



# Inclusive Entrepreneurship Policies, Country Assessment Notes

Spain, 2017



## Acknowledgements

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

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## FOREWORD

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

The self-employment rate in Spain was slightly above the European Union average in 2016 (16.1% vs. 14.0%), and this was also true for women, youth and seniors. Spanish people were more likely than the EU average to believe that they have the capabilities and skills to create a business over the 2012-16 period (47% vs. 42%), particularly women (42% vs. 34%). Many inclusive entrepreneurship policies and programmes have been implemented in recent years and most focus on supporting the unemployed, youth and women. These actions have been designed and implemented under the guidance of employment strategies and objectives. Nonetheless, there is scope to strengthen inclusive entrepreneurship in Spain, including developing more tailored entrepreneurship support for seniors and migrants, and through further development of the microfinance sector.

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 the 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 and programmes are increasingly viewed as a tool to support under-represented and disadvantaged groups in the labour market. Many policy actions have been implemented in recent years, especially for the unemployed, youth and women. These actions have been designed and implemented under the guidance of employment strategies and objectives.
- The self-employment rate was slightly higher in Spain than the European Union (EU) average in 2016 (16% vs. 14%), and this was true across all social target groups such as youth, women and older people. Spanish people were more likely than the European Union average to believe that they have the capabilities and skills to create a business over the period 2012-16 (47% vs. 42%), especially women (42% vs. 34%) and – to a lesser extent – youth (40% vs. 36%). However, Spanish entrepreneurs were less likely than the EU average to offer new products and services to their customers between 2012 and 2016 (24% vs. 29%) and also less likely to expect to generate at least 19 jobs over the next five years (3% vs. 10%). These trends hold for women, youth and older people.
- Some gaps can be identified in the current inclusive entrepreneurship support system, including a lack of tailored schemes for older people, migrants, and people with disabilities. Moreover, many programmes for youth and the unemployed can be strengthened, notably to improve financial literacy (with respect to business finance rather than personal finance). Further, microcredit remains under-developed as the banking regulations hinder lending activities by non-banks. Another challenge is that many inclusive entrepreneurship initiatives in Spain are operated on a small scale and are not well-connected with each other.
- Key recommendations for strengthening inclusive entrepreneurship support are to: (i) develop integrated entrepreneurship support programmes for older people, immigrants and persons with disabilities; (ii) increase the number of microfinance institutions targeting under-represented and disadvantaged groups, especially young entrepreneurs and women entrepreneurs; (iii) increase support for teachers to enhance the implementation of entrepreneurship education within the formal education system; (iv) expand financial literacy training in formal education to include skills and concepts related to business start-up and self-employment; and (v) further streamline regulations and procedures related to business start-up.

## 1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

Despite several recent reforms and increased action in promoting entrepreneurship, there is currently no overarching national plan to promote entrepreneurship in Spain. As a consequence, there are neither general entrepreneurship objectives, nor a clearly defined set of inclusive entrepreneurship objectives against which national progress may be measured. However, there is a comprehensive and coherent strategy for youth entrepreneurship support, the Youth Entrepreneurship and Employment Strategy (*Estrategia de Emprendimiento y Empleo Joven, EEEJ*), which provides some objectives but lacks concrete targets.

More broadly, the Spanish targets for inclusive entrepreneurship policy actions may be set against European strategies. The Europe 2020 strategy includes some lines of action that may be linked to

inclusive entrepreneurship: the employment rate (the target being 74%) and reduction of the population at risk of poverty (aiming at decreasing the number by 1.4 – 1.5 million people) (EC, 2010). In this sense, the 2017 National Reform Programme<sup>1</sup> (NRP) identifies the six most relevant areas in which further reforms are necessary, including support for entrepreneurship and business growth. The NRP considers it necessary to improve the environment for entrepreneurial investment, facilitating the starting of new ventures, its survival and growth.

## **2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS**

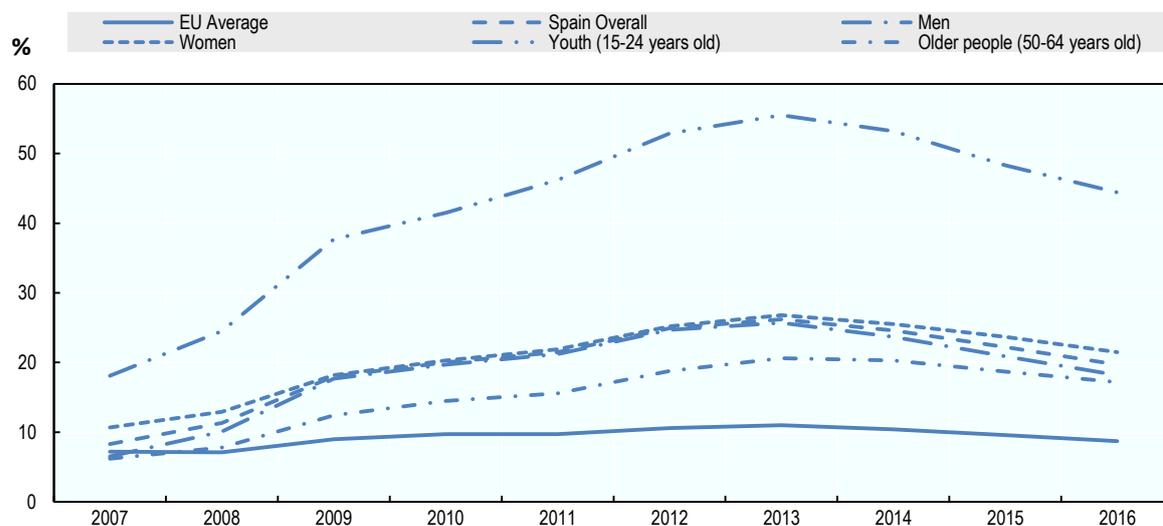
### **2.1. Labour market context**

The unemployment rate increased substantially since the economic crisis started in 2008. The overall unemployment rate rose to 26.2% in 2013, from a 30-year low at 8.2% in 2007. This increase in unemployment has affected all segments of the labour market (Figure 1). Since then, the economic situation has been slowly improving and unemployment has been decreasing. Nevertheless, the rate was still very high in 2016 (19.7%), which was more than double the EU average (8.7%). The construction sector (male-dominated activity) was one of the hardest hit sectors during the crisis, consequently the gap between the unemployment rate for men and women essentially closed between 2006 and 2009. However, the gap has re-emerged since 2014 as the unemployment rate for men has decreased faster than the rate for women. Youth unemployment also increased greatly during the crisis. Despite a notable decrease since 2013, 44.4% of the active population under 25 years old was unemployed in 2016, more than twice the national average. Spanish youth also suffer from relatively high school-dropout rates (the reduction of which is one of the Europe 2020 targets) and a high rate of youth who are Not in Employment, Education or Training (NEET). Older people, however, have relatively low unemployment rates, explained by high levels of inactivity and early retirement (even at the expense of reduced pension).

