

## Chapter 1

# Inclusive entrepreneurship policy in the European Union

*Among the greatest social and economic challenges currently faced by European Union governments are the persistent high level of unemployment and the rising proportion of the population at risk of poverty and social exclusion. This chapter discusses the role of inclusive entrepreneurship policies in addressing these challenges. It also provides a roadmap for the rest of the book.*

### Note by Turkey:

The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

### Note by all the European Union Member States of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

## What is inclusive entrepreneurship policy?

Entrepreneurship policies are referred to as inclusive when they aim to help people who belong to a social group that is disadvantaged or under-represented in entrepreneurship, or the labour market, to set up a business or become self-employed. Such groups include women, youth, older people, ethnic minorities and immigrants, people with disabilities and the unemployed. These policies provide support for all models of entrepreneurship, including the creation and operation of incorporated and unincorporated businesses, for-profit and non-profit activities (including social entrepreneurship) and full-time and part-time activities. These entrepreneurship activities can be operated by individuals or teams and may or may not intend to grow and hire other people. Regardless of the scale and scope of these activities, they all involve people in risk and uncertainty relative to paid employment.

The objective of inclusive entrepreneurship policies is to ensure that all people have an opportunity to start up and operate in business or self-employment, regardless of their personal characteristics and background. Policy makers can support this objective by addressing market, institutional and behavioural failures that fall heavily on disadvantaged and under-represented groups. For example, they may seek to improve access to finance, conditions of high risk and lack of collateral; address barriers in the process of acquiring entrepreneurial skills and networks from employment, inactivity or unemployment; build a culture that is supportive of entrepreneurship in non-mainstream groups; increase awareness about the opportunities, benefits and practices of entrepreneurship; and increase motivations to pursue these activities.

The expected outcomes are twofold. First, these policies aim to stimulate and support the creation of sustainable businesses by members of the target group populations. This will increase labour market participation and attachment, which is clearly beneficial for individuals as they have an opportunity to earn income to improve their standard of living. Furthermore, entrepreneurship offers an opportunity for individuals to be more active members of society, increasing their self-confidence and building and strengthening their local community. There can also be economic benefits when individuals are moved into a position where they contribute to income and job creation.

Second, an important outcome of inclusive entrepreneurship policies is to improve the employability of individuals in the target populations. Not everybody who receives entrepreneurship training or support should be expected to go on to start a business. However, an individual who participates in entrepreneurship training programmes, has a coach or mentor, or receives assistance in developing a business plan acquires skills and experience that make them more employable. This is a positive outcome even though they do not start a sustainable business.

## Why is inclusive entrepreneurship policy important?

Since the onset of the economic crisis, unemployment increased for all target groups of inclusive entrepreneurship policies (Figure 1.1). While the level of unemployment is severe for all groups with an average of some 10% overall, it is particularly dramatic for youth, among whom approximately one-quarter were unemployed in the European Union in 2013.

Figure 1.1. Unemployment rates in the European Union



Source: Eurostat (2014), Labour Force Survey 2003-13.

StatLink  <http://dx.doi.org/10.1787/888933286653>

However, the unemployment rate only gives one part of the picture. It is also important to consider activity rates because those who drop out of the labour force are excluded from unemployment counts and rates. Figure 1.2 presents the activity rates for the largest target groups of inclusive entrepreneurship. Between 2008 and 2013, the overall activity rate for working age adults remained slightly above 70%. However, activity rates were significantly lower for some social groups. The activity rate was only 66% for women and 64% for older people in 2013, although both rates had improved somewhat from 2008. For youth, the activity rate was only 42% in 2013, a decline from 44% in 2008.

