



# Inclusive Entrepreneurship Policies, Country Assessment Notes

## Czech Republic, 2017



## Acknowledgements

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

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## FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group or personal characteristics. This is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. ‘The Missing Entrepreneurs’ series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

The proportion of people involved in starting and managing new businesses in the Czech Republic is higher than the European Union (EU) average, especially among youth. Between 2012 and 2016, 11.5% of 18-30 year olds were in the process of starting a business or managing a new one, relative to 7.8% across the EU. Moreover, youth in the Czech Republic were less likely than the EU average to start business due to difficulties finding employment, which is consistent with the low levels of unemployment. A range of inclusive entrepreneurship measures have been implemented to support people from social target groups such as women, youth, older people and the unemployed in business creation. However, there is scope to address gaps in the support offer, especially in the area of tailored entrepreneurship coaching for groups such as women and youth.

This note is the second in a series of annual country assessments prepared by the OECD in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each European Union Member State. Each note provides an overview and assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment, and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector. The 2017 notes place a special focus on describing the characteristics of self-employment in each country.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, a series of Policy Briefs on specific target groups, policies and issues, country reviews of youth entrepreneurship and women entrepreneurship, and the production of online policy guidance. For more information please refer to: <http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm>.

## TABLE OF CONTENTS

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS .....	5
2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS .....	6
2.1. Labour market context .....	6
2.2. Self-employment and entrepreneurship rates .....	7
2.3. A profile of the self-employed .....	8
2.4. Barriers to business creation .....	9
2.5. Entrepreneurship performance .....	10
3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES .....	12
3.1. Policy framework .....	12
3.2. Government regulations .....	13
3.3. Financing entrepreneurship .....	13
3.4. Entrepreneurship skills .....	15
3.5. Entrepreneurial culture and social capital .....	16
4. POLICY RECOMMENDATIONS .....	17
5. REFERENCES .....	18
ANNEX: METHODOLOGY .....	19

### Key messages

- Entrepreneurship policy in the Czech Republic is guided by an overall SME and entrepreneurship strategy for 2014-20, which is accompanied by annual action plans that focus on short-term priorities. Potential entrepreneurs from under-represented and disadvantaged groups (e.g. women, youth, seniors, the unemployed, migrants, people with disabilities) are not explicitly referenced in these high-level documents, but several national ministries address the labour market challenges faced by these groups through group-specific strategies. Moreover, entrepreneurship is highlighted in the strategies for seniors, women and the Roma. Most tailored entrepreneurship schemes offer support to the unemployed, but there are an increasing number of offers for youth and women.
- Overall, self-employment and entrepreneurship rates in the Czech Republic are above the European Union (EU) average. This is especially true for youth who were much more likely than the EU average to be actively working to start a business or managing a new one during the 2012-16 period (11.5% vs. 7.8%). Over the same period, men were much more likely than women to be involved in starting or managing a new business (11.5% vs. 4.7%), and this gap is greater than in most EU countries.
- There do not appear to be substantial barriers to the further development of inclusive entrepreneurship policies and programmes in the Czech Republic. While high-level strategies do not call for such initiatives, a growing number of tailored schemes have been implemented in recent years.
- To strengthen inclusive entrepreneurship policies and programmes, it is suggested that priority be given to: (i) explicitly identifying inclusive entrepreneurship in entrepreneurship strategies and action plans; (ii) developing an ambassador's programme for women entrepreneurs to promote entrepreneurship, especially innovation and business growth; (iii) developing entrepreneurship award programmes for groups beyond women and youth; (iv) increasing support for business development, especially coaching and mentoring, for all inclusive entrepreneurship target groups; and (v) further developing tailored microcredit programmes for women, youth and seniors.

## 1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

SME policy in the Czech Republic is largely under the responsibility of the Ministry of Industry and Trade, which prepared an SME and entrepreneurship strategy in 2012: “Small and Medium Enterprises Support Strategy 2014-2020”.<sup>1</sup> It seeks to help businesses develop and grow, notably through improvements to the business environment and direct support, including access to finance, mentoring, technology scouting, coaching, market intelligence and technology forecasting. Inclusive entrepreneurship target groups (e.g. women, youth, seniors, the unemployed, migrants, people with disabilities, etc.) are generally not explicitly identified in the strategy, however the long-term unemployed and persons facing social exclusion are noted as needing additional support in accessing financing for business start-up.

The 2014-20 strategy was followed by the “2016 SME Support Action Plan”, which also focuses broadly on SME development and does not identify any tailored actions for any of the under-represented or disadvantaged groups. However, the key operational programme that implements the

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<sup>1</sup> [www.mpo.cz](http://www.mpo.cz)

2016 Action Plan has an objective to improve access to finance for business creation to stimulate self-employment among selected groups, including women, ethnic minorities and persons facing social exclusion. The “2017 SME Support Action Plan” was prepared and approved in early 2017.

