

Chapter 1

Inclusive entrepreneurship policy in the European Union^{1, 2}

Social inclusion is a longstanding policy priority for EU member states and the urgency for action has increased since the economic crisis as unemployment and labour market exclusion have increased. Entrepreneurship has the potential to be a part of the solution. Inclusive entrepreneurship policies aim to ensure that all members of society have an equal opportunity to start-up and operate in business and self-employment or to use the experience of engagement with entrepreneurship to increase their skills and employability. These policies aim to support those who face particular challenges in setting-up sustainable businesses – including women, youth, seniors, ethnic minorities, and people with disabilities – but at the same time have under-recognised potential for entrepreneurship.

1. 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”.

2. 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.

Entrepreneurship for all

Entrepreneurship promotes economic growth through innovation and job creation (see the Reader's guide for the OECD-Eurostat definition of entrepreneurship), but its potential for inclusion will not be realised unless people from disadvantaged social groups are given the same opportunities as others to start and operate successful businesses. Much research suggests that the majority of entrepreneurs in the EU are male, wealthy, well-educated, white, and native-born, which is far from the ideal of inclusiveness. A range of figures illustrate the dearth in numbers of entrepreneurs from outside the mainstream. For example, there were only 9 million self-employed women compared with 21 million self-employed men in the European Union in 2012. In EU countries, rates of new business entries by women are also typically lower than men.

At the same time, there is also an entrepreneurship quality gap affecting disadvantaged social groups; indicators of business turnover, income from self-employment and business survival rates are all significantly lower for women, youth and immigrants compared with the rest of the population (European Commission, 2005). Moreover, only 24% of self-employed women, and 11% of self-employed youth (15-24 years old) had employees in 2012 in the EU, compared with 34% of self-employed men and 29% of self-employed adults.

Inclusive entrepreneurship policies aim to ensure that all people, regardless of their personal characteristics and background, have an equal opportunity to start and run their own businesses. Policy makers at national, regional and local levels can support this objective with programmes that increase peoples' awareness of and motivation for entrepreneurship as a career choice across all population groups and that address problems in the operation of markets and institutions that affect certain population groups to a greater extent than others.

These policies aim to support business creation and self-employment for those who come from social groups that are under-represented in entrepreneurship or disadvantaged in the labour market. This includes women, for example, who are less likely to be involved in business ownership and self-employment than men. It also address those who face a higher risk of social exclusion and who may benefit from business creation, such as ethnic minorities and migrants, people with disabilities, the young unemployed and people living in areas that face economic distress.

While business start-up, or more correctly sustainable business start-up, is clearly one objective of inclusive entrepreneurship policies, business creation is not appropriate for everyone. These policies also boost skills, self-confidence, motivations and networks, which improves the chances of obtaining a job in paid employment. Inclusive entrepreneurship policies can also support social entrepreneurship, which can further support the integration of people from disadvantaged groups into the labour market and society.

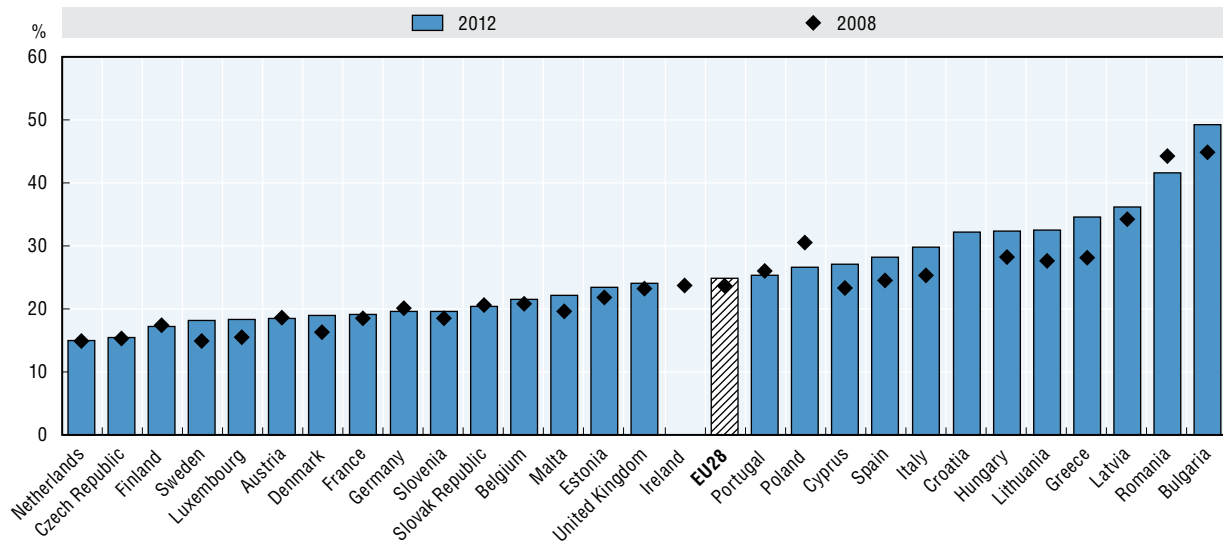
Addressing social exclusion

Social inclusion is a longstanding objective in the European Union but the recent economic crisis has increased the urgency of addressing this issue as the proportion of the population that is at risk of social exclusion has increased in many EU member states (Figure 1.1). In 2012, 25% of the EU population was at risk of poverty or social exclusion, representing 124.5 million people.

