



Inclusive Entrepreneurship Policies, Country Assessment Notes

Latvia, 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.

Although self-employment rates in Latvia are below the European Union (EU) average, business creation rates are relatively high, including for women, youth and seniors. Youth, in particular, are very active in business creation and managing new businesses that are less than 42 months old (19.1% over the 2012-16 period vs. 7.8% for the EU) and more than 40% expect to create a business in the next three years. This is double the average for the European Union. There are two important policies providing support for the unemployed and unemployed youth to start businesses. However, there are few other dedicated supports of inclusive entrepreneurship policy target groups such as youth, women, migrants and seniors. Inclusive entrepreneurship policy in Latvia could be strengthened both by scaling-up the current business start-up programmes for the unemployed and developing dedicated programmes for other target populations.

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>.

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KEY MESSAGES

- Inclusive entrepreneurship policies in Latvia are largely focussed on assisting the unemployed in business creation. The objectives of these policies and programmes are well-defined, although the actions are very small-scale. Strategies and objectives for supporting other target groups such as youth, women, migrants or older people in entrepreneurship have not been developed and there are few tailored support schemes (e.g. training, coaching and mentoring, loan guarantees). These social target groups, however, can access mainstream entrepreneurship support programmes.
- Although self-employment rates are lower in Latvia for all social target groups (e.g. women, youth, older people) than the European Union (EU) averages, the proportion of the population involved in setting up a business or managing a new business is much higher. Youth, in particular, are very active in business creation and managing new businesses that are less than 42 months old (19.1% over the 2012-16 period vs. 7.8% for the EU) and more than 40% expect to create a business in the next three years. This is double the average for the European Union. Self-employment rates in Latvia are also relatively high for older people (13.4%), yet considerably higher for men as compared to women (14.7% vs 9.0%).
- The greatest challenge to delivering inclusive entrepreneurship support is to ensure that the scale of support offered is appropriate. The two existing programmes provide support to the unemployed and unemployed youth in business creation have achieved positive results. However, both programmes are very small. To have a greater impact, these offers could be scaled-up and promoted more widely.
- To further strengthen inclusive entrepreneurship policies and programmes, the following actions are recommended: (i) scale-up support offered under the “Measure for Commencing Commercial Activity or Self-employment in Latvia”; (ii) work with private sector financial institutions to increase the availability of microcredit with the support of the European Union’s Employment and Social Innovation (EaSI) Programme; (iii) boost actions that create entrepreneurship networks for entrepreneurs from under-represented and disadvantaged groups; and (iv) improve dissemination and tailoring of information on business start-up to people from under-represented and disadvantaged groups who are interested in business creation.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

Objectives and targets for business creation and self-employment by the unemployed and other key social target groups are outlined in the employment framework “Inclusive employment strategy 2015-2020”,¹ which was approved by the Cabinet of Ministers in May 2015 (order Mmb. 244). This framework was developed to foster development of an inclusive labour market and includes two key policy objectives related to inclusive entrepreneurship: i) to increase self-employment and business start-up opportunities for registered unemployed; and ii) to promote social entrepreneurship, both as a labour market activity for various social target groups and also as a vehicle for supporting these groups in the labour market and society more generally. While tailored support for key social target groups (e.g. women, youth, older people) are not clearly defined in this high-level policy paper, the regulation

¹ In Latvian: *Iekļaujošas nodarbinātības pamatnostādnes 2015.-2020.gadam*

on its implementation defines target groups for each particular measure. In addition to self-employment measures, there are some measures to support social entrepreneurship that aim to support the vulnerable unemployed (i.e. those over 54 years old, those with caring responsibilities, those with a disability or mental health challenge).

More broadly, labour market policies have been defined to reach the targets defined in the Europe 2020 strategy, notably:

1. To increase total employment to 73% (for those 20-64 years old) by 2020 (the employment rate was 72.5% in 2015). This target was achieved in 2016,² and projected economic growth is expected to further boost employment growth. However, the increase in the employment rate is expected to benefit from an expected decline in the number of working-age population due to the ageing of the population.
2. To reduce the number of people at risk of poverty or social exclusion by 121 000 by 2020, i.e. a 21% reduction. Progress towards this objective has been steady. The number of people subject to risk of poverty in 2015 was 424 000, or 21.8% of the population, representing a decrease of 0.7 percentage points compared to 2014.

