Chapter 6

Policy support for entrepreneurship from unemployment[1, 2]

One route to entering the labour market from unemployment is through business creation. However, unemployed people face many barriers to self-employment, including less access to finance for business start-up and depreciating skills and networks. This chapter presents the common public policy approaches used in the EU to support unemployed people in creating businesses, including information, financial support before and after start-up, the use of role models, training, coaching and mentoring and business consultancy.

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.

Potential for business creation and self-employment from unemployment

- Unemployment continues to be one of the greatest social and economic challenges faced by EU member states.
- The youth unemployment rate is typically double the rate for adults and this trend held through the economic crisis.
- Only a small percentage of the unemployed are interested in self-employment.
- There is some evidence that policy action can increase the survivability of start-ups by unemployed people.

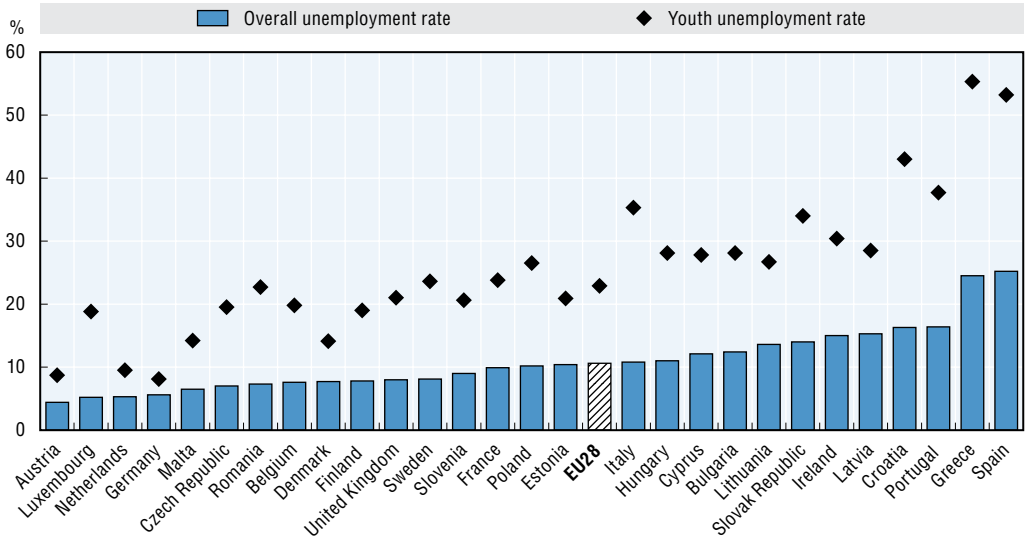
Unemployment, particularly among youth, is currently one of the greatest social and economic challenges faced by EU member states and many other countries around the world. The consequences of this are felt both are the macroeconomic level as well as at the individual level. For economies, the population of unemployed people represent a stock of unutilised economic resources that could be used to increase output and potentially economic growth. For individuals, the consequences can be devastating. Time spent in unemployment decreases current and lifetime earnings, and increases the chances of poverty and social exclusion. These negative effects are even more pronounced for youth. For example, an extra 3 months of unemployment prior to the age of 23 results in an extra 2 months of unemployment, on average, between the ages of 28 and 33 (Gregg, 2001) and it is estimated that one year of unemployment during youth can reduce annual earnings at age 42 by up to 21% (Gregg and Tominey, 2005).

The unemployment rate in the EU as a whole reached 10.7% in the fourth quarter of 2013 and the unemployment rate for youth (i.e. those aged 15-24) was slightly more than double at 23.0%. Thus there were 25.6 million unemployed people in the EU, of which 5.4 million were youth. The unemployment rates vary significantly across individual member states (Figure 6.1). In 2012, Greece and Spain had unemployment rates that were more than double the EU average and exceeded 50% for youth. Conversely, Austria, Luxembourg and the Netherlands had unemployment rates in 2012 that were less than half of the EU average rate.

Although labour force participation rates have returned to, or exceeded, pre-crisis levels in all EU member states except for Croatia, Denmark, Ireland and Slovenia, unemployment across the EU remains markedly higher than before the crisis (Figure 6.2). The only countries where the unemployment rate has declined since the onset of the crisis are Germany and Austria. The unemployment rate in Germany declined 3.8 percentage points between 2007 and 2012 and the unemployment rate in Austria returned to the 2007 level in 2012.

With the persistent unemployment challenge, policy makers continue to explore options for addressing stagnant economic growth and high unemployment. Business creation and self-employment could be one potential entry point into the labour market for those in unemployment. In 2011, 2.6% of unemployed people in the EU were actively seeking

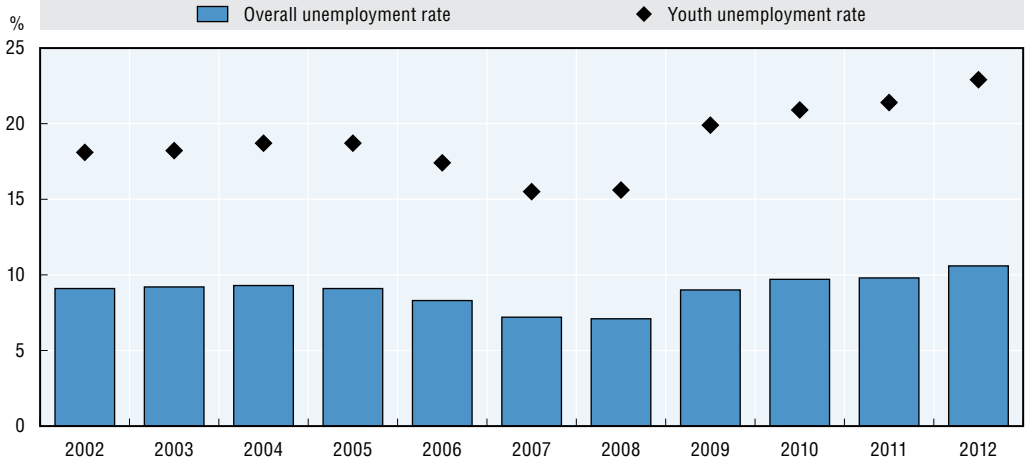
Figure 6.1. **Unemployment rate by member state, 2012**



Source: Eurostat, Labour Force Survey 2012.

StatLink http://dx.doi.org/10.1787/888933154647

Figure 6.2. **Unemployment rate in the EU28, 2002-12**

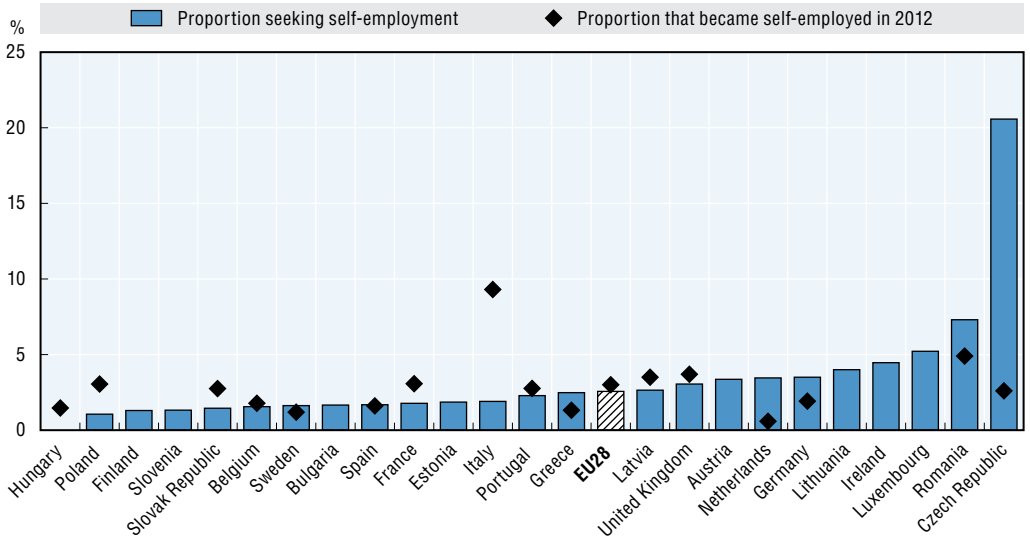


Source: Eurostat, Labour Force Survey 2002-12.

StatLink http://dx.doi.org/10.1787/888933154655

self-employment as their primary method of re-entering the labour market (Figure 6.3) and 3.0% of those who were unemployed in 2011 were self-employed in 2012. This represents nearly 700 000 people who moved from unemployment to self-employment between 2011 and 2012. While these trends hold across most of the EU member states, the actual transition rates differ significantly across member states. In Italy, only 1.9% of unemployed people in 2011 aimed to become self-employed but, 9.3% became self-employed in 2012. This indicates that under certain conditions, many unemployed people enter self-employment even if few have a preference for self-employment over employment.

Figure 6.3. **Potential for self-employment by the unemployed, 2011**



Source: Special tabulations of the Eurostat Labour Force Survey, 2012.