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<sup>1</sup> *Programa Nacional de Reformas 2017. Reino de España.* Approved by the Government on April 28<sup>th</sup>, 2017. <http://www.lamoncloa.gob.es/consejodeministros/Documents/PNR%202017.pdf> (accessed on June 3 2017).

**Figure 1. Unemployment rate, 2007-16**



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

Similarly, the unemployment rate of foreign-born people more than tripled between 2007 and 2013. Consequently, more than one million foreign-born people left the country between 2009 and 2016. The magnitude of the outflow differed between those born in other EU countries and those born outside of the EU. While the total number people in Spain who were born in non-EU countries declined after 2010 (with a reduction of more than 600 000 up to 2016), the number of people born in other EU countries increased until 2012, but then declined by 25% until 2016). This points to a segmentation of the labour market for immigrants, where non-EU citizens tend to hold low qualification and low stability positions and suffered the crisis more quickly. In turn, immigrants who were born in other EU countries tend to hold high-qualified and stable positions, and took longer to be impacted by the economic crisis.

## 2.2. Self-employment and entrepreneurship rates

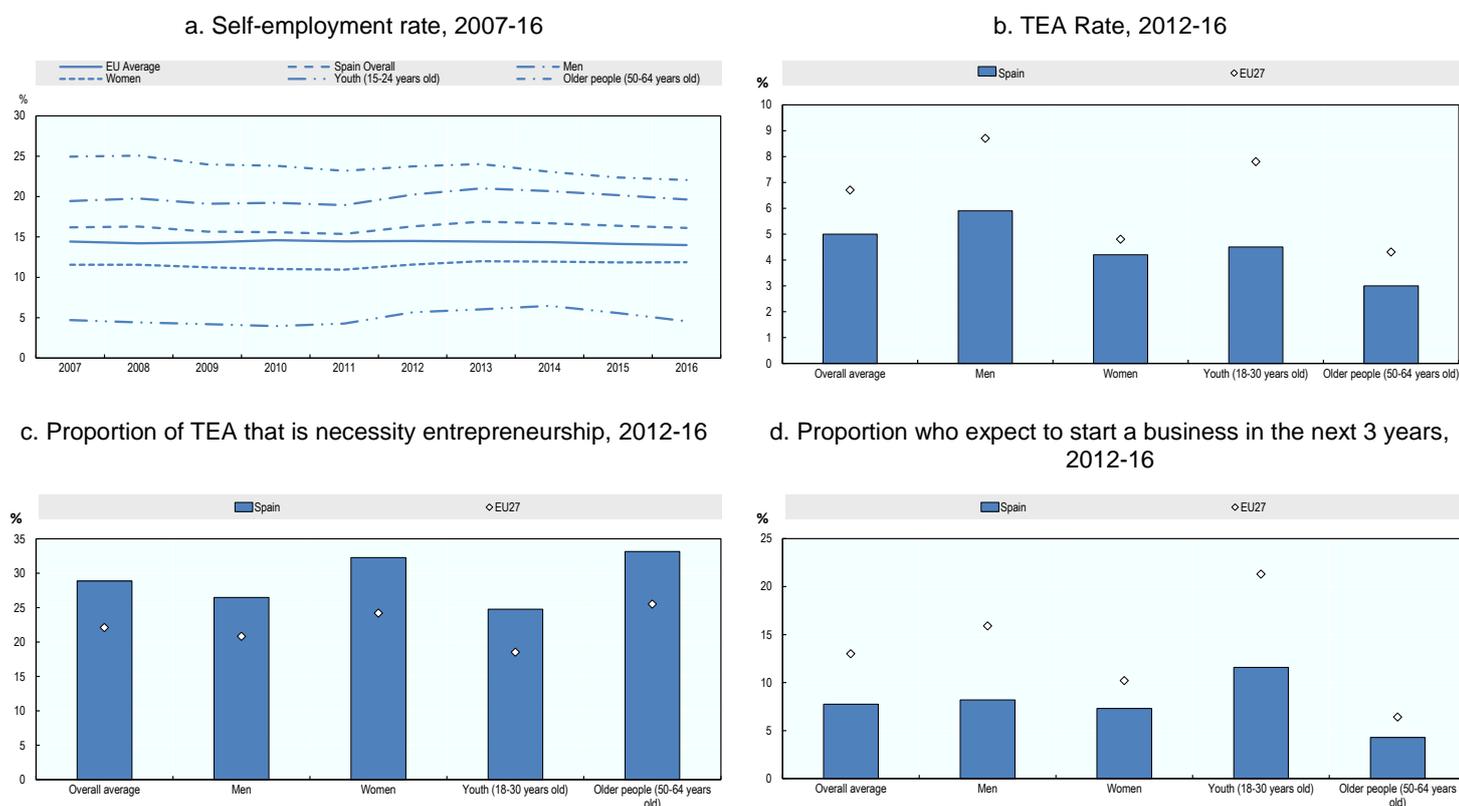
The self-employment rate has been stable over the last decade (Figure 2a), although a slight increase can be observed between 2011 and 2013, followed by a slight downward trend from 2013 onward. The national self-employment rate was slightly above the overall rate in the EU in 2016 (16.1% vs. 14.0%). Of the key inclusive entrepreneurship target groups, older people have had the highest self-employment rate over the last decade. However, this rate has been declining slowly. A gender gap in self-employment can also be observed – the proportion of working men who were self-employed was nearly double the proportion of women in 2016 (19.7% vs. 11.9%).

A similar trend is observed in the Total early-stage Entrepreneurial Activity (TEA) rate, which measures the proportion of the population involved in creating and managing new businesses (Figure 2b). Overall, the Spanish TEA rate was below the EU average, which is in contrast to the self-employment rates. This can be explained by differences in the two measures. The TEA rate measures pre start-up activities and new business owners, but does not pick-up the stock of entrepreneurs in an economy. The difficulties in the Spanish labour market and the small average firm-size explain a high self-employment rate despite the low newly-started entrepreneurial activity. The TEA rate may also miss people who are working for themselves but do not see themselves as self-employed (e.g. artists). The TEA rate for men was substantially higher than the rate for women (5.9% vs. 4.2%). This measure

also suggests that youth were more active than older people in business creation (4.5% vs. 3.0%). While a notable share of the older population remain self-employed (and have been so for a long time), few of them are creating new businesses.

A relatively high proportion of new entrepreneurship activity (i.e. TEA) over the 2012-16 period was driven by people who did not have other employment opportunities (28.9% vs. 22.1% for the EU) (Figure 2c). While this is true for all key social target groups, nearly one-third of women and older entrepreneurs active in pre start-up activities or managing a new business were driven by necessity (32.3% for women and 33.2% for older people). This points to fewer opportunities in the labour market for these groups. These figures remain very high and no downward trend is yet observed, indicating the permanence of considerable difficulties to find employee positions for these groups. Necessity entrepreneurship is strongly associated with the creation of small subsistence non-innovative non-exporting businesses. Therefore, the high proportion of necessity entrepreneurs (especially among women and older people) implies a considerable weakness of the business system in the country.