The countries with the lowest proportion of the population at risk are the Netherlands (15.0%), the Czech Republic (15.4%) and Finland (17.2%). The proportion in these countries has changed little since 2008. However, nearly all countries with a high proportion of their population at risk have had an increase in the proportion at risk since 2008. For example, nearly one-half of the population of Bulgaria was at risk of poverty or social exclusion in 2012 and this has increased 4.5 percentage points since 2008. Other countries with a high proportion of the population at risk for poverty and social exclusion include Romania, Latvia and Greece, where more than one-third of the population was at risk of poverty or social exclusion in 2012.

Figure 1.1. **Proportion of the population at risk of poverty or social exclusion, 2008 vs. 2012**

Percentage of 15-64 year olds



Notes: 1. Data for Ireland are not available for 2012. 2. The EU28 figure for 2008 excludes Croatia.

Source: Eurostat, Statistics on Income, Social Inclusion, and Living Conditions, 2013.

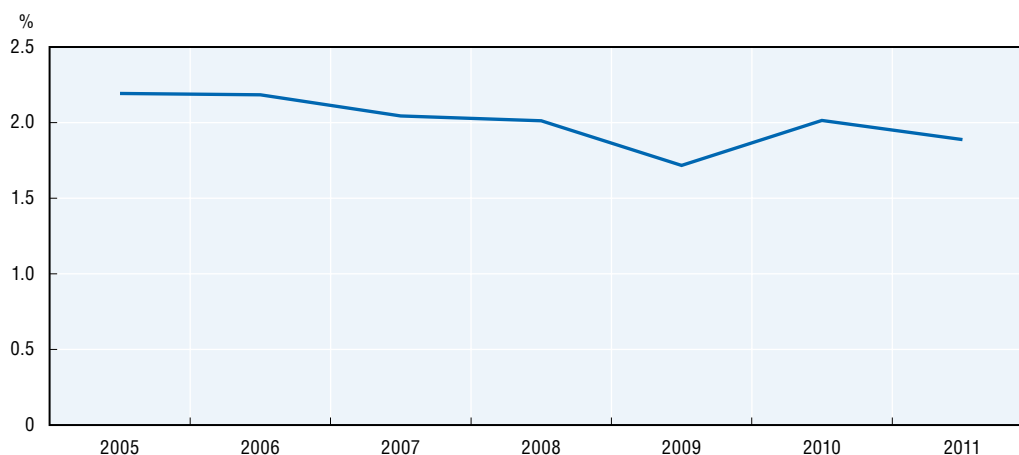
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In response to this growing challenge, EU member states have renewed their commitment to addressing this challenge through the Europe 2020 Strategy (http://ec.europa.eu/europe2020/index_en.htm), which aims to reduce the number of people that are at risk of poverty by 20 million people by 2020. But there is room to fight social exclusion through inclusive entrepreneurship actions.


One of the most effective ways of fighting social exclusion is through active labour market policy (ALMP) and job creation measures aimed at supporting the integration and re-integration of people into the labour market. As unemployment increased and labour

market participation declined, expenditure on ALMP measures in the EU increased 22% between 2007 and 2011. These measures include entrepreneurship support schemes such as training and business start-up incentives. ALMP expenditure on measures that were designed to support and provide incentives for business creation increased 12% between 2007 and 2011, less than the overall increase in ALMP expenditures, resulting in a relative decline in the use of business start-up measures in ALMP measures in the EU (Figure 1.2). Use of start-up measures within ALMP measures by member states varies widely. In 2011, ALMP expenditure on business start-up incentives accounted for virtually zero in many member states, including Cyprus, Bulgaria, Luxembourg, Belgium, Malta, Portugal, Romania, Austria, Latvia, and the Czech Republic (Figure 1.3). While the impact of these measures on labour market attachment is not well-known because they are generally not well-evaluated, there is evidence of schemes having an impact. For example, many welfare bridge programmes have successfully helped unemployed people to start a business by continuing to provide basic income support during the early stages of business development. Welfare bridges are discussed in more detail in Chapter 6, which discusses support for entrepreneurs starting businesses from unemployment, and in Chapter 9, which examines the role of social security systems in influencing business creation and self-employment.