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

2.1. Labour market context

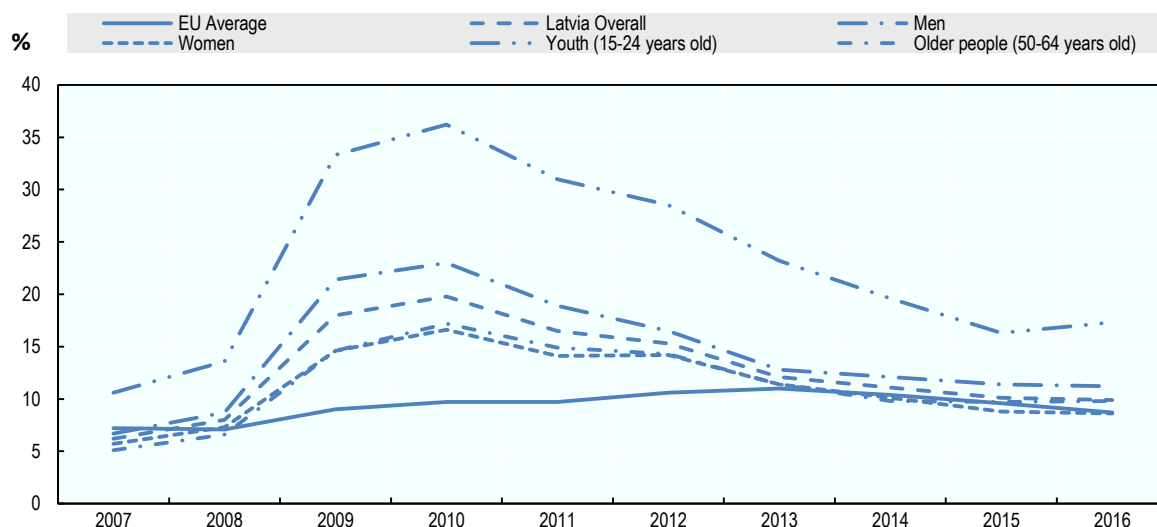
The unemployment rate decreased considerably since 2010, but remains slightly above the European Union (EU) average (9.9% vs. 8.7% in 2016) (Figure 1). The youth unemployment rate in Latvia, however, was among the highest in the EU following the economic crisis in 2008-09. It has fallen substantially in recent years, from 36.2% in 2010 to 17.3% in 2016. Overall such patterns suggest that continuous improvement in the labour market situation for youth is taking place, which is a result of several programmes implemented in Latvia to foster youth employment (OECD, 2016).

At the end of 2015, 53.4% of all registered unemployed were women, while 46.6% were men (SEA, 2016). Overall the unemployment rate for women, however, was lower than for men in 2016 (8.6% and 11.2%).

At the regional level, unemployment rates vary across the regions with the highest rate in Latgale region (17.7%) and lowest in the capital city of Latvia Riga (4.6%) and Riga region (4.9%) (SEA, 2017).

² The employment rate in Latvia reached 73.2% in 2016 for people aged 20-64 years old.