**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).

Similarly, potential entrepreneurs (those expecting to start a new venture in the next three years) are relatively scarce in Spain when compared to the EU average (7.8% vs. 13.0% for the EU) (Figure 2d). This holds for all the target groups, although the difference is smaller for women (7.3% vs. 10.2%) and older people (4.3% vs. 6.4%), while it is really large for youth (11.6% vs. 21.3%). This may suggest the existence of important obstacles preventing people from considering an entrepreneurial career path (see section 2.3).

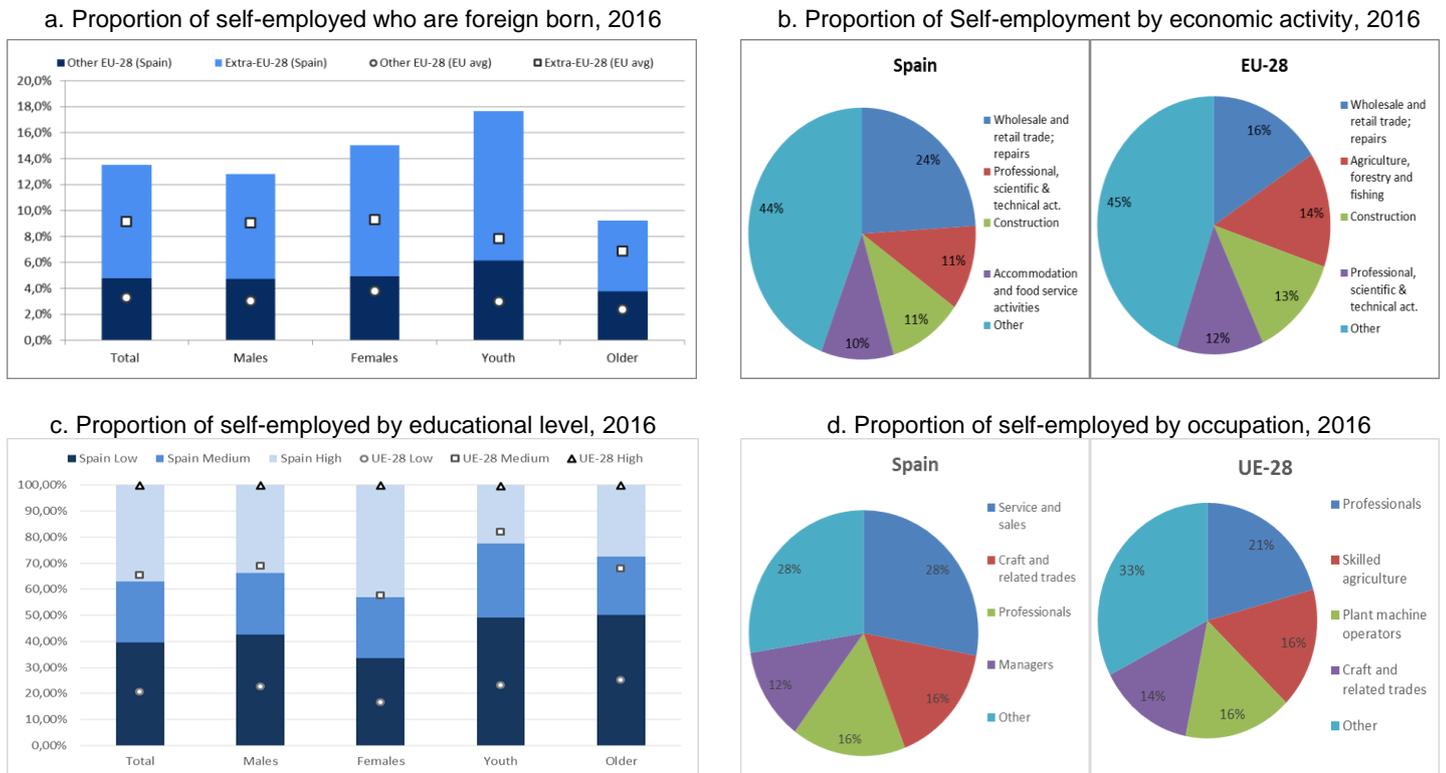
The proportion of foreign-born people among the self-employed is notably higher relative to the EU average (Figure 3a). This is true both for immigrants from other EU countries (4.8% of the self-employed, vs. 3.3% in the EU), and from non-EU countries (8.7% of the self-employed vs. 5.9%). This also holds for all the specific target groups. The high self-employment rate among migrants is due, in part, to the recent influx of immigrants from North Africa and the Middle East. Spain has received more migrants and refugees since 2015 and many of these people are more likely than Spanish citizens to start their own businesses.

In terms of sectors, the self-employed are particularly active in wholesale activities (24% of the total vs. 16% in the EU) (Figure 3b). Accommodation and food service activities also stand out as one of the most important sectors (10%). Together, these two sectors represent more than one-third of Spanish self-employment. This is clearly related to the presence of a large number of small tourism-related businesses. This is especially evident in the case of the target groups of inclusive entrepreneurship. 43% of self-employed women are concentrated in wholesale or accommodation and food service activities. This proportion is even higher for the youth (46%), but less so for older self-employed people (37%). The relevance of professional and construction activities in Spain is in line with the share they represent on average among the EU self-employed.

The proportion of self-employed with low educational attainment (i.e. up to lower secondary education) is substantially higher (40%) than is the case for the EU average (21%) (Figure 3c). However, the proportion with mid-level educational attainment (i.e. secondary and post-secondary) is markedly lower than the EU average (23% vs. 45% in the EU). Finally, 37% of the self-employed had a higher education (i.e. tertiary), which was similar to the EU average (35%). Nevertheless, when we focus on the target groups, two very clearly differentiated patterns emerge. In the case of youth and older people, approximately half of them have low levels of educational attainment, while only around one-quarter is highly educated (22% and 27%, respectively). Self-employed women, in contrast, are relatively better educated than men. Only 33% of self-employed women had a low educational attainment, while 43% had a higher education. Although these patterns are in line with the situation of those target groups in the EU, they are more pronounced in Spain.

Consistent with the importance of trade and tourism, 28% of the self-employed are service and sales workers (Figure 3d). The second most frequent occupation is craft and related trades (16%), with a proportion similar to the EU average (14%). The presence of professionals among the self-employed is also in line with the EU figures (16% vs. 21% in the EU). The pattern is substantially more pronounced in the case of self-employed women and youth. In the first of these target groups, nearly 45% of them are service and sales workers. Similarly, this occupation represents 47% of the self-employed youth.

