



Inclusive Entrepreneurship Policies, Country Assessment Notes

Finland, 2016



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

The proportion of people in Finland who were self-employed in 2015 was approximately equal to the average for the European Union (13% for Finland vs. 14% for the EU). Approximately 6% of the adult population was involved in starting or managing a new business over the period 2010-14 relative to 6.5% across the EU. These slightly lower-than-average activity rates can be largely explained by a very low proportion of people who start businesses due to a lack of opportunities in employment, especially among women and youth. The environment for entrepreneurship in Finland is generally considered to be very positive as the regulatory burden is low and support is accessible. However, there is some scope to provide further support for entrepreneurs in under-represented and disadvantaged groups.

This note is part of 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 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>.

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KEY MESSAGES

- Entrepreneurship policy in Finland is currently driven by economic policies that promote innovation. The general environment for entrepreneurship in Finland is considered very positive: information and advice is easily available; the regulatory burden of starting a business is low; and financing is not a major problem. While inclusive entrepreneurship is not currently a policy priority, entrepreneurship support is part of the suite of active labour market policies for some social target groups (e.g. youth, people with disabilities, immigrants).
- The self-employment rate in Finland was approximately equal to the European Union average in 2015 (13% for Finland vs. 14% for the EU). Despite this similarity, Finnish people are less likely than the EU average to expect to create a business over the next three years (8.6% vs. 12.4%), and this gap is particularly large for youth (12.9% vs. 20.9%).
- Despite a number of recent changes in the regulations, the benefits regime continues to be a barrier to entrepreneurship. This barrier is particularly important for disadvantaged groups, as they are often benefits recipients. Many potential entrepreneurs from these groups may risk losing their benefits-based income level – even if the business fails. In addition, the mandatory social security insurance (YEL) imposes a fixed cost that is not sensitive to fluctuations in business income. This can be disadvantageous in the early phases of small-scale business activity.
- While the Finnish environment for entrepreneurship is very strong overall, there are a number of policy actions that can be taken to provide further support for entrepreneurs in under-represented and disadvantaged groups, including (i) introduce more flexibility in the obligatory social security insurance system by reducing contributions for new businesses for a fixed period of time; (ii) increase attention paid to financial literacy in entrepreneurship training programmes; (iii) increase promotion of entrepreneurship to seniors; (iv) strengthen referrals to non-government organisations for new immigrants interested in starting a business; and (v) streamline entrepreneurship support for the unemployed.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

Current Finnish policies emphasise the role of entrepreneurs and start-ups in the restructuring of the economy and seek to create 110 000 new jobs (Ministry of Finance, 2016). To support this, the government launched the “Entrepreneurship Package” in 2016 to provide integrated supports for the self-employed, some social security changes to improve coverage for the self-employed, innovation vouchers and more. Although the European Commission’s (2012) Entrepreneurship 2020 Action Plan urges Member States to pay specific attention to groups that are under-represented or disadvantaged in the labour market (e.g. youth, women, older people, the unemployed, people with disabilities and migrants), Finnish entrepreneurship policies do not currently highlight tailored actions for these groups.

However, Finland has defined national targets that are in line with the European Union's 2020 targets.¹ Finland aims to reach a national employment rate of 78% in the age group of 20 to 64 years old (Ministry of Finance, 2016), which is higher than the EU target of 75%. While progress has been made towards reaching this target, the employment rate was 72.9% in 2015, which is below the target. In addition, the government aims to reduce the number of people at risk of poverty or social exclusion by 150 000 and while progress has also been made towards this target, more needs to be done. Fostering entrepreneurship among people from under-represented and disadvantaged groups could help in achieving both of these targets.

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

Unemployment has increased in Finland since 2012, and was equal to the average unemployment rate for the European Union in 2015 (9.6%) (Figure 1a). The unemployment rate varied only slightly across different population groups in 2015: women (9.0%), men (10.2%) and seniors (7.7%). The exception is the youth unemployment rate, which was approximately double (22.4%) the overall unemployment rate; this is common across European Union countries.

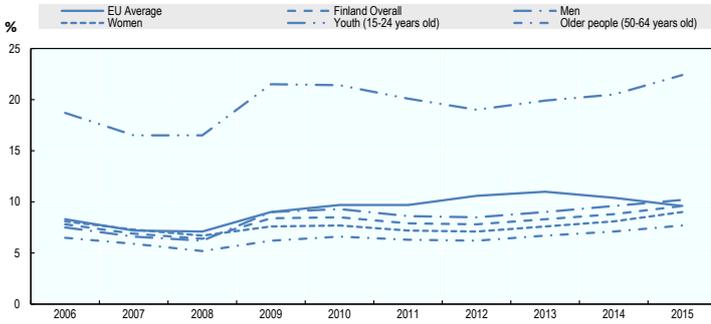
Self-employment rates in Finland are slightly below the average rates across the European Union in 2015 (12.7% vs. 14.1%) (Figure 1b) and similarly, the Total Entrepreneurial Activity (TEA) rates were also slightly below the EU average between 2010 and 2014 (5.9% vs. 6.5%) (Figure 1c). These lower activity rates can be partially explained by a lower proportion of entrepreneurs who started their businesses because they had no other opportunities in the labour market (Figure 1d). Adults in Finland are also less likely to expect to create a business than those across the European Union average for the 2010-14 period (9% and 12%) (Figure 1e).

