

Inclusive Entrepreneurship Policies,
Country Assessment Notes

Latvia

2020

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Foreword

Inclusive entrepreneurship policies seek to ensure that everyone has an opportunity to create a sustainable business for those with realistic potential, regardless of their background. Business creation by people from under-represented and disadvantaged groups (e.g. women, youth, seniors, immigrants, the unemployed, people who experience disability) helps generate jobs, thereby fighting social and financial exclusion while stimulating economic growth.

These policies have become much more relevant with the COVID-19 pandemic, which has led to rapidly increasing unemployment and inactivity. Addressing this jobs crisis is one of the top policy priorities in European Union and OECD countries and inclusive entrepreneurship schemes have strong potential for moving some unemployed people back into work. Moreover, these policies can be leveraged to help re-boot economies as there is untapped growth potential among some of the target groups.

This note is the fourth country assessment note prepared by the Organisation for Economic Co-operation and Development (OECD) in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each EU Member State. Each note provides an overview of the entrepreneurship activities by women, youth, seniors, immigrants and the unemployed. It also provides an assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment, and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector.

The 2020 notes include a special section on entrepreneurship support for people who experience disability. This section provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses. It also contains a new section on entrepreneurship framework conditions to provide additional context for interpreting the tailored policies and programmes.

These country-specific notes are part of a wider programme of work by the OECD and the European Commission that includes “The Missing Entrepreneurs” publications, the Better Entrepreneurship Policy Tool (www.betterentrepreneurship.eu), a series of Policy Briefs on specific target groups, policies and issues, and national policy reviews of youth entrepreneurship and women entrepreneurship. This work stream examines 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. For more information please refer to: www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.

Acknowledgements

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes were prepared by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director, as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme, led by Karen Maguire, Head of Division. They provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

This note was prepared by Professor Arnis Sauka of the Stockholm School of Economics in Riga. David Halabisky of the OECD CFE edited the note under the direction of Dr. Jonathan Potter, also of the OECD CFE.

An online seminar was organised to review the draft note on 3 July 2020. Feedback was received from representatives of the Ministry of Welfare, State Employment Agency and the Free Trade Union Confederation of Latvia.

Much of the data contained in this note were prepared under the direction of Dr. Jonathan Levie of the Global Entrepreneurship Monitor.

Finally, this note benefited from feedback and suggestions provided by Julien De Beys and Guy Lejeune of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

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Key messages

- Entrepreneurship framework conditions are generally favourable in Latvia. Business entry and exit rates are quite high, and start-ups face very little administrative burden. Moreover, the population is above average in terms of reporting that they have entrepreneurship skills.
- Self-employment rates are above the European Union (EU) averages for women, youth and seniors. Similarly, the proportion of the population involved in setting up a business or managing a new business is relatively high.
- Overall, there are about 170 000 early-stage entrepreneurs, i.e. those who are actively working towards a new business. Youth (18-30 years old), in particular, are very active in early-stage entrepreneurial activities in Latvia as compared to the EU average.
- Eliminating the gaps in activity rates across groups (i.e. applying the early-stage entrepreneurship rate of men who are 30-49 years old to the whole population) would result in an additional 84 000 early-stage entrepreneurship. About 80% of these “missing” entrepreneurs are female and 70% are over 50 years old. However, there are virtually no “missing” youth entrepreneurs.
- Inclusive entrepreneurship policies in Latvia are focussed on assisting the unemployed in business creation. The objectives of these policies and programmes are well-defined, although the actions are very small-scale. Strategies and objectives for supporting other target groups such as youth, women, migrants or older people as well as people who experience disability have not been developed and tailored support schemes (e.g. training, coaching and mentoring, loan guarantees) are not available. These social target groups, however, can access mainstream entrepreneurship support programmes.
- To further strengthen inclusive entrepreneurship policies and programmes, the following actions are recommended:
 - Scale-up support offered under the “Measure for Commencing Commercial Activity or Self-employment in Latvia”, especially for the unemployed in the context of expected economic downturn as a result of COVID-19 pandemic;
 - Adjust entrepreneurship training provided through the State Employment Agency to the needs of different target groups;
 - Work with private sector financial institutions to increase the availability of microcredit with the support of the European Union’s EaSI Programme; and
 - Improve the dissemination and tailoring of information on business start-up to people from under-represented and disadvantaged groups who are interested in business creation.

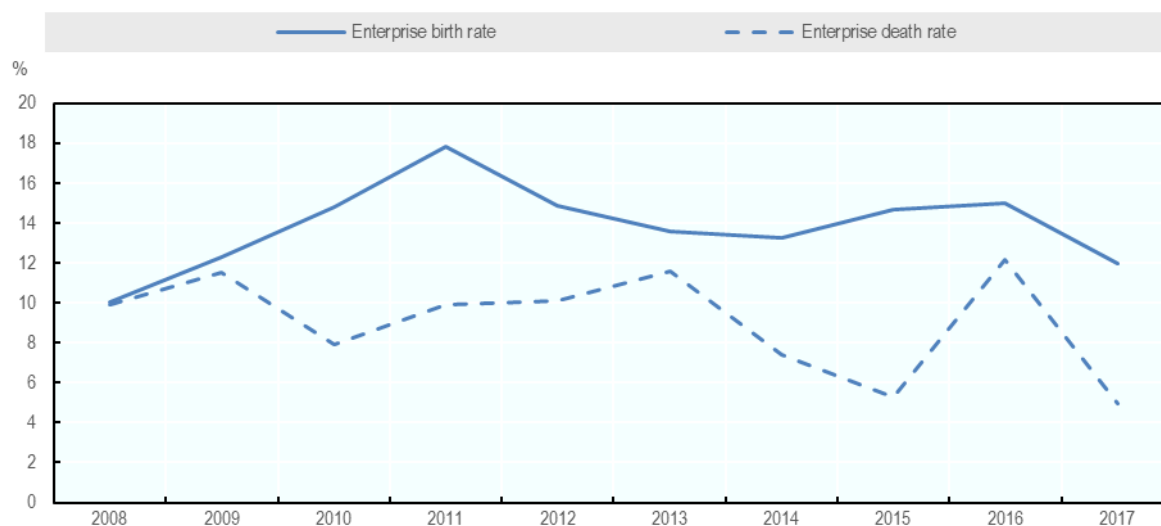
1 Inclusive entrepreneurship trends

Conditions for entrepreneurship

Business entry and exit rates are high relative to most European Union (EU) Member States. Since 2008, the business population has grown steadily since entry rates have always exceeded exit rates (Figure 1.1). While business entry rates nearly doubled following the onset of the financial crisis in 2008-09, business exit rates have remained relatively stable.

It is important to note that the informal economy accounts for a high share of GDP – some estimates are as high as 22% (OECD, 2019). These informal economic activities provide income to many people but undermine fair competition. The informal sector is generally viewed as an obstacle to foreign investment and firm expansion and the government has made considerable efforts to reduce informality. Actions include intensifying tax audits, labour controls, sanctions and fines. Co-ordination among tax authorities, labour inspectors and customs has also been strengthened and a better use of ICT for tax compliance is planned.

