



The Missing Entrepreneurs 2019

Policies for inclusive entrepreneurship



About the OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

About the European Union

The European Commission's Directorate General Employment, Social Affairs and Inclusion pursues policy, legislative and financial initiatives to build a highly competitive social market economy in the European Union. Through the implementation of the Europe 2020 Strategy it aims to create more and better jobs, promote skills and entrepreneurship, improve the functioning of the labour markets, confront poverty and social exclusion, modernise social protection systems including pensions, health and long-term care, facilitate the free movement of workers, promote workers' rights, health and safety at work, and protect the rights of persons with disabilities.

About this booklet

This booklet reproduces highlights from The Missing Entrepreneurs 2019 report, the fifth edition in the series of Missing Entrepreneurs reports. The 2019 edition presents updated indicators on entrepreneurship activities and barriers by target group and contains two thematic policy chapters on the potential of digital entrepreneurship for making entrepreneurship more inclusive and increasing the scale-up potential of start-ups by entrepreneurs from disadvantaged groups. These thematic chapters discuss current policy issues and present the range of policy actions current used in EU and OECD countries. The chapters also offer policy advice to national, regional and local policy makers. Finally, the report contains country profiles that highlight recent trends in entrepreneurship by women, youth, seniors and immigrants, key policy issues and recent policy actions in each of the 28 EU Members States.

Find out more

**Find out more about OECD work on
Local Economic and Employment Development**
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**Find out more about European Commission work by
DG Employment, Social Affairs and Inclusion**
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Inclusive entrepreneurship policies are an integral part of inclusive growth

Inclusive entrepreneurship policies and programmes aim to address market and institutional failures preventing equal opportunities in entrepreneurship for those with realistic potential, regardless of origin. This is an important requirement for achieving a new type of growth that is more inclusive, sustainable and people-centred.

Expanding entrepreneurship can create jobs, fight social and financial exclusion, leverage technologies and help respond to economic challenges. Among the key targets of inclusive entrepreneurship policies and programmes are women, immigrants, youth, seniors, and the unemployed, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship.

The Missing Entrepreneurs series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU) discuss how public policies and programmes can support inclusive entrepreneurship.

This includes:

- ◆ Refining regulatory and welfare institutions;
- ◆ Facilitating access to finance;
- ◆ Building entrepreneurship skills through training, coaching and mentoring;
- ◆ Strengthening entrepreneurial culture and networks for target groups, and;
- ◆ Putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way.

Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.



The picture of entrepreneurship is changing

Policy needs to start early to reduce the gender gap in entrepreneurship

Women are almost half as likely as men to be involved in starting a new business. Between 2014 and 2018, 2.9% of women and 5.3% of men in the EU (5.3% of women and 7.9% of men in OECD countries) were actively working to start a business.

There is also a substantial gender gap among those who are already self-employed. In 2018, women were about 60% as likely as men to be self-employed in the EU and this gender gap starts young. Young women (20-29 years old) were about 60% as likely to be self-employed as young men. While the gender gap closed slightly across all age groups since 2002, it was due to a decline in male self-employment rather than growth in female self-employment.

Women entrepreneurs tend to operate different types of businesses than men (e.g. different sectors, work fewer hours) and self-employed women were only about 70% as likely as self-employed men to employ other people in 2018. These differences are explained by many factors, including greater barriers faced in the areas of skills and finance (e.g. women entrepreneurs are only 75% as likely as men to report using bank financing). Unsupportive social attitudes can also reduce the ambitions and intentions of women entrepreneurs.

Policy needs to do more by cultivating women's entrepreneurial aspirations, addressing market failures in the areas of skills and finance, and improving access to networks and support for growth-oriented entrepreneurs.

