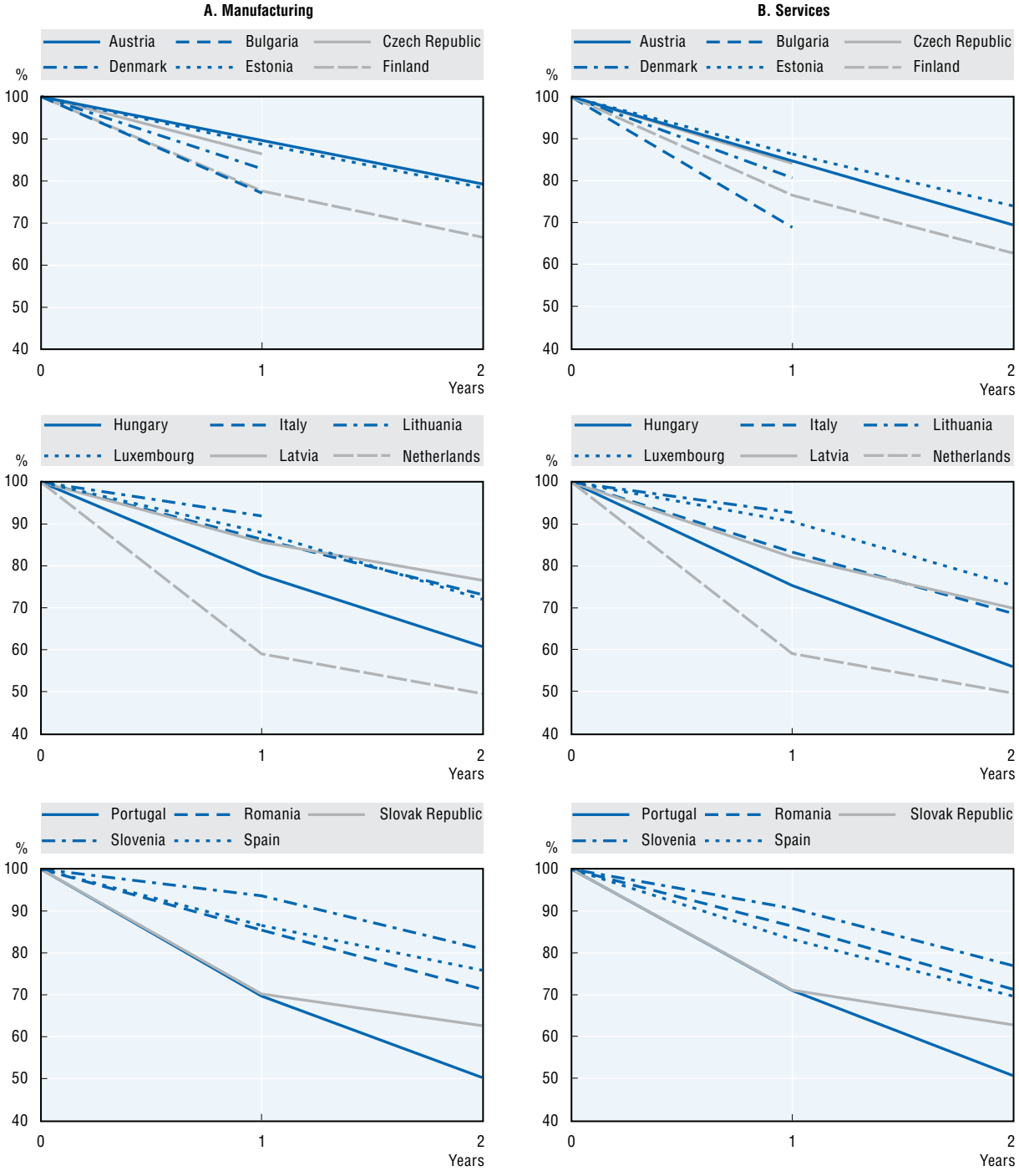


Source: Data adapted from OECD (2012), *Entrepreneurship at a Glance*, OECD Paris.

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Figure 4.6 shows that self-employed women in the EU tend to operate businesses with lower turnover than their male counterparts, and this is true in all the countries covered by the data. Similarly, businesses owned by young self-employed people tend to have smaller turnover than their older counterparts, with the exceptions of Sweden and Estonia, and businesses operated by self-employed people with low education levels have smaller turnover than self-employed businesses operated by people with high education levels. Figure 4.7 shows a similar pattern for employment, with women and youth-owned enterprises operating with fewer employees. However, for those with lower education levels, the picture is mixed. In countries such as Luxembourg, Denmark, Romania, Italy and Sweden, businesses operated by people with low education levels had higher average employment levels than those of more highly educated people. There are also differences across countries in the size of businesses operated, with firms in Portugal, Latvia and Lithuania tending to be larger on average than those in countries such as the Czech Republic, the Slovak Republic and Bulgaria.

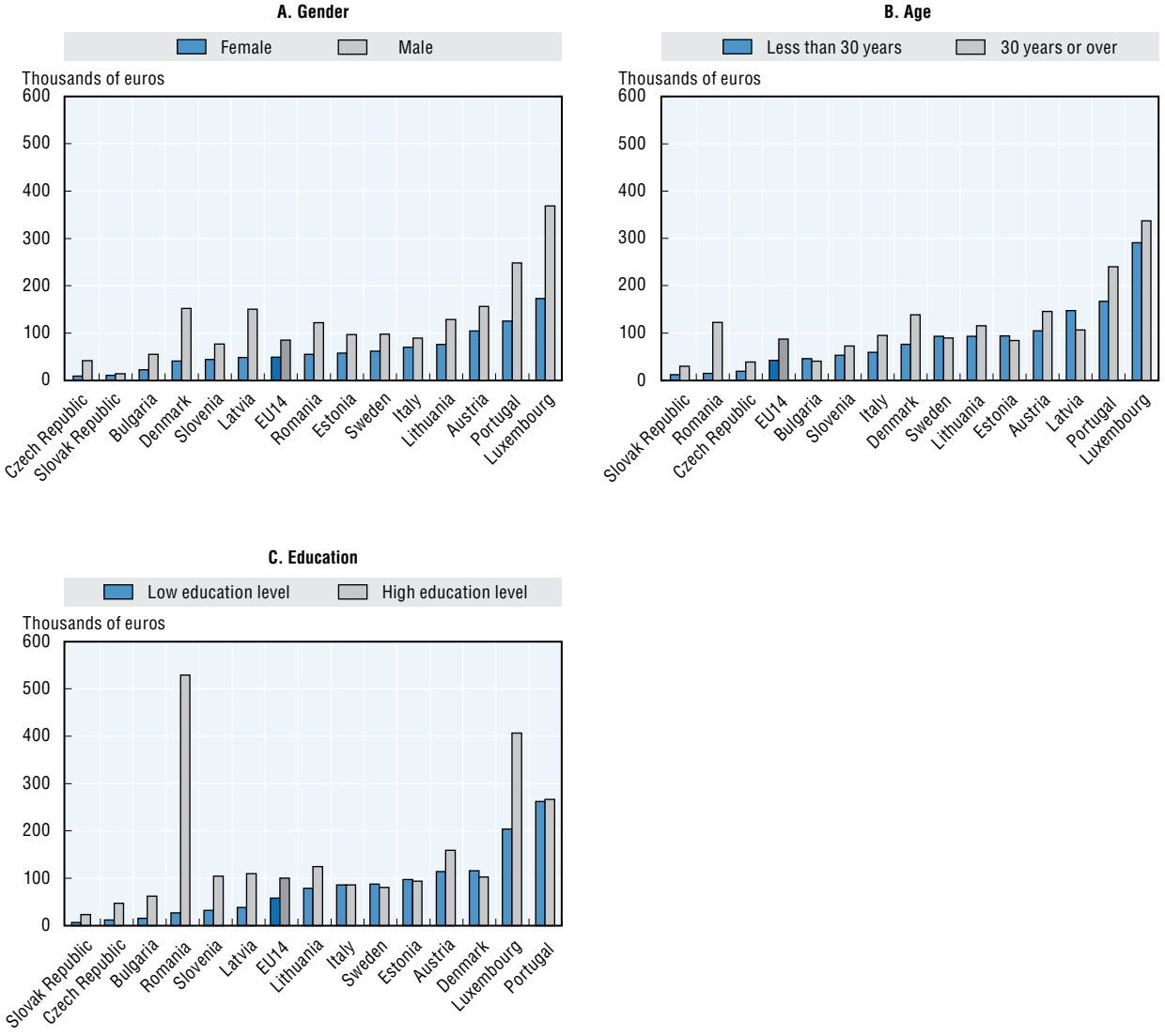
Figure 4.5. **Enterprise survival rates, 2005 cohort**



Source: Data adapted from OECD (2012), *Entrepreneurship at a Glance 2012*.

StatLink http://dx.doi.org/10.1787/888932926927

Figure 4.6. **Average turnover, 2005**



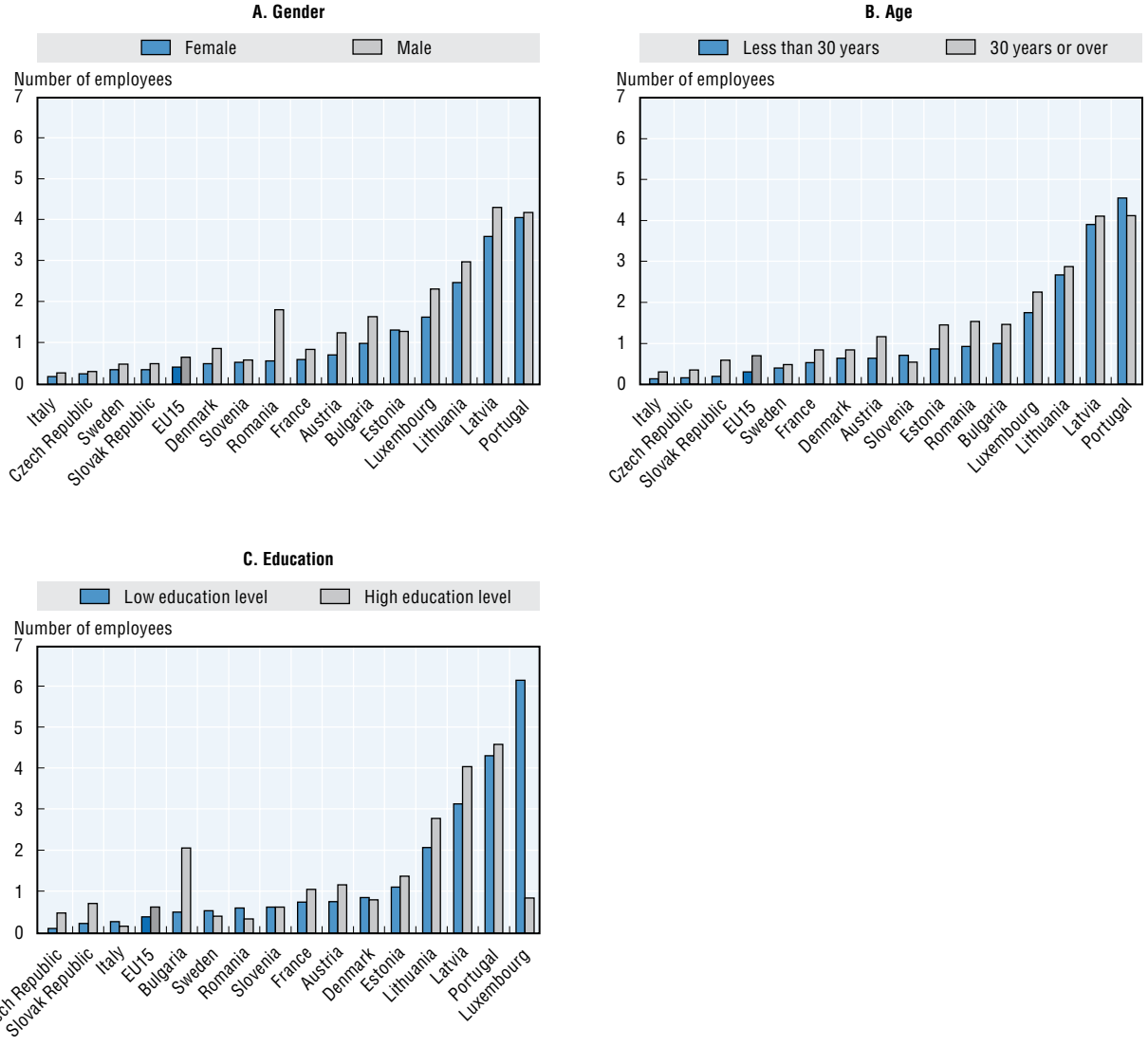
Notes: 1. The EU14 average covers the following countries: Austria, Bulgaria, Czech Republic, Denmark, Estonia, Italy, Latvia, Lithuania, Luxembourg, Portugal, Romania, Slovak Republic, Slovenia and Sweden. 2. Low education level is defined as primary and lower secondary education (levels 1 and 2) and high education level is defined as first and second stage of tertiary education (levels 5 and 6).

Source: Eurostat, Factors of Business Success 2005.

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Figure 4.8 examines income from self-employment in selected EU countries. Many businesses generate only modest returns to their owners, with returns of less than EUR 10 000 being common. There are also differences by gender and age in returns from self-employment. Whereas the average median income from self-employment in 2010 was EUR 15 150 for men, it was only EUR 14 402 for women, a gap of EUR 748. There are nonetheless a small number of countries where self-employed women earn more than self-employed men, on average: Finland, Austria, the Czech Republic and Latvia. There is

Figure 4.7. **Average number of employees, 2005**



Notes: 1. The EU15 average covers the following countries: Austria, Bulgaria, Czech Republic, Denmark, Estonia, Italy, France, Latvia, Lithuania, Luxembourg, Portugal, Romania, Slovak Republic, Slovenia and Sweden. 2. Low education level is defined as primary and lower secondary education (levels 1 and 2) and high education level is defined as first and second stage of tertiary education (levels 5 and 6).

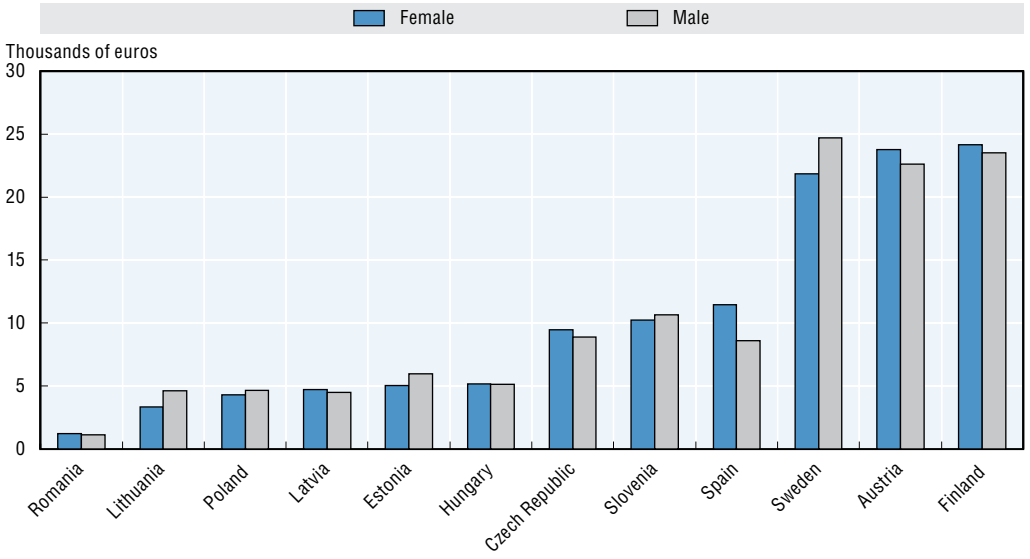
Source: Eurostat, Factors of Business Success 2005.

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also evidence of income differences between self-employed young people (18-24 year olds) and self-employed adults (18-64 year olds) for the same selected countries: young people's median income from self-employment in 2010 was EUR 13 341. For adults it was EUR 17 580.

Figure 4.9 compares women in self-employment and employment. With the exception of the Czech Republic, self-employed women earn less than women in employment.

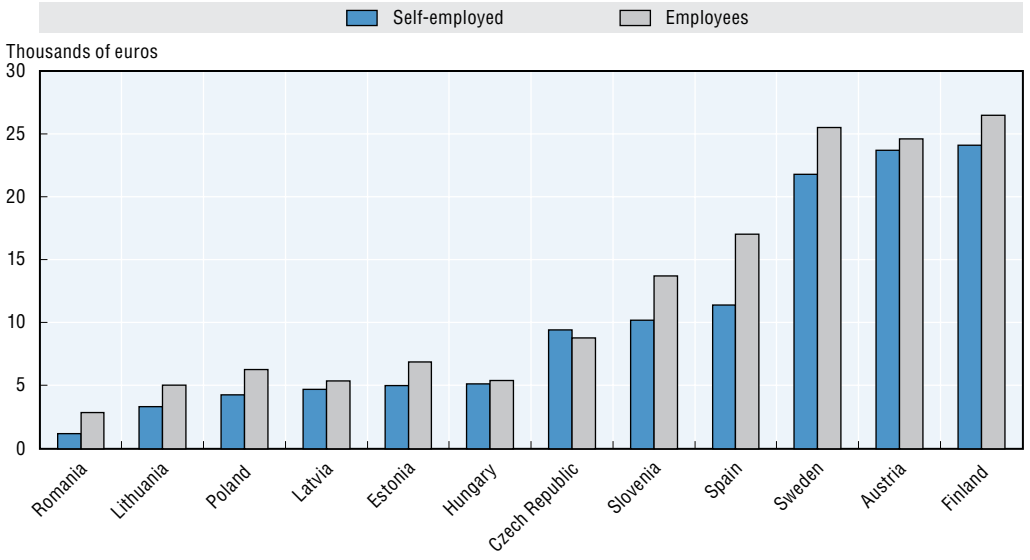
Figure 4.8. **Average income from self-employment, 2011**



Source: Eurostat, Statistics on Income and Living Conditions 2011.

StatLink http://dx.doi.org/10.1787/888932927060

Figure 4.9. **Average income earned by women, 2011**



Source: Eurostat, Statistics on Income and Living Conditions 2011.

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Job quality

Box 4.3. **Key findings job quality**

- There are not major differences in perceptions of job stability between people in employment and people in self-employment.
- Across Europe in 2011, the self-employed worked, on average, about 8 hours more than those in paid employment in a standard week.
- There are differences within the self-employed population in the extent to which people find that self-employment improves their health and their work-life balance, with some using self-employment to these ends but others finding self-employment less positive in these respects.

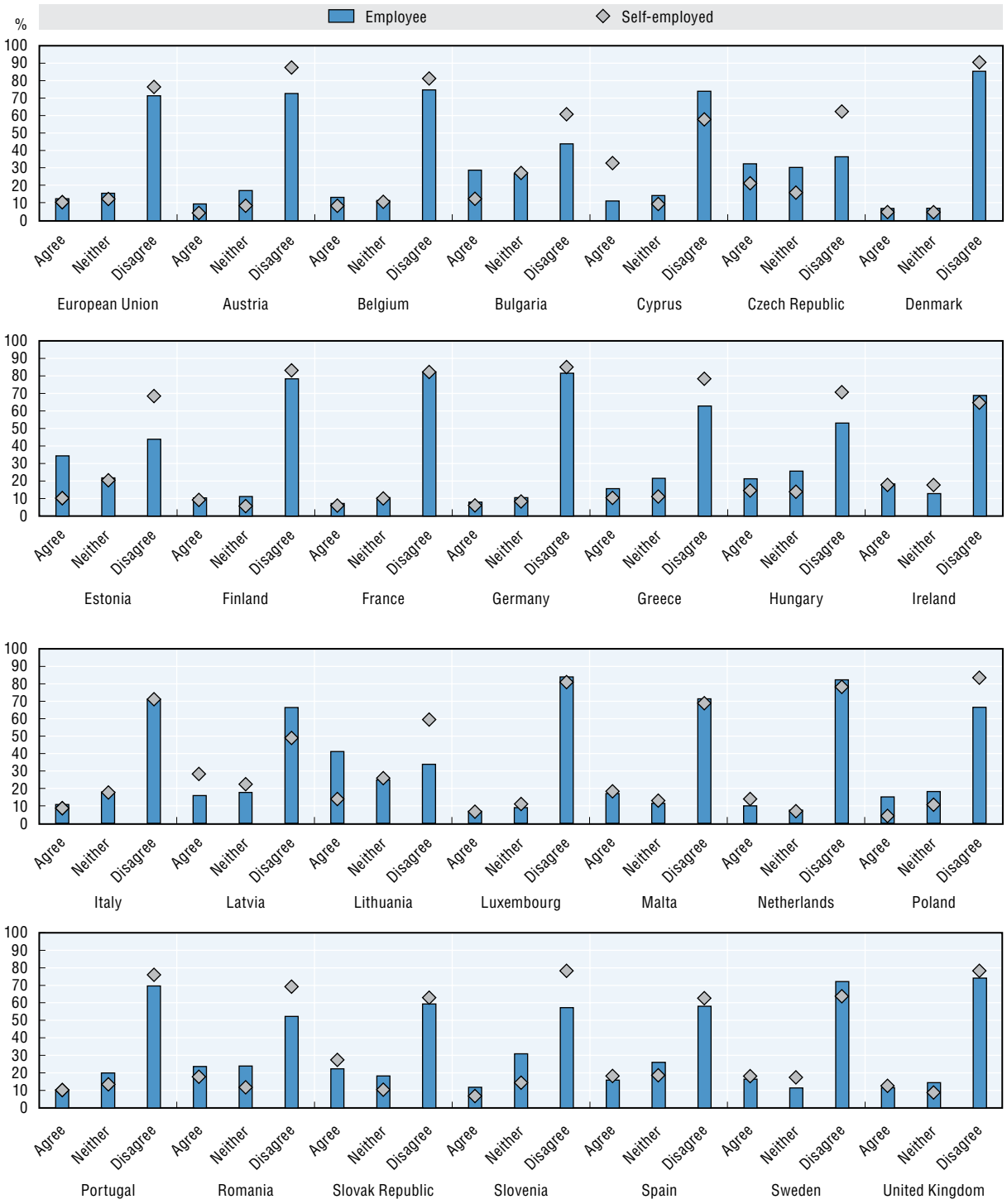
In most EU countries, people in employment are slightly more likely than the self-employed to agree that they might lose their job in the next six months (Figure 4.10). On average across EU countries 12.6% of the employed fear losing their jobs compared with 10.5% of the self-employed. However, the difference is not large and in a few countries the self-employed are actually more concerned than the employed about losing their jobs (Cyprus, Finland, Lithuania, Malta, Slovenia, Spain, Sweden and the United Kingdom).

Another more marked feature of self-employment is relatively long hours (Figure 4.11). On average in 2010, the self-employed worked 48.1 hours in a standard week compared with 40.4 hours for the employed. Furthermore, 54.9% of the self-employed work more than 40 hours a week compared with only 19% of the employed. The difference between the two groups varies from country to country, with relatively small differences in Latvia and Sweden but greater differences in countries such as Greece, Belgium, Luxembourg and Poland.

While many people purse self-employment for lifestyle reasons, the evidence on health and work-life balance is not so clear. As shown in Figure 4.12, on the one hand, more self-employed people report that their work has a positive impact on their health than employees, but on the other hand, self-employed people are also more likely to report negative health impacts. With respect to the ability to balance work and personal life there are no major differences between the self-employed and employees on average, and approximately 30% of both groups feel they have a positive work-life balance. But around these averages the self-employed are also more likely both to report problems with work not fitting in very well with outside commitments and positive impacts of self-employment on work-life balance. There therefore appears to be something about the practice of self-employment that offers some people increased satisfaction over employment but not others.

Figure 4.10. **Employment stability, 2010**

"I might lose my job in the next 6 months"

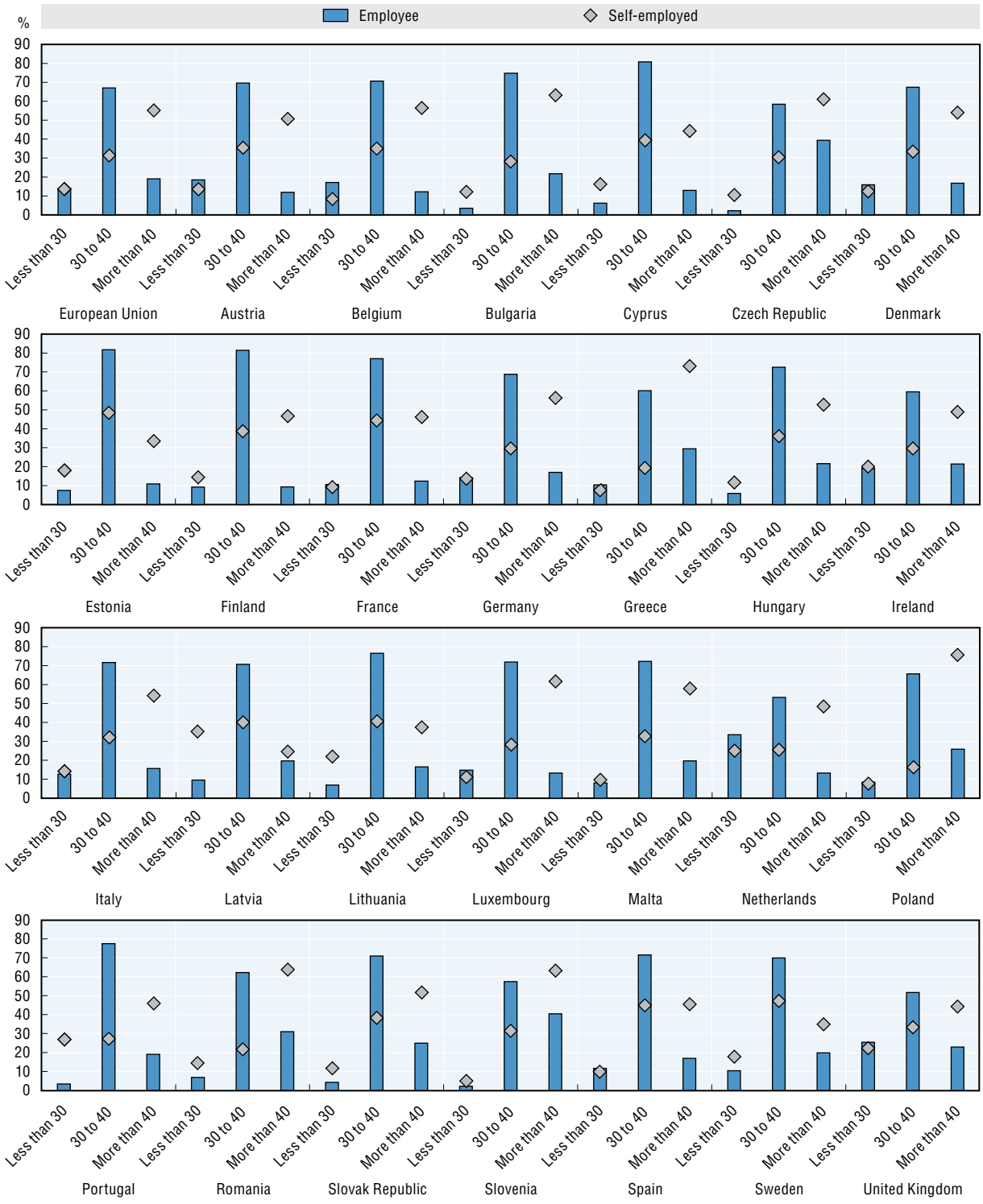


Source: Eurofound (2012), Fifth European Working Conditions Survey, Publications Office of the European Union, Luxembourg.

StatLink http://dx.doi.org/10.1787/888932927098

Figure 4.11. **Hours worked, 2010**

"How many hours do you usually work per week?"

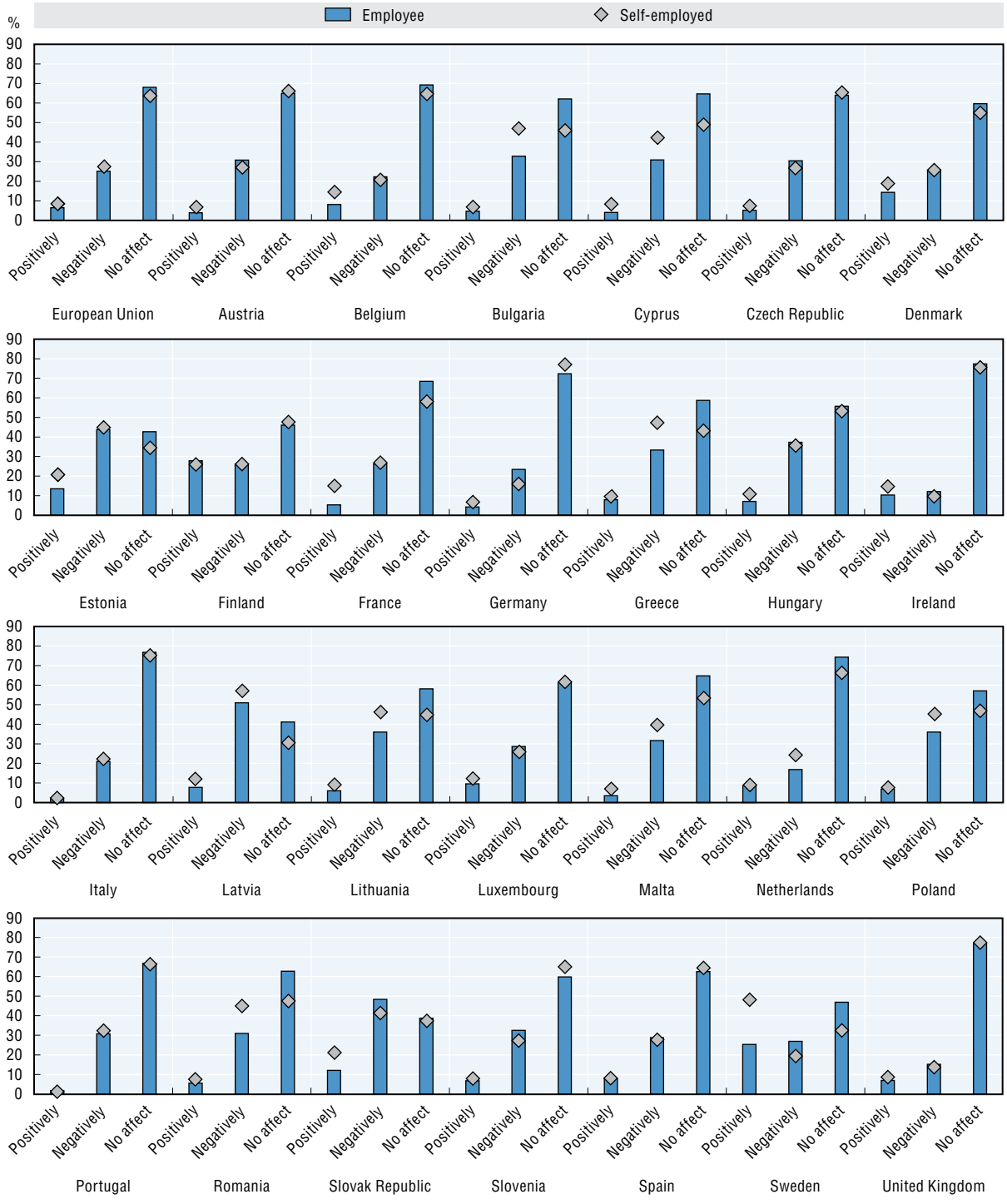


Source: Eurofound (2012), Fifth European Working Conditions Survey, Publications Office of the European Union, Luxembourg.

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Figure 4.12. **Impact of work on health, 2010**

"Does your work affect your health?"

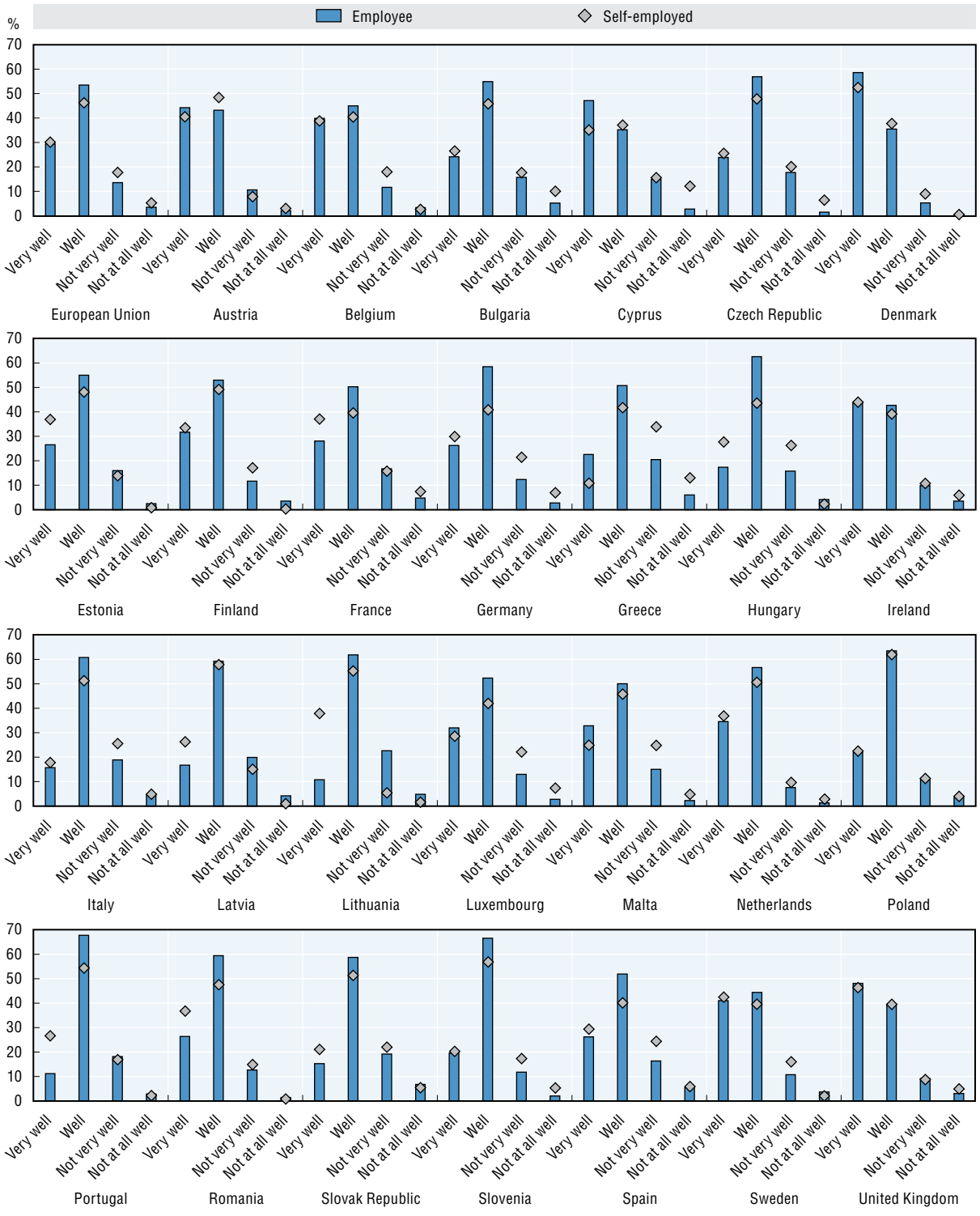


Source: Eurofound (2012), Fifth European Working Conditions Survey, Publications Office of the European Union, Luxembourg.

StatLink http://dx.doi.org/10.1787/888932927136

Figure 4.13. **Work-life balance, 2010**

"How well do your working hours fit with family or social commitments outside of work?"



Source: Eurofound (2012), Fifth European Working Conditions Survey, Publications Office of the European Union, Luxembourg.

StatLink http://dx.doi.org/10.1787/888932927155

Reference

OECD (2011), *OECD Regions at a Glance 2011*, OECD Publishing, *http://dx.doi.org/10.1787/reg_glance-2011-en*.

Chapter 5

Part I Reader's Guide

This chapter provides information and methodological notes on the data sources used in Part I of this book: 1) OECD-Eurostat Entrepreneurship Indicators Programme, 2) Eurostat Labour Force Survey, 3) Global Entrepreneurship Monitor, 4) Flash Eurobarometer, 5) Structural Business Statistics, 6) Factors of Business Success Survey, 7) European Working Conditions Survey, and 8) Statistics on Income and Living Conditions. It also contains the references used throughout Chapters 2, 3 and 4.

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 affects 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). The database, available on OECD.Stat, 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-2012_entrepreneur_aag-2012-en*) presents the main results and developments of the EIP.

Box 5.1. **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	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 (2012), *Entrepreneurship at a Glance 2012*, 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 people. 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.

Self-employment rates are reported in this report for many population groups, including by gender, age and education level. Education levels are defined according to the *International Standard Classification of Education (ISCED)* and the concept of a low education level that is used in this report is a combination of levels 0 to 2:

- Level 0: Pre-primary education – the initial stage of organised instruction; it is school- or centre-based and is designed for children aged at least three years.
- Level 1: Primary education – begins between five and seven years of age, is the start of compulsory education where it exists and generally covers six years of full-time schooling.
- Level 2: Lower secondary education – continues the basic programmes of the primary level, although teaching is typically more subject-focused. Usually, the end of this level coincides with the end of compulsory education.

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

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.

In 2011, the GEM covered 54 countries and it has surveyed more than 85 countries since 1999. All EU27 countries were covered except Bulgaria, Cyprus, Estonia, Luxembourg, and Malta.

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 2011, the sample size ranged from 2 000 in most countries to 17 500 in Spain. 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 2007 to 2011, which increases the sample size greatly and allows for more detail to be presented. A number of countries only participated in the GEM survey once during this time period but were included in the tables: Austria (2007), Czech Republic (2011), Lithuania (2011), and the Slovak Republic (2011). Consequently, the standard errors will be larger for these countries. Furthermore, a small number of countries participated in the GEM in only three or four of the five years, namely Germany, Ireland, Italy, Portugal and Sweden.

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.

For more information on methodologies used by the Global Entrepreneurship Monitor, please refer to the 2011 GEM Global Report, available at: *www.gemconsortium.org/docs/cat/1/global-reports*.

The Flash Eurobarometer

The Flash Eurobarometer survey "Entrepreneurship survey among the general population in the 27 member states, the US, EEFTA countries, Croatia, Turkey, Japan, South Korea and China" (No. 283) 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 covers 36 countries, including all 27 EU member states.

The 2009 survey was conducted in December 2009 and the random sample included more than 26 000 people over the age of 15. 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_283_en.pdf*.

Structural Business Statistics

The Eurostat Structural Business Statistics (SBS) databases provide information on the structure, activities and performance of enterprises in the European Union. Data are presented for each member state and enterprises are characterised according to the NACE activity classification at a very detailed level (several hundred economic activities). Some of these data are available by enterprise size.

SBS data cover the "business economy", which includes industry, construction and distributive trades and services (NACE Rev. 2, Sections B to N and Division 95). Financial services (NACE Rev. 2, Section K) are tracked separately because of the limited availability of standard business statistics and the specific nature of the industry. SBS data exclude enterprises operating in agriculture, forestry and fishing, public administration and non-market services such as education and health.

The main indicators in the SBS databases present counts such as the number of enterprises in an industry and the number of persons employed. They also include some monetary information such as turnover and other economic indicators such as productivity measures.

For more information on Structural Business Statistics, please see: *http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/introduction*.

Factors of Business Success Survey

The survey on the "Factors of Business Success" was undertaken in 2005 by 13 EU member states (the Czech Republic, Denmark, Estonia, France, Italy, Latvia, Lithuania, Luxembourg, Austria, Portugal, Slovenia, Slovak Republic and Sweden) and the acceding countries (Bulgaria and Romania). The survey provides insights into the determinants of success of new enterprises, including factors that facilitate growth. Information is available on the motivations of the entrepreneur, the barriers and risks that they face and their plans for business development.

The dataset focuses on the following subjects related to enterprises that started in 2002 and survived to 2005:

- The start-up conditions of the enterprise such as financing used, support services used and difficulties encountered during business start-up.
- The business founder, including gender, age, educational background, previous labour market experience and their motivation for start-up.
- The future prospects for business growth, as perceived by the entrepreneur.

The sample size in each country ranged from 2 000 to 4 000 enterprises. For more information on the Factors of Business Success Survey, please refer to: *http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/special_sbs_topics/factors_business_success*.

European Working Conditions Survey

The fifth European Working Conditions Survey (EWCS) was conducted in the first six months of 2010. The survey covers those people 15 years old and older that were in employment at the time of the survey. People were considered to be in employment if they had worked for pay or profit for at least one hour in the preceding week. The survey was undertaken in 34 European countries (all EU27 member states plus Croatia, Turkey, the former Yugoslav Republic of Macedonia, Albania, Montenegro, Kosovo and Norway) and more than 43 000 people were interviewed.

The main topics covered in the fifth EWCS include working time; work intensity; physical requirements of work; psychosocial factors; violence, harassment and discrimination in the workplace; skills, training and career prospects; work–life balance and financial security; job satisfaction; and health and well-being.

For more information on the EWCS, please see the overview report for the 5th EWCS, available at: *www.eurofound.europa.eu/pubdocs/2011/82/en/1/EF1182EN.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 27 EU countries, Croatia, 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*.

PART II

Policies for inclusive entrepreneurship

Chapter 6

Policies to improve institutions

This chapter looks into policies which aim to make institutions more favourable to business start-up and operation by groups that are disadvantaged or under-represented in entrepreneurship. Institutions include regulations that directly affect the costs of conducting business activities, as well as the values, standards and norms that indirectly influence entrepreneurship through defining acceptable roles within a society. These can both constrain and enable entrepreneurship and self-employment by influencing whether they are perceived as desirable and feasible. The chapter illustrates the impact of institutions on entrepreneurship and self-employment by disadvantaged and under-represented groups and offers policy recommendations.

Defining institutions and understanding their impact

Institutions impact on the scale of self-employment and entrepreneurship and on the pace of business development and the way entrepreneurs behave by determining the "rules of the game" and setting the incentive structure (Henrekson, 2007). As enabling forces, they reduce transaction costs, uncertainty and risks of individual behaviour; as constraining forces, they increase transaction costs for starting and developing a business and they affect the returns earned from entrepreneurship (Welter and Smallbone, 2012).

There are two main types of institutions that influence entrepreneurial behaviour: regulatory institutions and normative institutions (Scott, 2008). These institutions influence, both directly and indirectly, whether an individual perceives entrepreneurship and self-employment as feasible activities that they are interested in pursuing (Shapero and Sokol, 1982), and the degree to which individuals seek to pursue more productive and innovative entrepreneurial activities (Baumol, 1990). Diversity in these institutions helps to explain variations in the nature and extent of entrepreneurship across countries and regions.

Regulatory institutions

Regulatory institutions include any laws or regulations that directly influence the costs or feasibility of setting up a business, conducting business activity or closing a venture. They include regulations governing market entry and exit and commercial transactions, as well as welfare, labour market, tax and other policies that affect the costs and rewards of business creation relative to other activities. In addition, regulatory institutions can have an indirect influence on people's interests and intentions with respect to entrepreneurship and self-employment by affecting social norms. Governments have a major role to play because they design, implement and enforce regulatory institutions.

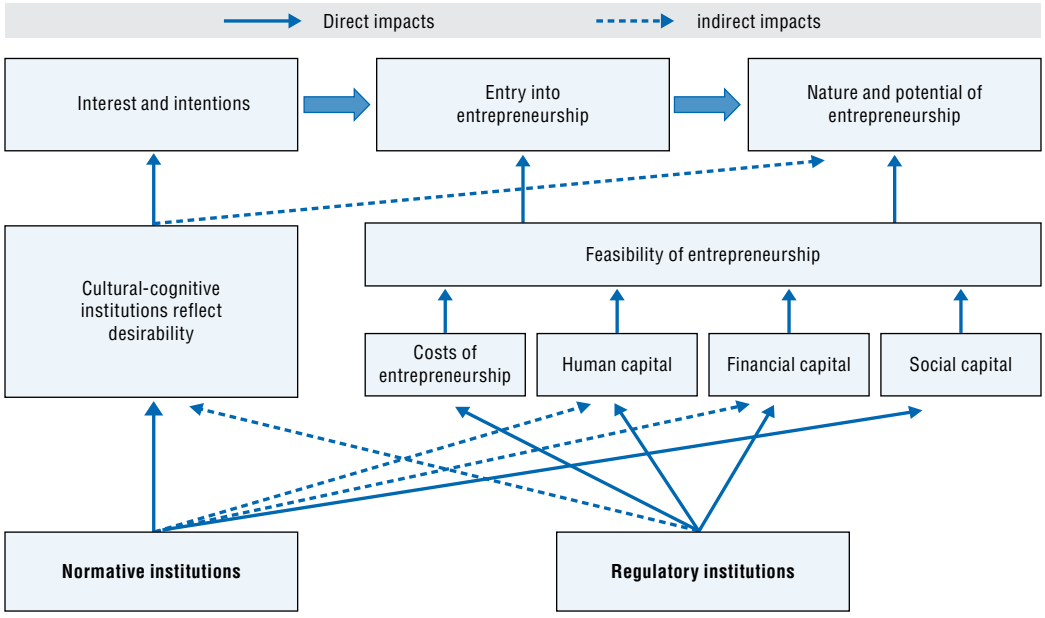
Normative institutions

Normative institutions are informal, non-codified institutions that are embedded deeply within a society (North, 1990). These institutions are therefore difficult to alter (Welter and Smallbone, 2012), but can be influenced in some respects by government policy. Normative institutions have three key elements with respect to entrepreneurship and self-employment. First, they refer to values that influence preferences in a society. Second, they include social standards that affect what is considered preferable and desirable. Third, they include norms that are the unwritten rules for value-driven actions and behaviour (Scott, 2008). Normative institutions are important because they define acceptable roles for individuals in a society or in a group such as an ethnic community, which impacts on the desirability of entrepreneurship as well as on its feasibility through access to certain resources such as social capital. Normative institutions are often discussed together with cultural-cognitive institutions, which represent the shared understanding of individuals as "the way we do things" (Scott, 2008).

Impact of institutions

It is the interplay of various sets of regulatory and normative institutions that influences the extent and the nature of entrepreneurship and self-employment. Figure 6.1 illustrates that this interplay is complex. Thus, supportive regulatory institutions in the form of an entrepreneurship-friendly business environment could be weakened by unfriendly normative institutions affecting attitudes to entrepreneurship, while, by contrast, entrepreneurship-friendly normative institutions could compensate for unfriendly regulatory institutions. Furthermore, the workings of institutions also depend on context, and the same institutions may have different impacts on entrepreneurship in different contexts (Stenholm et al., 2011). Overall, normative institutions tend to influence entrepreneurship through preferences for entrepreneurship and self-employment while regulatory institutions tend to influence entrepreneurship and self-employment through the feasibility of entrepreneurship (Freytag and Thurik, 2007). Annex 6A provides an overview of empirically confirmed relationships between institutions, entrepreneurship and self-employment.

Figure 6.1. **Potential impact of institutions on entrepreneurship and self-employment**



Source: Welter, 2012.

Institutional barriers to entrepreneurship

Box 6.1. **Key findings – Institutional barriers to entrepreneurship**

- There are several normative barriers affecting the entrepreneurship and self-employment intentions of specific disadvantaged and under-represented groups because they can lead to discrimination against these groups. They include: perceived age norms for youth and seniors; gender norms for women; attitudes for ethnic communities; home and host country norms and values for immigrants; stereotypes and prejudices for disabled people.
- There are also regulatory barriers that specifically affect the costs of entrepreneurship and self-employment and access to key resources by disadvantaged and under-represented groups. They include: tax, family and social policies which implicitly encourage "traditional" roles for women; legal age for business activity and complexity of regulations for young people; retirement policies for seniors when they create a disincentive to earn additional income; migration and integration policies for immigrants; and social policies that limit self-employment earnings for people with disabilities receiving disablement benefits.
- Policy makers need to understand how different institutions interact with aspects of gender, age, ethnicity and immigration status, as well as health, employment status and education, to influence the feasibility and desirability of entrepreneurship and self-employment. The interactions may contribute to very strong impacts of institutions for some groups (e.g. young, less educated and unemployed people) and weaker impacts for others (e.g. highly-educated women).

Impact by gender

Normative institutions

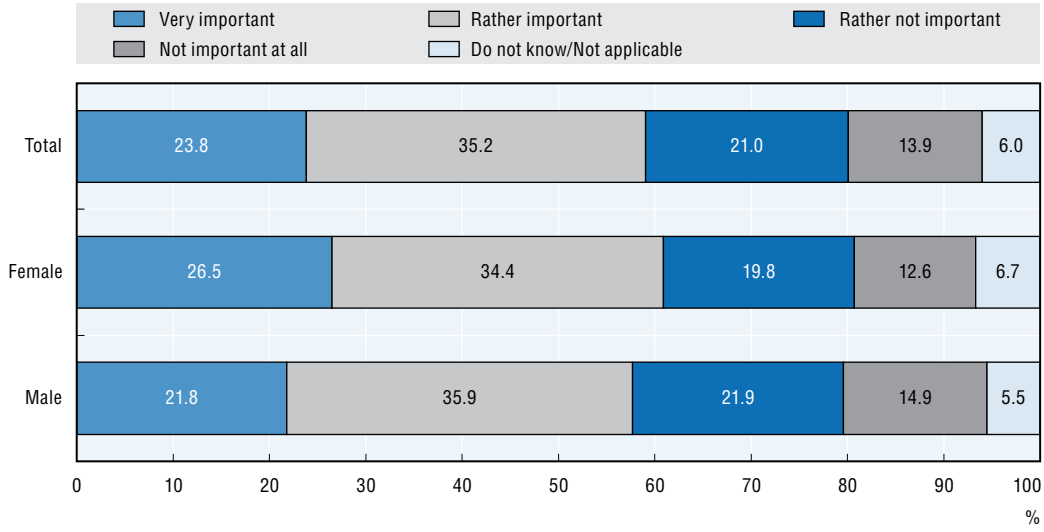
Normative institutions determine gender roles within a society and prescribe what is typically considered male or female behaviour (Ahl, 2006; Welter, 2004). Many societies continue to ascribe housebound and family-related roles to women, which implicitly make business ownership a less-desirable career choice for women (Pfau-Effinger, 2004; Achtenhagen and Welter, 2011). Furthermore, it has been suggested that women appear to be more responsive to the level of normative support for entrepreneurship than men (Baughn et al., 2006). There is some confirmation for this from data for the European Union indicating that more self-employed women than men see role models as very important (Figure 6.2). On the other hand, there are no substantial differences between women and men in the EU in fears connected to entrepreneurship (although the aggregated view may hide gender-related differences at the level of countries and communities) (Figure 6.3).

Traditional gender roles may also lead women to self-restrict in their business and self-employment activity to feminised professions, sectors and business fields such as personal services or care professions (Marlow, 2002). Furthermore, norms about how different genders should behave may restrict women in access to important resources such as human, financial and social capital.

The effects of normative institutions on business creation and ownership by women can be expected to be stronger for less educated women, particularly if they come from ethnic minority or immigrant groups. In this case, they might experience double or triple discrimination and exclusion because of the combined effects of gender, minority

Figure 6.2. **Importance of role models for entrepreneurship in EU27 member states, 2009**

"Please tell me if it was very important, rather important, rather not important or not important at all for making you take steps to start a new business or take over one – A role model"



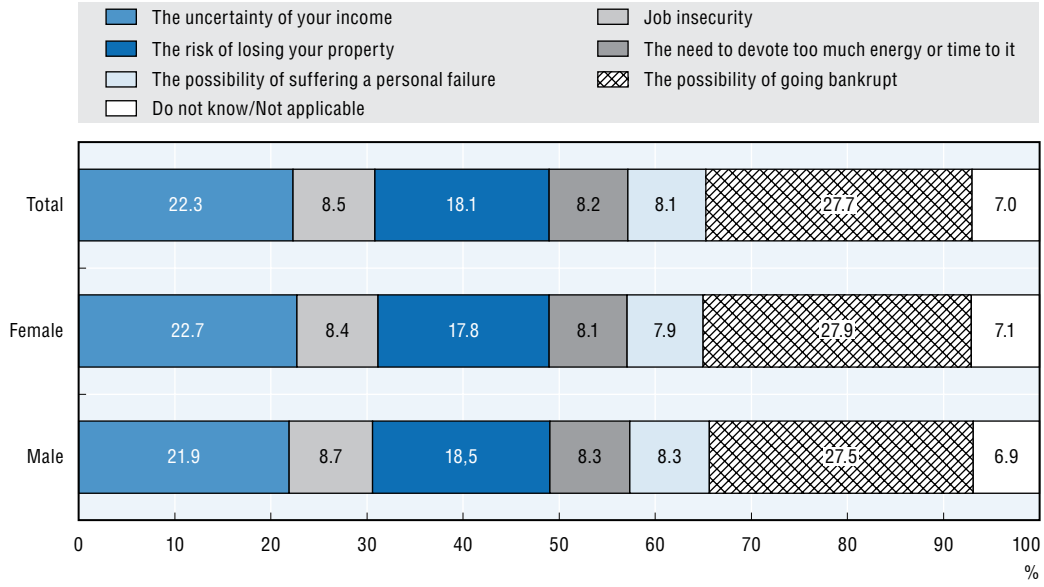
Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

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ethnicity and immigrant status (Kupferberg, 2003). The negative impact of normative institutions may also be stronger for older women, although this has not yet been studied empirically.