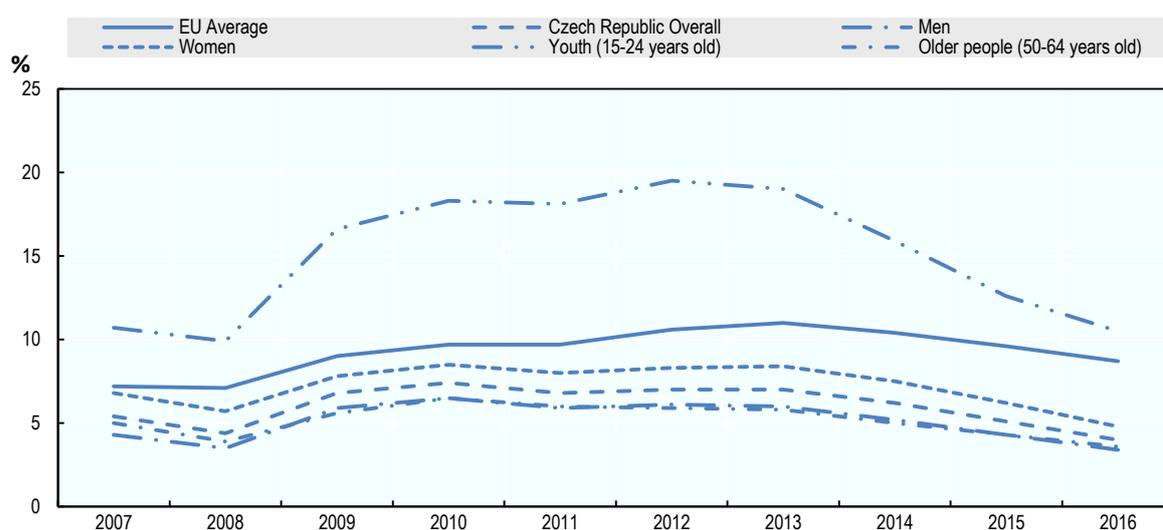
While inclusive entrepreneurship objectives are not yet well-defined, the Czech Republic has clearly-defined growth objectives to support the European Union’s 2020 growth agenda. These objectives include achieving an employment rate of 75% (which has already been achieved) and a reduction in the number of people at risk of poverty or social inclusion by 30 000,<sup>2</sup> which are both objectives that could be supported by inclusive entrepreneurship policies and programmes.

## 2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

### 2.1. Labour market context

Inclusive entrepreneurship policies and programmes often seek to open up business creation and self-employment as a way of participating in the labour market for social groups that often face challenges in the labour market. The unemployment rate in the Czech Republic was less than half of the average unemployment rate in the European Union (EU) in 2016 (4.0% vs. 8.7%) and has been declining since 2012. There was a relatively small difference in the unemployment rate for men (3.4%) and women (4.8%) in 2016. The youth unemployment rate (10.5%) was 2.5 times the national average but remains very low relative to other EU countries. Unemployment among older people was also among the lowest in the EU at 3.6%.

Figure 1. Unemployment rate, 2007-16



Source: Eurostat (2017), Labour Force Survey 2016.

<sup>2</sup> [http://ec.europa.eu/europe2020/europe-2020-in-your-country/ceska-republika/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-your-country/ceska-republika/country-specific-recommendations/index_en.htm)

## 2.2. Self-employment and entrepreneurship rates

The self-employment rate in the Czech Republic was slightly above the EU average in 2016 (16.2% vs. 14.0%) (Figure 2a). As with most EU countries, men were nearly twice as likely as women to be self-employed in 2016 (19.5% vs. 11.9%) and few working youth were self-employed (6.5%). However, the proportion of working youth who were self-employed was above the EU average (4.1%).

One reason for high levels of self-employment is the so-called “Schwarz System” often used in the Czech Republic<sup>3</sup> whereby companies use self-employed workers whose work arrangements are essentially the same as those of employees (i.e. dependant self-employment). This method (currently considered illegal) allows employers to make savings on their employee health insurance and social insurance payments. While there are no statistics on the numbers of involved subjects, various analyses indicate that this practice is especially widespread among small and mid-sized companies. Therefore, numerous people possess trade licenses and fall under the self-employed category even when, in fact, they do not run any businesses.

Another way to measure entrepreneurship activities is with household surveys such as the Global Entrepreneurship Monitor (GEM), which monitors entrepreneurship activities, barriers and attitudes in nearly 100 countries annually. One of the key indicators is the Total early-stage Entrepreneurial Activities (TEA) rate, which estimates the proportion of the population that is actively involved in starting or managing a new business. For the period 2012-16, approximately 8.2% of adults were involved in starting or managing a new business, which was above the EU average for this period (6.7%) (Figure 2b). Consistent with the self-employment rate, women were about half as likely as men over this period to be involved in early-stage entrepreneurship activities (4.7% vs. 11.5%), and this gender gap is slightly greater than the EU average. Indeed, Czech men were much more likely to be involved in business creation or managing new businesses (11.5%) than the EU average (8.7%) while the TEA rate for women was similar to the EU average for women. Youth also appear to be relatively active in the creation and management of new businesses. Over this period, 11.0% of youth were active in early-stage entrepreneurship activities relative to 7.8% across the EU. This is above average rate is consistent with the youth self-employment rates. Of the key social target groups, older people were the least likely to be involved in starting or managing new businesses over this period (4.0%), close to the EU average (4.3%).

