

Chapter 5

Self-employment and entrepreneurship by the unemployed

Data on the proportion of unemployed people who seek to return to work through self-employment are reported in this chapter, as well as the proportion that are successful at transitioning from unemployment to self-employment. Data on the unemployed are presented by gender and age at both the European Union and Member State levels.

Note by Turkey:

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

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

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

Key messages

Only a small proportion of the unemployed move back into work as self-employed in the European Union. In 2016, 634 800 people who were unemployed in 2015 moved into self-employment. This represents 3.2% of those who were unemployed in 2015.

However, this proportion is greater than the proportion of the unemployed who indicate that they are seeking to return to work as a self-employed person. In 2015, 492 000 unemployed people indicated that they were seeking self-employment, accounting for 2.2% of the unemployed. Unemployed men and seniors were the most likely to seek self-employment, while women and youth were less likely. The gap between the proportion of the unemployed who seek self-employment and those who go on to start businesses can be explained by the number of people who look for work as an employee but cannot secure a job and therefore start a business.

Seeking self-employment from unemployment

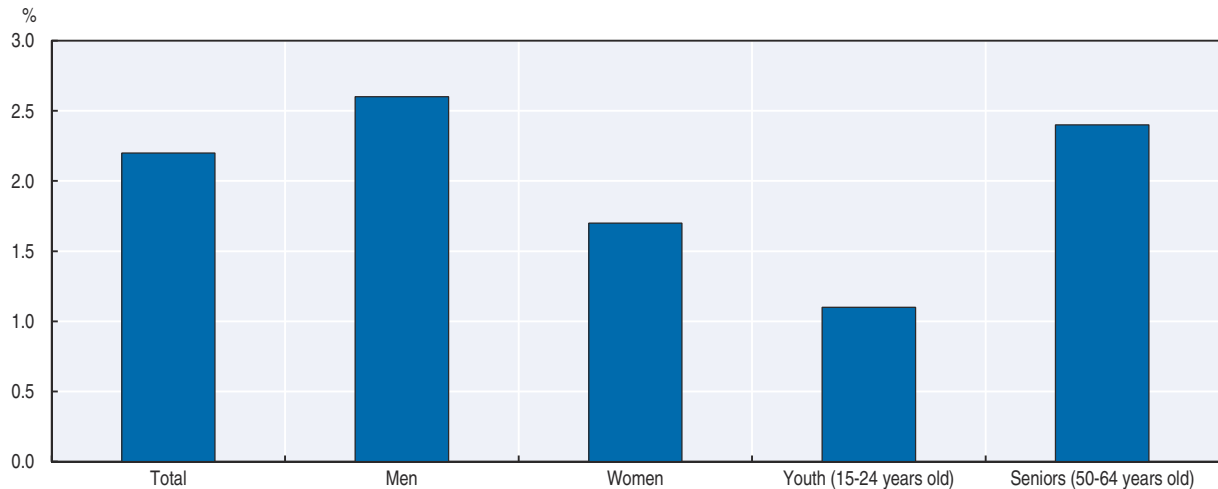
- Only 2.2% of unemployed people in the European Union in 2016 indicated that they wanted to return to work as self-employed. Unemployed men and seniors were the most likely to seek self-employment.
- The proportion of unemployed people seeking self-employment has declined from a peak of 3.6% in 2008, which was the early stages of the economic crisis.

In 2016, there were more than 20.8 million unemployed people in the European Union. Of this number, approximately 455 000 were attempting to return to work by starting a business. Thus, only 2.2% of unemployed people were seeking to become self-employed (Figure 5.1). Unemployed men were more likely than unemployed women to seek self-employment (2.6% vs. 1.7% for unemployed women) and unemployed seniors (50-64 years old) were more likely than unemployed youth (15-24 years old) (2.4% vs. 1.1% for unemployed youth).


Variation across European Union Member States was quite substantial in 2016, reflecting differences in labour market conditions and quality of unemployment benefits. Overall, the unemployed in Romania (11.0%) and Luxembourg (12.0%) in 2016 were the most likely to seek self-employment. In all other Member States, the proportion was below 4%, and below 1% in Cyprus.

Reliable data by target group are not available for all Member States. Taking this caveat into account, unemployed women in all countries were less likely than unemployed men to seek self-employment (Figure 5.2a). The proportion of unemployed youth who sought self-employment in 2016 ranged from 0.7% in Spain to 7.8% in Romania (Figure 5.2b). Similarly, the proportion of unemployed seniors who sought self-employment in 2016 ranged from 1.1% in Spain to 10.6% in Romania.