Figure 6.3. **Fears in relation to entrepreneurship in EU27 member states, 2009**

"If you were to set up a business today, which are the two risks you would be most afraid of? (First mention)"



Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

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Regulatory institutions

Regulatory institutions such as the welfare model, tax policies and family policies impact on the costs and feasibility of entrepreneurship and self-employment by women (Elam and Terjesen, 2010; Sjöberg, 2004; Welter, 2004). Tax policies that favour a dual-earner model are likely to foster labour market participation and business activity by women. Women's entrepreneurship is also affected by the extent to which women are able to reconcile family obligations with work outside the family (Sjöberg, 2004), and there are particular barriers in those countries where traditional gender roles go hand in hand with a lack of public or private childcare services. In particular, where public or private day care is not available and/or women cannot afford to pay for it, as may be particularly the case for less educated women, ethnic minorities or immigrants, women face a trade-off between career and family (Kreide, 2003).

Social security policies can influence the level of women entrepreneurship if there are differences in the social security coverage available to business owners compared with employees, the inactive and people involved in other labour market activities. For women, maternity leave provisions have a confirmed impact on the general rate of female entrepreneurship, but interestingly, without any significant effect on those women wanting to start high potential businesses (Estrin et al., 2011).

A further problem in the case of less-educated and immigrant women can be that it is more difficult to understand business administration requirements, especially when they are complex.

Impact by age

Normative institutions and young entrepreneurs

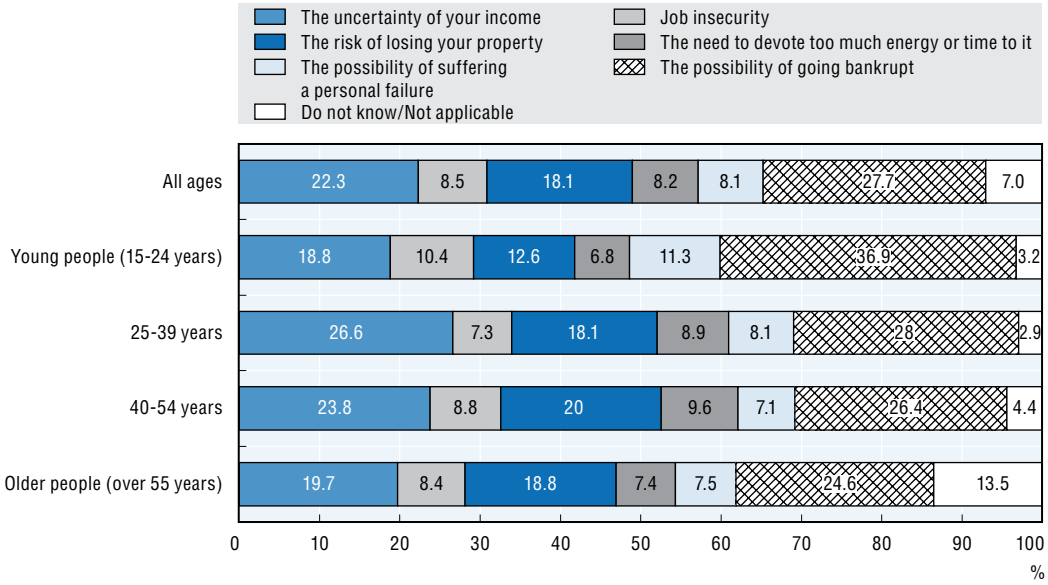
Young people may suffer from negative social attitudes about their capabilities for entrepreneurship that negatively affect their self-perceptions and opportunities to access key resources needed in business, including financial resources, employees, and entrepreneurship-related social capital (Grilo and Irigoyen, 2006). In some cases, they can be perceived as too young to be taken seriously and therefore face disapproval or lack of support from family and friends, customers, suppliers, banks and other organisations (Still, 2005).

For younger people, especially the youngest group between 15 and 24 years of age, fears related to insecure incomes, experiencing personal failures and going bankrupt are particularly strong (Figure 6.4). This is understandable given the limited possibilities youth may have had to accumulate financial and social legitimacy and a lack of support from the social context such as family and friends (Still, 2005).

However, role models have an important function in helping young people to overcome negative social attitudes to start up (see Figure 6.5). In particular, the youngest 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.

Figure 6.4. **Fears in relation to entrepreneurship in EU27 member states, 2009**

"If you were to set up a business today, which are the two risks you would be most afraid of? (First mention)"

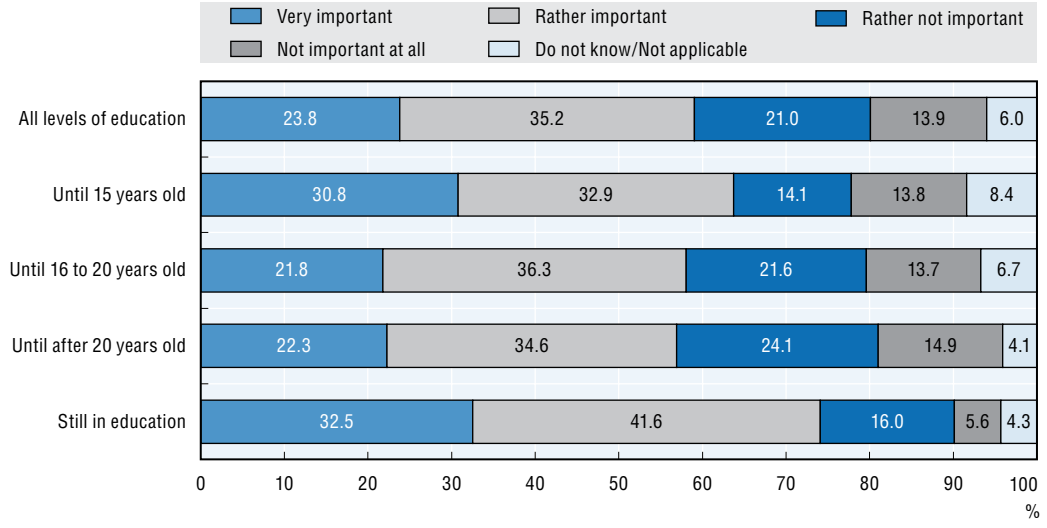


Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

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Figure 6.5. **Importance of role models in EU27 member states, 2009**

"Please tell me if it was very important, rather important, rather not important or not important at all for making you take steps to start a new business or take over one – A role model"



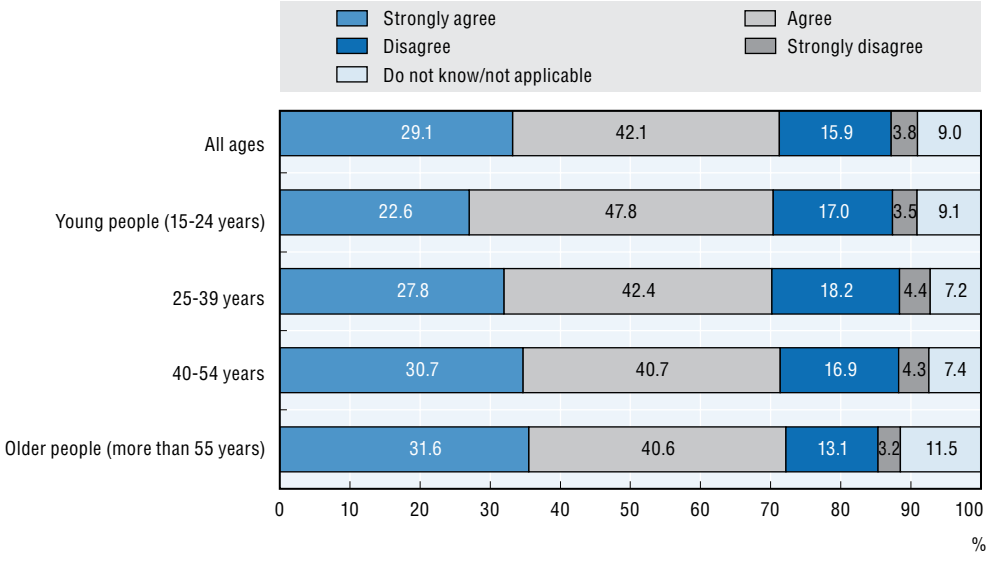
Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

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Regulatory institutions and young entrepreneurs

Regulations may aggravate the difficulties that young entrepreneurs face. One of the issues is that they do not always possess full legal capability. For example, young entrepreneurs may be forced to work from home because they cannot legally sign a contract for business space. Furthermore, complex administration, business regulations and labour market regulations may be a particular problem for young entrepreneurs, who may lack the experience and knowledge to navigate legal systems and regulations, particularly where they come from disadvantaged groups (e.g. ethnic minorities, less-educated, and those coming from a difficult family background) (Greene, 2005). This problem is reflected in Figure 6.6, since relative to the EU average, a higher share of young people (below 25 years old) perceive complex administrative procedures as a constraint to business start-up.

Figure 6.6. **Complex administrative procedures in EU27 member states, 2009**
"It is difficult to start one's own business due to the complex administrative procedures"



Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

StatLink http://dx.doi.org/10.1787/888932927250

Normative institutions and senior entrepreneurship

There are two key influences of normative institutions on entrepreneurship and self-employment by older people. First, seniors are influenced in their entrepreneurial intentions by societal attitudes (Kautonen et al., 2010). Second, the feasibility of business creation and operation is linked to their access entrepreneurship-related social capital (Kibler et al., 2012). As with youth, older people can suffer from negative attitudes in the wider population about their capability for entrepreneurship and about the appropriateness of this activity for older people. There are nonetheless important differences in age norms across societies, reflecting deeply embedded cultural values, which can vary, for example, across ethnic as well as national cultures (Kautonen and Down, 2008). Older people can also sometimes be held back in entrepreneurship by lack of business networks that can provide links to suppliers, customers, investors. However,

if they have previously worked in other activities as employees, they can often take with them useful business contacts from their previous working activities. Compared with youth, there is one key difference with regard to the lack of positive attitudes in society and lack of access to networks in that experience seems to counteract most fears in relation to entrepreneurship (see Figure 6.4).

Regulatory institutions and senior entrepreneurship

The design of pension schemes and retirement policies can have an important influence on senior entrepreneurship. On the one hand, older people may be forced into retiring earlier than they would like by rules limiting work age and in these cases can be motivated to try business creation as a second opportunity, with inflexible retirement policies acting as a "push factor" (Grilo and Irigoyen, 2006). On the other hand, the existence of earnings limits on public pension schemes can act as a disincentive for senior entrepreneurship, since older people may lose, or face reduced, pension benefits if they earn an income from business (Efrat, 2008).

Impact by ethnicity

Normative institutions

Ethnic minority entrepreneurs are people born in their country of residence, but who retain strong links to an ethnic minority culture (Wood et al., 2012). The attitudes of their community towards business creation and ownership can be an important influence on their entrepreneurial intentions as well as on the level of support they can draw on from their social context (Ram et al., 2000). However, attitudes to entrepreneurship vary considerably among ethnic groups. For example the African-Caribbean population in the United Kingdom tend to lack business traditions and role models relative to the Pakistani or Bengali populations (Wood et al., 2012). Attitudes towards entrepreneurship are also influenced by religion (Rafiq, 1992), with, for example, Muslim and Sikh communities putting a high value on entrepreneurship (Wood et al., 2012).

Negative attitudes may also play a role where ethnic minority entrepreneurs experience negative stereotyping and discriminatory attitudes from the wider population in their country of residence. On the one hand, discrimination in other areas of the labour market may increase entrepreneurial intentions in affected groups by obliging entry into entrepreneurship as an alternative to unemployment or inactivity. On the other hand, negative attitudes in the general population towards ethnic entrepreneurs can be associated with the establishment of low-potential businesses in terms of smaller business size, predominance of own-account self-employment, and ethnic market focus.

Gender and ethnicity often reinforce each other, with women entrepreneurs with an ethnic background often having even fewer role models, less social contacts and a lack of credibility in the country of residence as well as in their own ethnic community, particularly where they have low education levels (MGFFI, 2009; Wood et al., 2012). Interestingly, and contrary to commonly held beliefs, there is no particular gender effect for Muslim women, as Islam as such does not prevent women from entering entrepreneurship (Ghoul, 2010). Furthermore, the negative impact of normative institutions such as stereotypes and prejudices may decrease for later generations of ethnic communities.

Regulatory institutions

One of most important regulatory problems affecting ethnic minority entrepreneurship is the impact of limits and thresholds in social benefits on incentives for business start-up and operation. Since the proportions of ethnic minority populations receiving welfare support are often high relative to the average, people from these populations are more likely to be discouraged from entering entrepreneurship and self-employment by poorly designed social security systems that do not allow a significant proportion of additional income to be retained or that threaten entrepreneurs with loss of longer-term entitlements if they start a business and fail.

Impact by migration status

Normative institutions

Many immigrant entrepreneurs are able to draw on strong ties within their communities that are supportive of entrepreneurship, i.e. to gain from "bonding social capital" (Woolcock and Narayan, 2000), although some immigrant entrepreneurs may have lost some of their social capital as a result of their immigration (Wood et al., 2012). On the other hand, immigrants often lack "bridging social capital" relevant to business creation and operation, providing entrepreneurs with access to new resources and networks, particularly outside of their own communities.

Regulatory institutions

Migration and integration policies can often have strong impacts on both the nature and extent of immigrant entrepreneurship. Immigrants have been shown to face serious difficulties in starting businesses in regulated industries (e.g. craft industries and liberal professions) since they may have to undergo lengthy procedures to obtain approval for their qualifications (Kay and Schneck, 2012). Another problem for tapping into the potential of immigrants as entrepreneurs concerns limits on the work entitlements of immigrants. In Sweden, for example, self-employment among immigrants has shifted towards low value added and undeclared activities as immigration rules have increasingly constrained the entry of non-high-skilled workers, leading more people to attempt to enter the country on tourist visas and work in the grey economy (Ålund, 2003). Even highly-qualified and educated immigrants often enter low value added self-employment as a last resort, because they have not been able to overcome labour market discrimination.

Impact by disability

Normative institutions

Disabled people, particularly those with visible handicaps, can suffer from discrimination in the form of prejudices and stereotypes regarding their ability to work. As with other social groups who face labour market discrimination, this ironically can be a driver of entrepreneurship and self-employment by some disabled people seeking an alternative by creating their own work, but at the same time tends to harm the confidence of many potential entrepreneurs in their skills, knowledge and self-perception (Cooney, 2008) and their ability to pull together the necessary access to key resources such as finance and commercial partners. Furthermore, entrepreneurial role models that could help overcome the impact of negative attitudes may be sparse for this group.

Regulatory institutions

Disabled people can suffer from discrimination in the labour market and in response governments have introduced anti-discrimination laws. Clearly these laws must be visible and applied to be effective. However, besides resources and commitment in this respect, it is also important that such rules also apply to people acting as business owners. Often this is not yet the case.

Rules determining the allocation of social security benefits can also be a hurdle for entrepreneurship by disabled people since they are at more risk of losing health and other benefits if they create a business or enter self-employment (McNaughton et al., 2006). In a Swedish study, 21% of disabled people reported a perceived threat to their social security benefits as a reason for closing down their business (Larsson, 2006).

Finally, disabled entrepreneurs can sometimes experience difficulties in carrying out the formalities for registering a new enterprise or dealing with other administrative requirements if this has to be done in person. Increasing online facilities for business administration, and indeed encouraging e-government and e-commerce more generally, is an obvious way of responding to this problem.

Policy actions to improve institutions

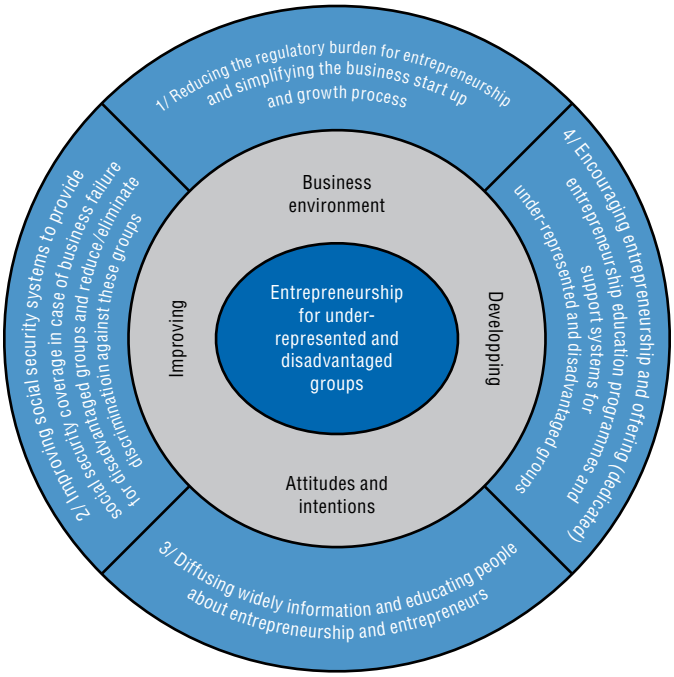
Box 6.2. **Key policy messages – Policy actions to improve institutions**

- Complex business regulation can impede certain disadvantaged and under-represented groups, e.g. the less educated, young people and immigrants, more than the population in general, because they can lack skills and experience to find their way through the system. There are therefore particular gains from reduction of regulatory burdens on business creation and operation among target groups.
- All regulatory institutions should be vetted for potential hidden discrimination against entrepreneurship and self-employment among disadvantaged and under-represented groups, including policies for welfare, pensions, immigration, qualifications recognition, anti-discrimination, and families.
- Improving attitudes to entrepreneurship and self-employment, both within disadvantaged and under-represented groups and in the population in general, will increase their start-up intentions and improve their access to outside resources such as finance. Key policy actions include diffusion of information about the nature, challenges and benefits of entrepreneurship and self-employment, promotion of relevant entrepreneur role models, and the offer of specially designed and targeted entrepreneurship education programmes.
- General education and training policies aimed at under-represented and disadvantaged groups (e.g. programmes to reintegrate these groups into the labour market) should be vetted to ensure that they support people wishing to pursue self-employment and entrepreneurial activities.
- Normative and regulatory institutions are closely intertwined, and both have important influences on entrepreneurship and self-employment by disadvantaged and under-represented groups. Achieving the full impact of regulatory improvements therefore requires accompanying measures to improve attitudes towards entrepreneurship in target groups.

A framework for policies to address institutional barriers

Policies to address institutional barriers affecting entrepreneurship and self-employment by disadvantaged and under-represented groups aim to improve and develop: *i)* the business environment influencing entrepreneurial behaviour, and *ii)* attitudes and intentions to entrepreneurship and self-employment as a career option (Figure 6.7). The first goal involves a set of policies that reduce regulatory burdens and improve social security systems. The second involves policies that diffuse information about entrepreneurship and self-employment or provide entrepreneurship education with the aim of encouraging more entrepreneurial mindsets. Please refer to Annex 6B for a more detailed table that describes these policy actions and the institutions that they impact on.

Figure 6.7. **A framework for policy interventions to address institutional barriers to entrepreneurship**



Source: Adapted from Fayolle, 2012.

Policies influencing the business environment

There are several policy and programme interventions that governments can make at national, regional and local levels to help overcome barriers to entrepreneurship and self-employment in the regulatory environment. Important improvements can be made in the following areas.

Administrative simplification and deregulation

Potential entrepreneurs and self-employed people can be hindered by the weight and complexity of business administration, particularly when they are developing micro businesses, for which the fixed costs of administration are high compared to

revenues, and when they lack knowledge and experience to negotiate the system. The Small Business Act for Europe underlines the importance of addressing these issues and highlights a number of actions that governments can take. For example, governments can reduce the number of permits and licenses required, reduce administrative fees, and reduce other regulatory costs imposed on new and small businesses (such as initial capital requirements). The impact of business regulation should be assessed and relieved at all of the stages of the business life cycle, and not just on opening, since obstacles encountered in operating, growing, transferring and closing businesses can also discourage business entry and hold up business development. Box 6.3 provides an example of a simplification and deregulation initiative that has had a substantial impact on business creation in France.

Box 6.3. **The "auto entrepreneur" status for solo entrepreneurship, France**

France provides a good example of simplified administrative procedures for solo entrepreneurs. The legal form of "Auto-Entrepreneur" was introduced with the Law on Economic Modernisation in 2009. Provided their annual turnover does not exceed certain thresholds, "auto entrepreneurs" are exempt from registering with the national companies registry (Registre du Commerce et des Sociétés), and benefit from a simplified social and fiscal regime. Please see the policy description for France in Part IV for more details.

The increased use of the Internet for business administration and other interactions with government can also make life easier for entrepreneurs and the self-employed. In this respect, governments can develop online business administration services and e-government, including for example for government procurement. One group that may particularly benefit from increased use of the Internet in relations with government is disabled people with mobility problems.

Social security policies

It is also important that governments review and adjust their social security policies to better reward business creation and operation by disadvantaged and under-represented people in entrepreneurship, particularly given the significant proportions of people coming from these groups who have access to some form of state assistance such as for unemployment, health problems, income support, family care, or pensions. The principle purpose of such an exercise is to correct for differences in social security coverage between business owners, employees, the unemployed and the inactive to ensure that business ownership is not penalised.

There is strong potential for measures that tackle the potential income loss from business creation that people can face if they lose access to state income support when they start a business and if the income from the business is not enough or does not come soon enough to replace this income. Welfare bridge schemes have been introduced by several governments in Europe over the past decade (see Box 6.4) in order to ensure that people from socially excluded groups, such as the unemployed, are able to secure an income during the period when they are starting and developing their business or self-employment activity and before they obtain a regular income.

Box 6.4. **The welfare bridge concept**

The Start-up Subsidy in Germany, the French "Couveuses d'Entreprises", and social co-operative schemes in Hungary or Poland are all examples of welfare bridge schemes that provide income replacement to people previously in receipt of state income support who are testing the feasibility of start-up or in the process of start-up.

The German programme supports new ventures by registered unemployed people with a start-up subsidy once a business plan has been approved by local chambers. It has been highly successful, with around 100 000 applicants per year. Its major success factor is the self-selection of participants with entrepreneurial intentions into the programme.

The French, Hungarian and Polish schemes all support social co-operatives as a means of integrating socially-excluded people into the labour market. The French programme focuses on the unemployed, while Poland and Hungary focus on disadvantaged groups in a wider perspective, including disabled and homeless people, and people with a drug problem in the case of Poland, and low educated people and women returning to the labour market after maternity leave in the case of Hungary.

The French scheme offers unemployed persons a legal framework (the couveuse) to test their entrepreneurial capacities, ideas and projects, while retaining income support, on average during one year. Both the Hungarian model and the Polish model offer a comprehensive start-up package, including financial support, training and advisory services, to social co-operatives.

Please see the policy descriptions for Germany, Hungary, and Poland in Part IV for more details on how welfare bridge schemes can work.

Governments should also seek to correct for the potential discouraging impacts of loss of entitlements to state unemployment, health insurance and other social payments that may occur later in business operation, following the initial start-up. It is important that business owners can continue to accumulate entitlements if they make the choice of working for themselves or employing others rather than being employed, unemployed or inactive. Furthermore, governments should examine how to ensure that business owners from disadvantaged and under-represented groups do not lose out on rights to benefits such as health insurance, unemployment insurance and state pensions if they start a business which subsequently fails and do not generate sufficient income to compensate (see Box 6.5).

In addition, tax policies that favour a dual earner model can favour entrepreneurship and self-employment by women, who otherwise may face high effective tax rates on the household from their additional work. Also particularly regarding women entrepreneurs, there is a key role to be played by public support for public and/or private childcare services.

Box 6.5. **Reform of the social insurance system, Sweden**

Sweden has reformed its social insurance system in order to include self-employed entrepreneurs. The aim is to provide better incentives for entering self-employment and reduce the risks associated with a move from wage-employment to self-employment. Previously, when moving to self-employment, entrepreneurs who had been wage-earners faced a loss of eligibility for social benefits, for example for unemployment, parental leave or sickness. Self-employed people also now qualify for these social benefits. This is likely to increase self-employment in general and particularly by women. See the policy description for Sweden in Part IV for further details.

As well as correcting for possible inequalities in social security coverage that reduce the incentives to potential disadvantaged and under-represented entrepreneurs, it can be useful to disseminate information on how starting and running a business would really impact on their entitlements in order to dispel any myths about perceived rather than real financial penalties. To be effective, this information should be communicated to the socially-excluded target groups through media and information networks that are used by each targeted community (please also refer to Chapter 9 for more discussion on policy outreach). In this respect, it has been reported that older entrepreneurs often find it difficult to access and gain sufficient information on the implications that starting a business has on their pension and other social benefits because this information is often difficult to find on the websites of different government bodies and support agencies and it is not presented in a clear, understandable way (Kibler et al., 2012).

Anti-discrimination policies

Governments also operate laws aimed at reducing discrimination against specific vulnerable social groups such as youth, seniors, ethnic minorities and women. It is important that these laws are visible, enforced and effective in helping to address the problems faced by these groups in the labour market, and from the point of view of business ownership, that they also cover people's rights with respect to the types of issues they face in business creation and operation. For example, governments can ensure that all social groups have relevant property rights and are allowed to register a business and that business service providers are not allowed to discriminate on the grounds of social group. Box 6.6 gives the example of an Italian law that appears to have contributed to improvements in the survival and growth rates of women-owned businesses.

Box 6.6. **Law to foster female entrepreneurship, Italy**

This Italian law, passed in 1992 (Act No. 215/1992), facilitates access to resources for women entrepreneurs, reduces the regulatory burdens they face and promotes overall gender equality in business and entrepreneurship. The law defines a set of government actions to promote women's employment and professional skills development on an equal basis and remove obstacles to the realisation of equal opportunities between men and women in the workplace. More than 16 000 businesses benefited from government funding of relevant measures under this law. Data show that from 2003 women businesses have increased their ability to create new jobs (more than men); and those women businesses that received a grant have higher longevity. See the policy description for Italy in Part IV for more details.

One of the existing regulatory problems is that although many governments have regulated against discrimination against disabled people in the labour market, these regulations do not always cover the issues that arise in self-employment and entrepreneurship. A positive example, however, is the UK's *Discrimination Disability Act* (DDA), which at least implicitly regulates against discrimination in self-employment. For example, business service providers are forbidden to discriminate against customers on the basis of disability, while self-employed "contract" workers are covered by the legislation as well as employees (Boylan and Burchardt, 2002).

The problem of integration of immigrants and recognition of their qualifications has also been raised. Migration policies should be reviewed with respect to which they restrict

employment possibilities, including self-employment, by new immigrants. Procedures should also be introduced to increase the recognition of qualifications and educational attainment of immigrants to help them exercise in business activities, particularly where particular qualifications are demanded in government regulations.

Furthermore, governments need to check labour market policies aimed at under-represented and disadvantaged groups for unintentional adverse impacts on the desirability and feasibility of entrepreneurship for these people. For example, for disabled people, labour market programmes that only offer sheltered employment possibilities or labour market reintegration programmes with a sole focus on wage employment will have a negative impact on the perceived desirability and feasibility of entrepreneurship and self-employment.

Policies aimed at influencing entrepreneurial intentions and access to networks

In addition to the above improvements to the regulatory environment, governments can take a number of measures to influence normative institutions in such a way as to improve attitudes to entrepreneurship and self-employment and access to business networks by social groups that experience particular problems.

Entrepreneurship education

Formal education that incorporates entrepreneurship teaching can help to build entrepreneurial mind sets and influence both intentions to start-up and intentions concerning the quality of businesses that people seek to establish. In addition, as discussed in Chapter 7, entrepreneurship education supports the development of entrepreneurship skills and competences (Chapter 7 discusses entrepreneurship skills). To make the most of this potential lever, governments can introduce measures to extend entrepreneurship teaching to all levels of education (schools, further education and higher education), increase the proportion of students exposed to entrepreneurship teaching at each level, and increase quality of entrepreneurship teaching for example through encouraging the use of interactive teaching methods, training of trainers and good practice exchange.

Increasing the entrepreneurship education offer is likely to have particular benefits for people coming from social groups where ambient attitudes tend to be negative, and hence can be particularly important for groups that are under-represented in entrepreneurship. However, governments may also consider developing some specific entrepreneurship education courses for people from disadvantaged and under-represented groups (for example courses for women or for immigrants) in order to tailor the teaching to their particular needs and ways of operating and to encourage their positive interaction with entrepreneurship ideas, while entrepreneurship education may also be offered to older people who did not benefit from it during their earlier years of formal education.

Awareness of entrepreneurship and self-employment as an option

Entrepreneurship awareness initiatives work in a less intensive manner by diffusing information through the press, television, social media, government websites, public seminars and events and so on, drawing attention to the nature, challenges and benefits of business creation and ownership. As discussed in Chapter 9, as well as generic awareness campaigns for the public as a whole, it is important to develop messages for and use channels directed at particular disadvantaged and under-represented groups. Furthermore,

it is important that initiatives aimed at the public in general ensure that disadvantaged and under-represented groups (disabled, young, older, ethnic minority entrepreneurs, etc.) are visible in promotional and information products in order to increase the legitimacy, visibility and reputation of entrepreneurship among these groups in the population as a whole.

An important tool in raising awareness is the promotion of role models (e.g. through media campaigns). Again it is important that the stories of entrepreneurs and self-employed people from disadvantaged and under-represented social groups are visible as role models, and that role models are offered from the same communities as people targeted by entrepreneurship awareness initiatives.

A good practice example is presented in Box 6.7, namely Senior Enterprise in Ireland, which aims to increase entrepreneurship intentions by older people.

Box 6.7. **Fostering senior entrepreneurship, Ireland**

Senior Enterprise is a programme designed to encourage greater involvement with enterprise and entrepreneurship by people aged over 50, and affects in particular attitudes and intentions towards entrepreneurship. This may be through starting a business, acquiring or investing in a business, advising an entrepreneur or supporting innovation. It is supported financially by the European Union through INTERREG IVB NEW and is led by the Mid-East Regional Authority.

The programme encourages older people to explore the personal, financial and commercial implications of taking the first step in entrepreneurship; get involved in partnerships with younger individuals in order to start a business in association; become investors or acquire businesses started by someone else; and (where they are qualified and experienced in entrepreneurship) to become advisors, mentors or supporters of other older entrepreneurs.

The core of the approach is a website (*www.seniorenterprise.ie*) entirely dedicated to senior entrepreneurship. Information is given about *i)* "What is Involved": Raising Awareness, Starting & Partnering, Investing & Acquiring, Advising & Innovating; *ii)* "Who is Involved" (the partners supporting the scheme), and *iii)* "Events and Conferences". People interested in any activity can get information on how to engage and view and download role model stories. In addition, there are regular events, training workshops and conferences for older people and networking activities to promote senior entrepreneurship with policy-makers and other stakeholders such as enterprise development agencies, financial institutions and agencies working with older people.

Promoting entrepreneurship-related social capital

Gaps in social capital among certain disadvantaged and under-represented social groups can also be addressed by public programmes that offer networking possibilities both within and outside of the entrepreneurs' own communities. These programmes are often best organised at regional or local levels. They can be combined with coaching and mentoring to transfer knowledge from experienced entrepreneurs from disadvantaged and under-represented groups to potential and new entrepreneurs from the same groups. Box 6.8 describes an initiative that builds networks among women entrepreneurs. Box 6.9 provides another example, of a scheme which has been successful aimed at increasing "bridging social capital" between ethnic minority businesses and other business communities.

Box 6.8. **A professional association of women entrepreneurs, Luxembourg**

The Fédération des Femmes Cheffes d'Entreprises du Luxembourg (FFCEL) is a professional association of business women that aims at promoting and reinforcing the role of women entrepreneurs in the Luxembourg economy. Since its inception in 2004, the Federation has established strong national and international networks, involving key business actors such as the Chambers of Commerce, the government and business service providers. As well as supporting networking among its members, it contributes to increasing the visibility of women entrepreneurs in Luxembourg and alerting all stakeholders to their specific needs.

Please see the policy description for Luxembourg in Part IV for more details.

Box 6.9. **Fostering ethnic minority businesses, United Kingdom**

The enterprise and diversity alliance (EDA) was established 2010. It consists of a group of individuals from across the public, private and voluntary sectors who are working collaboratively to pioneer new ways of promoting the development and growth of ethnic minority businesses. They have established imaginative and productive relationships with larger enterprises, financial intermediaries and private and public business service providers to support minority businesses. There is a strong emphasis on mentoring, network creation and information flows to facilitate access to finance and markets by ethnic entrepreneurs. The programme also supports networks between ethnic minority businesses and mainstream business support agencies.

Conclusions and policy recommendations

Both regulatory and normative institutions are important influences on the desirability and feasibility of entrepreneurship and self-employment by under-represented and disadvantaged groups and policy measures need to act on both types of institutions together. Key measures include administrative simplification and deregulation, adjustment of social security policies, anti-discrimination policies, entrepreneurship education, entrepreneurship awareness initiatives, and networking and social capital creation. Disadvantaged and under-represented groups will benefit from measures to improve these regulatory and normative institutions, and will often do so more than other members of society because general institutional barriers often affect them more than other groups.

However, policy measures also need to recognise their particular needs and will often require tailored and targeted solutions aimed at certain problems and certain groups. For example, many women may be held back in entrepreneurship and self-employment by poorly adapted gender roles, welfare models, and tax systems. Seniors can suffer from negative age norms and lack of entrepreneurship-related social capital. Disabled people can suffer from problems with social support payments, discrimination and mobility issues. The problems can be combined when people identify with more than one disadvantaged or under-represented group, such as young, unemployed migrants with low levels of education. Policy makers need to recognise and understand these needs and develop adapted policy solutions. There are many inspiring practices to draw on.

Based on these conclusions, the following key policy recommendations are formulated.

Key policy recommendations

- The burden and complexity of business regulation should be reduced at all stages of enterprise development and particularly for micro firms, and opportunities for e-government pursued.
- Social security systems should be redesigned to ensure that entrepreneurship and self-employment pay for people in disadvantaged and under-represented groups, who may otherwise lose out on certain entitlements. Family policies should encourage dual earners and childcare services.
- Anti-discrimination policies should cover issues arising with entrepreneurship and self-employment and qualifications of immigrants should be better recognised.
- Entrepreneurship teaching should be offered at all levels of formal education and some targeted initiatives introduced for older people from target groups.
- Information on the benefits, challenges and opportunities of entrepreneurship and self-employment should be channelled to disadvantaged and under-represented groups, including role models from their own communities.

Annex 6A

Table 6.1. **Summary of empirically confirmed impact of institutions on self-employment and entrepreneurship**

Regulatory institutions		
Category of institutions	Level of entrepreneurship	Nature of entrepreneurship
Property rights	Less impact on nascent entrepreneurship (Estrin et al., 2009, 2011)	Weak property rights have negative impact on high growth aspirations (Estrin et al., 2009, 2011)
Labour market regulations	Rigid regulations are negative for nascent and early-stage e-ship (van Stel et al., 2007)	Flexibility fosters high potential entrepreneurship (Baughn et al., 2010; van Stel et al., 2007)
Administrative burdens (number, complexity)	Inconsistent results	Negative impact on productive entrepreneurship (Djankov et al., 2002; Klapper et al., 2006) No impact on high growth entrepreneurship (Bowen and De Clercq, 2008; Spencer and Gomez, 2004)
Bankruptcy law	Entrepreneur-friendly bankruptcy laws encourage entry (Lee et al., 2011)	
Rule of Law	Generally negative (Bowen and de Clercq, 2008) No impact on nascent and early stage entrepreneurship (Hartog et al., 2010)	Negative impact on small business ownership (Hartog et al., 2010; Levie and Autio, 2011)
Tax policies	Inconsistent results	Inconsistent results
Social security	No impact on level of nascent entrepreneurship (Hartog et al., 2010; Hessels et al., 2008a, 2008b) Higher unemployment benefits have a negative impact on self-employment (Parker and Robson, 2004)	Negative impact on high potential entrepreneurship, young businesses and small business ownership (Hartog et al., 2010) Negative impact on innovative nascent entrepreneurship (Hessels et al., 2008b)
Normative institutions		
Societal attitude	Enabling or constraining through impact on attitudes (e.g., fear of failure), existence of role models, resource access (e.g., Busenitz et al., 2000; Davidsson and Wiklund, 1997; Meek et al., 2010; Welter and Smallbone, 2012)	Marginal impact on self-employment, no impact on more advanced forms of entrepreneurship (Bowen and De Clercq, 2008)
Religion	Impacts on perception of value of entrepreneurship and opportunities for entrepreneurship (Dana, 2010)	Restrictions on activities in certain sectors/industries (Dana, 2010)

Source: Welter, 2012.

Annex 6B

Table 6.2. **Some key types of policy interventions to improve institutions**

Goals, areas and target groups of policy interventions		Type of policy intervention	Type of Institutions impacted
Improve the business environment	1) Reducing the regulatory burdens Target group: all businesses	Simplify and reduce the costs of business registration	Regulative
		Reduce initial capital requirements (granting, subsiding, lowering legal amount)	Regulative
		Minimise administrative burden for start-ups and SMEs	
		Facilitate access to public and large company markets for start-ups and small firms	Regulative
		Improve the flexibility of hiring and firing employees in labour market regulations	Regulative and Normative
		Improve tax policies (reduce, exempt, eliminate) to support investment in start-ups and small firms	Regulative
		Ease access to and reduce the costs of getting loans (also see Chapter 7)	Regulative
			Regulative and Normative
	2) Improving social security systems Target group: underrepresented and disadvantaged groups	Provide a minimum revenue (wage, allowance) during nascent business activity for young, unemployed and disabled people without financial resources and starting their own business	Regulative
		Provide social security coverage for self-employed people and business owners who previously were not eligible	Regulative
		Diffuse targeted information to disadvantaged groups to the welfare implications of starting a business, and create dedicated websites to achieve this	Normative
		Create new or change existing laws to eliminate or reduce discrimination and to promote equality between people and social groups	Regulative
Increase entrepreneurship awareness and skills	3) Diffusing information and educating people about entrepreneurship and self-employment Target groups: all people	3.1) Disseminate information through Internet and TV programs about the key economic and social roles of entrepreneurship and entrepreneurs in our societies	Normative
		3.2) Disseminate information through Internet and TV programs about well known (or less known) entrepreneurs as role models	Normative
		3.3) Disseminate information through Internet and TV programs about entrepreneurship as career options (and sources of satisfaction) for young, mature and old people	Normative
		3.4) Develop entrepreneurship education at the primary and secondary levels (also see Chapter 7)	Normative and Regulative
	4) Offering entrepreneurship education Target group: underrepresented and disadvantaged groups	4.1) Develop and expand entrepreneurship courses about under-represented and disadvantaged groups for university and business school students (see also Chapter 7)	Normative and Regulative
		4.2) Provide specific training programmes on how to start and grow a business to under-represented and disadvantaged groups (see also Chapter 7)	Normative
		4.3) Provide specific training programmes for policy-makers, educators and professionals working in entrepreneurship support systems (see also Chapter 10)	Normative and Regulative
			Normative and Regulative

Source: Adapted from Fayolle, 2012.

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Chapter 7

Policies for entrepreneurship skills

This chapter examines variations in entrepreneurship skills levels and challenges across disadvantaged and under-represented groups in entrepreneurship. It also examines policy actions that help entrepreneurs to develop entrepreneurship skills through formal education, stand-alone training and counselling, coaching and mentoring.

Entrepreneurship skills

Entrepreneurs need to use a range of skills in starting up and operating successfully in business, including both the workplace skills required of employees and further skills that reflect the additional demands of running a business. While some of these skills may not be absolutely necessary for business success, possessing them is likely to increase the quality of an entrepreneur's business and the chances that it will be sustainable and grow. It is therefore important to identify the skills used by entrepreneurs and consider how they may be strengthened by policy.

A good starting point is the workplace skills that are generally required of any worker. They combine generic skills, referring to skills used in the work environment that are transferable to different jobs and industries, as well as to other aspects of life, such as communication, team work and planning and organising skills, and skills that are specific to certain jobs or work functions such as computing, plumbing, or interpretation skills.

Generic skills are classified by the OECD's Programme for the International Assessment of Adult Competencies (PIAAC) according to the following three categories (please refer to Box 7.1 for further information on PIAAC):

- Literacy: The ability to understand, evaluate, use and engage with written text to develop knowledge for the purposes of participating in society and achieving personal goals. Literacy skills are essential for accessing information and services to make informed decisions, especially in a work environment.
- Numeracy: The ability to access, use, interpret and communicate mathematical information and ideas, to be able to engage in and manage the mathematical demands of a range of situations, including the work environment (e.g. managing schedules, budgets and project resources; working with spread sheets; taking and recording measurements; tracking expenditures; and, forecasting costs).
- Problem solving: A problem can be defined as a situation where the goal cannot immediately and routinely be reached due to a challenge or obstacle. The ability to solve problems is one of the most complex and sophisticated aspects of human cognition. In problem solving, one has to understand the current situation and then identify the proper decisions and actions that may lead to a solution. This process typically requires the use of a range of tools and information resources, which usually facilitates the resolution of the problem. However, the tools and resources may add to the difficulty of a problem when a person has limited knowledge and experience with them. In the work environment, problems and problem solving often involve interaction with other individuals.

Generic skills are becoming increasingly important in the workplace as employment shifts away from jobs that require routine and manual tasks towards jobs that require deeper thinking (problem solving) and complex communication (interacting with others

to acquire or explain information, or persuade others of its implications for action) (OECD, 2012; Statistics Canada-OECD, 2005). In particular, technological change, including the increasing presence of information and communication technologies (ICT), and the shift of economic activities towards knowledge-based activities, have led to a growing demand for higher-level cognitive skills involving the understanding, interpretation, analysis and communication of complex information.

Box 7.1. **The Programme for the International Assessment of Adult Competencies**

The OECD's Programme for the International Assessment of Adult Competencies (PIAAC) aims to collect and analyse data on the level and distribution of skills within the adult population of OECD countries and to understand the utilisation of skills in different contexts. This programme follows two previous international surveys of adult skills – the International Adult Literacy Survey (1994-98) and the Adult Literacy and Life Skills Survey (2003-06). PIAAC expands the scope of the measurement of adult skills in these previous surveys to place more emphasis on skills relevant to the digital age, particularly in the areas of literacy and problem solving.

PIAAC will provide evidence not only on the current level and distribution of skills, but also on the change in literacy and numeracy skills profiles over time. For the first time, PIAAC will offer a measure of problem solving that is directly linked to the ICT-rich environments that characterise jobs with a high information-processing content. Moreover, PIAAC is collecting considerably more information on the use of skills in the workplace than did previous surveys. That, in turn, will facilitate investigation of the effectiveness of matching workers to jobs and of the extent to which the skills possessed by individuals are used in their work.

The first results from PIAAC are expected to be published in 2013. For more information, please refer to: *www.oecd.org/site/piaac/*.

Alongside generic skills, entrepreneurs require certain job-specific skills related to the development, production and delivery of the specific products or services that their business offers. Job-specific skills are often used to distinguish one industry or workplace from another. For example, an entrepreneur that operates a hair salon business will need specific skills related to hair cutting and styling, including knowledge and use of hair products and instruments used to cut and style hair.

Furthermore, operating as entrepreneurs rather than employees puts a premium on a number of business management and personal entrepreneurial skills, such as business planning, self-motivation, assessing and managing risk, strategic thinking, making the best of personal networks, and motivating others (OECD, 2010). Table 7.1 outlines the types of skills required by entrepreneurs.

Table 7.1. **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: Hisrich and Peters (1992); OECD (2010); OECD (2013).

Entrepreneurs from disadvantaged groups: The same but different

The motivation for policy to facilitate the acquisition of entrepreneurship skills for people in disadvantaged and under-represented groups is the same as for mainstream entrepreneurs – to help them acquire the skills to start and run successful business operations. However, there are some specific challenges that people from disadvantaged and under-represented groups face in acquiring entrepreneurship skills. These are discussed in this chapter.

Box 7.2. **Key findings**

- Women are achieving increasingly high levels of educational attainment, and now reach higher levels than men in many countries. They therefore have significant exposure to entrepreneurship skills development in formal education.
- Women have less managerial and business ownership experience than men, which impacts negatively on their ability to acquire entrepreneurship skills.
- Young people tend to have had relatively limited work and business experience, which limits their opportunities to acquire relevant skills for starting and operating businesses.
- There is a strong opportunity to support entrepreneurship skills acquisition among young people through appropriate courses in the school, vocational and higher education systems. However, there are gaps in the coverage and quality of entrepreneurship education provision.
- Older people tend to have substantial work experience and networks that can support them in many aspects of successfully starting and operating businesses.
- Seniors have not necessarily had the chance to acquire entrepreneurship-specific skills if they have been working as employees and have not been involved in management.
- Entrepreneurship skills decay with time, and there are important differences among senior entrepreneurs in line with the length of time they have been out of the labour market.
- Limited entrepreneurship skills help to explain why many ethnic minority and immigrant businesses are in low-margin sectors.
- There are important differences in entrepreneurship skills levels across different ethnic minority and immigrant groups.

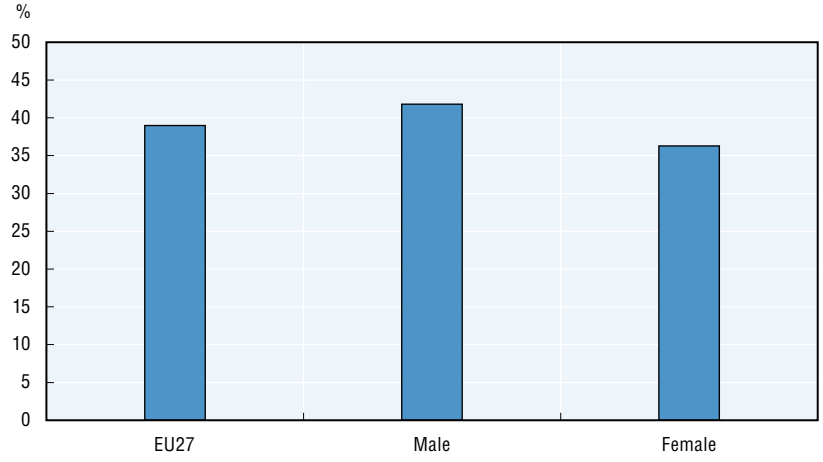
Women entrepreneurs

Women's formal education levels on average increasingly resemble or exceed those of men. However, women still face challenges accessing the same labour market and entrepreneurship experiences. Furthermore, women continue to have fewer opportunities than men in management, which acts as a barrier to gaining management experience and skills that can be used in entrepreneurship (Boden and Nucci, 2000). These barriers can be compounded by more limited entrepreneurship-relevant networks, which might otherwise permit women to compensate for some deficiencies in their entrepreneurship skills. Such issues are reflected in Figure 7.1, which shows that women are somewhat more likely than men to seek paid employment because they feel that they lack entrepreneurship skills.

Entrepreneurship classes in formal education – schools, vocational education and training colleges and universities – offer one possible route for women to acquire entrepreneurship skills. Indeed, this opportunity is increasing as differences in formal educational attainments between men and women reduced and event disappeared or reversed in many countries, and as women's involvement in university and vocational education has increased (Ganguli et al., 2011). However, despite high educational attainment, Figure 7.2 shows that women are less likely than men to believe that their school education provided them with entrepreneurship skills.

Figure 7.1. **Preference for paid employment due to a lack of entrepreneurship skills in the EU, 2009**

Why would you prefer to be an employee rather than self-employed? Proportion who answered "Lack of skills for self-employment"

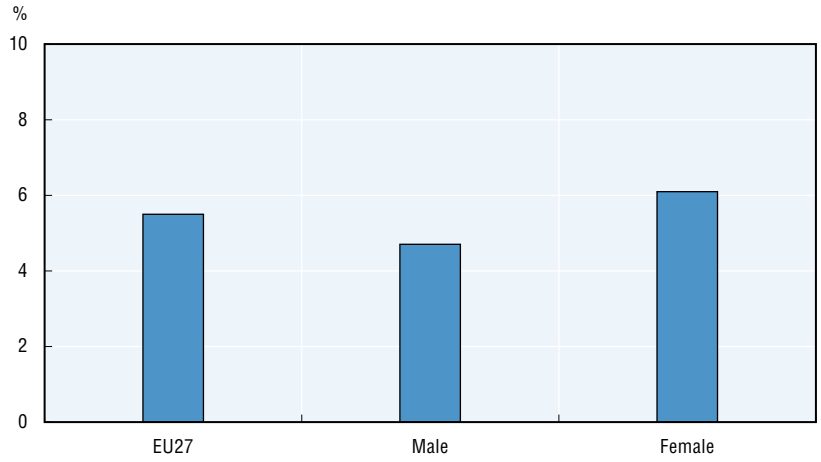


Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

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Figure 7.2. **Entrepreneurship skills learned at school in the EU, 2009**

Proportion who strongly agree or agree with the following: "My school education gave me skills and know-how that enable me to run a business"



Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

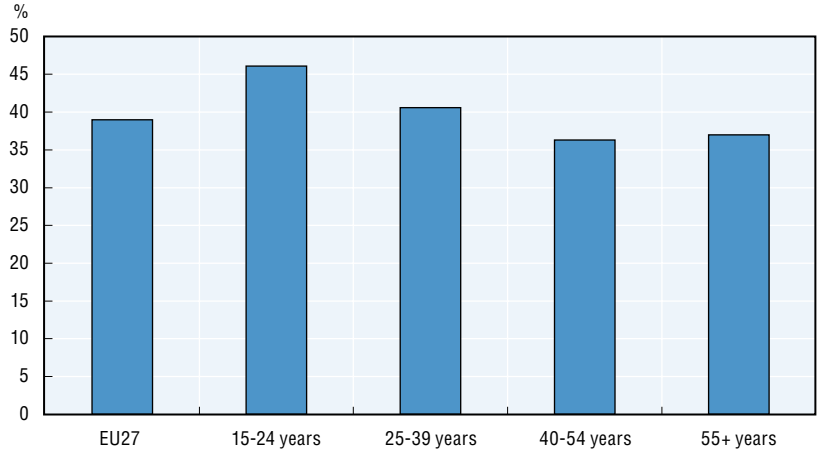
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Young entrepreneurs

Young people often have little work experience, either as employees or entrepreneurs, and are unlikely to have been able to acquire significant specialised technical, business management or personal entrepreneurial experience. This puts them at a disadvantage when seeking to start and run businesses. Furthermore, young people are less likely to have relevant business networks that could enable them to seek assistance that could compensate for their lack of skills. These issues appear to be reflected in evidence that young people are more likely to say that they prefer to work as an employee due to a lack of entrepreneurship skills (Figure 7.3).

Figure 7.3. **Preference for paid employment due to a lack of entrepreneurship skills in the EU, 2009**

Why would you prefer to be an employee rather than self-employed? Proportion who answered "Lack of skills for self-employment"

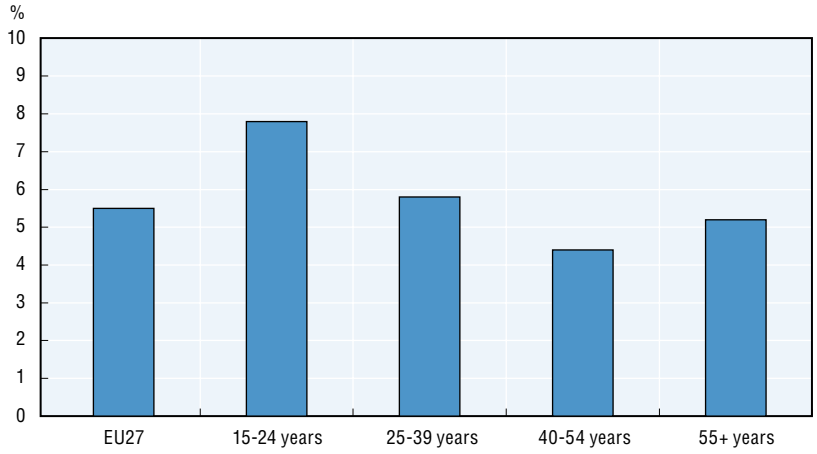


Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

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On the other hand, young people tend to have recent exposure to formal education. Nearly one-half of those between the ages of 15 and 24 years indicate that their school education helped them to acquire entrepreneurship skills, a higher proportion than for other age groups (Figure 7.4).