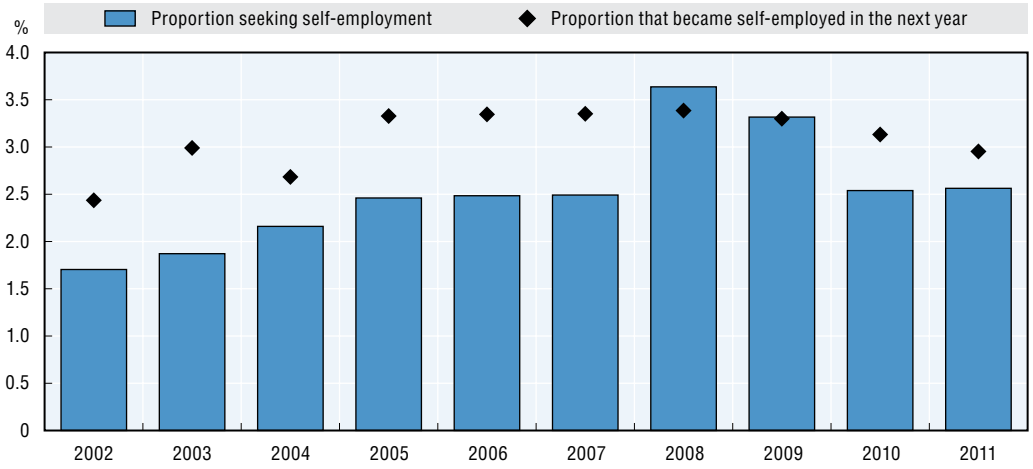
StatLink http://dx.doi.org/10.1787/888933154666

Over the past decade, the proportion of unemployed people who sought to become self-employed in the EU has increased marginally, but remains under 4% (Figure 6.4). Following the onset of the economic crisis, the proportion spiked but has since declined to the level of 2007.

There is a dearth of evidence across the EU on types of activities that those who move from unemployment to self-employment and about the quality of those activities. Evidence from France indicates that there is little gender difference between the proportion who move from unemployment to self-employment and that the unemployed are more likely to start businesses in the transportation sector (e.g. taxi drivers, transport trucks) than those who enter self-employment from employment and are less likely to start businesses in education, health and social work (INSEE, 2012). Further evidence from France suggests the survival rates of business started by those in unemployment, relative to those who started business from employment, were 5.0 percentage points lower after 5 years and 4.7 percentage points lower after 8 years (Désiage et al., 2011).

Despite the small number of people in the EU that start business from unemployment, there is potential for policy to have an impact. There is evidence from Germany to suggest that policy support can eliminate the differences in survival rates (see for example, May-Strobl, 2010) and can lead to additional job creation through the hiring of employees (Caliendo et al., 2009; Caliendo et al., 2010). Moreover, policy makers need to consider the costs of inaction, particularly for the young people in unemployment where the costs of not keeping them attached to the labour market can be immense for the economy, especially when considering the potential contributions over a 35 to 40 year career, and catastrophic for the individual.

Figure 6.4. **Potential for self-employment by the unemployed in the EU28, 2002-11**



Source: Special tabulations of the Eurostat Labour Force Survey, 2013.

StatLink http://dx.doi.org/10.1787/888933154679

Barriers to business start-up for the unemployed

- People starting businesses from unemployment face the same principal barriers to business start-up as other entrepreneurs – lack of finances, lack of human capital and lack of social capital. However, the scale of the obstacle is often greater for those in unemployment because they have lower levels of savings, human capital and social capital and are trusted less by banks and other lending institutions.
- Another important disincentive for people starting businesses from unemployment is the opportunity cost of business creation. In other words, business start-up may decrease their income despite their increased efforts to enter and stay in the labour market. This is particularly true for those with significant labour market experience and where unemployment benefits are generous.
- Unemployed youth (i.e. NEETs) face the same barriers as adults but evidence suggests that a lack of entrepreneurship skills and social capital are greater obstacles than a lack of finance.

Relative to entrepreneurs who start businesses from employment, those entering self-employment from unemployment often lack the necessary capital resources to start and grow a business (Davidsson and Honig, 2003; Dunn and Holtz-Eakin, 2000; Taylor, 1996). These capital resources come in three forms: financial capital, human capital and social capital. Importantly, these three factors are complementary in nature, i.e. an unemployed person with significant human and social capital resources can usually overcome deficiencies in financial capital (Baker and Nelson, 2005; Grichnik et al., 2014). Further, these forms of capital are also multiplicative in nature. In other words, individuals with significant stocks of two or all three sources of capital resources will be ideally positioned to successfully transfer to entrepreneurship and build a venture that can generate enough revenues to support him/herself and potentially also grow to employ others (Honig, 1998; Jonsson and Lindbergh, 2011).

For start-ups by the unemployed, these three capital resources need to be considered jointly, since they are intimately related to individual's position on the labour market. Unemployed individuals tend to have less financial means to start a business, which is often a primary reason that public support schemes focus on providing grants or soft loans to the unemployed seeking to set up a new business. However, at least as important as financial barriers are the lack of human capital (i.e. general and entrepreneurship skills) and social capital (i.e. business networks that can be used to find partners, suppliers and customers, as well as assistance and knowledge) among the unemployed, since both human capital and social capital tends to deteriorate with duration in unemployment. Human capital depreciates with duration in unemployment since skills often deteriorate when they are not used (Ritsilä and Tervo, 2002). Also, social capital deteriorates with duration in unemployment since individuals primarily build and maintain business networks through workplaces (Nanda and Sørensen, 2010).

Lack of financial capital

A barrier for people in unemployment when starting a business is that they tend to lack the requisite capital to set up a business and subsist until the business is able to generate a profit. The financial capital needed to set up a business can be in the form of debt or equity. Debt capital often comes from informal sources such as loans from family and friends, or from formal sources such as loans from banks and other lending institutions. Equity capital most often comes from entrepreneurs' own savings or from external investors (Le, 1999; Nykvist, 2008; Taylor, 2001). Also here, informal equity founding such as co-investments from family and friends are by far more common than equity from business angels or venture capitalists.

There are a number of reasons for the difficulty in accessing credit for business start-up by the unemployed. First, they typically lack personal savings following their unemployment period, which makes it difficult to self-finance a business and to provide collateral for a loan (Fairlie and Krashinsky, 2012; Rodgers, 1991). These can be considered as market entry barriers. In addition there may be cultural barriers on both the demand and supply side. On the supply side, unemployed people may be hesitant to approach lenders if they assume that they will not be granted a loan. On the demand side, unemployed people may not fit the profile of an ideal bank client and may therefore face difficulties due to discrimination (EC-OECD, 2014). Unemployed people also likely face skills barriers in accessing financing in that they may not know how to apply for a loan or complete the required business plans (EC-OECD, 2014).

Lack of entrepreneurship skills

Entrepreneurs need a wide range of skills to be successful in starting and operating a business (Otani, 1996; Unger et al., 2011). These skills include general workplace skills that are used in any work environment, as well as skills that are specific to entrepreneurship. These skills include, for example, business planning, self-motivation, assessing and managing risk, strategic thinking, making the best of personal networks, and motivating others. Please refer to Table 6.1 for a more complete listing of entrepreneurship skills.

Relative to people in employment, the unemployed are in a deficit of both updated general skills and specific skills that are relevant for entrepreneurship (Iyigun and Owen, 1998). This makes the successful establishment of a business more difficult for the

unemployed. The longer a spell in unemployment, the more rapid the unemployed will lose human capital by not being active on the labour market (Ljungqvist and Sargent, 1998).

Table 6.1. **Types of skills required by entrepreneurs**

Technical skills	Business management skills	Personal entrepreneurial skills
Written and oral communication	Planning and goal setting	Self-control / discipline
Environment monitoring	Decision making	Risk management
Problem solving	Human resource management	Innovation
Technology implementation and use	Marketing	Persistence
Interpersonal	Finance	Leadership
Ability to organise	Accounting	Change management
	Customer relations	Network building
	Quality control	Strategic thinking
	Negotiation	
	Business launch	
	Growth management	
	Compliance with regulations	

Source: OECD/EC (2013).

Lack of social capital

Social capital in the form of personal and professional networks is of imperative importance for entrepreneurs (Batjargal, 2003). During the start-up process, entrepreneurs use their networks to establish contact with relevant stakeholders such as partners, suppliers and customers that can help them in the process of establishing the business (Hite, 2005), as well as to locate others with experience and knowledge (Davidsson and Honig, 2003; Hite, 2005). Such networks are often geographically bounded to the local community (Cooke et al., 2005; Dahl and Sorenson, 2012) and can provide a support structure with different kinds of encouragement and support (Kwon et al., 2013; Ram et al., 2008).

Entrepreneurs coming from unemployment often lack the social capital needed to establish a sustainable business enterprise. For individuals, social capital is frequently defined as "the sum of resources, actual or virtual, that accrue to an individual by virtue of possessing a durable network of mutual acquaintance and recognition" (Bourdieu and Wacquant, 1992). As such, while human and financial capital are solely individual-level resources, social capital can be viewed as a form of public good, since it is derived from the social structure of relationships between individuals, and not as private property. During the start-up process, social capital is important to engage with and convince customers and suppliers. Once the business is established, social capital is beneficial to find and attract suitable personnel, financiers, customers and suppliers (Kim et al., 2013; Stam et al., 2014).