**Figure 3. Distribution of the self-employed population**



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

### 2.3. Barriers to business creation

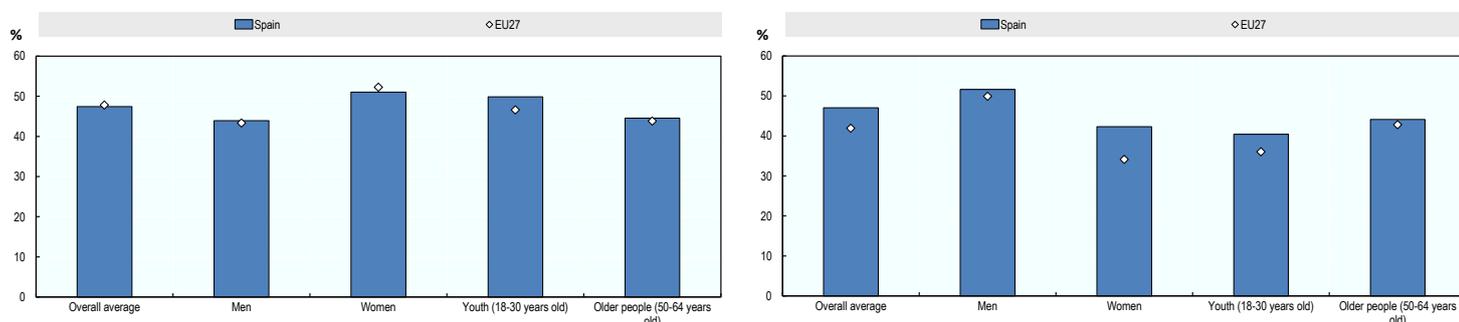
Despite the low share of aspiring entrepreneurs, people in Spain were as likely as the average across the European Union to cite a fear of failure as an obstacle to business creation over the period 2012-16 (Figure 4a). Youth, however, were slightly more likely to report a fear of failure in Spain than the EU average (49.9% vs. 46.6%). Women were moderately more likely than men to cite this barrier (51.0% vs. 43.9%), while approximately 45% of older people did.

Similarly, adults were more likely than the EU average to report that they had the skills and experience to start a business between 2012 and 2016 (Figure 4b). This was true for all of the key social target groups over this period: women, youth and older people. It is to be noted that even though Spanish women perceive themselves as notably more skilful than women in the EU (42.3% vs. 34.1%), their answers are still less positive than men's (51.6%)

**Figure 4. 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

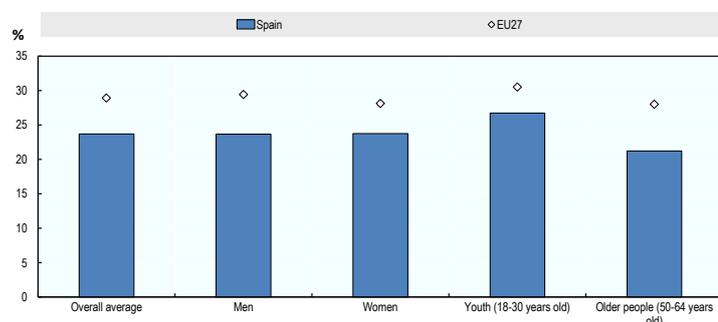
Women (23.8% vs. 28.1%), youth (26.7% vs. 30.5%) and older entrepreneurs (21.2% vs. 28.0%) were less likely to exploit new products and services in their businesses than the respective EU averages for each group (Figure 5a). These entrepreneurs represent 23.7% of the total population of new entrepreneurs, and there was no gender gap. Only the youth were slightly more innovative (26.7%) than the national average.

As mentioned above, Spanish entrepreneurs tend to operate businesses that are oriented to serving local markets more than in other EU countries (Figure 5b). Only one in four new entrepreneurs (25.3%) has sold products and services to customers that live in another country. This is in high contrast with the EU average, where 58.6% of new entrepreneurs reported sales to foreign customers. The proportion is remarkably similar across the different target groups, i.e. women, youth and older entrepreneurs.

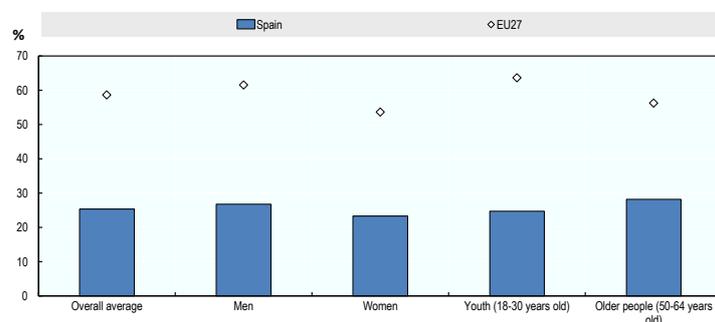
Moreover, similar results hold regarding entrepreneurs with expectations to create a substantial number of jobs (Figure 5c). The gap between new Spanish entrepreneurs and those across the EU is around 1 to 3, and holds quite stable across all target groups. Growth expectations are especially low for women (only 1.7% of them expect to create substantial employment), but this is consistent with what is observed across the EU where women entrepreneurs also have lower growth expectations than other groups.

**Figure 5. Self-employment and entrepreneurship activities by target group**

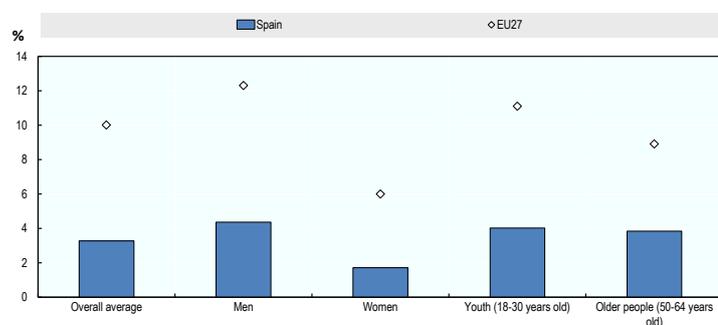
a. Proportion of new entrepreneurs whose products or services are new to all or some customers, 2012-16



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

Legal reforms to promote and foster entrepreneurship are relatively recent in Spain. One of the first significant initiatives was to create one-stop shops for aspiring or nascent entrepreneurs, called *Ventanilla Única Empresarial* (VUE),<sup>2</sup> created in 1999. In 2003, the process of creating limited liability companies (LLC) was simplified by establishing a specific “fast-track” modality: *Sociedad*

<sup>2</sup> “One-stop shop”: created by an agreement between the Ministry for Economic Affairs and the Chambers of Commerce.