Senior entrepreneurship holds promise for longer working lives

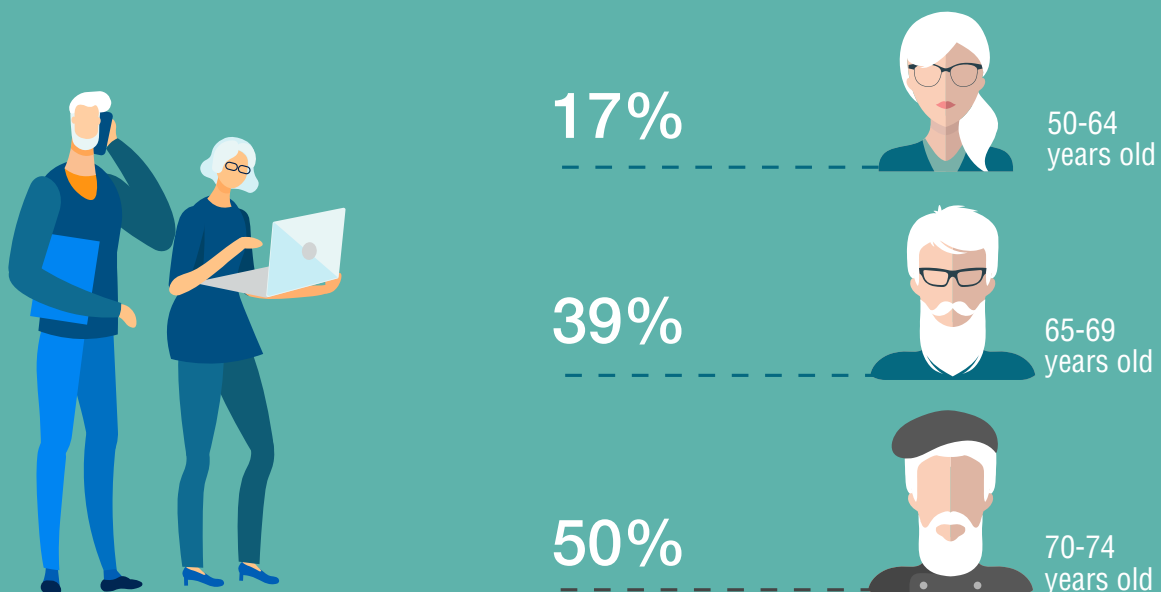
Seniors are the largest group of self-employed people in the EU. In 2018, 14.5 million self-employed people were over 50 years old, accounting for 48% of all self-employed people. This number has grown rapidly over the past decade, especially among those aged 65-74 years old, and this growth will continue as the population ages.

More than 31% of self-employed seniors employ others, so policy makers will need to support business transfers as they retire to prevent the loss of these businesses and jobs. Furthermore, an ageing population puts growing stress on pension and healthcare systems. Entrepreneurship offers an opportunity to extend meaningful working lives, reducing some of these pressures.

Policy can do more to raise awareness about the potential of entrepreneurship among older workers and encourage more senior entrepreneurs to use their experience to support other entrepreneurs.