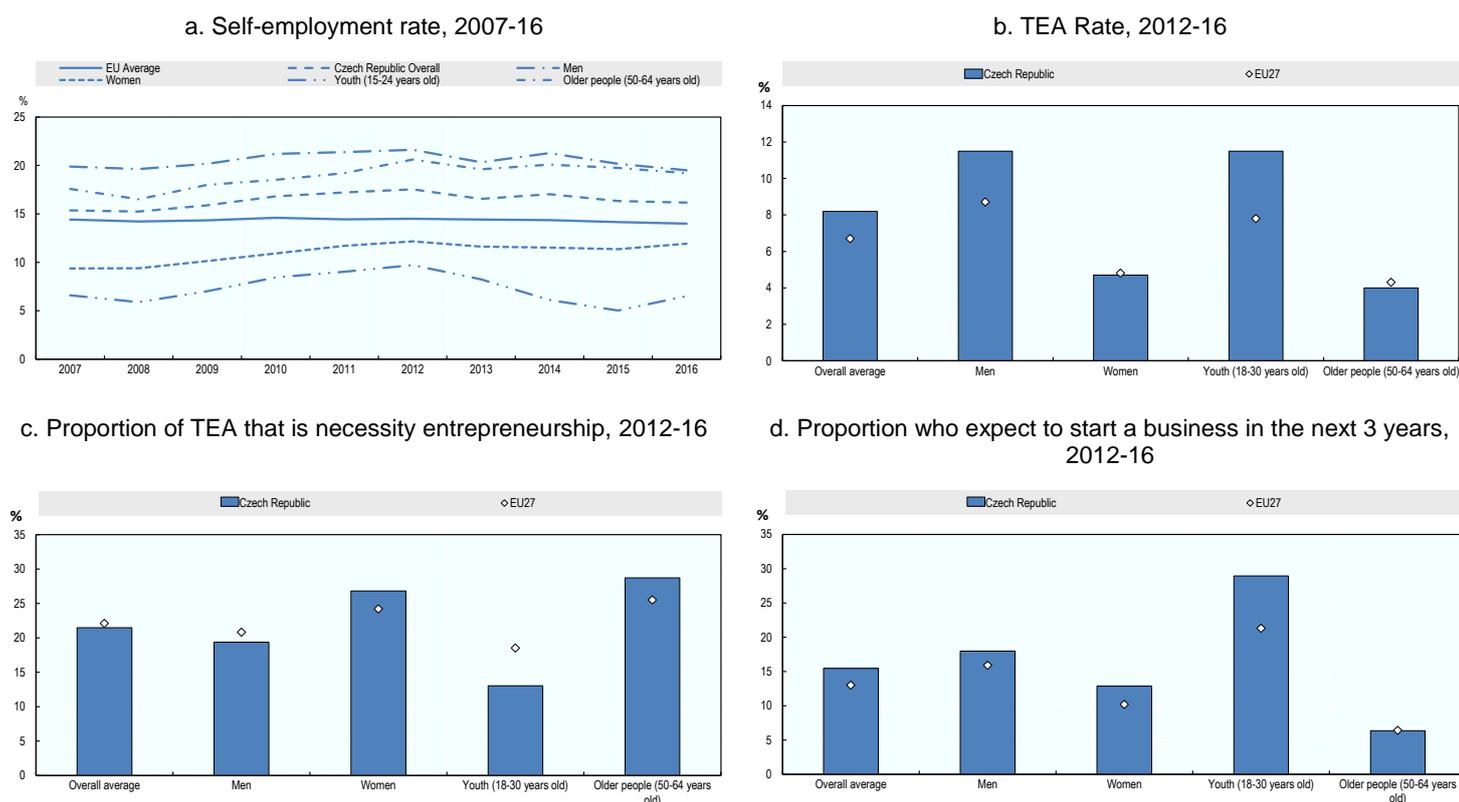
Between 2012 and 2016, about one-in-five entrepreneurs (21.5%) reported that they started their business because they could not find employment. Given the low unemployment rates, it is unsurprising that the proportion of entrepreneurs who report that they started their business out of necessity is slightly below the EU average (22.1%) (Figure 2c). Women were the most likely social target group to report starting their business due to a lack of employment opportunities over this period (26.8%), which was slightly above the EU average for women (24.2%). Older entrepreneurs were also slightly more likely than the EU average to indicate that they started their business out of necessity (28.7% vs. 25.5%), but youth entrepreneurs were much less likely than the EU average (13.0% vs. 18.5%).

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<sup>3</sup> Mr. Schwarz was an entrepreneur who utilised services of people with trade licenses (self-employed) instead of hiring employees. However, this is not a standard supplier-consumer relationship between two independent subjects. Their relationships rather represent the employment relationship because their cooperation features employment signs.

Approximately 15.5% of adults in the Czech Republic expected to create a business within the next three years during the 2012-16 period (Figure 2d). This is slightly higher than the rate for the EU (13.0%). Women were less likely than men to expect to create a business (12.9% vs. 18.0%), but slightly more likely than the EU average (10.2%). Youth were the most likely to expect to create a business over this period (28.9%), significantly higher than the EU average for this age group (21.3%) which is consistent with the high levels of youth self-employment and early-stage entrepreneurship activities. Older people, however, do not appear to be likely to create a business (6.4%). This is the only group whose entrepreneurship expectations do not exceed the EU average.

**Figure 2. Self-employment and entrepreneurship rates by target group**



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total early-stage Entrepreneurial Activity rate, which is defined as the proportion of the population actively involved in pre start-up activities and those who have started a new business within the last 42 months. The proportion of TEA that is necessity entrepreneurship is the proportion of entrepreneurs involved in setting-up a new business or operating a business that is less than 42 months old, who were motivated to start their business because they had no better options for work. Data for panels b, c, and d were pooled for the period 2012-16. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average in panels b, c, and d covers all EU Member States except Malta.

Source: Panel a contains data from Eurostat (2017), Labour Force Survey; Panels b, c, and d contain data from the 2012 to 2016 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2017).