Figure 1.1. Business entry and exit rates



Note: Enterprise birth rate is the share enterprise births in the reference period (t) divided by the number of enterprises active in t. Enterprise death rate is the share enterprise deaths in the reference period (t) divided by the number of enterprises active in t. The construction sector is excluded from these rates.

Source: Eurostat (2020), Business demography statistics, <https://ec.europa.eu/eurostat/web/structural-business-statistics/data/main-tables>.

Latvia's regulatory framework performances are in many respects on par, or above, EU median. The administrative burden for new start-ups is very low (Figure 1.2). This strong position has been strengthened further by actions such as the new Business Environment Plan (2019-21), which extends many of the

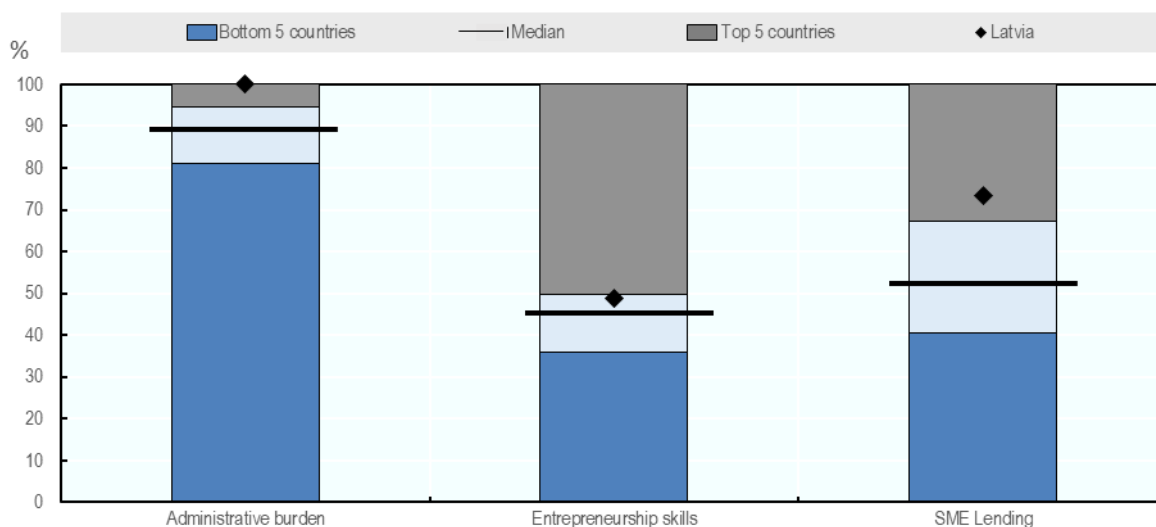
action introduced under the 2017 Action Plan for Business Environment Improvement (e.g. improved online business registration; the digitalisation of public services). In addition, a 2018 tax reform sought to increase tax predictability until 2021 with differential treatment for SMEs and start-ups.

The share of the population that reports having sufficient skills and knowledge to start a business is above the EU average (Figure 1.2). This is in contrast to the below average levels of adult literacy, access to training and student proficiency. It is likely that the relatively large informal sector has a positive influence on the confidence of people to start businesses, although a very low level of administrative burden on start-ups also contributes to a large share of the population believing that they can start a business.

There was a sharp decline in SME lending in the aftermath of the financial crisis and followed a lower level stable pattern in recent years, despite a historically low interest rate. Nonetheless, SMEs account for a large share of outstanding bank loans (Figure 1.2), although equity and short-term non-bank liabilities (e.g. trade payables) are the primary source of funding for smaller firms. The government has prioritised improving SME access to finance over the past five years. ALTUM, the national development financing institution, introduced start-up and micro loans in 2016 and portfolio guarantees in 2017. Since 2017 as well, long-term export credit guarantees complement short-term guarantees. Seven venture capital funds backed by EU structural funds for a total EUR 75 million and a minimum EUR 30 million from private sources began operations in 2018.

Figure 1.2. Conditions for business creation

Ranking relative to other European Union Member States, 2019



Note: The median score reported represents the median among EU Member States. Administrative burden is a score of 1 to 6 given to a country to reflect the relative scale of the administrative burden that new start-ups face. Entrepreneurship skills is the share of the population who report that they have the skills and knowledge to start a business. This indicator is an average of the period 2015-19. SME lending is share of loans to SMEs as a percentage of total outstanding business bank loans.

Source: World Bank (2019), Ease of Doing Business Survey; GEM (2020); Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD; OECD (2020), Financing SMEs and Entrepreneurs 2020.