Opportunity cost

Those entering self-employment from unemployment can also face high opportunity costs in this transition. In other words, unemployed people may earn less money in self-employment than they would by collecting unemployment benefits. Thus, forgone unemployment benefit payments can act as a disincentive to business creation and any labour market activity. However, this disincentive does not apply equally to all population groups in unemployment. For example, youth with a short work history typically do not receive a large income from unemployment insurance schemes and therefore this income

would not act as a significant disincentive. On the other hand, people with a longer work history will receive more and those with children are often eligible to receive additional payments and social supports. Those with children also need to consider child care costs. These factors all contribute to increasing the opportunity cost of starting a business. Evidence and simulations in Germany suggest that the opportunity cost is lowest for youth, and highest for unemployed men that earned a high income in employment and single mothers with more than one child (Gawlitta, et al., 2010).

Box 6.1. **Barriers to business creation faced by youth that are not in employment, education or training (NEETs)**

Youth that are not in employment, education or training (i.e. NEETs) face the same barriers described in the previous section but these barriers are compounded since NEETs generally have less labour market experience, smaller business networks and lower levels of savings (Fairlie, 2005). As a result, they are less likely to be aware of the opportunities that entrepreneurship can offer and are less likely to have the skills and experience to exploit potential entrepreneurship opportunities.

Evidence suggests that addressing a lack of entrepreneurship skills and human capital among NEETs is more critical than providing financing to support business start-up because access to finance will not improve their chances of seeking to start a business and grow a sustainable business (Battistin et al., 2001). Entrepreneurship education in primary and tertiary education will likely enhance non-cognitive skills among youth (Rosendahl Huber et al., 2012), will make them more aware of the potential of entrepreneurship and will provide them with the skills to help them be successful. For NEETs who have finished education, more specific entrepreneurship training programmes have demonstrated to be effective (Rotger et al., 2012).

Unlike other unemployed people, NEETs have a low opportunity cost for entering self-employment. They often receive very little in terms of unemployment benefits, if any at all, and competing labour market opportunities likely do not offer substantial income.

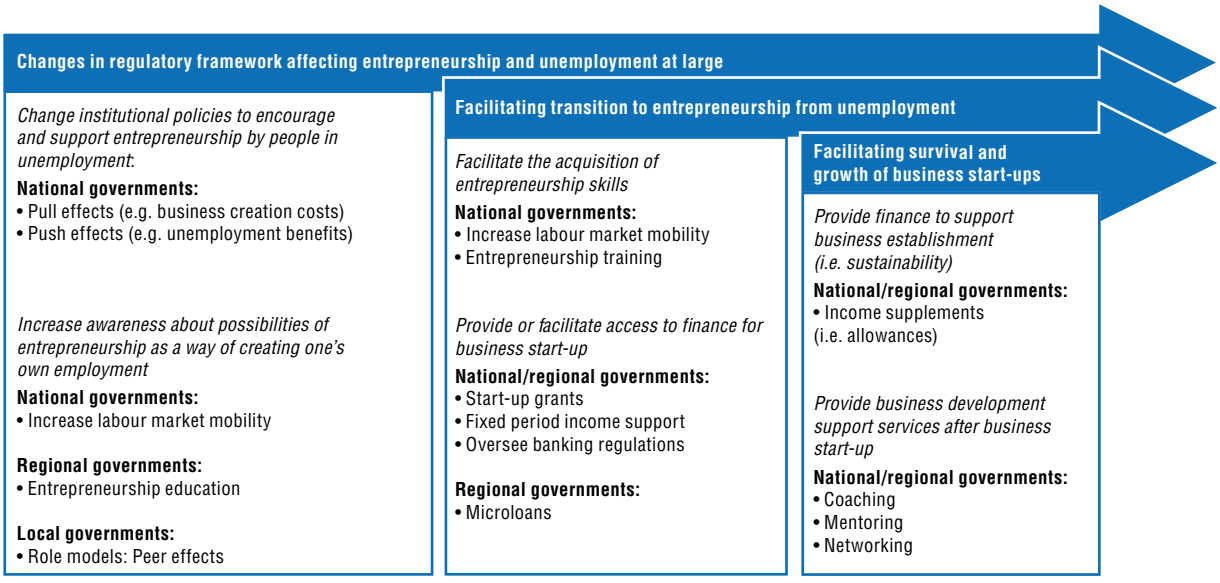
Policy actions to support entrepreneurship from unemployment

- A variety of policy approaches are used in the EU to support the transition from unemployment to self-employment. Common approaches include: awareness raising; training; financial support before and after start-up; business development services; and, broader regulatory changes.
- Integrated support packages are often more effective because they address multiple barriers, and the different supports offered are complementary.
- The effectiveness and impact of supporting business start-ups by the unemployed has been questioned. However, there is evidence to suggest that targeted actions that are delivered locally and customised services for target groups can have a positive impact on the sustainability of these start-ups and on their potential to create jobs for others.

Policy actions that support the transition from unemployment to self-employment are i) increasing awareness about possibilities of entrepreneurship, ii) facilitating the acquisition of entrepreneurship skills, iii) financial supports for business start-up, iv) financial support following business start-up, v) the provision of business development

services, and vi) broad regulatory changes. These approaches can be combined into a comprehensive approach that addresses the complementary and multiplicative nature of the barriers discussed in the previous section. Figure 6.5 illustrates the different types of schemes that can be included in a comprehensive policy strategy and the relationships between these components. A summary table of the key policy issues is presented in Annex 6 A1.

Figure 6.5. **A comprehensive policy response to support entrepreneurship from unemployment**



Source: Adapted from Wennberg, K. (2013), "Entrepreneurship from unemployment: A review of active labour market programmes and policy recommendations", prepared for the OECD LEED Programme.

Increase awareness about entrepreneurship

Increasing awareness about possibilities of entrepreneurship as a way of creating one's own employment is commonly included in active labour market measures across the EU. This includes the provision of information on self-employment and its benefits, as well as the opportunity to participate in basic entrepreneurship or small business management training. The rationale is to focus on the potential benefits of entrepreneurship as a labour market activity and to educate unemployed people about perceived barriers to business creation and how they differ from actual barriers.

There are many approaches from across the EU that can be used to draw inspiration. One example is *Perspektive 50plus*, which is a federal programme in Germany that promotes business start-up for older people as a method of maintaining attachment to the labour market and re-entering the labour market. It was launched because a regulatory change in 2008 increased the duration of unemployment benefits for those over the age of 50 from 12 months to 24 months. Evaluation evidence shows that older people are less afraid of failure than younger people but are 22.5% more likely to "give up on their business" than younger people (Werner et al., 2008). This suggests that an important role for policy actions

is to enhance the self-efficacy of unemployed people (i.e. their belief in their own abilities to successfully start a new business of potential entrepreneurs in unemployment).

Offer entrepreneurship training

Entrepreneurship training can be provided to unemployed people either as stand-alone training, or as part of an integrated package. This type of training is most often provided in workshops and structured courses. While it is to some extent possible to provide this type of training online, caution is needed because the unemployed are a population group that may be less likely to have access to training in this format. Furthermore, exposure to active entrepreneurs is an essential part to build the self-efficacy needed to successfully transfer to entrepreneurship (Krueger, 2003).

Entrepreneurship training for the unemployed is similar to that for the general population, which focuses on practical entrepreneurship skills such as business management skills (e.g. accounting, finance and basic law), but also supports personal development and builds confidence (OECD/EC, 2013). Overall, entrepreneurship training programmes have proven to be effective (Rotger et al., 2012), especially when the training is well-targeted (Kluve and Schmidt, 2002). Training is often more effective when delivered in tandem with other supports. For example, an evaluation of eight different Swedish active labour market policy programmes shows that those schemes that provide a combination of training and practical experience were the most successful (Carling and Richardson, 2004). Training is also effective because it helps new entrepreneurs consider and assess their skills and competences, as well as their needs (Dupuy and Mègemont, 2007).

In addition to preparing an individual for business start-up, entrepreneurship training can also increase the employability of an individual. Thus, someone may be more likely to transition to employment after entrepreneurship or an experience with business start-up. Even though this does not result in the creation of a sustainable business, it can be seen as a success if the individual has successfully transitioned back into the labour market. Evidence from Romania and Germany shows that the training and re-training of unemployed people and small business assistance that supports business start-up improve labour market outcomes (Rodriguez-Planas and Benus, 2007; Baumgartner and Caliendo, 2008) and earnings potential (Caliendo and Künn, 2011) of unemployed people.

However, evaluation evidence does not always support this logic. Some evidence from the United Kingdom found that entrepreneurship training and other start-up supports for youth do not impact their subsequent employment status (Meager et al., 2003). These evaluations point to an application process that was too heavily focused on the quality of the business plans rather than characteristics of the applicants. This highlights the need to consider individual motivations when selecting (unemployed) participants for entrepreneurship training schemes.

Provide financial supports for business start-up

One approach to supporting business creation for those in unemployment is to provide start-up financing in the form of a grant or lump sum payment of unemployment benefits. These schemes typically function in the same manner as grants for mainstream entrepreneurs, where a screening mechanism is used to vet business ideas prior to awarding the funding. After funding is awarded, a number of business development supports are available to the new entrepreneur.