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

Nearly one-in-five self-employed people worked in the construction sector in 2016 (18.6%). Other sectors with a high concentration of self-employment were Wholesale and retail trade; Repair of motor vehicles and motorcycles (14.6%); Professional, scientific and technical activities (12.8%); and

Manufacturing (12.0%). Combined, these four sectors accounted for almost 60% of self-employment. This is similar to the picture of self-employment at the EU level, with the exception of the construction sector which has a greater concentration of self-employed workers in the Czech Republic.

While the main sectors of activity of self-employed men mirrors the overall national distribution, the main sectors of activity for self-employed women differed. The three sectors with the greatest concentration of self-employed women were: Professional, scientific and technical activities (19.0%); Wholesale and retail trade; repair of motor vehicles and motorcycles (15.2%); and Other service activities (14.9%), which includes the activities of membership organisations such as trade unions and religious or political organisations, repair of computers and personal and household goods, and other personal service activities, such as hairdressing and dry-cleaning.

Self-employed youth were mostly active in Construction in 2016 (19.3%). Other significant sectors were Wholesale and retail trade; Repair of motor vehicles and motorcycles (17.2%) and Other service activities (13.0%). Construction was also the most common sector of activity for older self-employed workers (18.5%).

In 2016, over 80% of the self-employed were working in one of four categories of occupation: Craft and related trades workers (28.8%); Service and sales workers (19.8%); Professionals (16.5%); and Technicians and associate professionals (15.8%). These occupations were the most common for all social target groups, but there were some slight differences across them. For example, self-employed women were more likely to be Service and sales workers (40.1%) and self-employed youth were most likely to be Craft and related trades workers (32.8%).

It is also important to recognise that self-employment is often a complementary income source. Estimates for 2014 indicate that only 60% of the self-employed run their businesses as their main source of income (CzechTrade, n.d.). The remaining 40% of self-employed people utilise their businesses as their side activity. Thus, many in this group of business owners likely do not have high ambitions to generate jobs and have employees.

#### **2.4. Barriers to business creation**

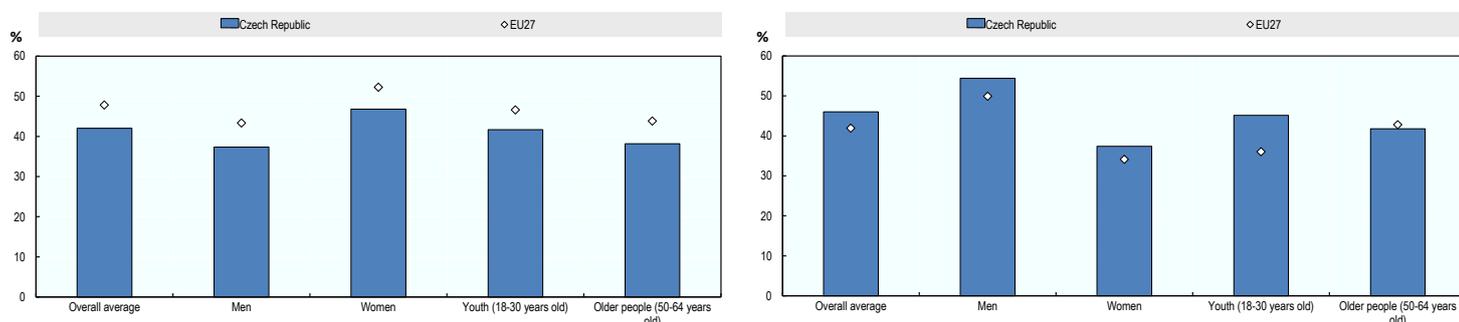
Over the period 2012-16, nearly half of the people in the EU (47.8%) reported that a “fear of failure” prevented them from starting a business. However, this appears to be less of an issue in the Czech Republic where only 42.0% reported this barrier (Figure 3a). Although women were the most likely social target group to report this barrier (46.8%), they were still less likely than the EU average (52.2%). Older people were the least likely to report that a fear of failure prevented them from starting a business (38.2%) and youth were about as likely as the national average to report this barrier (41.7%).

Adults in the Czech Republic were also slightly more likely to believe that they had the skills to start a business than the EU average over the 2012-16 period (46.0% v. 41.9%) (Figure 3b). While more than half of men felt that they had suitable skills (54.5%), only 37.4% of women did. Youth were also quite likely to report that they had the skills to start a business (45.1%) and older people were slightly less likely (41.8%).

**Figure 3. Barriers to entrepreneurship by target group**

a. Proportion who report that a fear of failure prevents them from starting a business, 2012-16

b. Proportion who perceive that they have the skills to start a business, 2012-16



Note: Data were pooled for the period 2012-16. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta.

Source: GEM (201), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2012 to 2016.

A Czech survey completed by the Association of Small and Medium-Sized Enterprises and Crafts (AMSP CR) of approximately 550 students (AMSP CR, n.d.) provides insights on youth attitudes towards entrepreneurship and the obstacles to business creation. Two-thirds of the respondents reported that the greatest barrier to business creation was that they do not have sufficient funds and do not know where they would get them. Other reasons for not starting a business include (with at least 33% of respondents identifying the issue):

- "I am not brave enough to run an independent business";
- "I have no business idea";
- "I am afraid that I would not be competitive in the field";
- "I have no specific information about running a business and do not know where to search for information";
- "Entrepreneurship involves great responsibility and stress".