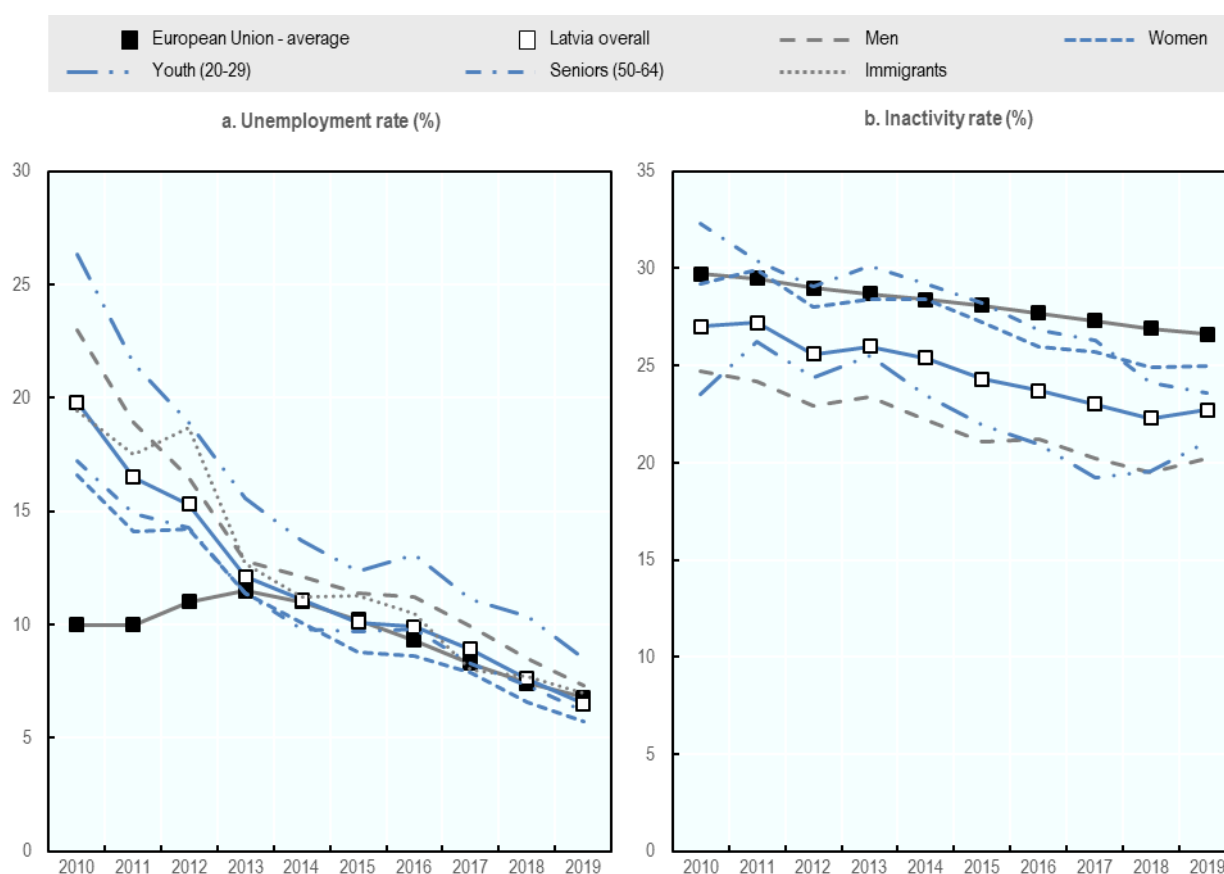
Recent labour market trends

The unemployment rate has decreased considerably in Latvia since 2010 but remained slightly above the European Union (EU) average in 2019 (6.5% vs. 6.8%) (Figure 1.3). The youth unemployment rate was among the highest in the EU following the economic crisis after 2008. However, it has fallen substantially in recent years, from 36.2% in 2010 to 10.8% in 2019.

At the same time, inactivity rates have declined slightly over the past decade. Overall, the inactivity rate was 22.7% in 2019, which was below the EU average of 26.6%. Inactivity rates declined for all population groups, except for youth. After increasing to more than 26% in the aftermath of the financial crisis, the inactivity rate for youth declined to pre-crisis levels by about 2016. However, the inactivity rates for youth increased slightly between 2017 and 2019, falling to 21.1% in 2019.

Figure 1.3. Unemployment and inactivity

Proportion of the labour force that is unemployed and proportion of the working age population that is inactive



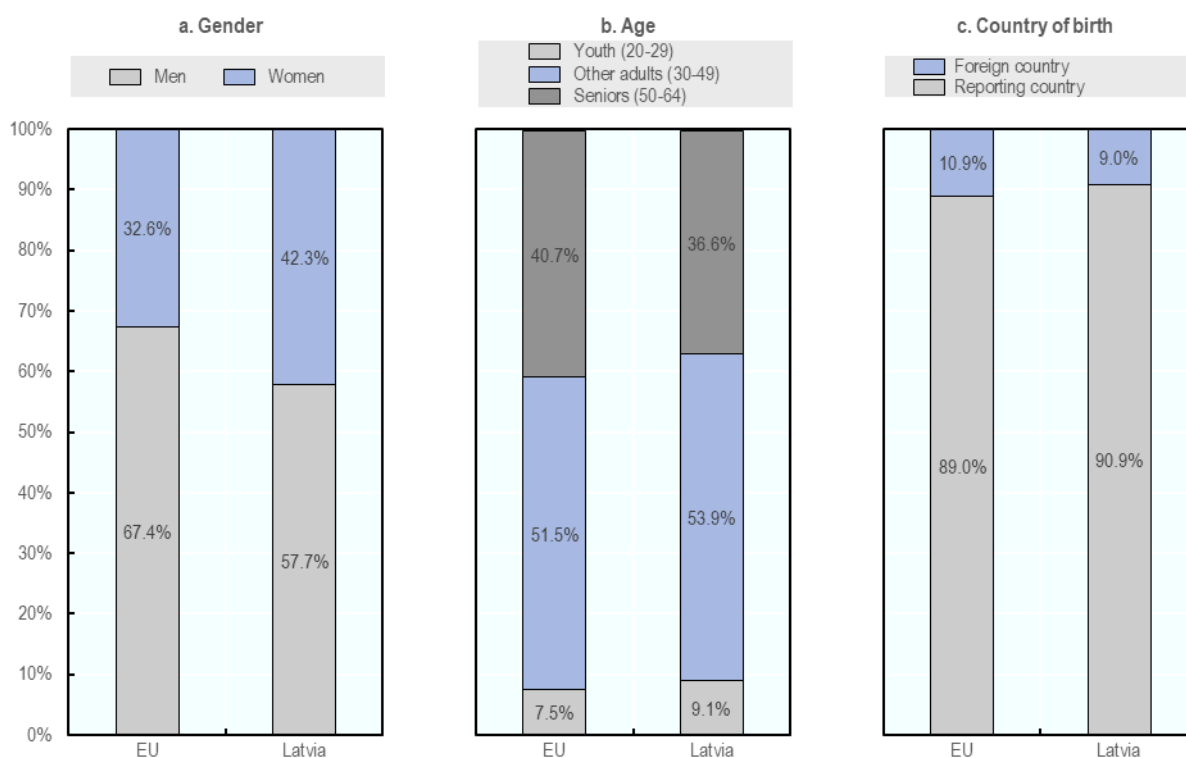
Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Self-employment activities

The self-employed population is more gender balanced than the EU average (Figure 1.4). In 2019, slightly more than 40% of the self-employed were women relative to only one-third in the EU. Moreover, about half of the self-employed were core age (30-49 years old), while 37% were over 50 years and less than 10% were under 30 years old. These age distributions are similar to the EU average. Moreover, about 9% of the self-employed were immigrants. This was about the same proportion of the EU average.

Figure 1.4. Composition of the self-employed

Proportion of self-employed workers, 2019

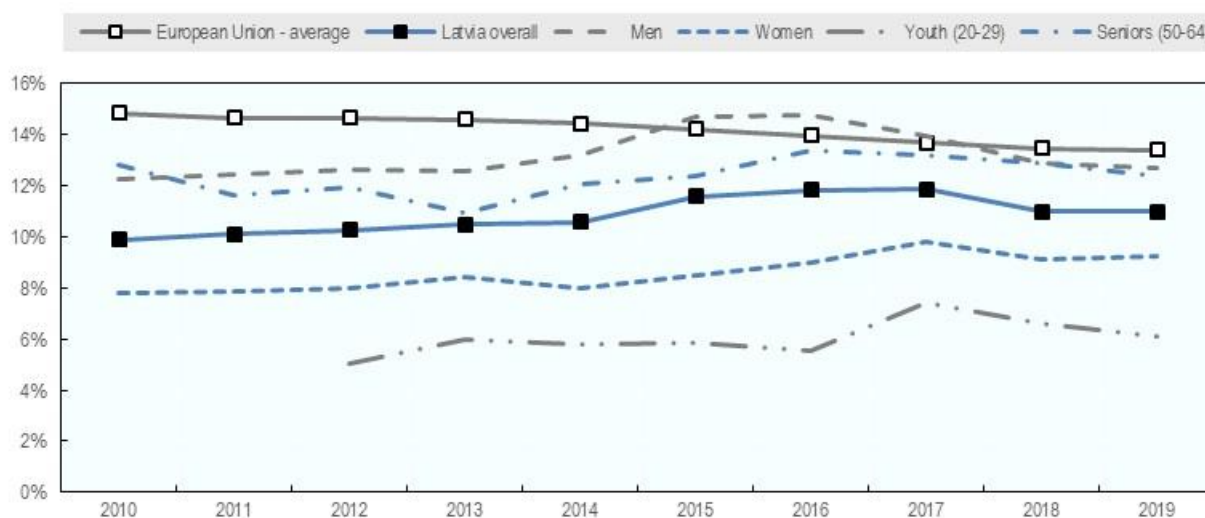


Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The self-employment rate was slightly below the average rate for the EU in 2019 (11.0% vs. 13.4%) (Figure 1.5). The rate has increased over the last decade in Latvia, whereas it was essentially constant at the EU level. The increase of the self-employment rate was particularly strong for youth over the past 15 years – it increased from 2.2% in 2006 to 6.1% in 2019. A gender gap is also visible in the share of those in employment who are self-employed. In 2019, 12.7% of men were self-employed whereas 9.3% of women were.