Seniors are active in self-employment

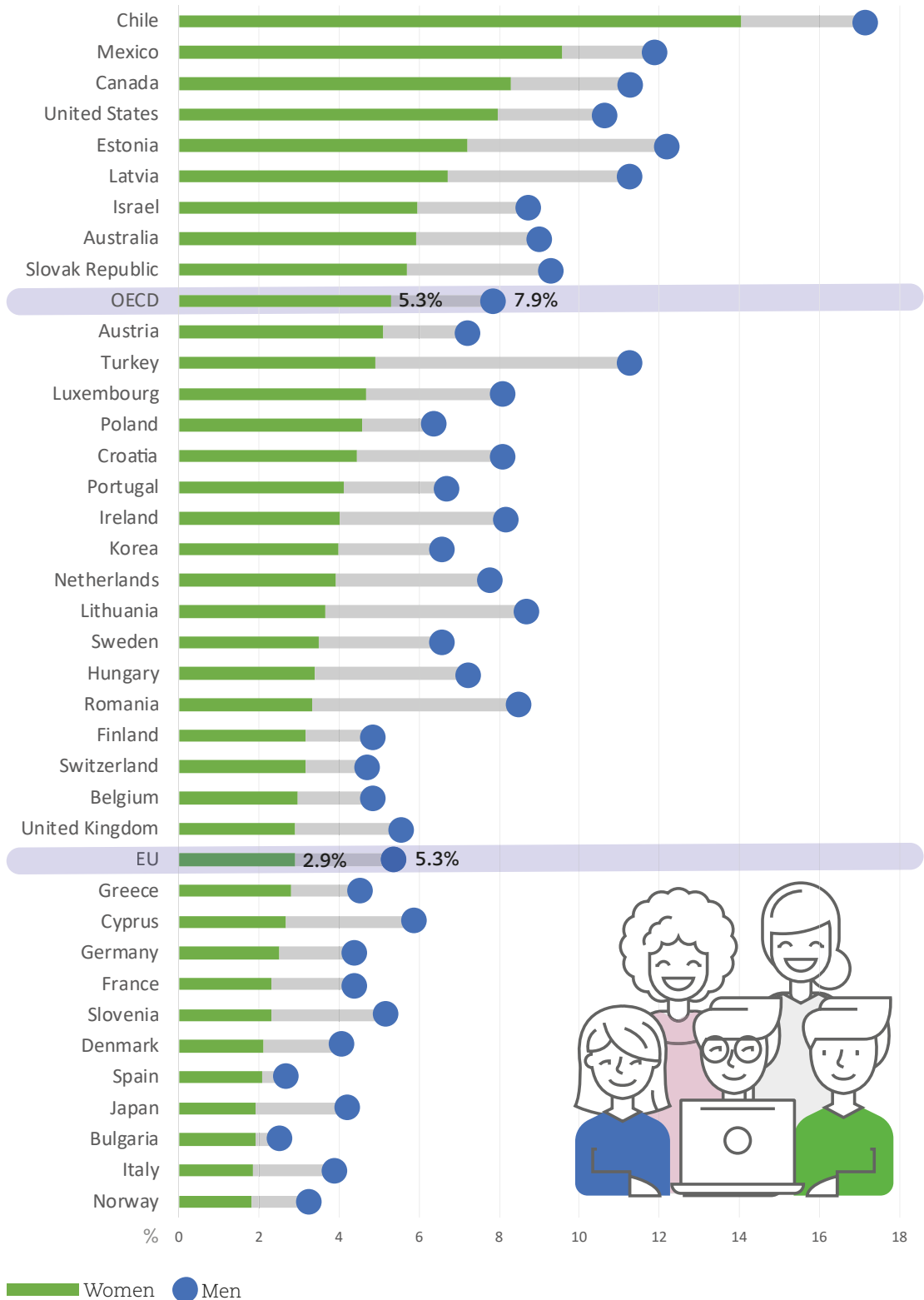
In 2018, working seniors were more likely to be self-employed than the overall adult population (15-64 years old) - 13% for adults.





The gender gap in entrepreneurship

% of women and men involved in business creation



Note: The nascent entrepreneurship rate is defined as the proportion of the adult population (18-64 years old) that is actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months. All EU and OECD countries participated in the GEM survey between 2014 and 2018 except the Czech Republic and Malta. Several countries did not participate in the survey in every year: Australia (2018), Austria (2015, 2017), Belgium (2016-18) Bulgaria (2014), Cyprus (2014-15), Denmark (2015-18), Estonia (2018), Finland (2017-18), France (2015), Hungary (2017-18), Japan (2015-16), Korea (2014), Latvia (2014, 2018), Lithuania (2015-18), Mexico (2018), Norway (2016-18), Portugal (2017-18), Romania (2016-18), Turkey (2014-15, 2017).

Source: Global Entrepreneurship Monitor (2019), Special tabulations of the GEM survey 2014-18.

Many immigrant entrepreneurs create businesses that employ others

Immigrants are another rapidly growing group of entrepreneurs. The number of self-employed immigrants in the EU has nearly doubled since 2002, increasing from 1.9 million to 3.6 million in 2018. While most of this increase is due to growth in the immigrant population more generally, immigrants are about one percentage point more likely to be self-employed than one decade ago. Nearly one-third of these self-employed immigrants are job creators, which is slightly below the proportion of non-immigrants. Moreover, this share is trending downwards.

Policy makers need to ensure that this entrepreneurial talent is harnessed by adapting policies and programmes to the needs of immigrant entrepreneurs, notably by providing language training and supporting the development of stronger entrepreneurship networks.