## 2.5. Entrepreneurship performance

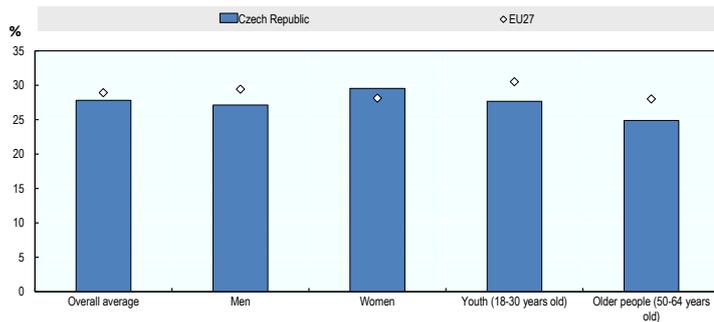
Over the 2012-16 period, entrepreneurs in the Czech Republic were about as likely than entrepreneurs across the EU to offer new products and services to their customers (27.8% vs. 28.9%) (Figure 4a). Women were slightly more likely than men to offer new products and services (29.5% vs. 27.1%). Youth entrepreneurs were around the national average (27.7%), and below the EU average for this demographic (30.5%). Older entrepreneurs were also less likely than the EU average to offer new products and services during this period (24.9% vs. 28.0%).

However, Czech entrepreneurs were very likely to sell to customers in other countries (Figure 4b). Over the period 2012-16, 80.6% of entrepreneurs had foreign customers, which was well above the EU average of 58.6%. Youth entrepreneurs were the most likely to export (86.8%), but women were not far behind (82.9%). Moreover, women were more likely than men to have customers in another country (79.8%). Older entrepreneurs were the least likely to have sales to foreign customers (74.9%).

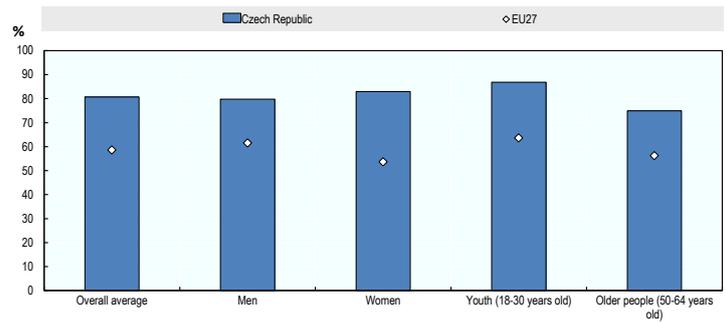
New Czech entrepreneurs were slightly more likely to expect to create at least 19 jobs with their business in the next five years (12.2%) than their EU counterparts (10.0%) (Figure 4c). Youth were the most optimistic about the job creation potential of their businesses (18.0%), while women were the least (10.4%). However, the proportion of women that expected to create at least 19 jobs is still higher than the average for the European Union (6.0%).

**Figure 4. Self-employment and entrepreneurship activities by target group**

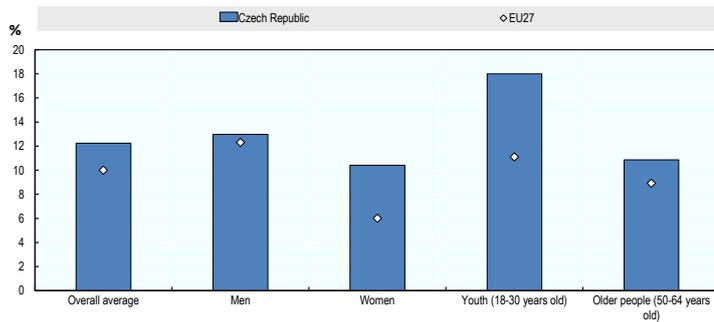
a. Proportion of new entrepreneurs whose products or services are new to all or some customers and who have few or no businesses offering the same products or services, 2012-16



b. Proportion who sell to customers in another country, 2012-16



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2012-16



Note: Data were pooled for the period 2012-16. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta.

Source: GEM (2017), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2012 to 2016.

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

#### 3.1. Policy framework

The basic framework for entrepreneurship policy is set out in the Small and Medium Enterprises Support Strategy 2014-2020, which is within the competence of the Ministry of Industry and Trade. While it is the overarching SME development strategy for the Czech Republic, it does not mention any actions related to inclusive entrepreneurship.

A number of more specific strategies and action plans have been developed for different population groups in recent years. These include the “Government Strategy for Equality of Men and Women in the Czech Republic for 2014-2020”,<sup>4</sup> “National Action Plan to Support Positive Ageing for 2013-2017”,<sup>5</sup> “National Action Plan to Promote Equal Opportunities for Persons with Disabilities for 2015-2020”,<sup>6</sup> “Roma Integration Strategy up to 2020”,<sup>7</sup> “Migration Policy Strategy”,<sup>8</sup> and “Foreigner Integration Strategy”<sup>9</sup> and “Youth Support Strategy”.<sup>10</sup> Most of these strategies aim to improve, among many challenges, access to labour market opportunities for these different groups. However, self-employment is only covered by the strategies for positive aging, women and the Roma.

Several ministries have a role in designing and implementing inclusive entrepreneurship policies, including the Ministry of Industry and Trade, which is responsible for supporting entrepreneurship and the economy in general, and the Ministry of Labour and Social Affairs, which is responsible for the inclusion of disadvantaged population groups in the labour market. The Office of the Government of the Czech Republic or specific councils of the Government focused on particular groups of the population (e.g., Government Council for Equal Opportunities of Men and Women, Government Council for Ethnic Minorities, Government Council for the Roma Minority, Government Board for People with Disabilities, Government Council for Seniors and Ageing Population) also contribute with initiatives that fall within their mandate.