Figure 1. Unemployment rate, 2007-16



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

2.2. Self-employment and entrepreneurship rates

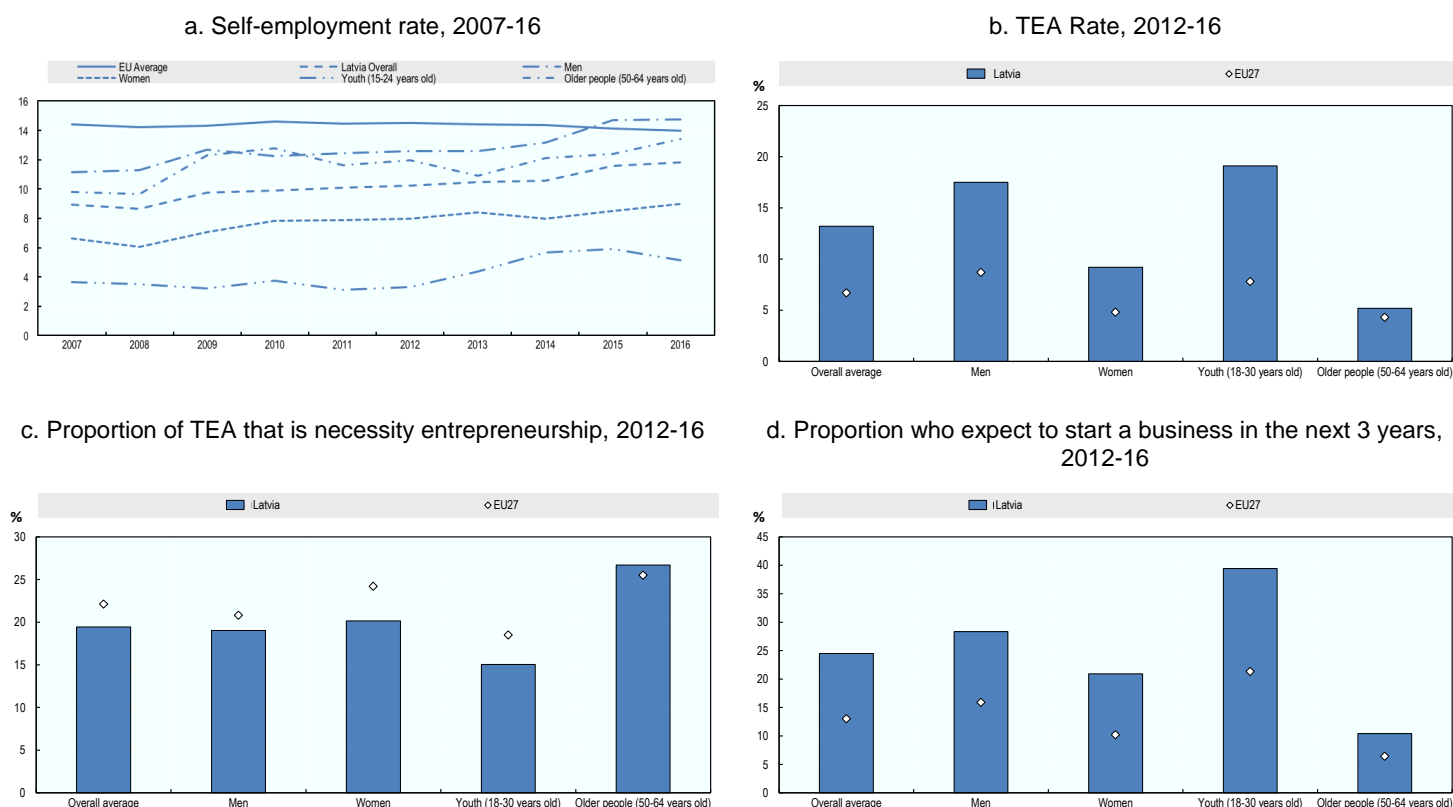
The self-employment rate in Latvia was slightly below the average rate for the EU in 2016 (11.8% vs. 14.0%) (Figure 2a). However, the self-employment rate has increased over the last decade, whereas it was constant at the EU-level. This was especially true for youth – the proportion of working youth who were self-employment increased from 2.2% in 2006 to 5.1% in 2016. The self-employment rate was considerably higher for men than for women in 2016 (14.7% vs 9.0%) and was also relatively high for older people (13.4%).

Self-employment activities largely occurred in four sectors: Agriculture, forestry and fishing; Wholesale and retail trade; Construction; and Manufacturing. Combined, these four sectors accounted for 55% of self-employment. Some differences can be observed by gender, i.e. men were 1.5 times more likely to be active in Agriculture, while women were three times more likely to be active in Professional, scientific and technical sectors. Self-employment data by sector could not be disaggregated by age.

Approximately one-third of the self-employed were Managers in 2016, and another 50% were Skilled agricultural, forestry and fishery workers; Professionals; Service and sales workers; and Craft and related trades workers. Overall, a similar distribution can be observed among men and women, except that men are much more likely to be Managers and Craft and related trades workers, whereas women were much more likely to be Professionals and Service and sales workers. The distribution for the self-employed over 50 years old mirrored the overall distribution. Data for youth cannot be disaggregated.

Overall, the self-employed were as likely as the EU average to have a tertiary education and more to have a secondary education. Self-employed women were about 1.5 times more likely than men to have a tertiary education in 2016.

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).

Another way to examine entrepreneurship activities is to use the Total early-stage Entrepreneurial Activity (TEA) rate, which is estimated by the Global Entrepreneurship Monitor in approximately 80 countries every year. It measures the proportion of adults involved in starting a business or managing a new business that is less than 42 months old. The TEA rate was very high in Latvia relative to the EU average over the 2012-16 period (13.2% vs. 6.7%) (Figure 2b). Men were about twice as likely as women to report that they are involved starting and managing new business over this period (17.5% vs. 9.2%). One in five youth was involved in early-stage entrepreneurship, which was more than double the EU average. However, the TEA rate for older people was approximately equal to the EU average (5.2% vs. 4.3% for the EU).