*Limitada Nueva Empresa* (SLNE, New Enterprise LLC),<sup>3</sup> and since 2007 it has been possible to create a standard LLC through the online service CIRCE.<sup>4</sup>

Many policies were approved in 2013, including the *Programa de Estabilidad y Plan Nacional de Reformas* (“Stability Programme and National Reforms Plan”). This programme contains measures related to the promotion and support of entrepreneurship, including entrepreneurship education, the promotion of business creation, self-employment support and measures to simplify the start-up procedures and requirements. Within this general framework of structural reforms, new laws and strategies have been subsequently developed, including for example: Youth Entrepreneurship and Employment Strategy 2013/2016 (EEEJ)<sup>5</sup>, Entrepreneurs’ Law (2013)<sup>6</sup>, Law to support entrepreneurs and their internationalisation 2013<sup>7</sup>, Promoting Business Financing (2015)<sup>8</sup> or the Law to update regulations on self-employment (2015).<sup>9</sup>

In particular, the “Entrepreneurs’ Law” includes a set of measures grouped into five categories: (a) Creating entrepreneurial motivations (including entrepreneurship training in the educational system,<sup>10</sup> new legal business forms,<sup>11</sup> and a network of Entrepreneur Assistance Points – *Puntos de Atención al Emprendedor* or PAE;<sup>12</sup> (b) Tax and social security incentives (deductions for investment, tax incentives to business angels or reductions in social security contributions); (c) *Financial support* (more flexible mechanisms for refinancing agreements); (d) Support for the growth and development of entrepreneurial projects (e.g. reducing administrative burden and simplifying accountancy, facilitating SME participation in public contracts); and (e) International mobility: easier establishment of foreign entrepreneurs in Spain.

However, the political situation has been quite complex during 2016, with the need to repeat the general elections and the continuation of an interim government for around a full year. This has led inclusive entrepreneurial policies to a halt. Therefore, very little progress (if any) has been made during 2016-2017 in this area.

Several complementary policy actions have also been launched to provide tailored support to groups that face greater barriers to business creation and self-employment. In the case of women, the Equal Opportunities Strategic Plan 2014-16 (*Plan Estratégico de Igualdad de Oportunidades*) was approved in March 2014, including as one of the objectives “to foster female entrepreneurship,

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<sup>3</sup> Created by Law 7/2003.

<sup>4</sup> *Centro de Información y Red de Creación de Empresas* (Information Centre and Business Creation Network): [www.circe.es](http://www.circe.es). CIRCE belongs to the Direction for Industry and SMEs (Dirección General de Industria y de la Pequeña y Mediana Empresa, DGIPYME). It has allowed the creation of SLNEs online since 2003, standard LLCs since 2007, and the registration of self-employed workers since 2010. The creation of firms using additional legal forms has been made possible by the Royal Decree 44/2015.

<sup>5</sup> Law 4/2013 (Royal Legislative Decree, 22 February 2013). The EEEJ has been renovated for 2017-2020.

<sup>6</sup> Law 11/2013 (26th July 2013) on measures to support the entrepreneur, and to stimulate growth and employment creation

<sup>7</sup> Law 14/2013 (27th September 2013)

<sup>8</sup> Law 5/2015, (27th April 2015) on Promoting Business Financing.

<sup>9</sup> Law 31/2015 (9th September 2015) to update regulations on self-employment and to promote self-employment and the social economy.

<sup>10</sup> Law 8/2013, “The Organic Law for the Improvement of the Quality of Education” (December 2013).

<sup>11</sup> They include the *Emprendedor de Responsabilidad Limitada* (limited liability entrepreneur/self-employed whose home is not liable for business debts), and the *Sociedad Limitada de Formación Sucesiva* (Successive Formation LLC, with no minimum social capital).

<sup>12</sup> They are now connected to CIRCE online system, and manage new-venture registration applications through this online portal.

supporting business creation and self-employment”. The development of this line of action will be implemented through specific measures to support female entrepreneurs in the different phases of their project.

The Youth Guarantee (*Garantía Juvenil*) programme and the Youth Entrepreneurship and Employment Strategy (*Estrategia de Emprendimiento y Empleo Joven, EEEJ*) include the promotion of youth entrepreneurship. The Government published the Youth Guarantee (YG) Implementation Plan following the recommendations of the European Council. This YG National Plan is fully coherent with the promotion of youth entrepreneurship established in the EEEJ (Cabasés et al., 2016). Both of them benefit from European funding, notably the Youth Employment Initiative and the European Social Fund.

To support the unemployed in business creation, the Spanish Employment Activation Strategy 2014-16 (*Estrategia Española de Activación para el Empleo 2014-2016*) was approved in September 2014, following the recommendations of the EU Council for Spain. The Strategy constitutes a multi-year framework for programming and co-ordinating active labour market policies (ALMPs) nationwide. One of its strategic objectives is to promote entrepreneurship.

There is no specific legislation or action plan to promote entrepreneurship among people with disabilities, older people, or immigrants. Only a small number of initiatives have been launched. These actions are frequently disconnected from support available to other groups (e.g. youth, women, the unemployed). However, the General Law for Persons with Disabilities and their Social Inclusion<sup>13</sup> includes a call to public authorities for them to adopt policies to promote self-employment among persons with disabilities.

Most of these policies and plans have been renewed. The National Reform Plan 2017 aims at consolidating economic growth. This plan contemplates the renewal of the Spanish Employment Activation Strategy for 2017-2020, the new Youth Entrepreneurship and Employment Strategy 2017-2020 or the improvement of self-employed workers' conditions through a new Law on Urgent Self-employment Work Reforms. This latter initiative is still being discussed in the parliament during 2017, but there is not yet a date for its expected approval. It aims at simplifying the administrative process by allowing several entries and exits into self-employment during the year, reducing initial social security costs, increasing social protection (e.g. for women re-entering the labour market after maternity) and clarifying the applicability of some tax deductions.

However, the inclusive entrepreneurship institutional support framework has been largely developed on an *ad hoc* basis. The main objectives of most of the noted institutions are not directly related to entrepreneurship, and have only incorporated entrepreneurship as a complementary aim. This is the case, for instance, of INJUVE (the public agency the Young Persons' Institute, *Instituto de la Juventud*) and the Women Institute. Similarly, the publicly supported financial institution *Instituto de Crédito Oficial* (ICO) has several funding programmes, and only one of them (ICO SMEs and Entrepreneurs Facility) is focused on entrepreneurs and SMEs. Furthermore, ENISA (*Empresa Nacional de Innovación*, another publicly supported financial institution) was originally focused more on expansion of existing companies than on new business creation and only since 2012 offers financial assistance for entrepreneurship (one specific programme for the youth).

Monitoring and evaluation of initiatives, though, is still scarce and partial. One of the few examples is the Equal Opportunities Strategic Plan 2014/16. There have been specific projects,

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<sup>13</sup> Royal-Decree 1/2013 (November 29th) approved the consolidated text of this law.

though, for which some results are published. This is the case of the EEA GRANTS<sup>14</sup> project implemented by the Institute for Enterprise Creation and Development (INCYDE)<sup>15</sup> on women entrepreneurship.<sup>16</sup> 656 women took part in the 31 entrepreneurial awareness programmes and 31 formative programmes in 31 different towns. Results indicate that 45% of them have set up their business and other 11% were still starting-up. Similarly, a first evaluation of the Youth Employment Initiative was carried out with data up to end of 2015. However, only 0.8% of all measures were focused on fostering entrepreneurship and the promotion of self-employment (UAFSE, 2016). Additionally, there is recognition that follow-up mechanisms to track participants are not implemented, so it is not possible yet to measure impact (Cabasés et al., 2016). Overall, the strategy to subsidise social security rates does not seem to be the most effective one (Cueto et al., 2017).