Figure 1.2. Labour Market activity rates in the European Union

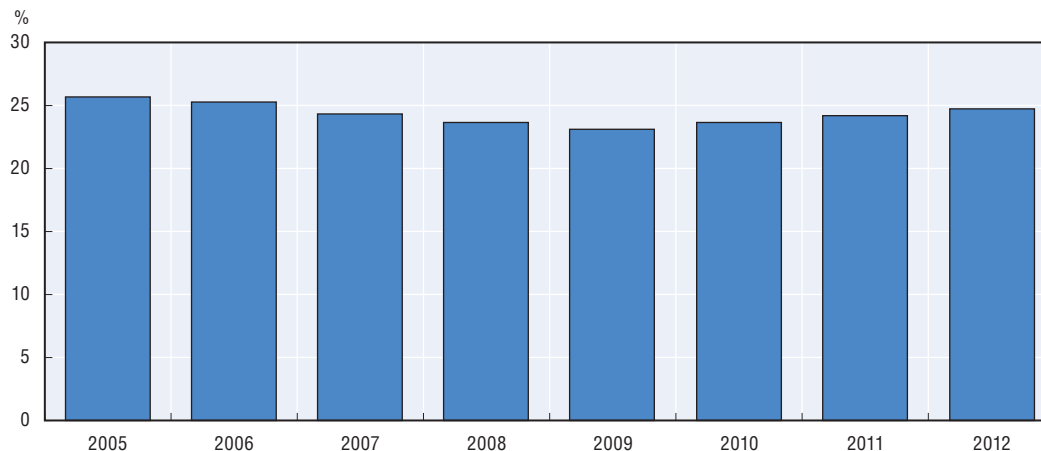


Source: Eurostat (2014), Labour Force Survey 2003-13.

StatLink  <http://dx.doi.org/10.1787/888933286661>

Furthermore, poverty and social exclusion have been long-standing challenges in the European Union. In 2012, nearly one-quarter of the European Union population was at-risk of poverty or social exclusion. While this proportion declined prior to the crisis, the onset of the recession reversed the trend and took the problem back to its previous heights (Figure 1.3). The development of the Europe 2020 strategy renewed the commitment of Member States to address this challenge by reducing the number of people that are at-risk of poverty by 20 million people by 2020 (see [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)).

Figure 1.3. **Proportion of the EU28 population at risk of poverty or social exclusion**



Note: 1. Prior to 2010, the data reported in Figure 1.3 exclude Croatia. The impact of including Croatia in the years 2010 to 2012 does not impact the data reported.

Source: Eurostat, (2014b) Statistics on Income, Social Inclusion, and Living Conditions, 2014.

StatLink  <http://dx.doi.org/10.1787/888933286671>

An effective way of addressing poverty and social exclusion is through active labour market policies. These measures include training, job sharing, employment subsidies and business start-up programmes for the unemployed, inactive and people at-risk of involuntary job loss. In 2011, European Union Member States spent approximately EUR 205 billion on active labour market policy interventions, which represents 1.9% of the combined GDP of Member States (Figure 1.4).