Figure 1.5. Self-employment rate

Proportion of employment that is self-employed



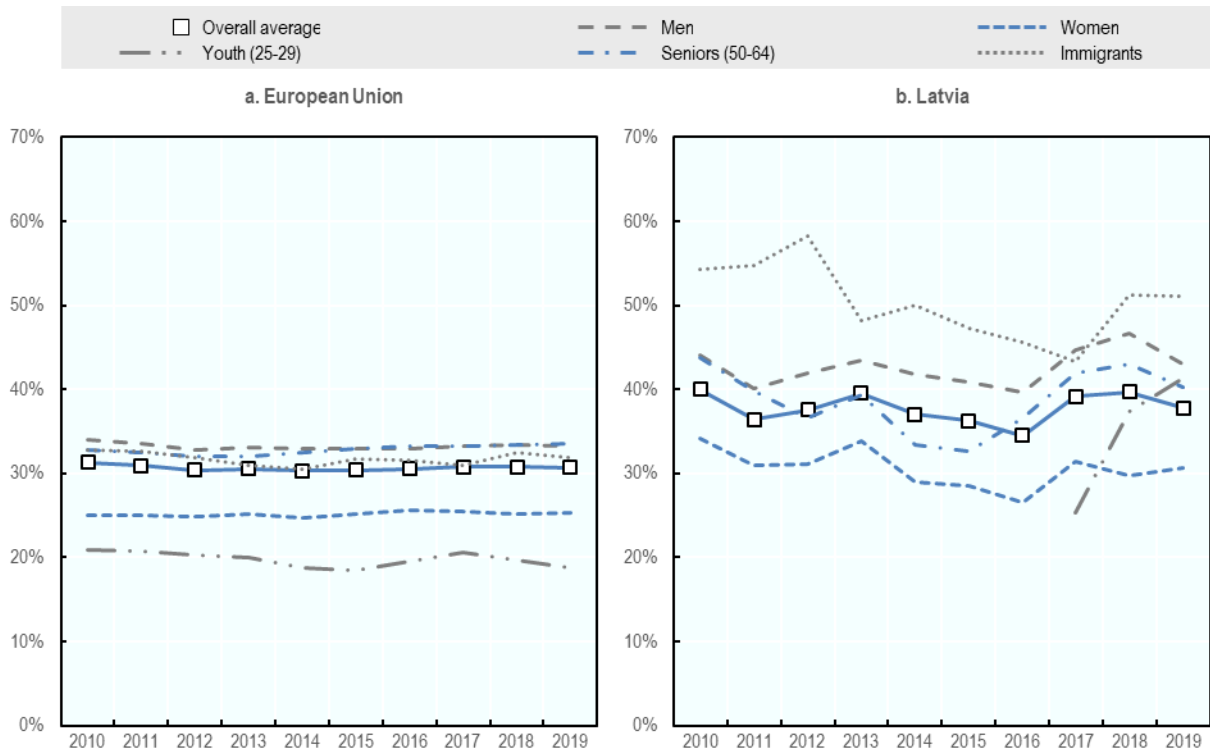
Note: Data for youth for 2010 and 2012 includes data of low reliability for the age group 20-24.

Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Overall, nearly 40% of the self-employed employed other people in 2019. This was above the EU average (30.7%) (Figure 1.6). Self-employed people from all of the large target groups (i.e. women, youth, seniors, immigrants) were more likely to have employees than the EU averages for each group. However, self-employed men were more likely to have employees than self-employed women (42.9% vs. 30.7%). Moreover, the shares of older self-employed people (40.3%) and self-employed immigrants (51.2%) were substantially above the EU average.