In this context, the CIRCE system for online registration of new businesses can be considered satisfactory. The proportion of total new firms registered with the online procedure is growing quickly and has stabilised around 8% of new start-ups (both limited companies and self-employed workers) in 2016. Additionally, from the last quarter of 2016, CIRCE also allows to register the discontinuation of activities online.

### 3.2. Government regulations

Changes to regulatory measures to encourage or facilitate business creation and self-employment have been a recent development. One of the first actions was to implement an unemployment insurance scheme for self-employed workers, which was launched in 2010.<sup>17</sup> It provides a limited amount of coverage for when business activities are abandoned. However, implementation has been slow.

Inequality also exists with respect to pension schemes. Pensions are granted based on social security contributions during working life and self-employed workers are able to freely choose their contribution level, provided it is above the minimum legal level. The vast majority (82%) pay this minimum legal level, leading to a substantially lower retirement pension. Overall, the pensions of self-employed retirees are 41% lower to that of employee retirees.<sup>18</sup> This situation is more evident in the case of people with disabilities because early retirement (at 52 years old) from employment is possible depending on the number of years worked, but this option is not available for the self-employed.

In addition to these changes that apply to all self-employed people, a number of targeted actions have been launched to support specific target groups. One of the first efforts was to reduce the level of social security contributions for young entrepreneurs, including a gender equality component (eligible entrepreneurs were males under 30 years old or females under 35 years old). In 2015, these incentives have been extended to any new entrepreneur, who benefit from reduced contributions for 18 months.<sup>19</sup> Planned reforms in 2017 are expected to further reduce these social security contributions. Immigrants

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<sup>14</sup> <http://eeagrants.org/Who-we-are/EEA-Grants>.

<sup>15</sup> INCYDE Foundation (Instituto para la Creación y Desarrollo de la Empresa, Institute for Enterprise Creation and Development) is an Initiative of the Spanish Chambers of Commerce.

<sup>16</sup> “Emprendimiento de mujeres en sectores económicos emergentes y nuevas oportunidades de mercado” (women entrepreneurship in emerging economic sectors and new market opportunities). <http://www.incyde.org/proyecto/proyecto-emprendimiento-femenino-en-sectores-economicos-emergentes-y-nuevas-oportunidades-de-mercado-2015>.

<sup>17</sup> Approved by Law 32/2010 (August 5th) establishing a specific protection system for the discontinuation of activities of self-employed workers.

<sup>18</sup> [http://cincodias.com/cincodias/2017/01/09/autonomos/1483975875\\_024177.html](http://cincodias.com/cincodias/2017/01/09/autonomos/1483975875_024177.html)

<sup>19</sup> Approved by Law 31/2015, which modifies the Self-employed Worker Statute (Estatuto del Trabajador Autónomo, approved by Law 20/2007).

may benefit from the new residence visa for entrepreneurial activity created in 2013,<sup>20</sup> by presenting a “general interest” business or entrepreneurial project to be carried out in Spain.

A 2015 reform created a welfare bridge scheme for the unemployed that allows them to continue receiving unemployment benefits for 270 days after creating a business (subject to some restrictions).<sup>21</sup> It is also possible to interrupt the benefits and later resume them if the business activity is ceased (up to a limit of five years after initially starting of the self-employment activity).

There have also been some recent efforts to simplify the business start-up and registration procedures. There are, however, no specific measures to streamline procedures further for specific groups or to provide them with support in complying with regulatory obligations. The World Bank “Doing Business” Ranking places Spain 85<sup>th</sup> out of 190 countries in the starting a business category (World Bank, 2017). For instance, seven procedures are needed to start a business in Spain, while the average across all countries is 4.8. Therefore, there is still room for improvement and simplification of the start-up procedures and associated costs. In the last year, electronic filing systems have been introduced for social security contributions (e.g. making paying taxes easier) and for court users (e.g. facilitating enforcement of contracts).

### 3.3. Financing entrepreneurship

Financing a new venture is frequently cited as one of the greatest challenges faced by new entrepreneurs in Spain (Kelley et al., 2016), and there was barrier was even greater during the financial crisis. As a response, some public institutions offer direct provision of funds (subsidies or loans) for business creation applying favourable conditions. These are generic to any entrepreneur. For example, the Ministry for Employment and Social Security offers grants to new entrepreneurs,<sup>22</sup> while ICO offers a credit line for all entrepreneurs and SMEs, and ENISA offers participative loans and a specific line of credit for young entrepreneurs under the age of 40.

For the unemployed, the most important support measure is the possibility to “capitalise” unemployment benefits to invest in the new venture.<sup>23</sup> That is, the full pending amount of unemployment benefits can be received in a lump sum for the purpose of starting a business.

Fewer grants are available to other groups. There are no additional subsidies specific for women at the national level, although there are some regional and local subsidies. In addition, there is a grant for young artists offered by INJUVE. Finally, *FSC Inserta* (part of the ONCE Foundation, supported by the European Social Fund) offers grants for business creation by people with disabilities.

The private sector also supports access to start-up financing for under-represented and disadvantaged groups in a limited way (for example, MicroBank – a subsidiary of *CaixaBank*, *Banco Popular*, *Laboral Kutxa* and *Caixa Pollença*) offers microcredit programmes for business projects. The development of the microcredit sector has been slow due to a lack of a specific regulation for microcredits,<sup>24</sup> but sub-national governments are beginning to launch schemes (some of them are to be co-financed by the European Social Fund). The European Commission’s EaSI programmes also offers microcredit to entrepreneurs and micro-enterprises with fewer than 10 employees including Laboral Kutxa/ Caja Laboral Popular, which offers loans of up to EUR 25 000 to small entrepreneurs, and

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<sup>20</sup> Approved by Law 14/2013 to Support Entrepreneurs and their Internationalization.

<sup>21</sup> Law 31/2015.

<sup>22</sup> Initially regulated by Order TAS/1622/2007, modified by Law 18/2014.

<sup>23</sup> These measures have been updated by Law 31/2015

<sup>24</sup> The regulation applicable is that of consumer credit: Law 16/2011 (June 24th) on consumer credit contracts.

Colonya, Caixa de Pollença, which offers loans of up to EUR 25 000 and guarantees of up to EUR 50 000.

At the same time, there are 20 Reciprocal Loan Guarantee Societies (SGR, *Sociedades de Garantía Recíproca*),<sup>25</sup> operating at the regional level. The government has also been promoting networks of business angels since 2010 with an annual call.<sup>26</sup> The aim is increasing and facilitating access of SMEs to this source of funding without any focus on specific social target groups. Moreover, crowdfunding has been regulated<sup>27</sup> as a new form of access to credit configured as participative investments. No special support for crowdfunding is established, and no platform is yet especially dedicated to under-represented or disadvantaged groups.

