

Inclusive entrepreneurship trends and policies in Latvia

This profile presents data on self-employment and entrepreneurship activities by women, youth and seniors in Latvia and briefly describes recent policy actions to support inclusive entrepreneurship such as the development of a legal framework for social entrepreneurship.

Key trends: The self-employment rate was below the average rate for the European Union in 2016 (11.8% vs. 14.0% for the EU). However, the self-employment rate has increased over the last decade, whereas it was constant across the European Union. This was especially true for youth – the self-employment rate more than doubled over the last decade, increasing from 2.2% in 2006 to 5.1% in 2016. This upswing in self-employment activity was also reflected in the Total early-stage Entrepreneurial Activity (TEA) rate, which measures the proportion of adults involved in starting a business or managing a new business. The TEA rate was very high relative to the European Union average over the 2012-16 period (13.2% vs. 6.7% for the EU). Moreover, Latvian entrepreneurs appear to be more likely than the EU average to introduce new products and services, especially women (32.0% vs. 28.1% for the EU).

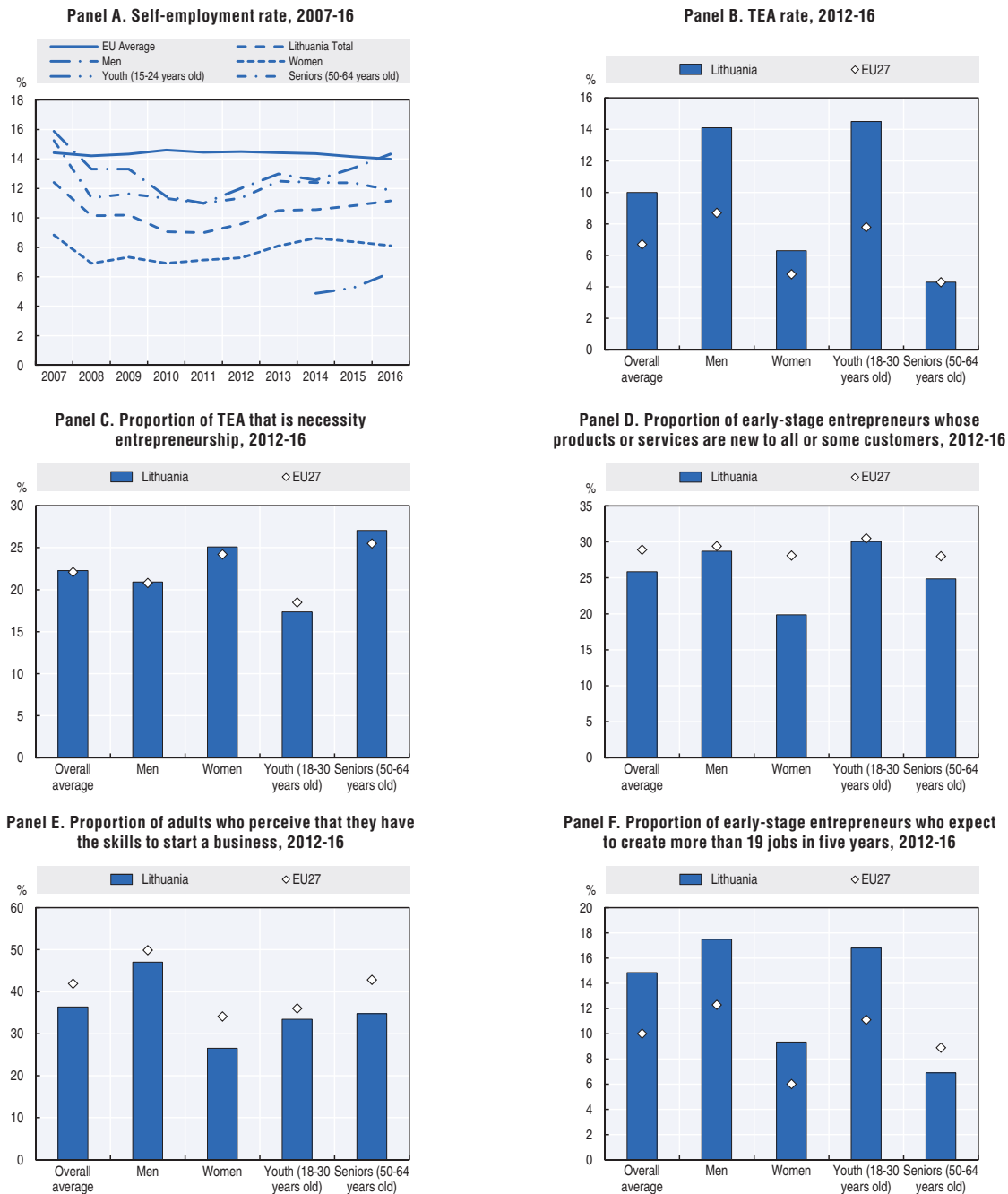
Hot issue: One of the greatest challenges in delivering inclusive entrepreneurship support is to ensure that the scale of support offered is appropriate. The two existing programmes that provide support to the unemployed and unemployed youth in business creation have achieved positive results. However, both programmes are very small and could be scaled-up and promoted more widely. For example, the programme “Measure for Commencing Commercial Activity or Self-employment in Latvia” could be ten times bigger since approximately 5% of the unemployed return to work through self-employment in the EU. Using this as a benchmark, it would be expected that between 2 000 and 3 000 people would potentially be interested in participating in this programme. However, there are only 150-250 participants per year.