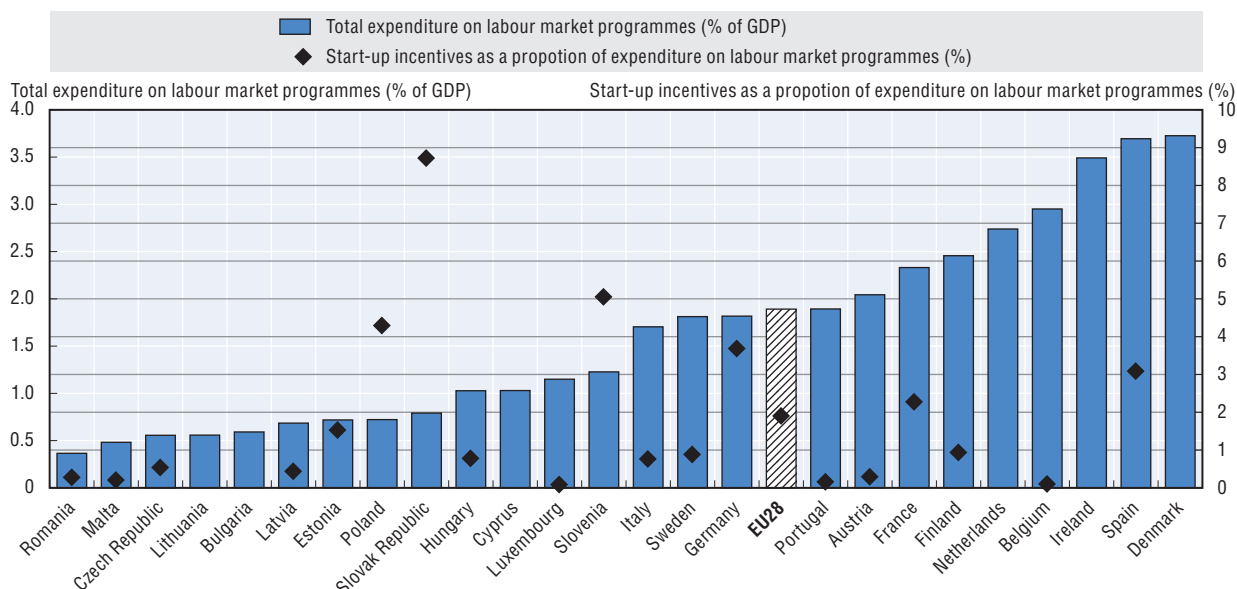
However, of all these expenditures, only a small proportion is spent on business start-up incentives – approximately 2% at the European Union level. This proportion varies across Member States. In the Slovak Republic, start-up incentives accounted for 9% of all active labour market programme expenditures in 2012. The attention paid to self-employment and business creation support in active labour market policies appears to be too low, given the interest by many unemployed or inactive people in business start-up, the barriers that they tend to face without some public support, the levels of alternative job opportunities and the benefits for employability and labour market attachment in the longer term.

It should be recognised that of the unemployed that move back into labour force, approximately 10% work as self-employed (Figure 1.5) and further, there are benefits for those who do not go on start a business or who are not successful, including increased skill levels and improved employability. At first sight, the 2% of active labour market policy expenditures going to the self-employment and business creation route is not adequate to match the 10% of the unemployed who actually go on to start up. The cause of the gap

appears to lie more in a lack of awareness and tradition in this area in government than in a lack of appropriateness of the instruments.

Business start-up and self-employment are not a panacea of course. Many unemployed and inactive people are not suited or motivated for this avenue of support. Furthermore, interventions must be well designed to be effective and efficient. This volume provides both points on how to achieve this and evidence that it can be done effectively.

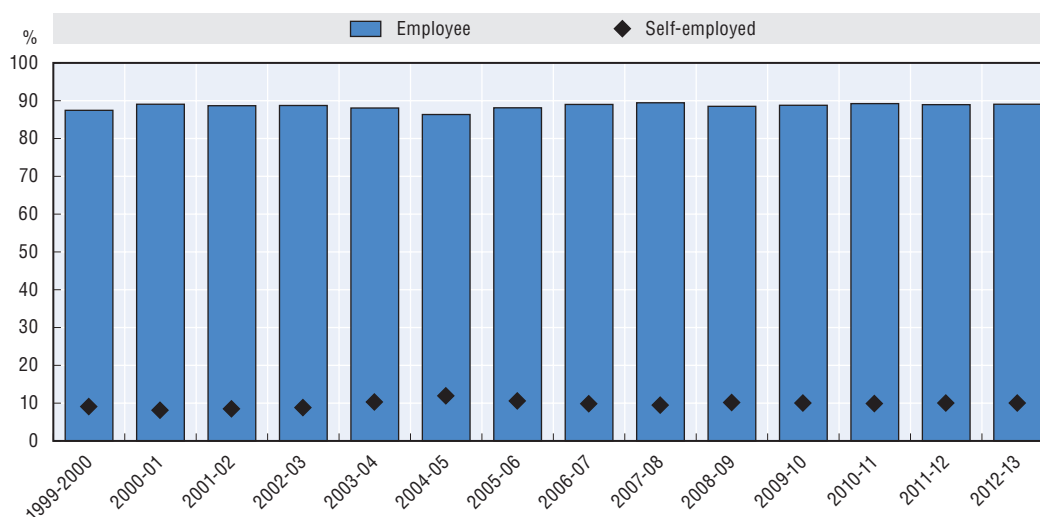
Figure 1.4. **Expenditure on labour market programmes and start-up incentives, 2011**  
As a percent of GDP



Source: Eurostat (2014c), LMP expenditure by type of action, 2014.