Specific councils are advisory government bodies responsible for social inclusion issues. They are composed of representatives of national state administration bodies, the non-profit sector, academic community, social partners and the civil society. There is an advisory body for each target group under the Office of the Government of the Czech Republic but these bodies focus primarily on social exclusion in a comprehensive manner and on its impact on the society in accordance with the overall political framework.

Despite the number of ministries, councils and other bodies involved, there appears to be a lack of leadership in this policy area since no single entity has been tasked with overall responsibility for

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<sup>4</sup> <http://www.vlada.cz/cz/ppov/rovne-prilezitosti-zen-a-muzu/dokumenty/zakladni-dokumenty-rady-123714/>

<sup>5</sup> [www.mpsv.cz](http://www.mpsv.cz)

<sup>6</sup> <http://www.vlada.cz/scripts/detail.php?pgid=179>

<sup>7</sup> <http://www.vlada.cz/scripts/detail.php?pgid=490>

<sup>8</sup> <http://www.mvcr.cz/clanek/strategie-migracni-politiky-cr.aspx>

<sup>9</sup> [www.mvcr.cz](http://www.mvcr.cz)

<sup>10</sup> [www.msmt.cz](http://www.msmt.cz)

inclusive entrepreneurship. It would be suitable to establish an inter-ministerial working group in connection with the update of SME Strategy. This working group could prepare the specification of concrete measures to support an inclusive entrepreneurship that should be a part of SME Strategy.

### **3.2. Government regulations**

The first contact that an entrepreneur has with the regulatory system is upon business registration. A 2014 study found that starting a business in the Czech Republic was relatively easy, with the exception of certain concession trades with demanding the legal requirements.<sup>11</sup> Furthermore, some population groups (e.g. the Roma and migrants) face specific challenges related business registration since they have greater difficulties accessing and understanding information.

Registered job seekers face a disincentive to starting a business as they may lose their “unemployed” status and the associated benefits. Some unemployed people may be eligible for a start-up grant or a bridging allowance, delivered by the Employment Office. While this approach is commonly used in European Union countries, the approach used in the Czech Republic is unique in that the rules for providing allowances for start-up are applied differently across regions. This has the advantage of making the measure responsive to local needs, but at the same time does not offer unemployed people the same opportunities.

In contrast, people with a disability do not have their disability pension reduced when starting business. The same applies to older people who operate a business: if they are eligible for the retirement pension, the registration of a business will not reduce or eliminate their pension.

There are also some regulatory measures specifically designed to support women in the labour market. Some groups (e.g. parents returning to the labour market after maternity and parental leave, women older than 50 years old) are eligible for exemptions from paying social insurance premiums for 12 months. These measures appear to be effective, and are complemented by simultaneous efforts to improve access to childcare by significantly increasing of capacities of preschool institutions.

Overall several different regulatory measures aim to encourage self-employment. While it is difficult to assess the effectiveness of these measures in the absence of evaluations, there seems to be no clear gap in the package of regulatory measures used.

### **3.3. Financing entrepreneurship**

The most commonly used financial mechanism to support entrepreneurs from under-represented and disadvantaged groups is direct grants, which are typically provided through sub-programmes of the Operational Programme Enterprise and Innovation for Competitiveness or through the Employment Office. These grants are however open to everyone and there are no special provisions for people from any of the key target groups.

In addition, the Employment Office offers a grant for registered job seekers for setting up businesses. The amount of the grant payment varies across regions, depending on the situation in the local labour market. Further, a bridging allowance is also offered (it can be used to pay the operating

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<sup>11</sup> Study on the compliance by member states on the time needed to get licences and permits to take up and perform the specific activity of an enterprise as from beginning of 2014; National Fiche for the Czech Republic; 2014

costs of the business such as rent, transport, etc.). To be able to obtain the bridging allowance, an entrepreneurship plan must be submitted and assessed.

The microcredit sector is under-developed in the Czech Republic and only three institutions are supported by the European Union's Employment and Social Innovation (EaSI) programme, which (among other objectives) aims to facilitate microcredit and microloans for vulnerable groups and micro-enterprises.<sup>12</sup> This leaves a segment of potential entrepreneurs as under-served as some groups have difficulty accessing mainstream bank financing: i) traders, farmers and craftsmen (self-employed persons) who need equipment to grow their businesses; and ii) economically and socially excluded aspiring entrepreneurs.

Loan guarantees are also used. The Czech-Moravian Guarantee and Development Bank (ČMZRB) delivers on a national programme GUARANTEE 2015-2023, launched by the Ministry of Industry and Trade in 2015. It includes the offer of individual guarantees with financial contribution for SMEs and social entrepreneurs. The eligibility criteria include: i) employment of persons disadvantaged in the labour market; ii) reinvestment of more than 50% of the profit back to the development of business; and iii) development of corporate social responsibility, etc. ČMZRB also offers investment loans. In 2015, ČMZRB signed the COSME Counter-guarantee Agreement with the European Investment Fund to increase the capacity of the national programme. Up to the end of 2016, CZK 4.4 billion (approximately EUR 170 million) was provided in support of more than 1 500 young entrepreneurs. This guarantee helped them obtain their necessary bank loans, which were critical for the development of their business activities. Due to the high demand for this product, the programme was continued with support from the European Investment Fund. Thus by the end of 2018, a total amount of CZK 15 billion (approximately EUR 590 million) will be guaranteed and the number of supported projects is expected to double between 2016 and 2018.