This high level of early-stage entrepreneurship activities, however, is not necessarily making a positive contribution to the economy. One-fifth of new entrepreneurs report that they are active in entrepreneurship because they do not have any other opportunities in the labour market, i.e. “necessity entrepreneurs” (Figure 2c). Over the 2012-16 period, older people were the most likely to report that

they entrepreneurs out of necessity (26.7%). The amount of “necessity” entrepreneurship increased in Latvia following the onset of the financial crisis in 2009. This is the result of fewer employment opportunities as well as a decrease in the opportunity costs for starting a business since salary levels decreased sharply during this period (Krumina and Paalzow, 2017). Since the crisis, the proportion of entrepreneurs motivated by “necessity” has declined.

The proportion of Latvians who expect to create a business in the next three years was approximately double the proportion across the EU between 2012 and 2016 (Figure 2d). This was also observed among women (20.9% vs. 10.0% for the EU) and older people (10.4% vs. 6.4% for the EU). A very high proportion of youth expected to create a business in the next three years (39.4%), which was nearly the EU average for youth (21.3%).

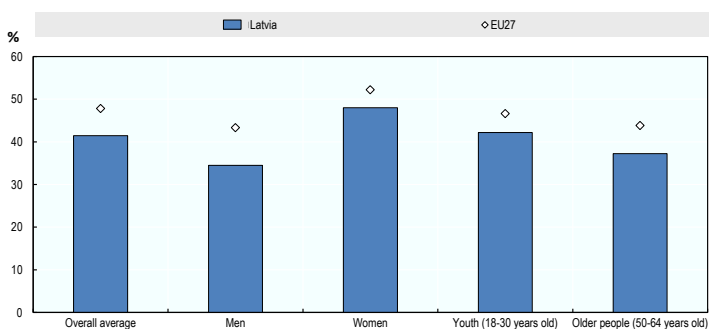
2.3. Barriers to business creation

Some of the key barriers to entrepreneurship for under-represented and disadvantaged groups include a fear of failure and lack of entrepreneurship skills. Latvians were less likely than the EU average to report that a fear of failure is a barrier to business start-up (Figure 3a). This was especially true for men: 34.5% men reported fear of failure in Latvia vs. 43.3% at the EU-level. Similarly, 48.0% of Latvian women reported this barrier relative to 52.2% at the EU-level.

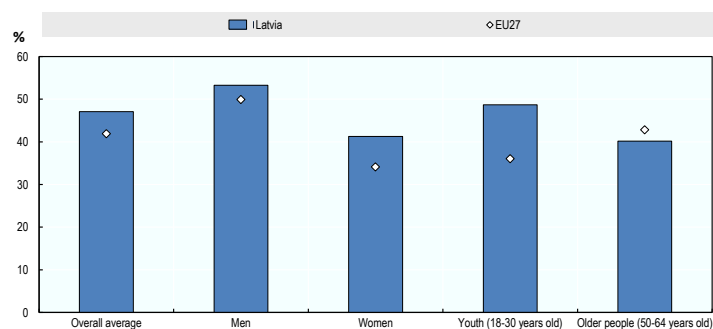
Latvians were also more likely to report that they had appropriate skills for business creation, except for older people which were as likely as the European Union average to indicate that they had sufficient skills (Figure 3b). More than half of men reported that they had the skills to start a business (53.2) relative to 41.3% of women. Both proportions were above the EU average. Nearly half of youth indicated that they had the skills to start a business (48.7%), which was well above the EU average for this period (36.0%).

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 (2017), special tabulations of the Global Entrepreneurship Monitor’s household surveys from the 2012 to 2016.

2.4. Entrepreneurship performance

Overall, new entrepreneurs in Latvia were as likely as those in the European Union to offer new products or services over the 2012-16 period (Figure 4a). There were no significant differences in the

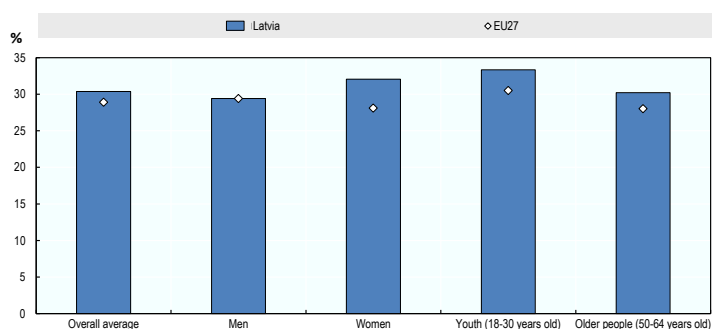
proportions across the key population groups for the period 2012-16, i.e. approximately 30% of entrepreneurs from each group offered new products and services.