Figure 5.1. **Proportion of the unemployed seeking self-employment in the European Union, 2016**
Percentage of the unemployed (15-64 years old)

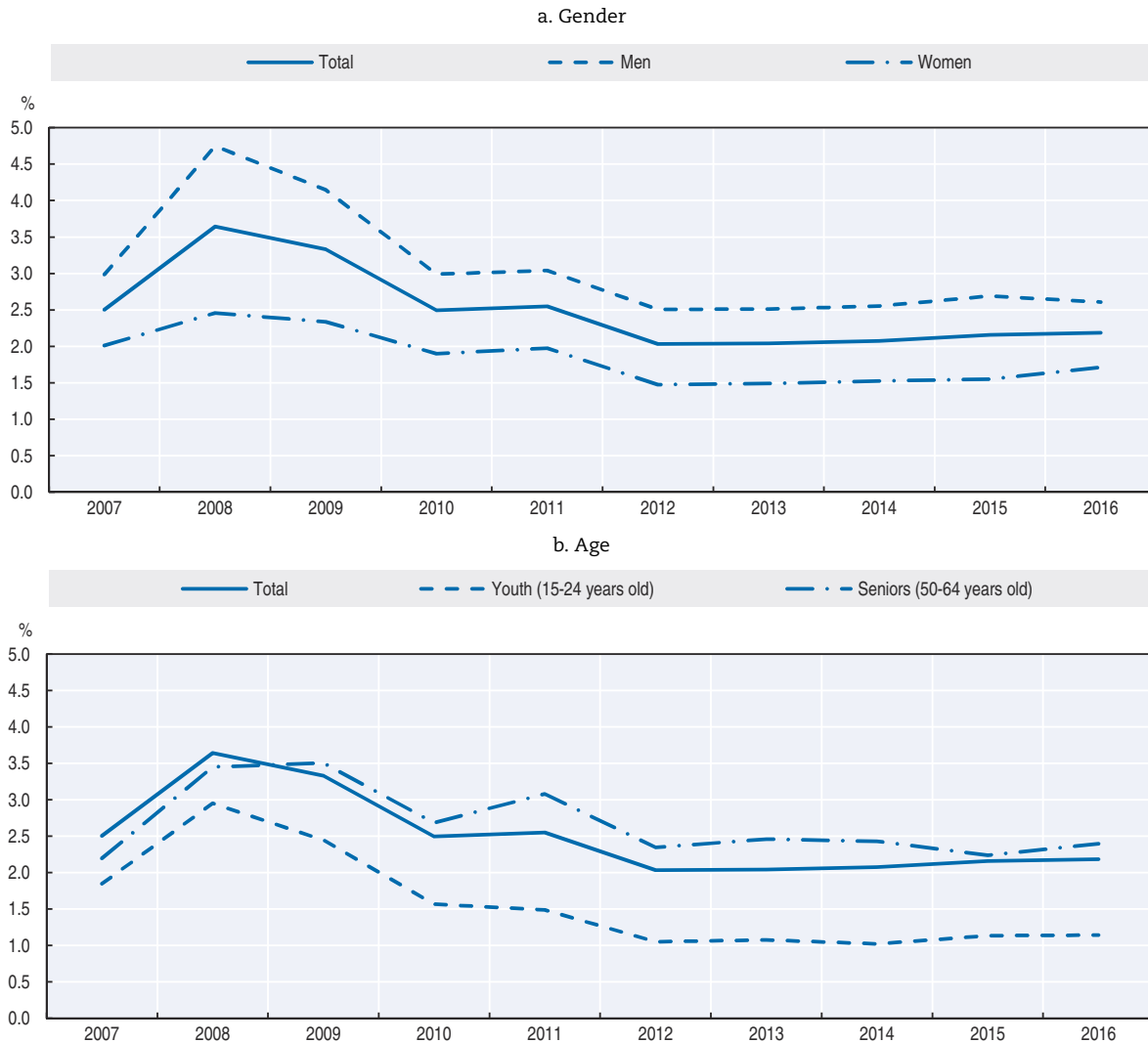


Source: Eurostat (2017a), Labour Force Survey, available at: <http://ec.europa.eu/eurostat/web/lfs/data/database>.