ČMZRB's activities are expected to continue through the new programming period and new calls are expected to be launched at the end of 2016. For example, the proposed programme EXPANSION, within the framework of Operational Programme Enterprise and Innovations for Competitiveness, will focus on economically disadvantaged regions.

There are public initiatives aimed at supporting SMEs in exporting. The Export Guarantee and Insurance Corporation (EGAP) helps to insure credits connected with export of goods and services against political and commercial risks uninsurable by commercial insurance. The Czech Export Bank also provides export credits. Entrepreneurs from under-represented and disadvantaged groups can access supports offered by these institutions, but no tailored support is available.

New forms of financing such as crowdfunding and peer lending are beginning to appear. While entrepreneurs from under-represented and disadvantaged groups may use these platforms to access financing, the government does not currently promote or support these platforms.

Financial literacy training is often included in entrepreneurship training provided by projects financed from the Operational Programme Employment. It is also provided through formal schooling to youth.

Overall, grants are the most frequently used instrument for entrepreneurs from under-represented and disadvantaged groups, and there are also some loan guarantees available. There is a need to move

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<sup>12</sup> [http://europa.eu/youreurope/business/funding-grants/access-to-finance/search/en/financial-intermediaries?shs\\_term\\_node\\_tid\\_depth=179](http://europa.eu/youreurope/business/funding-grants/access-to-finance/search/en/financial-intermediaries?shs_term_node_tid_depth=179)

away from grants as they offer little incentive for entrepreneurs to succeed and the public funds cannot benefit from the multiplier effects of lending (i.e. loans can be re-loaned as they are repaid).

### **3.4. Entrepreneurship skills**

During the period 2014–20, the national government supports entrepreneurship training, business counselling and coaching through a range of initiatives that are financed by the European Social Fund or by the Operational Programme Employment (2014–20). The priority axis 1 of the Operational Programme Employment focuses on support of employment and workforce adaptability and the priority axis 2 on social integration and combatting poverty. Specific focus of the support depends on the setting of activities in the individual calls and the specific content of the partial projects that the applicants submit.

The national government supports the acquisition of entrepreneurship skills with different approaches for different target groups:

- unemployed persons registered with the Employment Office can access business counselling, entrepreneurship training or re-training related to self-employment by the Employment Office;
- new entrepreneurs (regardless of any potential disadvantage) can access specialised business counselling within the Operational Programme Enterprise and Innovation for Competitiveness (Counselling sub-programme);
- other under-represented and disadvantaged groups can access entrepreneurship training and business counselling through non-government organisations, business and community agencies and associations that are typically financed by the Operational Programme Employment 2014–20.

Most of the entrepreneurship training and individual support offer (e.g. business counselling) is delivered by non-governmental organisations and they tend to focus on the development of business plans and feasibility analyses. Less attention is usually paid to business development. Furthermore, these support programmes are often very general, with few initiatives being tailored to the specific needs of different entrepreneurs.

The private and non-governmental sectors also offer entrepreneurship training and business advisory services, sometimes at a fee. However, these are relatively inaccessible to people from under-represented and disadvantaged groups, especially when there is a cost.

Similarly, there are approximately 50 business incubators throughout the Czech Republic that provide an integrated support offer, most of which is directed at improving entrepreneurial skills. However, these are also largely inaccessible to entrepreneurs from under-represented and disadvantaged groups since incubators tend to focus on innovative businesses with growth-potential. In addition, there are business counselling centres in all regions (e.g. Regional Counselling and Information Centre, Technological Innovation Centre) but these are also not directed at entrepreneurs from under-represented and disadvantaged groups since they are less likely to have innovative and growth-oriented businesses.

As part of an Operational Program Education for Competitiveness 2007-13, several projects that aimed to embed entrepreneurship into the school curricula were supported. These projects focussed on preparing methodologies and tools for teaching and included seminars, workshops and educational

activities for teachers. Despite these projects, the Educational Policy 2020 and the Long-term Plan for Education and the Educational System for 2015-20 do not place much emphasis on developing entrepreneurship skills.

The most significant gap in the support system that provides training and business counselling to entrepreneurs is the lack of entrepreneurial coaching and mentoring. This is usually one of the most effective forms of support for entrepreneurs from under-represented and disadvantaged groups because it is individual support that can be tailored to their needs. However, there are currently few coaching and mentoring schemes. There is also a need to do more frequent and higher quality monitoring and evaluation activities so that government can learn about what is working and what is not, and take steps to address any activities that are not reaching the target groups or fulfilling their objectives.

### **3.5. Entrepreneurial culture and social capital**

An entrepreneurship culture is slowly developing after an initial enthusiasm in the 1990s, but entrepreneurship support is not yet seen as a policy instrument for social inclusion.

Nonetheless, there is a great deal of support for women entrepreneurs and there are several initiatives that promote entrepreneurship to women. For example, the Assistance Centres for Women Entrepreneurship, which are operated by the regional branches of the Czech Chamber of Commerce, not only support female entrepreneurs with training, workshops and childcare, but also promote entrepreneurship as a labour market activity.