Similarly, new entrepreneurs in Latvia were about as likely as the EU average to sell to customers in another country and there was little difference across the different groups – approximately 65% of entrepreneurs in each group sold to foreign customers (Figure 4b). There only group that was substantially above the EU average during this period was women (64.6% vs. 53.6%).

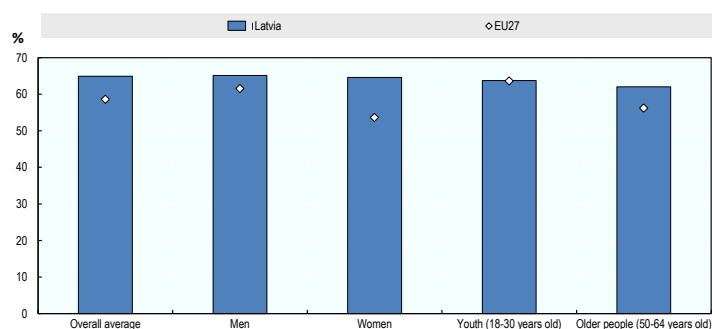
New entrepreneurs in Latvia, however, were much more likely to expect to create a substantial amount of jobs with their new businesses (Figure 4c). More than one-fifth of new youth entrepreneurs (20.4%) expected to create at least 19 jobs over the first five years of business operation in the 2012-16 period, which was about double the EU average for youth (11.1%). Similarly, women entrepreneurs (13.5%) and older entrepreneurs (12.8%) were more likely than the EU averages (6.0% vs. 8.9%) to expect to create a substantial number of jobs.

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

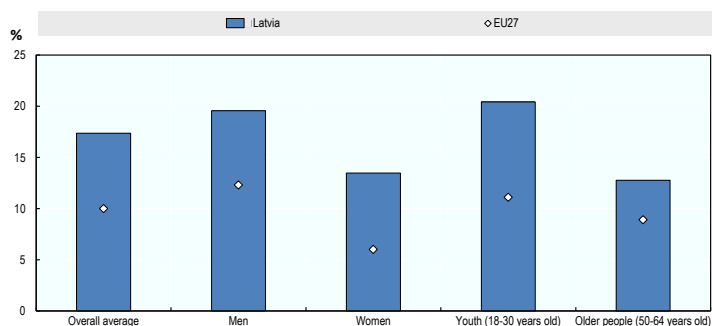
a. Proportion of new entrepreneurs whose products or services are new to all or some customers and who have few or no businesses offering the same products or services, 2012-16



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

Policies and programmes that promote and support business creation and self-employment, including those targeted for unemployed and key social target groups (i.e. women, youth, older people, immigrants, people with disabilities, ethnic minority groups and others), are largely under the responsibility of three ministries: the Ministry of Economics, the Ministry of Welfare and the Ministry of Environmental Protection and Regional Development. In addition, the Ministry of Agriculture has a small number of programmes to support young farmers.

The Ministry of Economics seeks to develop a business-friendly environment that encourages and supports business creation and industrial development. It is also responsible for co-ordinating medium-term and long-term labour market policies. Recent initiatives include actions to reduce the costs associated with creating a business. The Ministry of Economics is also focused on ensuring that new business start-ups and small companies are not disadvantaged in the tax system.

The Ministry of Welfare has responsibility for reducing unemployment, developing labour market policy and improving the career development support system. It also manages and co-ordinates active labour market measures, including support measures for business creation. Key schemes include the “Innovation motivation programme”, “Business incubator programme”, and it also manages some micro credit schemes. However, nearly all of these programmes are general programmes that are not tailored specifically to the needs of entrepreneurs from under-represented or disadvantaged groups. Furthermore, although these schemes are open to all, there is a lack of monitoring data, which makes it difficult to know whether people from under-represented or disadvantaged groups accessing these offers.

In addition to these general programmes, the Ministry of Welfare offers a small number of tailored schemes for specific social target groups, notably the (registered) unemployed and unemployed youth. Two key programmes are supported within the framework of “Inclusive employment guidelines for 2015 – 2020”:

- “Support to enter self-employment and start a business” for the unemployed, which is outlined in the Law of the Support to the Unemployed and Job Seekers and funded by a special State-funded budget that is dedicated to fostering employment;
- “Support to enter self-employment and start business” for young unemployed people, which is funded by the National Youth Guarantee Programme and implemented within the Youth Employment Initiative 2014-18, co-funded by the European Union.