As in the whole of the European Union, women are less involved in entrepreneurship than men in Finland. Despite Finnish women being more highly educated than men and the country generally considered to be a leader in achieving gender equality in the labour force, few women are involved in self-employment. The gender gap is visible in a lower level of interest in business ownership by female students (18%) compared to male students (25%) (Aarnio, 2015). Further, women entrepreneurs tend to operate in the service sector more often than their male counterparts, and they also have a tendency to hire other women. This means that the social costs related to families/mothers, such as maternity leave and childcare, are of particular importance for women entrepreneurs. Women are also more likely to report a fear a "failure of failure" as a barrier to business start-up (44.5% for women vs. 32.4% for men over the 2010-14 period) (Figure 1f).

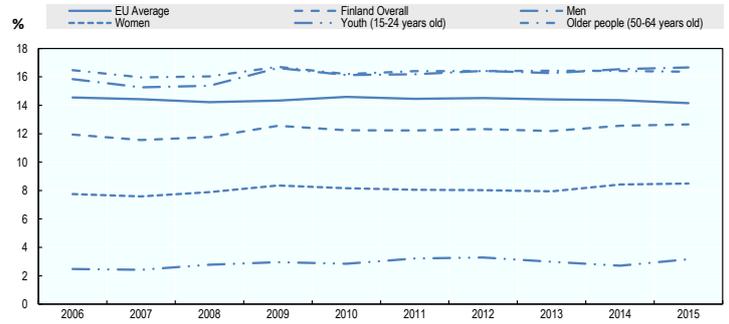
¹http://ec.europa.eu/europe2020/europe-2020-in-your-country/finland/progress-towards-2020-targets/index_en.htm

Figure 1. Key inclusive entrepreneurship indicators

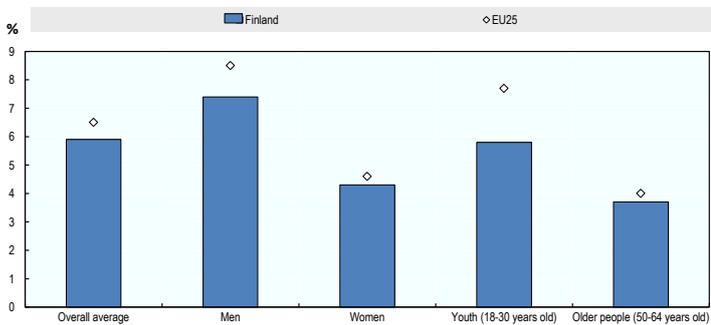
a. Unemployment rate, 2006-15



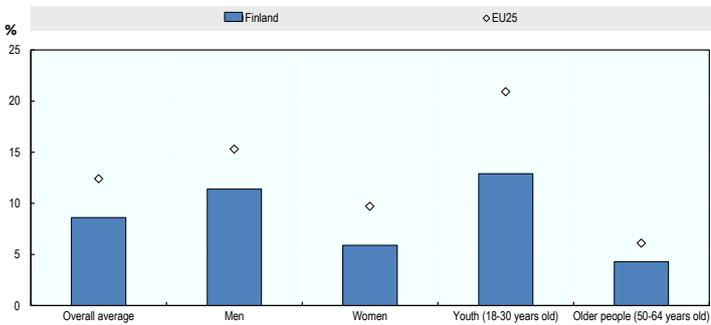
b. Self-employment rate, 2006-15



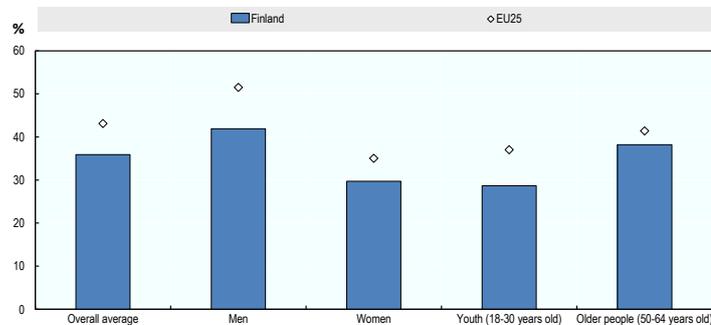
c. TEA Rate, 2010-14



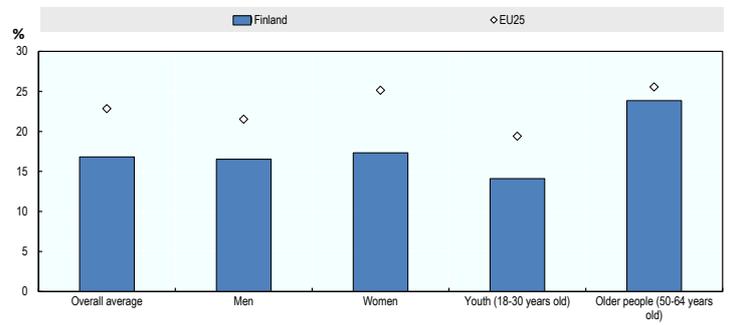
e. Proportion who expect to start a business in the next 3 years, 2010-14



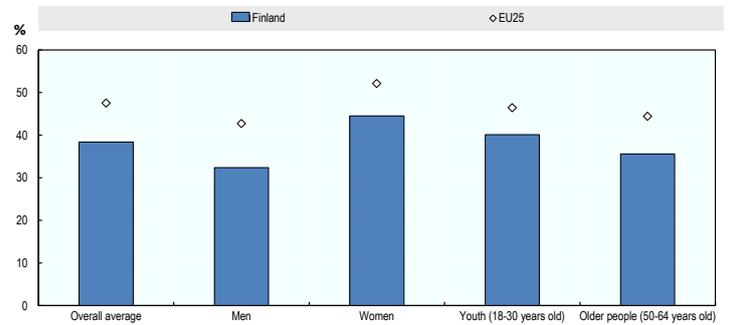
g. Proportion who perceive that they have the skills to start a business, 2010-14