Figure 1.6. Self-employed as employers

Proportion of the self-employed who employ others

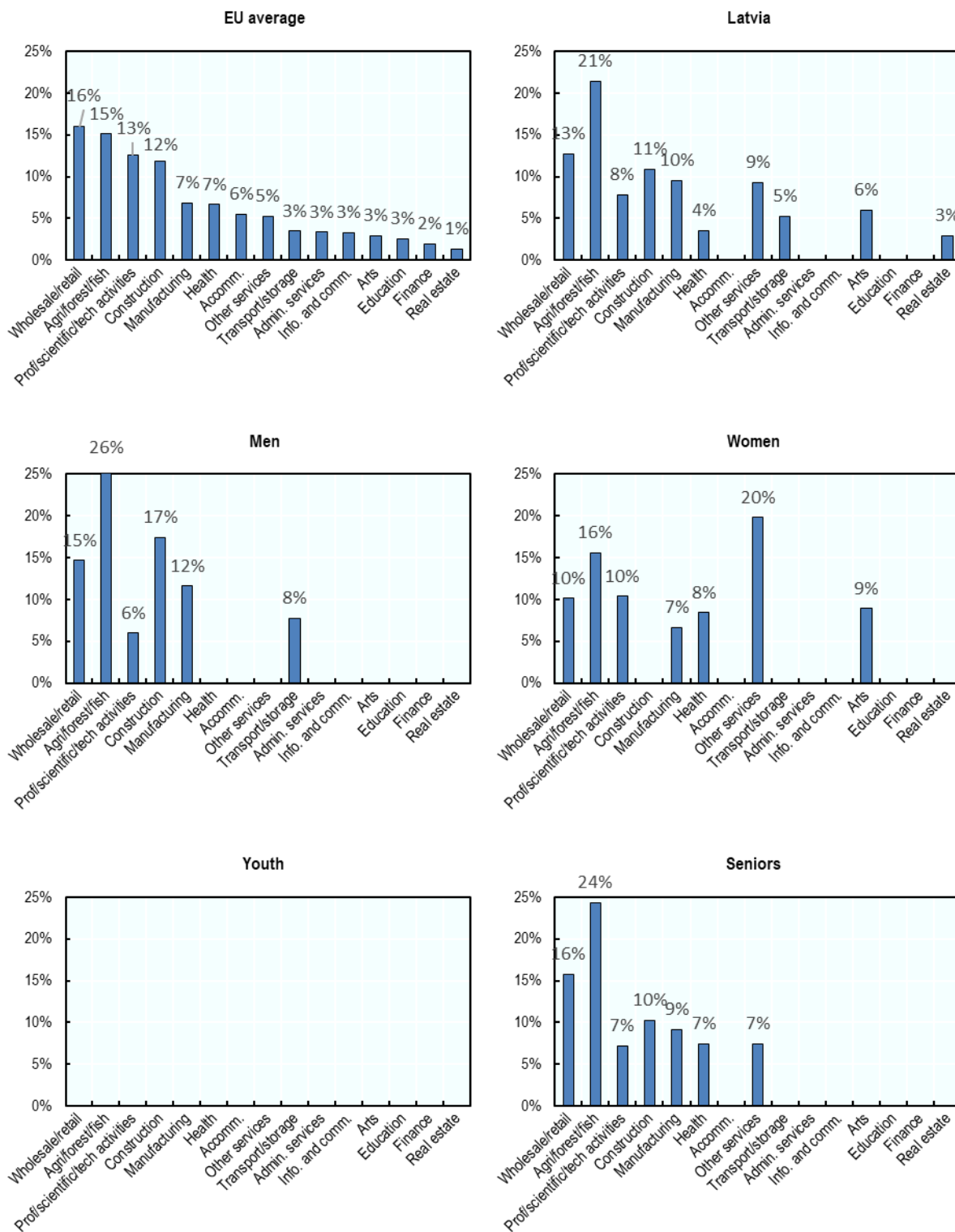


Note: Data for youth covers the age group 25-29 years old.
 Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The majority of self-employment activities are in agriculture, wholesale and retail, and construction industries (Figure 1.7). Some gender differences are observed. For example, self-employed men were much more likely to be working in agriculture as compared to women (25.7% vs. 15.6%). Data by age are incomplete due to the quality of the estimates so it is difficult to identify how self-employment activities vary by age.

Figure 1.7. Self-employment by economic activity

Distribution of the self-employed by sector, 2019

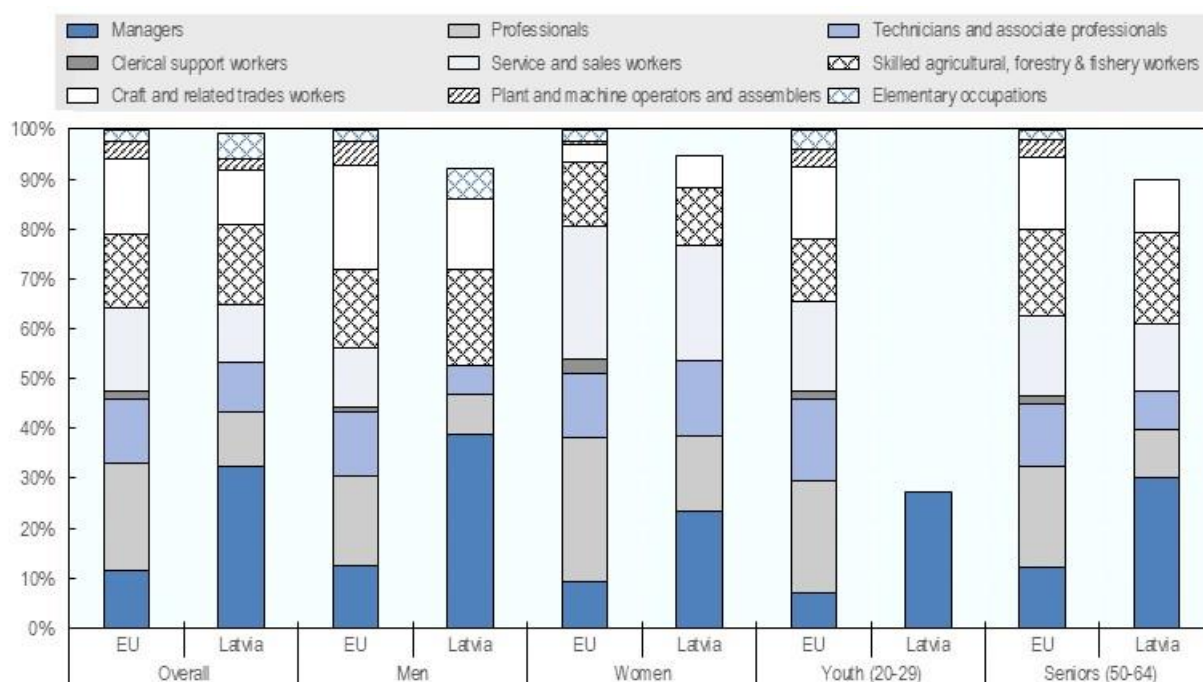


Note: Reliable data for youth are not available and some data for men, women and seniors are suppressed due to the quality of the estimates.
 Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The self-employed were much more likely to be working as managers in 2019 relative to the EU average (32.3% vs. 11.4%) but less likely to be as professionals (10.9% vs. 21.6%) (Figure 1.8). Self-employed women were almost half as likely as men to work as managers (23.3% vs. 38.9%) but were twice as likely to be professionals (15.1% vs. 7.8%) in 2019. There were also strong gender differences among self-employed in craft and related trades workers (6.4% of self-employed women were working in this occupation relative to 14.3% of men) in 2019.