The State Employment Agency is a State administration institution under the supervision of the Minister for Welfare. It has a range of responsibilities related to collecting labour market information and providing skills training and career counselling. The agency manages support programmes for unemployed people who are interested in starting a business.

The Ministry of Environmental Protection and Regional Development is responsible for implementing policy in three areas – environment protection, regional development as well as information and communication technologies. In the area of regional development, the Ministry

implements and evaluates regional policy at state level, provides methodological guidelines and supervises the territorial development planning process, as well as ensures the development and supervision of local governments with overall goal to achieve well-balanced and sustainable development of the country. This includes supporting the development of a business support infrastructure that corresponds to the needs of businesses and entrepreneurs.

3.2. Government regulations

Regulatory measures and actions that support inclusive entrepreneurship are confined to efforts that reduce administrative burdens for business start-up. While such measures do not target under-represented or disadvantaged groups, entrepreneurs from these social groups stand to benefit since they often face greater challenges in navigating the institutional environment.

The current regulatory priority related to inclusive entrepreneurship is the development of a legal framework for social entrepreneurship. It aims to support people from under-represented and disadvantaged groups move into the labour market through employment opportunities within social enterprises, or by supporting people in creating a social enterprise. Parliament established a working group in September 2015 to develop the legal framework, including representatives from the Ministry of Finance, Ministry of Welfare, Ministry of Justice, Ministry of Economics, Ministry of Environmental Protection and Regional Development, Latvian Association of Local and Regional Governments, Association for Social Entrepreneurship and several non-governmental organisations. While the law is still in development, Ministry of Welfare has planned to launch a grant programme on July 2017 for new and already established social enterprises within the European Social Fund Project 9.1.1.3. “Support for Social Entrepreneurship”. The Ministry of Welfare will be responsible for implementing most of the measures regulated in this bill. It is expected that the law will come into force on 1 January 2018.

There is a wide range of regulatory instruments that are not used to encourage and support entrepreneurship by under-represented groups that are commonly found in other EU countries. Examples include “welfare bridges”,³ reduced social security contributions for specific groups of under-represented and disadvantaged entrepreneurs (e.g. youth), or training to help entrepreneurs understand and comply with their administrative obligations. This gap is likely justified since the size of most of the social target groups is very small given the country’s small population.

Finally, there are also regulatory measures in place to minimise the shadow economy. The Ministry of Finance has created a Special Council and a National Plan for Fighting the Shadow Economy. The National Plan includes a range of measures that aim to simplify tax and business registration procedures and outline penalties for non-compliance.

3.3. Financing entrepreneurship

Tailored measures for financing business creation by people from under-represented and disadvantaged groups are almost exclusively focused on supporting the unemployed. The main measure is the “Measure for Commencing Commercial Activity or Self-employment in Latvia”, which is managed by the State Employment Agency of Latvia (SEA) under the auspices of the Ministry of

³ A welfare bridge scheme allows an unemployed person to convert their entitled unemployment benefits into an allowance to cover living expenses (i.e. personal subsistence) during the early stages of self-employment. In some cases this may also include a lump sum grant to support the creation of a business. These schemes frequently also include entrepreneurship training and/or other business development services. and allowance to support them in business.

Welfare of Latvia. This measure provides a grant of up to EUR 3 000 and up to 20 hours of professional business counselling to support the implementation of the business plan, as well as individual counselling to help applicants their business idea. In addition, it provides an allowance equal to the minimum wage for six months. Approximately 40% of support has been targeted to the Riga region, where there hub of economic activity. About 20% of the support is provided in the Latgale region, which has highest unemployment rate of all of the regions.

The programme is mainly promoted through the SEA website. To be eligible for support, applicants must have their business plan positively assessed by business start-up experts, who are contracted by the SEA through a public procurement process. Criteria for a positive assessment include that the product or service provided has some innovative features and that there is a potential market for the product or service. In addition, applicants must meet one of the following qualifications:

- Has acquired a vocational secondary education or higher education in entrepreneurship, business management or in a similar field, or in the field, which is planned to start commercial activity or self-employment;
- Has completed a vocational training programme that provides the required business management knowledge in the field, or in the field which is planned to start commercial activity or self-employment;
- Has acquired vocational secondary education or higher education, and informal education programme (not less than 120 academic hours) in a business management-related field.

The number of participants since 2013 and allocated funding are displayed in Table 1.