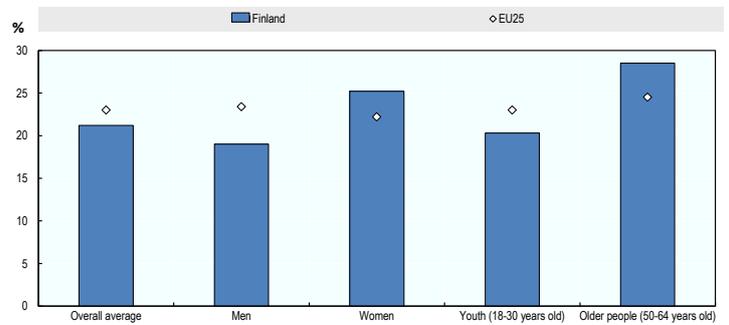
d. Proportion of TEA that is necessity entrepreneurship, 2010-14



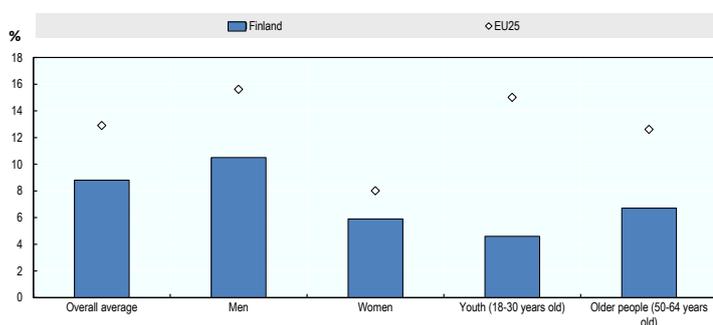
f. Proportion who report that a fear of failure prevents them from starting a business, 2010-14



h. 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, 2010-14



i. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2010-14



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total 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 c, d, e, f, g, h and i were pooled for the period 2010-14, producing an unweighted average. The EU25 average in panels c, d, e, f, g, h and i covers all EU28 countries, except Bulgaria, Cyprus and Malta.

Source: Panels a and b contain data from Eurostat (2016), Labour Force Survey; Panels c, d, e, f, g, h and i contain data from the 2010 to 2014 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2016).

Entrepreneurship is quite rare among young people under 25 years old; the self-employment rate was 3% in 2015 (Figure 1b). Nevertheless, interest towards entrepreneurship has increased in this age group. According to a recent study (Aarnio, 2015), 20% of students in universities and universities of applied sciences report that it is likely or highly likely that they will start a business. Another notable finding in this study is that from the 7 000 students who already run their own company or have been self-employed, as many as 35% considered it highly likely that they will continue as entrepreneurs after graduation. However, few youth perceive that they have the skills to start a business. Over the period 2010-14, only 29% of youth reported that they had the necessary skills for business creation, which was below the European Union average and below other social target groups in Finland (Figure 1g).

The self-employment rate for economically active individuals aged 55 years old or older was 15% (Figure 1b). This includes a growing number of pensioners that are engaged in part-time entrepreneurship. During the 2000s the number of entrepreneurs in the age group 55–74 years old has increased from about 60 000 to 100 000 (Järnefelt, 2011). Whereas the agricultural sector remains the most typical field of entrepreneurial activity for this group, the structure of senior entrepreneurial activities has become more varied in recent years. In particular, the number of professionals taking up self-employment at a mature age has increased, possibly as a result of more young people than before having gained access to higher education in the 1960s. Moreover, over the 2010-14 period, older entrepreneurs in Finland were the most likely social target group to offer new products and services (Figure 1h) and to create a substantial number of jobs (Figure 1i). However, only 6.7% of older entrepreneurs involved in pre start-up activities or managing a business that is less than 42 months old expected to create at least 20 jobs over the next 5 years, which is well-below the EU average of 12.6%.

The unemployed represent a significant and growing group in the promotion of inclusive entrepreneurship. The structure of unemployment in Finland shows that it impacts youth and older workers disproportionately: nearly 40% of unemployed jobseekers are either under 25 or over 55 years old (Official Statistics of Finland, 2016b). Since 2011, unemployment has increased disproportionately

amongst youth, seniors and women.² Promoting entrepreneurship can be a solution for facilitating economic activity among the unemployed. Recent research shows that as much as 24% of those who are currently self-employed say that they took up self-employment due to a lack of opportunities for waged work (Pärnänen and Sutela, 2014).

The number of residents born outside Finland has nearly doubled between 2005 and 2015 (European Commission, 2016), totalling approximately 200 000 people and representing 5% of the current population.³ This group's entrepreneurial activity level is similar to the Finnish-born population and the gender gap also applies to the migrant population.⁴ The most common sector for enterprises operated by migrants is hospitality, which represents 24% of the total entrepreneurial activity (compared to 2% among Finnish-born entrepreneurs) (Nieminen et al., 2015). This is likely to reflect a low entry threshold to the hospitality industry. Research suggests that it is common for immigrant entrepreneurs to start businesses after being in paid employment (Joronen, 2012).