Figure 7.4. **Entrepreneurship skills learned at school in the EU, 2009**
Proportion who strongly agree or agree with the following: "My school education gave me skills and know-how that enable me to run a business"



Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

StatLink http://dx.doi.org/10.1787/888932927326

It is nonetheless important to recognise that young people are not a homogeneous group. Some young people, such as those who are "not in employment, education or training" (NEETs) face multiple sources of disadvantage in their attempts to become entrepreneurs or self-employed (Blackburn and Ram, 2006). In particular, early school leavers face even greater challenges than other young people in acquiring entrepreneurship skills because they have exited the formal education system and have difficulty accessing the labour market to acquire skills through experience. Table 7.2 confirms that people without a secondary school certificate are less likely to be involved in business ownership or self-employment, while on the other hand, graduates are more likely to be involved.

Table 7.2. **Total Early-Stage Entrepreneurial Activity (TEA) rates for EU countries 2007-2011**

	None to some secondary	Secondary degree	Post-secondary degree	Graduate experience
Total (18-64 years old)	4.1	5.6	6.4	8.5
18-30 years old	4.9	6.6	6.8	9.5
50-64 years old	2.3	3.5	4.3	6.4

Note 1. The data cover all EU countries except Bulgaria, Cyprus, Estonia, Luxembourg, and Malta.
Source: Global Entrepreneurship Monitor, special tabulations of the 2007-2011 adult population surveys.

StatLink http://dx.doi.org/10.1787/888932929796

Senior entrepreneurs

Senior entrepreneurs can take advantage of a wealth of knowledge, practice, learning and experience that they have acquired through their working lives, together with an accumulated web of formal and informal work-related networks giving access to customers, suppliers, investors, business advice and support and other resources (European Commission – OECD, 2012a; Weber and Schaper, 2003; Fisher, 2006; de Bruin and Firkin, 2001). This provides them with substantial technical skills and in-depth industry knowledge that can help them to make a success of business ownership. For example, Kautonen (2012) argues that senior entrepreneurs have greater competences to recognise business opportunities by identifying gaps in current business offerings and avoid many mistakes that would be encountered by other, inexperienced entrepreneurs, and there is evidence to suggest that these advantages make older people more capable of starting and running businesses than youth (Singh and DeNoble, 2003; Weber and Schaper, 2004; Baucus and Human, 1994).

However, while seniors may have acquired the technical skills needed for entrepreneurship, they have not necessarily developed business management and personal entrepreneurial skills (see Table 7.1) if they have spent most of their years working as employees rather than business owners, and have not worked in management. Thus Cooney (2012) notes that older people who have not been entrepreneurs often lack experience in the market, possess a "nine-to-five" working hours mentality and lack small business knowledge. Moreover, older people will not have had the same chances as many younger people to acquire basic entrepreneurship skills through the education system (Figure 7.4).

Furthermore, some of the work-related skills and networks of seniors can diminish quickly if they have already left the labour market, putting a premium on supporting seniors into entrepreneurship early on. In this respect, older entrepreneurs are not a homogeneous group, and there are significant differences between someone who is 55 years of age and still working, for example, and someone who is 70 years of age and has been retired for several years.

Ethnic minority and immigrant entrepreneurs

Many of the barriers faced by ethnic minority and immigrant entrepreneurs in starting, operating and growing businesses are directly related to skill levels, particularly entrepreneurship skills. For example, research in Ireland has found that entrepreneurs from ethnic minority groups have difficulties in building business networks and have low levels of management skills (Cooney and Flynn, 2008). Such skills gaps help to explain why many ethnic minority and immigrant businesses are in labour-intensive and low-wage or low-margin sectors (Ram and Jones, 2008).

However, there are significant differences in entrepreneurship skills across ethnic and immigrant populations depending on their ethnicity, location and generation, which pose challenges for policy makers (Ram et al., 2013). Different ethnic groups vary in their degree of comfort in dominant languages outside of their communities, and new immigrants often have less relevant skill relative to second and third generations (Beckers and Blumberg, 2011). Such differences can have an impact on the performance of businesses run by ethnic minorities (Bates, 1985).

Policy actions to improve entrepreneurship skills

Box 7.3. **Key policy messages – Policy actions to improve entrepreneurship skills**

- Support for entrepreneurship skills is important not just for increasing start-up rates but also for enhancing the quality of business creation by disadvantaged and under-represented groups.
- Entrepreneurship education in schools, vocational education and training and universities helps to build entrepreneurship skills in youth, but the proportions of students receiving this teaching should be increased, particularly at young ages, and more experiential learning methods introduced.
- Entrepreneurship training outside of formal education can be targeted on specific groups of motivated entrepreneurs and can focus more on practical skills development. It is one of the key means of reaching older people and disadvantaged youth who do not participate in education. There is significant scope for the development of on-line courses.
- Peer counselling, coaching and mentoring is an effective approach to strengthening entrepreneurship skills. It is particularly effective when peers are used from the same communities as the supported entrepreneurs. However, policy needs to build up the scale and capacities of the network of counsellors, coaches and mentors.

Policies that help entrepreneurs and potential entrepreneurs to acquire entrepreneurship skills generally fall into one of three categories: entrepreneurship education within the formal education system; stand-alone entrepreneurship training; and counselling, coaching and mentoring offered through business development services.

Formal education

The group that benefits from entrepreneurship education in schools, vocational education and training colleges and universities is younger people. Entrepreneurship education can help young people to overcome the barrier of their more limited labour market and business experience, and over time, will increase entrepreneurship skills in the population as a whole over time. In Europe, entrepreneurship education is seen as an integral part of policies to support small and medium sized enterprises, and is promoted by national governments and the European Union, for example through the Small Business Act for Europe, the Oslo Agenda for Entrepreneurship in Europe and the Best Procedure Project on Vocational Education and Training (European Commission, 2009; European Commission, 2012b). However, there is evidence that only a few younger people start a business compared with those who express an interest in doing so (European Commission – OECD, 2012b).

The typical approach to entrepreneurship education involves a combination of specialised entrepreneurship courses, smaller entrepreneurship modules embedded within other courses, and practical projects that provide young people with entrepreneurship experiences (Pittaway and Cope, 2007). More recently, some entrepreneurship educators have sought to expand the learning experience for the student by introducing experiential assignments (such as organising charity events or undertaking fieldwork), while other entrepreneurship educators have sought to use the Internet and technology generally to intensify student learning through business simulation activities.

Use of the Internet in formal learning activities generally adopts one of two approaches, e-learning or blended learning. E-learning involves the use of information and communications technologies (e.g. Internet) to deliver teaching and learning activities to students (Statistics Canada-OECD, 2005). This learning method has several benefits: students can complete the learning activities any time and from any location; the interactions and activities are succinct; group collaboration is typically facilitated; and it is often a relatively low-cost method of delivering education and training. While students often express satisfaction with e-learning (e.g. Paechter and Maier, 2010), its effectiveness has been questioned. A meta-analysis of empirical research in the United States indicates that purely online learning is equally as effective as previous generations of distance learning (involving earlier technologies such as correspondence courses, educational television and videoconferencing), which in turn can be as effective as classroom instruction but not better (Means et al., 2010). One of the most well-known examples of e-learning is Coursera, which is an online organisation that partners with universities and training organisations to offer free online courses (see Box 7.4 for further information).

However, the trend in recent years has been to favour learning models that combine e-learning with face-to-face methods. This so-called "blended learning" includes a combination of local and online learning activities such as in-person meetings, teleconferences, email communication and virtual meetings (Fischer, 2010). Empirical evidence suggests that blended learning is better than pure e-learning and is also more effective even than classroom learning (Means et al., 2010). This reflects the combination of the strengths of e-learning (e.g. easy access to information) with face-to-face interaction with instructors and other students (Paechter and Maier, 2010).

Box 7.4. **Coursera**

Coursera is an online educational organisation that partners with universities and training organisations from across the world to offer free online courses. The online courses cover a wide range of subjects including the humanities, medicine, biology, social sciences, mathematics, business and computer science.

Classes are taught with online video lectures and reading material. Students advance through the learning material at their own pace and learning is reinforced through interactive exercises. The learning activities are based on a pedagogy that allows for multiple attempts to learn and demonstrate the new knowledge and uses interactive methods that ensure student engagement. This approach also increases the chances of long-term retention of the material. Frequent feedback is provided to allow students to monitor their progress and understand when learning objectives have been achieved.

One of the unique elements of Coursera is that assessment is done by peer review. In other words, students evaluate and provide feedback to each other, which provides another learning opportunity for students. Students are assessed by multiple peers and an overall grade is assigned by an averaging system. This removes one of the constraints of online approaches in terms of the time taken for tutors to grade large numbers of assignments, while results and feedback from fellow students often match those that can be offered by regular tutors.

For more information please see: *www.coursera.org/*.

International best practice pedagogies are increasingly blurring the distinction between the classroom and the local economy, making more use of entrepreneurs as guest

teachers, securing internships in small businesses, and setting up short-term business start-ups for students.

Some countries such as Denmark, Norway and Finland have developed comprehensive and integrated strategies for entrepreneurship education across all levels of the education system so that students learn to become entrepreneurial throughout their academic lifetime. Box 7.5 gives the example of the entrepreneurship education approach used in the Finnish school system.

Box 7.5. **Entrepreneurship education at primary and secondary education levels, Finland**

Entrepreneurship education is included as an obligatory subject in all primary (ISCED 1) and secondary schools (ISCED 2 and 3 – lower and upper general secondary education) in Finland, and is strongly emphasised in the latest five year development plan for education and research (2011-2016) elaborated by the Ministry of Education and Culture.

The main objective is promoting entrepreneurship at all levels of education and improving co-operation between education and business. Guidelines for Entrepreneurship Education, 2009, have been published by the Ministry of Education and Culture in co-operation with other ministries and stakeholders, including objectives to be attained by 2015, e.g. a stronger focus on entrepreneurship and a better collaboration between key players in the development of teaching methods to develop entrepreneurship.

The national core curriculum for basic education includes a cross-curriculum thematic called "participatory citizenship and entrepreneurship" (for ISCED 1 and 2) and "active citizenship and entrepreneurship" (for ISCED 3). Its implementation depends on teachers, schools and the local educational authorities and environment. Due to school autonomy, methods of implementation may vary. However, guidelines are included as part of the core curriculum and these specify that the main focus should be on practical exercises and the creation of personal participation experiences.

A key component of entrepreneurship education is the learning environment, which is aimed at activating pupils and students and increasing their awareness of entrepreneurship and the world of work. The learning environment may be developed in co-operation with various organisations and enterprises and should be based on the following principles:

- The focus is on the learner's own activity.
- Learning also takes place in a simulated or real-world setting.
- Learners can directly interact with entrepreneurship.
- Instruction is based on problem-solving and interaction.

In primary and secondary schools, the learning outcomes concern attitudes (self-awareness, self-confidence, taking initiative and responsibility, risk-taking, critical thinking, creativity and problem solving) and knowledge about entrepreneurship, career opportunities and the world of work and business. For some students (upper secondary education), learning outcomes may concern practical exploration of entrepreneurial opportunities.

For more information please see: *www.minedu.fi/export/sites/default/OPM/Julkaisut/2009/liitteet/opm09.pdf*.

Entrepreneurship education has been shown to increase interest in entrepreneurship (ILO, 2006; Lepoutre et al., 2010). For example, evidence from Denmark shows that students who received entrepreneurship education were more likely to seek further training in

entrepreneurship (Danish Foundation for Entrepreneurship, 2010). On the other hand, students who participated in the Dutch Association Jong Ondernemen (part of the Junior Achievement programme) were more likely to form negative intentions towards entrepreneurship and have lower self-assessed enterprise skills (Oosterbeek et al., 2010). This latter finding may nonetheless be interpreted in a positive way, in the sense that entrepreneurship is not for everybody and entrepreneurship education helps students realise this.

There is scope to increase the role of entrepreneurship education in building both positive attitudes to entrepreneurship and entrepreneurship skills among young people by addressing some common weaknesses in provision. First, very few courses exist that deliver entrepreneurship skills and many students do not have the opportunity to take them. This is particularly true for younger students, since entrepreneurship education is more common in universities than at school and vocational education and training levels. Even in universities, the majority of students tend not to have pursued an entrepreneurship course, although proportions vary by country and institution.

Second, formal education often takes a narrow view of the entrepreneurship skills that it seeks to provide. Table 7.1 showed the range of skills involved in entrepreneurship, covering technical, business management and personal entrepreneurial skills. However, traditional courses have generally focused on the development of business management skills (which is primarily achieved by requiring participants to develop a business plan). There are few courses currently available that develop the personal entrepreneurial skills such as leadership, innovation, risk taking and change management, which are also critical to business success.

Third, despite the recent development of new techniques, most existing entrepreneurship courses use traditional teaching methods that rely on classroom learning and exercises. More experiential teaching approaches – such as role playing, business simulations, business games and actual business start-ups – are much better liked by students and more effective in delivering personal entrepreneurial skills. Entrepreneurship education that does not provide students with an opportunity to gain entrepreneurship experience is falling short of its potential because students are not able to put into practice what they learn with the support and guidance of experienced teachers.

Furthermore, it must be recognised that approaches to entrepreneurship skills development that work through the formal education system may not be able to address the needs of more disadvantaged youth, including early school leavers and people who do not go on to vocational or university education. Responding to their needs requires other kinds of support. Older entrepreneurs, too, are more likely to attend a training programme or make use of business development support services than to participate in entrepreneurship courses in the formal education system.

On the other hand, women's increasing participation in higher education suggests that entrepreneurship education can be an important route to help many of them to acquire entrepreneurship skills. However, more effort is needed to ensure that entrepreneurship courses provide role models (e.g. entrepreneurship teachers and entrepreneurs as guest speakers) that are balanced between male and females, in order not to send the wrong signals to female students who might consider entrepreneurship and self-employment as a career.

Training outside of education

The advantages of entrepreneurship training outside of formal education are that it can be targeted at business owners and potential business owners, reach people who are not in formal education, and focus more on practical entrepreneurship skills than formal education courses, which are as much about generating entrepreneurial mind sets as they are about imparting entrepreneurship skills to people with start-up intentions or existing businesses. It is also relatively easy to design and/or deliver entrepreneurship training courses to particular communities of disadvantaged or under-represented people in entrepreneurship.

The most common forms of entrepreneurship training outside of formal education 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 low marginal cost of delivery once fixed costs have been met.

There are a number of successful entrepreneurship training programmes across Europe that can provide inspiration for policy makers. One is "Going for Growth" in Ireland (for further details see Part IV of this book), which offers training to women entrepreneurs through a peer learning approach. In this environment participants share their experiences with a female "lead entrepreneur", who leads group sessions, and with other participants facing common challenges. The most important attributes of the "lead entrepreneurs" are that they have experience of growing a business and have personal experience of the growth journey on which the participants are embarking. The main form of training is round table discussions, which enable the participants to develop their entrepreneurship skills by sharing their experiences and receiving advice from the "lead entrepreneur."

A different kind of example is the Women Entrepreneurs School in Valnalón, Spain, outlined in Box 7.6. This programme also includes experience sharing and mentoring, but the emphasis is more on standard classroom teaching than participative round tables.

Entrepreneurship training programmes are generally not offered alone, but combined in a package of support for enterprise development, including mentoring and finance. Box 7.7 provides an example of such an integrated programme with an important training element, aimed at young adults under the age of 27, namely "enterprise" in Germany.

One of the problems often faced by entrepreneurs from disadvantaged and under-represented groups is that they create low potential businesses, which are relatively small and focused on low barrier to entry markets with high competition and low margins. For example, immigrant entrepreneurs and entrepreneurs from ethnic minorities often focus on markets in their own communities (Cooney and Flynn, 2008). Entrepreneurship training courses and workshops can help develop skills that would not only help entrepreneurs from disadvantaged and under-represented to create and manage businesses successfully but also to develop strategic planning skills that will help their businesses to grow. A successful programme example in this respect is EMERGE in Ireland, which helps entrepreneurs from ethnic minority groups to learn about business planning, marketing and sales strategies, network development and how to seek financing (see Box 7.8).

Box 7.6. **Equality Creates Enterprise, Spain**

The Women Entrepreneurs Schools was set up as part of an EU Equality initiative funded project called Equality Creates Enterprise supported by the city of Valnalón (in Asturias), Regional Women's Institute, Women's World Bank, and several trade unions and employers federations. It sought to utilise 20 years of Valnalón's experience in building entrepreneurial culture to support women set up their own businesses. The Valnalón approach considers that entrepreneurship training is broader than developing a set of technical skills such as book-keeping. Instead, entrepreneurship is viewed as a much broader set of attitudes and competences such as the team working, decision making and risk taking. Those who do not go on to start businesses can apply their entrepreneurial skills as employees.

Equality Creates Enterprises had three parts: 1) a study on the causes of discrimination against women in the Asturian job market; 2) an e-commerce platform to help the women promote and sell their products; and 3) the Women Entrepreneurs School. The study helped the project identify six key barriers faced by women entrepreneurs in Asturias and the School, based in the premises of an old steel company, has tried to find solutions to each of them. The School was launched in 2011 and is oriented towards meeting the following objectives: encouraging entrepreneurship among women through direct action by energising, motivating and attracting entrepreneurs; developing training programmes covering all phases of the enterprise, with special emphasis on skills, leadership and empowerment of women entrepreneurs and managers; assessing the processes of implementing the business idea; and, supporting the consolidation and growth processes through mentoring and networking.

For more information, please see: *www.emprendeastur.es*.

Box 7.7. **"enterprise", Germany**

The project "enterprise" is an integrated start-up support system for young adults under the age of 27 in the Federal States of Brandenburg and Saxony-Anhalt. The project provides training in four phases and complements the training with micro-credit:

1. Orientation and profiling: This phase informs potential entrepreneurs about the risks and opportunities of business start-up, where to obtain support, and the skills needed to be a successful entrepreneur. The objective is to motivate young people to view entrepreneurship as a long-term career option. Approximately half of the potential entrepreneurs complete the orientation and profiling stage.

2. Planning and training: The second phase assists potential entrepreneurs with the development of their business concept with support from professional consultants and business coaches. Additional support is available through optional seminars and workshops. Only half of the potential entrepreneurs that enter this phase develop a commercially viable concept that can be used to launch a business.

3. Business launch: "enterprise" provides individual support with professional consultants and coaches through the start-up process to help ensure the success of participants.

4. Growth and consolidation: Following the business start-up, "enterprise" maintains contact with the entrepreneurs and helps them monitor their business. Specialised seminars and networking events are also provided.

An important tool of "enterprise" is its integrated offer of micro-credit. Although, most entrepreneurs need only between EUR 5 000 and EUR 15 000 for their business, the micro-credit can help launch their business and provide some financial stability during the early

Box 7.7. **"enterprise", Germany** *(cont.)*

phases of business development. An important feature of the micro-credit offer is that the assessment is undertaken by an independent loan officer and rather than the coach that is involved in the start-up to ensure that the financial assessment is impartial.

To date, "enterprise" has achieved the following results:

- More than 10 000 young adults have use "enterprise" and more than 1 500 have started a business.
- More than 70% of start-ups are still operating after three years after; the majority of those that are no longer operating have been abandoned in favour of a paid employment.
- Half of the business start-ups have created at least one other new job.

The cost of operating "enterprise" is approximately 5 000 EUR per business start-up (including the training costs of those who did not create a business).

For more information on "enterprise", please see: *http://iq-consult.com/*.

Box 7.8. **EMERGE, Ireland**

The EMERGE programme showed that "lack of entrepreneurial spirit" is not one of the main obstacles for ethnic minority entrepreneurs. Ethnic minorities tend to have higher rates of entrepreneurship and more positive attitudes to entrepreneurship than the population as a whole. Rather, the problem relates to the profitability and growth performance of many of the businesses they create.

EMERGE therefore developed an ambitious initiative comprising a best practice training programme for ethnic minority participants, a networking strategy to improve access of ethnic minorities towards mainstream business and financial networks, and improved connections between mainstream business services providers and ethnic minority entrepreneurs.

All of the training materials were developed with the involvement of a consultative committee that included ethnic minority representatives. The modules included business planning, marketing and sales, finance and tax, and sources of funding, all designed to make participants familiar with how things work in Ireland. From October 2005 to June 2007, Emerge delivered pre-enterprise, start-up and growth training to a total of 207 participants who were interested in starting their own business or were already operating early stage businesses. This support generated excellent enterprise creation impacts: by the end of the programme, 68 participants were in business, as compared to 24 at its outset.

The project also allowed financial institutions to learn about the problems faced by ethnic minority entrepreneurs and to take action on them. It was found that banks needed to provide clearer criteria to applicants on how they make their lending decisions, that they needed to clarify the information that they provided on how to get loans, that there was a need for translators and that they should see their clients more as individuals.

In addition, EMERGE's Policy Sub-Committee contributed two policy position papers for the Small Business Forum and the Department of Justice on the "Immigration and residence in Ireland" Bill. In the latter paper EMERGE called for an awareness raising campaign with the relevant state agencies which do not know about the requirement for third-country nationals to obtain business permission and greater flexibility regarding the rules for granting business permissions.

For more information, please refer to: *www.partas.ie/EUProjects/Emerge.aspx*.

Counselling, coaching and mentoring

A key element of many business start-up support initiatives is counselling, coaching and mentoring to improve business survival and growth prospects. It is common practice to attach loans or grants to this type of training, although unfortunately there are still too many finance programmes that offer support without accompanying training (see Chapter 8). Counselling, coaching and mentoring provide one-to-one support from an advisor across a range of areas like marketing, financing and planning where entrepreneurs are facing specific problems in starting and running a business that they may or may not already have recognised. The advice is adapted to the particular needs of each individual based on an initial diagnosis made by an advisor. It is typical for the support to be delivered face-to-face, but it can also effectively be delivered entirely or in part via the Internet, for example through social networks, which offers great potential to extend the scope of the population covered given the high costs of face-to-face contact.

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. As pointed out in Chapter 9, it is 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. It can be very effective to develop specific schemes for particular target groups, e.g. coaching by women for women or by seniors for seniors, while recently attention has also been placed on the potential for coaching by seniors for youth.

One such long-standing scheme, focused on youth, is the Shell Livewire programme which provides information, advice and signposting to young entrepreneurs. While it operates in more than 20 countries, evaluations of this programme remain limited and little is known at this time about the long-term benefits of the programme. However, one evaluation did show that mentoring assistance increased the likelihood that young people would enter self-employment but that those already in self-employment were less likely to be satisfied with the support services provided by Shell Livewire (Greene and Storey, 2004).

An example of a scheme for older entrepreneurs is Work for Yourself (see Box 7.9), which provides two phases of support. First, entrepreneurship training is given to potential entrepreneurs to help them develop a foundation of entrepreneurship skills. Following the training, more intensive coaching is provided to help them during and post start-up.

Box 7.9. **Work for Yourself, The Netherlands**

The aim of this initiative is to provide support and guidance on self-employment for unemployed people over 45 years old in and around Amsterdam. It offers a short introductory programme (the orientation phase) lasting six weeks, focusing on basic business management skills such as planning and budgeting while working towards the development of a business plan. During this phase there are two sessions a week and participants are expected to complete homework assignments. The orientation phase finishes with interviews where participants present their business plans. The second stage of support (the continuation phase) emphasises self-development and consists of intensive coaching and workshops to support the entrepreneurs after business start-up. In total, the scheme provides up to six months of support. During the first 18 months of this scheme, 390 candidates participated, and 130 successfully started their own businesses or found a job.

For more information on this scheme, please refer to: *www.projecteigenwerk.nl*.

Finally, there are several examples of business counselling, coaching and mentoring targeted at entrepreneurs from ethnic minority and immigrant groups. They include "Mingo Migrant Enterprises" in Austria and coaching programmes in Denmark that reach their target participants through existing community networks and institutions (please see Part IV of this book for more details).

One of the issues in developing effective counselling, coaching and mentoring programmes is ensuring that there are sufficient numbers of coaches and mentors and that they provide good quality services. Yet this is a general problem in the population as a whole, since it is hard for an entrepreneur to judge the quality of an advisor and they therefore depend on some external accreditation and quality control, which is a function of public policy. It can be even more of a constraint for programmes that target disadvantaged and under-represented entrepreneurs using coaches and mentors from the same communities, since the numbers of experienced successful entrepreneurs can be low in any individual group and they will not necessarily have experience or training in providing advice to others. A key role for policy is therefore to help build up the numbers and capacities of coaches and mentors through appropriate training of trainers, network building and quality control.

Conclusions and policy recommendations

Entrepreneurship skills are an important determinant of people's ability to successfully start and run businesses, and encompass technical, personal and business management skills. Increased entrepreneurship skills can be expected not just to boost the volume of business start-ups by increasing the people's perceptions of the feasibility of entrepreneurship, but also to improve the quality of start-ups, by encouraging and supporting people to make decisions that will increase the growth and survival prospects of their businesses. However, people coming from disadvantaged or under-represented groups in entrepreneurship often face significant gaps in their entrepreneurship skills and access to resources to improve these skills.

This calls for adapted public policy actions and a scale of policy effort that matches the scale of the issue, The policy effort should combine expanded and enhanced entrepreneurship courses within formal education, stand-alone entrepreneurship training for entrepreneurs and potential entrepreneurs, and counselling, coaching and mentoring for entrepreneurs through business development services. The policy examples provided in this chapter highlight some successful approaches. Among the effective approaches are interactive and hands-on entrepreneurship education such as business simulations and role playing, online stand-alone training programmes, and peer-to-peer learning using other entrepreneurs as advisors and coaches. Where programmes are costly, such as face-to-face coaching, the application of strong selection criteria for participants can be used to secure results that are in line with the costs.

All disadvantaged and under-represented groups in entrepreneurship face challenges in acquiring entrepreneurship skills and each group has specific needs. Young people face significant barriers because of their age and lack of experience in the labour market, although they may have access to formal entrepreneurship education. Those who are not in employment, education or training and those who are early school leavers have even less access to opportunities to acquire entrepreneurship skills, putting them at an even greater disadvantage. Older entrepreneurs typically have high levels of workplace skills, acquired

over an extensive work history, but often have difficulties acquiring entrepreneurship-specific skills. Women tend to have less management and entrepreneurship experience than men, although the gap in formal education is closing. Different communities of ethnic and immigrant entrepreneurs have differing levels of entrepreneurship skills and face different barriers, reflecting cultural differences, but a common problem that training needs to address is a lack of growth-oriented businesses. Disabled entrepreneurs often have high levels of formal education, but face barriers accessing opportunities in the labour market to gain workplace and entrepreneurship skills.

Policy needs to provide ways of overcoming these challenges, both through access to mainstream entrepreneurship skills-building support and through specially-designed initiatives to meet the needs of specific population groups. To date, only a small number of programmes have been specifically designed for disadvantaged and under-represented target groups, but recent years have seen a number of new approaches introduced (Blackburn et al., 2008). It is important to scale up these approaches based on learning from previous experiences.

These key messages lead to the following policy recommendations.

Key policy recommendations

Formal education

- Offer comprehensive and integrated entrepreneurship education at all levels of the formal education system, filling gaps for students in younger age groups and for others who have not had the opportunity of taking courses.
- Shift the balance of teaching methods from classroom teaching to more interactive, hands-on, and experiential methods such as role playing, simulations, games, and short-term business start-ups. These entrepreneurship experiences should be increasingly complex and realistic at higher levels of the education system.

Training programmes

- Tailor programmes to meet the additional and distinctive challenges faced by disadvantaged and under-represented groups and organise delivery in partnership with organisations that work with the targeted groups.
- Make use of opportunities to deliver tailored training online through web-based platforms.

Business development support services

- Offer counselling, coaching and mentoring to entrepreneurs and potential entrepreneurs as part of business development support packages, including at pre-start, start and post-start 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.

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Chapter 8

Policies for financing

Financing business creation and development is a challenge for all entrepreneurs, but those coming from disadvantaged and under-represented groups face even greater obstacles. Some will experience discrimination in the credit market while others will have difficulties because of lack of savings, collateral and credit history or lack of knowledge about financing sources. This chapter examines the barriers, examines the finance sources, including new alternatives such as mutual guarantees, bootstrapping and crowdsourcing, and explores how policy can help.

Barriers in access to finance

Box 8.1. **Key findings – Barriers in access to finance**

- Entrepreneurs from disadvantaged and under-represented groups tend to face greater barriers in access to financing than the general population, related to lack of collateral, lack of credit history, lack of experience and low credibility with loan officers.
- Financial markets do not necessarily discriminate. Differences in access to finance also result from structural weaknesses in the many of the businesses run by disadvantaged and under-represented groups, which are often in activities with relatively low barriers to entry and high failure rates.
- Discouraged entrepreneurs are people with good business projects who do not seek external credit for reasons such as lack of communication with banks and a belief that they will not qualify. The scale of the problem of discouragement can be as important as loan rejections.
- Difficulties in access to finance can lead entrepreneurs to downscale their business ambitions and operate under-capitalised businesses.

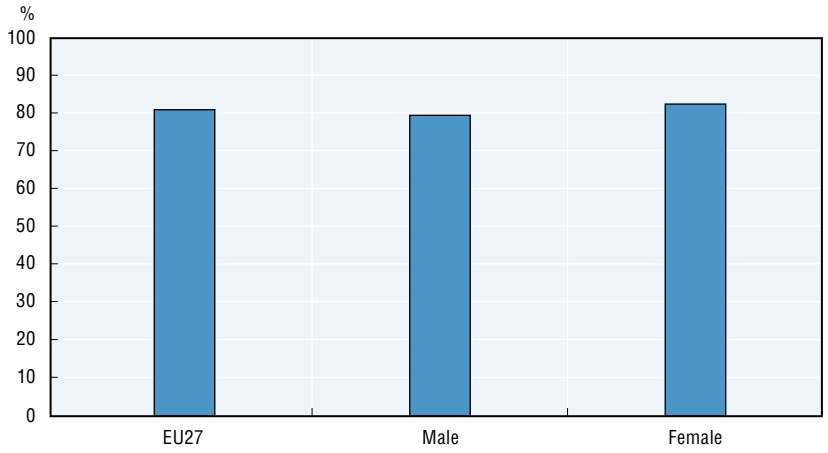
Women entrepreneurs

The banking sector favours male entrepreneurship over female entrepreneurship to the extent that more credit is provided to sectors in which men are over-represented while providing limited credit to home-based and part-time businesses, both of which are more common among women. Thus while women entrepreneurs are only slightly more likely to report challenges in accessing start-up financing than men (Figure 8.1), there is other evidence that women face particular problems that may lead them to downscale their business ambitions and rely on internal funds.

Madill et al. (2006), for example, find that male entrepreneurs have more continuous relationships with lenders than women, and that this positively influences their ability to raise finance. Poor relationships are sometimes associated with a patronising attitude on the part of male loan officers, and there is evidence that female loan applicants are more closely scrutinised on their business knowledge than men (Carter et al., 2007). Being a woman, therefore, can increase the probability of perceiving financial barriers to business creation (Roper and Scott, 2009; Hill et al., 2006).

Women entrepreneurs are also more likely than men to be discouraged borrowers, i.e. people who do not apply for loans because they believe that the loans are not appropriate or that they will not be successful (see Box 8.2). For example, Muravyev et al. (2009) found that in Europe and the Commonwealth of Independent States, nearly 60% of women-owned firms and 44% of male-owned enterprises did not get a loan either because they were discouraged from applying or because their application was rejected, with the first case being predominant.

Figure 8.1. **Difficulty accessing start-up financing, 2009**
Proportion that strongly agree or agree that "It is difficult to start one's own business due to a lack of available financial support"



Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

StatLink http://dx.doi.org/10.1787/888932927345

Box 8.2. **Discouraged borrowers**

Entrepreneurs with good business projects from disadvantaged and under-represented groups may be discouraged from approaching external credit providers for a number of reasons. Cultural and communication barriers could prevent them from approaching lenders, they may hesitate because of the high perceived cost of credit, or they may simply believe that they will not qualify for credit even if they do (this may particularly apply to entrepreneurs from low-income and less-qualified groups). The effect of this discouragement effect can be as important in scale as actual loan denials (Kon and Storey, 2003; Levenson and Willard, 2000).

What complicates this picture is the different nature of businesses started by women and men. Women entrepreneurs are more likely to start businesses with smaller external financial requirements than men, and therefore the problem of discouraged and rejected borrowers could have less impact on their decisions to start a business (Roper and Scott, 2009). In their study, Muravyev et al. (2009) found that somewhat fewer women-owned firms reported needing a loan compared to men-owned businesses in both longstanding and newer EU member states. It is not clear, however, to what extent women entrepreneurs downscale their ambitions as a result of the problems they face or expect to face in accessing external finance.

It is difficult to establish the degree to which women entrepreneurs face discrimination in the credit market (see Box 8.3). In this respect, the Muravyev et al. (2009) study suggests that after controlling for business performance and the owners' creditworthiness, women entrepreneurs in Europe are not discriminated either in terms of higher loan denial rates or higher interest rates. More recently, however, a study on Italy found that women do pay higher interest rates on overdraft facilities after controlling for several characteristics of the borrower and of the bank and the structure of the banking sector (Alesina et al., 2013). There is also research from the United States that suggests that women can suffer from more credit denials after controlling for a range of business and personal characteristics (Cavalluzzo et al., 2002).

Box 8.3. **Discrimination in access to entrepreneurial finance**

Discrimination involves provision of different levels or terms of access to financing for people with the same quality of entrepreneurial projects and personal financial characteristics, based solely on factors such as age, gender, disability or ethnic group. Such discrimination can be of various kinds.

Non-economic discrimination

Non-economic discrimination refers to a taste-based preference in which a discriminating actor goes against a rational interest and instead follows a personal preference. In credit markets it occurs, for example, when, all else being equal, a company managed by a native adult man is given credit, while one run by a woman or a member of an ethnic minority is not. In this case, the lender is forsaking the chance to gain more in the face of equal profit prospects only to satisfy emotional preference. In a competitive market, such behaviour would lead to the exit of the discriminatory lenders to the advantage of rational lenders that do not include taste-based preferences in the decision-making process (Becker, 1971).

Statistical discrimination

Statistical discrimination is more subtle and happens when the lender, to cope with the information asymmetries associated with the lending process, ascribes to the borrower the average characteristics of his/her demographic group (Phelps, 1972). So a migrant entrepreneur applying for credit will be associated with the average education and wealth of his/her ethnic group, regardless of whether they reflect his/her personal human and financial capital. Another example consists in "bank redlining", which corresponds to a bank's decision to restrain the provision of credit in distressed urban areas with a large proportion of high risk clients. If an ethnic group is overly represented in the redlined neighbourhood, it will suffer from statistical discrimination without necessarily being discriminated against because of race.

Some influences on discrimination

Two additional factors are likely to affect discrimination in credit markets. First, concentration in the banking sector has an impact because lending institutions operating in a non-competitive environment will be less exposed to loss of market share in case of prejudicial behaviour towards certain categories of borrower. Second, lending technologies could also lead to discrimination if credit scoring features are poorly adapted. However, neither relationship lending nor transactions lending is flawless. The former enables the loan officer to make a personal judgement on the borrower's reliability, a judgement that can be tainted by racial or gender considerations. The latter may produce discrimination to the extent that lower scores may be assigned for example to enterprises located in deprived neighbourhoods or to part-time businesses more likely to be run by women without regard to the true capacities of the individual entrepreneur and their project.

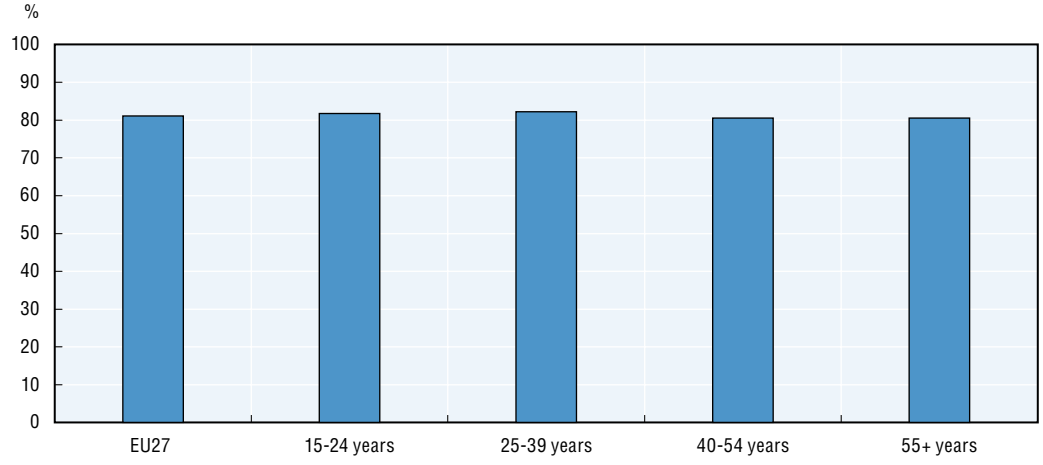
Identifying discrimination

Caution is needed when seeking to identify discrimination. For example, credit market statistics regularly show that disadvantaged groups are more affected by credit rationing, are more likely to be "discouraged borrowers" and pay higher fees and higher interest rates on credit. However, unfavourable loan decisions could be the result of the structural weakness of the businesses managed by migrants, women or any other member of a disadvantaged or under-represented group. In that case, the bank's adverse lending terms would be rational and justified by the poor financial ratios of the applicant firm (e.g. profitability, solvency, debt/equity ratio). Firm-specific factors need to be controlled for before we can conclude that an entrepreneur is discriminated because of his/her personal background.

Young entrepreneurs

For young people, access to finance for business creation and self-employment can be constrained by several factors related to age: lack of collateral (reflecting lower savings), lack of credit history, and lower levels of business experience. In addition, young nascent entrepreneurs are likely to face higher credibility issues in starting a new business, i.e. to suffer from non-economic discrimination. On the other hand, young people are not necessarily more likely than their older counterparts to see access to finance as a barrier to start-up (see Figure 8.2).

Figure 8.2. **Difficulty accessing start-up financing, 2009**
Proportion who strongly agree or agree that "It is difficult to start one's own business due to a lack of available financial support"



Source: European Commission, 2009, "Entrepreneurship in the EU and beyond – A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", Flash Eurobarometer 283.

StatLink http://dx.doi.org/10.1787/888932927364

As with interpreting the data for women, part of the puzzle relates to the nature of the businesses that young people set up and the extent to which they attempt to create smaller-scale and less capital-consuming ventures because of the difficulties they face in financial markets. In particular, there is a danger that businesses started by young people may be under-capitalised and therefore vulnerable to fluctuations in cash flow.

Senior entrepreneurs

On the surface, it might be expected that older people will face fewer barriers in accessing external finance for business start-up and development than younger entrepreneurs, since they will tend to have greater savings, collateral, entrepreneurship skills and business networks. However, the reality is likely to be more complex. Older entrepreneurs may wish to start businesses in different sectors from those in which they have their previous working experience, which can be difficult to "pitch" to funders. Financial institutions may also be unwilling to fund new business start-ups for entrepreneurs who are nearing normal retirement age, for example because of concerns about potential health and premature death affecting the repayment schedule. This will result in higher loan denial rates or higher debt finance costs due to increased loan insurance fees. Financial institutions can

also be sceptical about the ability of senior entrepreneurs to cope with new technology and develop new ideas. This largely falls in the area of discrimination rather than reflecting real differences with younger counterparts.

Ethnic minority and immigrant entrepreneurs

Ethnic minority and immigrant entrepreneurs are among the strongest users of non-bank and informal finance, such as credit unions, microfinance schemes, and moneylenders, with the problem that although this enables business start-up it may not be sufficient for later business development (Basu, 2006). This may in part reflect discrimination. Smallbone et al. (2003) found that in the United Kingdom, despite being more likely to have formal management training, only 21% of African-Caribbean applicants obtained a start-up loan whereas 34% of white applicants did. A Bank of England survey (1999) of lending institutions concurred that the business experience and business planning skills of ethnic minority entrepreneurs often meet bank loan requirements. Instead, the main barrier was a lack of collateral assets or other forms of loan security (e.g. loan guarantees).

There are significant differences across ethnic minority groups. Thus in the United Kingdom, several studies have found that the African-Caribbean minority is the most likely to encounter problems in credit markets compared both to whites and other minorities such as Asians. Curran and Blackburn (1993) reported that as many as 40% of African-Caribbean people experienced difficulties in business credit markets, while only 33% of Asians and 20% of whites did.

Problems such as more frequent loan denials and higher interest rates for ethnic minority entrepreneurs may also reflect in large part structural weaknesses of the businesses that they run rather than discrimination by finance providers (Bank of England, 1999). Nonetheless, this can result in a discouragement effect that impacts ethnic minority entrepreneurs irrespective of the sector in which they operate (Fraser, 2009). One of the main problems to address is, therefore, an over-representation of ethnic minority entrepreneurs in sectors such as retail, catering, construction and transportation where entry and exit costs are low and failure rates high. This raises the issue of the reasons why many entrepreneurs from this social group develop weaker business projects and how policy actions might help in strengthening these businesses.

Entrepreneurs with a disability

There are several reasons why raising finance may be difficult for disabled entrepreneurs, although there is a relative lack of quantitative evidence to demonstrate and explore these issues. In particular, there are likely to be problems related to stigma and discrimination in lending institutions with respect to perceived capabilities and business risks, and difficulties relating to a greater likelihood of disabled people being "resource poor" and therefore finding it more difficult to put up the collateral required by institutional lenders (ILO, 2008).

Finance sources for entrepreneurs

Box 8.4. **Key findings – Finance sources for entrepreneurs**

- Entrepreneurs from disadvantaged and under-represented groups tend to rely too heavily on internal funding and experience significant difficulties obtaining bank loans.
- There are a number of important finance techniques with potential to help address these problems on the supply side, including public loan guarantees, mutual guarantees, microfinance, equity investments and crowd funding.
- Policy action can assist the emergence of alternatives to internal finance through facilitative legal frameworks, subsidised operating costs, capital contributions to funds, brokering of networks of entrepreneurs and matching of entrepreneurs and investors.
- There is also scope for policy to raise awareness about available financial products and techniques such as bootstrapping and to upgrade the skills needed to use them through advice, coaching and financial education.

Entrepreneurs, particularly those from disadvantaged and under-represented groups, have tended to be over-reliant on internal funding without being particularly sophisticated in how they make use of it. A better balance between internal and external funding would often help the growth and survival prospects of their businesses. In terms of external funding, the emphasis both of entrepreneurs and policy makers has been particularly on loans, or debt finance. There are certainly problems that need to be addressed in the debt finance market. However, it is important not to neglect other newly-emerging sources. These sources include equity finance, mutual guarantee schemes, crowd funding, microfinance and bootstrapping. Here we discuss the potential of these funding sources and key actions that public policy can take in each case.

Internal and informal finance

Entrepreneurs face a number of problems in accessing finance for business creation and operation, both on the supply and the demand side of finance markets. One of the issues is that they tend to rely too heavily on internal funding as opposed to external finance, and therefore lack sufficient investment capital and working capital to support business growth and operation. For example, female and young entrepreneurs are more likely than male and senior ones to draw on the support of family and friends to start up a business. Indeed, for a number of disadvantaged and under-represented groups of entrepreneurs, internal finance may be particularly restricted, potentially leading them to downscale their business ambitions if they cannot access external finance (OECD-European Commission, 2013 forthcoming).

The issue of reliance on internal funding can be resumed by three tendencies. One is reliance on the "three F's", in other words on finance from the founder and her or his family and friends. This is likely to be flexible and low cost, but also tends to be limited to small amounts. The second is to operate businesses with few fixed assets and high shares of trade debt (Cressey and Oloffson, 1997). While trade debt is a useful funding source, again only small amounts of funding can be put together in this way for investment. The third tendency is for entrepreneurs to use overdraft facilities more than bank loans (OECD, 2012). Overdrafts are clearly a potential funding source that entrepreneurs should be aware of, but one which tends to come with high costs. Unfortunately, these three tendencies

appear to be particularly common among disadvantaged and under-represented groups in entrepreneurship and self-employment.

A strong reliance on internal financing can constrain the growth and survival of businesses because of a lack of investment and the lack of a financial buffer to enable them to ride out temporary drops in revenues or increase in costs and to avoid the vagaries of short-term credit recall or denial decisions by informal lenders.

In this context, it is important for policy makers to inform entrepreneurs about the various types of financing available to them, the advantages and disadvantages of the different finance types and their potential consequences for the business, and how to achieve a good mix of internal and external funding. It is also important for public action to seek to improve the supply of external funding so that entrepreneurs have the opportunity to access them and therefore will be less inclined to stick with internal resources.

Bank loans

There is a key underlying problem in credit markets that creates difficulties for entrepreneurs from any background to obtain financing, and tends to be exacerbated for people starting businesses from disadvantaged and under-represented groups. The problem is a lack of information available to lenders to assess risk, and a high cost of obtaining any information that is available. To a large extent, this goes with the territory of business start-up since the projects involved will not have a history of pay back, while key information about market potential and robustness of business organisation will only be known by the entrepreneur and will not be easily accessible to the lender. This makes it difficult for banks to decide whether or not to provide credit.

In theory, the problem could be resolved by charging higher interest rates to any borrowers who are unable to provide the full range of information demanded and who may be risky. However, the interest rate does not simply correspond to the price of the loan, but also functions as a screening device. Not only would increasing interest rates pull in subprime borrowers and stave off prudent ones (i.e. adverse selection), but they would also provide an incentive for the borrower to undertake risky projects to pay off the loan and minimise the cost of default (i.e. moral hazard) (Stiglitz and Weiss, 1981). These problems explain the tendency of banks to require collateral to protect themselves against borrowers' loan defaults. In addition, since banks face fixed costs in making a risk assessment of the borrower and monitoring their repayment it is relatively expensive for them to manage loans for small amounts. They may therefore avoid this market or resort to relying solely on credit-scoring techniques rather than relationship-based lending in order to keep costs down.

The interplay of these factors causes credit rationing, i.e. a gap between credit demand and supply, which disproportionally impacts on new businesses. The problem is therefore straightforward. People starting businesses and moving into self-employment often have limited credit history and independent information on their business prospects that they can share with a bank, they lack collateral and savings and they want to borrow small amounts. The problems tend to be even more serious for entrepreneurs from disadvantaged and under-represented groups, because they are more likely to be short of collateral assets and savings than the average business owner, they tend to want very small loans, they often lack certified credit history and they may face negative perceptions of their capabilities from lenders.

One of the most promising public policy approaches to improve access to bank loans by disadvantaged and under-represented entrepreneurs is through the establishment of loan

guarantee programmes aimed at these communities. The approach typically involves government creating or contributing to a fund operated by a public or private financial institution, which then offers banks guarantees for loans that they make to target groups corresponding to the objectives of the fund. This lowers the risk run by the banks and therefore increases their willingness to lend without collateral. While there will be public costs associated with the fund's share of losses on defaulting loans, there are also some potential returns from fees charged to banks and a share of interest charged to entrepreneurs.

Loan guarantees present several advantages from the point of view of policy makers. They draw on the expertise of the banking sector for credit risk assessment and loan monitoring. Their cost will largely depend on the loan default rate, which increases the incentive to run the programme properly, for example by actively involving the banking sector and setting clear operational rules (e.g. firm eligibility, coverage ratio, guarantee period, etc.). They favour the integration of clients into the mainstream credit system rather than target them through ad-hoc interventions. And they can show commercial banks that entrepreneurs from disadvantaged and under-represented groups can be a viable line of business.

A different issue affecting debt finance and applying specifically to Islamic entrepreneurs is the need for financing that meets religious requirements. This can be relevant for those entrepreneurs, mainly from ethnic minorities, who would not search for credit unless it is compliant with Sharia law forbidding interest payments. Until now, Islamic finance has predominantly been in large investments rather than small business lending, but policy makers can work to expand its focus (OECD-European Commission, 2013, forthcoming). Box 8.5 discusses this issue.

Box 8.5. **Islamic financing**

Islamic business is built on strong ethical principles enshrined in Shari'a law prohibiting the charging or paying of interest for the use of money (Shanmugam and Zaharia, 2009; Qfinance 2012). As a consequence, a number of alternative mechanisms have been developed by Islamic financial institutions to mobilise funds to support business start-ups by Islamic entrepreneurs while ensuring the sustainability of the financial institution. The basic principle is the creation of partnerships between the bank and the entrepreneur for risk sharing and profit sharing.

In order to raise funds for lending, Islamic financial institutions can use deposit mechanisms such as *wadiah*, which provides the depositor with a discretionary gift instead of interest. Alternatively, they can generate external resources with instruments such as *waaf*, which is a charity mechanism that generates income flows from long-term assets such as real estate (Dusuki, 2012).

In the partnership with the entrepreneur, the financial institutions can offer participatory mechanisms such as *mudarabah* to share profits or losses with the depositor or *musharaka*, which involves payments to the bank that vary in line with the entrepreneurs' profits.

The strong ethical principles involved often mean that a business run on Islamic principles will seek to deliver social benefits to the community. Islamic businesses must operate with fairness, integrity and equity, treating everybody equally with a high level of trust and spirit of cooperation. Islamic financing does not rule out investment and credit financing, but funders will be treated as "stakeholders".

Box 8.5. **Islamic financing,** cont.

There has recently been a global growth in the popularity of Islamic financial institutions, led by financial institutions and banks from the Middle East (Shanmugam and Zharia, 2009). However, European experience has been less successful (Stressman Foundation, 2012), and Islamic financing is still limited in several European countries with large Muslim populations such as Germany, the Netherlands, France and the United Kingdom. Furthermore, there have been symbolic failures of funds that were established in Luxembourg and Germany (the Meridio fund in 2010 and the Al-Sukoor fund of the Commerzbank in 2005 respectively), which appear to be related in part to low incomes and low economic activity rates in the target populations (Stressman Foundation, 2012).

Mutual guarantee schemes

Mutual guarantee schemes work in a similar way to loan guarantees offered by government in that the banks' lending risks is reduced by offering guarantees for part of the amount of the loans offered. However, in this case the guarantee is in part offered by a formal association of entrepreneurs. The government is also involved, typically by providing a second-level counter-guarantee on loans in order to increase the volume of loans that the association can cover.

The key requirement for the establishment of mutual guarantee approaches is that business owners form an alliance through which they agree to share a joint and "mutual responsibility" for loan defaults by members, in return for the opportunity to access a loan on good terms as long as their request is evaluated positively by other members. Members contribute a capital amount to the mutual guarantee fund, which is then used to back loans, and pay loan application fees when they seek a guarantee. The schemes tend to operate at local level, in a city or region, among communities of like-minded entrepreneurs. For example, these schemes are often hosted by existing business associations, such as chambers of commerce, where networks are sufficiently well established to form the basis for membership of the programme and to share information between members. Business associations can also assist with the establishment of a guarantee fund.

Mutual guarantee schemes help to address two key problems that affect the debt market for disadvantaged and under-represented entrepreneurs. First, given high risks for the banks, they tend to ask for collateral, which new business creators from disadvantaged and under-represented groups may not be able to provide. The guarantee is able to substitute for this collateral. Second, they help address the problem of lack of information to assess risk, since, in addition to the risk assessments by banks, which remain the final decision maker on the issue of the loan, the members of the mutual guarantee schemes undertake their own first risk assessments in deciding which loans to guarantee. In doing so, they use their detailed knowledge of the other entrepreneurs in the group, the sectors they work in, the market prospects and the projects the peer entrepreneurs are developing.

Members have an incentive to pay back the loan in order to not to lose their capital contribution to the scheme and to maintain their reputation with their peers. In effect the scheme provides not only financial capital but also social capital. These features of mutual guarantee schemes offer benefits to both entrepreneurs and banks, through lower default rates and default losses for banks and increased access to longer lines of credit at lower interest rates to the entrepreneurs.

Mutual guarantee schemes are popular in several European countries, particularly in Germany, France, Spain and Italy. In Italy, they account for 37% of the total volume of

guarantees to SMEs (Columba et al., 2009). However, the approach is growing in importance more widely in Europe (European Commission, 2006). According to statistics held by the European Association of Mutual Guarantee Societies (AECM), the volume of guarantee portfolios in these schemes was over EUR 78 billion in 2011, and the number of small firm beneficiaries had increased from two million in 2006 to over three million in 2011 (AECM, 2012 *www.aecm.be*). It has been suggested that a greater tradition of cooperation and networking and higher levels of social capital may explain the difference in success in terms of implementation across countries, together with certain differences in legal environments. Similarly, countries where entrepreneurs have traditionally had easier access to mainstream channels of credit are less likely to have seen the emergence of these finance mechanisms at local level.

Although mutual guarantees have tended to be most common in general small business lending, there may be latent potential for creation of such schemes among entrepreneur communities from disadvantaged and under-represented groups working in the same business sectors, especially those with strong networks and social capital (e.g. entrepreneurs from certain ethnic minorities). For example, support for the creation of mutual guarantee associations for youth, women, or ethnic minorities, are all options. At the same time, however, mutual guarantee schemes are generally industry based, and it is therefore likely to be necessary to combine two characteristics in the members of any given scheme: membership of a particular target disadvantaged or under-represented group (women, youth, ethnic background, etc.) and knowledge of each other's businesses or sectors.