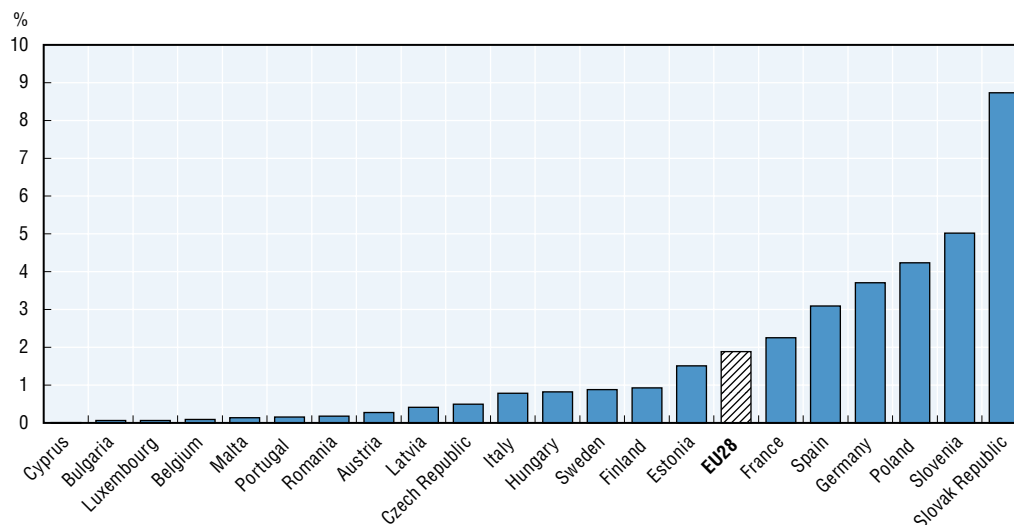
Figure 1.2. **Start-up support as a proportion of ALMP expenditure in the EU28, 2005-11**




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

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A second approach is to design schemes that leverage the EU Structural Funds. One of the key funding sources available with respect to using entrepreneurship as a means of promoting social inclusion is the European Social Fund (ESF). The ESF co-funds programmes that are tailored to help those who are vulnerable who have difficulty accessing the labour market. This includes training and education programmes for disadvantaged groups, notably the unemployed, and programmes that address discrimination and barriers to the labour market. Entrepreneurship could be included in each of these areas. In the 2007-13 programming period, the ESF provided nearly EUR 76 billion, of which approximately one-sixth went to programmes that promote social inclusion. To date, its possibilities for entrepreneurship promotion have been under-utilised by member states, but greater emphasis is being encouraged in the current programming period from 2014-20.

Figure 1.3. **Start-up support as a proportion of ALMP expenditure, 2011**

Note: Data are not available for Croatia, Denmark, Ireland, Greece, Lithuania, the Netherlands and the United Kingdom.
Source: Eurostat, LMP expenditure by type of action, 2014.

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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 entrepreneurship in the EU by groups that are disadvantaged or under-represented in entrepreneurship, namely women, youth and seniors. It also includes data on location of entrepreneurship activities while data on the unemployed and ethnic minorities are included in Part II of the book.

The first chapter in Part I, **Chapter 2, presents data on self-employment and entrepreneurship activities by women in the EU**, 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 household survey data from the Global Entrepreneurship Research Association on entrepreneurship activities at different stages of the life cycle. These data present a picture of intentions to create, start-up and post start-up activities for those that are disadvantaged or under-represented in entrepreneurship. Other survey data are also used to inform on the barriers faced in starting a businesses and other key characteristics related to the impact of self-employment. Similarly, **Chapters 3 and 4 present data on self-employment and entrepreneurship activities by youth and seniors. Chapter 5 presents data on the location of entrepreneurship activities**, namely whether business creation activities are located in the entrepreneurs' home or whether they are undertaken in separate or mobile premises.

After setting out entrepreneurship activity rates by the main target groups, Part II goes on to examine two key target groups for inclusive entrepreneurship policies and policy actions in more detail. **Chapters 6 and 7 examine support for entrepreneurship activities by the unemployed and ethnic minority and migrant groups.** Data are presented in each chapter to illustrate the scale and potential of entrepreneurship for each group. The focus of each chapter is, however, on policy approaches to promoting and supporting business

creation and self-employment for these groups. Examples of current practices are provided along with policy recommendations.

The second half of Part II focuses on specific tools in a policy makers toolkit that can be used to support inclusive entrepreneurship. **Chapter 8 explores how policy makers can support business development services for under-represented and disadvantaged groups.** The chapter describes different approaches taken in the EU and recommendations are made for how these supports can be improved. **Chapter 9 examines influences that social security systems have on business creation and self-employment.** The chapter discusses how different components of social security systems can influence the decision to set-up in business, particularly for those from disadvantaged groups who may draw on more than one element of social security. It also presents recent actions in several EU countries to improve social security coverage for the self-employed and makes recommendations for policy makers.

Finally, Part III of the book provides a more in-depth look at each of the 28 member states. **Chapter 10 presents an inspiring policy practice that supports inclusive entrepreneurship for each EU country, as well as key self-employment and entrepreneurship data related to under-represented and disadvantaged groups.**

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From:
The Missing Entrepreneurs 2014
Policies for Inclusive Entrepreneurship in Europe

Access the complete publication at:
<https://doi.org/10.1787/9789264213593-en>

Please cite this chapter as:

OECD/European Union (2014), “Inclusive entrepreneurship policy in the European Union,” in *The Missing Entrepreneurs 2014: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264213593-4-en>

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