StatLink  <http://dx.doi.org/10.1787/888933624730>

Figures 5.3a and 5.3b present the proportion of unemployed people in the European Union who sought self-employment over the 2007-16 period. Overall, the proportion has declined from a peak of 3.6% in 2008, which followed the onset of the economic crisis. Since 2012, the proportion has been stable at approximately 2%. This trend also holds when examining the proportion by gender (Figure 5.3a). However, a slightly different pattern emerges when comparing the proportion of unemployed youth and seniors who sought self-employment (Figure 5.3b). The peak in the proportion of unemployed seniors seeking self-employment was in 2009 (3.5%), one year later than the peak for unemployed youth (3.0% in 2008).

Figure 5.2. **Proportion of the unemployed seeking self-employment by country, 2016**
 Percentage of the unemployed (15-64 years old)



Source: Eurostat (2017a), Labour Force Survey, available at: <http://ec.europa.eu/eurostat/web/lfs/data/database>.

StatLink <http://dx.doi.org/10.1787/888933624749>

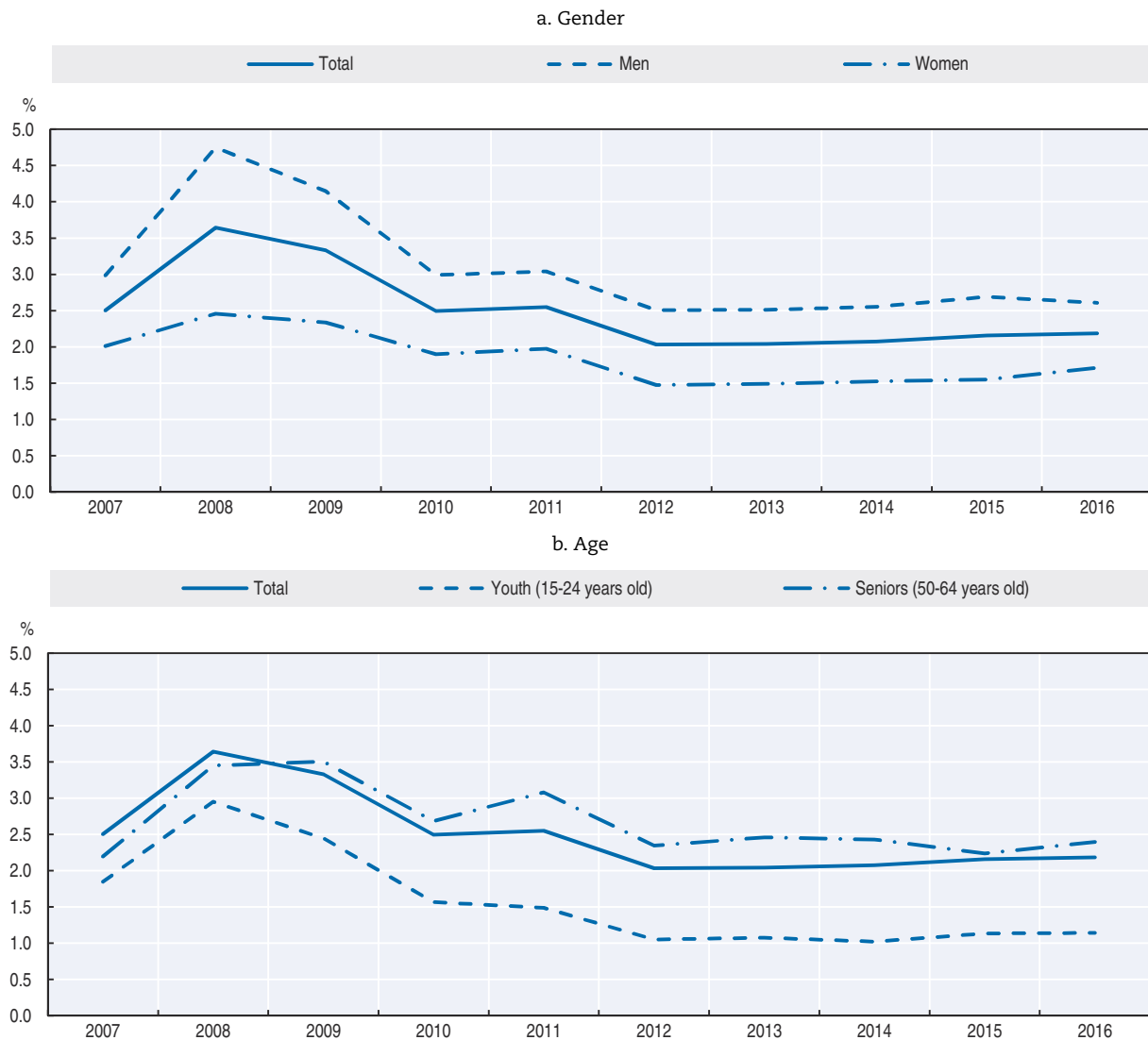
Entering self-employment from unemployment