To complement the provision of finance, there is a need for a greater financial literacy among entrepreneurs. Following the guidelines and principles of the European Commission and OECD, the Spanish National Stock Exchange Commission (CNMV) and *Banco de España* have renovated the Financial Literacy Plan for the period 2013-17. It aims at improving financial education by providing the tools, skills and knowledge to adopt informed and appropriate financial decisions.<sup>28</sup>

Overall, public policy actions to facilitate access to finance for entrepreneurs tend to favour mainstream approaches; limited tailoring for under-represented or disadvantage groups is made. While implementing tailored programmes is costly, there is scope to increase the extent to which these mainstream offers are targeted to different groups. There is also a need to build stronger linkages between financial supports and entrepreneurship training, or coaching and mentoring support to increase the chances of success of entrepreneurs who receive financing. There is also a need to address some gaps in the range of financial instruments used to support entrepreneurs from under-represented and disadvantaged groups. The most significant gap is an almost non-existent microcredit sector. There is also little support for self-financing groups despite their prevalence in large cities.

### 3.4. Entrepreneurship skills

The promotion of entrepreneurship has been increasingly accompanied with training measures. A recent legal reform to reinforce the development of entrepreneurial skills in the education system has been approved,<sup>29</sup> following the European Strategic Framework for Education and Training (ET2020).<sup>30</sup> This reform tries to improve competences and skills (ability to recognise available opportunities, analysis, planning, decision making, etc.) and the development of attitudes and values (creative predisposition, self-knowledge and self-esteem, independence, etc.) for entrepreneurship. Despite these ambitious objectives, though, the implementation of these changes in the curriculum are still in the early stages. In February 2017, a parliamentary commission was set to study a reform in the Law of Education. Among the lines of reform, a strengthening of entrepreneurial competences is expected.

In addition, the Directorate General for SME Policy (DGPYME) of the Ministry of Industry, Tourism and Trade is working with EOI Business School (a public postgraduate business school) to

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<sup>25</sup> See <http://www.cesgar.es/sgr-3/>

<sup>26</sup> Offered by the Ministry for Industry, Energy and Tourism:  
<http://www.minetur.gob.es/portalayudas/business/Paginas/Index.aspx>

<sup>27</sup> Law 5/2015 (April 27th) on the Promotion of Entrepreneurial Finance.

<sup>28</sup> Plan de Educación Financiera (Financial Literacy Plan) 2013-2017.  
<http://www.cnmv.es/portal/Publicaciones/PlanEducCNMV.aspx>

<sup>29</sup> Law 8/2013 (December 9th) for the improvement of the quality of education (LOMCE).

<sup>30</sup> Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training (ET 2020).

strengthen the provision of entrepreneurship training for post-graduate university students, as well as additional training resources open to any entrepreneur.

For entrepreneurs and potential entrepreneurs who are not in the formal education system, the Entrepreneurs Assistance Points (PAEs) offer training and basic consultancy services for entrepreneurs. The Public Employment Service (SEPE) also offers a wide training and coaching service for the unemployed, including support for potential entrepreneurs. INCYDE also offers training to young entrepreneurs but more focused on business consolidation. In the case of women, *Instituto de la Mujer* and the Business Support Programme for Women (*Programa de Apoyo Empresarial a las Mujeres*, PAEM), offer information, support and coaching, but there are few women-specific entrepreneurship training initiatives.

The private sector is also undertaking some complementary actions. For example, *Lanzaderas de Empleo y Emprendimiento*,<sup>31</sup> provides training and coaching to unemployed people for employment and entrepreneurship. Similarly, the association of Young Entrepreneurs (CEAJE) implements *AJEimpulsa*<sup>32</sup>, which includes training on business plan and related topics for young entrepreneurs.

There has also recently been a substantial increase in the availability of business incubators for all entrepreneurs. While none are dedicated to entrepreneurs from under-represented or disadvantaged groups, they are used heavily by young entrepreneurs. This is unsurprising given that many of the new incubators are managed by universities. In addition, there are several recent private initiatives that support young entrepreneurs with innovative projects, including YUZZ (*Banco Santander*), Open Future (*Telefonica*) or INNprende (*Fundacion Cruzcampo*).

There are no national public programmes that aim to build entrepreneurship skills for older people, immigrants, and persons with disabilities. There are some local initiatives, such as EGESocial.<sup>33</sup> Some non-governmental organisations offer short training courses for immigrants in collaboration with the EEEJ initiative: e.g., *Acción contra el Hambre*,<sup>34</sup> *Movimiento por la Paz*.<sup>35</sup> On the other hand, for entrepreneurs with a disability, the *Programa Emprendedores*<sup>36</sup> is one example of available tailored support.

There is room to develop more support for older people, immigrants and persons with disabilities to raise awareness about entrepreneurship and develop entrepreneurship skills. This need is likely to become more pressing due to several demographic trends, including population aging, the integration of migrants and an increasing participation of people with disabilities in the labour market. The most effective approach would be to offer an integrated support package, including training and more intensive personal support (i.e. coaching). More generally, training programmes should have stronger links with other business development services and financing. There is therefore a need to further integrate training into other schemes (in particular, financing, subsidies or unemployment benefits). These other types of support could be offered conditionally on participation in a basic entrepreneurship training course.

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<sup>31</sup> “Launching Pads for Employment and Entrepreneurship”. This initiative is highlighted as a good practice by OECD/EU (2016), *Inclusive Business Creation: Good Practice Compendium*, OECD Publishing, Paris.

<http://dx.doi.org/10.1787/9789264251496-en>

<sup>32</sup> [www.ajeimpulsa.es](http://www.ajeimpulsa.es)

<sup>33</sup> Private association linked to San Antonio Catholic University. <http://www.escuelaegesocial.es/>

<sup>34</sup> [www.luisvivesces.org](http://www.luisvivesces.org)

<sup>35</sup> <http://wapa.mpdl.org/>

<sup>36</sup> Developed by FSC Inserta in collaboration with Konecta Foundation.  
<https://www.portalento.es/Candidatos/Emprendedores/Default.aspx>

### 3.5. Entrepreneurial culture and social capital

In recent years, a significant cultural change is taking place towards entrepreneurship. First, large-scale programmes have been launched to promote entrepreneurship: YG, EEEJ or *Activación para el Empleo*, but also more specific initiatives such as PAEM or INJUVE actions. Second, the amount of resources devoted to entrepreneurship has increased substantially, both in terms of funds (e.g. loans, subsidies, microcredit) and facilities (e.g. incubators). Third, in the education system, the Law on the Improvement of the Quality of Education has set the pace for a much larger presence and importance of entrepreneurship-related contents in primary and secondary schools and most universities are organising a Business Proposal Contest and offering specific entrepreneurship education. Finally, increased media attention and actions to give visibility to entrepreneurs are also evident (e.g. several TV or radio stations are including specific entrepreneurship-related content and private firms such as *La Caixa* and the magazine *Emprendedores* (Entrepreneurs), which give annual entrepreneurship awards).