Public policy can take a number of actions to facilitate the emergence of such schemes. First, it can set a facilitative legal framework. Second, a public agency or a small business association can broker the creation of mutually supportive groups of entrepreneurs interested in participating in a scheme and create or host a fund. Third, public subsidies can be offered, for example contributions to the registered capital and/or operating costs of the association. Fourth, public counter-guarantees can be offered to reduce the risks run by the banks and association members, acting as an incentive to encourage participation.

There are also some features of good practice in mutual guarantee schemes that public sector can promote. First, it is likely to be important to involve a commercial bank as a partner in running funds. Second, banks should continue to undertake a credit risk assessment to keep down the rates of loan default, implying the need for the scheme to be designed so that they continue to carry a small part of the default risk (e.g. 10 or 20%) and are therefore motivated to apply some degree of due diligence in the examination of loan applications. Third, maximum default rates should be set beforehand to avoid the schemes diverging from their original nature and purpose (effectively becoming simple business subsidies rather than loan facilitators). Fourth, financial and business development advice should be offered to entrepreneurs along with the loan guarantees in order to increase their chances of business success and reduce the likelihood of defaults. Finally, well-designed programmes should aim to phase-out reliable borrowers from the scheme, since they should be able to obtain mainstream, non-guaranteed financing. If a credit guarantee scheme has a very low level of default, this could signal that it is being used to guarantee borrowers who do not need such guarantees, instead of the weaker firms (e.g. in terms of capitalisation or collaterals) for which these programmes are envisaged.

Microfinance

The original microfinance model was developed by Grameen bank in Bangladesh to help rural women to develop businesses that could provide them with additional incomes.

The basic approach has now been adopted around the world for the provision of small loans to entrepreneurs, which in practice can be taken to be for amounts of less than about EUR 25 000 in European Union economies (European Microfinance Network, 2010). Microfinance schemes have been developed to assist entrepreneurs who may be perceived to be high risk by banks due to limited resources, lack of assets that could be used for collateral, limited income or limited qualifications. Box 8.6 describes such a programme run by Adie in France.

Box 8.6. **Adie, France**

Adie is a microfinance provider that aims to support and finance businesses started by the unemployed who are unable to receive start-up financing from a bank. It offers three types of finance, typically for less than EUR 11 000:

- Loans of up to EUR 6 000 at market interest rates.
- Start-up grants funded by the French government or by local authorities.
- Non-interest bearing subordinated loans.

Finance is available to any type of project, although the majority of entrepreneurs receiving financing from Adie come from the retail and service sectors. Loans are granted by a committee that consists of volunteer business professionals (e.g. accountants, bankers) and permanent staff. Criteria used to grant loans include the capacity and motivation of the entrepreneur as well as an assessment of the feasibility of the project. In addition to these financial products, a number of business support services are available. Advice is offered by staff and volunteer professionals in the areas of business management, administrative requirements, marketing and business law.

Adie also uses its position in the financial market to work with the government to improve the regulatory framework for microfinance in France.

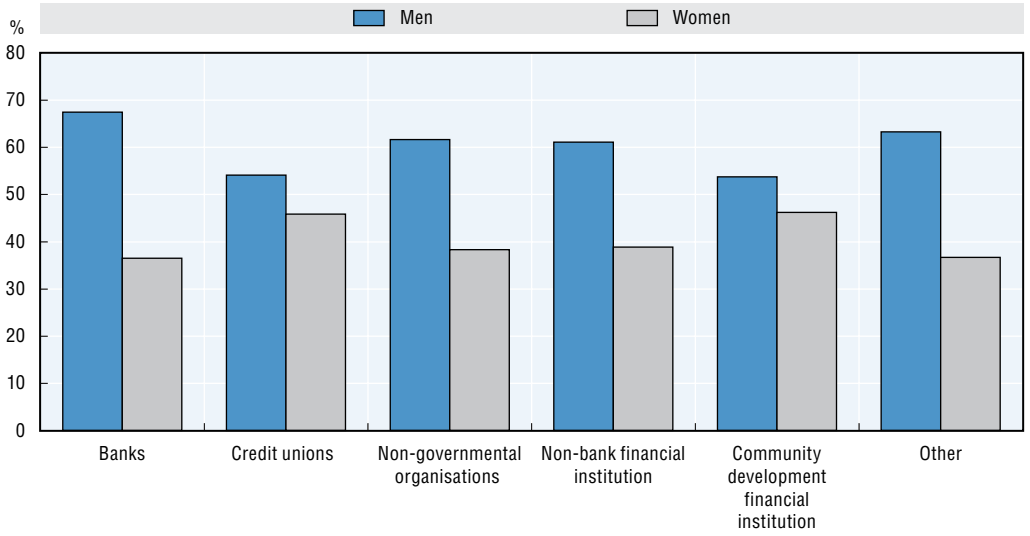
For more information, please see: *www.adie.org/*.

A typical arrangement for micro finance institutions is group lending, which shares similar operating approaches with mutual guarantee schemes discussed above. In group lending, microcredit facilities deal with only one entity (i.e. the group), which simplifies the lending process. Transaction costs are reduced insofar as the approval and monitoring of the loan is partly passed on from the lending institution to the group itself. Similarly, information asymmetries are lowered because groups are more aware than loan officers about the creditworthiness of their members. Collaterals are often not required and replaced by peer pressure, group liability and compulsory savings. Group-lending is not flawless (e.g. peer pressure can sometimes be excessive, group self-selection can result into the exclusion of the most vulnerable members of the group, participation in the scheme takes time and implies sharing of financial and personal information, etc.), but the associated advantages of simplicity underlie its diffusion among women, ethnic minorities and other disadvantaged and under-represented groups (Green, 2005).

Information on the state of the microfinance sector in the European Union is available from the 2011 European Microfinance Network survey, which covered 71 microfinance providers coming from a range of different types of suppliers: banks, credit unions, non-governmental organisations, non-bank financial institutions, community development financial institutions, etc. The survey indicated that some 175 000 loans were made by these organisations, with an average value of approximately EUR 9 000.

Many of these microfinance actors indicated that their clients were financially-excluded individuals such as women, ethnic minorities, immigrants, the unemployed, youth and the disabled. But paradoxically, given the objectives of microfinance organisations, their lending tends to be biased towards less disadvantaged entrepreneurs. As shown in Figure 8.3, microfinance was more likely to go to male entrepreneurs; women received only 42% of the microfinance loans overall, much less than in the developing world where they are the major client, and there was an excess of lending to men over women by all types of microfinance suppliers. There also appear to be gaps for certain other disadvantaged groups such as ethnic minorities, youth and the unemployed. For example, immigrants and ethnic minorities are under-represented among participants in microfinance schemes compared to their incidence in the EU entrepreneurial population. This is likely to reflect in part the lower quality of business projects typically put forward and the greater difficulty in reaching these groups, implying both to higher operational costs and higher loan losses in serving these groups. Overall, the sector is still largely dependent on public support to cover costs, as demonstrated by an average repayment ratio of European microfinance lenders of only 63% (European Microfinance Network, 2010). Schemes aimed at the hardest-to-reach groups might show even lower repayment rates.

Figure 8.3. **Distribution of microfinance loans in the EU, 2011**



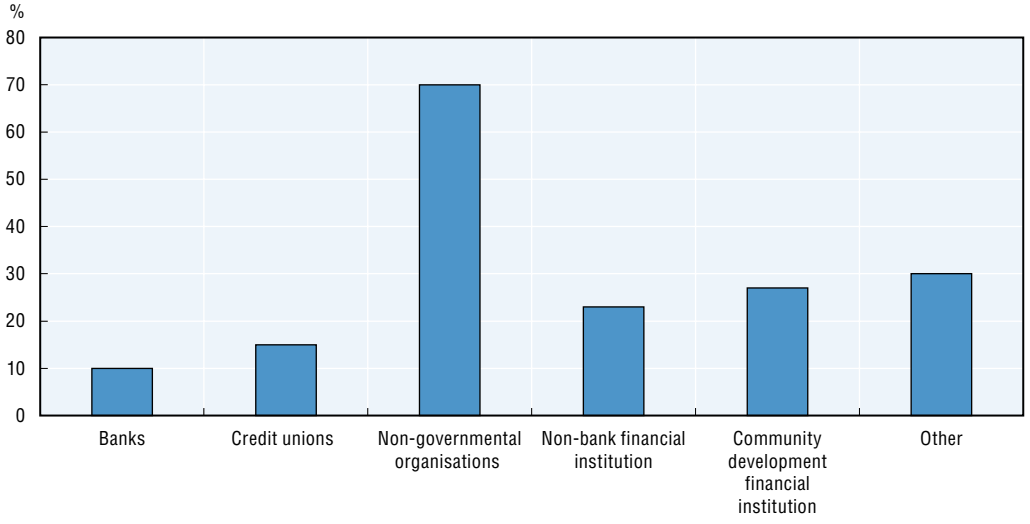
Source: Special tabulations of the 2011 European Microfinance Network Annual Survey (71 members).

StatLink http://dx.doi.org/10.1787/888932927383

Other evidence suggests that the outreach of microfinance organisations towards women is particularly weak in Western Europe. Thus one study suggested that only 35% of microloan clients are women in Western Europe, as against 62% in Eastern Europe, 59% in North America and 84% in the developing world; while as many as 75% of microcredit institutions do not have policy guidelines on women clients, 65% do not have bespoke loan products for women, and 55% do not offer specialised training or assistance to women (Underwood, 2006). In addition, women tend to receive worse terms than men from microfinance providers with regard to both loan size and charged interest rates in France (Brana, 2013).

Another criticism is that few microfinance initiatives provide advice and business support along with a microfinance loan. With the exception of lenders from non-governmental organisations, the EMN European microfinance survey suggests that microfinance lenders in the European Union do not systematically provide business support services (see Figure 8.4). Other evidence also suggests that as many as 30% of European micro finance institutions do not offer support services beyond credit (Underwood, 2006). The offer of business support together with a micro loan is nonetheless a feature of many successful microfinance organisations. However, support services appear to be instrumental to the performance of microcredit programmes. For example, the Prince's Scottish Youth Business Trust combines loans with mentoring for up to two years provided by volunteers from local business communities (please see the policy description for the UK in Part IV for more information). Box 8.8 provides another example of a microfinance institution that also offers coaching, namely Sant Cosme Innova in Spain.

Figure 8.4. **Proportion of microfinance lenders that provide business support services, 2011**



Source: Special tabulations of the 2011 European Microfinance Network Annual Survey (71 members).

StatLink http://dx.doi.org/10.1787/888932927402

There are some significant differences in the microfinance industry between Eastern and Western European countries, both in terms of maturity and objectives of the sector. Thus in Eastern European countries such as Hungary, Bulgaria, the Slovak Republic, Romania and Poland, most microfinance lenders have been active since the 1990s, whereas in Western Europe the microfinance sector is fairly young and still expanding, with many actors setting up only within the last decade (Kraemer-Eis and Conforti, 2009). As a result, the majority of microfinance institutions in Western EU countries tend to be more reliant on public finance sources for both operational costs and loan capital (Kneiding and Kritikos, 2007). Furthermore, microfinance lenders in Eastern Europe tend to have much stronger commercial objectives than those in Western Europe, where focus is more often placed on social objectives (Kraemer-Eis and Conforti, 2009). Consequently, one of the challenges for microfinance lenders in Western Europe is achieving efficient operational models that can maximise both financial and social performance. This challenge is further complicated by the pre-existence of a competitive financial services sector that has an elaborate and well-enforced legal oversight structure (Kraemer-Eis and Conforti, 2009).

Box 8.7. **Sant Cosme Innova (Microcredit for Migrants), Barcelona, Spain**

This ESF-backed project was set up to test a blend of microfinance and business support to migrants living in the Sant Cosme neighbourhood of Barcelona (where they represent around two-thirds of the population) at a time when the number of job opportunities had dramatically dropped and many were living out of social security payments and informality. A survey of local people without stable employment revealed that 80% were interested in self-employment but that getting access to a loan to start a business was virtually impossible. Most people not only lacked the necessary collaterals but also the confidence and experience to put their case to the bank.

The project partnership brought together a large financial institution with the local social services and other frontline support workers. A non-governmental organisation specialised in providing employment advice to disadvantaged people offered mentoring services, helping clients along the path to self-employment. The European Social Fund supported the project through the EQUAL facility with a contribution of EUR 150 000 matched by an equal contribution by Un Sol Món, a foundation belonging to the Bank of Catalonia (i.e. *Caixa de Catalunya*). The basic product offered by Un Sol Món was a small, flexible loan from as little as EUR 600 to a maximum of EUR 15 000 (the average was EUR 8 000), with a fixed 6% interest rate. The specific terms of the loan were tailored to each person's needs by using "step-lending" methods. Initially, loans were made in small amounts and for short periods, but could be increased in a series of progressive "steps". No collateral was required. The only guarantee was the solidity of the business plan prepared in conjunction with an organisation specialised in providing business support and guidance to disadvantaged groups.

In the two years of operation (2002-2004), 600 loans were disbursed for an overall loan volume of EUR 6 million. The average loan size was approximately EUR 10 000. An estimated 1 000 jobs were created, mainly benefiting women and ethnic minorities. A survey of Sant Cosme Innova's clients additionally showed that 80% reported being better off than before joining the programme and 70% thought that the programme had helped stabilise their business, for example by facilitating its transition from the informal to the formal economy. The one-year survival rate of supported firms was 90%, while the loan default rate was 6%, far below the average for microcredit schemes in the EU. Management costs were also kept down and under 5% of total costs, in line with ESF operational rules.

Microfinance is a relevant policy not only because many people from under-represented and disadvantaged target groups run small-scale businesses that do not need larger resources for start-up and operations, but also because microcredit can be organised around flexible arrangements that make collateral assets unnecessary. Their emergence can be supported by public sector brokerage and subsidised public finance. Further priorities for public policy action are to provide support that will encourage microfinance schemes to better serve disadvantaged and under-represented entrepreneurs groups, such as women and migrants, for example by providing subsidies to programmes or programme modules specifically aimed at these groups and that involve loan capital, interest rebates, or covering operating costs such as credit risk assessment and loan monitoring. Additional services such as financial advice and education and business development training can also be supported through public intervention.

The main advantage of microcredit is that, unlike other business financing instruments (e.g. guarantees and crowd funding), it is a policy specifically designed for disadvantaged

and under-represented entrepreneurs, although policy makers still need to pay attention to the way the scheme is implemented to ensure that it does not diverge from its intended target. Microcredit also helps clients to build a credit history, thus strengthening their future chances of receiving debt finance through mainstream credit channels. On the downside, microcredit organisations are unlikely to become self-sustainable because of the higher risk profile of the entrepreneurs they target and require significant policy support. The 63% average repayment ratio of the EMN-surveyed microcredit providers underlines the dependency of the EU microcredit sector on policy support (EMN, 2010). In theory, the harder to reach is the microcredit's target group, the stronger the public subsidy that policy makers might expect to provide. In practice, evidence from developing countries on default rates on microcredit loans shows that women are more likely to repay than men (D'Espallier et al., 2009).

Microcredit holds a central role in the EU strategy for financial inclusion and inclusive growth. In 2010, the EC Directorate General for Employment, Social Affairs and Inclusion launched the "Progress Microfinance" facility, which represents the first EU-wide initiative specifically designed for this sector. "Progress Microfinance", which is jointly funded by the EC and the European Investment Bank (EIB), consists of a guarantee instrument to microcredit organisations and a Fund offering senior loans, subordinated loans, risk-sharing loans and equity participation to microcredit providers (*http://ec.europa.eu/epmf*).

Equity finance

In contrast to debt, equity investors take shares in the businesses they invest in, providing them with some form of ownership. Larger investments tend to be made through the venture capital market, while smaller investments can be made by business angel investors or business partners. One of the advantages of equity over a loan is that the entrepreneur does not have to pay back regularly, even during periods when they are facing cash flow difficulties. Instead the equity investor earns dividends and can sell their stake reflecting the value of the enterprise at the time. Effectively, the equity investor participates in the gains when they occur, but loses some, or all, of their claim if the business goes badly.

There are some attitudinal barriers to the development of equity investment for business creation and development. In the minds of many entrepreneurs, investors and public business development agencies, equity investments are associated more with high-growth potential businesses than micro firms, while entrepreneurs often prefer not to take on equity investments in order to avoid ceding any control of their business. On the other hand, access to informal equity capital may provide a route to fund business creation and growth by disadvantaged and under-represented groups, particularly if they are starting a business with a strong growth objective. Here, financial education has a role to play. Training and advice for entrepreneurs can help to explain the role that external equity can play in the business and the different methods of accessing it.

Apart from attitudinal issues, another barrier to equity financing for disadvantaged and under-represented entrepreneurs is the difficulty of intermediation in terms of matching entrepreneurs requiring equity investments with investors such as business angels. The equity investor has to undertake a search for suitable proposals, which can be very difficult even if they have strong contacts in target communities. Public agencies can play a role in addressing this search and matching problem by developing databases and networks of investors and entrepreneurs.

An example is LINC Scotland in the UK (*www.lincscot.co.uk/*). Established in 1993 with support from the economic development agency Scottish Enterprise, LINC Scotland has contributed to making the Scottish business angel market one of the most vibrant in Europe (OECD, 2011). It is estimated that the total business angel activity in the UK was GBP 317.7 million (approximately EUR 358 million) in 2009/2010, of which GBP 50.5 million (approximately EUR 57 million) (slightly less than 16%) can be ascribed to business angels in Scotland (Mason and Harrison, 2011).

LINC Scotland's mission has traditionally been to match entrepreneurs with business angel investors, acting as facilitator more than investment adviser. More recently, in line with experience in the rest of the EU, it has encouraged the formation of investor clubs and syndicates. The rationale is that syndicates can assess and monitor business pitches better than individual investors. At one level, LINC Scotland has become an incubator of new business angel syndicates, providing know-how and operating support in their early stages. Today, LINC Scotland hosts 18 investor clubs and is working on launching 5 more.

Crowd funding

Crowd funding is a relatively new phenomenon with potential to become a major channel for nascent and existing entrepreneurs to access funding via the Internet. The technique uses on-line platforms to put entrepreneurs with business ideas in touch with many small investors, who may be members of the general public. By signing up to such platforms, individual investors can commit small amounts of funding, effectively spreading their risks across a number of projects. They select the projects they wish to invest in on the basis of project information placed on the platform by the entrepreneurs seeking investments. While most investment through such platforms is in the form of small loans, it is also possible to use the platforms for small equity investments.

Two factors make crowd funding particularly relevant to disadvantaged and under-represented entrepreneurs. First, through crowd funding, entrepreneurs bypass the traditional credit market where they may experience discrimination. By providing only the information that they are willing to disclose, the entrepreneur is less likely to experience discrimination related to age, gender, ethnicity or other personal characteristics. Nonetheless, the lower risk of noneconomic discrimination does not prevent other typical credit market failures which also affect crowd funding (e.g. information asymmetries, moral hazard, etc.).

Second, low intermediation costs can make crowd funding a cheaper source of finance than bank loans. Intermediation costs in crowd funding tend to be relatively low because the risk assessment and follow-up of the business proposals hosted by the Internet platforms are less thorough than for bank loans (given that the platforms do not carry the risk of the investment) and because, by using the Internet, fixed costs (e.g. staff, office space, etc.) are dropped.

Some degree of heterogeneity exists in the sector and some crowd funding platforms have gone as far as creating an on-line community that follows projects as they are developed, potentially providing other ideas, markets and support as well as second rounds of finance to the entrepreneurs.

The best known examples are in the United States, such as the Kickstarter platform (*www.kickstarter.com*). Kickstarter is a funding platform for creative projects including films, games, design, theatre productions, publications and new technology. Individuals

with new projects apply to Kickstarter to host their ideas, which may be illustrated with videos, written descriptions and pictorial representations. They then effectively "appeal" for funding using the platform which operates an "all or nothing policy". That is, if an individual project does not reach its funding goal, zero funds will be committed to it and the project is withdrawn.

There are also European examples of funding platforms using similar principles. The volume of capital managed by these platforms is rising rapidly, and their potential and importance has been boosted by the greater difficulties that entrepreneurs are facing in accessing traditional bank finance in the post global financial crisis climate. An example is the Funding Circle platform in the UK (*www.fundingcircle.com*). This is an online market place which claims to offer lower costs loans for businesses and higher returns for investors. It is sometimes described as a peer-to-peer platform (P2P) since it provides a platform for a direct investor-entrepreneur relationship. Another example is the German social lending platform Smava (*www.smava.de*). Smava claims to have doubled its loan volume from EUR 2.5 million in the second quarter of 2009 to EUR 5 million in the third and is reported as being more successful that an equivalent platform in the US, Prosper (*www.prosper.com*) (Techcrunch, 2009).

One of the key roles for policy in helping to exploit the opportunities of crowd funding for entrepreneurs from disadvantaged and under-represented groups is provision of information and advice about this financing mechanism to entrepreneurs in the target group. This is particularly important since crowd funding is a very new market and entrepreneurs are not always up-to-date with the latest evolutions in business finance. Investors, too, would benefit from help in understanding how they can use crowd funding platforms and how they can assess the merits and risks of different crowd funding pitches. Since much of crowd funding is driven by social considerations as well as simple profit considerations, advice should go beyond traditional concepts such as return on investment to give the right emphasis to the social impact of the business proposals being assessed.

Legislators also need to keep up with developments in crowd funding to ensure that the regulatory environment is favourable and provides sufficient investor protection. One of the problems that can arise with crowd funding platforms is low control by platform managers on the viability of business proposals put forward for investment and low monitoring of their progress. Similarly, information on business projects is limited to what entrepreneurs are willing to disclose, whereas more structured and homogenous information requirements would help investors make a better choice. Finally, the support of equity-based crowd funding should also encourage the parallel development of senior investors (e.g. business angels) and secondary markets to secure exit options for people investing in equity through crowd funding platforms.

Bootstrapping

Although the dangers of excessive reliance on internal funding have been pointed out earlier in the chapter, it is clearly also important that entrepreneurs recognise the opportunities they have for internal funding and use them appropriately and in a sustainable way, in combination with external finance. Bootstrapping is the name for a set of techniques that can be used to maximise the contribution of internal funding without leaving the business under-capitalised. The main methods are shown in Box 8.8, including minimisation of accounts receivable and joint utilisation.

Box 8.8. **Bootstrapping**

Bootstrapping can be defined as the use of internal finance sources to meet the resource needs of a business without relying on external finance (Winborg and Landström, 2000). While there is a great deal of policy emphasis on how policies can boost the supply of finance, businesses primarily draw on internal sources to finance their activities. In the United States, for example, as many as 95% of entrepreneurs use personal funds in the start-up phase and in nearly one-third of businesses personal contributions are the only source of financing (Gartner et al., 2008). It is therefore important also to help entrepreneurs consider how to make the most of their internal resources without jeopardising the development of their business.

Five different categories of bootstrapping are identified by the literature (Winborg and Landström, 2000; Jones and Jayawarna, 2010):

- Owner-financing methods (e.g. use of manager's credit card, loan from relatives and friends, withholding of the manager's salary, relatives working for non-market salaries).
- Minimisation of accounts receivable (e.g. cease business relations with late payers, use routines for speeding up invoices).
- Joint utilisation (e.g. borrow equipment, coordinate purchase with other entrepreneurs, barter instead of buying).
- Delaying payment (e.g. lease equipment and delay payment to suppliers).
- Minimisation of capital invested in stocks (e.g. use routines in order to minimise stocks, bargain best possible conditions with suppliers).

Most firms draw on bootstrapping because they are financially constrained, in which case they are more likely to use minimisation of accounts receivable and delayed payment methods to quickly solve cash flow issues (Ebben, 2009). However, the use of bootstrapping can also be a deliberate choice to reduce the risks and costs of business financing (Winborg, 2009) and both large and small firms use these techniques (Harrison et al., 2004).

There are some significant gender differences in the use of bootstrapping: males are more likely to use owner-financing and joint utilisation bootstrapping methods, possibly because of greater savings and larger networks than women, while women are more likely to use minimisation of accounts receivable thanks to a stronger tendency to manage their business through relationships with stakeholders (Neeley and Van Auken, 2009). Women-owned enterprises are also significantly more likely to draw on methods that reduce labour costs (Brush et al., 2006).

Another study looked at the use of bootstrapping methods among entrepreneurs that had received the New Entrepreneur Scholarship scheme in the UK (Jayawarna et al., 2011). This is a programme that provides individuals from deprived neighbourhoods a six-month training course to start a business. The results show that the individual's social networks were important for business performance. Those entrepreneurs who made use of their networks to bootstrap additional resources enhanced the performance of their business. The study also found that different bootstrapping methods had different impacts on business performance. Methods such as joint utilisation, minimisation of accounts receivable and delaying payment fuelled higher performance, whereas owner-financing bootstrapping was not linked to higher performance. Finally, programme recipients who

also received subsidised finance in the form of government grants or loans continued to use bootstrapping, indicating that bootstrapping can be a complementary source of finance and not only an alternative to external finance.

Overall, bootstrapping represents a set of useful techniques that business creators and owners from disadvantaged and under-represented groups can exploit to acquire complementary resources to external finance. Policy actions can favour bootstrapping in particular by providing financial education and guidance to entrepreneurs.

Policy actions to improve financing

Box 8.9. **Key policy messages – Policy actions to improve financing**

- Increasing awareness and information about finance sources among entrepreneurs and improving their ability to present their finance demands can increase external finance.
- Training, counselling, coaching and mentoring are all important in helping entrepreneurs to better manage their finances and should accompany financing offered.
- Financial intermediation can be improved by matching of investors and entrepreneurs and networking initiatives.
- Governments should review regulatory requirements for new finance sources such as crowd funding and mutual guarantees.
- Public loan guarantees and counter-guarantees are a key method for encouraging banks to expand their lending to disadvantaged and under-represented groups.

Brokerage, participation in capital of funds and subsidies for operational costs can be used to support the emergence of microfinance institutions and crowd funding platforms, together with promotion of competition and openness in the banking sector.

Policy interventions to improve access to financing among disadvantaged and under-represented groups can occur on several levels, as illustrated in Table 8.1; raising awareness, matching agents and creating networks, developing regulations, providing loan guarantees, and promoting the emergence of new financial institutions. At each level, a number of specific policy actions can be implemented, such as investment readiness programmes, financial regulation, credit guarantee schemes and the creation of microfinance institutions. The policy responses tend to involve increasing intensities of intervention according to the level, while some actions work principally on the demand side or on intermediation (levels 1 and 2) and others work largely on the supply side, in terms of increasing the volume of funds offered by existing institutions or creating new ones (levels 3, 4 and 5). A particular programme may act on a number of levels in this framework. For example, a microfinance programme could seek to raise awareness among entrepreneurs and potential entrepreneurs about finance options, improve the flow of information between investors and entrepreneurs with a networking programme, and seek to introduce new funds aimed at the target group.

Table 8.1. **Potential policy actions to improve access to finance for inclusive entrepreneurship**

Level 1: Raise entrepreneurs' awareness of funding sources and requirements	1.1. Information on the range of finance sources available 1.2. Information on exploiting "new" sources such as crowd funding 1.3. Information on using techniques such as "bootstrapping" 1.4. Advice, training and coaching on finance sources and financial management 1.5. Investor-readiness programmes on "pitching" to investors
Level 2: Match and create networks	2.1. Promoting outreach by banks 2.2. Databases of angel investors and potential investees 2.3. Networking between entrepreneurs and investors 2.4. Networking among entrepreneurs, e.g. for mutual guarantees
Level 3: Develop regulation of new forms of finance	3.1. Better financial regulation, e.g. for crowd funding, mutual guarantees and microfinance 3.2. Promote competition in the banking sector
Level 4: Develop loan guarantee funds	4.1. Targeted loan guarantee schemes 4.2. Counter-guarantees for mutual guarantee programmes 4.3. Co-investment in funds 4.4. Support for operational costs of funds
Level 5: Encourage the emergence of new financial institutions	5.1. Support community banks 5.2. Support microfinance institutions 5.3. Support crowd funding platforms

Raising awareness and increasing investor readiness

A significant problem in access to funding by entrepreneurs from disadvantaged and under-represented groups is lack of awareness of the variety of funding opportunities available, together with lack of information about funder expectations and requirements and the discouraged borrower effect. Supplying information about financing opportunities to existing and potential entrepreneurs and self-employed people helps to respond to these problems. Basic, low cost information can be provided over the Internet, while training workshops and one-to-one advice and coaching can provide richer information more tailored to the circumstances of individual entrepreneurs. Entrepreneurs should also be supported with investor-readiness training and guidance focused on helping them to put forward more solid projects for funding and to make a better case for them. Financial education for entrepreneurs should be included as a key component of entrepreneurship skills development courses.

Matching and networking

Useful policy measures can also be developed to match investors with entrepreneurs requiring finance. For example, policy may develop networks of angel investors from particular target social groups, such as women or ethnic minorities, while measures that encourage the formation of networks among entrepreneurs can also underpin the successful development of mutual guarantee schemes.

Policy can also encourage traditional financial institutions to reach out more to clients from disadvantaged and under-represented groups in order to encourage them to apply for finance and to ensure that they are not discriminated against in terms of prejudices of loan officers or operational methods of the bank. For example, policy can encourage banks to issue guidelines and training for loan officers on dealing with disadvantaged and under-represented groups, recruit more loan staff from these communities, establish branch offices at the community level, and offer multilingual services for ethnic minority

customers. While it can be useful for banks to establish microfinance arms for outreach, it is also important that these operating features are adopted within the mainstream of bank activities.

Developing regulation of new forms of finance

Given the emergence of new forms of financing such as crowd funding and mutual guarantees, it is important for governments to review financial regulations in order to ensure that these markets are properly regulated to protect investors whilst ensuring that they do suffer from unnecessary barriers to entry.

In addition, reforms aimed at promoting competition and reducing concentration in the banking sector hold potential to reduce discrimination in the credit market and increase lending to under-represented and disadvantaged groups. Such actions should include reducing barriers to entry by microfinance institutions and crowd funding platforms in particular, but should extend to all types of finance supplier more generally.

Developing loan guarantee funds

One of the key levers that government can use for increasing the supply of financing to disadvantaged and under-represented groups is the offer of public credit guarantees to encourage banks to lend more to target communities, or counter guarantees to mutual guarantee schemes seeking to achieve the same end. Government can also play an important role in brokering the establishment of mutual guarantee schemes and contributing to their capital and operating costs.

Encouraging new financial institutions

Microfinance institutions play a key role in improving the access of under-represented and disadvantaged groups to finance. Thanks to their in-depth knowledge of a smaller base of customers, such institutions are more suited than large institutions for relationship lending, in which the loan decisions are based on personal knowledge and a continued relationship with the entrepreneur, thus helping to overcome problems faced by mainstream lenders in assessing risk. Policy can favour the emergence of microfinance institutions by brokering their creation or participating in their capital and operating costs.

Clearly, governments also need to consider how to further the potential of crowd funding as an additional finance source for disadvantaged and under-represented groups in entrepreneurship and self-employment.

Conclusions and policy recommendations

Access to finance is often reported by entrepreneurs as the most important obstacle they face in business start-up, and the barriers are even more pronounced for people from disadvantaged and under-represented groups. The additional challenges they face arise from discrimination, low levels of savings, low levels of financial literacy and a lack of, or poor, credit history. Among the consequences are likely to be the establishment of under-capitalised businesses, smaller scale businesses, and businesses focused on products and services with more limited capital requirements, while start-up activity by disadvantaged and under-represented groups is also likely to be hindered.

A number of alternatives to traditional bank loans are now emerging, including mutual guarantee schemes, equity finance, crowd funding and bootstrapping. It is important that

people from disadvantaged and under-represented groups have access to information about them together with appropriate advice and coaching on how to exploit them alongside traditional finance sources. At the same time policy actions can also work on improving financial intermediation using matching and networking initiatives, and encouraging better outreach by banks. Finally, policy can have an important role to play in increasing the supply of finance through targeted loan guarantees, contributions to the capital and operating costs of microfinance initiatives and strengthening competition and openness in the banking sector.

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

Key policy recommendations

- Provide information, advice and training to disadvantaged and under-represented entrepreneurs to raise their awareness of funding opportunities and requirements and improve their financial management.
- Work with banks to improve their communication lines and operating procedures with entrepreneurs from under-represented and disadvantaged groups.
- Support the development of targeted credit guarantees and mutual guarantee schemes.
- Promote the emergence of new microfinance institutions and crowd funding platforms targeted at entrepreneurs from disadvantaged and under-represented groups using brokerage, participation in capital and/or operating costs, and encouragement of competition and openness in the banking sector.

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Chapter 9

Delivering policies to the target group

This chapter focuses on ensuring that entrepreneurship and self-employment programmes reach out to disadvantaged and under-represented groups. Without adaptation of delivery mechanisms or the introduction of special programmes there are a number of barriers that are likely to reduce programme take up and impact among these target groups. The strengths and weaknesses of alternative delivery models need to be considered, ranging from full integration of target groups into mainstream programmes and organisations to specialist programmes and organisations for each target group. It is argued that the effectiveness and efficiency of the different delivery models is highly dependent on the context but that there are many common actions that can be taken to improve delivery to target groups whatever model is adopted.

Barriers to reaching the target groups through mainstream policy delivery mechanisms

In order to meet the needs of disadvantaged and under-represented groups, programmes for entrepreneurship and self-employment need to respond to differences in the nature and strength of the barriers that these groups face to successful business creation compared with the general population and other disadvantaged and under-represented groups. For example, the proportion of youth (15-24 years old) citing lack of skills as a barrier to self-employment (16.2%) is twice that of adults (7.4%) (European Commission, 2009), implying a need for greater emphasis on skills development in entrepreneurship support for youth.

Programmes also need to respond to differences in how different groups learn about and access public support. For example, potential entrepreneurs who left the education system at 15 years old or younger find it much more difficult to locate and access information on business start-up (56.4%) than those who are highly educated (45.4%) (European Commission, 2009). Some people from ethnic minorities may require information and assistance in their own languages. This implies the need for some adaptation in the way that assistance is offered to the target populations.

Box 9.1. **Key findings**

- A non-differentiated approach to programme support is likely to reduce take-up and impact among disadvantaged and under-represented groups in comparison to an approach which is sensitive to the needs of different groups and their expectations about how support should be delivered.
- Common barriers to take up of mainstream programmes by people from disadvantaged and under-represented groups are a "one size fits all" product mentality, lack of ability of mainstream agencies to understand the needs of the target group, failure to communicate programmes through appropriate channels and a lack of diversity in the staffing of mainstream agencies.
- Programmes need to respond to various specific barriers to business start-up and self-employment experienced by particular target groups. For example, women are more likely to lack self-confidence as entrepreneurs, and youth have greater problems in accessing finance.
- Programmes also need to respond to various problems experienced by particular target groups in accessing programmes. For example, women are more likely to prefer local access to business support services such as training and mentoring, youth are more likely to suffer from scepticism on the part of mainstream business advisors, ethnic minorities and immigrants are more likely to lack awareness of support available, and disabled people need reassurance about their social security status.

There is therefore a key question for policy; namely, to what extent can disadvantaged and under-represented groups adequately be served by the same support and delivery

arrangements as provided to other population groups (mainstream support) and to what extent does it make sense to offer partly or entirely different policy measures and delivery routes (targeted support). One of the advantages of targeted programmes and delivery structures is that they help to ensure that the hardest-to-reach groups receive support, and receive that support that is most appropriate to them. On the other hand, going too far towards different support offerings and structures can run into problems of high costs and lack of economies of scale in delivery and isolation of target groups from other relevant programmes. Exploring where to position policy delivery on the spectrum of mainstream versus targeted approaches is the key focus of this chapter.

Common causes of low policy take-up rates

There is a danger that public and private support for business creation and development will primarily be taken up by people with the best business networks and access to business information. However, people from population groups that are disadvantaged and under-represented in entrepreneurship often have more limited access to business networks than the population as a whole. For example, on average across the EU, women were 23% less likely than men to know someone who had started a business in the last two years (GEM, 2012). Similarly, unemployed people are likely to have more limited information via the workplace and professional networks. Certainly, a higher proportion of the unemployed (52.4%) say that they have difficulty finding information on business start-up than employed people (47.1%) (European Commission, 2009).

One of the key issues for securing programme take-up is therefore their visibility to disadvantaged and under-represented groups. The conventional information channels, such as advertising and publicity in the business press or referral by chambers of commerce and private sector accountancies, are not always the best suited for programmes targeted at disadvantaged and under-represented entrepreneurs, who may not make as much use of the standard gateways into business support as the average population. This can translate into low levels of take up when programmes do not take full advantage of the communication channels that the target groups themselves tend to access, including information from peers and community organisations.

A second key issue relates to the appropriateness of the support offered. Although entrepreneurs share many support needs, disadvantaged and under-represented target groups also have some specific needs that should be a prominent part of the support packages they are offered. It has already been mentioned that young people are more likely than adults to need entrepreneurship skills development as part of their support for business creation. Similarly, confidence-building may be needed for people with low self-confidence and limited experience in self-employment. For example, women tend to be less likely than men to have experience with self-employment (16.1% vs. 28.8%) and to be less likely to view self-employment as feasible (23.5% vs. 33.5%) (European Commission, 2009). In addition, people from disadvantaged and under-represented groups often tend to start up smaller businesses, with implications for the scale of finance offered and the nature of mentoring and coaching. Thus, according to Eurostat figures, in 2004, entrepreneurs with more limited education, at levels 1 and 2 of the International Standard Classification of Education, had only 2.1 employees on start-up compared with 2.5 employees on start-up for those at levels 5 and 6 (Eurostat, 2005). The proportions aiming to grow their enterprises substantially are also higher in higher education groups (in 2011 the Global Entrepreneurship Monitor found that 54% of entrepreneurs with

high growth ambitions had university or college education in high and upper income countries). Moreover, some target groups favour particular sectors of business activity and do not want to be shoehorned into standard business start-ups. Thus, self-employed women are more likely than men to be operating in human health and social work sectors (11.5% of self-employed women vs. 3.3% of self-employed men) and education sectors (4.1% vs. 1.5%). Due to a "one size fits all" product mentality, many potential clients from disadvantaged and under-represented groups express doubts about the appropriateness of mainstream services to them (Ministry of Trade and Industry, 2005).

Thirdly, the nature of the programme interface with the client is important. Language is a frequently cited barrier to the take up of business support by members of immigrant groups. However, the problem tends to be concentrated in specific groups and contexts rather than being a general issue. Where there is a problem, it tends to be in small, disparate groups, asylum seekers and older immigrants in established communities (Linehan and Sosna, 2003). This implies the need for some advice and training in minority languages. Local offices in the neighbourhoods of target group populations can be important. In addition, Bennett and Robson (2005) found that in the case of public agencies, trust was an important influence on the decision by SME owners and managers to seek advice. However, mainstream business support programmes and services are normally run and delivered by people who are very different from the target groups. This difference between the support provider and the support taker can pose problems in terms of lack of mutual understanding and trust. The key to trust is understanding, which is only possible with knowledge about the actual situation of people from the target groups. The aim should therefore be to make the providers of business support as diverse as those using it.

Barriers to reaching specific groups

Ethnic minorities and immigrant entrepreneurs

Ethnic minority and immigrant populations are among the groups that use mainstream business support programmes the least. For example, in Germany it has been shown that immigrants have a very low degree of participation in policy support and that this is a growing problem given a recent erosion of alternative support from co-ethnic resources and solidarity (Kontos, 2003). Similarly, a consistent finding of ethnic minority business research in the United Kingdom over many years is that these populations access a disproportionately small share of public support such as entrepreneurial finance and business advice and consultancy from mainstream business support agencies such as enterprise agencies or Business Links (Marlow, 1992; Scott and Irwin, 2009; Ram et al., 2002). It appears that this cannot be put down to a lack of interest, but rather reflects problems faced by business support institutions in engaging ethnic minority businesses and immigrant groups, despite sometimes operating explicitly-stated engagement strategies (GLE/CEEDR, 2000). In their London based study of ethnic minority businesses, Fadahunsi et al (2000) reported that only one in twenty had used advice from one of the public agencies; the reasons given reflected predominantly negative attitudes towards mainstream agencies rather than lack of knowledge about what was available.

There are a number of problems in ensuring that support programmes reach ethnic minority and immigrant populations. First, there are often low levels of awareness by ethnic minority and immigrant entrepreneurs of the business development support available (Blackburn and Rutherford, 1999). For example, a study in the United Kingdom found that while 72% of businesses with no ethnic minority ownership were aware

of the activities of Business Link, the main public business support agency at the time, only 46% of businesses with a majority of ethnic minority owners were aware it (BIS, 2006). Special efforts are therefore needed to reach out to these groups.

Second, at the same time as ethnic minority and immigrant entrepreneurs have poor information about public programmes, public business support providers typically have poor information on ethnic minority and immigrant entrepreneurs. One aspect of this is inadequate company databases held by public business support agencies on minority-owned businesses, both in terms of being able to identify the origin of owners and in picking up the presence of many of the smaller ethnic minority and immigrant enterprises at all. This makes it difficult for government agencies to target such businesses with support or information about their support offers. In addition, public support providers often lack information about the nature of the challenges being faced by ethnic minority and immigrant entrepreneurs and how they might be assisted by policy. In this respect, an investigation of business support provision for ethnic minority businesses in five cities in the United Kingdom found that whilst there had been some improvement in data to identify ethnic minority businesses, there was still a widespread lack of robust intelligence on their features and needs in most local agency databases and that this impeded the design of bespoke strategies to reach out to them (Deakins et al., 2003). One way of helping to ensure that ethnic minority and immigrant businesses are targeted and understood by policies and programmes is to secure adequate representation of immigrant and ethnic minorities in the management and staff of business support organisations such as Chambers of Commerce and business associations that tend to act as intermediaries in the delivery of public sector business support. This has not been achieved yet to any great extent in cities across Europe, resulting in largely informal and unstructured involvement of these groups in the decision-making process (Rath, 2011).

Third, ethnic minority and immigrant entrepreneurs often rely on community self-help and informal assistance rather than approach mainstream support agencies for various reasons. In some cases this reflects an inability of mainstream agencies to successfully penetrate ethnic minority communities (Fadahunsi et al., 2000), but it is also influenced by the fact that there is often an underlying trust in contacts from within one's own personal or community-based networks. In some cases this might lead to a substitution of co-ethnic for mainstream resources, which is not a problem provided the quality of support is not compromised. In the Chinese community in the United Kingdom, for example, it has been shown that whilst business support may be informally sourced it is typically provided by qualified Chinese accountants (Ram et al., 2002). The process of identifying the accountants may be predominantly informal, by word of mouth, but once an acceptable source has been identified the relationship between client and accountant becomes a formal one (Smallbone et al., 2005). Furthermore, not all business support accessed outside the mainstream is necessarily informal. For example, in their study of ethnic minority business in London, Fadahunsi et al. (2000) reported that many respondents sought help from co-ethnic business and non -business organisations; the latter being more common in the case of recently-arrived immigrant groups. However, these sources are not always sufficient, they may not be capable of supporting later stages of business development and high growth potential projects and strong local social capital ties can also sometimes trap entrepreneurs into low potential projects (Basu, 2006). Furthermore, the possibility to draw on co-ethnic resources varies between communities because of their varying levels of involvement in business activity. For example, in the United Kingdom, it is common for Indians and Pakistanis to be able to draw on their own minority business networks but less

so in African and Caribbean communities where role models are scarce (Fadahunsi et al., 2000). Differences between ethnic minority groups in terms of role models to encourage and assist nascent entrepreneurs reflect more fundamental differences in the propensity of members of these groups to be involved in entrepreneurship. Using self-employment as a proxy for entrepreneurship, Clark and Drinkwater (2010) compare eight ethnic groups with males and females separately. Based on self-employment rates in 2001, the most entrepreneurial males were Chinese (27.8%) and the least entrepreneurial were black Caribbean and Black African (13.0% and 13.5%). Not surprisingly role models were more common in groups with more entrepreneurs.

Educational attainment may be a further influential factor limiting the access of ethnic minority and immigrant entrepreneurs to mainstream support, which is a barrier that is not directly related to ethnicity (Collins, 2003).

Finally, an issue that has been highlighted in the Netherlands but would appear to be much more widely relevant concerns the fact that a significant minority of ethnic minority and immigrant entrepreneurs operate in the informal economy, and hence are reluctant to call on public business support for fear of legal problems related to continuing in the informal economy (Kloosterman, 2003). Empirical research in London has shown that informality is a common feature of businesses operated by members of the more recently-arrived immigrant groups, partly because it is endemic in sectors in which they are involved, such as car repairs and personal services, where it is often euphemistically described as cash-based business (Sepulveda et al., 2008). Shifts in the policy enforcement regime, such as allowing forms of informal production or turning a blind eye to the trade in products that are formally illegal, can have significant consequences for ethnic minority and immigrant entrepreneurs, and while there is no evidence to explicitly link changes in law enforcement regimes to changing attitudes towards public entrepreneurship and self-employment support programmes, any negative experiences with law enforcement, including the use of arbitrary power by public enforcement agencies, may well translate into distrust towards any other government body such as business support agencies. Furthermore, business advisers and practitioners working with ethnic minority and immigrant business need to be fully cognisant with the business processes they use, whether they are formal or informal.

Overall, these barriers suggest that it is important for public business support programme to make efforts to reach out to ethnic minority and immigrant entrepreneurs, both through the offer of certain tailored and targeted business support programmes for ethnic minority and immigrant entrepreneurs as well as through arrangements for better accessibility to these groups of mainstream support. This is likely to require a strategic commitment together with the development of appropriate implementation mechanisms at national, regional and local levels. However, a study by the European Commission (2008) finds an uneven coverage of targeted programmes for ethnic minority and immigrant entrepreneurs across Europe, with most located in North West Europe, with lower concentrations in southern EU countries, and the fewest programmes in Central and Eastern Europe.

Women entrepreneurs

There is mixed evidence concerning whether or not the take up of public programmes for entrepreneurship and self-employment is lower for women than men. On the one hand, there is evidence from Germany that female take-up rates of mass financial support

programmes are considerably lower than the share of female entrepreneurs (Welter, 2004). On the other hand, a number of studies in the United Kingdom have come to other conclusions. Robson et al. (2008) found that neither the use nor the impact of external advice (either formal or informal) is greatly influenced by gender, but instead that firm-specific characteristics (e.g. size, export activity) explained differences in the use of external advice. BIS (2011) found that women-owned enterprises were significantly more likely to use public sector resources than their male counterparts. Scott and Irwin (2009) found women to be twice as likely as men to use public-sector supported Business Link business services offices. Accordingly, women are not necessarily suffering from a lack of appropriate business support programmes or from their poor accessibility, although in some cases it appears that they do.

There are some considerations that need to be taken into account in seeking to ensure that programmes do effectively respond to the needs of women entrepreneurs. First, women-owned businesses tend to be of a different nature on average than those of men. Thus Eurostat's survey on Factors of Business Success found that in 2004 women-owned enterprises were smaller at start-up (2.0 employees vs. 2.7 employees), had lower annual turnover (EUR 48 980 vs. EUR 84 990) and were more focussed on local and regional markets (85% of sales vs. 78%) than those of men. According to Piorkowsky and Scholl (2002), financing programmes suitable for female entrepreneurs need to offer support for smaller sized business start-up, accept more limited availability of asset-backed guarantees, accept higher proportions of working capital relative to investment finance and allow for applications from part-time entrepreneurs, and people in services and academic professions, which are all more typical of female than male entrepreneurs. They argued that most programmes in Germany showed flaws with respect to one or more of these criteria.

Second, women entrepreneurs often prefer a different type of delivery of business advice. For example, they are more likely than men to value a role model (60.9% vs. 57.7%) (European Commission, 2009), and often tend to prefer a female role model. For women, local support is often important, rather than support that is located at a distance, particularly at the start-up stage, when many women will be seeking to combine business ownership with family responsibilities (Fielden et al., 2003). Similarly, flexibility in hours of delivery of business advice or training can be important, again to allow room for family responsibilities (Rouse and Kitching, 2006).

Third, women entrepreneurs tend to use different types of human capital, networks and processes to identify business opportunities (DeTienne and Chandler, 2007; Langovitz and Minniti, 2007) and are more likely to perceive themselves as lacking skills and knowledge needed in entrepreneurship (Wilson et al., 2007). This suggests the greater role of entrepreneurship training and mentoring in support packages for women.

This evidence suggests the opportunity for gender-sensitive entrepreneurship programmes that take into account the different types of businesses that women run, their preferences for different forms of delivery and their particular ways of operating businesses and need for support to build self-confidence (European Commission, 2008; Hytti and Heinonen, 2011).

Young entrepreneurs

Young people face many specific barriers to starting-up and operating in entrepreneurship and self-employment. They are somewhat more likely to indicate that

a lack of finances is a reason that self-employment is not feasible (26.5% vs. 23.6% for all adults) and more often feel that they lack skills needed for self-employment (16.2% vs. 7.4% for all adults) (European Commission, 2009). It is important that the support packages available to them put a strong emphasis on addressing issues such as access to external finance, the development of marketing and management skills, as well as building networks.

There is also evidence that youth has difficulty accessing the entrepreneurship and self-employment support available because of a lack of awareness of programmes on the one hand, and scepticism on the part of mainstream private and public business support providers in offering support to young people (CEEDR, 2000; EC-OECD, 2012). This implies that programmes need to make an effort to reach out to youth entrepreneurs, both providing appropriate information, and using advisers, trainers and other support professionals who have appropriate skills and experience for helping young people to realise their projects.

Programme support also needs to make distinctions across different categories of youth, however. One such distinction is between university students and young unemployed people. There is an increasing range of support for graduate entrepreneurs, including enterprise education and dedicated business networks and incubators in universities (Hofer and Potter, 2010). There are also a number of self-employment support programmes for unemployed youth. However, the two types of support have to work very differently in their client targeting and operational methods.

Entrepreneurs with disabilities

Disabled entrepreneurs are a very heterogeneous group, running from people with mobility challenges to people with mental health challenges. Some members of this group may face problems in accessing entrepreneurship and self-employment programmes that require physical presence (such as training or business advice) because of difficulties in physical access to buildings (such as training provided for starters in general on upper floors with no elevators) or inadequate suitable public transport or funding for transport to and from the premises (Boylan and Burchardt, 2002). It is critical that these issues are addressed where they arise. Nonetheless, in most EU countries providing access for disabled people, especially to public buildings, is a statutory requirement and should be seen as a necessary rather than a sufficient condition in the creation of an attractive environment for disabled clients.

Two further key issues also have to be considered. First, the typical business adviser or entrepreneurship trainer will not always understand the special needs of particular disabled entrepreneurs. Thus the business support staff may have certain prejudices or unhelpful attitudes regarding the potential of disabled people for entrepreneurship. They may also find it difficult to identify non-standard ways in which the disabled person could run a business, for example home businesses, part-time businesses, and self-employment in combination with receipt of social benefits. Support agencies do not necessarily know how to work appropriately with people with disabilities and how to help them to address the needs they face with respect to their disability in addition to the business hurdles they will encounter (Cooney, 2008). This suggests the need for training for business support staff in supporting disabled entrepreneurs.

Second, sensitivity is needed with respect to the social security status of disabled people interested in entrepreneurship and self-employment. Previous research covering

people with mental health challenges has shown that they can be afraid to try out business creation for fear of losing their benefits and may not even seek advice for fear of putting their benefits in jeopardy (MIND/Social Firms UK, 2004). This fear may also create a barrier to accessing support services targeted to potential entrepreneurs. The guarantee of benefits status, especially during the nascent and start-up phases, will be crucial for the success of business and self-employment support programmes aimed at disabled people.

Alternatives in policy delivery

Box 9.2. **Key policy messages**

- There are various approaches available to delivering entrepreneurship and self-employment support to disadvantaged and under-represented groups, ranging from full integration into mainstream provision to specialist agencies delivering tailored support to specific target groups. The choice of model has impacts on the effectiveness and costs of the policy intervention.
- Low densities of entrepreneurs and self-employed people from particular target groups favour models that integrate them into mainstream support rather than the use of specialist agencies. Nonetheless, even in these cases, specialist trainers, advisers and client referral officers can be employed within mainstream structures and mainstream staff trained on the needs, norms and expectations of specific target groups.
- Support needs also vary over business lifecycles and whereas start-up support may often be effectively provided through target-group specific programmes, post-start-up support may need to be provided in the mainstream given the lower volume of clients taking it up. This requires an effective referral system to move people from specialist to mainstream support as their business develops.

The choice of the most appropriate delivery method for programmes to encourage disadvantaged and under-represented groups to start up and operate in entrepreneurship and self-employment is influenced by the effectiveness of the various approaches, on the one hand, and their cost of operation and hence efficiency on the other. The key issue is basically whether the target groups should be supported through mainstream or specific initiatives (Chrisman et al., 2002). For example, microcredit programmes could be developed exclusively for migrants or for women, or the emphasis could instead be placed on increasing the access of these people to general microcredit programmes open to all entrepreneurs.