According to the Finnish Institute of Occupational Health, there are some 70 000 people with disabilities in Finland who are capable of working (Nevala et al., 2010). However, only 60% of them are employed. This means that the people with disabilities are less frequently in employment in Finland than in Europe in general. The income discrepancies between people with disabilities and the rest of the population have grown, with an increasing number of people with disabilities falling into poverty. Entrepreneurship might be an attractive option for people with disabilities to allow them to be active in the labour market under flexible conditions so that they can manage their schedules and workload according to the conditions of the disability. However, there is limited information on entrepreneurial activities of people in this group, including an understanding of the barriers that they face (Association for the Visually Impaired, 2014).

In addition to these target group-specific trends, the Finnish entrepreneurial landscape has undergone major changes in the 2000s. During this time, the number of self-employed has increased, including a growing number of people who are self-employed without employees, as well as freelancers and people working on grants who do not have an employment contract (Pärnänen and Sutela, 2014). At the same time, the number of businesses registered has decreased (Official Statistics of Finland, 2016c). Part of the explanation for this might be the increasing popularity of invoicing services that enable small-scale business activity for freelancers, consultants, artists, translators, and others, without the need for registering a business. Although invoicing services make it easy for individuals to start small-scale business activity, this type of entrepreneurship tends to generate an income that is both irregular and lower than what one would get in paid employment (Pärnänen and Sutela, 2014). In addition, the “collaborative” economy accounts for an increasing amount of economic activity and the government is currently conducting a survey on the new ways of working and potential support services that may be needed.

² <https://www.tem.fi/files/31889/tilkm2014.pdf>

³ http://www.stat.fi/ajk/tiedotteet/2014/uutinen_005_2014-01-29.html

⁴ http://www.stat.fi/tup/maahanmuutto/art_2015-12-17_003.html

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

3.1. Policy framework

Supporting and promoting entrepreneurship is a policy priority for the government. Key actions include measures in the 2017 Budget, the recently launched “Entrepreneurship Package” and the 26 “key projects”,⁵ which assess the need for policy actions and will be completed by spring 2017. They will be used as a basis for developing measures to encourage more disadvantaged individuals to start-up in business. Several of the key projects are relevant for inclusive entrepreneurship policy, including the projects “Strengthening competitiveness by improving conditions for business and entrepreneurship”, “Youth guarantee towards community guarantee” and “Career opportunities for people with partial work ability.” The first is a general assessment of the entrepreneurial environment while the latter two projects assess the labour market conditions for youth and people with disabilities, covering self-employment. Co-ordination of the key projects has been allocated to designated ministers, and there are ministerial working groups to manage the strategic priority areas.

Entrepreneurship-related policies and programmes typically fall under the auspices of the Ministry of Employment and Economy, the Ministry of Education and Culture, the Ministry of Agriculture and Forestry and the Ministry of Finance. Implementation of policy actions is carried out through several organisations reporting to the ministries on regional and municipal levels. Examples include the TE Offices (Employment and Economic Development Offices) where self-employment support is offered as an option to return to employment; the Centres for Economic Development; the Transport and the Environment authorities (ELY Centres) that support regional policy; the state-owned development bank Finnvera, and the Finnish Funding Agency for Innovation (*Tekes*).

Policy planning and implementation often involve co-operation with private sector and non-governmental organisations. For example, the Federation of Finnish Enterprises⁶ promotes the general interests of enterprises with the government, ministries, parliament, and major interest organisations, nationally and within the European Union. In addition, associations promoting and lobbying for female entrepreneurship – such as Centre for Women Entrepreneurs⁷ and The Women Entrepreneurs of Finland⁸ – have a role in shaping policy making. Similarly, youth organisations and associations for people with disabilities contribute to policy making on an *ad hoc* basis.

The “key projects” approach has not yet resulted in specific support initiatives. Some studies have been initiated to evaluate the importance of entrepreneurship in selected disadvantaged groups, such as migrants and people with disabilities, but a more comprehensive assessment of inclusiveness in entrepreneurship is missing. The lack of strategic focus may compromise an effective co-ordination of policy and support efforts.

Instead of the piecemeal approach of addressing one target group at a time, the government could undertake a more comprehensive assessment of the potential for entrepreneurship in diverse

⁵ <http://valtioneuvosto.fi/hallitusohjelman-toteutus/karkihankkeiden-toimintasuunnitelma>

⁶ <http://www.yrittajat.fi>

⁷ <http://www.nyek.fi/naisyrittajyyskeskus>

⁸ <http://www.yrittajanaiset.com/>

potentially disadvantaged groups, and based on that, develop policy responses that ensure a level playing field for aspiring entrepreneurs from all population groups.

3.2. Government regulations

Apart from specific regulations that concern particular industries or types of business (e.g., medical practice, restaurants), the administrative burden of starting a business is generally considered to be moderate. Information on administrative requirements is easily available on the Enterprise Finland website,⁹ which is operated jointly by institutions that are part of the Enterprise Finland network. These institutions include municipalities, regional development agencies, business incubators, educational institutions and chambers of commerce. The service also includes the entrepreneur's own "electronic desk," My Enterprise Finland,¹⁰ which offers information and tools that are tailored to the company's situation. Many of the administrative tasks related to establishing and running a simple business can be taken care of by using these tools. The government has also implemented additional projects to simplify reporting obligations and develop electronic communication to enhance information flow between different public authorities.

Furthermore, there are specific regulations to lower the threshold of taking up part-time and small-scale entrepreneurial activity. For example, if the annual revenue of a firm is less than EUR 10 000, it is not liable to pay value added tax. In addition, those that start their first business will get a 22% reduction on their social security costs for the first four years. Thus, the regulatory environment is quite favourable to small-scale start-ups. However, the administrative obligations become much greater when firms hire employees; the Finnish labour market ranks as one of the most rigid among developed economies (Heritage Foundation, 2016). These are important actions as entrepreneurs from disadvantaged groups are more likely to operate small-scale businesses.