StatLink  <http://dx.doi.org/10.1787/888933286686>

Figure 1.5. **Labour market activity following unemployment in the EU28**  
Proportion self-employed among unemployed people returning to work the following year



Source: Eurostat (2014), special tabulations of the Labour Force Survey, 2000-13

StatLink  <http://dx.doi.org/10.1787/888933286697>

## A roadmap for reading this publication

This book examines how policy can support inclusive entrepreneurship. Part I presents data on the level and quality of self-employment and business creation in the European Union by key groups that are disadvantaged or under-represented in entrepreneurship, namely women, youth, seniors, the unemployed and immigrants.

The first chapter in Part I, **Chapter 2, presents data on self-employment and other business creation activities in the European Union by women**, including the rates and numbers of women that are self-employed and the sectors of the economy that they work in. The chapter also presents data from the Global Entrepreneurship Monitor on the entrepreneurship activities of women at different stages of the entrepreneurship life cycle. Further survey data are used to inform on the barriers women face in starting a businesses and key characteristics of their businesses. Similarly, **Chapters 3 and 4 present data on self-employment and entrepreneurship activities by youth and seniors**. These data include self-employment rates, the proportion of the self-employed with employees and income earned in self-employment by each group. Data are also presented to illustrate the entrepreneurship activities by youth and seniors at different stages of the entrepreneurship life cycle. **Chapter 5 presents data on business creation and self-employment by the unemployed**, including the proportion of unemployed people that sought self-employment and the proportion that actually moved into self-employment. **Chapter 6 presents data on self-employment among the foreign-born**, including self-employment rates.

After setting out entrepreneurship activity rates by the main target groups of inclusive entrepreneurship policies, Part II of this book examines two specific policy issues. **Chapter 7 examines how inclusive entrepreneurship policies can support the growth of businesses started by women, youth, seniors and immigrants**. It discusses the barriers faced in growing firms and actions that policy makers can take to support business growth for these individuals. **Chapter 8 takes an in-depth look at coaching and mentoring**, which are commonly used by public support schemes to assist entrepreneurs in developing their businesses as well as themselves, including for entrepreneurs from under-represented and disadvantaged groups. This chapter discusses differences between coaching and mentoring, the benefits of each and effective approaches to designing and delivering coaching and mentoring in the European Union. The discussion includes examples from around the European Union.

Finally, Part III of the book showcases inclusive entrepreneurship actions from each of the 28 European Union Member States. **It presents an inspiring policy practice that supports inclusive entrepreneurship for each European Union country, as well as key self-employment and entrepreneurship data** related to under-represented and disadvantaged groups within the country.

## References

- Eurostat (2014), Employment and unemployment (LFS), <http://ec.europa.eu/eurostat/web/lfs/data>.
- Eurostat (2014b), Statistics on Income, Social Inclusion, and Living Conditions (SILC), <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data>.
- Eurostat (2014c), Labour market policies: expenditure by type of action, <http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy/database>.



**From:**  
**The Missing Entrepreneurs 2015**  
Policies for Self-employment and Entrepreneurship

**Access the complete publication at:**  
<https://doi.org/10.1787/9789264226418-en>

**Please cite this chapter as:**

OECD/European Union (2015), “Inclusive entrepreneurship policy in the European Union”, in *The Missing Entrepreneurs 2015: Policies for Self-employment and Entrepreneurship*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264226418-4-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).