There is a body of evidence that highlights the specific problems and distinctive needs of various disadvantaged and under-represented groups and advocates the case for selective and targeted support that is designed to complement generic support offerings (Mukhtar, 1998; Ram et al., 2002). This can be achieved through the introduction of special services for the target groups delivered by mainstream agencies or by the creation of specialist agencies to deliver support to specific target groups. There is also evidence for the success of approaches that instead channel members of disadvantaged groups towards mainstream programmes by using targeted marketing that accesses community-based support networks or that provide support and advice through community networks and mechanisms (Fadahunsi et al., 2000). An example of the latter approach is the Ethnic Coach scheme in the Vejle area in Denmark described in Part IV. In each case, there needs to

be a commitment to maintaining active dialogue between mainstream and community providers in order to facilitate effective networking and co-operation and to ensure that disadvantaged and under-represented groups do not become separated from standard support and mainstream entrepreneurs.

Examining the choices in more detail, Johnson and Smallbone (2003) identify four main alternative models for delivery of entrepreneurship and self-employment support to disadvantaged and under-represented groups:

Model 1: Full integration into mainstream provision. This model assumes that the problems of people wishing to set up and operate as entrepreneurs and self-employed from disadvantaged and under-represented groups are similar to those faced by others. It is associated with a philosophy of treating all clients equally according to the "equality of access" principle. The main advantages include making it easier to control the quality of the services offered, which are all delivered in-house, and reduced costs, due to fewer resources devoted to specialist support services and staff. The main disadvantage is the gap between a "one-size-fits-all" delivery model and the needs and expectations of clients. In practice, there may be variants on this basic model, such as training of all or some of the frontline referral officers, trainers and business advisers and consultants in the special challenges of delivering support to the target groups.

Model 2: Targeted marketing of mainstream services. In this model, the issues faced by disadvantaged and under-represented entrepreneurs are viewed as broadly similar to those of other entrepreneurs, but it is recognised that there are barriers in the minds of potential clients to accessing support services. This is dealt with through a targeted marketing approach. Efficiencies are retained for the delivery agencies in that what is delivered is largely undifferentiated. However, an attempt is made to increase take-up rates in specific target groups. In good practice cases, the client mix achieved will be monitored in relation to targets. The main disadvantage is that there is no real attempt to match the nature of provision to the specific needs of particular client groups. The Finnish example in Box 9.3 demonstrates the use of this model by marketing a standard product to women entrepreneurs using a customised name exclusive to women together with some small adjustments to make the support more favourable to women, given their special needs and their priority for policy.

Model 3: Specialist support delivered through mainstream programmes and agencies. Under this model, specialist services are offered to match the needs and expectations of the different target groups, but are delivered by the same organisations that provide mainstream business support. For example, a women-only entrepreneurship training course can be designed and operated by a mainstream programme or agency including a focus on some of the issues that women experience in particular. This approach is likely to be more successful with some target groups if the support is delivered within the community, rather than expecting clients to come to the agency. This may to some extent be symbolic, but greater mutual understanding can also emerge when business development advisers meet clients in their environment.

Model 4: *Specialist agencies delivering specialist support*. The final model involves the design of specific services for the target groups and their delivered through separate agencies that specialise in providing for those groups. The main advantage is that specialist agencies will typically find it easier to establish credibility and trust and become accepted as the place to go to obtain entrepreneurship and self-employment support within their communities. At the same time, specialist agencies often have to work hard to establish their credibility

with mainstream organisations, which is necessary if their clients are to be able to access the mainstream support they may need as their businesses develop. An example of delivering specialist support through a specialised delivery agent is the Centre for New Entrepreneurs with Disabilities in Austria (see Box 9.4).

Box 9.3. **Loan for Women Entrepreneurs, Finland**

The Loan for Women Entrepreneurs is intended for enterprises where women are majority shareholders and which are managed by women. The business can be an existing or a new one, as long as it does not employ more than five persons. The loans are used for investments in machinery and equipment, as working capital, for other start-up or expansion projects, or for business development in almost every sector.

The loan is provided by the state-owned risk financing company Finnvera Plc, and can be granted to any form of enterprise up to a maximum of EUR 35 000. The loan period is 5 years and the interest charged incorporates a government interest rate subsidy.

The Loan for Women Entrepreneurs is derived from Finnvera´s Microloan for Small Enterprises. The loans for women are marketed directly to women and the terms offered are somewhat more favourable to the standard microloans for small enterprises offered by the same fund. The scheme has been highly popular among women entrepreneurs, who have been very satisfied with a product targeted and marketed exclusively to them. During the years 1997-2008 Finnvera granted more than 15 000 Loans for Women Entrepreneurs for total amount of EUR 230 million. It is estimated that the supported entrepreneurs created almost 17 000 new jobs.

For more information, please refer to: *www.finnvera.fi/eng/Products/Loans/Loans-for-Women-Entrepreneurs*.

Box 9.4. **Centre for New Entrepreneurs with Disabilities, Austria**

This centre supports people with a disability to start businesses, especially disabled people from ethnic minority groups, youth, seniors and the unemployed. To be eligible, applicants must have a recognised disability of at least 50% and a defined business idea. The centre provides individualised support during the start-up phase and during the early phases of business development after start-up, focusing on the most significant challenges for people with disabilities. Pre-start-up support includes advice and counselling on the process of business start-up, securing finance for start-up, available public support measures, marketing, taxation and business management. Coaching is also provided for those who have started a business.

For more information, please refer to: *www.grueze.at/*.

Clearly a judgement has to be made concerning whether or not to use a targeted approach or to adapt mainstream initiatives to increase the participation of disadvantaged and under-represented groups. While targeted approaches have advantages in increasing the access of hard to reach groups to business support there are also some drawbacks, notably the possibility of higher costs and ghettoisation. The pros and cons are discussed further in Box 9.7. They need to be considered on a case-by-case basis according to the programme area and the community concerned.

Box 9.5. **The advantages and disadvantages of support targeted to specific communities**

When selecting a delivery mechanism for an entrepreneurship or self-employment programme or support service, policy makers are faced with a trade-off between the additional benefits for the client group of targeted and specialised support and the higher costs associated with tailoring.

The advantages of targeted support include:

- Support that is better adapted to the specific needs of the target client groups, because programme administration and delivery agents are more aware of these needs and better equipped to address them. This typically leads to more effective policies and better outcomes for the clients, especially for clients who face multiple barriers.
- Higher participation rates from people in communities that mainstream initiatives find hard to reach because support is delivered by specialist agencies that have established credibility and trust with and stronger links to these populations than mainstream support organisations. This can draw people into the business support system who would otherwise remain outside of it.
- Encouragement of innovation in policy delivery by enabling the flourishing of many local experiments, which in some cases may be subsequently mainstreamed.
- However, there are a number of caveats that must also be considered:
- Targeted support can be costly on a per client basis because tailored support is often more expensive to deliver and the potential client base can be very small. It is therefore much more difficult to keep the average cost per client in line with the ratio achieved by mainstream support services.
- Targeted support may be disconnected from mainstream support services, which makes bridging these clients into mainstream programmes difficult. This can be especially problematic if funding for the targeted support ends and there is a need to bridge clients to mainstream programmes.

One of the key considerations is whether a targeted approach can achieve satisfactory cost efficiency. This implies the need for a comparison of the cost of delivering a given service per target group client between a targeted and a mainstream approach. Given that a targeted approach may be expected to have greater effectiveness in achieving results, the comparison should also extend to a cost-benefit analysis of positive outcomes achieved compared to costs of the different approaches with respect to target populations. Where data are hard to come by, a comparison could be made instead between the cost of delivery per target group client in the case of a targeted initiative and a mainstream client in the case of a mainstream initiative. A higher cost per client from a hard-to-reach group can generally be accepted given the additional social benefit. The acceptable additional cost should be weighed against political priorities and objectives in each local context.

The study on which the four-fold typology of delivery models is based included a large-scale survey of specialist and mainstream business support providers in European Union member states (CEEDR, 2000). It emphasised that wherever specialist services and agencies are chosen, there should be an efficient system of referral to mainstream business support that the targeted entrepreneurs may need to access if and when their enterprise grows up. Specifically, the most appropriate form of delivery may vary over the lifecycle of the business, with specialist support more relevant in the nascent and start-up phases

and mainstream support more relevant in the growth and adjustment phases. A two-stage approach can therefore also be envisaged, whereby disadvantaged and under-represented entrepreneurs are first targeted through bespoke programmes and then mainstreamed into existing business development support.

The choice of the most appropriate delivery model is also likely to be influenced by the particular policy environment and context (CEEDR, 2000), particularly with respect to the density of potential clients from the target group. For example, in a rural region where the density of certain target population groups is low, specialist agencies are unlikely to be cost-effective, whereas in large urban areas there may be much stronger through-put in numbers of clients coming forward from specific target groups (Baldock and Smallbone, 2003).

Improving policy delivery

Box 9.6. **Key policy messages**

- Whichever policy delivery model is applied, several actions can be taken to better engage disadvantaged and under-represented groups in entrepreneurship and self-employment support programmes. These include:
  - Ensuring diversity among those who run and administer programmes and business support agencies, including their boards of directors and managers.
  - Recruiting client referral officers, advisers, consultants and trainers from within the target groups.
  - Providing training for other advisers, consultants and trainers in supporting people from the target groups.
  - Using media and other information channels that tend to be accessed by entrepreneurs and potential entrepreneurs from the target groups.
  - Offering multilingual services.
  - Providing bridges to mainstream support services.
  - Setting, monitoring and evaluating programmes against targets for client mix.

Principles to improve programme delivery

Whichever model, or combination of models, of programme delivery is adopted, there are a number of important principles for ensuring that engagement with people from disadvantaged and under-represented groups is successful. The following points draw on Ram and Smallbone's (2002) work on programme delivery to ethnic minorities and immigrants, but they are equally applicable to other groups.

- *Information and promotion through media channels accessed by the target groups*. Information that is provided to prospective users on available support programmes and services should exploit the media channels (radio, press, social media, etc.) that are the most widely used by the members of the various groups targeted. In addition, awareness campaigns and promotion of role models in the target groups should use these media channels. For immigrants, multilingual communication may be needed to reach potential clients. Attention must also be paid to how messages are put over in a differentiated way to particular target groups such as youth or the unemployed.

- *Representation of members of target groups in business support programme or agency management.* Members of the target group populations should participate actively in the boards, management, and advisory bodies of business support organisations and in the teams that set up and run government support programmes. This sends a signal that support providers are serious about seeking to engage with a diverse client group and provides a mechanism through which addressing the needs of target group entrepreneurs becomes integral to the support delivered.
- *Use of specialist trainers and advisers recruited to work with people from the target groups.* Entrepreneurship trainers and mentors, coaches and advisers should have a very good understanding of the needs and operating preferences of the particular disadvantaged and under-represented groups they work with. Training of the trainers and advisors in working with each target group is therefore important. Recruitment of people from the target group or with experience of working with the target group is also important.
- *Outreach to engage disadvantaged and under-represented groups.* Members of disadvantaged and under-represented groups often feel more comfortable in meeting a business adviser in their own environment rather than in the offices of business support agencies. This can be achieved, for example, by business advisors travelling to the homes and businesses of the supported entrepreneurs or by operating out of local branch offices. In addition, a "linking-pin" person can be appointed from each of the target groups to help diagnose the needs of existing and potential entrepreneurs and self-employed people and refer them to appropriate services.
- *Training and accreditation of business trainers and advisers.* The quality of entrepreneurship and self-employment support can be raised by linking the approval of funding for given policy actions to a requirement that trained and qualified business trainers and advisers are used. For example, the German "Gründercoaching" scheme – a nationwide coaching scheme supported under the Federal European Social Fund programme – the advisers must be qualified and accredited.
- *Monitoring and reporting on programme targets related to client diversity.* At the very least, targets should be established for the composition of beneficiaries of programme support to reflect the structure of the local population. These targets should be included as part of the performance monitoring of programmes and agencies and the results reported in the public domain. Evaluations of programme performance should also take account of the extent to which disadvantaged and under-represented client groups are served.

Quantitative programme targets should be established for the application of these principles both in terms of measures of the degree to which the engagement approach is applied (e.g. the proportion of trainers or advisers from the target client group) and in terms of the overall impact on the numbers of people from target groups who receive the support and the impact of the support on the target groups. The targets should be developed by the level of government responsible for the programmes (i.e. at the national, regional or local level) based on the in-depth knowledge of stakeholders on the relative needs and sizes of different groups in each local context.

An example of how these principles can be applied in practice is described in Box 9.6, which gives the example of the Supporting Inclusion in Enterprise Development (SIED) partnership. This support scheme was brokered by the London Borough of Islington with a range of local partners. The aim of this programme was to introduce entrepreneurship and self-employment support into the activities of organisations providing social and welfare services to disadvantaged groups in areas of multiple deprivation in London. The approach involved creating new business advisors from within the target populations, who

Box 9.7. **Supporting Inclusion in Enterprise Development (SIED), United Kingdom**

SIED is a partnership set up by the local government authority in Islington, London, with the participation of a wide range of community organisations involved in providing local support to entrepreneurship and self-employment by disadvantaged and under-represented groups in a deprived area of London. Together with the local government, the partners include the Association of Community Based Business Advisers, the Institute of Business Consulting, Kingston University, the Islington Training Network and a number of community organisations. Target groups include asylum seekers, unemployed people and representatives of a variety of newly-arrived migrant groups (but not the longer established ethnic minority population).

Through SIED, community organisations serving black and Asian minorities and other groups experiencing labour market exclusion, such as lone parents, have the opportunity to extend their existing welfare and social support services by offering a business advice and development function. This is delivered by funding of an accredited business adviser recruited from the target community who is employed within their organisation. The programme identifies individuals from within the target communities who have the ability and interest in receiving training to become business advisers attached to community based organisations and provides them with training leading to nationally-recognised accreditation. In addition, accredited business advisers from a variety of communities have been brought together in an umbrella network organisation called the Association of Community Based Business Advisers, which facilitates the sharing of best practice and further professional development among them.

SIED is an example of a bottom-up, community-embedded approach which can act as a vehicle for economic engagement with disadvantaged and under-represented groups, provided there is engagement with mainstream business support providers as well as with target communities. Over the lifetime of the project, more than 1 000 ethnic minority business owners were assisted by this community-based vehicle of enterprise support.

Source: Blackburn, Smallbone, Kitching, Bednell and Pardo (2008); *www.equal-works.com/DPDetail.aspx?ety=9fcd40f3-7c99-4eda-a2fb-83cdaf6411ae&page=1*.

received accreditation from mainstream business support organisations, and publicising the services in the target communities.

One of the main aims of such reforms to programme delivery methods is to increase the proportion of people who are disadvantaged and under-represented in entrepreneurship receiving business start-up and self-employment support, thus countering a tendency of mainstream programmes to neglect these groups. The efforts would be expected to show up in higher participation rates of disadvantaged and under-represented groups in business support initiatives and an increased rate of participation in programme by people from the target groups to whom the support is relevant. In practice, it is difficult to have precise knowledge of the take-up rate of a programme or scheme from among the total population of people who could benefit from it within a particular target group. Monitoring and evaluation exercises are very useful in collecting information on the numbers of people or businesses that participate in a programme and should seek to relate these numbers to the total numbers of potential participants to whom the support is relevant, i.e. to identify the take up rate. In particular, it is important to assess the degree to which the participation

of people from each target group is above or below the rate of participation of people from other groups and whether the participation of people from each target group increases or decreases with the use of different approaches to delivery.

Some options and learning experiences on how to organise programme delivery in a way that favours participation by particular target groups are discussed below.

Ethnic minorities and immigrants

Ethnic minority and immigrant entrepreneurs often complain that mainstream support programmes and agency staff, together with white bank managers, do not recognise their way of doing business, where little is written down and formal business plans are notable by their absence. This can be a particular issue in the case of individuals who have had successful business experience in their country of origin and are now seeking to start a venture in the country to which they have migrated. Clearly the issue needs to be handled sensitively if it is not to sour relations between adviser and client. There is also a feeling that business support providers have an underlying desire to see ethnic minority and immigrant businesses conform to standard ways of doing business in their host country, thereby denying them the benefits and clear successes from traditional business methods in their communities. It is therefore important that programmes are sensitive to the ways in which ethnic minority and immigrant businesses operate and that staff of business support agencies are part of, or have knowledge of and respect in, the community.

In addition, a number of good practice principles can be identified from previous reviews (European Commission, 2008; Ram and Smallbone, 2003). These are listed below:

- Raising awareness of the opportunities for ethnic entrepreneurship and the support available by advertising through a variety of media channels, including immigrant or ethnic minority media if available.
- Mobilising immigrant community leaders or successful immigrant business people in promotion activities.
- Offering multilingual services, especially for so-called outreach officers (those who are involved in primary service delivery).
- Connecting informal and formal networks of ethnic entrepreneurs with mainstream business associations.
- Sensitising intermediary programme delivery organisations to the specific needs of ethnic entrepreneurs and providing training for trainers if necessary.
- Using service providers or counsellors capable of dealing with all forms of diversity: ethnic background, social class, gender, sexual inclination and so forth.

Similarly, an Australian study reports how the government departments and agencies that were most successful in communicating with ethnic small businesses there were those that had embraced elements of diversity in their own organisations. This included recognising linguistic and cultural skills when hiring staff, which improved their ability to deal with their immigrant minority clientele more effectively, and using ethnic media in marketing campaigns, particularly those that viewed ethnic small business as a heterogeneous, rather than homogenous, entity (Collins, 2003).

Women

In 2001, the Enterprise Directorate-General of the European Commission launched a BEST project on "Promoting Entrepreneurship among Women" (European Commission, 2002). The project aimed to collect information on specific actions and support measures promoting female entrepreneurship (with regard to information and advice, funding, training, mentoring and networking for start-ups) and to identify and disseminate information on good practices. The following success factors were identified in the delivery of the programmes for women:

- *The use of female mentors, trainers and advisers* to increase the relevance of support measures to women and to provide role models.
- *Ensuring that support measures are designed for use both in a group context and individually*. With group-based measures, women are given the opportunity to make contacts, to network and to learn from the experiences of others. Individual-based measures facilitate receipt of problem-specific advice.
- *Instilling the attitudes important to starting and managing one's own business*. Business skills may not be sufficient for women, who often lack self-confidence, self-efficacy and belief in their own abilities as entrepreneurs. Programmes also need to support self-confidence and self-efficacy of women in a way that they are comfortable with.

These principles are adopted in the Ambassadors for Women´s Entrepreneurship programme in Sweden (see Box 9.8), which provides much needed role models, self-esteem building and networks for potential women entrepreneurs. Box 9.9 provides a further example of a targeted support programme for women.

Box 9.8. **Ambassadors for Women's Entrepreneurship, Sweden**

This scheme is targeted at potential women entrepreneurs and aims to promote women's entrepreneurship by increasing the visibility of the group, thereby building confidence and self-reliance. It creates opportunities for networking with other potential and established women entrepreneurs and educates women, especially young women, about how it is to be a woman and an entrepreneur. The scheme also furnishes role models so that more women are encouraged to consider entrepreneurship as a possible career.

The Swedish Agency for Economic and Regional Growth is a national coordinator for the more than 900 women who are selected as ambassadors. These ambassadors form and animate local, regional and national networks of women interested in entrepreneurship, which meet regularly for information and training. The ambassadors represent all types of entrepreneurs, in all industries and sizes, and the group consists of a very diverse set of individuals. Every ambassador agrees to a yearly assignment consisting of voluntary activities. These activities mainly include speeches at schools (all levels from first grade to university) but the ambassador may also receive study visit from interested groups to her company.

The ambassadors' scheme is highly visible as almost 100 000 people have so far met an ambassador. Media coverage is high and the visibility of women as entrepreneurs has increased. The scheme is important for those who meet the ambassadors, the role models, since it demonstrates that entrepreneurs are not necessarily men. The scheme is also important for the ambassadors themselves since it strengthens their self-image as entrepreneurs and gives them access to a nation-wide network of women entrepreneurs.

Box 9.8. **Ambassadors for Women's Entrepreneurship, Sweden,** cont.

The scheme has been successfully copied and implemented in other EU countries in the form of a European Network of Female Entrepreneurship Ambassadors. The network consists of almost 300 women entrepreneur ambassadors coming from 22 different countries. The network has achieved impacts in terms of the visibility of women entrepreneurs and translating the potential of women entrepreneurs into new start-ups.

Box 9.9. **Two Women WIn, Germany**

The Two Women WIn (TWIN) project aims to assist women entrepreneurs who face growth challenges during the early stages of their business activities by providing mentoring by other women entrepreneurs. It was initiated in 2001 by the Käte Ahlmann Stiftung (KAS), a foundation that was set-up by experienced women entrepreneurs who perceived a need for a mentoring programme for new female entrepreneurs.

TWIN initially started as a two-year-pilot project in two districts in North-Rhine Westphalia supported by the Federal Ministry of Economics and the European Social Fund. KAS and the state-owned Agency for Innovative Employment Support (GIB) implemented the project. The former provided access to experienced female entrepreneurs through its links with the National Association of Women Entrepreneurs (VdU), while the latter had a pool of young women entrepreneurs searching for advice and support. Since 2004, TWIN has been offered on a national basis, and is now co-ordinated KAS and the Federal Ministry for Family, Seniors, Women and Youth (BMFSFJ). It is now mainly self-financed, through fees (EUR 250 fee for mentees), advertisements, and donations.

Mentees can apply for a one-year mentorship, provided that they still are in the first years of their business activity. The mentors are experienced women entrepreneurs, many of them members of the VdU, who volunteer their time. The matching is done case-by-case. As a first step, KAS conducts a comprehensive telephone or face-to-face interview with the mentee. The matching process seeks a personal fit between mentee and mentor and a fit based on the business profiles that emerge from their applications. Once both sides have decided to collaborate, they sign a mentoring agreement, whereby the mentor commits to at least four personal meetings during the year. The frequency, regularity and content of the meetings are at the discretion of the mentee-mentor pair. In order to ensure a good quality service, KAS monitors the relationships and mediates in cases of conflict between mentee and mentor. In addition to the mentorship, KAS offers seminars that focus on the development of entrepreneurship skills and fostering networks between mentee-mentor pairs.

During the pilot phase, 70 mentees had participated. In total, from 2001-2011, TWIN mentored 370 young women entrepreneurs (around 30-50 annually) and involved 280 mentors. Only one per cent of the TWIN-teams have discontinued their mentorship relation.

For more information, please refer to: *www.kaete-ahlmann-stiftung.de/*.

Young people

One of the key requirements for entrepreneurship programmes for youth is to increase their awareness of self-employment and business ownership as a career option. The education system is increasingly teaching about the role of entrepreneurs in society but 40% of young people do not agree than their schooling is helping them understand this (European Commission, 2009). At the same time, it is important to increase young people's skills and competences for entrepreneurship since a lack of skills is more likely to be a barrier to

self-employment for youth than for adults (16.2% and 7.4%) (European Commission, 2009). Programmes for youth therefore need to pay attention to opportunities for entrepreneurship education in formal education and links with schools and colleges. The Junior Achievement Scheme is a widely spread good practice, which, through the means of enterprise education, provides special services and awareness-raising on entrepreneurship for youth (see Box 9.10).

Box 9.10. **Junior Achievement, Romania**

Junior Achievement exists in many countries. The Romanian scheme (see *www.jaromania.org*) is national in scope, integrated at all levels in the public school system, and provides early socialisation and training in entrepreneurship. The programme is targeted at children and young people of 8-24 years old in order to provide knowledge and concrete information about business and develop entrepreneurial skills and competitive spirit among youth through business classes and business simulations online. A secondary target group is the teachers involved and the business community.

The programme in Romania has a large take up, involving 325 300 students and 3 587 teachers in 1 750 educational institutions in 334 localities in 2011-2012. It is made up of twelve learning-by-doing programmes (Our Community, It's My Business, Global Marketplace, Company Programme, Business in Tourism, Business in Technology, Enterprise Without Borders, IT in Business, Maths for Business, Business Ethics, Innovate Programme, Business Simulation Programme). Students have access to manuals and online support free of charge.

Among the success factors are the close linkage to the local community and economy and the hands-on approach, which helps prepare young people for the context they will meet when they have finished school. Another success factor is the long history of the scheme. Junior Achievement was first established internationally in 1919 and was introduced in Romania in 1993 and its instruments have been well tested and systematically improved. In addition, the presence of a large number of Junior Achievement schemes all over the world facilitates the transfer of good practice among them.

In addition to enterprise education schemes, young people need more concrete and comprehensive support packages for business start-up itself, integrating finance with training, advice and mentoring in order to build management and business experience, which young people typically lack. In this respect, the advisers, trainers and mentors should have specialist knowledge about the business-related needs of young people, which will help them acquire the confidence and trust of the group they cater for (CEEDR, 2000).

Entrepreneurs with disabilities

Supporting entrepreneurship and self-employment by the disabled is another challenging area for policy because of the highly specialised nature of much of the support required to help people overcome their disabilities, the variety of different types of disability, and relatively low client densities for assistance linked to business start-up and operation in any disability type. One way of dealing with this is through inter-agency co-operation, which provides an opportunity for specialisation across different organisations, one or more dealing with addressing aspects of disabilities while another addresses business start-up and employment support.

A study in the United States showed how Small Business Development Centres specialise in providing business start-up and self-employment support in combination with

Vocational Rehabilitation agencies, which provide services to help overcome disabilities. It found that the vast majority of business support agents from Small Business Development Centres felt that it was very important to have Vocational Rehabilitation assistance for disability issues available at the same time (Ipsen et al., 2005) and this will usually be essential for people with severe disabilities. As Rizzo (2002) argues "employment efforts that intelligently combine business support systems with personal social support systems more typical for people with severe disabilities can open the option of self-employment and self-directed employment for this group".

It is also crucial for disabled clients who are interested in entrepreneurship and self-employment to have a specialist adviser or mentor. These advisers and mentors should be trained in recognising and understanding the special needs of disabled entrepreneurs, but should also have the personal qualities necessary to win the confidence and trust of disabled clients. The use of specialists is thought to increase the likelihood that this target group will approach a public business support organisation (MIND/Social Firms UK, 2004).

Finally, two other practical issues needed to be considered. First, if there are physical access problems, there needs to be a flexible approach to the provision of business support that may include, for example, the use of peripatetic business advisers. Second, when targeting disabled people who are welfare recipients, it is generally recommended that the government agencies dealing with the entrepreneurship and self-employment support are kept separate from those providing social benefits in order to avoid confusion and mistrust on the part of the target group (Green, 2008).

Conclusions and policy recommendations

Mainstream business and self-employment support programmes can suffer from low take up rates among disadvantaged and under-represented groups. This stems from the problems of pushing a "one size fits all" policy onto target groups with different characteristics to the mainstream entrepreneur population. This may result in support that is not appropriate to the needs of a particular community, a lack of trust among disadvantaged and under-represented groups in the ability of business support staff to understand their needs and poor communication and visibility of programmes to the target populations. In particular, many people from disadvantaged and under-represented groups run smaller-scale businesses than the average, prefer more locally-provided support, have experienced scepticism on the part of certain mainstream business contacts and have a preference for communicating with people from their own communities.

Given these conditions, policy makers have a key decision to make concerning the model they adopt for the delivery of business start-up and self-employment programmes to disadvantaged and under-represented target groups. The choice can have a significant impact on the capability of programmes to reach these groups and on their effectiveness and efficiency. There are various alternatives, ranging from offering disadvantaged and under-represented groups the same support and entry channels as all other population groups, to specific agencies delivering custom-designed support for each target group. While specialist agencies and customised programmes are likely to offer the best reach into the target groups and take the best account of their specific needs, it can be very expensive, particularly if only low volumes of clients are supported, while target-group entrepreneurs may also find themselves disconnected from other services they need, particularly at later stages of business development.

Various intermediate solutions can be considered, involving differing degrees of customisation and differences in the extent to which programme marketing and access routes are targeted to specific groups. Selecting an appropriate mechanism will depend to a large extent on the context. Where there is a low density of a particular target group in a country or region, then opening up access to mainstream support is likely to be more efficient, whereas specialist programmes and agencies can be very effective when there are large client groups or little need for costly face-to-face contacts (such as provision of target-group specific grants and subsidies).

Where there is significant reliance on mainstream programmes, a number of means of improving their delivery to disadvantaged and under-represented groups should be investigated and implemented. These include increasing diversity among those who run and administer the programmes; using specialist community-based agencies to deliver services; organising specific programme marketing and promotion to target groups and including target-group sensitive information and role models in general promotion; using specialist diagnosis and programme referral officers for specific target groups; using trainers, advisers and other frontline from the target groups or training mainstream staff in the support needs of the target groups; and monitoring and evaluating programmes against clear, measurable goals for serving disadvantaged and under-represented groups.

The observations in this chapter lead to the following policy recommendations.

Key policy recommendations

- Make use of custom-designed support delivered through specialist agencies or specialist branches of mainstream agencies if client density is sufficiently high to achieve cost efficiency in programme delivery. If customised support and specialised agencies are used, then also secure bridges to mainstream support, particularly at later stages of business development.
- Improve the delivery of mainstream programmes to increase engagement with disadvantaged and under-represented groups by ensuring diversity among those who run programmes, recruiting members of members of the client group for diagnosis, referral and service delivery, providing training for frontline staff in dealing with the target groups, using appropriate media channels and languages to communicate programmes, and setting and monitoring targets for client diversity.

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PART III

Country profiles

Chapter 10

Data and inspiring practices in inclusive entrepreneurship policy: Country examples[1, 2]

This chapter presents inspiring policy practices from 27 EU member states together with a set of tables 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.

Reader's guide

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 2000-2011 period to illustrate medium-term trends and the impact of the global economic crisis.
- Chart B shows the self-employment rates in 2011 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 2011. 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). These countries are: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom.

- 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 Chapter 5 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 2007- 2011.

Table 10.1. **Inventory of inspiring policy descriptions**

	Name of scheme	Issue addressed by scheme	Target group covered by scheme	Page
Austria	Mingo Migrant Enterprises	• Entrepreneurship skills	• Migrants	186
Belgium	Activity Co-operatives	• Entrepreneurship skills • Finance	• Unemployed	188
Bulgaria	Employment Through Entrepreneurship	• Entrepreneurship skills • Finance	• Unemployed	190
Cyprus	The Women's Cooperative Bank	• Finance	• Women	192
Czech Republic	Assistance Centres for Female Entrepreneurship	• Entrepreneurship skills	• Women	194
Denmark	Ethnic Coaches for Ethnic Entrepreneurs	• Entrepreneurship skills	• Ethnic minorities	196
Estonia	Youth Entrepreneurship Development Programme ENTRUM	• Entrepreneurship skills	• Youth	198
Finland	Start-Up Grant	• Institutions • Finance	• Unemployed	200
France	Auto Entrepreneurship	• Institutions	• Micro businesses	202
Germany	Start-Up Subsidy	• Institutions • Finance	• Unemployed	204
Greece	Self-Employment Scheme for the Vulnerable Unemployed	• Finance	• Unemployed	206
Hungary	Social Co-operative Support Scheme	• Institutions	• People with disabilities • Long-term unemployed • Women	208
Ireland	Going for Growth	• Entrepreneurship skills	• Women	210
Italy	Affirmative Action for Female Entrepreneurship	• Institutions	• Women	212
Latvia	Grants for Business Start-ups	• Entrepreneurship skills • Finance	• Unemployed	214
Lithuania	Entrepreneurship Promotion Fund	• Entrepreneurship skills • Finance	• Unemployed • People with disabilities • Youth • Seniors	216
Luxembourg	Federation of Women Chief Executives	• Institutions	• Women	218
Malta	Start Your Own Business	• Entrepreneurship skills • Finance	• Unemployed	220
Netherlands	Start-up Credit for Partially Occupationally Disabled Persons	• Finance	• People with disabilities	222
Poland	Promotion of Entrepreneurship and Self-Employment	• Institutions • Entrepreneurship skills • Finance	• Long-term unemployed • Youth • Seniors • People with disabilities • People living in rural areas • Women	224
Portugal	Programme for Entrepreneurship and Self-Employment	• Entrepreneurship skills • Finance	• Youth • Unemployed • People with disabilities	226
Romania	Women School of Entrepreneurship	• Entrepreneurship skills	• Women	228
Slovak Republic	Training and Advisory Services for Potential Entrepreneurs	• Entrepreneurship skills	• Youth • Seniors • Women	230
Slovenia	Self-Employment Subsidy	• Finance	• Unemployed • People with disabilities	232
Spain	EMEKIN – Women Entrepreneurs	• Institutions	• Women	234
Sweden	Reform of Social Insurance System for Self-Employed Workers	• Institutions	• Women	236
United Kingdom	The Prince's Trust Youth Business Scotland	• Entrepreneurship skills • Finance	• Youth	238

Austria: Mingo Migrant Enterprises

Description: Mingo Migrant Enterprises is an integrated support scheme for entrepreneurs with a migrant background in Vienna. It provides business consultancy services for immigrants and ethnic minorities and referrals of immigrants to other mainstream business support schemes in German and various other languages.

Context: Austria has one of the highest proportions of foreign-born people in the European Union and many migrants settle in Vienna, where approximately 40% of the population has a migrant background. Approximately one-third of businesses in Vie nna are owned by entrepreneurs with a migrant background (Statistics Austria, 2012).

Problem addressed: Mainstream business support schemes in Vienna (such as the parent initiative Mingo Enterprises) have had very little take-up by entrepreneurs from immigrant and ethnic minority communities. Reasons for this include ineffective outreach campaigns and a lack of services offered in minority languages.

Approach: Mingo Migrant Enterprises was developed by the Vienna city government with funding from the European Regional Development Fund (ERDF). The project provides business consultancy and referral services in 14 languages using business advisors from ethnic minority groups. The advisors provide direct advice and referrals that improve the access of immigrants to mainstream training services (e.g. Mingo Services/Mingo Academy), start-up financing (e.g. Mingo Finance) and subsidised premises (e.g. Mingo Offices). Networking events are also organised to help immigrant and ethnic minority entrepreneurs grow their business contacts and increase their knowledge of the local market. The project makes special efforts to reach potential clients through promotional campaigns in community-based media (e.g. minority language newspapers) and community networks and events. The use of business advisors from different ethnic minority groups is effective because clients have an increased level of trust with advisors from their own community and who can speak their language. The total budget for Mingo Migrant Enterprises for 2008-2012 was EUR 271 224 (50% from the ERDF).

Impact: Between 2008 and 2011, approximately 800 enterprise founders received support from Mingo Migrant Enterprises. Participants' feedback indicates that Mingo Migrant Enterprises is increasingly viewed as a useful one-stop shop for business support within immigrant and ethnic minority communities. In particular, the networking events are popular. The number of business owners from immigrant and ethnic minority groups applying directly to other Mingo programmes has risen sharply since Mingo Migrant Enterprises was launched (six fold increase from 2008 to 2011), suggesting that it has increased awareness of mainstream support projects within immigrant and ethnic minority communities and thus fulfils the intended bridging function.

Considerations for success: This scheme is an example of an approach that has been successful in reaching immigrant and ethnic minority clients with targeted outreach campaigns using their own languages, cultural contexts and media. Factors that have contributed to its success include the use of business advisers who share the same cultural background and language as the clients and the informal and flexible relationship that is developed between participants and business advisers. It is also important for schemes such as this one to maintain dedicated follow-up with clients after initial consultations.

Figure 10.1. **Entrepreneurship and self-employment data for Austria**

Chart A. Unemployment rates, 2000-11

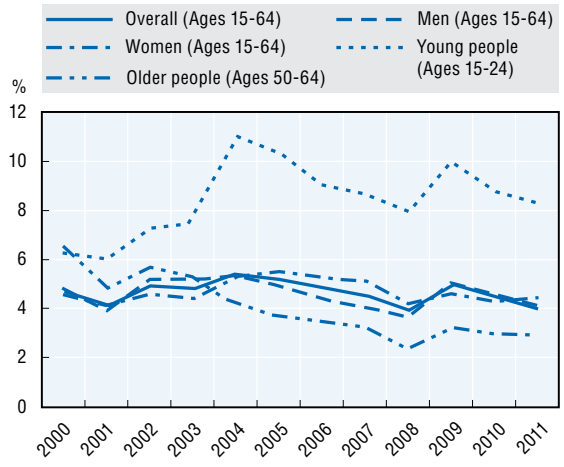


Chart B. Self-employment rates, 2011

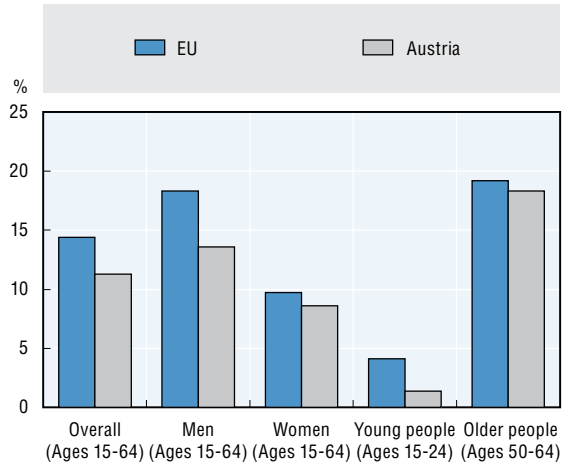


Chart C. Self-employment rates, 2000-11

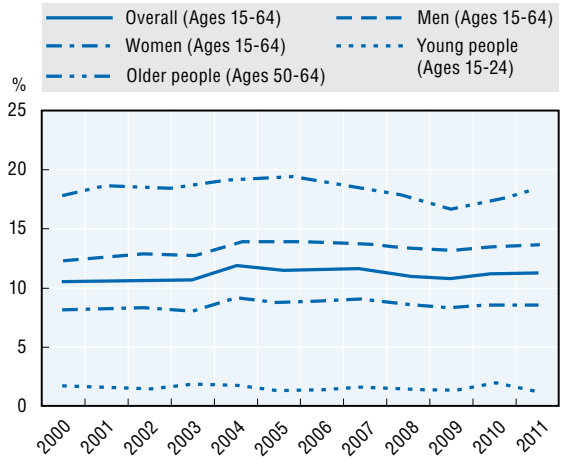


Chart D. Total early-stage entrepreneurial activities rate, 2007

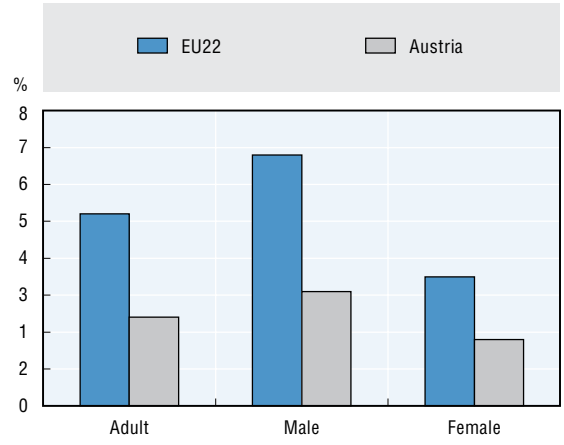
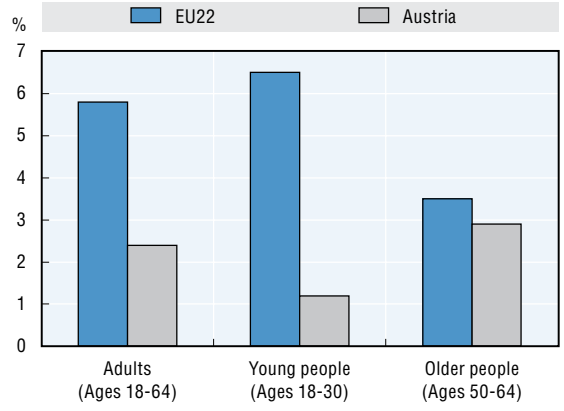


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2007; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932927421

Belgium: Activity Co-operatives ("Activiteitencoöperaties")

Description: Activity Co-operatives support business start-up by unemployed people and people receiving state income support in Flanders. It provides a comprehensive suite of training, business advisory services and coaching. Moreover, it provides guaranteed access to social benefits for 18 months during the preparation and start-up of their business activities.

Context: There were smaller increases in unemployment as a result of the global economic crisis in Belgium than in many other EU countries because of a government support for reduced working time schemes. However, those with weak labour market attachment were affected and unemployment rose particularly in the most vulnerable groups.

Problem addressed: Those receiving unemployment benefits or state income support not only lack the financial resources needed for business start-up but also have greater difficulty sustaining themselves and their businesses during the early stages of business development. Guaranteeing continued access to those welfare supports to which individuals are entitled provides some financial security during the start-up and reduces the personal financial consequences of business failure.

Approach: Activity Co-operatives started in 2004 as a pilot project that hired unemployed people and recipients of minimum income support as employees. Since 2009, it supports self-employment by providing entrepreneurship training, individual and group advisory services, individual coaching, and continued guaranteed access to unemployment benefits and minimum income supports during the first 18 months of business operation. Participants are selected through an interview process in which they are assessed on how realistic their entrepreneurial goals are; whether they have any experience or expertise related to their business idea; and the amount of capital that is required for business start-up. The project includes two phases. First, the "preparatory" period (up to 6 months) focuses on improving entrepreneurial competences and developing a business plan. Participants must attend at least 12 workshops and training sessions. During the second phase, the "billing" period (12 months), individuals start their entrepreneurial activity. Activity Co-operatives provide a tax number, help the entrepreneurs fulfill administrative requirements and offer advisory services. There are 24 Activity Co-operatives in Belgium (5 in Flanders, 16 in Wallonia and 3 in Brussels), which are financed by the regional governments.

Impact: In 2011, the Flemish activity co-operatives organised 81 information sessions for potential candidates and 748 people attended. Of this group, 312 intake interviews were conducted and 151 new participants entered the scheme. In 2011, the project also supported 123 people who had entered the programme during the previous year. Among those who completed the programme in 2011, 51% remained self-employed in 2012, 18% worked as employees and 27% did not work in self-employment or in paid employment but continued to receive unemployment or minimum income support benefits.

Considerations for success: Activity Co-operatives provide an opportunity to test a business idea while maintaining income benefits. This minimises the consequences of business failure for an individual and offers an incentive for people to try self-employment. It is critical for this type of initiative to complement financial support with training and business services that will help the participants succeed in their business venture.

Figure 10.2. **Entrepreneurship and self-employment data for Belgium**

Chart A. Unemployment rates, 2000-11

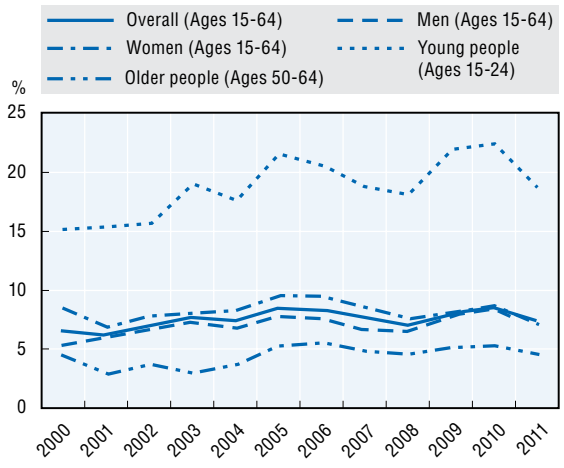


Chart B. Self-employment rates, 2011

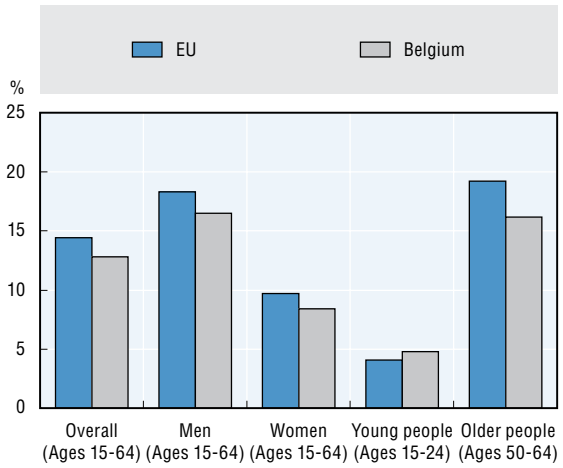


Chart C. Self-employment rates, 2000-11

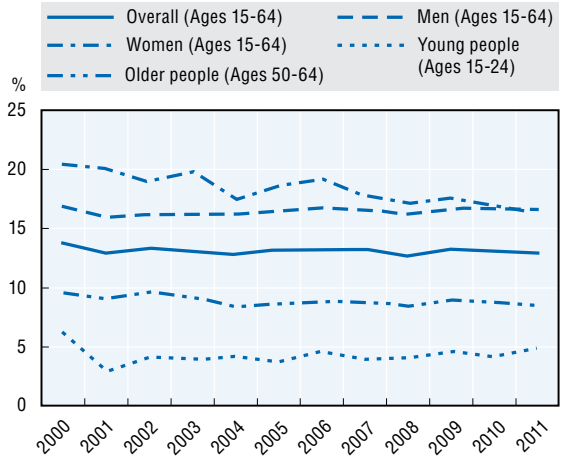


Chart D. Total early-stage entrepreneurial activities rate, 2011

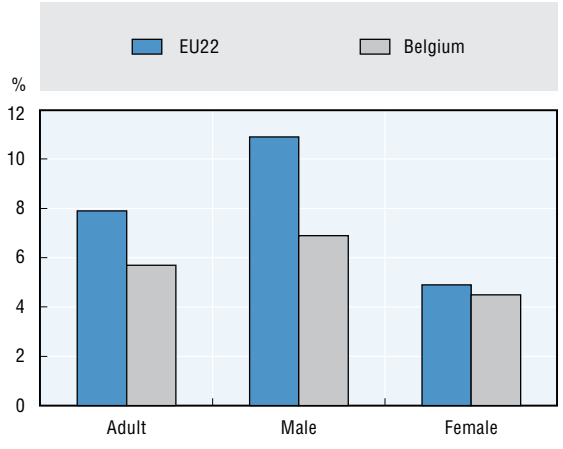
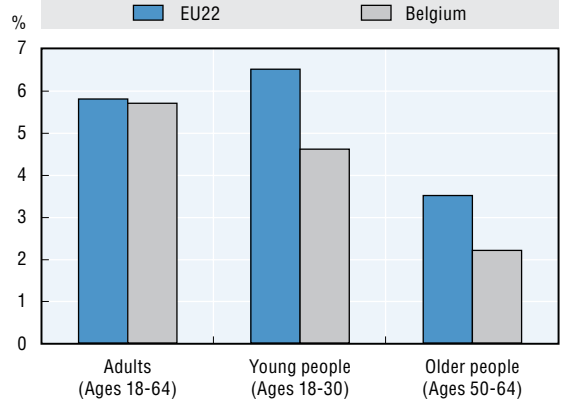


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932927516

Bulgaria: Employment through entrepreneurship

Description: This integrated entrepreneurship support scheme provides training, start-up financing and business advisory services to support unemployed people in starting a business.

Context: The unemployment rate in Bulgaria has doubled since 2008, increasing from 5.7% to 11.3% in 2011 (Chart A). The level of unemployment benefits relative to income from employment in Bulgaria can act as a disincentive for those in their first year of unemployment to return to the labour market (OECD, 2013). Support and encouragement may therefore be required for entrepreneurship and self-employment by the unemployed.

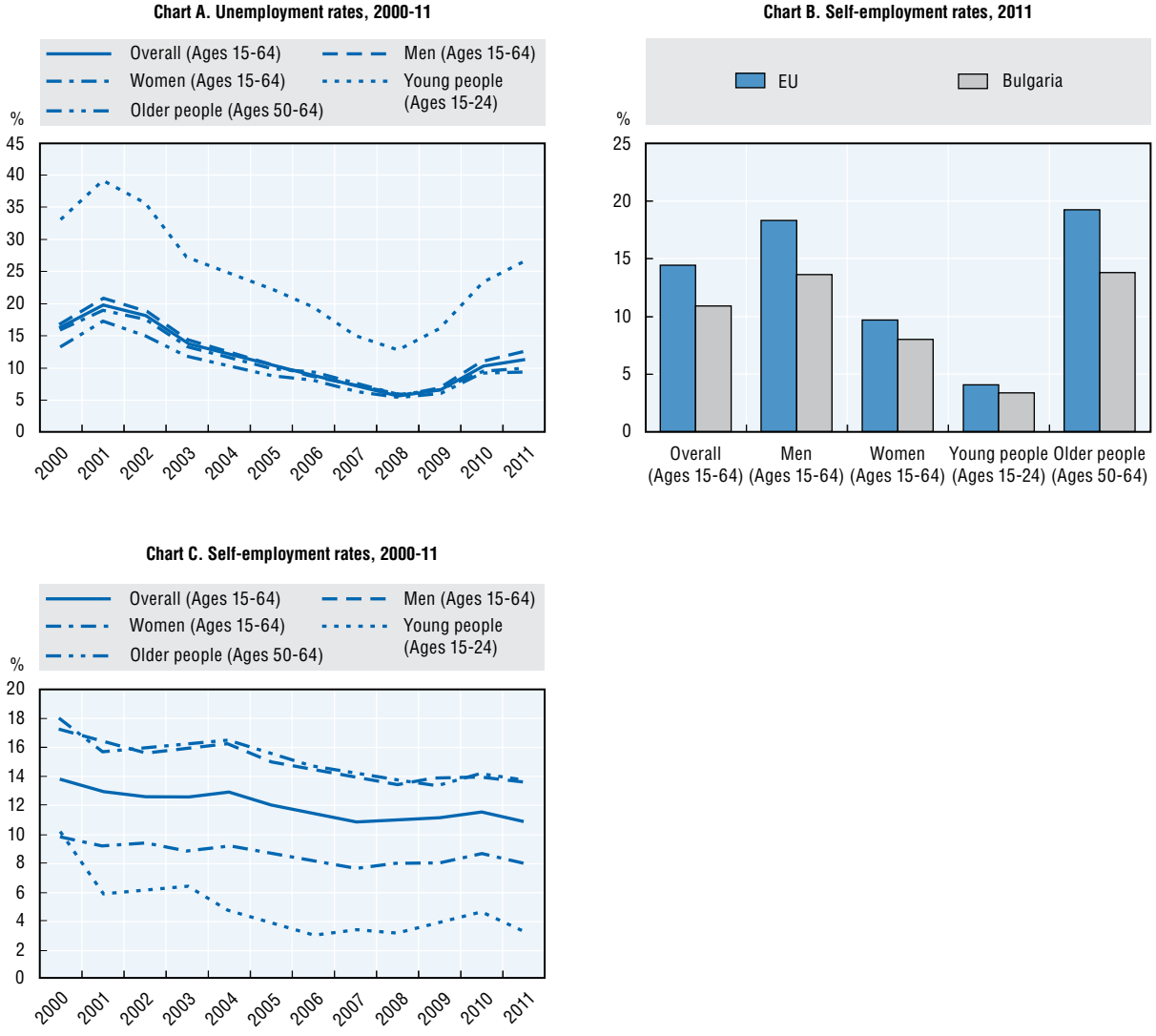
Problem addressed: The government offers several training programmes for unemployed people to update and improve their skills. However, the current support system provides little assistance with finding employment after the training is completed. This project aims to support entry into self-employment through training, financial support and post start-up support.

Approach: Business start-up and business management training are provided for unemployment people through local employment offices and partner training centres. The only entry requirements are that the participant is registered as unemployed with their local employment office and that they have completed at least secondary school education. Following completion of the training, participants may be eligible to receive a grant that can be used to finance business start-up and provide short-term remuneration during the initial period after business start-up. During the initial start-up, participants can receive complementary business consultancy and advisory services. This support project is expected to expand to provide second and third stages of assistance for those who have completed the initial stage. To be eligible for the second stage, participants will need to have a registered business and propose a project that will last between 3 and 12 months. Applications will have to describe the project and include a financial plan. A panel of experts will assess the plans and award grants from the regional employment offices of the National Employment Agency. Successful participation in the second stage may lead to participation in the third stage, which will provide additional consultation services, including market research assistance, technology advice, accounting, financing and legal services to help businesses become sustainable. The first stage of this project is supported by the European Social Fund through the Human Resources Development Programme 2007-2013.

Impact: The scheme receives BGN 20 million per year (approximately EUR 10 million) to fund stage one. Approximately 25 000 people participated in entrepreneurship training and received counselling on preparing a business plan in 2010. The scheme has led to the creation of 2 500 start-ups.

Considerations for success: In order to be successful in generating start-ups and integrating unemployed people into the labour market, it is important for schemes such as this one to combine financial support, training and advisory services.

Figure 10.3. **Entrepreneurship and self-employment data for Bulgaria**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011

StatLink http://dx.doi.org/10.1787/888932927611

Cyprus: The Women's Co-operative Bank

Description: The Women's Co-operative Bank, launched by the Cyprus Federation of Business and Professional Women (ΚΟΓΕΕ), is a private sector initiative that promotes and supports entrepreneurship by women.