Entrepreneurship is a path out of unemployment

Entrepreneurship offers some a potential route out of unemployment. In total, 563 600 of the self-employed in the EU in 2018 had been unemployed in 2017. While the majority of the unemployed enter the labour market through employment, the potential of entrepreneurship should not be neglected for those who are motivated to start a business and have access to adequate resources.

Policy makers should seek to stimulate ambitions for self-employment among a greater share of the unemployed. Evidence from France suggests that reforms to the unemployment insurance system can stimulate business creation by the unemployed without reducing the quality of businesses started.

It is also important for policy makers to offer pathways to business creation for the unemployed quickly since interest in business creation is highest for those who have been unemployed for short periods of time.

The number of self-employed immigrants is increasing in the EU

This growth was driven by a 47% increase in the number of self-employed immigrant women.

1.9
million in 2002

vs.

3.6
million in 2018



Nearly half of youth are interested in self-employment but...



4.7%
of youth

In the EU, 4.7% of youth (18-30 years old) were actively working on setting up a business between 2014 and 2018, compared to 4.0% overall.

Youth have high ambitions for entrepreneurship

While nearly half of youth express an interest in entrepreneurship, only 4.7% of youth in the EU (7.4% in OECD countries) were actively trying to start a business between 2014 and 2018. Those who successfully start a business tend to be more growth-oriented than older entrepreneurs. About 11.1% of new youth entrepreneurs in the EU (14.6% in OECD countries) reported that they expected that their new business would create at least 19 jobs over the next five years compared to 9.8% (13.5% in OECD countries) of new entrepreneurs overall. Yet, business survival rates for youth entrepreneurs tend to be low and few create jobs for others.

Policy makers could do more to help youth entrepreneurs create sustainable businesses by supporting innovative ideas, which will increase the chances of success.



Recent inclusive entrepreneurship policy developments

Inclusive entrepreneurship objectives are increasingly visible in strategic policy documents across the EU

Inclusive entrepreneurship policy interventions span different policy portfolios. While no EU Member State has a standalone “inclusive entrepreneurship” strategy, virtually all Member States include inclusive entrepreneurship policy objectives in national strategic documents and action plans. Strategic documents are also commonly prepared sub-national and local levels.

Inclusive entrepreneurship objectives are being introduced into strategic entrepreneurship documents in three main ways:

- ◆ **Group-specific entrepreneurship strategies.** About one-third of EU Member States have such strategies in place for women’s entrepreneurship and/or youth entrepreneurship. This approach is also used in non-EU OECD countries (e.g. Women entrepreneurship strategy in Canada).
- ◆ **Inclusive entrepreneurship priorities within general entrepreneurship or business development strategies.** This approach is used by more than half of EU Member States (e.g. Bulgaria’s Entrepreneurship 2020 action plan includes targeted actions for youth and women).
- ◆ **Entrepreneurship objectives within target group-specific strategic documents.** This is the most common approach across the EU, used in nearly two-thirds of EU Member States. This is particularly common in support of youth entrepreneurship, notably through Youth Guarantee Implementation Plans.

These approaches are not mutually exclusive, and many governments use a combination of different approaches. However, few to define targets so that progress can be measured.

Support to student entrepreneurship is growing, often in relation to innovation objectives

With the onset of the economic crisis in 2008, youth unemployment increased rapidly and the number of initiatives introduced to support NEETs increased in the EU. Many of these schemes focussed on business creation with the objectives to support youth in creating their own jobs and to increase their employability through upskilling.

With improving labour market conditions for youth, there is currently less emphasis on supporting unemployed youth in entrepreneurship and a greater focus on youth entrepreneurship programmes that stimulate innovation. These interventions commonly take the form of training, mentoring and business incubation services as well as entrepreneurship competitions, and are often targeted at students or higher education graduates. Countries such as France and Belgium have gone further by creating a legal status for student entrepreneurs, which provides some relief for young entrepreneurs in terms of taxation and social security contributions.