Figure 1.8. Self-employment by occupation

Distribution of the self-employed by occupation

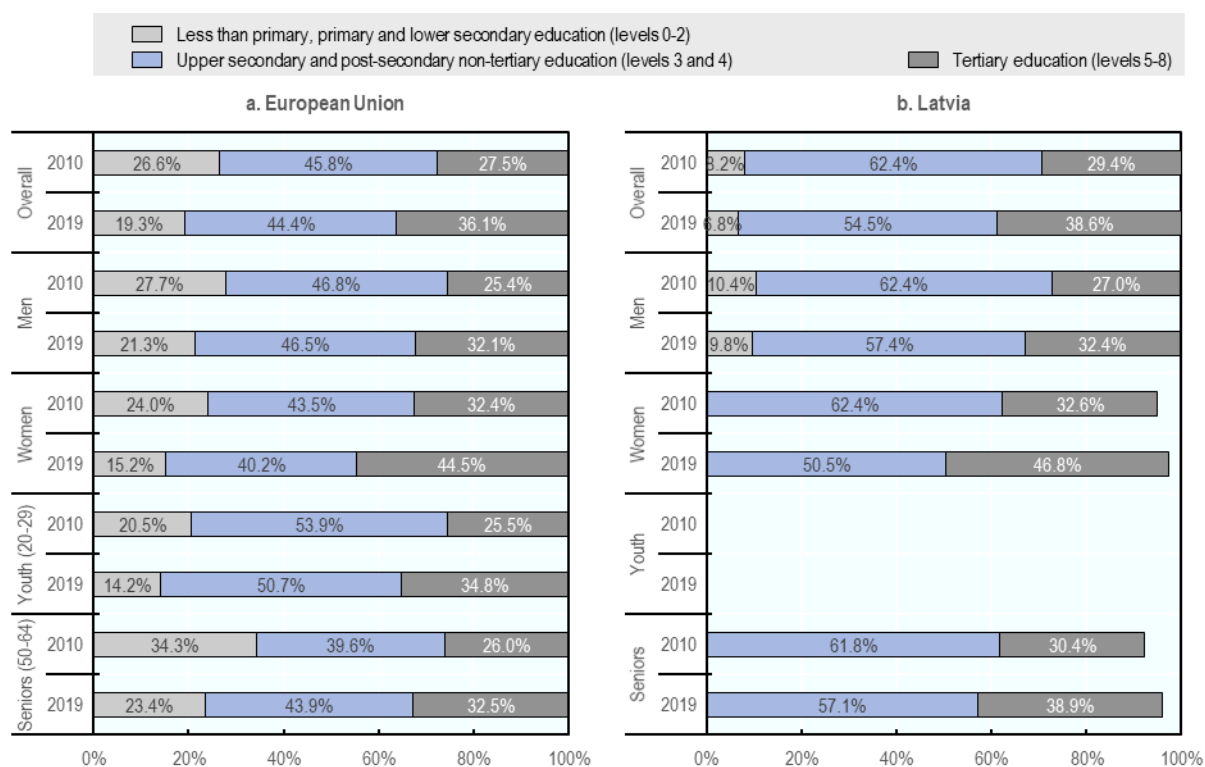


Note: Reliable data for youth are only available for 1 ISCO08 occupation out of 10. Data are also limited for men, women and seniors.
Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Overall, more than one-third of the self-employed with a tertiary level education in 2019 (38.6% vs. 36.1% for EU average), while 54.5% had an upper secondary and post-secondary non-tertiary level education (44.4% for EU average) (Figure 1.9). Self-employed women in Latvia were more likely than self-employed men to have a tertiary education (46.8% vs 32.4%).

Figure 1.9. Self-employment by education level

Distribution of the self-employed by educational attainment



Note: Reliable data for youth is only available for levels 3-4 in 2019.

Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

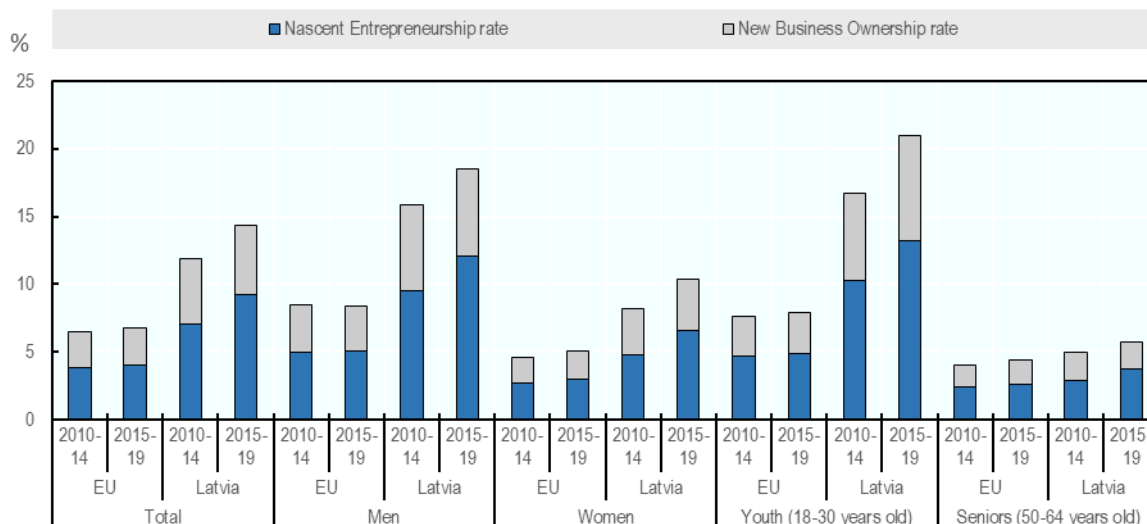
Entrepreneurship activities

Another method of measuring entrepreneurship is through population surveys. The Global Entrepreneurship Monitor (GEM) attempts to measure the involvement in entrepreneurship activities by asking people whether they are involved in business creation and/or management. Two of the core measures produced by GEM are the nascent entrepreneurship rate (i.e. pre start-up) and the new business ownership rate (i.e. new start-ups), which are both considered early-stage entrepreneurship activities.

Overall, the nascent entrepreneurship rate was considerably higher than the EU average during the period 2015-19 (9.2% vs. 4.0%) (Figure 1.10). The nascent entrepreneurship rate was considerably higher for men than for women (12.0% vs. 6.6%), and youth were much more likely than older people to be working towards business creation (13.2% vs. 3.8%). The new business ownership rate was also above the EU average for the 2015-19 period (5.1% vs. 2.7%) (Figure 1.10). Men and women, as well as youth, were all more likely to be new business owners relative to the EU average.

Figure 1.10. Nascent entrepreneurship and new business owners

Proportion of the population (18-64 years old) that self-report being engaged in nascent entrepreneurship activities or new business owners



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. The new business ownership rate measures the proportion of the population (18-64 years old) that is currently the owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

How many “missing” entrepreneurs are there?

The gaps in early-stage entrepreneurship rates across population groups suggest that there are many “missing” entrepreneurs. There are currently about 170 000 early-stage entrepreneurs in Latvia (i.e. those starting or managing a business that is less than 42 months old) and this number would increase by about 84 000 if the early-stage entrepreneurship rate for core-age males (30-49 years old) was applied to the whole population.

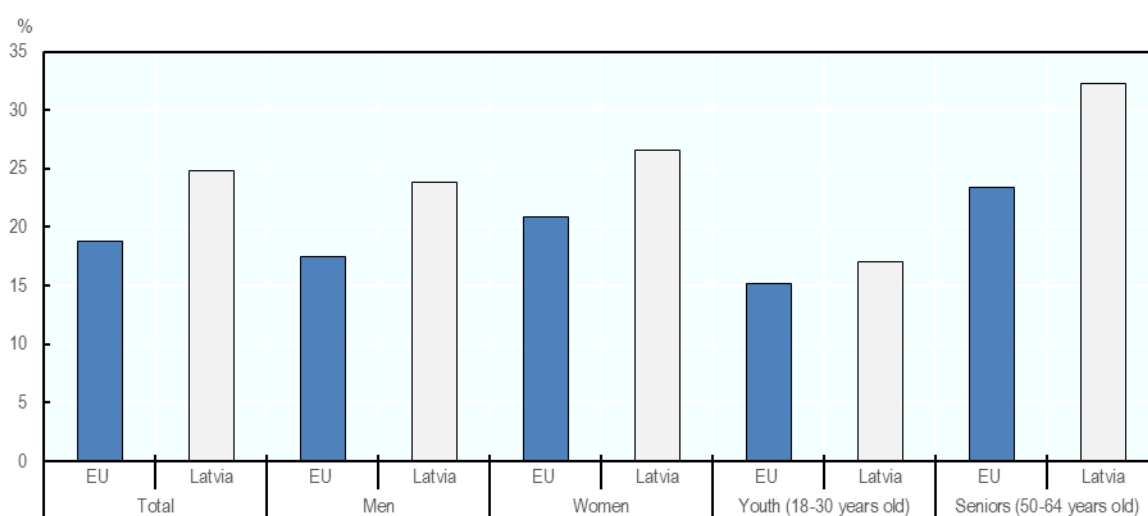
A similar exercise can be done for each population group by applying the rate for core-age males to each group (i.e. women, youth, seniors, immigrants). This shows that about 80% of these “missing” entrepreneurs are female and 70% are over 50 years old.