Context: Attitudes towards entrepreneurship and business start-up are positive in Cyprus (European Commission, 2011a) but relatively few women are involved self-employment (Charts B and C). Women typically lack the means, motives, and opportunities to establish their own business (Nearchou-Ellinas and Kountouris, 2004) and these factors have been magnified by deteriorating economic and labour market conditions since 2008.

Problem addressed: The most significant barrier to business start-up for women in Cyprus is difficulty accessing financing (Nearchou-Ellinas and Kountouris, 2004). This initiative aims to increase the supply of financing available to women entrepreneurs, complementing other programmes that provide general support to businesses.

Approach: ΚΟΓΕΕ was founded in 1999 with the objective of supporting and increasing female entrepreneurial activity in Cyprus. In 2001, 350 of its members founded the Women's Co-operative Bank, which offers a full range of financial products and services (to both men and women) and promotes self-employment among women. The bank specialises in loans of up to EUR 100 000 and offers flexible repayment plans at competitive interest rates. One of the strengths of the Bank's lending service is that can provide access to loans within 48 hours of receiving a successful application. The Bank is also active in supporting entrepreneurs with advice and consultancy services that are provide at no charge for clients during the first two years of their business' operation. The Bank also facilitates access to professional networks for clients, including the European Network of Female Entrepreneurship Ambassadors, which is an international network in 22 EU member states. In 2009, ΚΟΓΕΕ launched a mentoring project, Development of the Network of Ambassadors for Female Entrepreneurship in Cyprus (DONA), which offers mentoring for clients of the Bank and organises a business plan competition.

Impact: The Women's Co-operative Bank has experienced rapid growth in its initial years, with deposits growing from EUR 240 000 in 2001 to EUR 5 800 000 at the end of 2004. The Bank has been successful at reaching women clients: 68% of loans are made to women. It has also worked with the Cypriot Government to increase the number of entrepreneurship support programmes for women entrepreneurs, including training programmes and grants provided by the Ministry of Commerce, Industry and Tourism.

Considerations for success: The strength of the Women's Co-operative Bank is that it offers personalised lending services that are flexible and designed to meet the needs of individual clients. The financial support is complemented with free business advice, consultancy and referral services to ensure that women have entrepreneurship skills to increase their chances of success.

Figure 10.4. **Entrepreneurship and self-employment data for Cyprus**

Chart A. Unemployment rates, 2000-11

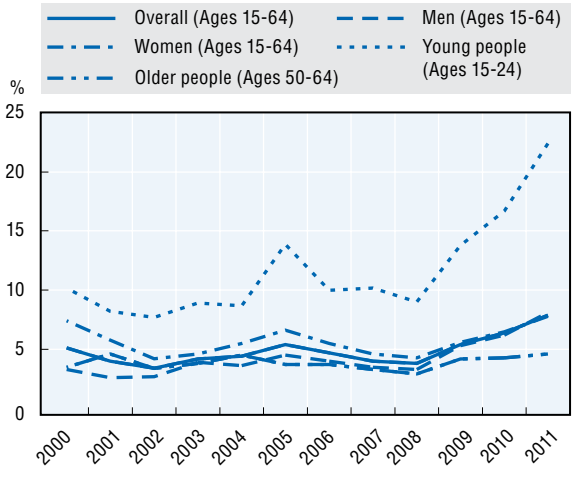


Chart B. Self-employment rates, 2011

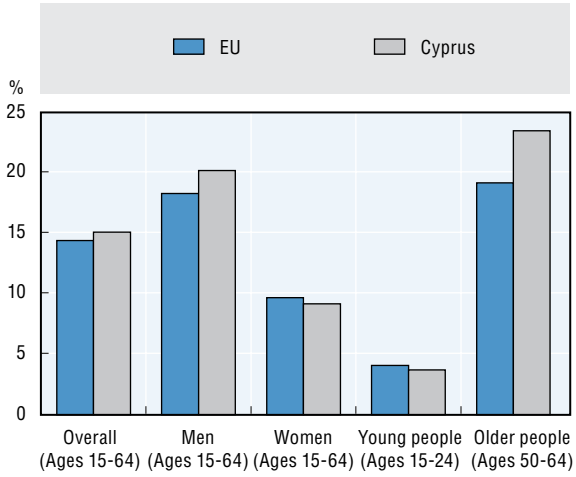
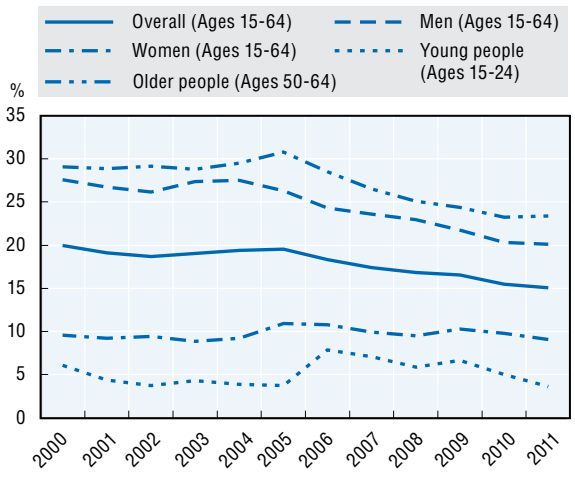


Chart C. Self-employment rates, 2000-11



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011.

StatLink http://dx.doi.org/10.1787/888932927668

Czech Republic: Assistance Centres for Female Entrepreneurship

Description: This project provides an integrated support offer to women entrepreneurs, including training, business advisory services and mentoring in two regions of the Czech Republic (Jihomoravský and Zlínský Region).

Context: The labour market in the Czech Republic varies greatly by region. A mismatch in the labour market between the skills supplied and the skills demanded has arisen due to a shift in economic activity from agriculture to the service sector. This has disproportionately negative impacts for vulnerable groups in the labour market such as youth and women, especially those in rural areas.

Problem addressed: Women have poorer labour market outcomes than men in the Czech Republic, including lower employment rates (16.8 percentage points lower in 2011), lower self-employment rates (9.6 percentage points lower in 2011) and higher unemployment rates (1.5 percentage points higher in 2011) (Chart A). Women face a number of challenges in entering the labour market, including the reconciliation of family and working life.

Approach: This project was created in 2005 as part of the EQUAL project through the creation of a partnership between the Moravian Association of Female Entrepreneurs and Managers (MAPM) and the Chamber of Commerce in Brno City. The Assistance Centres operate within the chambers of commerce and are co-ordinated by MAPM. Each centre employs a project manager, who co-ordinates the support services, and a professional consultant, who works with partners to deliver training and seminars on finance, law, accounting and marketing; assistance with business plan development and bank loan applications; individual consulting; and other services aimed at balancing work and personal life such as childcare. All services are provided free of charge and can be accessed for an unlimited amount of time. To qualify for the project, participants must have a trade certificate that is less than 2 months old and must not have experience with self-employment. Since 2008, this project was funded by the regional governments and the European Social Fund.

Impact: Between 2005 and 2008, the project cost EUR 760 000 and resulted in the creation of 60 new enterprises and 75 additional jobs. In addition, 171 existing enterprises benefited from the project, 2 469 women entrepreneurs received business counselling and 50 seminars were held for 600 women. In the final report of the Third Phase of On-going Evaluation of Community Initiative Programme (Ministry of Labour and Social Affairs, 2008), the scheme was identified as a model example of a procedure to identify and develop innovative products.

Considerations for success: One of the factors in the success of this project is the partnership that has been established between a non-profit organisation (MAPM) and the regional chambers of commerce. This has enabled synergies to be created between the service delivery experience of MAPM and the knowledge and professional skills of the chambers of commerce in supporting business start-up.

Figure 10.5. **Entrepreneurship and self-employment data for the Czech Republic**

Chart A. Unemployment rates, 2000-11

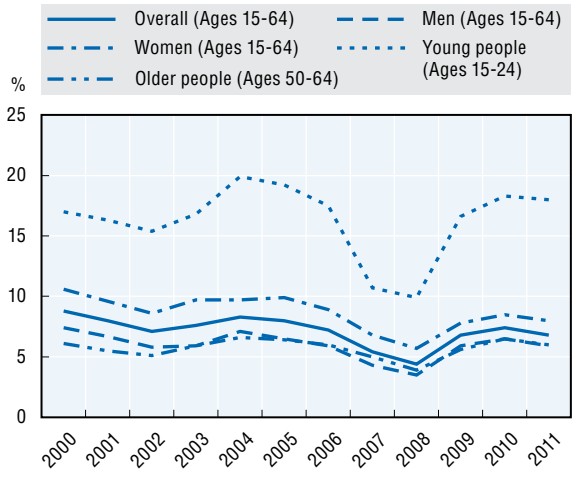


Chart B. Self-employment rates, 2011

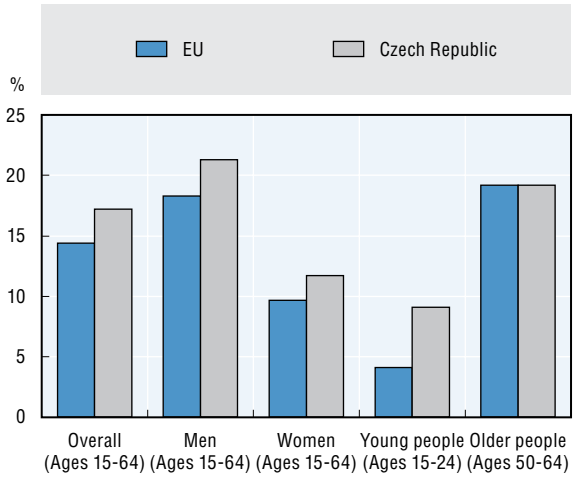


Chart C. Self-employment rates, 2000-11

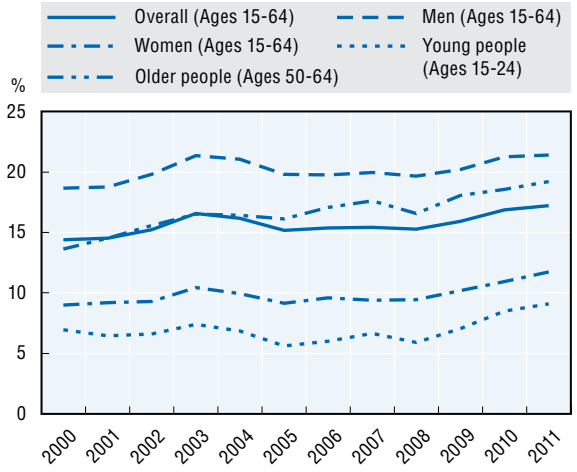


Chart D. Total early-stage entrepreneurial activities rate, 2011

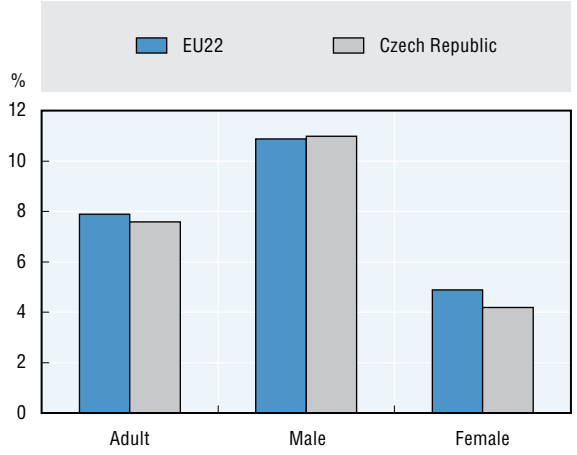
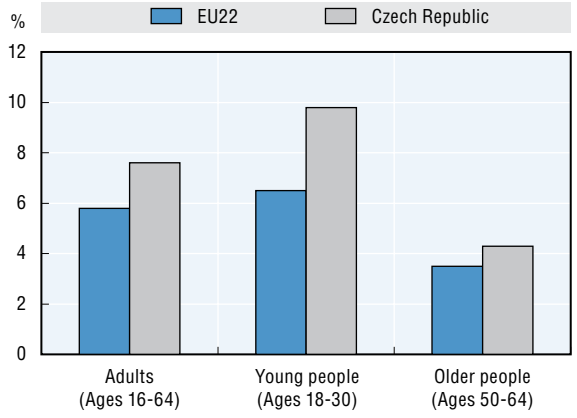


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011..

StatLink http://dx.doi.org/10.1787/888932927725

Denmark: Ethnic Coach for Ethnic Minority Entrepreneurs

Description: This project motivates and supports ethnic minority and immigrant entrepreneurs by providing business advisory services with coaches that are from the same local ethnic minority community.

Context: Like many other countries, Denmark has been impacted greatly by the economic crisis. While Denmark's unemployment rate remains relatively low overall (Chart A), some groups such as youth and immigrants have been disproportionately affected. One of the challenges in integrating unemployed and inactive people into the labour market is that the social welfare system in Denmark is one of the most generous in the European Union, increasing the cost of pursuing employment or self-employment opportunities relative to staying on welfare.

Problem addressed: When individuals move to new countries they face a range of challenges and difficulties in understanding and adapting to new cultures and institutions (both formal and informal). Many support programmes fail to help entrepreneurs from ethnic minority and immigrant communities because they offer only the standard business support approaches of the host country and overlook the importance of co-ethnic social networks and business practices in target communities.

Approach: This project started in the Municipality of Vejle but projects are now running across Denmark. It builds personal relationships with entrepreneurs in ethnic minority and immigrant communities by providing professional advisory services. The goal of the scheme is to shift the business advisory role from family and friends to professional coaches and counsellors, making the advice more effective. However, the emphasis is on matching clients with business counsellors from the same cultural background to build on the trust that exists within ethnic social networks. The role of the counsellor is to provide professional advice pertaining to the regulatory and social norms in the new country and to build and strengthen ethnic minority social networks. Consultations are provided through informal and flexible arrangements. The initial focus is on the business plan to identify and develop the central elements of the business idea such as the opportunity, the market, financing needs and the competences of the entrepreneur. Based on these discussions, the counsellor refers participants to formal business and entrepreneurship training provided by regions and municipalities. Following business start-up, participants can continue to receive coaching and mentoring from their counsellor to help them develop and grow their business.

Impact: More than 250 ethnic minority entrepreneurs have been assisted since 2005. The scheme won the European Trailblazer Award in 2007 and was selected as a European best practice in the Interreg IVC project, enspire EU (Entrepreneurial inspiration for the European Union), in 2011.

Considerations for success: The key to success for this scheme is the identification of passionate business counsellors from different ethnic minority groups who are active and respected in their communities. The counsellors are critical in successful outreach to potential clients and delivering the content of the scheme effectively. The key challenge is keeping these people engaged and interested in acting as counsellors.

Figure 10.6. **Entrepreneurship and self-employment data for Denmark**

Chart A. Unemployment rates, 2000-11

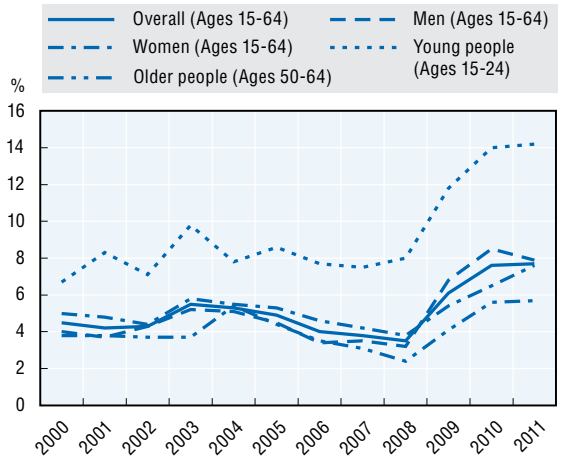


Chart B. Self-employment rates, 2011

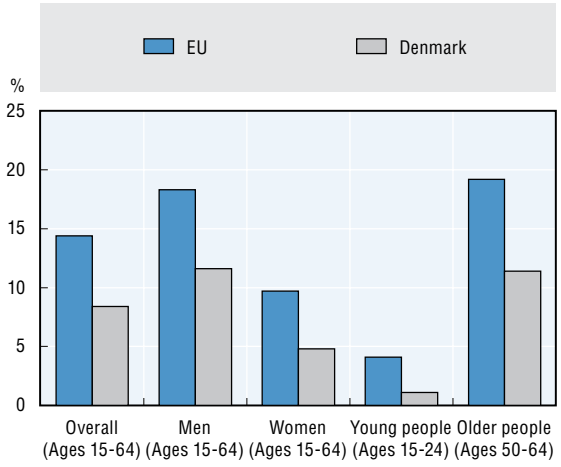


Chart C. Self-employment rates, 2000-11

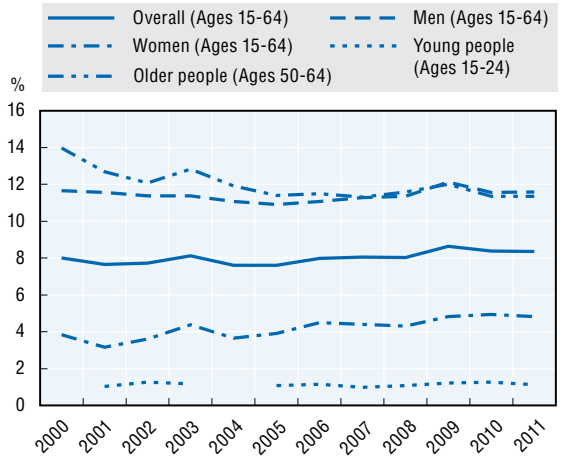


Chart D. Total early-stage entrepreneurial activities rate, 2011

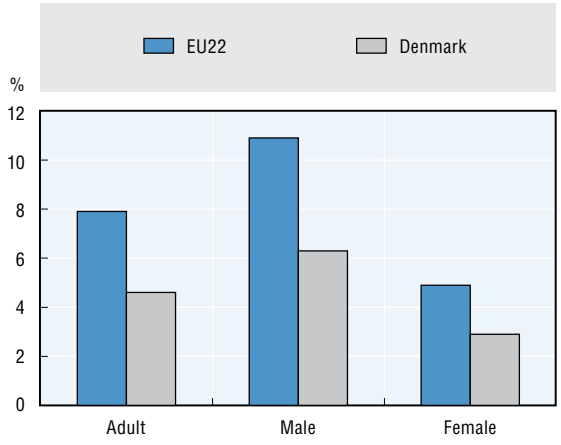
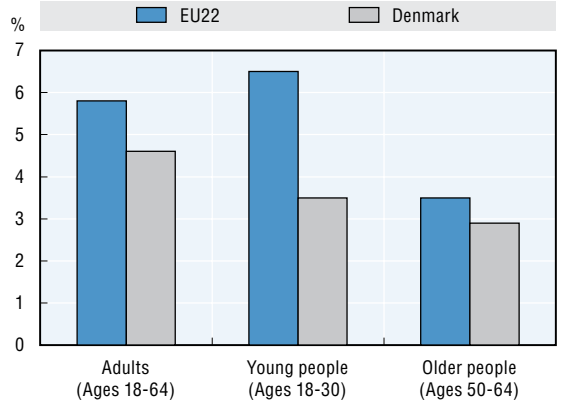


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932927820

Estonia: ENTRUM (Youth Entrepreneurship Development Programme)

Description: ENTRUM's mission is to promote the development of an entrepreneurial mind set and provide free entrepreneurship education to young people in Estonia. Its goal is to train at least 2 000 people (approximately 15% of all Estonians aged 14-19 years old) in all 15 counties between 2010 and 2014.

Context: Estonia faces a number of economic and social challenges, including the emigration of young adults. There is also an under-developed entrepreneurial culture, particularly among youth. ENTRUM surveys show that fewer than 5% of the youth population view entrepreneurship as a career option. In response, the Estonian Government developed a new education strategy and an entrepreneurship education development plan, "Be Enterprising!", to promote creativity, an enterprising attitude, problem solving skills and risk management among Estonian youth.

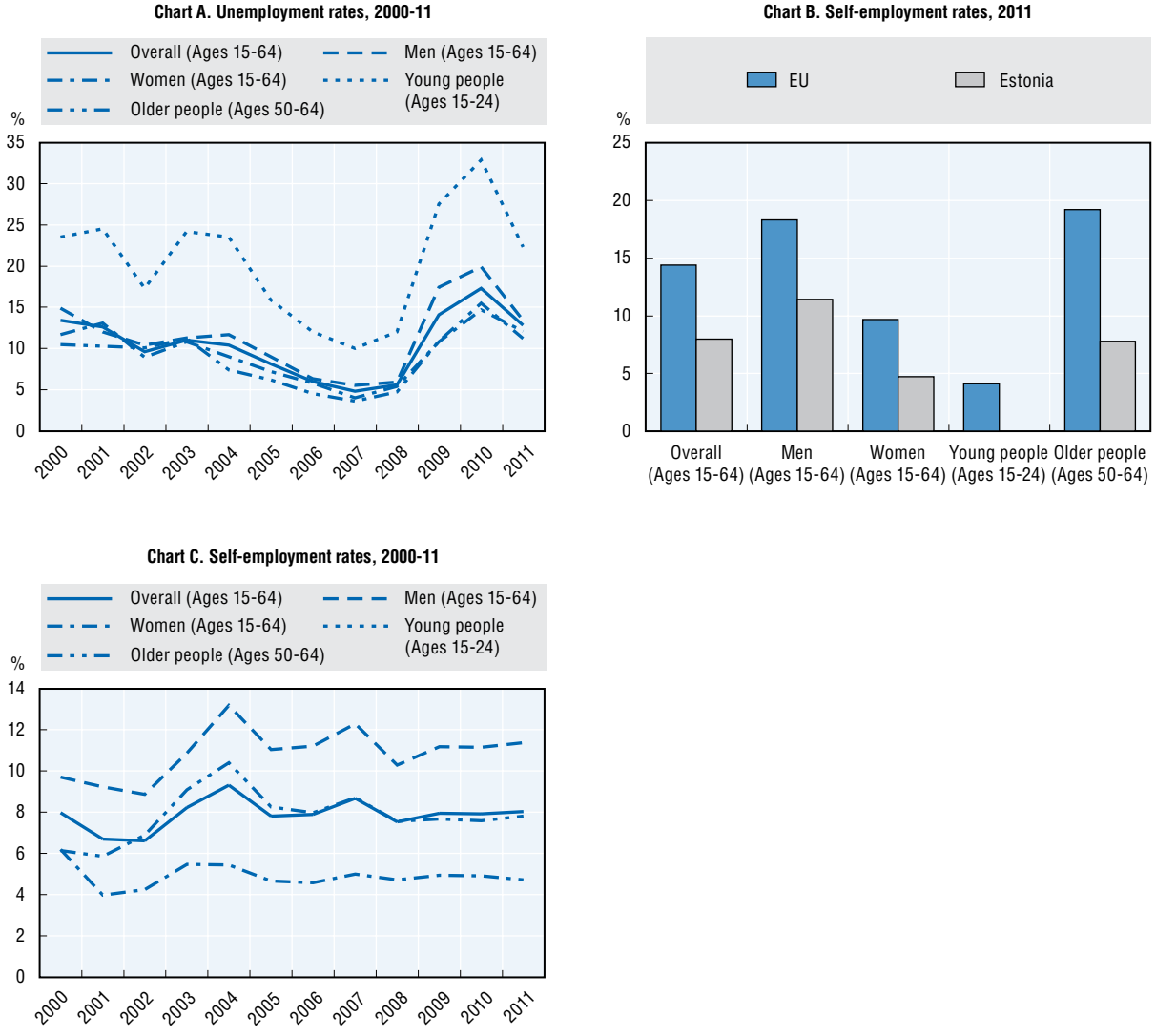
Problem addressed: ENTRUM aims to address the lack of entrepreneurial culture among young people and help address the high rate of youth unemployment (Chart A). It provides young people with a first-hand experience of turning ideas into action for personal development and inspires them to contribute to their community.

Approach: ENTRUM was developed by Estonia's biggest energy corporation (Eesti Energia) in 2010 as part of its long-term corporate social responsibility initiative. The project is implemented in collaboration with the Estonian Chamber of Commerce and Industry, and the Ministry of Economics and Communications and relies on more than 500 partners, including local governments, businesses, incubators, regional development centres, universities, youth organisations and non-profit organisations. The project provides three modules of entrepreneurship training for students aged 14 to 19 year over a 7-month period, as well as access to a professional network that includes business professionals and successful entrepreneurs. The first module, "Inspiration Hour", aims to promote entrepreneurship using successful Estonian entrepreneurs as role models. The second module consists of 7 one-day training seminars on topics such as goal setting, planning and teamwork. The third module is a team start-up project under the guidance of mentors. Following this module, the students can participate in the "I Am an Entrepreneur!" competition. ENTRUM participants are selected through an application process and efforts are made to ensure that young people with disabilities and those from low income families are represented. ENTRUM is funded by the energy corporation (95%) and the Enterprise Development Foundation (5%).

Impact: In two last academic years (2010-2012), 1 119 students participated in ENTRUM, of which 60% were female. The participants started 59 businesses and the most successful start-up has more than 60 employees. The project has recently received a number of awards, including a Swedish Business Award in 2011.

Considerations for success: This scheme illustrates an approach that has effectively engaged a large number of stakeholders from both the public and private sectors to organise and deliver entrepreneurship training widely. The project has also effectively used online outreach methods to raise awareness of the project and to showcase participants' projects.

Figure 10.7. **Entrepreneurship and self-employment data for Estonia**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011.

StatLink http://dx.doi.org/10.1787/888932927915

Finland: Start-Up Grant

Description: The Start-Up Grant promotes and supports business start-ups and self-employment by helping to secure a subsistence income for new entrepreneurs for 6 months (it can be extended for up to 18 months) while their business start-up becomes established. The grant is available to unemployed people and those moving from full-time studies or paid employment into self-employment.

Context: The Finnish economy was hit hard by the global economic recession and has yet to fully recover. The Start-Up Grant was launched in 1988 to help unemployed people transition back into employment. It was popular and used widely during the recession in the 1990s and was expanded following the economic crisis in 2008.

Problem addressed: There is some evidence that the labour market is improving (Chart A), but continued unemployment occurs at the same time as one of the highest job vacancy rates in the European Union (European Commission, 2011b). This suggests that there is a growing skills mismatch in the labour market. Furthermore there are a growing number of people in long-term unemployment. Business creation offers one method for people to move into employment and taking up new opportunities.

Approach: The grant is not intended to finance a business start-up, but rather to secure the entrepreneur's subsistence during the start-up phase. Originally targeted only at unemployed individuals, eligibility for the start-up grant was broadened in 2008 to allow those in full time salaried employment, studies or home work to apply for support after starting a business. The amount provided in 2011 was EUR 650 per month, on average, and is taxable income. To apply for the grant, applicants outline their work and entrepreneurship experience, business and entrepreneurship education, and must indicate whether other allowances are received from the Government (e.g. pension). Applicants must also provide information on their start-up project such as its name and legal form, a description of the business idea, business plans (including marketing and distribution plans and profit projections), identification of potential markets, an analysis of its relative strengths and weaknesses relative to competitors, and financing needs and sources. Applicants must have business start-up experience or have participated in entrepreneurship training offered by the Employment Office. The grants are awarded by the Employment Office, which consults third-party experts on the viability of business concepts.

Impact: The grant has had positive impact on the survival rates of the companies started: 38% of the companies established in 2005 were still operating in 2012 (at this time only unemployed people were eligible for the scheme), which is comparable to the overall business survival rate for that length of time. One-half of the respondents during the most recent evaluation considered the grant to be necessary for the survival of their business.

Considerations for success: The key to success for the Start-Up Grant is the provision of income to entrepreneurs while their business is becoming established. Evaluations also indicate that psychological support and encouragement to start and continue as an entrepreneur is valuable.

Figure 10.8. **Entrepreneurship and self-employment data for Finland**

Chart A. Unemployment rates, 2000-11

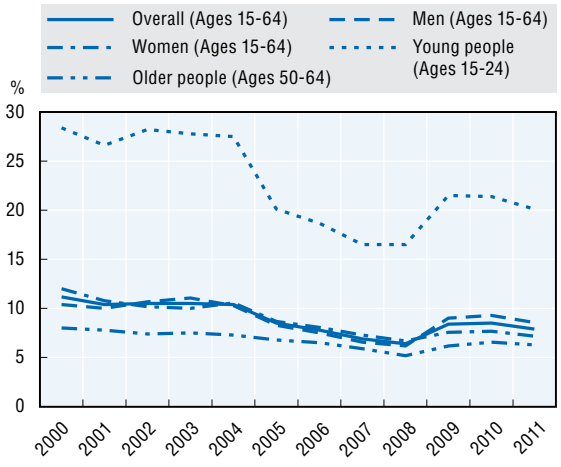


Chart B. Self-employment rates, 2011

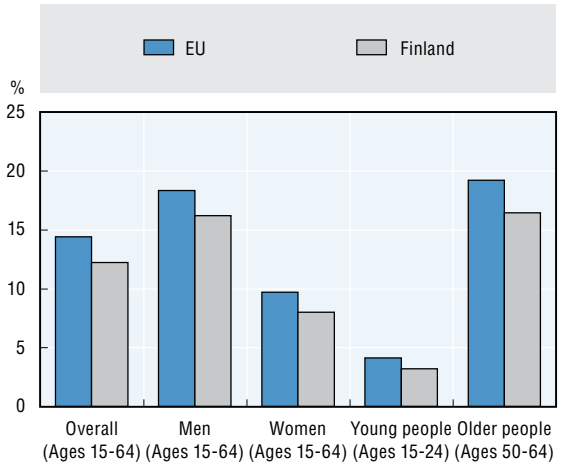


Chart C. Self-employment rates, 2000-11

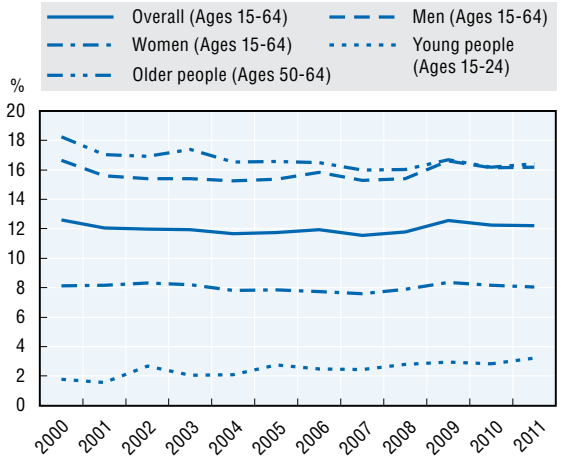


Chart D. Total early-stage entrepreneurial activities rate, 2011

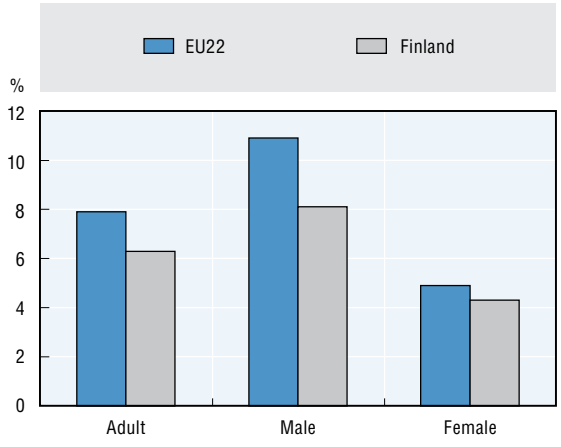
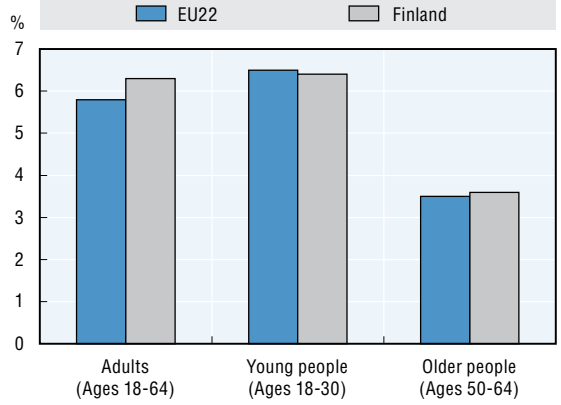


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932927972

France: Auto Entrepreneurship

Description: "Auto Entrepreneur" status is a legal provision that promotes the legal recognition of self-employment, simplified administrative procedures for self-employed individuals and reduces their social and fiscal contributions. It came into effect in the *Law on Economic Modernisation* on 1 January 2009.

Context: France has a high level of unemployment, particularly among some population groups such as youth (Chart A). In response, the government has taken a number of actions to minimise the impact of the global economic crisis on the labour market, including extending the duration of unemployment benefits, reviving subsidised work contracts, and promoting entrepreneurship through the "Auto Entrepreneur" status.

Problem addressed: "Auto Entrepreneur" status aims to increase business creation, particularly of small-scale businesses by people who are vulnerable in the labour market, such as people facing redundancy, in part time employment or who are unemployed.

Approach: This legal status is associated with simplified administrative procedures, significantly reduced social and fiscal contributions and reduced accounting obligations for small-scale entrepreneurs. The law defines an "auto entrepreneur" as a person engaged in a business activity as their main source of income, or as a supplementary source of income. Auto entrepreneurs are exempt from registering with the national business registry (the "Registre du Commerce et des Sociétés") and benefit from a simplified tax treatment. The conditions for operating as an auto entrepreneur are an annual gross turnover of less than EUR 80 300 for commercial ventures (i.e. purchase and resale of goods, services to be consumed on the premises and accommodation), and EUR 32 600 for services (excluding services to be consumed on the premises and accommodation).

Impact: Following the coming into force of the *Law on Economic Modernisation*, the number of self-employed people increased in 2009 and 2010, but declined in 2011 (-18.9%). Approximately 30% of auto entrepreneurs were unemployed prior to their business creation and 12% had no professional experience. Moreover, 6% were retired, and 5% were students. Between 45% and 52% of active auto entrepreneurs reported a positive turnover at least once between the third quarter of 2009 and the second quarter of 2011. The scheme has also had an impact on supporting part-time entrepreneurs. Approximately 40% of auto entrepreneurs were part-time businesses that were used to generate income to complement paid employment earnings. However, while increasing the volume of start-ups, the scale and growth prospects of many of the enterprises have been relatively limited as shown in recent studies (Nakara and Fayolle, 2013; Pereira and Fayolle, 2013).

Considerations for success: According to the French national institute for economic statistics (Institut National de la Statistique et des Études Économiques, 2012), three-quarters of auto entrepreneurs indicate that they would not have started a business had it not been for the auto entrepreneur regime (Insee Première, No. 1388). The most often-cited reason was that it allowed them to continue working in paid employment while starting a business (40%).

Figure 10.9. **Entrepreneurship and self-employment data for France**

Chart A. Unemployment rates, 2000-11

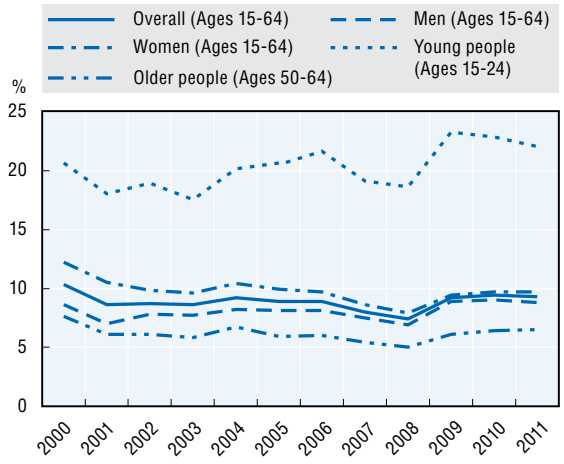


Chart B. Self-employment rates, 2011

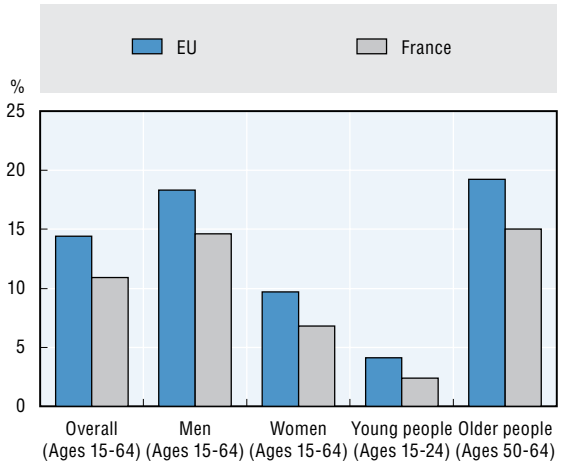


Chart C. Self-employment rates, 2000-11

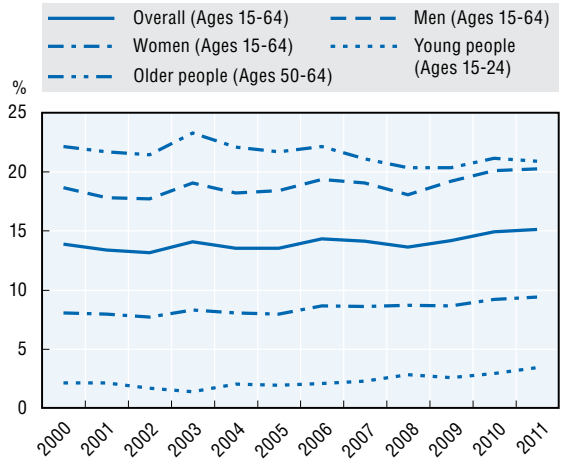


Chart D. Total early-stage entrepreneurial activities rate, 2011

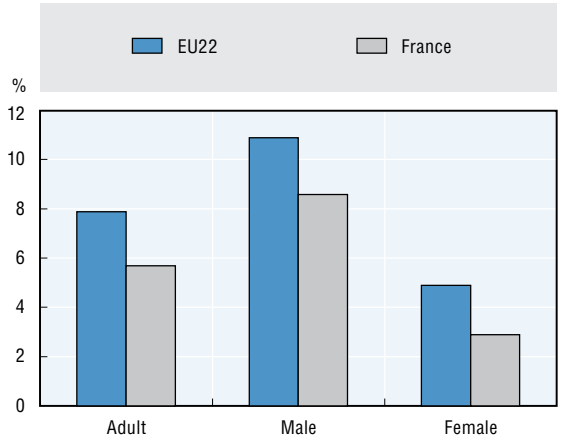
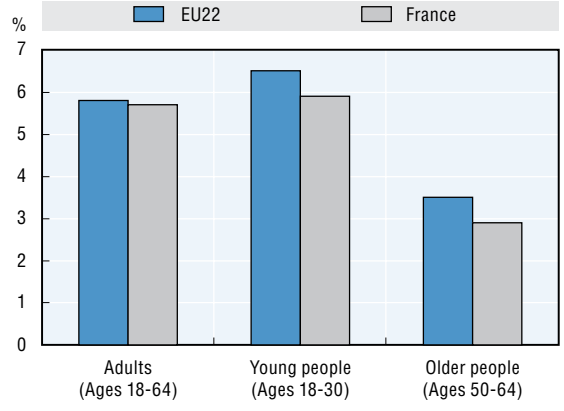


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928067

Germany: Start-Up Subsidy

Description: The Start-Up Subsidy is an active labour market policy programme that provides financial support to unemployed people who start a business.

Context: The German labour market responded well to the financial crisis, demonstrating the benefits of previous labour market reforms and projects that increased work incentives and improved job matching. One of the successful initiatives was start-up subsidies, which can be an effective tool for supporting self-employment activities out of unemployment when they are jointly introduced with complementary labour market reforms. Start-up subsidies aim to overcome barriers to accessing start-up financing and to help cover of the cost of living and social security while the business is being established.

Problem addressed: The goal of the Start-Up Subsidy is to support unemployed people to find work by increasing rate of business start-ups and their probability of survival. It does this by providing financial support to new entrepreneurs to cover their basic living costs and social security contributions during the initial stage of self-employment when businesses typically do not yield substantial income.

Approach: The subsidy supports the first 6 months of self-employment (between 2006 and 2011 it covered the first 9 months) by providing participants with monthly payments equivalent to their former unemployment benefits. An additional EUR 300 is granted to cover their social security contributions. To be eligible for entry into the programme, individuals must meet the following criteria: *i)* be eligible for unemployment benefits, *ii)* have a business plan approved by a chamber of commerce or similar institution, *iii)* have self-employment as their main occupation, and *iv)* fulfil the minimum requirements for unemployment benefits for 90 days. Until 2011, unemployed individuals were automatically entitled to the subsidy when these criteria were met; however, this was reformed at the beginning of 2012. Applications now require approval by the labour agency based on an evaluation of the potential of the business plan and the potential of the unemployed participant in self-employment. This change was aimed at reducing the programme's budget.

Impact: More than 100 000 participants used this allowance annually until 2011 and the subsidy scheme has an annual budget of EUR 1.8 billion. Evaluations show that the programme is effective and cost efficient when the supported business founders are compared with other unemployed individuals. Participants have high survival rates: between 60% and 70% of the start-ups survive 5 years (depending on the region), which is higher than the overall survival rate for all start-ups irrespective of previous employment status (50%). Moreover, many of these start-ups have created jobs. Nearly 40% of the business founders that received the subsidy created as many jobs as those who started businesses from employment. After 5 years, 20% of the supported individuals had returned to paid employment and fewer than 10% had returned to unemployment (e.g. Caliendo and Kritikos, 2010).

Considerations for success: A key success feature of this programme is that there is an efficient self-selection process in which interested applicants must demonstrate that they have a reasonable chance of success. Furthermore, the sought for outcome is not solely start-up activity but also increased employability following self-employment spells.

Figure 10.10. **Entrepreneurship and self-employment data for Germany**

Chart A. Unemployment rates, 2000-11

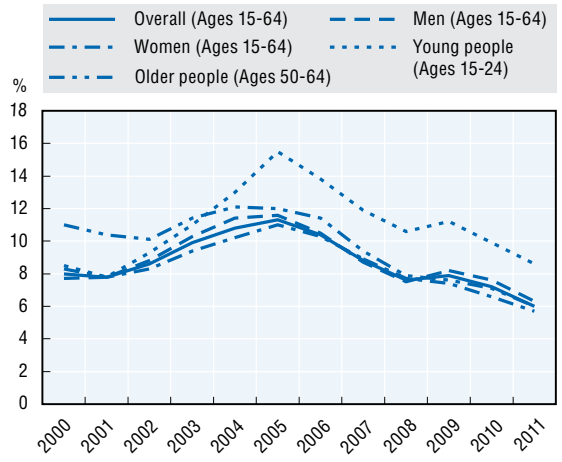


Chart B. Self-employment rates, 2011

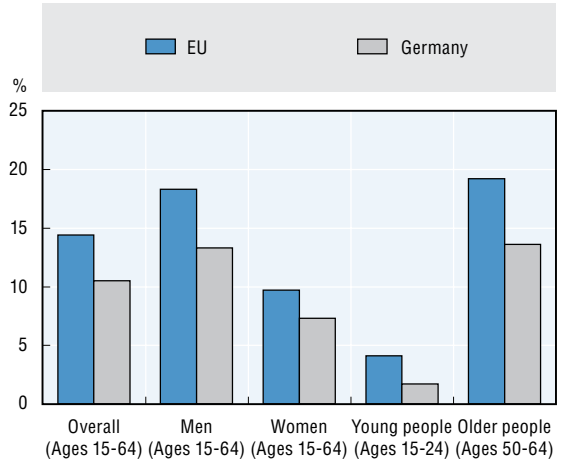


Chart C. Self-employment rates, 2000-11

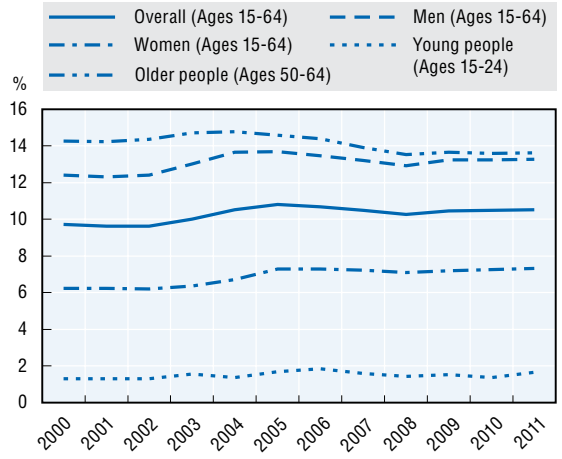


Chart D. Total early-stage entrepreneurial activities rate, 2011

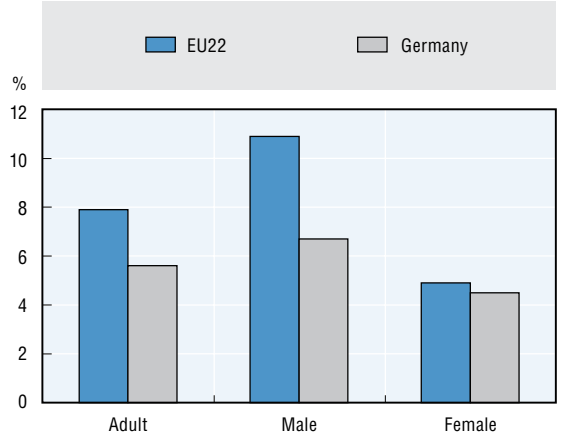
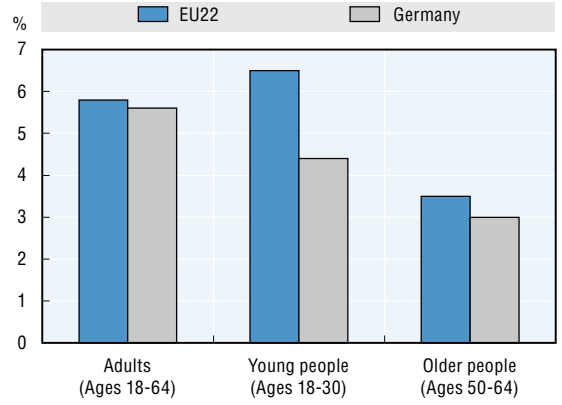


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928162

Greece: Self-Employment for the Vulnerable Unemployed

Description: This scheme provides grants to cover business start-up costs for unemployed people from vulnerable groups (i.e. women, older workers, low-skilled workers and young workers without experience).

Context: Labour market conditions have deteriorated dramatically in Greece since 2007. The unemployment rate more than doubled from 7.7% in 2007 to 17.7% in 2011 (Chart A), and the share of long-term unemployed exceeds 50%. The economic crisis exposed structural economic weaknesses, and Greece has had a deteriorating competitive position in the recent years due to growing current account deficits and a poor record of inward foreign direct investment.

Problem addressed: Vulnerable population groups such as people with disabilities and youth exhibit much higher unemployment rates than the mainstream population (Chart A) and face greater challenges entering the labour market. The recent economic crisis has worsened an already weak labour market and employers are reluctant to recruit new workers due to economic uncertainty and the high cost of hiring employees. One of the alternatives for unemployed workers is to create their own enterprises.

Approach: This scheme provides grants to help cover the costs of starting a business. Eligible candidates are unemployed persons between the ages of 18 and 64 that: *i)* are registered unemployed and have developed an individual action plan; *ii)* are Greek or European Union nationals and, if male, have fulfilled their military obligations; and *iii)* are from a vulnerable group. Applicants must provide a business plan that demonstrates that adequate financial resources are available and that the applicant has relevant qualifications and work experience. Funding of up to EUR 28 000 is available, with a first installment of EUR 7 000 provided immediately and six installments of EUR 3 500 each paid over a three-year period. In addition to financial assistance, successful candidates with a disability may claim grants for adapting their workplace for up to 90% of the cost of modifying the workplace. This scheme is funded by the European Social Fund (75%) with matching funds from the national government (25%).

Impact: This scheme has been more successful at helping people back into employment than other labour market policy schemes (e.g. employment subsidies, training and direct job creation), while start-ups receiving continuous support have achieved higher survival rates and have created more jobs relative to other new start-ups (OAED, 2008).

Considerations for success: This scheme is part of a shift in the direction of Greek labour market policy towards active labour market measures for people with disabilities and other vulnerable groups. The aim is to improve their employability rather than provide income support. The critical factor for success for this project has been the establishment of a business plan requirement and emphasis on new ideas, products and services as criteria for the award of support in order to reduce displacement effects.

Figure 10.11. **Entrepreneurship and self-employment data for Greece**

Chart A. Unemployment rates, 2000-11

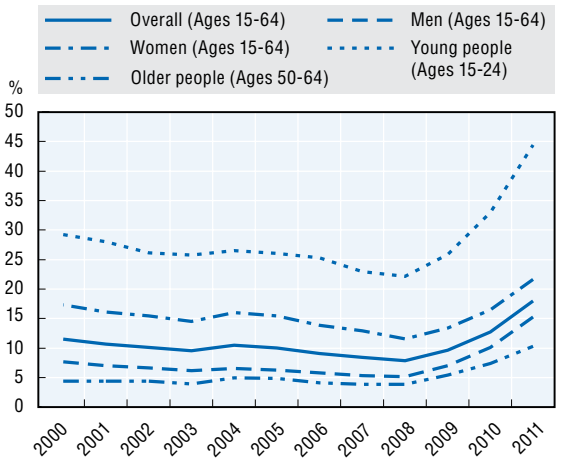


Chart B. Self-employment rates, 2011

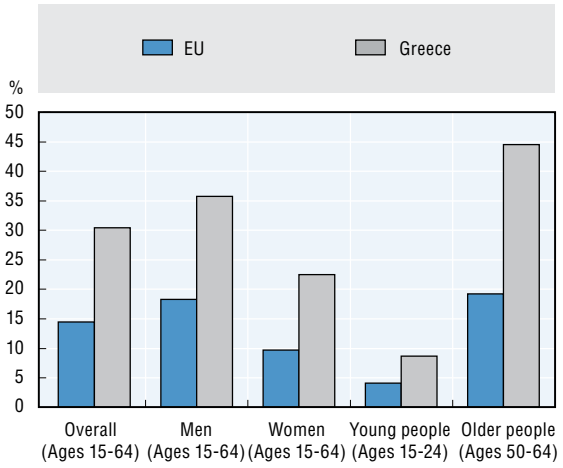


Chart C. Self-employment rates, 2000-11

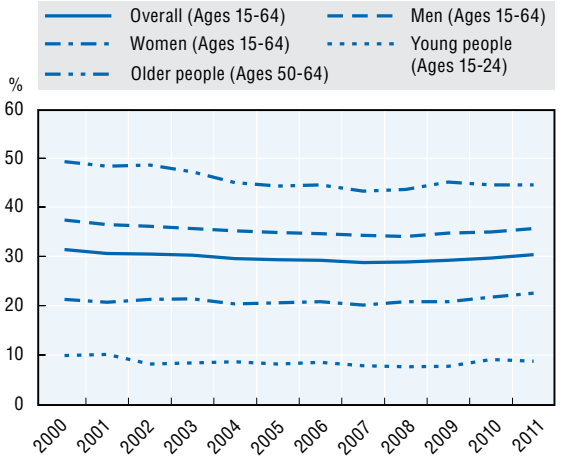


Chart D. Total early-stage entrepreneurial activities rate, 2011

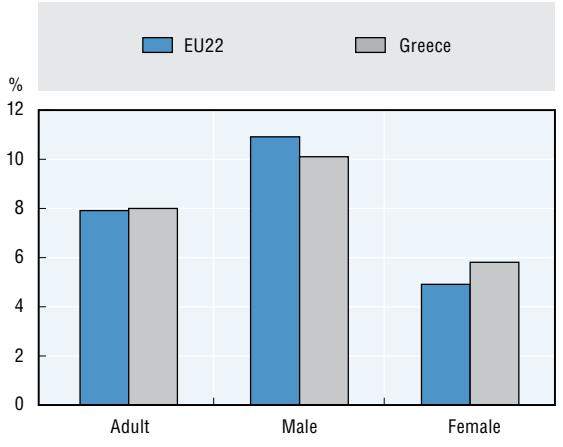
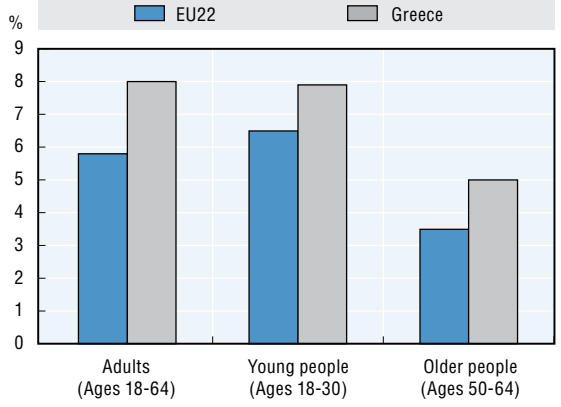


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928257

Hungary: Social Co-operative Support Scheme

Description: This project provides training for groups seeking to start social co-operatives that aim to integrate people from disadvantaged groups (people with disabilities, the long-term unemployed, those with low education levels and women returning from maternity leave) into the labour market.