Unemployed people are able to access general start-up grants as well as targeted funding programmes that support business creation by the unemployed. In Italy, Law 608/1996 aims to support those who have been unemployed for more than 6 months in business creation. Following a screening process that evaluates business plans, a grant of up to 60% of start-up costs can be offered, as well as a 5-year low interest rate loan. The support also includes training and some business consultancy services.

Similar schemes can be found in France. For example, ACCRE (*Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprises*) is a support mechanism that provided a start-up grant of nearly EUR 5 000 for business creation between 1993 and 1997 (see Box 6.2). Evidence shows that those business created by unemployed people with support had higher survival rates than those without support and rates that were only slightly below those business that were not started by the unemployed (e.g. the 3-year survival rate for the short-term unemployed population was 72%, which is slightly below the non-unemployed population of 79%) (Crépon and Duguet, 2002). However, the 3-year survival rate for the long-term unemployed was 64% (Crépon and Duguet, 2002).

An alternative approach to providing start-up financing for unemployed people is to provide a lump sum payment of their unemployment benefits for the purpose of starting a business. One example of this approach can be found in Portugal (see Box 6.3). In this example, unemployed people are eligible to receive up to the full amount of eligible unemployment benefits (less any already received) in the form of a lump-sum payment that can be used for business creation. Under this scheme the potential entrepreneurs submit their business plan to their job centre for a verification of the feasibility of the business idea. Once it is agreed, the entrepreneur receives their lump-sum payment. Additional support is also available to those participating in the scheme. Some training and business consultancy is available and they can also access micro-credit and subsidised loans through two public financing programmes.

As noted in the previous section, financial support and training are often provided in tandem. An example of how these two supports complement each other can be found in a business start-up programme for NEETs in the Slovenia (see Box 6.4).

Provide financial supports for business sustainability

The period following start-up is almost always characterised by activities that aim to establish the business enterprise (i.e. the development of products and services) and it often takes time before the business owner can draw any earnings from the business (Parker and Belghitar, 2006). Accordingly, the most common start-up support for unemployed people is a subsidy following business start-up to provide some income over a fixed period after business start-up. These subsidies are often set according to participants' unemployment grants but can also be set uniformly for all participants in a programme. At the same time, these schemes often offer additional support services such as training (voluntary or as a requirement for participation) and/or other business development support services (e.g. business consultancy).

This form of support is commonly known as the Welfare Bridge and there are many examples in the EU. The most well-known schemes are the German initiatives Start-Up Subsidy and the Bridging Allowance. Following approval of a business plan, these programmes provided regular payments to unemployed individuals who had started a business to help them cover living expenses while starting their own business. Evaluation

Box 6.2. **ACCRE – Financial assistance to unemployed persons, France**

Description: ACCRE (*Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprises*) is a national scheme that offers financial support to set up a business to those who are unemployed and to social security claimants. Eligible persons are:

- Registered unemployed, and in receipt of unemployment benefit, or about to become registered unemployed.
- Registered unemployed, but not in receipt of unemployment benefit, provided you have been registered unemployed for at least six months during the previous 18 months with *Pôle Emploi* (the government employment agency).
- An employee from a business in bankruptcy or liquidation who decides to start own business.
- Recipients of certain social security benefits (e.g. RSA, API).
- Young people less than 30 years eligible for preferential employment contracts.

ACCRE grants exoneration from some social security contributions to a business start-up. The nature of the assistance depends on the tax status of the business to be established.

i) The most generous level of assistance applies to those registered as an auto-entrepreneur, who benefit from reduced contribution rates for the first three years of the business activities.

ii) Those who are not auto-entrepreneurs are exempt from paying the main pension and health contributions, although they will continue to be obliged to pay the social welfare levy CSG/CRDS at the rate of 8%. In addition, they are exempt from making invalidity and death contributions, as well as payments into the complementary pension scheme. However, these exemptions are only for one year.

Problem addressed: The rise in unemployment at the end of the 1970s induced a reaction from the French government. It was recommended by the Prime Minister to support unemployed people in creating their own jobs.

Approach: In 1979, exoneration from some social security contributions dedicated to entrepreneurs formerly unemployed were implemented for the first time (*loi n° 79-10 du 3 janvier 1979*). This was in addition to the already existing direct financial support. Since then, the scheme has been adapted several times to the changing context. The major change took place in 1997 when the direct attribution of financial support has been replaced by a massive exemption of social security contributions for the first three years following creation. According to a recent report by the French Court of Auditors, in 2011 the burden of ACCRE for the public budget was up to EUR 245 million (EUR 150 million in 2006), i.e. 40% of the total cost of exemptions of social security contributions for employers.

Impact: According to the French Court of Auditors, in 2011, 179 301 unemployed people who created their own business benefited from this scheme. Each supported entrepreneur receives exemptions of, on average, EUR 1 370.

evidence shows that participants were less likely to return to unemployment than non-participants, and were also less likely to make a living with the income generated from their own business (Caliendo and Steiner, 2007; Baumgartner and Caliendo, 2008). Despite the success of these schemes, they were merged into a single subsidy called *Gründungszuschuss*

Box 6.3. ***Apoios à Criação do Próprio Emprego por Beneficiários de Prestações de Desemprego*, Portugal**

Description: This national measure was initiated in 2009 under the Programme for Entrepreneurship and Self-Employment, aims to support the entrepreneurial projects of recipients of unemployment benefits. Total or partial payment of unemployment benefits are provided in a lump sum for business start-up. This support can be used with the secured credit and interest rate subsidies from other national microfinance programmes (i.e. Microinvest and Invest+ programmes).

Problem addressed: The impact of the worldwide recession starting in late 2007 was less dramatic in Portugal than in many other EU countries. However, the unemployment rate has increased from 9.5% in 2009 to 16.4% in the second quarter of 2013. Youth were impacted even more significantly and the youth unemployment rate is now nearly 40%.

Approach: The programme supports entrepreneurial projects promoted by recipients of unemployment benefits by anticipating unemployment benefits in a lump sum, provided that they ensure the full-time employment of subsidised promoters. The latter must be at least 18 years of age at the time of application. Applicants cannot combine the activity for which they were supported with another activity that seeks to earn profits. The projects that get funded under the *Apoios* measure may benefit from free tutoring and mentoring during the first two years of activity.

The start-up projects must be economically viable and applicants are required to submit their business plans to the local job centre. If, however, secured lending and an interest rate subsidy are also requested, the project must be submitted to one of the above centres, and to one of the banks participating in the Microinvest and Invest+ programmes.

Impact: No rigorous evaluation for this programme is publicly available. Between September 2009 and August 2011, the number of jobs created with the support of this measure was 6 234, versus 2 113 jobs created for first-job seekers with the support from micro-credit and the Microinvest and Invest+ credit lines. For 2012 there is an estimated value of over 2 000 jobs created and the annual budget was EUR 7.8 million.

Conditions for success: The Portuguese programme is more generous than its Spanish counterpart, because lump-sum payments may reach the total of the unemployment benefit due to the recipient (and not 60% to 80%, with differentiation between age groups, as in Spain).

A further relevant factor of potential success elsewhere is the free tutoring and mentoring provided by *Apoios*. This is critical, particularly for young people. According to the Prince's Youth Business International (2011), training and mentoring make up, to some extent, for the lack of experience and collateral that often leads banks to constrain their credit to young people.

in 2006. While evaluations of this scheme found that it was less effective at reaching youth and women with low skill levels, the survival rates continue to be very high (Caliendo et al., 2011). Another example from Germany is the *Ich-AG* scheme (Me Inc.) which started in 2004 and aimed to support unemployed people in starting-up a business. Evidence showed that participants in *Ich-AG* had quite high survival rates over their initial years of operation, although these rates were slightly lower than those receiving the Bridging Allowance. See Box 6.5 for a more detailed description of *Ich-AG*.

Box 6.4. **Programme for NEETs to transfer to self-employment, Slovenia**

Description: The programme has an explicit target to reduce unemployment among young people. Self-employment benefits in the form of maintained unemployment benefits during start-up can be given to anyone who has been registered as unemployed for 3 months. Another part of the programme is "graduate placements" – a type of targeted start-up support for graduates. This provides access to the support programme for graduates under 25 years old even if they have not been unemployed for long. The programme was implemented before the financial crisis of 2008, but demand has increased in-line with increasing unemployment rates from 2008 to 2010, and the number of participants increased accordingly.

Problem addressed: The programmes' main objective is to lower unemployment in general and among young people in particular. A strong focus is also put on helping graduates and young unemployed (NEETs) enter the labour market through self-employment.

Approach: Procedures of the programme varies across regions and administrations, financial grants are higher in regions with higher unemployment. Applicants first complete a business plan at their local Labour Office (a branch of the Employment Service of Slovenia – ZRSZ). They must then attend a consultation interview where their business idea is assessed, and attend a training workshop for self-employment. They then receive a self-employment grant of up to EUR 4 500 per person. Additional training is available for participants, but this varies across regions.

85% of the programme's budget is financed by the European Social Fund and 15% is funded from the Slovenian state budget. In August 2011, the ZRSZ received a cash injection of EUR 9.5 million, which allowed for funding for 2 110 new applicants.