Public policy should not seek to convert all of these “missing” entrepreneurs into actual entrepreneurs. Entrepreneurship is a labour market activity that involves risk and it is not suitable for everyone. Nonetheless, the exercise of estimating the number of “missing” entrepreneurs can illustrate the scale of entrepreneurship gaps and the potential benefits if some of the gaps in activity rates were reduced.

Despite the high level of early-stage entrepreneurship activities, these activities are not all making a positive contribution to the economy. For example, one quarter (24.9%) of early-stage entrepreneurs in Latvia between 2015 and 2019 (and 18.8% in EU) reported that they are active in entrepreneurship because they do not have any other opportunities in the labour market, i.e. “necessity entrepreneurs” (**Error! Not a valid bookmark self-reference.**). Seniors were the most likely to report that they entrepreneurs out of necessity (32.2% in Latvia vs. 23.4% in EU average). This high rate of necessity entrepreneurship is consistent with the high levels of informal entrepreneurship in Latvia.

Figure 1.11. Necessity entrepreneurship

Proportion of nascent entrepreneurs and new business owners (18-64 years old) that self-report that their entrepreneurship is necessity-driven, 2015-19



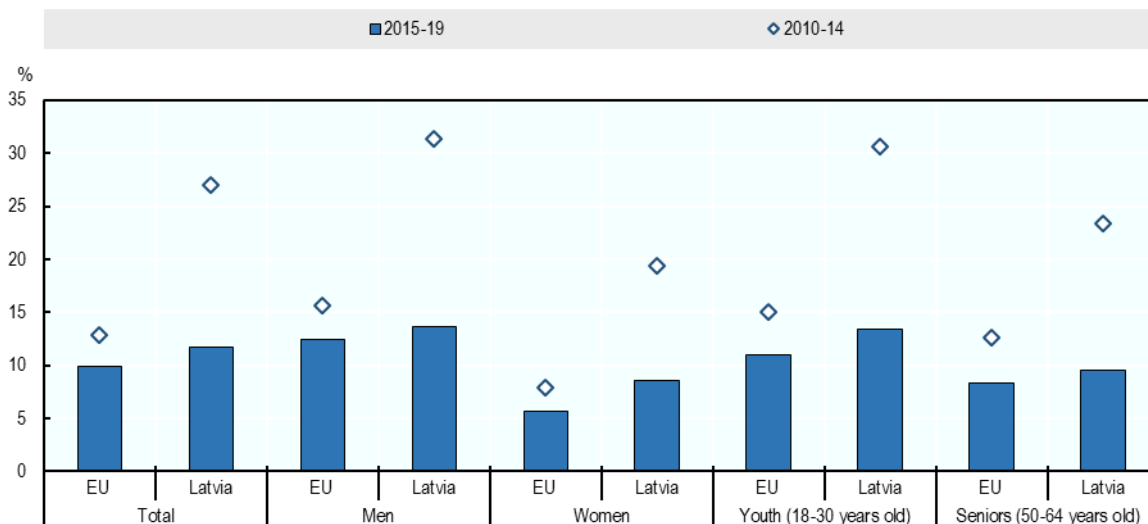
Note: Necessity entrepreneurship is defined as entrepreneurship activities that were launched because there were no other options in the labour market. All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

Nonetheless, a relatively high proportion of early-stage entrepreneurs are growth-oriented towards high-growth businesses. Overall, 11.8% of early-stage entrepreneurs expected to create at least 19 jobs over the next five years (Figure 1.12) during the 2015-19 period. This was slightly above the EU average of 9.9%. The gender gap was present, but it was slightly less pronounced (13.7% vs. 8.5%).

Figure 1.12. Growth-oriented entrepreneurship

Proportion of nascent entrepreneurs and new business owners (18-64 years old) that expect to create at least 19 new jobs over the next five years



Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19) Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

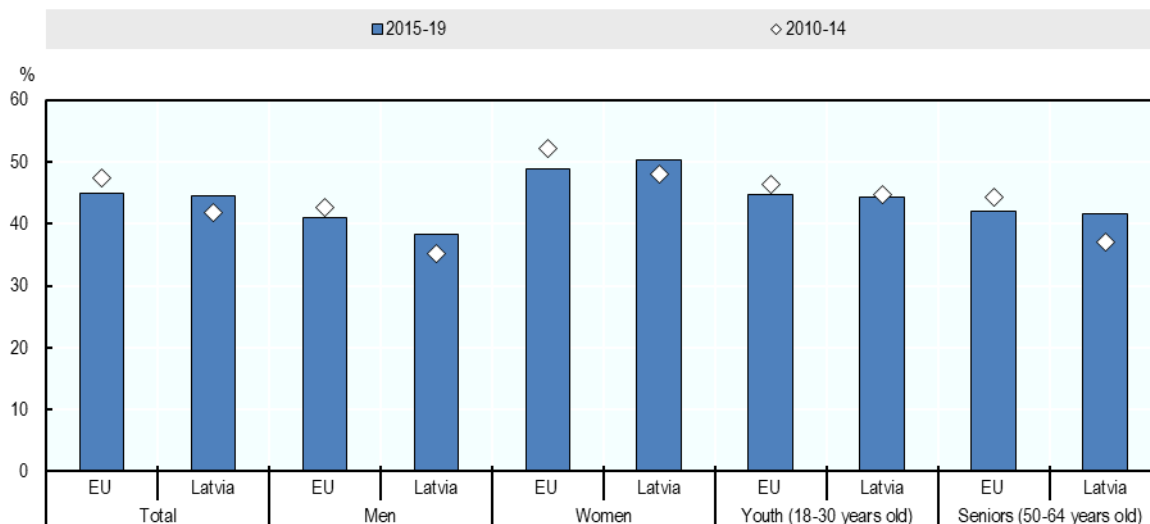
Barriers to business creation

Some of the key barriers to entrepreneurship include a fear of failure and lack of entrepreneurship skills. Latvians are about as likely as the EU average to report that a fear of failure is a barrier to business start-up (Figure 1.13). About half of women reported this barrier (50.3%), which was similar as the EU average (48.9%). Youth and older people were also about as likely as the EU average to report this barrier

Latvians were more likely to report that they had appropriate knowledge and skills for self-employment relative to the EU average – 50.6% of people report that they had the skills needed relative to 42.5% across the EU (Figure 1.14). Men were the most likely group to self-report that they had the skills, which women were the least likely (56.1% vs. 45.4%). Youth were much more confident about their level of entrepreneurship skills relative to the EU average (52.0% vs. 37.2%), but there was little difference between Latvia and EU average among the proportion of skills among older people who self-reported having entrepreneurship skills (43.4% vs. 40.9%).