The social security regulations are different for employees and the self-employed. The social security of the self-employed is arranged through a mandatory insurance (YEL), which is similar to the social security costs paid by employers for their employees and influences the pension entitlement as well as the level of unemployment coverage, sick leave and parental leave benefits. The level of insurance payments is based on the "calculated annual income" that the entrepreneur self-declares. As a result, entrepreneurs can choose a lower level of security to avoid high fixed costs; the YEL insurance payments are not dependent on the firm's actual income and they are thus not sensitive to income fluctuations. This means that in practice, the social security of entrepreneurs is often lower compared to those in paid employment. An exception to the YEL requirement is senior citizens that start a business while receiving full-time old-age pension. This lowers the threshold for business activity in retirement and is a regulation that favours senior entrepreneurship.

Especially at the early stages of starting a business or if the activity is intended to remain small-scale, the entrepreneur can avoid all bureaucracy including the social security payments by using an invoicing service.¹¹ In return for a fee, these services invoice the clients on the entrepreneur's behalf and the entrepreneur receives their income as salary. This makes the threshold for small-scale entrepreneurial activity very low.

Entrepreneurs can receive support with understanding and meeting regulatory requirements from Enterprise Finland, as well as from several specialist organisations. Women have two interest

⁹ yrytyssuomi.fi

¹⁰ oma.yrytyssuomi.fi

¹¹ See for example ukko.fi or eezy.fi.

organisations for this purpose: the Centre for Women Entrepreneurs (*Naisyrittäjyyskeskus*) and The Women Entrepreneurs of Finland (*Suomen Yrittäjänaiset*), which is supported by the European Social Fund. Young entrepreneurs can utilise the peer network “Young Entrepreneurs” that operates as part of the Federation of Finnish Enterprises.¹² Many educational institutions also maintain entrepreneurial ecosystems that provide assistance with regulatory issues and administrative procedures, among other things, for students aspiring to start a business. Unemployed individuals can obtain information on the rules and regulations affecting their benefits status in the case of a start-up from their local TE Offices. Immigrants who are not fluent in Finnish, Swedish or English (the languages in which Enterprise Finland is available) can turn to one of the many public and private organisations that help immigrants to integrate into the Finnish society (e.g. the network of Finnish Enterprise Agencies) for help with the administrative procedures of starting a business in other languages.

There are also a number of regulations that concern particular social target groups that are either in force or being planned. In response to requests from the associations representing people with disabilities, the government will evaluate the possibility of replacing the current practice of allowing deductions on the value added tax for people with disabilities with direct state allowances (Sjöblom, 2016). These would help disabled individuals, for example, to hire support staff to help them overcome their physical limitations in running a business.

There are also plans to ease the regulatory burden for immigrants by allowing them to get a residence permit as a self-employed individual in Finland based on their involvement in a start-up. At the same time, changes would be introduced to make establishing a company and opening a bank account as easy for immigrants as it is for Finnish-born individuals.

Moreover, young people who start a business in one of the training programmes offered by the Young Entrepreneurship Association (*Nuori Yrittäjyys ry*) in educational institutions can run their business for a year without having to be registered in the trade register or pay other than individual income taxes¹³. This allows young individuals to gain experience from running a business and for some, a smooth transition from an educational project to real business ownership.

Overall, regulations related to the start-up process do not appear to be a barrier for taking up self-employment. Information is easily available through the Enterprise Finland platform and additional sources for information and advice are available for specific target groups of inclusive entrepreneurship. The main challenges in the regulatory environment relate to the benefits regime.

The ambiguity and complexity of the benefits regime is a challenge for all, but especially for people who run very small businesses such as those in under-represented and disadvantaged groups. It can be difficult for an individual to know when it pays for them to derive self-employed income and when they would be better off as a benefits recipient. More importantly, people have difficulties assessing what happens to them if the business does not generate sufficient income to guarantee subsistence. This is reflected in research results: 40% of solo entrepreneurs (i.e. those without employees) report that they are constantly worried about the continuation of the work, and half of them indicate that they have difficulties in knowing which benefits are available for them (Pärnänen and Sutela, 2014).

¹² <http://www.nuoretyrittajat.fi>

¹³ [https://www.vero.fi/fi-FI/Syventavat_veroohjeet/Arvonlisaverotus/Nuori_yrittajyys_ryn_opintoohjelmat\(10092\)](https://www.vero.fi/fi-FI/Syventavat_veroohjeet/Arvonlisaverotus/Nuori_yrittajyys_ryn_opintoohjelmat(10092))

One challenge to promoting entrepreneurship among these groups that face challenges in the labour market is the unemployment benefit regime. The high level and long duration of unemployment benefits increases the opportunity cost of starting a business in two ways. Not only does the aspiring entrepreneur have to exchange the steady income from unemployment benefits to the uncertain income from entrepreneurship, but also in case the business does not succeed, returning to their previous unemployment benefit recipient status is not straightforward, as it requires proof that the business has been shut down completely. Thus, returning to the benefits recipient status when business is slow with the intention of taking up the business again when there is more demand is not possible. To tackle this challenge, the government is planning to change the regulations in 2017 under the “Entrepreneurship Package” to allow unemployment benefits to be used for starting a business. This means that the unemployed would continue to receive the benefits despite their engagement in entrepreneurship. This will also help in tempering fluctuations in income in the early phases of business development. This is a welcome change especially because the YEL insurance regulation already imposes a fixed cost to the business: the insurance fee has to be paid independent of the level of business income. A general implication of this discussion is that the information on the financial implications of starting a business should be more transparent especially for the disadvantaged groups who often are recipients of different benefits.