- More unemployed people return to work in self-employment than the number who intended to, suggesting that many have done so because they could not find employment.
- In 2015, 492 000 unemployed people in the European Union indicated that they were seeking self-employment (2.2% of the unemployed). But in 2016, 634 800 unemployed people had moved into self-employment (3.2% of the unemployed).


There were nearly 22.8 million unemployed people in the European Union in 2015 and 492 000 of these people sought to return to work in self-employment. That is 2.2%, as was also the case in 2016. However, 634 800 people who were unemployed in 2015 had moved into self-employment in 2016 (approximately 3.2%) (Figures 5.4a and 5.4b). This indicates

Figure 5.3. **Proportion of the unemployed seeking self-employment in the European Union, 2007-16**

Percentage of the unemployed (15-64 years old)



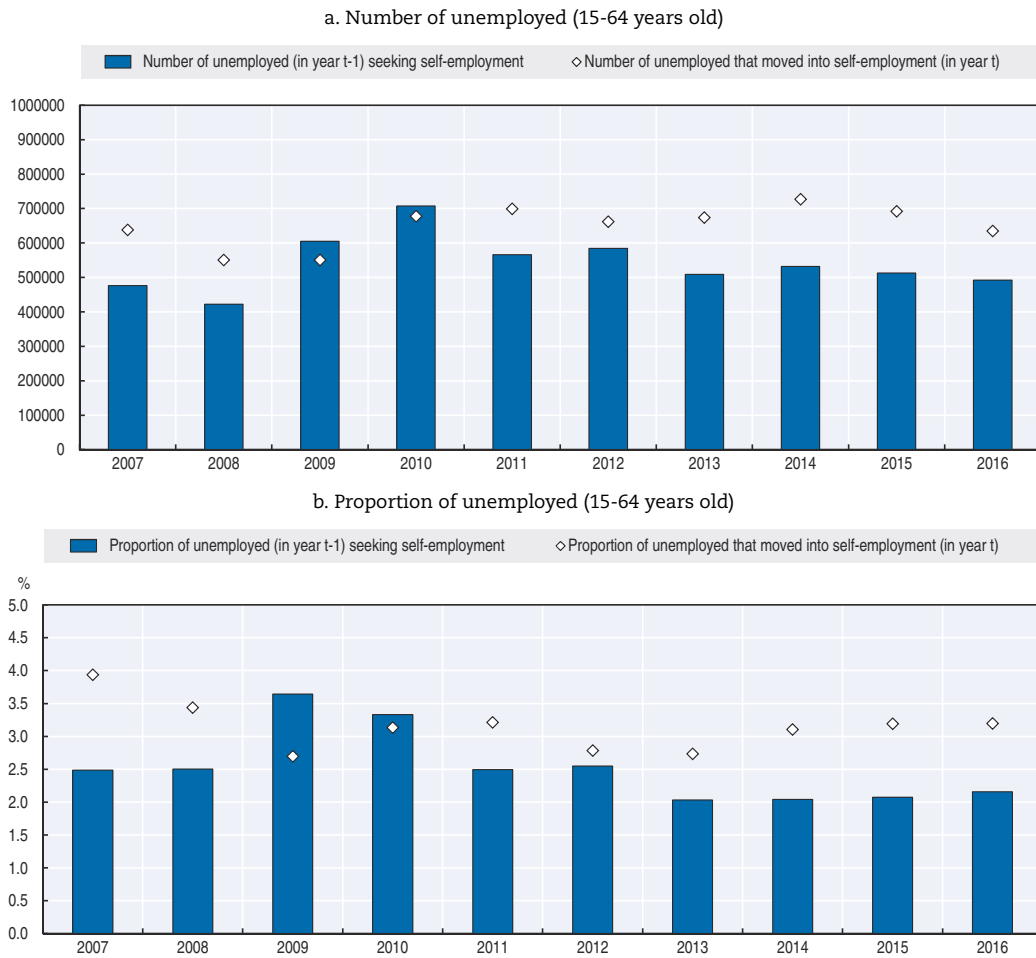
Source: Eurostat (2017a), Labour Force Survey, available at: <http://ec.europa.eu/eurostat/web/lfs/data/database>.