Recent policy developments: Objectives and targets for business creation and self-employment by the unemployed and other key social target groups are outlined in the employment framework “Inclusive employment strategy 2015-2020”, which was approved by the Cabinet of Ministers in May 2015. This framework was developed to foster the development of an inclusive labour market and includes two key policy objectives related to inclusive entrepreneurship: i) to increase self-employment and business start-up opportunities for registered unemployed; and ii) to promote social entrepreneurship, both as a labour market activity for various social target groups and also as a vehicle for supporting these groups in the labour market and society more generally. The current regulatory priority related to inclusive entrepreneurship is the development of a legal framework for social entrepreneurship. It aims to support people from under-represented and disadvantaged groups into the labour market through employment opportunities within social enterprises or by creating a social enterprise. Parliament established a working group in September 2015 to develop the framework, including representatives from the Ministry of Finance, Ministry of Welfare, Ministry of Justice, Ministry of Economics, Ministry of Environmental Protection and Regional Development, Latvian Association of Local and Regional Governments, Association for Social Entrepreneurship and several non-governmental organisations. This work is supported by the European Social Fund Project 9.1.1.3. “Support for Social Entrepreneurship” and the Ministry of Welfare will be responsible for developing this bill. It is expected that the law will come into force on 1 January 2018.

The full Country Assessment Note can be found at: www.oecd.org/cfe/leed/inclusive-entrepreneurship.htm.

Key inclusive entrepreneurship data

Figure 24.1. Entrepreneurship and self-employment data for Latvia



Notes: 1. The self-employment rate is defined as the number of self-employed people (15-64 years old) divided by the number of people in employment. 2. The TEA rate is the proportion of adults (18-64 years old) involved in setting up a business or managing a business that is less than 42 months old. 3. Necessity entrepreneurship is defined as entrepreneurship activities that were launched because the individual did not have other options in the labour market. 4. Early-stage entrepreneurs are those who are in the process of setting up a business or manage a business that is less than 42 months old. 5. In Panels B, C, D, E and F, the population covered are those 18-64 years old.

Sources: Panel A: Eurostat (2017), Labour Force Survey, available at: <http://ec.europa.eu/eurostat/web/lfs/data/database>; Panels B, C, D, E, and F: GEM (2017), Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012-16.

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Reader's guide to the country profiles

This section of the book provides a short overview of inclusive entrepreneurship trends and recent policy actions in each European Union Member State. Each Country Profile highlights recent trends for key inclusive entrepreneurship indicators, focusing on activity rates, quality and barriers to business creation for people in under-represented and disadvantaged groups, drawing on a set of charts (see below). In addition, the Country Profiles briefly describe a current policy issue relevant for inclusive entrepreneurship policy development. Finally, each Country Profile describes a recent policy action that was introduced to support the unemployed, women, youth or seniors in business creation and self-employment.

The country overviews are complemented with a common set of country-specific data that benchmark key inclusive entrepreneurship indicators against the European Union average and over time. Data are presented for men, women, youth, seniors and the overall population total. These data help to show the scale of the challenge and its recent evolution. All Country Profiles contain six figures (except for the Malta profile, which does not participate in the Global Entrepreneurship Monitor survey):

Panel A: Self-employment rate, 2007-16. This presents the proportion of those in employment who are self-employed.

Panel B: Total Early-stage Entrepreneurship Activity (TEA) rate, 2012-16. This presents the proportion of the population who is actively involved in starting a business or who is the owner-operator of a business that is less than 42 months old.

Panel C: Proportion of TEA that is necessity entrepreneurship, 2012-16. This presents the proportion of early-stage entrepreneurship that was launched due to a lack of other opportunities in the labour market.

Panel D: Proportion of early-stage entrepreneurs whose products or services are new to all or some customers, 2012-16. This presents the proportion of early-stage entrepreneurs who self-report that they offer products and/or services that are new to potential customers.

Panel E: Proportion of adults who perceive that they have the skills to start a business, 2012-16. This presents the proportion of the population who believe that they have the knowledge and skills needed to start a business.

Panel F: Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in five years, 2012-16. This presents the proportion of early-stage entrepreneurs who anticipate the creation of at least 19 additional new jobs over the next five years.



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