Impact: The Employment Service of Slovenia (ZRSZ) considers the programme a success since 85% of participants operated companies for at least two years. The number of participants has annually increased from 417 in 2007 to 4 330 in 2009 and 5 148 in 2010.

Conditions for success: The differentiation of training programme across regions is likely an advantage for countries that face a similar situation to Slovenia with large regional differences in unemployment rates and economic conditions.

Other examples of the Welfare Bridge include the *Chômeurs Créateurs* programme in France, which assists unemployed individuals in business start-up by providing them start-up capital through a lump-sum payment in lieu of unemployment benefits (Elias and Whitfield, 1987; Meager, 1996; Michaelides and Benus, 2012). Belgium, Denmark, Hungary, Italy, Poland and Spain have also implemented similar programmes (Meager, 1996; O'Leary et al., 1998; Cueto and Mato, 2006).

Given the large number of start-up subsidy schemes in the EU, there is a significant body of evidence that can shed light on how effective these schemes are. Table 6.2 provides key evaluation results on the survival rates of businesses started by unemployed receiving some sort of subsidy vary greatly across various studies as well as the number of jobs that were created per 100 start-ups. After two years, survival rates tend to be between 66% and 85% which is only slightly lower than the overall survival rates of new businesses (Wennberg, 2009; Yang and Aldrich, 2012).

However, examining survival rates is not sufficient when considering the effectiveness and efficiency of these schemes. Programme costs need to be considered, as well as deadweight and displacement costs (see Box 6.6). Estimates of deadweight costs (usually self-reported measures of "I would have started a business none withstanding the subsidy")

Box 6.5. *Ich-AG* scheme, Germany

Description: The German *Ich-AG* scheme (translated "Me Inc") was aimed at helping start-ups by unemployed individuals receiving unemployment benefits as well as participants of other programmes at the Federal Employment Agency. The programme works as a complement to the already existing Bridging Allowance that was less attractive for unemployed already receiving government benefits. Thus the programme lowers the threshold for engaging in business creation by increasing the level of subsidies.

Problem addressed: As a part of the Hartz Commission's reform proposals the initiative sought to battle unemployment through subsidising self-employment.

Approach: The applicant applied for the grant at the job centres (*Arbeitsagentur*) by submitting a business plan. Government-funded consultants helped with evaluating the required business plans. Approved participants received financial support for up to three years, with the allowance declining for each year, from EUR 600 in the first year to EUR 360 in the second year, and EUR 240 in the third. It also included coverage by old-age pension schemes and other insurance schemes. In addition, the participants – unlike other self-employed in Germany – were obliged to contribute to the pension and insurance system. They also received a discount on the legal health insurance.

When the programme was installed in 2003, participants were not obliged to submit business plans, but were required to do so from November 2004.

In 2004, EUR 670 million was spent for the scheme subsidised by the active labour market policy budget.

Impact: Evaluations show that 5 years after business start-up, 50% to 60% of former *Ich-AG* participants were still in full- and part-time self-employment.

Conditions for success: The programme provides benefits to promote the participants' integration into the German social security system.

Table 6.2. **Evaluating the success of start-up subsidies**

	Business survival	Job creation by 100 start-ups	Reference
Denmark	76% after 2 years	36 after 2 years	Meager (1996; 1994)
Denmark	40% after 1 year	n.a.	Wilson and Adams (1994)
France	75% after 2 years	97 after 5 years	Meager (1996; 1994)
France	51% after 4.5 years	45 job after 54 months	Wilson and Adams (1994)
Germany	90% after 1 year	16 after 1 year	Pfeiffer and Reize (2000)
Germany	70% after 3 years	45% had at least one employee	Wießner (1998)
Hungary	85.4% after 1 year	17.6% had at least one employee	O'Leary et al. (1998)
Netherlands	52% after 3 years	n.a.	Wilson and Adams (1994)
Poland	84.5% after 2 years	26.7% had at least one employee	O'Leary et al. (1998)
Spain	93.1% after 1 year, 76.2% after 4 years	n.a.	Cueto and Mato (2006)
Sweden	65% after 4 years	n.a.	Carling and Gustafsson (1999)
United Kingdom	72% after 2 years	n.a.	Meager et al. (2003)
United Kingdom	66% after 2 years	35 after 5 years	Meager (1996; 1994)
United Kingdom	71% after 7 months	27 after 18 months	Wilson and Adams (1994)

Source: Wennberg (2013).

vary according to the country and the characteristics of the programme. Displacement effects are rarely investigated in evaluations but also warrant consideration by policy makers.

Box 6.6. **Deadweight costs and displacement effects**

Deadweight costs: The extent to which participants would have set up a new business without the subsidy. Since behaviour of these "deadweight participants" is unaffected by the scheme, their participation does not contribute to economic value but involves a public outlay. The social cost of this outlay is the sum of the distortionary cost or excess burden of the tax that finances it and the expenses to cover arrangement costs.

Displacement effects: The extent to which subsidised businesses take business from and displace employment in existing, unsubsidised business.

Another approach to supporting entrepreneurs in the context of business start-up is to provide exemptions to payroll taxes. This approach is commonly used in conjunction with a start-up subsidy. For example, the ACCRE programme in France started as a start-up subsidy and exemption from certain payroll deductions in the early 1990s. By 1998 the subsidy had been eliminated and the support became primarily an exemption from payroll taxes for one year. (ACCRE has since transformed into NACRE – *Nouvelle Aide à la Création d'Entreprise* – which is principally a zero interest loan). A recent evaluation shows that start-ups that received assistance under the 1998 version of the programme had 5-year survival rates that were 17 percentage points higher than those that did not receive support, which is attributed to the strong selection process that is employed when selecting participants (Cabannes and Fougere, 2012). However, other evaluations have less positive results. A 2011 evaluation found that entrepreneurs starting businesses from unemployment that received assistance have a 5-year survival rate of 49.5%, which is lower than the survival rate for unassisted businesses (53.2%) (Vari-Lavoisier, 2011). One possible explanation suggested by evaluators is that those businesses that seek help are lower quality business enterprises.

Offer business development services

Business development services are often available to new entrepreneurs as part of start-up support. This is no different for entrepreneurs who are starting businesses from unemployment. These services include training, coaching, mentoring and business consultancy. The aim of these support services is to increase the level of entrepreneurship skills for entrepreneurs, which will allow them to be more likely to succeed. For a more complete discussion on business development services, please refer to Chapter 8.

Business development support services are often mandatory as a condition for receiving a start-up grant or some form of allowance. This can be seen in Boxes 6.4 and 6.5, and a third example is provided in Box 6.7. This example is the New Enterprise Allowance programme from the United Kingdom, which illustrates how business development supports can be combined with financial supports. This approach has demonstrated success because the financial and non-financial supports reinforce each other. Non-financial support permits the entrepreneur to better use the financial support and the financial support permits the entrepreneur to put into practice what they have learned through training or working with a coach or mentor. For additional examples of public support that includes business development services as part of an integrated offer, please see the following examples in

Part III of this book: Business Start-up Programme (UGP – *Unternehmensgründungsprogramm*) in Austria and Support for Self-employment in Spain.

However, business development support services for people starting businesses from unemployment are not always integrated with financial support. In Germany, for example, *Innovative Beschäftigungsförderung GmbH G.I.B* offered an intense multi-stage consulting and training to prepare unemployed people for business start-up as well as follow-up support after start-up (e.g. consulting). This programme ran from 2004 to 2007 and participants achieved survival rates of 85% after 3 years (May-Strobl, 2010).

Box 6.7. **New Enterprise Allowance, United Kingdom**

Description: The New Enterprise Allowance (NEA) programme targets recipients of the Jobseeker's Allowance (JSA) with an interest in starting business. In addition, single parents with income support are also eligible. The scheme is part of the Get Britain Working measures that are designed to tackle unemployment in general. It has been running for many years with differential levels of success depending on both specific features, as well as the overall economic conditions in the period investigated.

Problem addressed: The programme was developed to support unemployed people to establish sustainable businesses.

Approach: The programme works closely with the UK's Jobcenter Plus staff that both oversees the project and helps identify potential applicants. The programme provides applicants with a weekly allowance, worth GBP 1 274 (approximately EUR 1 490) over 26 weeks, paid at GBP 65 (approximately EUR 75) per week for the first 13 weeks and GBP 33 (approximately EUR 39) per week for a further 13 weeks. In addition, applicants have access to unsecured loans to help facilitate costs of starting the company. The programme also offers training in the form of a workshop for participants. The programme gives access to business mentoring to support them for the first 6 months as self-employed.

As soon as participants have been approved for a JSA, they are eligible to apply for the NEA. When taken into the programme, applicants get help from a mentor to develop a business plan. If the business plan is viable, the participant will be able to access the financial benefit in forms of the subsidies and the loan.

Changes were made in October 2012 when individuals got able to access mentoring and support from the start of their JSA claims; whereas before they could only do this after claiming JSA for 6 months. The scheme was originally designed to include 60 000 individuals up until September 2013, but was extended with an additional 70 000 claimants up until December 2014.

The scheme is run by the UK government, and the cost for extending the scheme for new applicants between September 2013 and December 2014 was GBP 34 million (approximately EUR 39.8 million).