Table 1. Participants in the “Measure for Commencing Commercial Activity or Self-employment in Latvia”

	Total number of unemployed	Long term unemployed	Youth unemployed (18-24 years old)	Unemployed with a disability	Unemployed who are ex-offenders	Unemployed after parental leave	Unemployed pre-retirement age
2013	173	64	6	12	1	7	8
2014	198	55	18	10	1	11	7
2015	244	65	22	11	0	6	11
2016	298	57	31	16	0	14	7
Total	913	241	77	49	2	38	29

Source: SEA, 2017.

Overall, this measure has achieved some very positive results. Only 10% of projects that were supported are considered to be unsuccessful by evaluations and 71% of participants who launched a project were still involved in their start-up after two years. This is in line with international good practice examples, including the Start-up Grant in Finland and the Welfare Bridge programmes in Germany. The keys to its success are the strong vetting process and the incremental provision of support. However, there is room to increase awareness about the programme since few people know about it and it is not actively promoted by the SEA.

In addition to this measure for the unemployed, there is a start-up financing scheme for unemployed youth as part of the Youth Guarantee programme (“Support for self-employed and

starting business”) that has been implemented during 2014-16 period. This scheme is similar to the measure for the unemployed – it provides assistance with the preparation of business plans and a grant of up to EUR 3 000. In addition, it provides an allowance equal to the minimum wage for six months to those operating new start-ups. Youth between the ages of 18 and 29 years old are eligible for support under this measure.

Entrepreneurs from under-represented and disadvantaged groups can also access a number of mainstream start-up financing supports. These include a microcredit programme that is operated by ALTUM, which is the government’s development finance institution. It provides loans of up to EUR 25 000 with a 50% subsidised interest rate and a SME growth loan. Also, ALTUM has recently signed an agreement with the European Investment Fund (EIF) to improve access to finance to innovative small and medium-sized enterprises (SMEs).⁴ ALTUM also offers an SME microcredit programme that. However, it is unlikely that groups such as the unemployed would access this financial supports.

Although microcredit is also available from private sector lending institutions, there are currently no financial intermediaries that make use of the European Union’s Programme for Employment and Social Innovation (EaSI).⁵ This represents a missed opportunity.

3.4. Entrepreneurship skills

Support for acquiring business start-up skills and competences for registered unemployed, job-seekers and people at risk of unemployment is offered by the SEA within the framework of the ALMP “Basic competencies for Increasing Competitiveness in the Labour Market”, which includes short courses, seminars and lectures. Several entrepreneurship related courses are provided in this measure, including “Basics of Business”, Basics of Project Management”, “Basics of creating a Business Plan” etc.

In addition, the SEA also offers several entrepreneurship training programmes the advanced vocational training system, including the courses “Accounting”, “Organization of small business” and “Project management”. Each is among the most demanded training programmes offered by SEA, ranking in the top 10 measures in terms of participation, training completion rates and labour market outcomes (Table 2). In 2016, 986 unemployed participated in previous mentioned training programmes which is 38% of all unemployed involved in advanced vocational training for reaching vocational proficiency.

Table 2. Unemployed participation in SEA-organised advanced vocational training, 2016.

With entrepreneurship skills developing related training programme	No of participants in 2016	No of person who completed training from July 1, 2015 till June 31, 2016	No of persons who found a job 6 months after completion of the training (till 31.12.2016.)	Employment rate 6 months after training completion
Accounting	149	148	68	46%
Organisation of small business	305	273	107	39%
Project management	532	565	254	45%

⁴ https://ec.europa.eu/commission/commissioners/2014-2019/katainen/announcements/investment-plan-europe-eif-and-altum-sign-agreement-benefit-innovative-businesses-latvia_en

⁵ This programme seeks to facilitate microcredit for entrepreneurs from under-represented and disadvantaged groups.

Since 2011, all employment training programmes offered by the SEA are implemented with a voucher system that allocates vouchers to individuals so that they can “purchase” the training that they need. Thus, training programmes are organised in response to client demand, as well as in co-operation with social partners and experts at National Commission for defining the training fields and approving the training programmes.

The length of training programmes varies:

- from 60 to 160 hours for upskilling training programmes (the value of a voucher does not exceed EUR 360 or EUR 670-1070 for specific driving courses);
- from 160 to 320 hours for advanced vocational training to reach vocational proficiency (the value of a voucher does not exceed EUR 360);
- from 480 to 1280 hours for vocational training programmes (the value of a voucher does not exceed EUR 540 for programmes with 480 hours, EUR 720 for programmes with 640 hours, EUR 1100 for programmes with 960 to 1200 hours).