For those approaching retirement the pension scheme might create a barrier for engaging in entrepreneurship. The amount of pension is highly dependent on the income-level in the final years of one’s career. This might make it unattractive for seniors to leave employment and become entrepreneurs at this point (Kyrö et al., 2012), as they would not only face the risk to their current but also to their retirement income. The pension has been changed and from the beginning of 2017 each year of work produces 1.5%-1.9% of annual income in pension benefits (depending on one’s age). However, the elderly (63 to 67 years old) are encouraged to work longer with a 4.5% accumulation.

Another specific issue in social security are the costs related to parental leave.¹⁴ These are a bigger problem for female entrepreneurs than for men, because women typically operate in the service sector and hire other women. To remove unequal treatment, government has launched initiatives¹⁵ to equalise the maternity and parental leave costs between the employers of both parents or offer a one-time state subsidy for the employer.

These arguments suggest that the social benefits regime could be simplified and point to a need to ensure that all forms of employment, including self-employment, are always preferable to the benefits-recipient status. The government has already taken steps into this direction with the intended change to the unemployment benefits system. There are also positive steps towards levelling the playing field for disadvantaged groups, such as considerations to support disabled entrepreneurs more than at the moment, removing the burden of YEL insurance payments from entrepreneurs in retirement, and a more equitable distribution of the maternity/parental leave costs. What remains to be addressed is the issue of having to close down the business completely in order to be eligible for unemployment benefits, and inflexibility of the YEL insurance payments. The YEL payments are based on the estimated future income. They do not react to changes in the actual income of the entrepreneur nor can they be adjusted retrospectively. These regulations could be made more flexible so as to accommodate businesses where income can fluctuate heavily based on exogenous factors (time of year for instance), and not forcing those entrepreneurs to liquidate their business for reasons that time would potentially alleviate.

¹⁴ <http://www.yrittajanaiset.com/index.php?k=3979>

¹⁵ <http://valtioneuvosto.fi/hallitusohjelman-toteutus/karkihankkeiden-toimintasuunnitelma>

3.3. Financing entrepreneurship

Several institutions provide grants, loans, and guarantees for new business start-ups. These include the TE Offices that focus on labour market policy; the Centres for Economic Development, Transport and the Environment (ELY Centres) that concentrate on regional policy; the state-owned financing company Finnvera; and the Finnish Funding Agency for Innovation (*Tekes*). Different institutions have different emphases in their finance provision. For example, TE Offices offer Start-up Grants that are available for anyone as well as specific subsidies for activities that advance employment of the unemployed. ELY Centres co-ordinate structural and regional funding, including European Union funding. *Tekes* targets its support at enterprise growth, R&D and internationalisation. Finnvera is the country's official export credit agency and its operations are steered by the government's industrial and ownership policy objectives. It focuses, in particular, on enterprises experiencing changes and with the potential for successful business development.

The most important grant scheme from the perspective of inclusive entrepreneurship is the Start-up Grant. Issued by the TE Offices, the grant is designed to provide a new entrepreneur with a regular and secure income during the time that getting the business up and running is estimated to take – for a maximum of 18 months. In addition, the recipients of the grant report that the grant accelerated the establishment of entrepreneurial activities (Stenholm and Aaltonen, 2012). Although eligibility for the grant is not dependent on the labour market status, it is intended for full-time entrepreneurship such that grant recipients cannot draw a salary or any other type of benefit at the same time. Therefore, retired individuals are not eligible for these grants, but they can use their pension to secure a base income when starting a business.

Furthermore, the ELY Centres offer grants for significant investments that are meant to support the growth and renewal of small and medium-sized enterprises. They also offer specific support for entrepreneurial activity in rural areas. These grants may thus be of specific importance for the unemployed in rural areas that have to consider starting a business in the absence of other labour market opportunities. Also those under 40 years old who plan to start farming activities can apply for specific grants from the ELY Centres.

Co-operative banks and savings funds offer microloans for the general population. Finnvera offers guarantees (usually 50%) for loans provided by banks, financing companies and insurance companies. For those who face difficulties accessing bank loans (e.g. the unemployed, youth and migrants without financial assets or collateral), Finnvera offers junior loans with the condition that the applicant presents a viable business plan that meets Finnvera's funding criteria. Finnvera also had a specific loan schemes for women entrepreneurs, but it ended in 2013.

The Finnish business environment provides several platforms for crowdfunding and business angel investments and the new legislation is expected to encourage the establishment of such new services. The government has recently introduced a Crowdfunding Act that came into force in July 2016. The objectives of the act include clarifying the responsibilities of various authorities in the supervision of crowdfunding, improving investor protection and diversifying the financial markets. In addition, the Finnish Funding Agency for Innovation (*Tekes*) is investigating a business angel model together with the European Investment Fund. Also, generic peer-to-peer (P2P) lending has become more common in recent years, with a number of service providers operating in this area (e.g. Fellow Finance, *Vertaislaina Oy* and Fixura).

There are currently many Finnish financial intermediaries participating in the European Union's EaSI Programmes.¹⁶ While some of these institutions focus on the ICT sector, most others aim to support entrepreneurs who having difficulty using the mainstream financial system with microcredit and loan guarantees.

Overall, the availability of start-up financing is not considered to be a major problem. This is reflected in the recent survey results. According to the Eurobarometer (European Commission, 2013), only 4% of respondents in Finland mention the lack of capital or financial resources as an obstacle for starting a business. Compared to the EU average of 21%, this is very low. Although the level of public financial support for companies has been on the decline during the past few years, at the same time, the number of firms that receive public financial support has increased (Official Statistics of Finland, 2015c).