Impact: Overall, the NEA programme is effective in getting targeted unemployed people into self-employment, although the enterprises started on a smaller scale and have less growth potential (Ecorys, 2013).

Conditions for success: The key strength of the programme is the combination of mentoring and support with financial assistance.

There are very few examples of business develop services that are targeted specifically at youth (i.e. NEETs). This group can typically access supports that are available for the unemployed population; the exception is those initiatives that are aimed at older workers or specific groups of workers that have been made redundant. One example that provides an integrated package of financial assistance and non-financial supports can be found in Box 6.4 (Programme for NEETs to transfer to self-employment in Slovenia). Another example of a programme for NEETs is *Junge Leute machen sich selbständig*, which is a state-level programme offered in Brandenburg, Germany. It supported unemployed people that were under the age of 27 with a combination of group workshops and training, as well as individual consultancy. One of the principle aims of the initiative was to support professional and personal development. Over the 2005 to 2007 period, 685 young people participated in the programme and 396 went on to start businesses that created an additional 300 jobs over the first 24 months of business operation (Schreiber et al., 2009). After two years, only 26% of the start-ups had stopped operating, which is similar to the survival rates of the overall business population (Schreiber et al., 2009).

Despite the number of business development support services for those starting businesses from unemployment, few have been rigorously evaluated. Local initiatives such as publicly-funded business support services are often questioned as the extent to which they distort competition and well-functioning markets are not clear (e.g. Bessant, 1999; Huggins and Williams, 2009). However, recent research suggests that publicly-funded business development support tend to exhibit a positive net impact. Evidence in the United Kingdom derived from the Business Link programme shows that such support positively impacted on firms' employment growth (but not revenue growth). A quasi-experimental study that examined the effectiveness of a "guided preparation" advice service for new start-ups in Denmark found that there were positive effects on subsequent firm growth (Rotger et al., 2012). As such, there appears to be some support for the notion that certain policy interventions related to leadership training and skills enhancement can be beneficial for start-ups (Littunen and Tohmo, 2003). Key lessons from the evidence are that policy makers should strive to organise delivery from local actors, since these are more likely to facilitate both, skills-enhancement, advisory, and networking opportunities with relevant stakeholders (Huggins and Williams, 2009).

Broad regulatory changes

Broad forms of regulatory changes to improve conditions for entrepreneurship are typically expected to increase both rates of firm formation, firm survival and growth. This will lead to positive impact on employment as well as increased tax revenue. Even in times of economic stagnation, policy makers need to simultaneously consider regulatory changes and more tailored programmes. Broad regulatory changes that improve general conditions for entrepreneurship will have more lasting impact and with lower displacement costs than targeted entrepreneurship programmes (Henrekson and Johansson, 2008). In the case of the unemployed, social security systems are the most pertinent broad regulatory tool for policy makers and a complete discussion of these issues is covered in Chapter 9.

Conclusions and policy recommendations

The objective of supporting the transition from unemployment to self-employment is to provide an alternative to working as an employee for those seeking to return to employment. Although this can contribute to economic growth and job creation, it likely

has a greater impact for individuals because it provides them with an opportunity to earn a living, be an active, contributing member of society and reduces their chances of falling into poverty. This is particularly important for young people where unemployment spells can negatively impact their career trajectory and life path. The opportunity cost of not supporting groups such as NEETs is extraordinarily high; it is estimated that the direct economic cost of NEETs to the EU economy in 2011 was EUR 153 billion (Eurofound, 2013). This cost would be expected to grow an individual's lifetime since people typically become more productive with experience, and this does not include social costs.

In general, self-employed individuals that enter from unemployment have lower growth and chances of survival of their business than those that enter from employment (Wennberg and Delmar, 2010). However, sustainable self-employment is not necessarily the goal of providing people with the opportunity to start a business as some may return to paid employment. This should also be viewed as a success. There is a limited body of evidence that shows that many people exiting self-employment transition into working as an employee. Evidence from the Finland shows that 39% exits from self-employment result in transitions to paid employment (Johansson, 2000) and evidence from the United Kingdom shows the same for 48% of self-employment men and 36% of self-employment women (Taylor, 1999). Thus, self-employment could be a "bridge" to paid employment however there is evidence to suggest that this is not necessarily true for youth (Meager et al., 2003).

Overall, the accumulated evidence suggests that well-targeted programmes with considerable training content do have the potential to improve the labour market outcomes of those targeted, and that well-designed financial incentives might also raise employment at lower cost (Kluve and Schmidt, 2002). Moreover, these schemes tend to be especially effective in economic downturns (Carling and Gustafson, 1999). Comparatively speaking, business start-up supports seem to be more cost-effective than other labour market supports for those who are unemployed (Baumgartner and Caliendo, 2008).

A central question to gauge the effectiveness of policy schemes supporting business creation for people in unemployment is the relative "deadweight effect" and "displacement effect" by the programmes. Evaluations of different programmes have obtained wide-ranging estimates of deadweight, according to the country and the characteristics of the program. For example, deadweight costs are often reported to be between 20% and 70% (Falkenhall et al., 2003; Meager et al., 2003). These figures indicate that deadweight costs might be substantial and policy evaluations cannot merely look at number of firms created as a measure of programme success. However, the deadweight costs of entrepreneur supports are not higher than other active labour market policies, and are substantially lower than direct employment creation measures e.g. public sector jobs (Carling and Gustafson, 1999). Displacement effects are much more seldom investigated in evaluations, but needs to be considered, especially for large programmes and/or programmes that are maintained during periods of low unemployment rates (Meager et al., 2003).

Based on these conclusions, the following policy recommendations are offered:

Key policy recommendations

- Provide an allowance, or continue to pay unemployment benefits, for a fixed period of time to support those who start businesses from unemployment during the early stages of business development.

- Target support provisions to the needs of specific groups of unemployed (e.g. women, youth, seniors, workers who were recently made redundant).
- Offer complementary financial and non-financial supports as part of integrated packages to maximise the complementarity of providing financial support with the development of entrepreneurship skills.
- Involve local partners in business start-up schemes for the unemployed to i) increase awareness of these supports by involving unemployment offices, chambers of commerce and other civil society actors (e.g. the business community, microfinance institutions), and ii) take advantage of their knowledge and networks.
- Ensure that start-up support schemes are aligned with tax and social security schemes to ensure that policy approaches are complementary rather than competing.
- Increase the use of evaluations to measure the impact of start-up support schemes for the unemployment, including deadweight and displacement effects, to build a more robust evidence-base that can inform policy development across the EU.

ANNEX 6.A1

Policy approaches to supporting entrepreneurship from unemployment

Type of policy approach	Objectives and rationale	Main methods	Expected impacts	Achieved impacts	Considerations for policy delivery and design
Increasing awareness about possibilities of entrepreneurship as a way of creating one's own employment	Lowering perceived barriers to entrepreneurship as a potential labour market choice.	Educational efforts, public outreach programmes, education of public bureaucrats.	More positive attitudes towards i) the self-employed as a group, and ii) individual's willingness to consider entrepreneurship as an alternative to paid employment.	Attitudes towards becoming self-employed have increased across Europe (Blanchflower, 2000; Henrekson, 2005).	There is a difference between "positive attitudes" and actually becoming self-employed. Further, positive attitudes do not affect skills and/or ability to create a successful firm. Risk of social engineering instead.
Facilitating the acquisition of entrepreneurship skills	Increasing entrepreneurship-specific human capital for groups on the labour market, especially youth.	Entrepreneurship education and training. Internships in start-ups, for example by subsidised employment in young/small companies	Entrepreneurship education more relevant for youths, entrepreneurship training more relevant for adults.	Entrepreneurship education may affect both cognitive and non-cognitive entrepreneurial skills (Moberg, 2013).	If goal is to increase short-term entrepreneurial willingness, the focus should be on entrepreneurship education that enhances cognitive skills. If the wish is to increase long-term labour market skills, the focus should be on non-cognitive skills.
Providing or facilitating access to finance for business start-up	Solving the liquidity constraint problem for self-employed	Start-up subsidies, guarantees for bank loans, specialised banking loan products (micro loans)	Increased start-up rates among the unemployed, more long-surviving firms (gross impact), potentially employing others (net impact)	Various success ratios (see Table 6.2) but with some deadweight loss of interventions. Displacements costs seldom investigated.	Effectiveness of policy schemes needs to consider the relative dead-weight effect and displacement effect by the programmes. Programmes should consider regional aspects as well as potential complementarities with training programmes
Providing income supports for a fixed period after business start-up	Solving the problem of little income from sales during the start-up process, where entrepreneurs have to live off their own savings	Start-up subsidies, tax breaks for self-employed, potential to defer taxes to later and more profitable periods	More long-surviving firms among formerly unemployed entrepreneurs (gross impact), potentially employing others (net impact)	Evaluations indicate that fixed-period income support programmes more effective than other labour market training efforts (Carling and Gustafson, 1999)	Consideration needs to be given to i) potential displacement costs and/or negative market effects on non-subsidized start-ups if income support is too lengthy/too generous, and ii) potential crowding out of other labour market training efforts
Providing business development support services after business start-up (e.g. coaching and mentoring)	Increasing entrepreneurship-specific human and social capital for nascent entrepreneurs especially novice entrepreneurs	Public advise/coaching Peer-to-peer learning (business incubators, accelerators, start-up groups)	Higher rates of successful business start-ups among treatment group Higher rates of survival and growing businesses among treatment groups	Study of public assistance programmes in Denmark validate the effectiveness of "guided preparation" for self-employee entry and growth (Rotger et al., 2012)	Best-practice programmes needs to be validated and replicated. Relevance of such programmes depends both of treatment group (e.g. skills/ incentives of participants) and delivery group (e.g. skills/ incentives of coaches). Programmes need to be designed with comparison groups and data collected so they can be evaluated.