Context: The labour market in Hungary has yet to show any strong signs of recovery from the global economic crisis. The employment rate continues to lag behind the European Union average and the gap has increased to 9 percentage points over the last 4 years. The risk of social exclusion is high for certain under-represented groups in the labour market, including the low-skilled, youth, seniors, women of childbearing age, the disabled and the Roma. The Government is prioritising reducing long-term unemployment to limit problems of social exclusion and reduce the risk of rising structural unemployment.

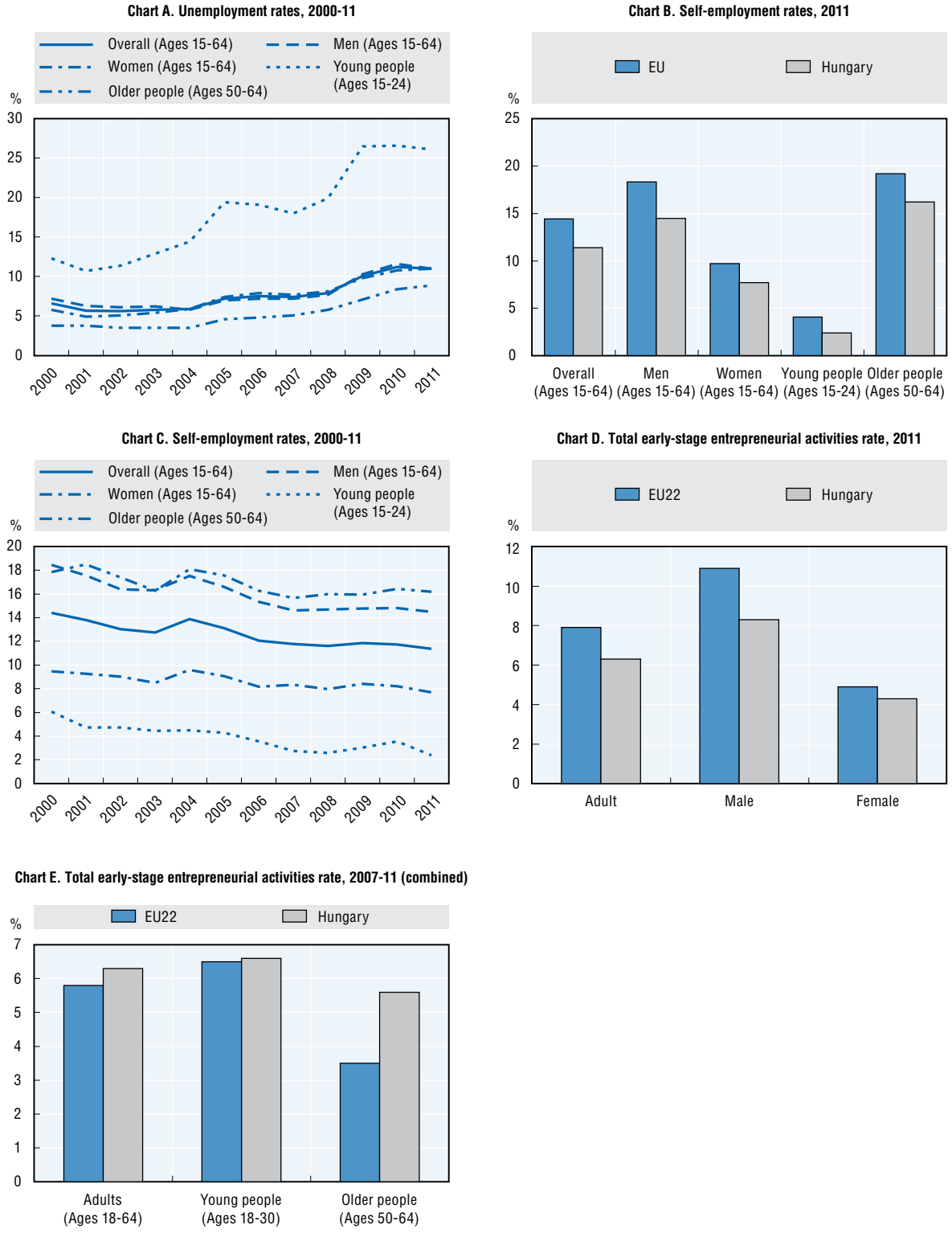
Problem addressed: Social co-operatives are an approach to creating jobs and integrating socially excluded people into the labour market. However, social entrepreneurs face obstacles both in financing their start-ups and in developing their business competences.

Approach: This project provides grants of up to EUR 180 000 for training and start-up finance to groups of individuals that start up social co-operatives together and who plan to train and employ a minimum of 4 people from the identified disadvantaged groups. The social co-operatives must have at least 7 members to be eligible for the grant. The grant can be used to fund 3 months of training for the co-operative members prior to start-up, finance the start-up and fund activities for the first 12 months of operation. Applicants must submit a business plan that demonstrates the viability of the social co-operative and its potential to create jobs for those in the identified disadvantaged groups. Private sector experts evaluate the business plans and select those that are most likely to become sustainable social co-operatives after the grant is used. The social co-operatives can also access free advisory services in five fields: law, marketing, finance, business planning and human resources. The National Employment Foundation co-ordinates this scheme and monitors the progress of participants and their businesses with the National Development Agency.

Impact: In 2011, 57 social enterprises received, on average, EUR 136 000. The activities and target group were diverse, but all had a focus on improving the welfare in local communities. Overall, the scheme resulted in the creation of 206 social enterprises, employing on average 8 employees from disadvantaged groups.

Considerations for success: The combination of financial support, training and free advisory services have been important for increasing the sustainability of the co-operatives. A further important aspect of this scheme is an evaluation process which ensures that the social entrepreneurs who are supported have the skills and experience to be sustainable.

Figure 10.12. **Entrepreneurship and self-employment data for Hungary**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928352

Ireland: Going for Growth

Description: Going for Growth supports women entrepreneurs by inspiring them to be more ambitious. Support is provided through mentoring, collaborative peer relationships and networking events.

Context: Unemployment rose sharply during the global economic crisis (Chart A) while the labour force participation rate simultaneously declined. As a result, the government launched many reforms aimed at improving labour utilisation, including measures to enhance activation policies and strengthen work incentives for women. Women in Ireland have relatively low rates of involvement in early stage entrepreneurship activities (Chart D) although they are, on average, more highly educated than men. Women are perceived as having untapped entrepreneurial potential.

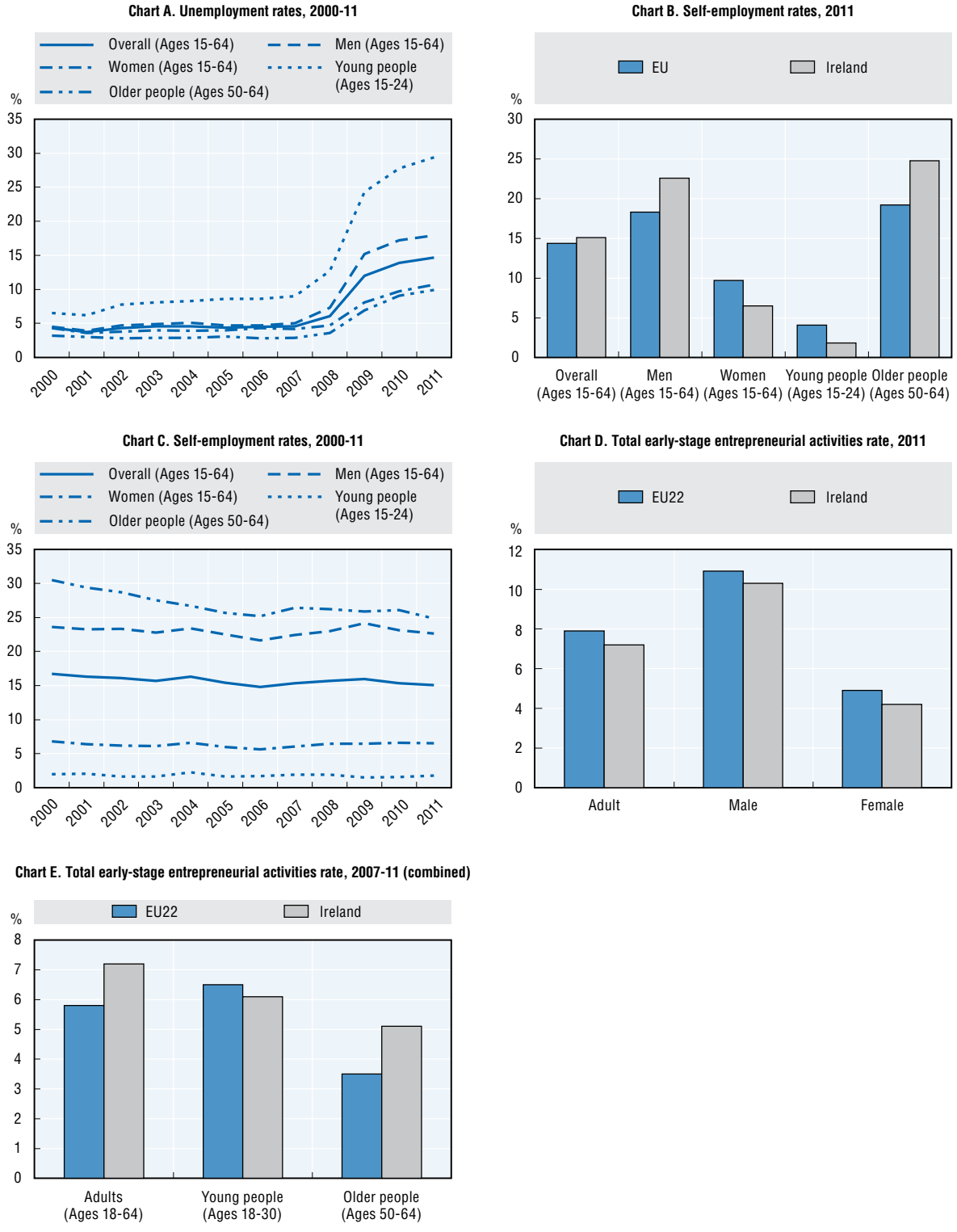
Problem addressed: In 2011, women in Ireland were 2.5 times less likely to start businesses than men and as early stage entrepreneurs they were 9 times less likely to have significant growth aspirations for their new businesses (Global Entrepreneurship Monitor, 2011). This project aims to help more women entrepreneurs to become ambitious for their businesses and to achieve their growth aspirations.

Approach: Going for Growth supports women entrepreneurs in taking a strategic focus to the development of their businesses by focusing on growth goals and time-defined milestones. The initiative was designed and developed by an entrepreneur and it leverages volunteer contributions from successful entrepreneurs. It is supported by Enterprise Ireland and the Equality for Women Measure (2010-2013), which is funded by the European Social Fund and the Department of Justice and Equality. In 2012 a new sponsor, Bank of Ireland, became involved in the project. The principal support mechanism is group support, where small groups of entrepreneurs meet monthly for six months. These group meetings are facilitated by volunteer "Leads" who are successful women entrepreneurs. The Leads share their experience with their group, nurture a culture of trust and collaboration and facilitate the sharing of experiences and challenges. The group mentoring provides support and "good" peer pressure and inspires women entrepreneurs to achieve their goals. The project also includes a National Forum that brings together all of the Leads and participants for developmental workshops and to grow their networks. Going for Growth also champions positive media profiling of women entrepreneurs to promote them as capable of achieving growth.

Impact: The most recent six month cycle (i.e. the fourth cycle) had 60 participants at a cost of EUR 1 500 per participant. Over this period, the participants increased their sales by an average of 13%, created 50 new jobs (combined) and 7 participants became exporters for the first time. While there is no evidence to link this growth solely to the initiative, participant surveys show that more than 90% considered their participation to be valuable. The Leads also benefit from the project and have formed a roundtable group for themselves to support and drive growth in their own businesses.

Considerations for success: The key element of this initiative is the manner in which it is led and championed by the private sector and supported by the public sector. The continual focus on personal and business development supports both the entrepreneur and the business in achieving their goals. The calibre of the volunteer Leads underpins the success of the initiative and the fact that the groups are composed exclusively of women contributes to a full engagement by the participants. Leveraging the voluntary contribution of successful entrepreneurs contributes to the relatively low cost of running the initiative.

Figure 10.13. **Entrepreneurship and self-employment data for Ireland**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928447

Italy: Affirmative Action for Female Entrepreneurship (Act No. 215/1992)

Description of programme: This Act is one of several Italian laws that aim to encourage entrepreneurship and self-employment by providing financial support, mentoring and training to female entrepreneurs.

Context: Females have a history of a relatively low employment rates. Prior to the economic crisis, the employment rate for women in Italy was 47% (2007), lower than the EU average of 58%. In the late 1980s this rate was even lower, averaging approximately 35%. Participation of Italian women in self-employment has been relatively high compared to the EU average. However, there is a significant gender gap in self-employment rates, which has prompted policy action.

Problem addressed: The female business start-up rate is relatively low, especially in male-dominated sectors and in regions with high unemployment. The obstacles include accessing adequate financing (Osservatorio per l'imprenditoria femminile, 2004) the difficulties of balancing work and family responsibilities (Osservatorio sull'imprenditoria femminile, 2011).

Approach: The law has established a Committee for Women's Entrepreneurship (Commissione per la promozione e lo sviluppo dell'imprenditoria femminile) under the responsibility of the Ministry of Industry and Crafts, which undertakes a range of activities to promote entrepreneurship by women. The Committee provides grants and loans, offers training on business start-up and business management, builds mentoring relationships, hosts networking events and provides assistance with the legal procedures of starting a business. To be eligible for support, businesses and partnerships must have a female head, co-operatives must have at least 60% female members, and corporations must have a management team that is at least two-thirds women. All of these business forms must have fewer than 50 employees and less than EUR 7 million in annual turnover. An Observatory for Female Entrepreneurship (Osservatorio sull'impreditorialità femminile) was created in 1997 to complement the Committee by monitoring laws, regulations and initiatives implemented at local and national levels.

Impact: Evaluation results indicate that start-ups that received the grants and loans had marginally higher survival rates over a 5-year period than start-ups that did not receive financing: from the 2002 cohort, 75% of firms that received funding survived 5 years relative to 73% of those that did not receive funding (Osservatorio sull'imprenditoria femminile, 2011). Furthermore, surveys of those using the support indicate that the funding helped start-ups to complete projects faster and hire more people.

Conditions for success: Financial support was important for helping the start-ups succeed but complementary training and other support were critical in helping participants develop a clearly articulated business plan and improving their entrepreneurial skills.

Figure 10.14. **Entrepreneurship and self-employment data for Italy**

Chart A. Unemployment rates, 2000-11

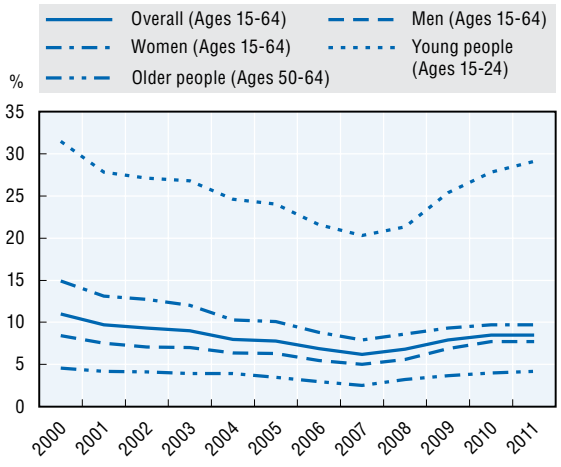


Chart B. Self-employment rates, 2011

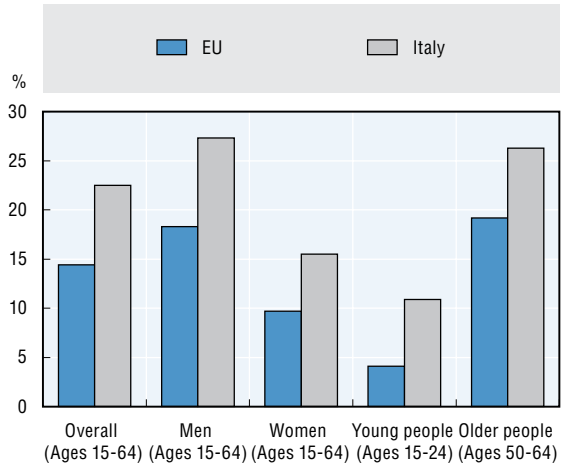


Chart C. Self-employment rates, 2000-11

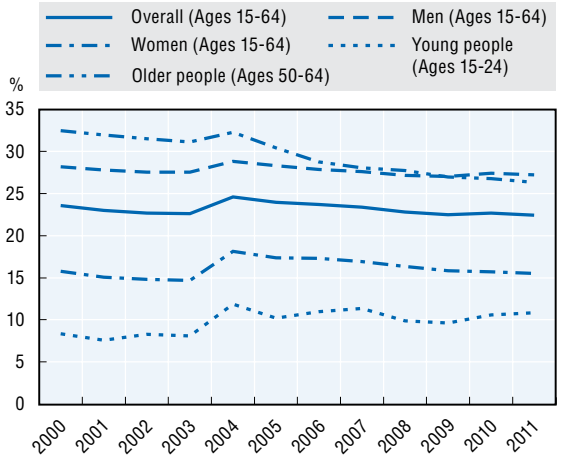


Chart D. Total early-stage entrepreneurial activities rate, 2010

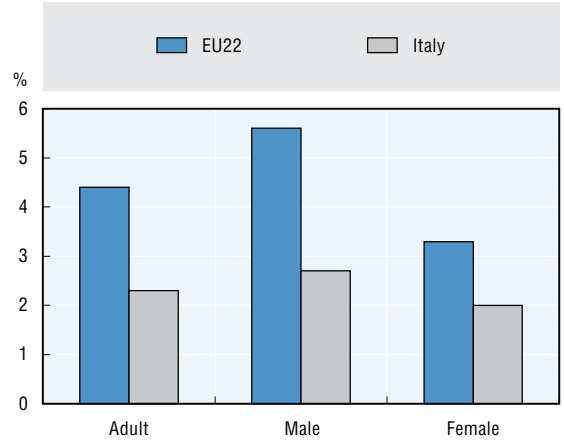
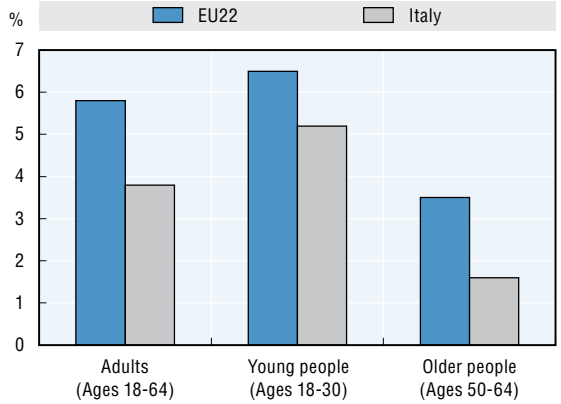


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2010; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928542

Latvia: Grants for Business Start-Ups

Description: This scheme provides financial support and advisory services to help unemployed people start businesses.

Context: Latvia was impacted severely by the economic crisis and GDP declined more than 25% between 2008 and 2010. Job losses occurred across all sectors, affecting both low-skilled and high-skilled workers. While unemployment has now started to decline significantly it is still very high among many vulnerable groups, such as youth (Chart A).

Problem addressed: Business creation can be one route out of unemployment but awareness of business confidence, ideas for start-up and skills for business success are often lacking among the long-term unemployed.

Approach: This project started in 2008 in two regions of Latvia: Riga (the largest city) and Latgale (a low income rural area). It uses a multi-stage approach to help eligible unemployed people develop business plans and start businesses. To be eligible, people must be unemployed, have previous experience in self-employment or have participated in entrepreneurship training in vocational training or at a higher education institution. In the first stage of support, participants receive 20 individual consultation sessions with entrepreneurship experts at no charge, which enable them to develop a business plan over 6-weeks. The completed business plans are submitted to an expert committee which assesses their quality and viability. Plans considered viable are awarded grants of up to LVL 2 000 (approximately EUR 2 850) to permit business start-up. Participants also receive a monthly payment equal to the statutory minimum wage (LVL 200, approximately EUR 285) for 6 months while they establish their business. During this 6-month period, participants can also access free individual advisory support from entrepreneurship experts.

Impact: In 2008, 93 unemployed people participated in the free consultation sessions and 20 business plans were selected for the second stage of support. The project operated on a larger scale in 2009, when 238 business plans were developed in the first stage and 80 were awarded grants. Between 2008 and 2011, only 2 individuals who received a grant discontinued their business. There are plans to expand the project further so that it can support 300 unemployed people in the development of business plans and 100 grants can be awarded.

Considerations for success: Key features of this approach which contribute to success are the provision of assistance that is tailored to the needs of each participant, the integration of modest financial support with advisory services, and a staged approach which selects participants for grants only after a first stage of business plan development. This both provides an incentive for participants to work carefully in the first stage and increases the success rate associated with the award of grants.

Figure 10.15. **Entrepreneurship and self-employment data for Latvia**

Chart A. Unemployment rates, 2000-11

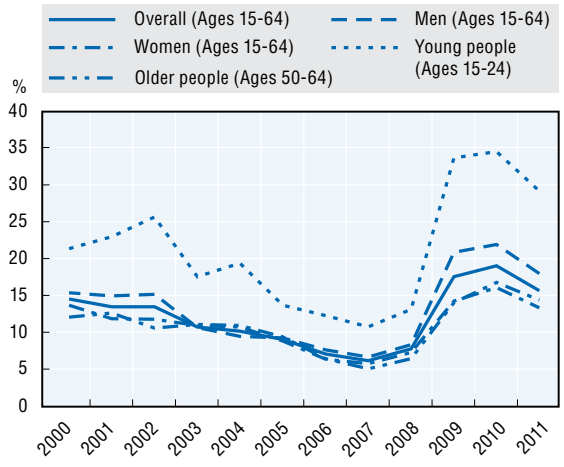


Chart B. Self-employment rates, 2011

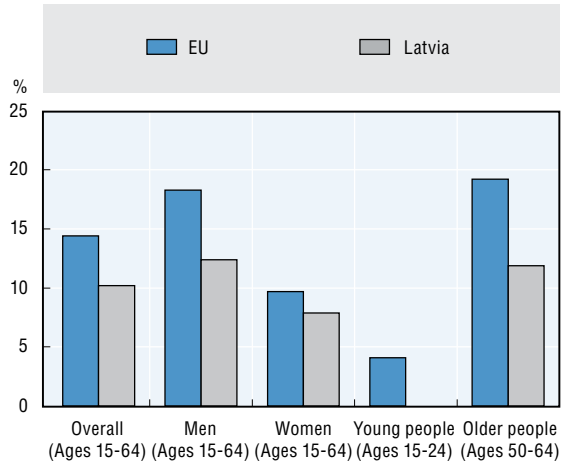


Chart C. Self-employment rates, 2000-11

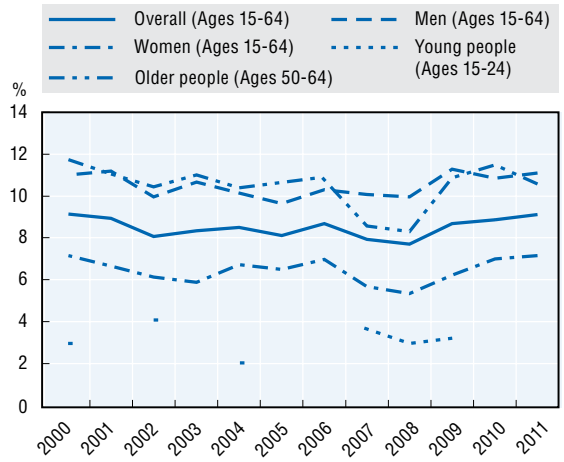


Chart D. Total early-stage entrepreneurial activities rate, 2011

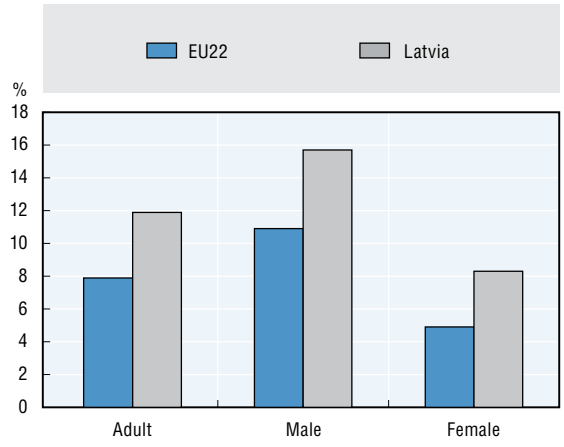
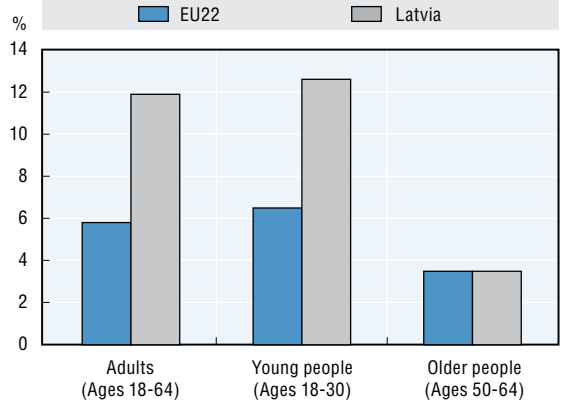


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928637

Lithuania: Entrepreneurship Promotion Fund

Description: The Entrepreneurship Promotion Fund was launched to promote and support business creation and new business owners (less than one year) with loans, training and business advisory services. A minimum of 30% of training spaces and 15% of loans must be allocated to people from priority groups (the unemployed, people with disabilities, young people and people over the age of 50).

Context: The economic crisis led to an increase in the unemployment rate from 4.4% in 2007 to 15.6% in 2011 (Chart A). In response, a number of short-term amendments were made to the Lithuanian Labour Code to improve labour market flexibility, including allowing for a shorter period of notice of dismissal, smaller severance pay, and increasing the number of overtime hours permitted. In addition, there was a significant increase the number of public-private partnerships to support job creation. Support for business creation was also introduced.

Problem addressed: Access to finance has been a long standing issue for business creation and development in Lithuania but has been exacerbated by the global crisis (PricewaterhouseCoopers et al., 2010). The Entrepreneurship Promotion Fund was therefore established to facilitate access to finance. Specific vulnerable groups face greater problems than the general population in obtaining start-up financing and it was therefore decided to create a specific quota of support for these groups.

Approach: The Fund was created on 30 December 2009 by the Ministry of Social Security and Labour, Ministry of Finance and "Investicijų ir verslo garantijos" (INVEGA). The Fund is operated by the Lithuanian Central Credit Union (LCCU), which uses its network of 63 credit unions for lending activities and partnerships with 15 training providers to deliver free training and business advisory services to loan recipients. Loan applicants submit a business plan and can request up to LTL 86 000 (approximately EUR 24 910). Those who receive loans but do not have any self-employment experience receive general training on starting a business. Technical training (e.g. business planning, accounting and tax, business and labour law) is provided to all loan recipients according to their individual needs identified during the application process. The Fund has been set up with LTL 50 million (approximately EUR 14.5 million) over 5 years from the European Social Fund, of which LTL 42 million (approximately EUR 12.2 million)is allocated for lending and finance activities and LTL 8 million (approximately EUR 2.3 million) is for business advisory services and training activities. The LCCU contributes an additional LTL 5 million (approximately EUR 1.5 million) for lending.

Impact: It is expected that 1 200 loans will be provided between 2010 and 2015, with a total value of LTL 47 million. As of September 2012, 3 397 individuals had attended training, 315 individuals had received loans and 427 new jobs had been created. Individuals from priority groups accounted for 61% of trainees and 48% of loan recipients. A recent evaluation found that the scheme has been particularly effective in enabling young people to start businesses who would not have been able to receive a bank loan (PricewaterhouseCoopers, 2012).

Considerations for success: An important factor in the operation of this scheme is the provision of training and consultancy services alongside the loans.

Figure 10.16. **Entrepreneurship and self-employment data for Lithuania**

Chart A. Unemployment rates, 2000-11

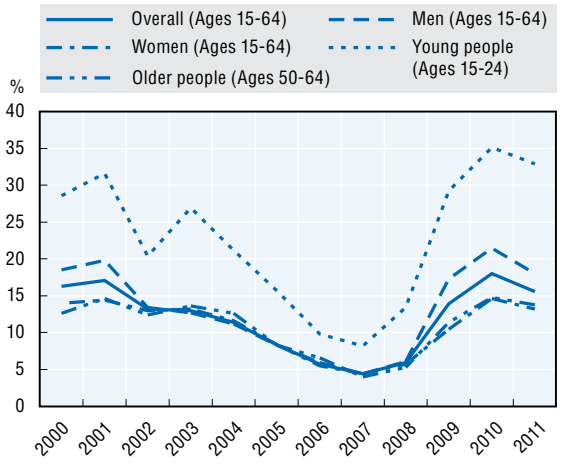


Chart B. Self-employment rates, 2011

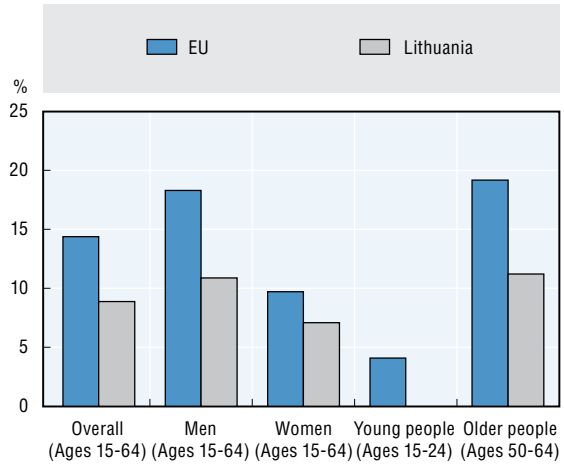


Chart C. Self-employment rates, 2000-11

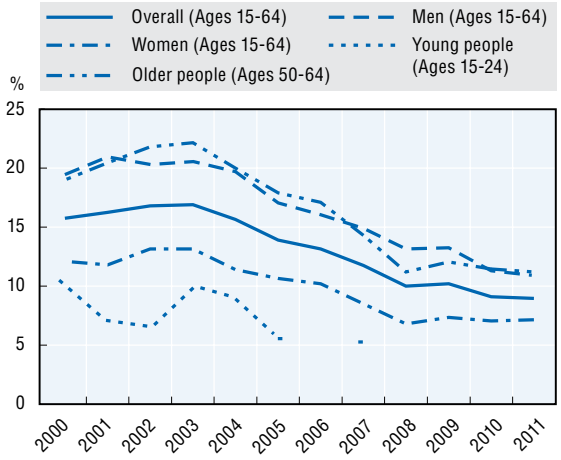


Chart D. Total early-stage entrepreneurial activities rate, 2011

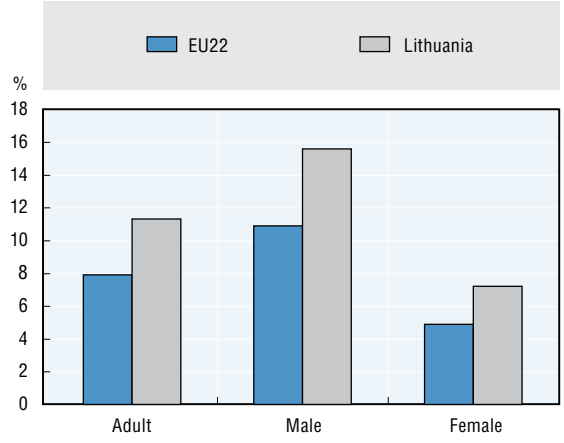
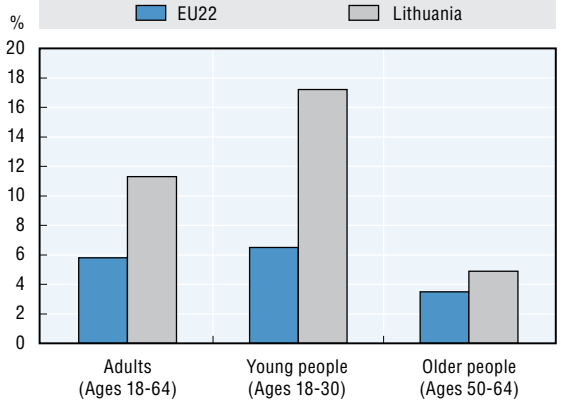


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928732

Luxembourg: Federation of Women Chief Executives

Description: The Luxembourg Federation of Women Chief Executives (Fédération des Femmes Cheffes d'Entreprises du Luxembourg) is a professional association of business women that promotes and supports women entrepreneurs in Luxembourg.

Context: The Luxembourg economy has grown rapidly in recent decades and employment growth has also been strong. Unemployment has remained low, although the youth unemployment rate remains high relative to historical levels (Chart A). Despite a strong economy that demonstrated resilience during the economic crisis, some population groups have weak labour market outcomes. Groups such as women, youth, seniors and those from poor socio-economic backgrounds have relatively low employment rates.

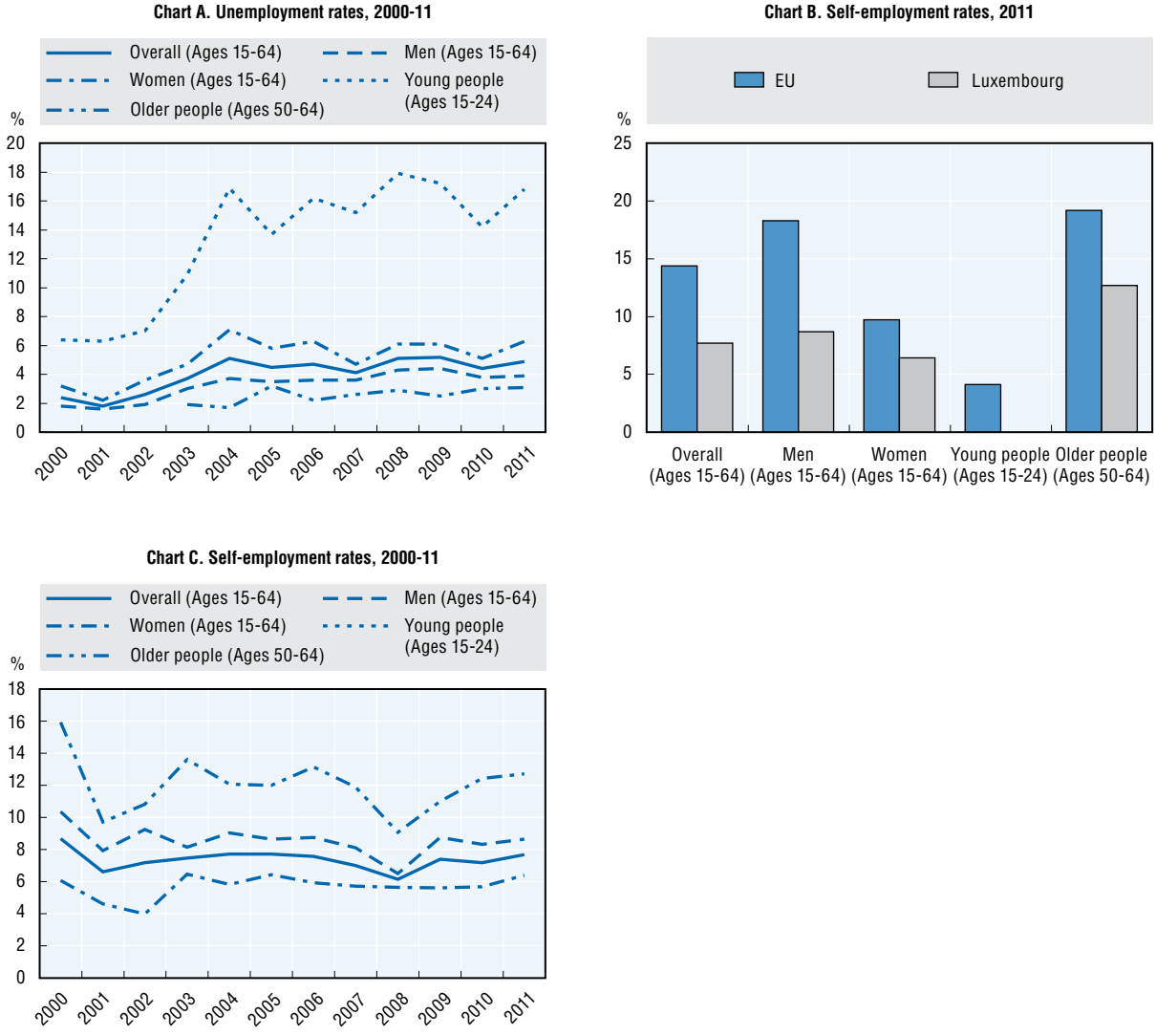
Problem addressed: Women represent only 27% of small business managers with fewer than 15 employees and 18% of managers of businesses with more than 15 employees. These rates are lower than in most EU countries. This initiative is part of the response to reducing this gender gap.

Approach: The Federation was created in 2004 as a joint initiative by the Union of Luxembourg Companies and the Ministry of Equal Opportunities. Its objective is to act as an information source for women entrepreneurs, support skills development for women and to support the development of networks of women entrepreneurs. Membership is open to self-employed women and women who are business managers. Women that aspire to start or take over a business can join as observers until their business activity is realised (for a period of up to 2 years). The association hosts conferences, seminars and networking events, many of which are international, to promote female entrepreneurship and to strengthen networks. Conferences and events typically include seminars and peer-learning activities that allow women to help each other overcome their challenges to business creation and development.

Impact: Approximately 200 women are members of the Federation. In 2010, the association expanded its activities by launching Women Entrepreneurship Ambassadors Luxembourg in collaboration with the Chamber of Commerce and the Chamber of Trade. This group promotes women entrepreneur role models and strengthens the network of women entrepreneurs.

Considerations for success: The key to success of this initiative is the opportunities it provides for networking. The connections created with other women entrepreneurs, both nationally and internationally, through the linkage with the international Women Entrepreneurship Ambassadors network, create business opportunities and business knowledge for women. The initiative also raises the visibility of women's entrepreneurship in the business and political worlds.

Figure 10.17. **Entrepreneurship and self-employment data for Luxembourg**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011.

StatLink http://dx.doi.org/10.1787/888932928827

Malta: Start Your Own Business

Description: The Start Your Own Business project provides an integrated support package that includes training, mentoring and financial support for unemployed people that want to start a business.

Context: Unemployment rates in Malta changed little during the economic crisis and remain relatively low. However, this masks low activity rates. Malta had the lowest activity rate in the European Union in 2012 (63%), and labour market participation was particularly low for women (48%). Self-employment rates in Malta are also relatively low compared to other EU countries (Chart B) because the population has traditionally favoured paid employment, particularly in the public sector.

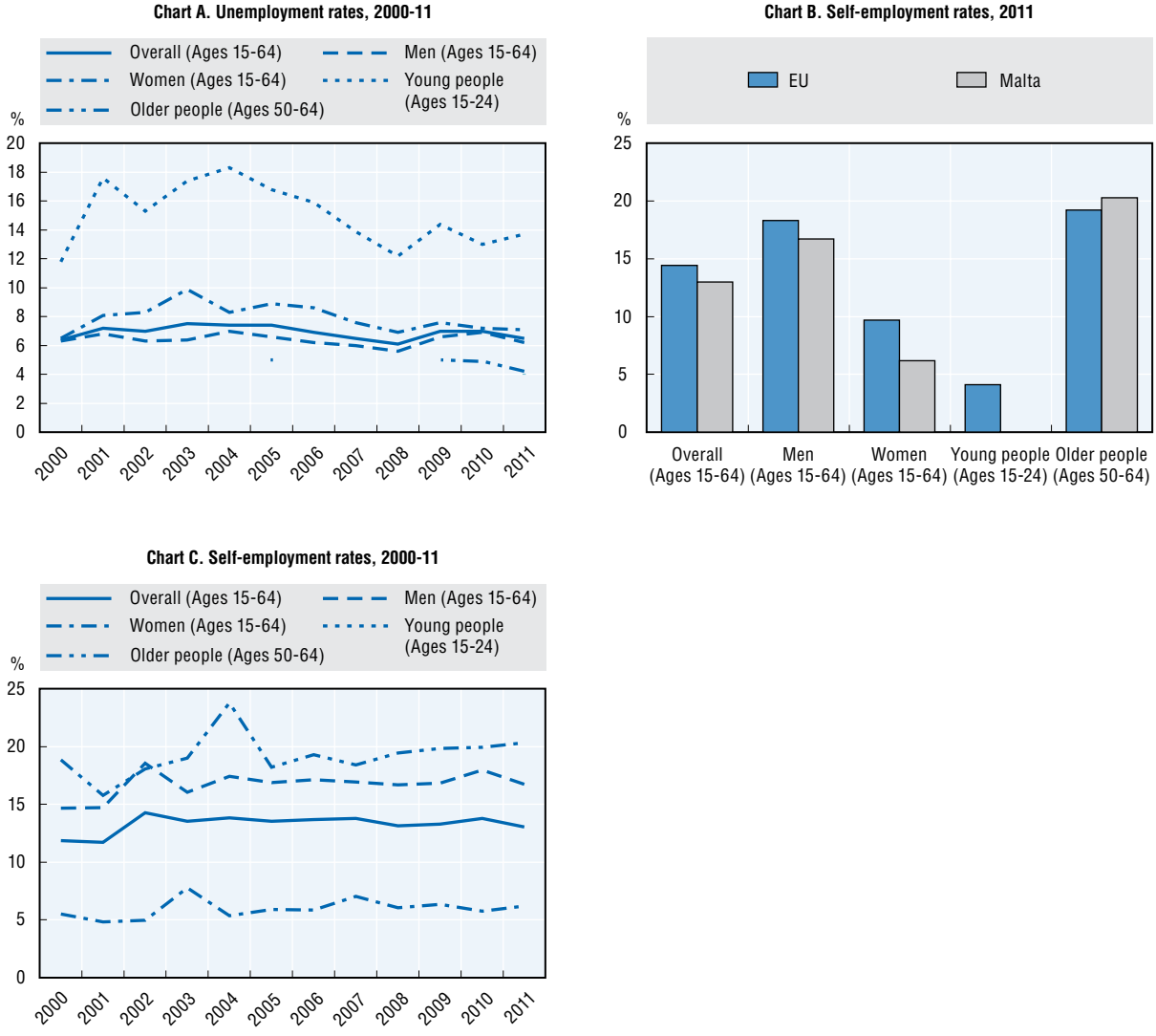
Problem addressed: The Maltese economy is undergoing a structural shift with the services sector becoming more significant while the manufacturing sector is in decline. Simultaneously, the public sector is shrinking. This shift is increasing the importance of people finding new job opportunities in private services. While there are many opportunities for business creation in this field, unemployed and inactive people lack business skills and finance.

Approach: The Start Your Own Business project (Ibda n-Negozju Tieghek) is administered by the Employment and Training Corporation (ETC), Malta's public employment service organisation. The support is provided in stages, beginning with training. Participants receive approximately 260 hours of training on business start-up skills, including creativity, business ethics, business planning, business management, human resource management, marketing and e-commerce. The training is delivered by business experts and government officials and participants are required to attend at least 80% of the training modules. Following the successful completion of training, participants enter the second stage of support where they receive individual mentoring from an experienced entrepreneur to help them develop business and marketing plans. These plans must be finished within 24 weeks of completing the training programme. The final stage of the support is the grant application. Business and marketing plans are submitted to a committee of three experts, consisting of an industry specialist, an accountant and a banker, who assess the plans and recommend to the ETC whether the project should receive a start-up grant of EUR 5 000. Participants who receive the grant must make self-employment their full-time endeavour and are not eligible to receive any employment insurance benefit payments for 78 weeks. The size of the grant was more than doubled in 2012, from EUR 2 330 in 2011, to attract more participants.

Impact: Over the 11 years since the project started, 99 people received the grant. Of these, 47 started a business in retail and 52 in started in the service sector. However, only 5 of these businesses are still operating.

Considerations for success: This scheme contains a number of good practice features, including the combination of training with grants, a selection process for grants that is based on successful completion of training and an expert evaluation of a business plan, and mentoring by experienced entrepreneurs. The lack of eligibility for continued employment insurance benefits could reduce the participation rate by unemployed people. Post-start-up mentoring might be considered to increase the business survival rate. The scheme is also adaptable in its approach. For example, in 2008, it was used to support a group of unemployed people on the island of Gozo and in 2010 it was tailored to the needs of former shipyard workers.

Figure 10.18. **Entrepreneurship and self-employment data for Malta**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011.

StatLink http://dx.doi.org/10.1787/888932928884

Netherlands: Start-up Credit for Partially Occupationally Disabled Persons

Description: The start-up credit provides loans for business creation to people who have been designated as partially occupational disabled (i.e. those who have a disability that does not prevent them from participating in some capacity in the labour market). The goal is to help them enter the labour market through self-employment.

Context: The labour market is performing well, with relatively low unemployment rates on average, although unemployment rates are substantially higher for youth. People who are partially occupationally disabled are supported in labour market participation through a number of measures, including incentives and supports for employers to hire partially occupationally disabled people as well as measures to support their entry into self-employment.

Problem addressed: Not all partially occupationally disabled persons are capable of working as a full-time employee and others need specific help in adjusting to a workplace environment. The start-up credit has been developed to offer these people the opportunity to develop an activity through their own businesses that corresponds to their abilities and constraints.

Approach: The start-up credit ("starterskrediet") is a loan and loan guarantee scheme operated by the Institute for Employee Benefit Schemes (UWV). To be eligible, applicants must be unemployed, have received disability benefit payments for more than one year and have a business idea that matches their experience and capabilities. Furthermore, the financial support is only available to those who have been refused credit at a bank or Qredits (the Dutch Microfinance Foundation). Applicants are required to meet with a job coach from UWV to discuss their intention to start a business and to get their agreement that it is feasible. UWV can provide two types of financial support to successful candidates: *i*) a guarantee for a bank loan and *ii*) a loan of up to EUR 33 366 at an interest rate of 8% (as of April 2012). A "preparation credit" (voorbereidingskrediet) is also available for those who are not yet ready to start a business. This is a loan of up to EUR 2 718, which can be used to prepare for entrepreneurship by attending entrepreneurship fairs and networking events. To be eligible for the preparation credit, applicants must submit a business plan. The preparation credit and the start-up credit must be paid back within 10 years. However, if UWV rejects the request for a start-up loan or a loan guarantee after a preparation credit was provided, there is no obligation to pay it back.

Impact: Use of the start-up credit is increasing – 67 loans were awarded in 2011 relative to approximately 50 annually between 2000 and 2005.

Considerations for success: The key element of this programme is an individual approach with a strong and personalised selection process involving an assessment of the applicant and their business plan. Furthermore, the scheme has recently been adapted to include more coaching following evaluations of schemes in other countries that have highlighted the significant role that coaching plays in successful business start-up.

Figure 10.19. **Entrepreneurship and self-employment data for the Netherlands**

Chart A. Unemployment rates, 2000-11

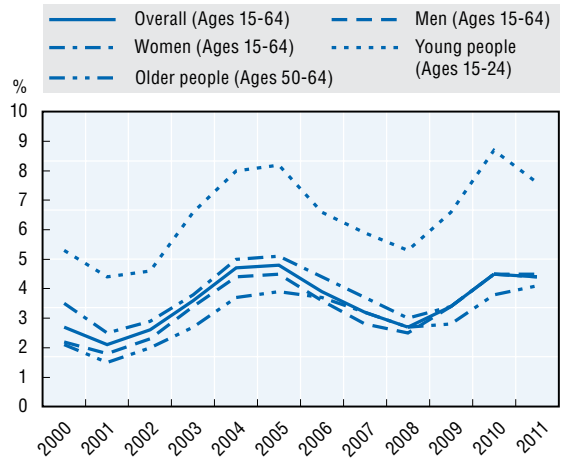


Chart B. Self-employment rates, 2011

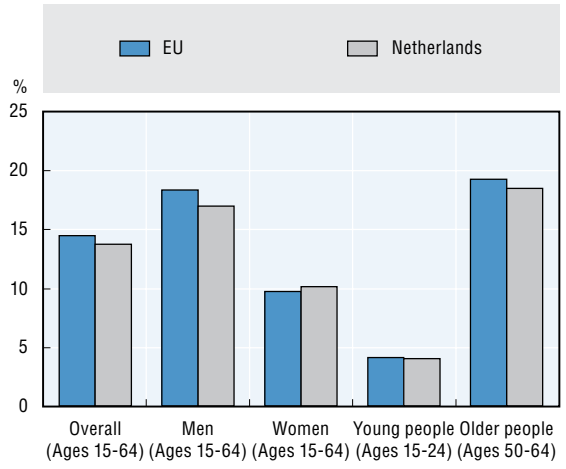


Chart C. Self-employment rates, 2000-11

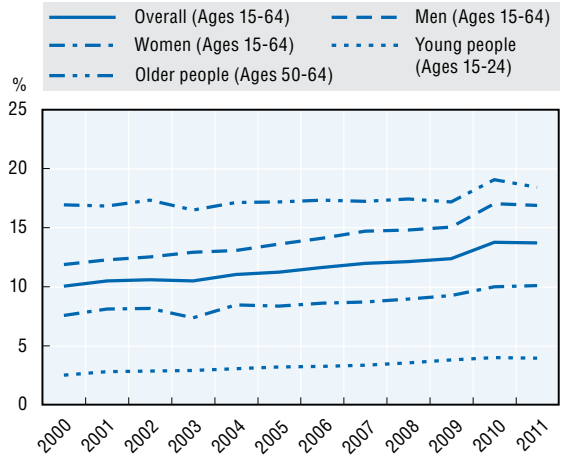


Chart D. Total early-stage entrepreneurial activities rate, 2011

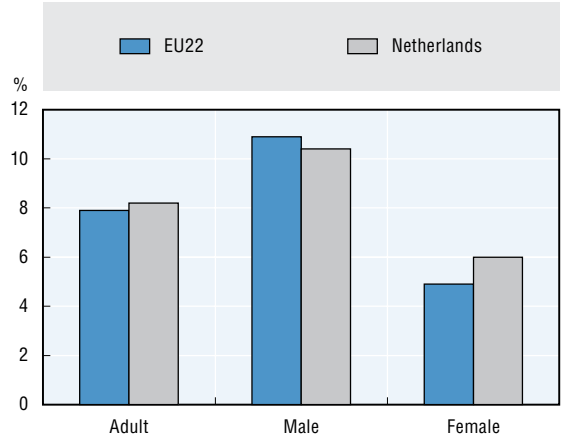
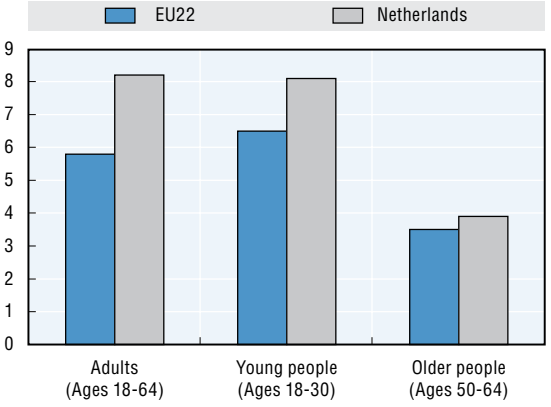


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932928941

Poland: Promotion of Entrepreneurship and Self-Employment

Description: This project provides funding, training and business advisory services to people from vulnerable groups in the labour market to help them start their own businesses. The project's six target groups are the long-term unemployed (over 12 months in the last 2 years); youth under the age of 25; people over the age of 45; people with disabilities; people living in rural areas; and women, particularly single mothers and women entering or re-entering the labour force.

Context: Poland achieved strong growth throughout the economic crisis. This had led to net employment growth in recent years but these gains have been outpaced by an increase in the size of the labour force and unemployment rates have been rising recently. Women have disproportionately low participation rates and youth is experiencing high unemployment levels. Despite higher than average self-employment rates (Chart B) and business start-up rates (Chart D) compared with other European countries, the self-employment rate has declining slowly for more than a decade (Chart C).

Problem addressed: People excluded from the labour market face many challenges to starting a business, including attitudes that still tend to favour dependent employment, lack of financing for start-up and to provide an income before business revenues are realised, lack of business skills, and relatively high costs associated with office space and communications services.

Approach: Participants attend 2-week training sessions on starting and managing businesses. This includes basic training on legal obligations, accounting, taxation, preparing business plans, and customer relations and marketing. During this 2-week period, participants develop business plans that are assessed by an independent committee of business consultants and the top business plans are awarded grants of up to PLN 40 000 (approximately EUR 9 600). Business consultancy services are availble after start-up at no cost to the entrepreneurs. Additional financial support is available in the form of a "monthly bridge support", which is an amount of not more than minimum wage (approximately PLN 1 600 or EUR 380) for a maximum of one year. The programme receives support from the European Social Fund for the programming period of 2007-2013.

Impact: Between 2007 and the third quarter of 2012, 4 302 business plans were prepared and 785 business starts were supported with funding (Ministry of Regional Development, 2012).