However, in regards to entrepreneurs from under-represented and disadvantaged groups, there are certain specific issues that may make it more difficult to obtain grants. Even though anyone is in principle eligible for a Start-up Grant, the scheme contains features that can be disadvantageous to some social target groups. For example, certain professions that are typical amongst self-employed women (e.g. hairdressing) tend not to be given start-up grants because the public authorities want to avoid displacing others in the local market. Similarly, young aspiring entrepreneurs may be disadvantaged because they do not necessarily have the required experience and education to successfully compete for the limited number of grants. The situation is similar with private sector loans.

In addition, despite the recent government actions to facilitate more versatile and abundant financing opportunities for start-ups, none of the existing crowdfunding platforms or business angel services are tailored to the needs of the inclusive entrepreneurship target groups. There are also no policy schemes that would support investments in enterprises run by members of under-represented or disadvantaged groups.

3.4. Entrepreneurship skills

In addition to the Enterprise Finland platform covered in section 3.2., TE Offices and the Centres for Economic Development, Transport and the Environment (ELY Centres) offer entrepreneurship and business development training, consultancy and advisory services in Finland. There are also public coaching and mentoring services that are offered to the whole population through the TE Offices. Business incubators are run in both public and private ownership across the country. In addition to the generic services, there are also specific training and advisory services available for some of the inclusive entrepreneurship target groups.

For women, the Centre for Women Entrepreneurs (*Naisyrittäjyyskeskus*), financed by public and private sector institutions, offers courses that are run by experienced female entrepreneurs. It also operates a mentoring model based on the principle "an entrepreneur helps an entrepreneur." Young women under 35 years old have priority access to these services.

Young people have access to entrepreneurship training in educational institutions. In general education, the emphasis is on positive attitudes and basic entrepreneurial knowledge. At the secondary level and in higher education, the skills and competencies for entrepreneurship are developed further (Ministry of Education, 2009a). Specific initiatives have been launched to enhance the entrepreneurial

¹⁶ http://europa.eu/youreurope/business/funding-grants/access-to-finance/search/en/financial-intermediaries?shs_term_node_tid_depth=206

education in universities and universities of applied sciences (Ministry of Education, 2009b). In addition, the Junior Achievement Finland initiative provides broader entrepreneurship education programmes for 7 to 25 year-olds through schools, colleges and universities. These programmes also include teacher training as well as a mentoring model between teachers and entrepreneurs. Some educational institutions have an important co-ordination role in entrepreneurship ecosystems. The most well-known one is at Aalto University, where the ecosystem comprises, among others, formal and extracurricular training in entrepreneurship; a student-run entrepreneurship association including an incubator (Start-up Sauna); and the Aalto Start-up Centre as an incubator for more advanced business ideas.

The public employment and business services (TE Services) provide “labour market training” targeted especially at the unemployed. This training includes a short introduction to entrepreneurship. Tailored projects to promote start-ups have also been implemented in regions that face sudden mass unemployment, for example as the result of a major factory closure. The TE Services also have the responsibility for supporting the employment of disabled people, including provision of entrepreneurship training.

In the wake of the recent influx of asylum seekers into Finland, initiatives have been launched to provide entrepreneurship training, coaching and incubators for this group (e.g. Shortcut, StartUp Refugees). There are also more generic initiatives for immigrants (not just asylum seekers), such as NewCoHelsinki that offers entrepreneurship training for all immigrants in 10 different languages in the Helsinki area where the majority of immigrants has typically settled.

The entrepreneurship skills support offered is typically of very good quality. However, the challenge faced by potential entrepreneurs from under-represented and disadvantaged groups is that they are often unaware of the available initiatives. For instance, immigrants feel that the level of support is sufficient, but they are not entirely aware of the specific services available and where to access them (Aaltonen et al., 2015). One way to improve the dissemination of information could be to increase co-operation with the associations that represent and organisations that operate with the disadvantaged groups. Those organisations may not have the skills and expertise to provide entrepreneurial training themselves but they have the advantage of being acquainted with the needs of their members.

Another area for improvement in entrepreneurship training programmes is to provide more emphasis on business financial literacy. This important topic is not typically given much attention in many training programmes.

3.5. Entrepreneurial culture and social capital

According to a recent review of growth-oriented entrepreneurship in Finland (Ministry of Employment and Economy, 2012), the country has improved in entrepreneurship culture over the last few years. The general attitude is that entrepreneurship is a valid career option, and the political climate has continued to be very favourable to entrepreneurship. Successful entrepreneurs are highly valued and media attention for entrepreneurship is among the highest in the European Union (Global Entrepreneurship Monitor, 2014).

The educational system forms an important backbone for nurturing the entrepreneurial culture. Currently, entrepreneurship education is offered in schools through specific courses and projects. In some vocational schools it is integrated in the curriculum. Students have generally positive attitudes towards entrepreneurship and the media has actively showcased stories of successful high-growth enterprises that have been established by young entrepreneurs. The local associations of the Federation

of Finnish Enterprises provide opportunities for young entrepreneurs to build social capital by organising dedicated networking events for this target group.

Women can find peer support through specific organisations, such as the Centre for Women Entrepreneurs (*Naisyrittäjyyskeskus*) and The Women Entrepreneurs of Finland (*Suomen Yrittäjänaiset*) which promote the inclusion of women in business and entrepreneurship, organise events and offer opportunities for networking.