Type of policy approach	Objectives and rationale	Main methods	Expected impacts	Achieved impacts	Considerations for policy delivery and design
Other broad regulatory changes that encourage and support entrepreneurship by people in unemployment	Objective for broad changes is to improve general conditions for entrepreneurship. Such broad changes will have more lasting impact with less displacement costs than specific programmes tailored for the unemployed.	Broad institutional changes such as lowering unemployment benefits (push effects), or lowering business creation costs (pull effects)	Regulatory changes to improve conditions for entrepreneurship expected to increase both rates of firm formation, firm survival and growth. This will lead to positive impact on employment as well as tax payments.	Positive effects of improving general conditions for entrepreneurship are well-documented, especially factors such as lowering tax rates for entrepreneurs, decreasing administrative costs and regulations	"Push" effects such as lower unemployment benefits generally evidenced not to lead to lasting self-employment, hence lowering business creation costs and other administrative burden recommended.

Source: Adapted from Wennberg (2013).

References

Baker, T. and R. Nelson (2005), "Creating something from nothing: Resource construction through entrepreneurial bricolage", *Administrative Science Quarterly*, Vol. 50(3), pp. 329-366.

Batjargal, B. (2003), "Social Capital and Entrepreneurial Performance in Russia: A Longitudinal Study", *Organization Studies*, Vol. 24(4), pp. 535-556.

Battistin, E., A. Gavosto and E. Rettore (2001), "Why do subsidised firms survive longer? An evaluation of a programme promoting youth entrepreneurship in Italy", *ZEW Economic Studies*, Vol. 13, pp. 153-181.

Baumgartner, H. and M. Caliendo (2008), "Turning Unemployment into Self-Employment Effectiveness of Two Start-Up Programmes", *Oxford Bulletin of Economics and Statistics*, Vol. 70(3), pp. 347-373.

Bessant, J. (1999), "The rise and fall of 'supernet': A case study of technology transfer policy for smaller firms", *Research Policy*, Vol. 28(6), pp. 601-614.

Blanchflower, D. (2000), "Self-employment in OECD countries", *Labour Economics*, Vol. 7(5), pp. 471-505.

Bourdieu, P. and L. Wacquant (1992), *An invitation to reflexive sociology*, University of Chicago Press.

Cabannes, P.-Y. and D. Fougere (2012), "Une évaluation de l'effet de l'ACCRE sur la durée de vie des entreprises", Rapport pour la chaire "Sécurisation des parcours professionnels", Paris.

Caliendo, M., and S. Künn (2011), "Start-up subsidies for the unemployed: Long-term evidence and effect heterogeneity", *Journal of Public Economics*, Vol. 95(3), pp. 311-331.

Caliendo, M. and V. Steiner (2007), *The Monetary Efficiency of Start-Up Subsidies in Germany*, Mimeo, Bonn/Berlin.

Caliendo, M., S. Künn and F. Wießner (2010), "Die Nachhaltigkeit von geförderten Existenzgründungen aus Arbeitslosigkeit: Eine Bilanz nach fünf Jahren", *Zeitschrift für Arbeitsmarktforschung*, Vol. 42, pp. 269-291.

Caliendo, M., S. Künn and F. Wießner (2009), "Ich-AG und überbrückungsgeld, erfogsgeschichte mit zu frühem Ende" in IAB-Kurzbericht, 3/2009.

Caliendo, M., J. Hogenacker, S. Künn and F. Wießner (2011), "Alte Idee, neues Programm. Der Gründungszuschuss als Nachfolger von Überbrückungsgeld und Ich-AG", in IAB (ed.), *Discussion Paper*, No. 24, Nürnberg.

Carling, K., and L. Gustafson (1999), "Self-employment grants vs. subsidized employment: Is there a difference in the re-unemployment risk?", IFAU: Swedish Institute for Market Policy Evaluation.

Carling, K., and K. Richardson (2004), "The relative efficiency of labor market programmes: Swedish experience from the 1990s", *Labour Economics*, Vol. 11(3), pp. 335-354.

Cooke, P., N. Clifton and M. Oleaga (2005), "Social capital, firm embeddedness and regional development", *Regional Studies*, Vol. 39(8), pp. 1065-1077.

Crépon, B. and E. Duguet (2002), "Prêt bancaire, aides publiques et survie des nouvelles entreprises : une analyse économétrique à partir des méthodes d'appariement sur données d'entrepreneurs", Cahiers de la MSE, université de Paris 1 Panthéon Sorbonne.

Cueto, B. and J. Mato (2006), "An Analysis of Self-Employment Subsidies with Duration Models", *Applied Economics*, Vol. 38(1) pp. 23-32.

Dahl, M., and O. Sorenson (2012), "Home Sweet Home: Entrepreneurs' Location Choices and the Performance of Their Ventures", *Management Science*, Vol. 58(6), pp. 1059-1071.

Davidsson, P. and B. Honig (2003), "The role of social and human capital among nascent entrepreneurs", *Journal of Business Venturing*, Vol. 18(3), pp. 301-331.

Désiage, L., R. Duhautois and D. Redor (2011), "Aider les chômeurs créateurs d'entreprise rend-il leur projet plus viable", *Connaissance de l'emploi*, 4 pages du CEE, mai, n° 80.

Dunn, T., and D. Holtz-Eakin (2000), "Financial capital, human capital, and the transition to self-employment: Evidence from intergenerational links", *Journal of Labor Economics*, Vol. 18(2), pp. 285-305.

Dupuy, R. and L.-L. Mègemont (2007), "Accomplissement d'un project de création d'entreprise en situation de formation Conduites de personnalisation vs. individualisation", *Psychologie du Travail et des Organisations*, Vol. 13(3). pp. 21-45.

Ecorys (2013), "New Enterprise Allowance: Qualitative evaluation", *Research Report* No. 836, undertaken on behalf of the Department for Work and Pensions, available at: *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207518/rrep836.pdf*.

Elias, P. and K. Whitfield (1987), "The economic impact of the enterprise allowance scheme: Theory and measurement of displacement effects", report to the UK Department of Employment, Coventry: Institute for Employment Research, University of Warwick (October).

Eurofound (2013), "NEETs Young people not in employment, education or training: Characteristics, costs and policy responses in Europe", available at: *www.eurofound.europa.eu/pubdocs/2012/54/en/1/EF1254EN.pdf*.

European Commission – OECD (2014), "Policy Brief on Access to Business Start-up Finance for Inclusive Entrepreneurship", EU: Luxembourg.

Fairlie, R. (2005), "Entrepreneurship and Earnings among Young Adults from Disadvantaged Families", *Small Business Economics*, Vol. 25(3), pp. 223-236.

Fairlie, R., and H.A. Krashinsky (2012), "Liquidity constraints, household wealth, and entrepreneurship revisited", *Review of Income and Wealth*, 58(2), 279-306.

Falkenhall, B., M. Johansson and J. Olofsson (2003), "Utvärdering av de näringspolitiska effekterna av stöd till start av näringsverksamhet (Evaluation of start-up subsidies as a strategy for enterprise promotion.)", Östersund: ITPS – Institutet för tillväxtpolitiska studier.

Gawlitta, L., R. Kay and S. Boerger (2010), "Die Opportunitätskosten der sozialen Absicherung beim Wechsel aus dem Arbeitslosengeld I in die Selbständigkeit", in Institut für Mittelstandsforschung (ed.), *IfM Materialien*, No. 197.

Gregg, P. (2001) "The Impact of Youth Unemployment on Adult Unemployment in the NCDS", *Economic Journal*, Vol. 111(475), pp. F623-F653.

Gregg, P. and E. Tominey (2005) "The wage scar from male youth unemployment", *Labour Economics*, Vol. 12, pp. 487-509.

Grichnik, D., J. Brinckmann, L. Singh and S. Manigart (2014), "Beyond environmental scarcity: Human and social capital as driving forces of bootstrapping activities", *Journal of Business Venturing*, Vol. 29(2), pp. 310-326, *http://dx.doi.org/10.1016/j.jbusvent.2013.02.006*.

Henrekson, M. (2005), "Entrepreneurship: A weak link in the welfare state?", *Industrial and Corporate Change*, Vol. 14(3), pp. 437-467.

Henrekson, M., and D. Johansson (2008), "Competencies and Institutions Fostering High-Growth Firms", *Foundations and Trends® in Entrepreneurship*, Vol. 5(1), pp. 1-80.

Hite, J. (2005), "Evolutionary processes and paths of relationally embedded network ties in emerging entrepreneurial firms", *Entrepreneurship Theory and Practice*, Vol. 29(1), pp. 113-144.