However, all these actions are addressed mainly to the general public, with very little specifically for the under-represented and disadvantaged groups (except partly for youth, and to a lesser extent for women). In the case of youth, national entrepreneur competitions are taking place and receive larger attention. This includes the annual National Young Entrepreneur Award (granted by the Confederation of Young Employers) or Young Entrepreneurs National Contest (INJUVE). Further, as already noted, there are several university-level programmes or private initiatives (e.g. YUZZ, Open future, Educaixa,<sup>37</sup> Red INNprende<sup>38</sup>) that aim to promote youth entrepreneurship. More recently, the South Summit<sup>39</sup> has become the leading entrepreneurship event in Spain. It is a three-day event including a start-up competition, guest speakers, investors, etc.

There are also some public initiatives for women, such as *Instituto de la Mujer* (Women Institute), which has elaborated didactic materials on *Emprender y Educar en igualdad* (starting-up and educating in equality) developed for its use in high school and vocational education and training (VET). There are no public initiatives to promote entrepreneurship to older people, the unemployed, immigrants or persons with disabilities. In the private sector, however, *FSC Inserta's Programa Emprendedores* promotes the entrepreneurship culture, by giving support and visibility to disabled entrepreneurs. Within the *Emprendedores* magazine awards, a special prize to entrepreneurs with disabilities is awarded with the support of *FSC Inserta*.

Regarding social capital and the promotion of networks of entrepreneurs, there are two main professional associations of self-employed workers in Spain,<sup>40</sup> which both offer services to their members, but limited networking and interaction activities. On the public side, few actions exist, aside from ENISA Be to Biz<sup>41</sup> (a collaborative platform to facilitate the connexion between the members of the ENISA community) and *Red Emprende verde* (Green Start-Up network supported by the Ministry for Agriculture, Food and Environment to act as meeting point for these entrepreneurs and to offer a set of free services for them). Both are for all entrepreneurs.

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<sup>37</sup> <https://www.educaixa.com/es/-/kitcaixa-jovenes-emprendedores>

<sup>38</sup> <https://fundacioncruzcampo.com/redinnprende/>

<sup>39</sup> <https://www.southsummit.co/>

<sup>40</sup> The National Federation of Self-employed Workers -ATA ([www.ata.es](http://www.ata.es)), and the Union of Professionals and Self-employed Workers – UPTA ([www.upta.es](http://www.upta.es)).

<sup>41</sup> <http://www.betobiz.enisa.es/>

These mainstream initiatives are complemented by a small number of networks for youth and women entrepreneurs. For example, PAEM includes a network of women-led businesses.<sup>42</sup> Aside from these, a few private sector initiatives exist, such as the Confederation of Young Employers and Spanish Association of Women Entrepreneurs (*Asociación Española de Mujeres Empresarias*). The National Federation of Self-employed Workers has a special section for immigrant members, but mainly to disseminate information rather than facilitate interaction. Finally, only the Spanish Association of Entrepreneurs with Disabilities<sup>43</sup> aims at supporting entrepreneurs with a disability to develop their activities.

To further build an entrepreneurship culture, there is a need to strengthen the presence of entrepreneurship in the education system (Barba-Sánchez and Atienza-Sahuquillo, 2016). This process has started, but more training and support (e.g. learning materials, good practice exchange platforms) for educators is needed. Substantial resources should be devoted to this, together with recognition and promotion of active participation of educators in the teachers' training. The promotion of networks of entrepreneurs is another important gap in which more should be done. Supporting entrepreneurs from under-represented and disadvantaged groups in building networks is an important form of support as it allows members to access resources and ideas that they would not otherwise have. It is, however, important to ensure that these networks do not reinforce the separation between these groups and the mainstream.

#### 4. POLICY RECOMMENDATIONS

Inclusive entrepreneurship policies in Spain have undergone a remarkable development in the last few years. This has been part of the implementation of an ambitious policy to facilitate and promote entrepreneurship in general. While much has been achieved, there is a need to continue with policy development in this area. In particular, the specific political situation has implied an *impasse* in measures and initiatives during most of 2016. At the same time, the substantial rise in unemployment because of the recent crisis increased the need for policy responses to specific disadvantaged groups, notably youth, older people, people with disabilities and migrants. Therefore, the following actions are still recommended:

1. *Develop integrated entrepreneurship support programmes for older people, immigrants and persons with disabilities.* While a considerable set of measures is addressed to youth, women and the unemployed (though not always forming a coherent programme), there is a notable lack of public initiatives that address the challenges faced by older people, immigrants and people with disabilities. In the design of such initiatives, alternative forms of provision may be considered. In some cases, specific programmes and facilities could be implemented when their potential target group is large enough. However, if the scale of potential beneficiaries is small (e.g. people with disabilities), or a risk of “stigma” effect is present, positive discrimination or preferential access for disadvantaged groups into general programmes could be considered.

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<sup>42</sup> <http://empresarias.camara.es/tu-espacio/empresas-paem/>

<sup>43</sup> <http://www.emprendedorescondiscapacidad.com/>

2. *Increase the number of microfinance institutions targeting under-represented and disadvantaged groups, especially youth and women entrepreneurs.* The development of the microcredit sector is hampered by restrictive banking regulations that prevent non-bank institutions from granting and collecting loans. Recent regulatory changes have led to the creation of a small number of microfinance programmes and there is a need to scale-up these initiatives. Although support from the European Union is being used, these recently launched initiatives are quite small-scale operations. Therefore both the national and regional governments should support microfinance institutions in accessing EU support through The Employment and Social Innovation (EaSI) programme.
3. *Increase support for teachers to enhance the implementation of entrepreneurship education within the formal education system.* There is a need to provide more intensive training for teachers of entrepreneurship so that they are equipped to deliver entrepreneurship education. This should include both training as part of professional development, as well as training in initial teacher training. This could be complemented with the creation of a national observatory of entrepreneurship teaching practices and good practice exchange networks in entrepreneurship education for schools.
4. *Expand financial literacy training in formal education to include skills and concepts related to business start-up and self-employment.* The recent impetus towards financial literacy education in secondary schools is encouraging. However, these modules focus on personal and household financial management and there is a need to broaden the content to include business and start-up financing.
5. *Further streamline regulations and procedures related to business start-up.* Despite important changes already implemented, the World Bank Ease of Doing Business ranks Spain very low in the “starting a business” sub-index (85 out of 190). This suggests a comparatively unfriendly environment for new business creation. Simpler and easier regulation would benefit all entrepreneurs, especially those from under-represented and disadvantaged groups, and will contribute to generating a more favourable entrepreneurial culture.

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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 five 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?