Immigrant entrepreneurs are showcased in the media. Attention to immigrant entrepreneurs has increased due to the recent growth in the number of asylum seekers and an on-going analysis by the government to evaluate the potential immigrants can offer to the growth and internationalisation of Finnish business. Associations and initiatives helping immigrants to integrate to the Finnish society offer opportunities for networking and finding other entrepreneurs with immigrant background. For instance, Network of Multicultural Associations *Moniheli ry* has over 75 members, and its aims include promoting the employment and entrepreneurship of people with migration background. Also the new business centres, such as NewCoHelsinki, organise networking events for entrepreneurs operating in the same field or speaking the same language (Aaltonen et al., 2015).

Despite positive attitudes and appreciation of entrepreneurship, the culture of employment sits tight in the Finnish society and the education system traditionally teaches people for waged and salaried employment. The awareness of disadvantaged groups becoming entrepreneurs remains low, as there are not many role models.

In addition to the active and systematic promotion of entrepreneurship in schools, employment offices and through third-sector organisations, entrepreneurial culture could be enhanced by allowing people to see what entrepreneurship really is. This means discussing this theme in the media but even more importantly creating networks for exchanging experiences. Rather than offering success stories of specific individuals that have succeeded as entrepreneurs, networks allow sharing experiences on the everyday life as an entrepreneur. They can also directly contribute to increasing the level of entrepreneurship by offering opportunities for team start-ups.

According to a recent study, networks have proven effective in increasing the entrepreneurial intentions amongst students (Aarnio, 2015). However, only about half of the students in tertiary education said that they were aware of these networks at their educational institution. Similar problems have been found amongst immigrants, and they have reported that it is more important to gain opportunities to network with the Finnish-born population than solely amongst other immigrants (Aaltonen et al., 2015). The observation highlights the importance of not only focusing on providing tailored services and special care for the disadvantaged groups but also focusing on integrating them into the wider entrepreneurial ecosystem.

4. POLICY RECOMMENDATIONS

The Finnish environment is generally very supportive of entrepreneurship. Business start-up information is plentiful, the regulatory burden related to business start-up and registration is very low, financing is available for entrepreneurs, and training is available for those who want it. Entrepreneurs from under-represented and disadvantaged groups (i.e. youth, older people, women, people with disabilities and migrants) can access and benefit from this infrastructure alongside with the general population. Hence, despite the lack of particular policies for inclusive entrepreneurship, there are no substantial obstacles that should be removed to support inclusiveness of entrepreneurship. There are, however, a number of policy actions that can be taken to improve support for business creation and self-employment among people in under-represented and disadvantaged groups:

1. *Introduce more flexibility in the obligatory social security insurance system by reducing contributions for new businesses for a fixed period of time.* In addition, adjusting the requirements of the obligatory social security insurance (YEL) could lower the barrier especially for small-scale entrepreneurship. The current system introduces an inflexible fixed cost to the business. A more flexible YEL system would alleviate the financial burden in situations where the income level from the business is highly variable for example due to its seasonal nature. More generally, a flexible benefits and YEL system would facilitate a lower threshold for exploring entrepreneurship, which would allow people to gain valuable business experience. Prior engagement in entrepreneurship has been clearly shown to affect the intentions to continue (or return to) running one's own business. It would also support the development of skills for building financially sustainable enterprises.
2. *Increase attention paid to financial literacy in entrepreneurship training programmes.* Financial literacy skills are vital to increase the chances of business survival, but also for the entrepreneur to understand which financing option is the best-suited for their business and how to manage their debts. Start-up financing from public institutions typically comes with entrepreneurship training and advice but more attention is needed on financial literacy so that entrepreneurs understand financial concepts and the consequences of financial decisions.
3. *Increase promotion of entrepreneurship to older people.* The predominantly youth-oriented enterprise discourse will likely be off-putting to older individuals, discouraging them from seizing entrepreneurial opportunities. Thus, entrepreneurship should be actively promoted as part of "active ageing" since this age group holds entrepreneurial potential.
4. *Strengthen referrals to non-government organisations for new immigrants interested in starting a business.* At the moment, entrepreneurship promotion towards immigrants is largely in the hands of private/third-sector actors, such as new business centres and civil society organisations whose main mission is the integration of immigrants to the Finnish society. In addition to their current efforts, immigrants would need opportunities for networking with the Finnish-born population, rather than just with other immigrants, to gain a better understanding of the business environment and the opportunities it offers. A concrete policy action would be to actively promote the general business and start-up services to immigrants, perhaps offering them translation help, rather than creating initiatives that are solely aimed at immigrants and the establishment of peer networks.
5. *Streamline entrepreneurship support for the unemployed.* Streamlining the entrepreneurship support offerings for the unemployed is needed to remove overlaps and ambiguous

allocation of responsibilities for entrepreneurship-related services. Ideally, one institution should focus on providing high-quality service in this area, whereas in the current situation services are distributed among several organisations (e.g. TE Offices, ELY Centres and regional business service centres, i.e. *seudulliset yrityspalvelut*). This distribution causes variation in the interpretation of the regulations and regional differences in the availability of start-up services. It should be ensured that entrepreneurship is actively presented as an option to the unemployed. One solution would be to make an introduction to entrepreneurship mandatory to the unemployed, for example, after an unemployment period of three to six months. Moreover, opportunities to take over existing businesses should be advertised together with job vacancies.

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ANNEX: METHODOLOGY

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

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

The framework contains 5 pillars:

1. Policy framework

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

2. Government regulations

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

3. Financing entrepreneurship

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

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