Efforts to strengthen parental leave for the self-employed are ongoing

Self-employed workers are legally eligible for some type of paid maternity leave scheme in most EU Member States but access remains insufficient in practice. Schemes vary widely in terms of access criteria (e.g. previous contributions, minimum number of worked hours) and entitlements. Across the EU, an estimated 46% of self-employed women between 15 and 49 years old were at risk of not qualifying for maternity benefits in 2014, compared to 8% of employed women overall (in this age group). The European Commission’s “Council Recommendation on Access to Social Protection for Workers and the Self-employed” (adopted on 8 November 2019) seeks to increase effective coverage for all-workers and close gaps in entitlements.

Some EU Member States are also working to make maternity leave more responsive to the needs of entrepreneurs. For example, self-employed women in Austria may qualify for a subsidy to hire a replacement during maternity leave.



Can digital entrepreneurship increase inclusiveness?

Digital transformation is radically altering the way businesses function and organise production. The advance of new digital technologies such as the Internet of Things, Blockchain, Artificial Intelligence, Big Data, Cloud Computing, Next-generation Wireless Networks and more, drives this transformation. Each of these is enabled by dramatic increases in computing power and a simultaneous decline in cost.

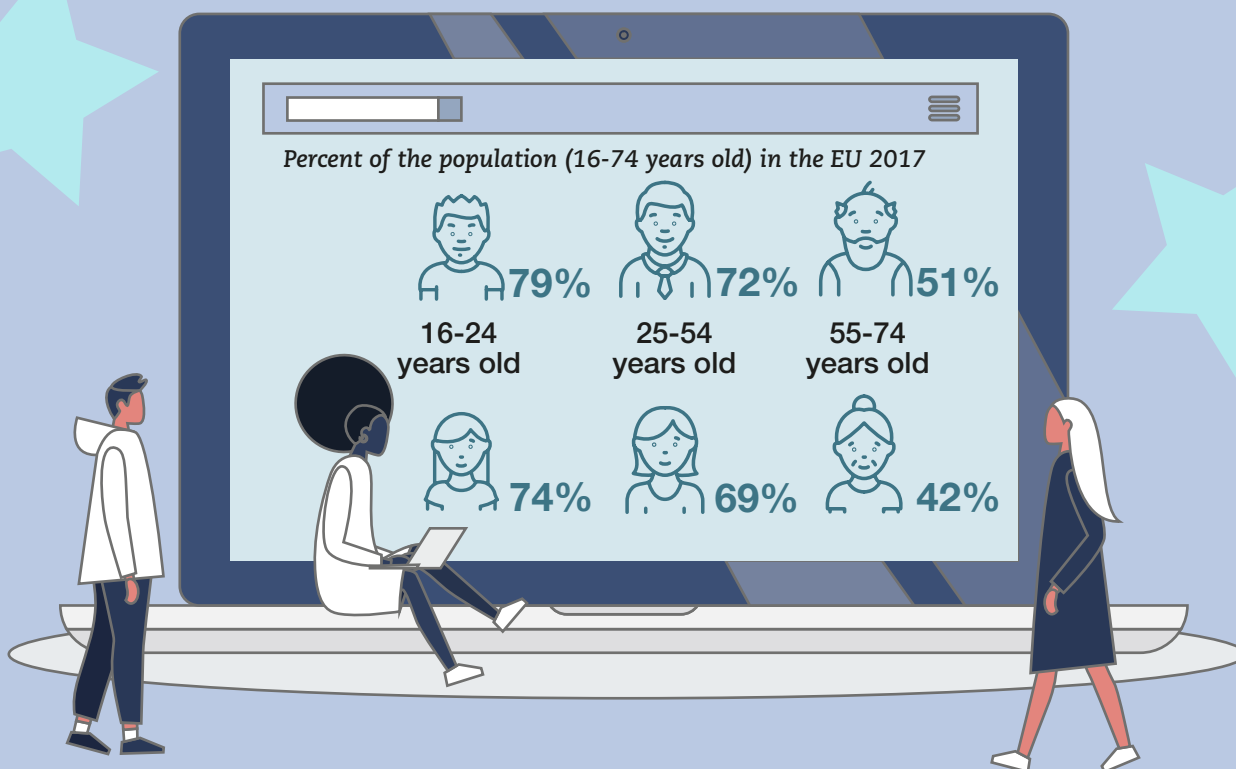
Digital entrepreneurship – the creation of digital businesses and the adoption of digital technologies by existing entrepreneurs – may hold potential for helping to make entrepreneurship more inclusive. However, women, youth and seniors are under-represented among digital entrepreneurs in the EU due to several factors including few digital entrepreneurship role models and lack of digital skills. These challenges appear to affect seniors and women disproportionately – only 51% of men and 42% of women between 55 and 75 years old use computers daily. These digital barriers compound traditional barriers to business creation faced by these groups.