Consideration for success: There are four important features of this programme that need to be considered by those interested in creating similar initiatives. First, it promotes entrepreneurship and self-employment by providing potential entrepreneurs with knowledge on starting and operating businesses. Second, the participating entrepreneurs receive tailored advisory services at no cost. Third, a "bridging allowance" is provided to compensate for losses of welfare benefits. Finally, those financial awards are made using an evaluation process that targets those most likely to succeed.

Figure 10.20. **Entrepreneurship and self-employment data for Poland**

Chart A. Unemployment rates, 2000-11

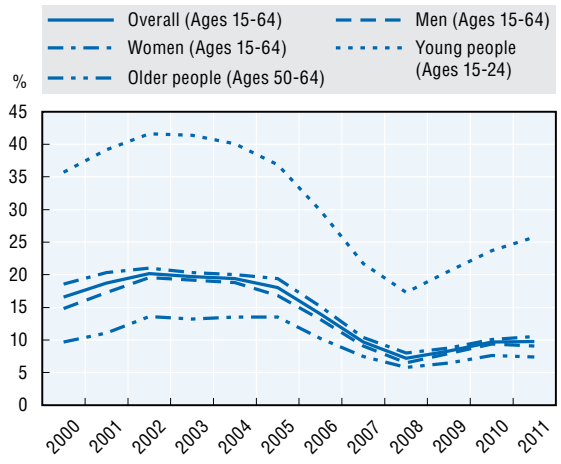


Chart B. Self-employment rates, 2011

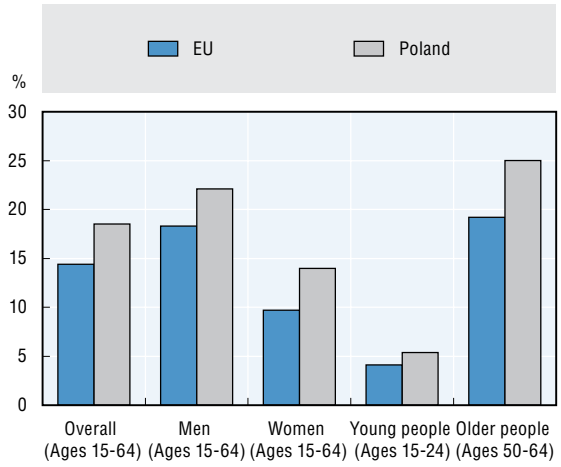


Chart C. Self-employment rates, 2000-11

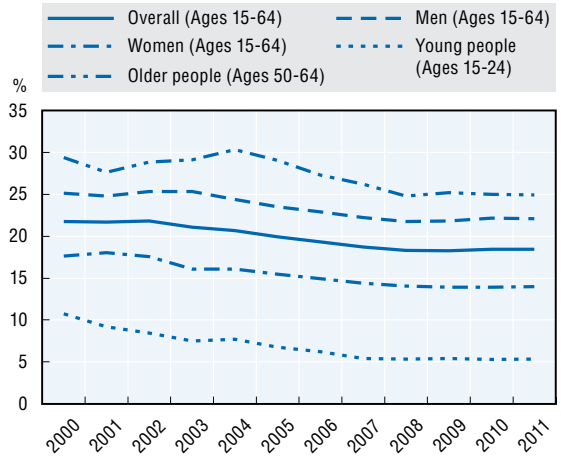


Chart D. Total early-stage entrepreneurial activities rate, 2011

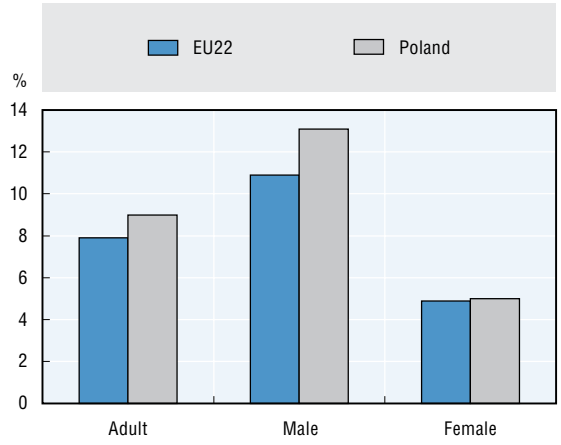
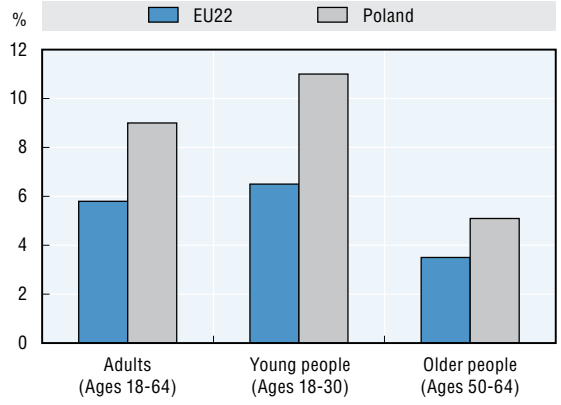


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929036

Portugal: Programme for Entrepreneurship and Self-Employment

Description: The Programme for Entrepreneurship and Self-Employment (Programa de Apoio ao Empreendedorismo e à Criação do Próprio Emprego) facilitates access to start-up financing and provides training to business creation among the populations that have the greatest difficulties accessing the labour market. The groups supported are the unemployed, young people, and people with low incomes.

Context: Until 2000, Portugal had a stable labour market, but the unemployment rate has since increased by 300% (Chart A). The unemployment rate is currently among the highest in the European Union, with only Spain and Greece experiencing higher rates. Older workers with low skills levels and young people with a mid-skill level have suffered the most from worsening labour market conditions. Older people have greater difficulty re-entering the labour market after job loss and young people find it increasingly difficult to enter the labour market for their first employment experience.

Problem addressed: With limited opportunities in paid employment, self-employment can be an important tool for job creation and economic recovery. However, access to finance is a significant barrier to business start-up and it has been increasingly difficult to access credit since the global economic crisis.

Approach: This integrated support scheme started in 2009 and is operated by the Institute of Employment and Vocational Training (Instituto de Emprego e Formação Professional), a public body under the Ministry of Economy and Employment. It involves three support measures: guaranteed loans and interest rate subsidies; technical support; and a lump-sum pre-payment of unemployment benefits. Loan guarantees and interest rate subsidies are granted through either MICROINVEST (for investments of less than EUR 20 000) or INVEST+ (for investments of more than EUR 20 000), which is complemented by business start-up and management training as required. To apply for a loan, applicants must be at least 18 years old, be involved in their project full-time and own at least 50% of the project. Projects must meet the following conditions: *i)* expect to create no more than 10 jobs (other support initiatives support growth-oriented businesses); *ii)* represent an investment of no more than EUR 200 000; *iii)* be financially viable; and *iv)* expect to realise the start-up within one year. The credit cannot be used to finance the acquisition of properties or to restructure the enterprise. Business management training is also offered at no cost to entrepreneurs that receive financing.

Impact: Between 2010 and 2011, MICROINVEST provided nearly EUR 1.2 million for 82 projects and INVEST+ provided EUR 32.3 million in 433 projects. During the first half of 2012, an additional 170 agreements have been signed under the two measures. However, only 9 projects have used the available training since the project started.

Considerations for success: The programme increases access to finance by providing loan guarantees rather than grants or loans, which can reduce public costs and increase the involvement of banks with the client group. The problem of bridging the period of business start-up when income is low is addressed by pre-payment of unemployment benefits. Training is also offered, although take up is low.

Figure 10.21. **Entrepreneurship and self-employment data for Portugal**

Chart A. Unemployment rates, 2000-11

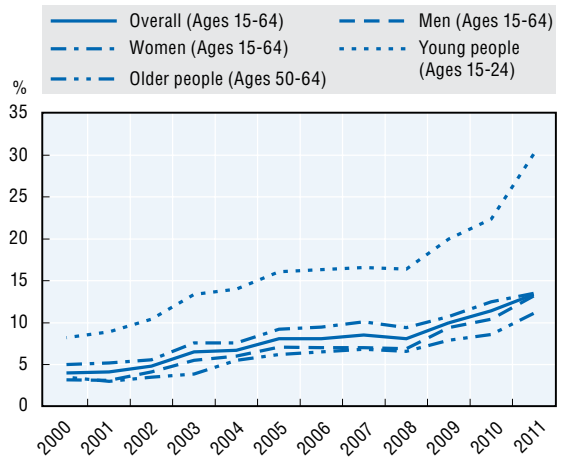


Chart B. Self-employment rates, 2011

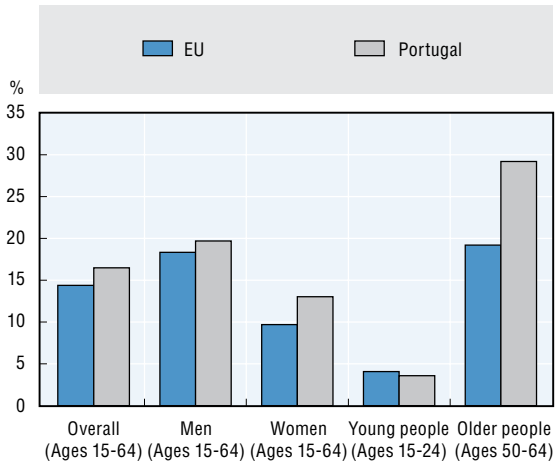


Chart C. Self-employment rates, 2000-11

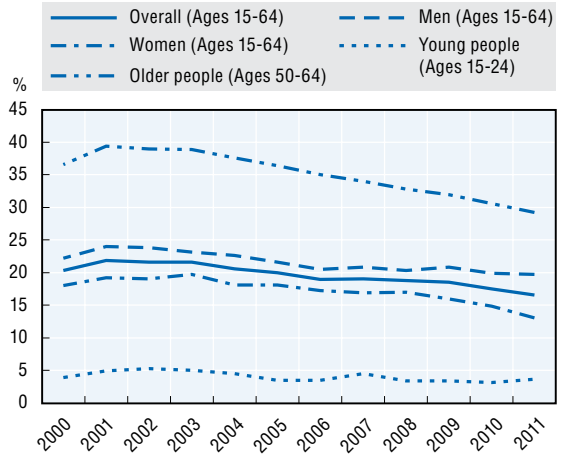


Chart D. Total early-stage entrepreneurial activities rate, 2011

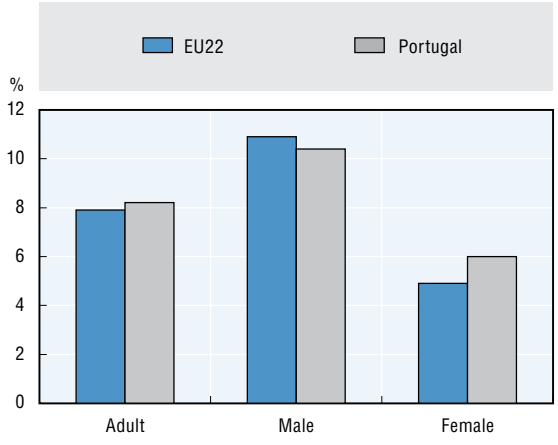
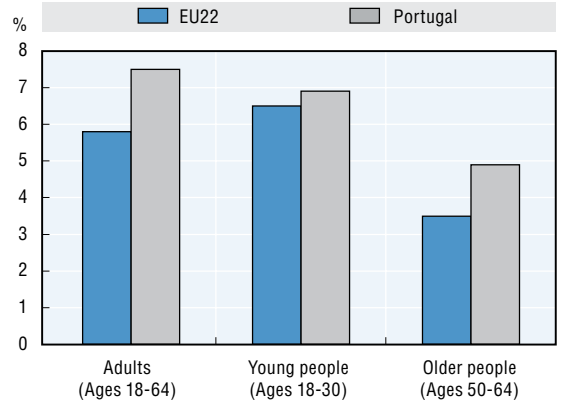


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011; Chart C. Eurostat, Labour Force Survey, 2000-2011; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929131

Romania: AntrES Women's School of Entrepreneurship

Description: The AntrES Women's School of Entrepreneurship provides entrepreneurial training and advisory services for women who want to start a business. The school also provides training for female students in Economic Sciences who wish to become business start-up trainers.

Context: The labour market in Romania faces several structural challenges. The population is declining and there are growing skill mismatches in the labour market as demand is shifting away from traditional sectors such as agriculture towards services. Although the unemployment rate increased little during the global economic crisis, the rate for women increased more than it did for men (Chart A).

Problem addressed: There is a lack of an entrepreneurial culture among women and this contributes to a gender gap in self-employment rates and business start-up activities (Charts B, C, D and E), particularly in rural areas. However, research by the Romanian Agency for Equality of Opportunities suggests that interest in business start-up is increasing among women in both rural and urban areas (Romanian National Agency for the Equality of Opportunities, 2008) and there is an opportunity to build on this interest to stimulate labour market participation and job creation.

Approach: The Women's School of Entrepreneurship offers three types of training: "Business Start-up", "Business Development" and "Training for Trainers". Applicants submit a CV and application letter that explains their intentions and participate in an interview to determine the viability of their start-up project or their potential as a business trainer. Selected participants must sign a contract that commits them to attending all of the training sessions and participating in a business plan competition at the end of the session if they aim to start a business. The training programme is designed by a network of experienced researchers and professors from partner universities, and is structured around material that is targeted to the needs of women and the local community. An important part of the 3-month training programme (6 months for trainers) is the participation of successful local female role models, who help motivate and inspire participants and facilitate peer learning. After completing the training, participants wishing to start submit a business plan to an inter-regional business plan contest, "My Business Plan" and can attend the "Gala of Women Entrepreneurship" where grants are awarded. The Women's School of Entrepreneurship is delivered through 6 territorial centres at partner universities (University of Oradea, West University of Timișoara, Aurel Vlaicu University, North University of Baia-Mare, Eftimie Murgu University, Commercial Academy of Satu Mare), 24 local centres in small towns and 72 rural centres in villages (located in town halls and supported by the local public administration). The school received RON 12.5 million (approximately EUR 2.9 million) from the European Social Fund for the 2009 to 2013 funding period.

Impact: To date, training has been delivered to 1 800 beneficiaries and has resulted in the creation of 209 new business start-ups. Of these 209 start-ups, 105 were awarded grants in the "My Business Plan" contest. In addition, 72 new jobs for trainers were created.

Considerations for success: The use of role models and action learning is effective in motivating entrepreneurs and delivering entrepreneurship skills. The business plan competition at the end of the training session also serves to motivate the students because they can win prize money to realise their projects.

Figure 10.22. **Entrepreneurship and self-employment data for Romania**

Chart A. Unemployment rates, 2000-11

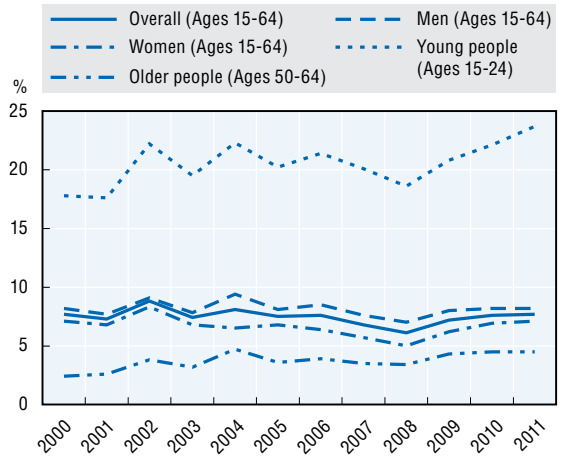


Chart B. Self-employment rates, 2011

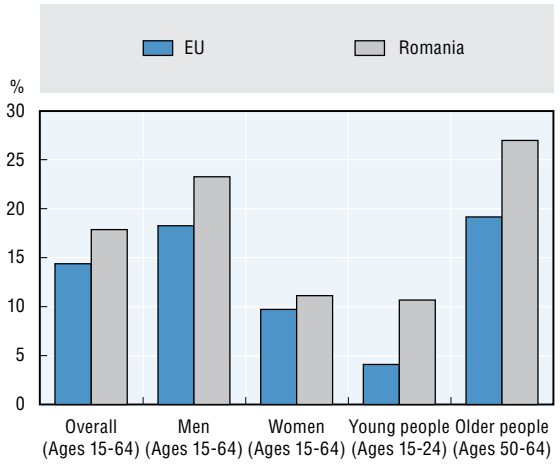


Chart C. Self-employment rates, 2000-11

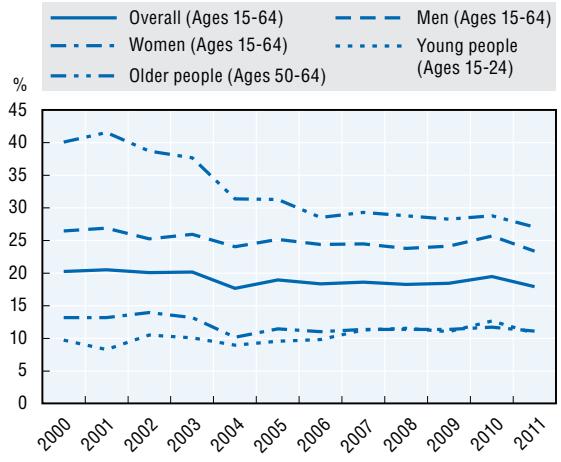


Chart D. Total early-stage entrepreneurial activities rate, 2011

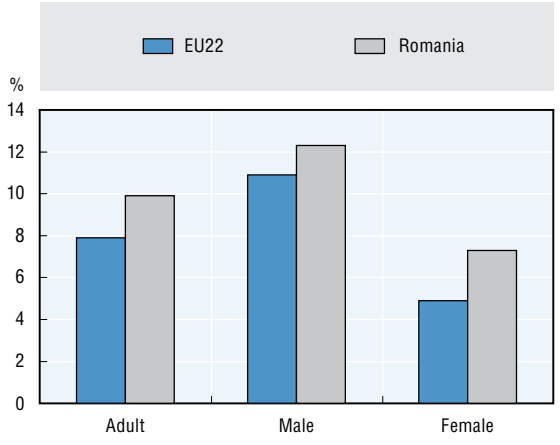
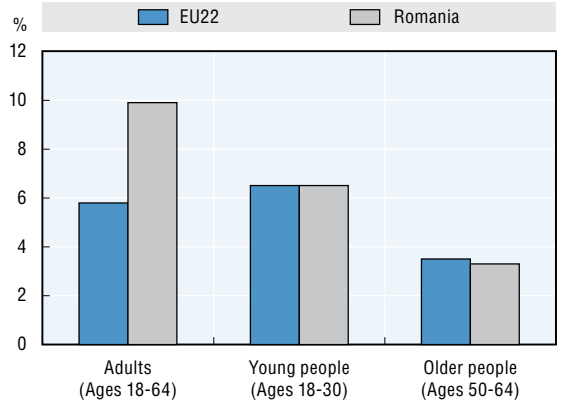


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011; Chart C. Eurostat, Labour Force Survey, 2000-2011; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929226

Slovak Republic: Training and Advisory Services for Potential Entrepreneurs

Description of Programme: This project offers training and business advisory services to unemployed people, youth, women during and after maternity leave, seniors and immigrants to support the development of business plans.

Context: Despite the current recovery in GDP, the Slovak Republic is among the EU countries with the highest levels of unemployment (13.9% in June 2012). While there have been recent signs of recovery in the labour market due for example to growth in the automotive industry, it is uncertain if this growth will be sustainable.

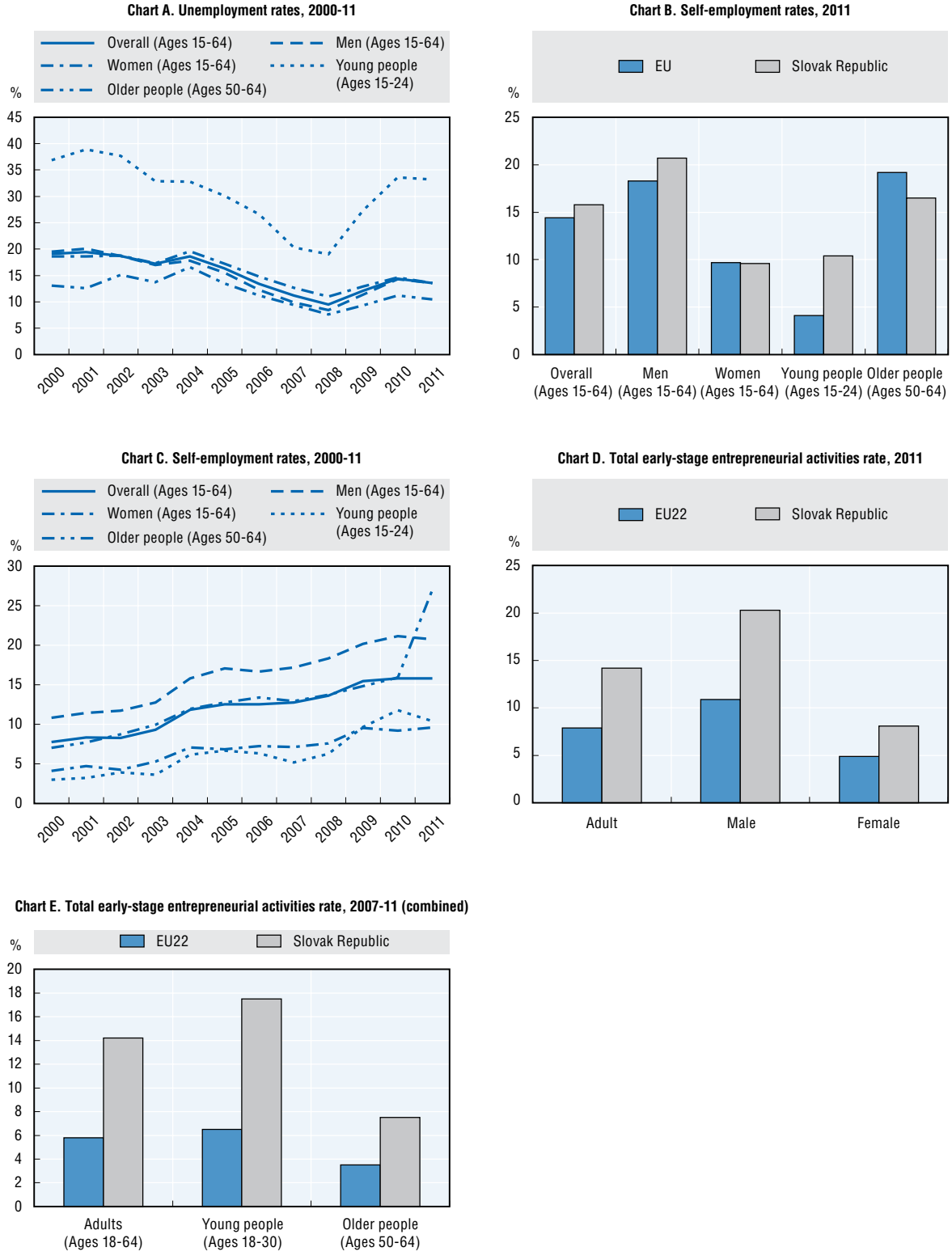
Problem addressed: Two social groups, namely young people and women have been disproportionately affected by the economic crisis. The unemployment rates for youth (more than 33%) and women (nearly 15%) are both well above European Union averages. This project aims to help these and other unemployed and disadvantaged groups through self-employment.

Programme description: The project started in 2002 and aims to increase awareness and knowledge of opportunities in self-employment through training while providing advice to those who wish to start. The scheme is funded by the Ministry of Economy and managed by the National Agency for SMEs (NADSME). The training and advice is delivered by Regional Advisory and Information Centres and other NADSME partners throughout the country. Participants from the eligible groups must demonstrate that they: *i)* are motivated to start their own business, *ii)* have a business plan, *iii)* have some level of technological skills and knowledge about their proposed products or services, *iv)* have some basic knowledge or experience in entrepreneurship, and *v)* have personal funds to invest in the business start-up. Applications are assessed by business advisors, who refer the potential entreprneurs to free training courses and business advisory services. Training sessions are delivered over 3 to 5 days and focus on the administrative steps required for business start-up; small business management; marketing strategies; business finance; basic law; and tax compliance. During the training, participants are provided with support in the development of their business plan. Participants can access up to 40 hours per year of subsidised business advisory services after business start-up. This training is also a prerequisite to access start-up grants from the Labour Office. The average cost per participant is EUR 100.

Impact: Between 2002-2011, 520 training courses were delivered to 9 940 potential entrepreneurs and 57 500 hours of advisory services were provided. In 2011, 73% of those who participated in training started a business. This rate was slightly higher (75%) for people under the age of 30, who accounted for 37% of participants.

Consideration for success: One of the key factors in attracting people onto the programme is its accessibility in rural areas with higher unemployment rates and fewer employment opportunities. In addition, the tailored approach ensures that participants receive training to match their needs.

Figure 10.23. **Entrepreneurship and self-employment data for the Slovak Republic**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011; Chart C. Eurostat, Labour Force Survey, 2000-2011; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929321

Slovenia: Self-Employment Subsidy

Description: This programme provides an income support subsidy during the first two years of business operation for unemployed people and people with disabilities (eligibility depends on the extent and nature of their disability).

Context: Slovenia was severely affected by the economic crisis. Labour force participation rates remained stable but unemployment increased significantly (Chart A). In response, the Employment Service of Slovenia (ESS) is increasingly using active labour market measures and promoting self-employment for the unemployed.

Problem addressed: The unemployment insurance and employment service systems have had difficulties effectively dealing with the increase in the number of unemployed workers. The subsidy aims to help unemployed people enter self-employment by providing a subsidy that compensates them for the loss of welfare benefits that they would otherwise be entitled to.

Approach: The start-up subsidy has been provided by the ESS since 2004. It is co-financed by the European Social Fund, which contributes 85% of the funds (the remaining 15% is provided from the state budget). It aims to help people maintain continuous self-employment for a minimum of two years by covering their social security contributions and providing an initial salary. From 2007 to 2009, the subsidy was awarded according to an employment plan that unemployed people developed with an employment officer of the ESS. This approach changed in 2010 and award is now based on the quality of a business plan which is assessed through an interview process. For those awarded the subsidy, there is a mandatory (free) 3-day workshop on self-employment that provides training on business management, marketing and book-keeping. Since 2008, the value of the subsidy has been set at EUR 4 500 over two years. Approximately 90% of applicants receive the subsidy.

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

Considerations for success: This programme helps unemployed and disabled people overcome one of their most important barriers to self-employment by covering their initial incomes. Some minimum training is also provided to increase the chances of business success. The introduction of expert interviews to judge business plans and award funds could be expected to increase the success rate.

Figure 10.24. **Entrepreneurship and self-employment data for Slovenia**

Chart A. Unemployment rates, 2000-11

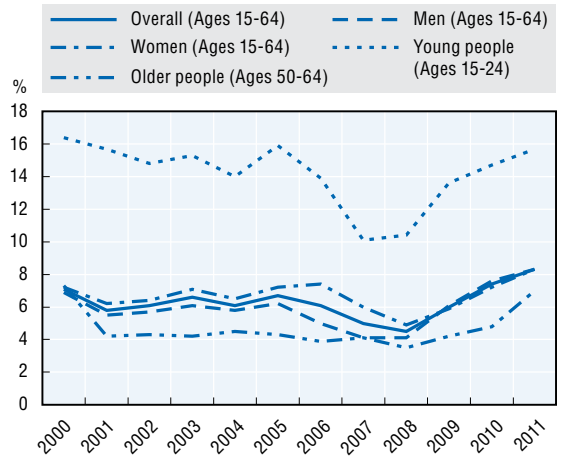


Chart B. Self-employment rates, 2011

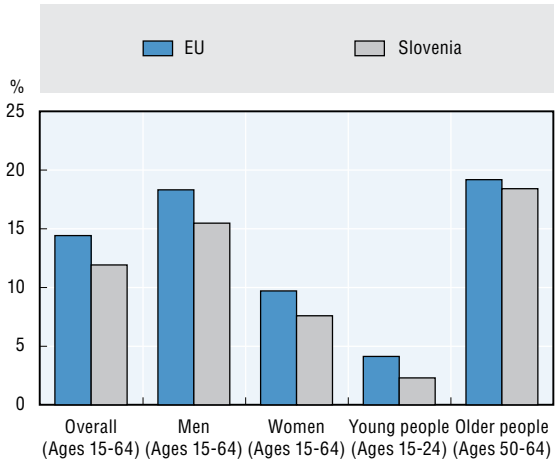


Chart C. Self-employment rates, 2000-11

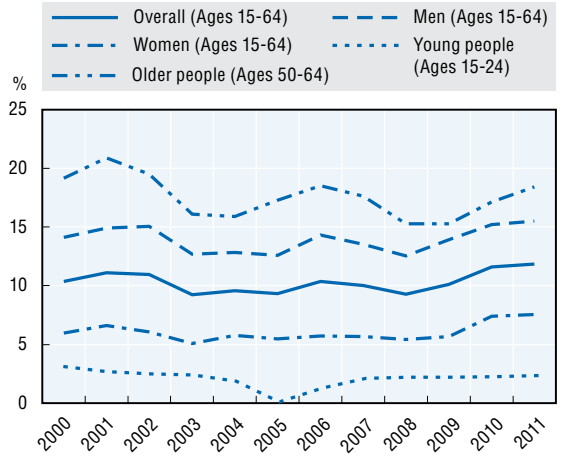


Chart D. Total early-stage entrepreneurial activities rate, 2011

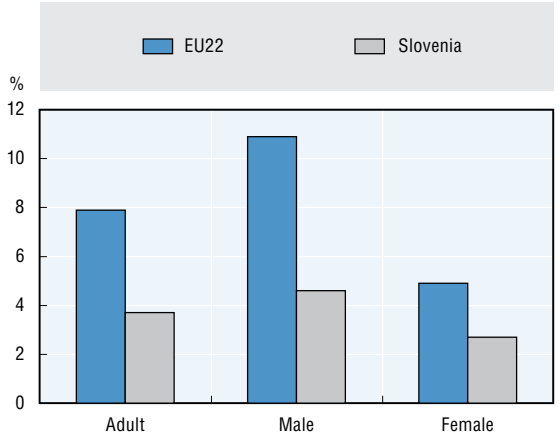
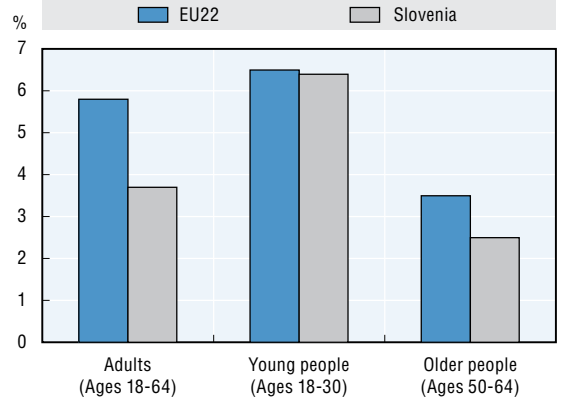


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929416

Spain: EMEKIN

Description: EMEKIN is a project in the Gipuzkoa province in northern Spain that provides entrepreneurship training and financial support to women who want to start a business. The project also matches new women entrepreneurs with more experienced entrepreneurs who provide mentoring.

Context: Spain was hit very hard by the economic crisis and its unemployment rate has increased by 260% since 2007. This has also resulted in an increase in long-term unemployment (12 months or more). This has been most pronounced for youth and low-skilled workers, but women have also been impacted disproportionately. Since 2007, the unemployment rate for women has consistently been the highest among EU countries (Chart A). Women are also less likely to hold permanent full-time employment than men.

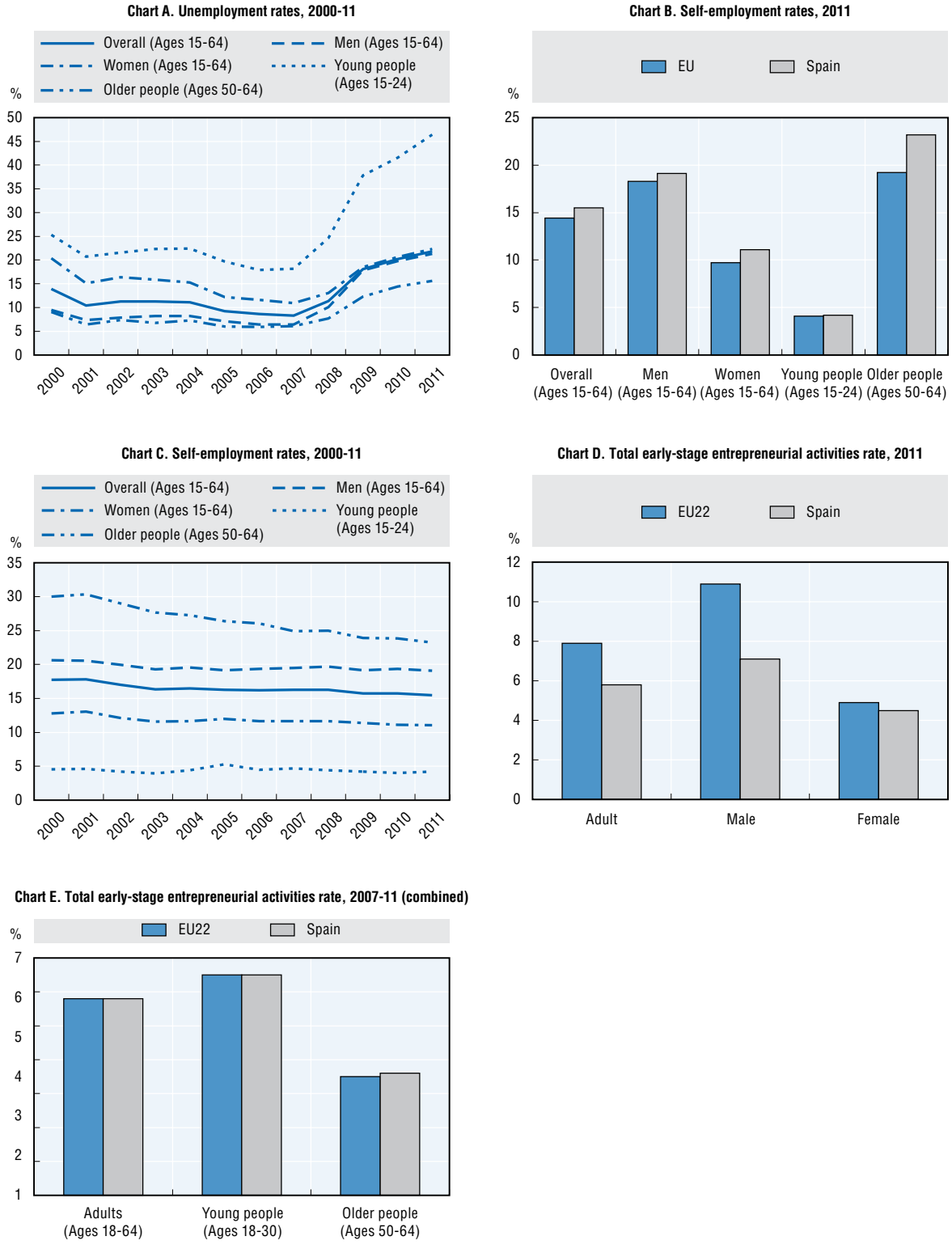
Problem addressed: Women have lower business start-up rates than men and those who do start typically operate smaller businesses (i.e. they have lower levels of start-up capital and fewer employees) and operate in smaller markets (i.e. fewer women-owned business export) (GEM, 2012). The project aims to make entrepreneurship more attractive for women and improve their chances of success.

Approach: The EMEKIN project is operated by the Provincial Government of Gipuzkoa (DFG) in collaboration with the Association of Business Women (ASPEGI) and a local savings bank (Caja Laboral). Women access the project through DFG, which provides training on business start-up and business management. DFG also manages a network of women entrepreneurs that provide mentoring to new business owners and grants that can be used to access professional services such as legal advice. DFG also refers women that need assistance in developing their business plan or business advice to ASPEGI and those that need a loan for business start-up to the partner savings bank. In addition to providing loans at preferential rates, the partner bank also offers assistance with business plan development. In addition, DFG offers services that aim to help women reconcile and balance work and family life, such as child care. The project is funded equally by the European Social Fund and the provincial government.

Impact: While this project has not been formally evaluated, data from the Global Entrepreneurship Monitor suggest that the level of entrepreneurial activity by women in the province is increasing, both in terms of quality and quantity. However, there is no evidence that links this observation to the project.

Considerations for success: A key feature of this project is its integrated approach, involving several key stakeholders – local government, financial institutions and other women entrepreneurs. This allows potential women entrepreneurs to strengthen their human, social and financial capital.

Figure 10.25. **Entrepreneurship and self-employment data for Spain**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929511

Sweden: Reform of the social insurance system for self-employed workers

Description: The Swedish government recently launched several reforms to the social security system for self-employed workers that took effect on 1 July 2010. The aim is to reduce the risks associated with moving from wage-employment to self-employment and to provide an incentive to enter self-employment.

Context: Even though Sweden has a low unemployment rate relative to other EU countries, it is at a relatively high level from a historical perspective (Chart A) and some groups are poorly integrated into the labour market. In recent years, Sweden has undertaken a number of reforms to support labour force participation and employment, including reforms in the disability and sickness support schemes and adjustments to labour taxation.

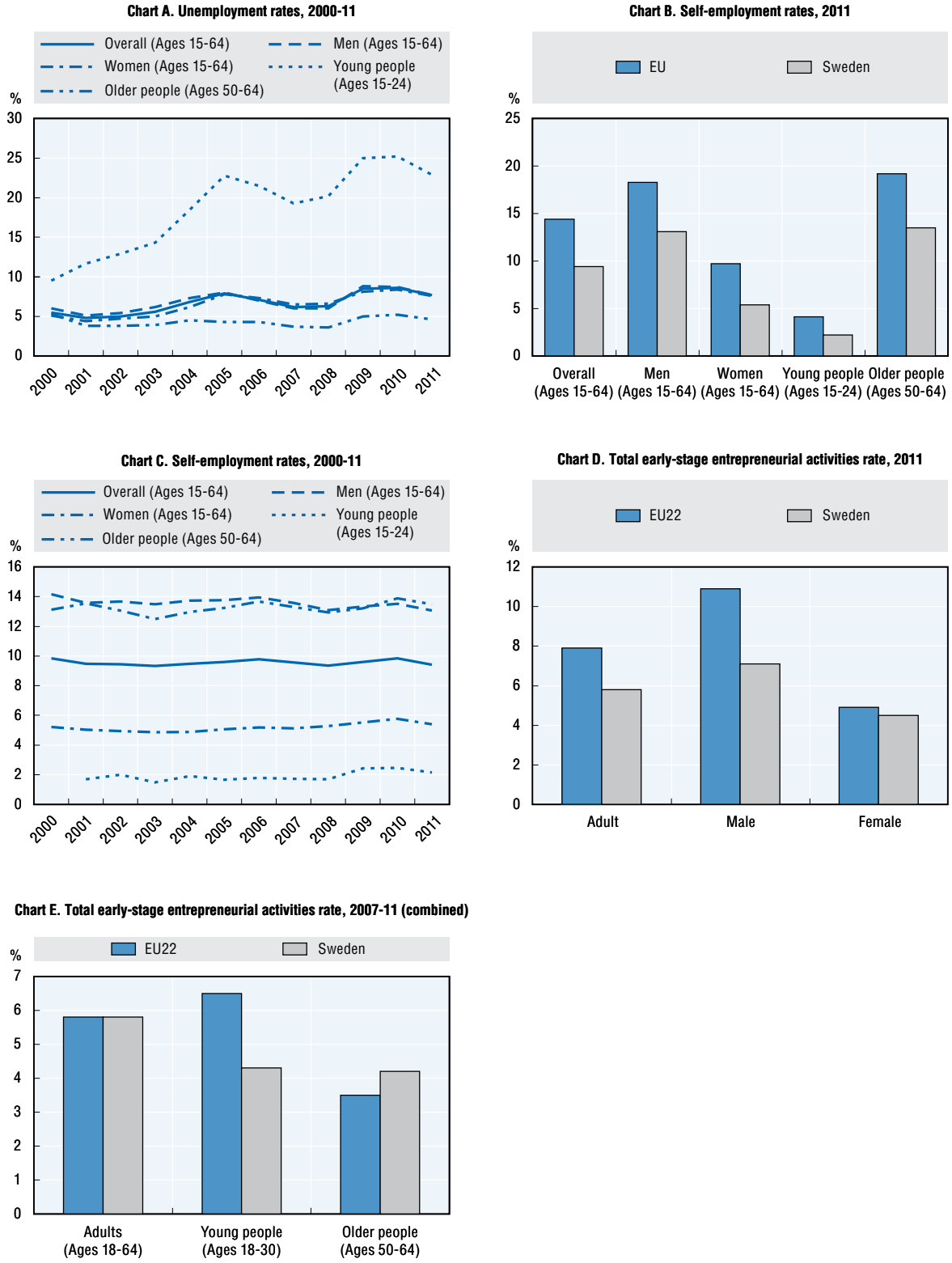
Problem addressed: The main objective of these reforms was to create clear rules and conditions for more equal treatment between those are self-employed and those who work in paid employment. The reform aims to encourage self-employment by *i*) creating incentives for self-employment by ensuring that self-employed people are covered by social benefits and *ii*) reducing the financial risks associated with employing staff.

Approach: These reforms attempt to reduce some of the differences in welfare entitlements between the self-employed and wage earners, such as social security entitlements, coverage by unemployment insurance, health insurance and parental support benefits, in order to provide more security for the self-employed and mitigate some of the risks of transitioning from employment to self-employment. For example, under the new measures, social security benefit levels for the first 24 months of self-employment are set to the same level as those of wage earners in the same occupation, with the same level of educational attainment and experience. Changes to the parental leave system are also intended to bring more equality between the self-employed and wage earners. In particular, the amount of compensation income while taking care of a sick child was increased for the self-employed.

Impact: No formal evaluations of these measures have been undertaken. However, a Government study (Official Reports of the Swedish Government, 2008) indicated that self-employed workers have significantly lower returns on their social security payments than those in paid employment. The study therefore concluded that a reduction in social security fees for self-employed workers would be an efficient measure for increasing self-employment.

Considerations for success: This policy acts on the risks and incentives for self-employment. It may have special importance for women, since empirical studies have demonstrated that women tend to have greater negative attitudes towards risk taking behaviour (Croson and Gneezy, 2009).

Figure 10.26. **Entrepreneurship and self-employment data for Sweden**



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929606

United Kingdom: The Prince's Trust Youth Business Scotland

Description of Programme: The Prince's Trust Youth Business Scotland (PTYBS) provides tailored funding and support services to young people across Scotland to help them start and develop their own business, with a focus on the most disadvantaged and those businesses with most potential to grow.

Context: The economic crisis has significantly increased United Kingdom unemployment rates and young people continue to be disproportionately affected. Long spells of unemployment can have serious long-term effects for individuals, particularly young people. Research suggests that prolonged unemployment for young people can reduce future earnings and increases the likelihood of future unemployment and social exclusion. While the youth unemployment rate in the UK has not been as high as other EU countries, youth unemployment in large urban areas such as London has reached 25% and is higher for groups such as ethnic minorities and those without qualifications. Youth unemployment is also a significant challenge in Glasgow, the largest urban area in Scotland, where 11% of youth between the ages of 16 and 19 are not in employment, education or training (YEP, 2012).

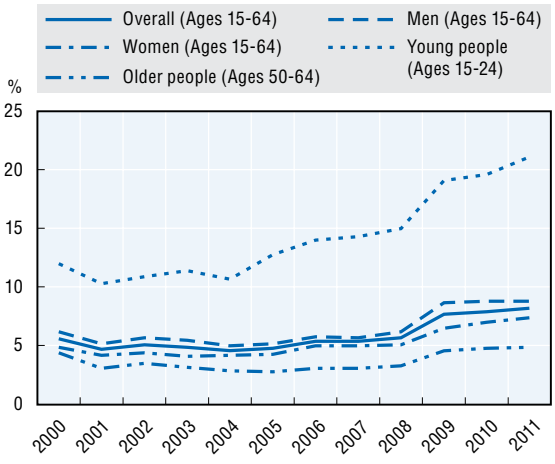
Problem addressed: PTYBS aims to provide financial support to perceived non-bankable young people of 18 to 25 years old (18 to 30 years for those with disabilities) in Scotland. It acts as a lender of last resort for young people who want to start viable businesses.

Approach: The PTYBS model combines microfinance with a range of focused business development services. It is delivered by a public partnership with a non-governmental organisation. Thus although PTYBS was an initiative of the Prince of Wales, it works very closely with public service partners from the Scottish Enterprise Network and the Scottish government's enterprise agency system, receiving most referrals from them. The initiative receives and disburses conditional start-up grants of GBP 1 000 (approximately EUR 1 170) and offers loans of up to GBP 5 000 (approximately EUR 5 840). Businesses with growth potential may receive Development Loans of up to GBP 10 000 (approximately EUR 11 700). Accelerator Loans of up to GBP 25 000 (approximately EUR 29 200) or Innovation Fund loans of up to GBP 30 000 (approximately EUR 35 040) help 18 to 25 year olds with an innovative concept or product to take their idea to the next stage. The finance is complemented with training, coaching and mentoring provided by more than 650 volunteers from local business communities. PTYBS is funded by corporate and individual donations, government grants, government contracts to manage grants, and the European Regional Development Fund (ERDF). It received GBP 935 000 (approximately EUR 1.1 million) in donations, GBP 1.2 million (approximately EUR 1.4 million) in grant income from the Scottish government, Scottish Enterprise and the ERDF and GBP 175 000 (approximately EUR 204 380) in interest income from loans.

Impact: An evaluation (DTZ, 2007) showed that during 2004-2005, PTYBS generated 155 additional start-ups and helped an additional 416 start-ups start sooner, on a larger scale, or higher quality. The cost per start-up taking Business Gateway expenditure into account was GBP 2 351 (approximately EUR 3 460), GBP 15 565 (approximately EUR 22 920) per fully additional start-up and GBP 7 989 (approximately EUR 11 760) per net job created. In the year to June 2011, it helped 620 young people to start 581 businesses (PTYBS Annual Report, 2011).

Consideration for success: As a member of the Prince's Youth Business International network of independent non-profit initiatives in 34 countries, PTYBS is able to draw on international good practices. In addition to providing financial support, training, coaching and mentoring, PTYBS actively promotes the businesses it helps through the media and public relations, by facilitating networking clubs and social events and by offering opportunities to enter competitions and awards.

Figure 10.27. **Entrepreneurship and self-employment data for the United Kingdom**



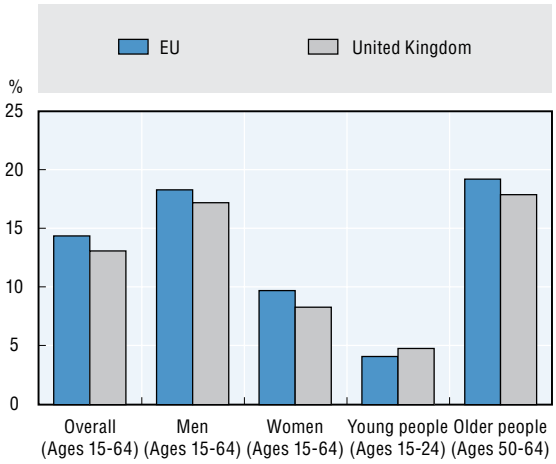


Chart C. Self-employment rates, 2000-11

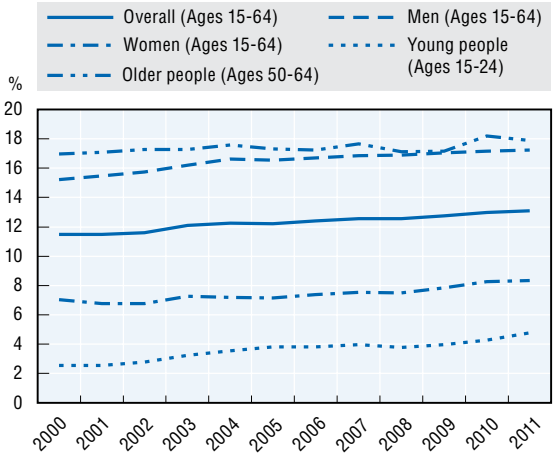


Chart D. Total early-stage entrepreneurial activities rate, 2011

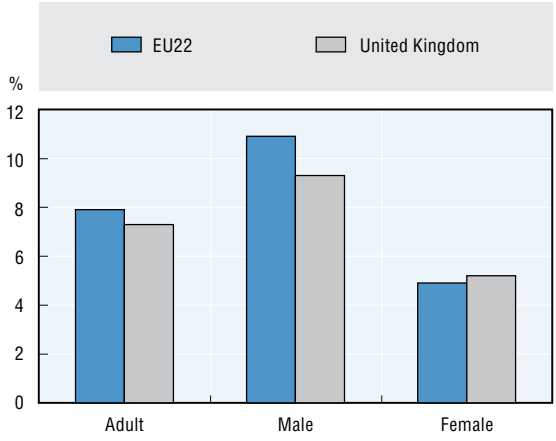
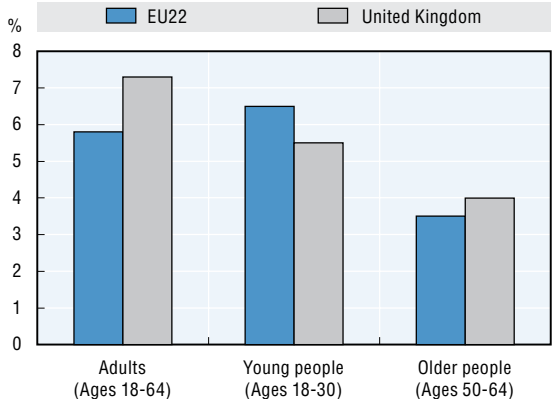


Chart E. Total early-stage entrepreneurial activities rate, 2007-11 (combined)



Sources: Chart A. Eurostat, Labour Force Survey, 2000-2011; Chart B. Eurostat, Labour Force Survey 2011 ; Chart C. Eurostat, Labour Force Survey, 2000-2011 ; 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, 2007-2011.

StatLink http://dx.doi.org/10.1787/888932929701

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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).

Bootstrapping: The use of internal funding sources to meet the resource needs of a business without relying on external finances. Examples include use of manager's credit card, loans from relatives and friends, delivering invoices faster, borrowing equipment and delaying payment to suppliers.

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.

Credit guarantee schemes: These are a commitment by an agency to reimburse a lender if the borrower fails to repay a loan. The lender pays a guarantee fee. As a risk sharing mechanism, credit guarantee schemes reduce the risks and potential losses of creditors, inducing lending to riskier types of borrowers. These schemes typically generate fewer market distortions relative to direct lending programmes because they use existing market mechanisms (i.e. private banks) as the main vehicles for lending.

Credit rationing: This refers to the situation where lenders limit the supply of additional credit to borrowers who demand funds, even if the latter are willing to pay higher interest rates. It should not be confused with cases where credit is simply "too expensive" for some borrowers. Two main types of credit rationing can usually be distinguished: 1) *Redlining* refers to the situation where some specific groups of borrowers, who share an identifiable trait, cannot obtain credit. 2) *Pure credit rationing* refers to the situation where, within a group of indistinguishable people, some obtain credit, while others do not and will not even if they are willing to pay a higher interest rate. This will occur if banks expect a very high default rate by those they do not lend to.

Cultural-cognitive institutions: The common beliefs, shared logic and the sense that the individual interpretation of events are shaped by the cultural environment in a society.

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/immigrant 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.

Financial literacy: Knowledge and understanding of financial concepts, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life.

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 pre start-up and 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.

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: Microcredit is the extension of very small loans to borrowers who typically lack collateral and a verifiable credit history. It is designed not only to support entrepreneurship and self-employment but also to alleviate poverty, and in many cases to empower and uplift entire communities by extension. Microcredit is a division of microfinance, which is the provision of a wider range of financial services, especially savings accounts, to those with low incomes and no savings.

Microfinance: Microfinance is usually understood to be the provision of financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client categories.

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.

Normative institutions: These are values that influence preferences in a society or social standards of what is considered preferable and desirable. In other words, they represent the shared understanding of individuals as "the way we do things".

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.

Regulatory institutions: These include laws or regulations that directly influence the costs of setting up a business, conducting business activity and closing a venture. They also include any policies that have an indirect influence on the desirability and feasibility of entrepreneurship (e.g. welfare policies, labour market policies, tax policies, educational policies).

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.

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

Social inclusion: Positive action taken to include all sectors of society in economic and social activity, including 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 are those from 18 to 30 years old, while the Flash Eurobarometer focuses on those from 15 to 24 years old.

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The Missing Entrepreneurs

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. The report details the barriers in the areas of institutions, entrepreneurial skills and entrepreneurial financing, provides guidance on how policies can intervene, and offers the inspiration of existing good practices from across the European Union.

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Part III. Country profiles
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