StatLink  <http://dx.doi.org/10.1787/888933624768>

that more unemployed people moved into self-employment than the proportion who sought it, suggesting that nearly one-third of those who transitioned into self-employment did so because they do not have other opportunities in employment. The number of unemployed people moving into self-employment has declined since 2014 (Figure 5.4a) but the proportion has increased slightly (Figure 5.4b) because the total number of unemployed has declined.

Figure 5.5 presents the proportion of unemployed people that moved into self-employment for each European Union Member State. The proportion of unemployed people that made the transition to self-employment ranged from 0.9% in Cyprus to 12.0% in Luxembourg. There appears to be some a reasonably strong correlation across Member States in the proportion of unemployed people who sought self-employment and the

Figure 5.4. **Potential for self-employment by the unemployed in the European Union, 2007-16**

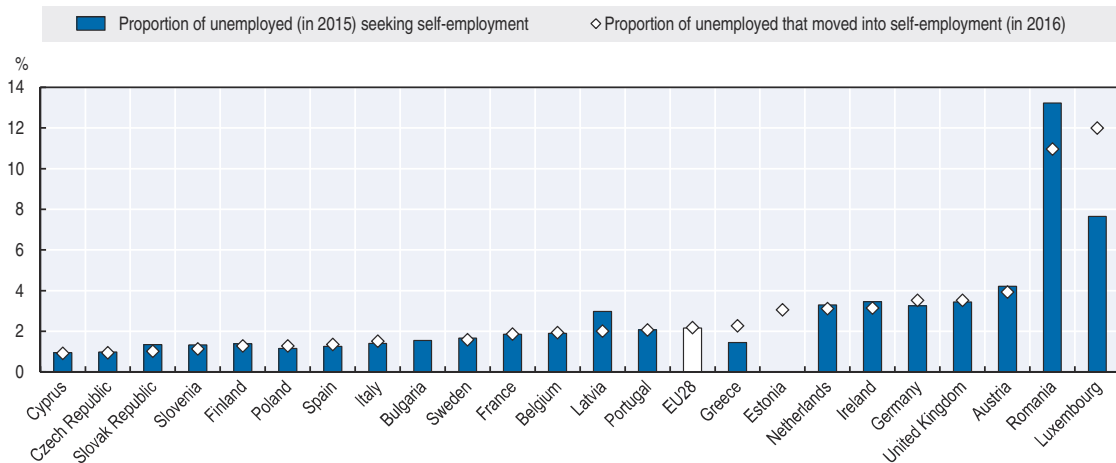


Source: Eurostat (2017a), Labour Force Survey, available at: <http://ec.europa.eu/eurostat/web/lfs/data/database>.

StatLink <http://dx.doi.org/10.1787/888933624787>

Figure 5.5. **Potential for self-employment for the unemployed by country, 2015-16**

Percentage of the unemployed (15-64 years old)



Source: Eurostat (2017b), Special tabulations of the Labour Force Survey 2015-16.

StatLink <http://dx.doi.org/10.1787/888933624806>

proportion that moved into self-employment the following year. The only exceptions were Latvia and Romania, where fewer unemployed became self-employed, and Greece and Luxembourg, where more unemployed people moved into self-employment than expected.

Conclusions

Self-employment is an alternative option to employment for unemployed people seeking to return to work. While the number of people who move from unemployment to self-employment is relatively low, it is an important option because the costs of long-term unemployment or withdrawing from the labour market are very high, both for an economy as well as for the individuals. An economy does not benefit from idle resources (i.e. long-term unemployed people), while long-term unemployed people face diminishing likelihood of finding employment, lower future earnings and career prospects, increased risks of poverty and social exclusion, and face health consequences. It is important for policy to minimise these costs for individuals and the economy. Evaluation evidence from Denmark, France, Germany, Hungary, the Netherlands, Poland, Spain, Sweden and the United Kingdom suggests that businesses started by people from this target group can have similar business survival rates as those started by the mainstream population (OECD/EU, 2014). There is nonetheless a higher risk of displacement with these businesses relative to those started by the mainstream population, i.e. the business captures customers from another business and there is no net economic benefit. To counter this, public policy measures that support business creation by the unemployed need to favour start-ups that have innovative ideas.

For more information and policy discussion on self-employment and entrepreneurship activities by the unemployed, please refer to OECD/EU (2014).

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