In addition, a number of online platforms have been created to improve access to information for self-employed women on successfully running a business. These platforms often also include opportunities to network with other women entrepreneurs. Examples of online platforms include [www.ipodnikatelka.cz](http://www.ipodnikatelka.cz) and [www.podnikavazena.cz](http://www.podnikavazena.cz).

There are also a number of awards for female entrepreneurs, which help promote entrepreneurship for women. Examples include the Female Entrepreneur of the Year Award (*Podnikatelka roku*), Award of the Female Czech Entrepreneur (*Ocenění Českých podnikatelek*), Start-ups of the Year (*Rozjezdy roku*), and TOP Czech Woman (*TOP ženy Česka*).

There are also ongoing efforts to promote entrepreneurship to youth. For example, entrepreneurship education is slowly expanding its importance within the Czech Republic's education system. It is now part of the General Education System for basic education, which specifies that upon completion of elementary education, students should know how to prepare a basic business plan and understand the essence, goals, and risks of entrepreneurship. To support teachers in achieving this, professional courses and seminars have been developed, along with manuals. Many of these activities are supported by the European Social Fund.

Furthermore, the Ministry of Education, Youth, and Sports announced in the 2016/2017 school year several national contests for pupils and students that are to contribute to entrepreneurship-focused education. They include the Economic Team 2016 contest (project work, business plan presentation), the JA student firm of the year (the best student firm of the year contest at grammar schools and trade schools) and the Fictitious Firms Fair.

The Association of Small and Medium-Sized Enterprises and Crafts is also active in promoting entrepreneurship to youth through its initiative "Young Business". This project seeks to motivate young people to start a business through meetings with role model entrepreneurs (e.g. Coffee Talks)

through Global Entrepreneurship Week Czech Republic (*Týden podnikání*).<sup>13</sup> The Global Entrepreneurship week includes a business competition,<sup>14</sup> organised in co-operation with *Komerční banka*, that awards a grant to the winners.

At the end of 2016, a new youth entrepreneurship network was launched – Industry Spotlight. It has more than 2 000 members who attend regular events. The network also promotes successful projects and role models to inspire youth.

#### 4. POLICY RECOMMENDATIONS

SME and entrepreneurship policies are guided by an overarching strategy for 2014-20 and a set of annual actions. These are further developed in lower level strategies that cover labour market support (among other policy issues) for different target groups and tailored initiatives are increasingly used to support people from under-represented and disadvantaged groups in business creation and self-employment. To further develop these, the following recommendations are offered:

1. *Explicitly identify inclusive entrepreneurship in entrepreneurship strategies and action plans.* To further develop policies and programmes in this area, it is important to signal its importance to ministries and relevant stakeholders through strategic documents. It is also important to select priorities when developing a suite of inclusive entrepreneurship policy actions and to ensure that responsibilities are clearly given to appropriate ministries and agencies. It would be helpful to establish an inter-ministerial working group to analyse the current situation of disadvantaged groups in view of entrepreneurship and to prepare specific measures which would be included in updated SME Strategy.
2. *Develop an ambassadors programme for women entrepreneurs to promote entrepreneurship, innovation and growth.* Although women in the Czech Republic are more likely to expect to create a business than the average across the European Union, they are much less likely to operate innovative businesses. It is therefore important to instil the confidence in women that they can have successful innovative businesses. Ambassadors programmes have been used successfully by several European Union countries to promote success stories, notably to university students and young women. A mentoring element can be built into the ambassadors programme (i.e. the ambassadors also act as mentors for young women) to provide tailored individual support to innovative women entrepreneurs.
3. *Develop entrepreneurship award programmes for people with disabilities, Roma, seniors and migrants.* An effective method of promoting entrepreneurship is to provide recognition to those who have been successful. This also helps to identify success stories that can be promoted in the media. The approach used to showcase successful women and youth entrepreneurs could be expanded to other social target groups.

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<sup>13</sup> <https://www.facebook.com/gewczech/>

<sup>14</sup> <https://www.facebook.com/nastartujtese.cz/>

4. *Increase support for business development for all inclusive entrepreneurship target groups, especially coaching and mentoring.* Most inclusive entrepreneurship initiatives focus on supporting the creation of a new business. It is important to also provide support to entrepreneurs to help them develop and grow their business. Coaching and mentoring is used in many European Union countries and such initiatives could be launched with the support of the European Social Fund.
5. *Further develop tailored microcredit programmes for women, youth and seniors.* While some financial institutions are making use of European Union support through Progress and EaSI, there is room to develop more support for these groups since they each have different financing needs and face different challenges to obtaining funding for business creation. It is important to bundle other support services (e.g. training, coaching and mentoring) with the microloans to increase the chances of success for the entrepreneurs.

## 5. REFERENCES

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## ANNEX: METHODOLOGY

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

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

The framework contains 5 pillars:

### 1. Policy framework

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

### 2. Government regulations

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

### 3. Financing entrepreneurship

- a. Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- b. Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- c. Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- d. Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- e. Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?

- f. Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?
- g. Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?

**4. Entrepreneurship skills**

- a. Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
- b. Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
- c. Are there public initiatives that provide information on available support programmes or on business start-up procedures for entrepreneurs from under-represented and disadvantaged groups?
- d. Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
- e. Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?

**5. Entrepreneurial culture and social capital**

- a. Is entrepreneurship actively promoted as an employment opportunity amongst the following under-represented and disadvantaged groups through the education system, media, role models, etc.?
- b. Are there public policy actions that attempt to build specific business networks for entrepreneurs amongst the following under-represented and disadvantaged groups?