Training is usually provided in full-day sessions and they may last up to six months. Simple or low-skilled occupations are excluded from the list of training programmes. An unemployed person may participate in vocational training programmes once in a two-year period and in upskilling programmes not more often than twice a year, except State language courses where person may be involved in the acquisition of no more than three education programmes.

Participants also receive financial support while participating in training with a daily stipend of EUR 5 (approximately 100 EUR a month). The following additional expenses are also covered by the SEA: training place adaptation for persons with disabilities, and involvement of care personnel for persons with disabilities, such as assistants, sign language experts, etc.

The Ministry of Economics also offers several general entrepreneurship training courses but these are not tailored or targeted to people from under-represented or disadvantaged groups. It has also established 15 business incubators across all region since 2016, which offer both pre-incubation and incubation programmes. Pre-incubation is targeted to those with potential entrepreneurs with business idea or entrepreneurs who have registered business but are in very early stage of business idea development. The pre-incubation programme is up to six months long and includes mentorship, consultations, seminars, courses, and access to office space and equipment. The incubation programme targets entrepreneurs that have not been in business for more than three years. This support includes access to office space, free training and seminars, mentorship, finance, marketing as well as implementation of quality standards, certification, prototyping, and product testing. Admission to the programme is done quarterly.

The Ministry of Education and Science has developed a strategy for entrepreneurship education for the period 2014-20 that aims to give students entrepreneurship competences and inspire them to be creative. This is complemented by non-government organisations such as Junior Achievement that offer entrepreneurship training for youth.

3.5. Entrepreneurial culture and social capital

There do not appear to be many public policy actions to promote entrepreneurship to people from under-represented and disadvantaged groups, aside from the active labour market measure “Commencing Commercial Activity or Self-employment” and small actions under the Youth

Guarantee programme. There was no evidence of media campaigns, role models, awards or ambassador networks. Moreover, the presence of entrepreneurship in the school system is at an early stage of development so children and teens are not yet receiving a lot of exposure to entrepreneurship.

There was also little evidence that the government is trying to build up social capital related to inclusive is. No networking programmes were identified for any of the social target groups. However, there are a number of non-governmental organisations active in this area such as *Radām Novadam*.⁶

4. POLICY RECOMMENDATIONS

There are three ministries that are active in implementing various activities to support entrepreneurship and self-employment in Latvia: the Ministry of Economics, the Ministry of Welfare (through the State Employment Agency) and the Ministry of Agriculture. Many of these policy actions are mainstream approaches aimed at the whole population, including entrepreneurs from under-represented and disadvantaged groups. However, these approaches are not typically designed to account for the different needs of the different target groups. There are a two principal number of tailored entrepreneurship programmes offered by the Ministry of Welfare for the unemployed and unemployed youth. These schemes are generally supported by appropriate policy frameworks and are well-planned, and, according to available data, also appropriately implemented. However, there is scope to make some improvements in the inclusive entrepreneurship support system and the following actions are recommended:

1. *Scale-up support offered under the “Measure for Commencing Commercial Activity or Self-employment in Latvia.”* Across the European Union, approximately 5% of the unemployed return to work through self-employment. Using this as a benchmark, it would be expected that between 2 000 and 3 000 people would potentially be interested in participating in this programme. However, there are only 150-250 participants per year, suggesting that there is likely room to increase the scale of support offered.
2. *Tailor entrepreneurship training provided through the State Employment Agency to the needs of different target groups.* Training modules on entrepreneurship and developing a sense of initiative are offered as part of the suite of training and upskilling programmes for the unemployed. However, little consideration appears to be given for the different needs of different types of participants.
3. *Work with private sector financial institutions to increase the availability of microcredit with the support of the European Union’s EaSI Programme.* Although many private sector programmes offer microcredit programmes, the take-up appears to be low among those who come from under-represented and disadvantaged groups. The EU’s EaSI programme offers support to private sector financial intermediaries but none are currently taking advantage of this support. The government could increase awareness about this opportunity and support the financial institutions in signing agreements.

⁶ <http://radamnovadam.delfi.lv/>

4. *Improve dissemination and tailoring of information on business start-up to people from under-represented and disadvantaged groups who are interested in business creation.* Unless people from these target groups are involved in a government programme such as “Measure for Commencing Commercial Activity or Self-employment in Latvia”, it is difficult for them to access tailored information on business start-up. Websites and business start-up information packages should be adjusted to point people from different groups to tailored support offers to help them overcome their obstacles.

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 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?