Digital entrepreneurship will not be a panacea for making entrepreneurship more inclusive but public policy can play a role in addressing obstacles to the creation of digital businesses by potential entrepreneurs from under-represented and disadvantaged groups. Most schemes that are offered in EU Members States are focussed on supporting women, youth and immigrants (e.g. Female entrepreneurs of the future in Germany), which are the groups that are the most likely to have digital skills.

What should policy makers do?

Policy makers must do more to address the digital-specific barriers in parallel to addressing traditional barriers to business creation, including building both digital and entrepreneurial skills. It is also important to build a more inclusive culture towards digital start-ups, including through the promotion of diverse role models. These actions need to be complemented with broader initiatives aimed at improving digital connectivity, stimulating digital innovation, and strengthening the regulatory environment for digital businesses.

Young people are most likely to be regular users of computers



Improving the growth potential of entrepreneurs from under-represented groups

Scale-ups are important for job generation and innovation but some parts of the population are under-represented in growth-oriented businesses. Most country-level evidence shows that entrepreneurs from under-represented and disadvantaged groups are, on average, less likely to operate high-growth firms.

Entrepreneurs from disadvantaged groups face similar barriers to scale-up as other entrepreneurs, but often to a greater extent. Key barriers include a lack of skills, networks and finance to facilitate business growth. Further, they are also less likely to express motivation to grow their business. A key barrier that policy needs to seek to address is a lack of motivation for scaling-up. For example, between 2014 and 2018, new female entrepreneurs in the EU were only 44.7% as likely as new male entrepreneurs (57.5% in OECD countries) to expect to create at least 19 jobs over the next five years.

For inclusive entrepreneurship, the concept of scale-up should be extended beyond rapid employment and revenue growth to include less dramatic growth. This approach also provides social impacts including job creation and is more achievable for a wider range of entrepreneurs.

What should policy makers do?

Dedicated policy actions have been introduced to address the barriers to scale-up, and some target women and youth entrepreneurs. However, these schemes need to be better linked to other business support such as business incubators and accelerators. Policy also needs to do more to build growth ambitions among under-represented groups using inspiring role models from the target group populations and provide more business management training for groups with sufficient programme demand (e.g. women, youth). Access to finance for business growth can be improved by supporting dedicated business angel networks and addressing gender biases in risk capital decision-making. Policy-makers must also reduce disincentives in regulations about access to welfare benefits (e.g. unemployment insurance benefits) and tax measures (e.g. income splitting in households), which can also have a negative impact on business growth for inclusive entrepreneurship policy target groups.

Women entrepreneurs are less likely to have high-growth ambitions

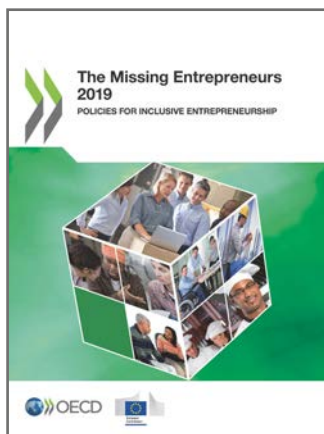
12.3%
of men

vs.

5%
of women

in the EU expect to create at least 19 jobs over the next 5 years





The full book is accessible at

OECD/EU (2019), *The Missing Entrepreneurs 2019: Policies for inclusive entrepreneurship*, OECD Publishing, Paris,

<https://doi.org/10.1787/3ed84801-en>

www.oecd.org