Honig, B. (1998), "What determines success? Examining the human, financial, and social capital of Jamaican microentrepreneurs", *Journal of Business Venturing*, Vol. 13(5), pp. 371-394.

Huggins, R and N. Williams (2009), "Enterprise and public policy: a review of Labor government intervention in the United Kingdom", E*nvironment and Planning C: Government and Policy*, Vol. 27(1), pp. 19-41.

INSEE (2012), "Créations et créateurs d'entreprises – Première interrogation 2010, profil du créateur", INSEE Résultats, No. 58, février.

Iyigun, M. and A. Owen (1998), "Risk, entrepreneurship and human capital accumulation", *American Economic Review*, Vol. 88, pp. 454-457.

Johansson, E. (2000), "Self-employment and Liquidity Constraints: Evidence from Finland", *Scandinavian Journal of Economics*, Vol. 102(1), 123-134.

Jonsson, S. and J. Lindbergh (2011), "The Development of Social Capital and Financing of Entrepreneurial Firms: From Financial Bootstrapping to Bank Funding", *Entrepreneurship Theory and Practice*, Vol. 37 (4), pp. 661-686.

Kim, P., K. Longest and H. Aldrich (2013), "Can You Lend Me a Hand? Task-Role Alignment of Social Support for Aspiring Business Owners", *Work and Occupations*, Vol. 40(3), pp. 213-249.

Kluve, J. and C. Schmidt (2002), "Can training and employment subsidies combat European unemployment?", *Economic Policy*, Vol. 35, pp. 409-448.

Krueger, N. (2003), "The cognitive psychology of entrepreneurship", in Z. Acs and D. Audretsch (eds.), *Handbook of entrepreneurship research: An interdisciplinary survey and introduction* (pp. 105-140). New York: Springer.

Kwon, S.-W., C. Heflin and M. Ruef (2013), "Community Social Capital and Entrepreneurship", *American Sociological Review*, (forthcoming).

Le, A. (1999), "Empirical Studies of Self-Employment", *Journal of Economic Surveys*, Vol. 13(4), 381-416.

Littunen, H. and T. Tohmo (2003), "The high growth in new metal-based manufacturing and business service firms in Finland", *Small Business Economics*, Vol. 21 (2), pp. 187-200.

Ljungqvist, L. and T. Sargent (1998), "The European unemployment dilemma", *Journal of Political Economy*, Vol. 106(3), pp. 514-550.

May-Strobl, E. (2010), "Nachhaltigkeit und Erfolg von Gründungen aus der Arbeitslosigkeit. Ergebnisse einer Nachbefragung bei aus den Gründungs- und Begleitzirkeln der G.I.B. hervorgegangenen Gründungen", in Institut für Mittelstandsforschung (ed.), *IfM Materialien*, No. 196, Bonn.

Meager, N. (1994), "Self-employment schemes for the unemployed in the European Community: The emergence of a new institution and its evaluation", in Schnid G. (ed.) *Labor Market Institutions in Europe*, New York: M. E. Sharpe.

Meager, N. (1996), "From Unemployment to Self-employment: Labour Market Policies for Business Start-up", in Schmidt, G., J. O'Reilly, and K. Schömann (eds.), *International Handbook of Labour Market Policy and Evaluation* (pp. 489-519), Cheltenham: Edward Elgar.

Meager, N., P. Bates, and M. Cowling (2003), "An evaluation of business start-up support for young people", *National Institute Economic Review*, Vol. 186(1), pp. 59-72.

Michaelides, M. and J. Benus (2012), "Are self-employment training programmes effective? Evidence from Project GATE", *Labour Economics*, Vol. 19(5), pp. 695-705.

Moberg, K. (2013), "What effects do we want entrepreneurship education to have?", *Working Paper*, Copenhagen Business School.

Nanda, R. and J. Sørensen (2010), "Workplace Peers and Entrepreneurship", *Management Science*, Vol. 56(7), pp. 1116-1126.

Nykvist, J. (2008), "Entrepreneurship and liquidity constraints: Evidence from Sweden", *The Scandinavian Journal of Economics*, Vol. 110(1), pp. 23-43.

OECD/The European Commission (2013), *The Missing Entrepreneurs: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264188167-en*.

O'Leary, C., P. Kolodziejcyk and G. Lazar (1998), "The Net Impact of Active Labor Programmes in Hungary and Poland", *International Labor Review*, Vol. 137(3), pp. 321- 346.

Otani, K. (1996), "A human capital approach to entrepreneurial capacity", Economica, 63(250), 273-289.

Parker, S. and Y. Belghitar (2006), "What Happens to Nascent Entrepreneurs? An Econometric Analysis of the PSED", *Small Business Economics*, Vol. 27, No. 1, pp. 81-101. doi: 10.1007/s11187-006-9003-4.

Pfeiffer, F. and F. Reize (2000), "Business start-ups by the unemployed – an econometric analysis based on firm data", *Labour Economics*, Vol. 7, pp. 629-663.

Prince's Youth Business International (2011), "Global Youth Entrepreneurship Survey 2011", available at *www.youthbusiness.org/wp-content/uploads/2012/08/YouthEntrepreneurshipSurvey2011.pdf*.

Ram, M., N. Theodorakopoulos and T. Jones (2008), "Forms of capital, mixed embeddedness and Somali enterprise", *Work, Employment and Society*, Vol. 22(3), pp. 427-446.

Ritsilä, J. and H. Tervo (2002), "Effects of Unemployment on New Firm Formation: Micro-Level Panel Data Evidence from Finland", *Small Business Economics*, Vol. 19(1), pp. 31-40.

Rodgers, W. (1991), "How do loan officers make their decisions about credit risks? A study of parallel distributed processing", *Journal of Economic Psychology*, Vol. 12(2), pp. 243-265.

Rodriguez-Planas, N. and J. Benus (2007), "Evaluating active labor market programmes in Romania", IZA Discussion Paper Series, IZA DP No. 2464, available at: *http://ftp.iza.org/dp2464.pdf*.

Rosendahl Huber, L., R. Sloof and M. van Praag (2012), "The effect of early entrepreneurship education: Evidence from a randomized field experiment", available at *http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2042058*.

Rotger, G., M. Gørtz, and D. Storey (2012), "Assessing the effectiveness of guided preparation for new venture creation and performance: Theory and practice", *Journal of Business Venturing*, Vol. 27(4), pp. 506-521.

Schreiber, K., B. Lohr, M. Zwick and T. Bartel (2009), "Evaluation des Förderprogramms „Junge Leute machen sich selbstständig", Isoplan-Marktforschung und GiW Gesellschaft für Infrastruktur- und Wirtschaftsentwicklung mbH, Saarbrücken und Potsdam.

Stam, W., S. Arzlanian and T. Elfring (2014), "Social capital of entrepreneurs and small firm performance: A meta-analysis of contextual and methodological moderators", *Journal of Business Venturing*, Vol. 29(1), pp. 152-173.

Taylor, M. (1996), "Earnings, independence or unemployment: Why become self-employed?", *Oxford Bulletin of Economics and Statistics*, Vol. 58, pp. 253-265.

Taylor, M. (1999), "Survival of the fittest: An analysis of self-employment duration in Britain", *The Economic Journal*, Vol. 109 (March), pp. 140-155.

Taylor, M. (2001), "Self-employment and windfall gains in Britain: Evidence from panel data", *Economica*, Vol. 68, pp. 539-565.

Unger, J., A. Rauch, M. Frese and N. Rosenbusch (2011), "Human capital and entrepreneurial success: A meta-analytical review", *Journal of Business Venturing*, Vol. 26(3), pp. 341-358.

Vari-Lavoisier, I. (2011), "Heurs et malheurs des chômeurs créateurs d'entreprises : De la complémentarité entre ethnographie et économétrie", *Terrains & travaux*, Vol. 2(19), pp. 121-139.

Wennberg, K. (2013), "Entrepreneurship from unemployment: A review of active labour market programmes and policy recommendations", prepared for the OECD LEED Programme.

Wennberg, K. (2009), *Entrepreneurial Exit*, Stockholm: Economic Research Institute.

Wennberg, K., and F. Delmar (2010). *Knowledge Intensive Entrepreneurship: The Birth, Growth, and Demise of Entrepreneurial Firms in the Knowledge Intensive Economy*, Cheltenham: Edward Elgar.

Werner, A., N. Faulenbach and A. Brockmeyer (2008), "Das Gründungsverhalten Älterer: Eine empirische Analyse mit Daten des Gründerpanels des IfM Bonn", in Institut für Mittelstandsforschung (ed.), *IfM-Materialien*, No. 184.

Wießner, F. (1998), "The Bridging Allowance as an Instrument of Labour Market Policy: A Provisional Appraisal", Institut für Arbeitsmarkt-und Berufsforschung der Bundesanstalt für Arbeit.

Wilson, S. and A. Adams (1994), *Self-employment for the unemployed: Experience in OECD and transitional economies*, World Bank.

Yang, T. and H. Aldrich (2012), "Out of sight but not out of mind: Why failure to account for left truncation biases research on failure rates", *Journal of Business Venturing*, Vol. 27(4), pp. 477-492.