Figure 1.13. Fear of failure

“Does a fear of failure prevent you from starting a business?”
Percentage of population who responded “yes”, 18-64 years old

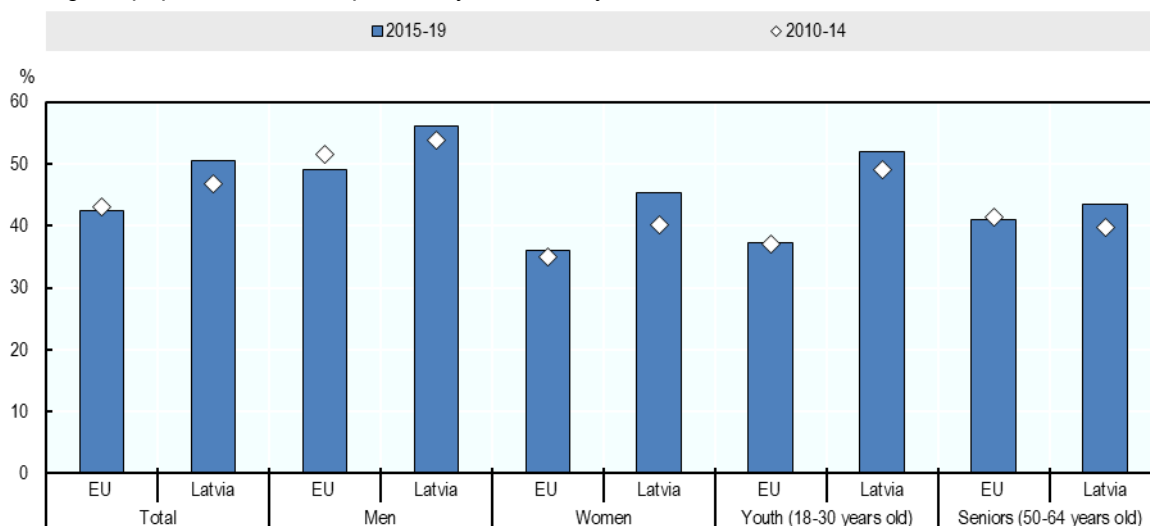


Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

Figure 1.14. Entrepreneurship skills

“Do you have the knowledge and skills to start a business?”
Percentage of population who responded “yes”, 18-64 years old



Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

2 Inclusive entrepreneurship policy framework

Overview and assessment

Table 2.1. Characterisation of the inclusive entrepreneurship policy context

		Women	Immigrants	Youth	Seniors	Unemployed
1. Entrepreneurship policies for each target group are under the responsibility of the following level(s) of government (multiple levels can be checked)	National					✓
	Regional					✓
	Local					
2. A group-specific entrepreneurship strategy has been developed (either stand-alone or embedded in another strategy)		✓		✓	✓	✓
3. Clear targets and objectives for entrepreneurship policy have been developed and reported for different target groups						✓
4. Monitoring and evaluation practices for entrepreneurship support are strong and wide-spread		✓		✓	✓	✓

Note: A check-mark indicates the level policy responsibility for tailored entrepreneurship policy (multiple selections are possible) and characteristics of the entrepreneurship policy framework.

Entrepreneurship policies are generally under the responsibility of the **Ministry of Economics** and the **Ministry of Environmental Protection and Regional Development**. Even though not specifically targeted for women, youth, older people, immigrants or disabled persons, also these groups can potentially benefit from such, more “general support” policies. There is, however, no data about the involvement and potential benefit from the involvement in the general support programmes of the specific target groups analysed in this report.

The **State Employment Agency of Latvia** and the **Ministry of Welfare** is responsible for the entrepreneurship policies with regard to unemployment. Even though specifically targeted for unemployment and on the national level, these policies also implemented on the regional level.

A group-specific entrepreneurship strategy has been developed for unemployed within the framework of Strategy of the State Employment Agency of Latvia – employment framework “Inclusive employment strategy 2015-2020.” Yet also this strategy captures at least to some extent unemployed and job seekers of various age groups and gender. Monitoring and evaluation for entrepreneurship support is primarily targeted to reduce unemployment, including by training unemployed to enter entrepreneurship. Monitoring and evaluation of those activities, however, also include age and gender component.

Policy responsibility

Policies and programmes that promote and support business creation and self-employment, including those targeted for unemployed and key social target groups (such as women, youth, older people, immigrants, people with disabilities, ethnic minority groups and others), are under the responsibility of three ministries: the **Ministry of Economics**, the **Ministry of Welfare** and the **Ministry of Environmental Protection and Regional Development**.

The Ministry of Economics seeks to develop a business-friendly environment that encourages and supports business creation and industrial development. It is also responsible for coordinating medium-term and long-term labour market policies. Recent initiatives include actions to reduce the costs associated with creating a business. The Ministry of Economics is also focused on ensuring that new business start-ups and small companies are not disadvantaged in the tax system. Key schemes include the “Innovation motivation programme”, “Business incubator programme”, and it also manages some microcredit schemes.

The Ministry of Welfare has responsibility for reducing unemployment, developing labour market policy and improving the career development support system. It also manages and coordinates active labour market measures, including support measures for business creation. In particular, the Ministry of Welfare offers number of tailored schemes for specific social target groups, notably the (registered) unemployed and unemployed youth. The programme addressing both target groups is supported within the framework of “Inclusive employment guidelines for 2015 – 2020: Support to enter self-employment and start a business” for the unemployed including the youth, which is outlined in the Law of the Support to the Unemployed and Job Seekers and funded by a special State-funded budget that is dedicated to fostering employment.

The State Employment Agency (SEA) is a State administration institution under the supervision of the Minister for Welfare. It has a range of responsibilities related to collecting labour market information and providing skills training and career counselling. The agency manages support programmes for unemployed people who are interested in starting a business.

The Ministry of Environmental Protection and Regional Development is responsible for implementing policy in three areas – environment protection, regional development as well as information and communication technologies. In the area of regional development, the Ministry of Environmental Protection and Regional Development implements and evaluates regional policy at state level, provides methodological guidelines and supervises the territorial development planning process, as well as ensures the development and supervision of local governments with overall goal to achieve well-balanced and sustainable development of the country. This includes the creation of Latgale Special Economic Zone. It is also responsible for implementing objective 3.3.1. “To increase the amount of private investment in centres of national and regional significance, by making investment in the infrastructure important for entrepreneurship”. It develops the municipal infrastructure corresponding to the needs of small and medium-sized enterprises, especially manufacturing industry enterprises, including appropriate premises and connections to engineering communications, thus promoting regional development, facilitating the extension of the activity of enterprises, the growth of the percentage of manufacturing industry in the economy will be stimulated, while promoting the attraction of investment and creation of new jobs.

To expand available support for entrepreneurs, not only in territories with SEZ status, but in all municipalities of Latvia, The Ministry of Environmental Protection and Regional Development has developed several proposals for improvement of regulatory framework:

- Right to the lessee (entrepreneur) as the first pretender to buy leased real estate from the municipality;
- Aid as reduced sale price for the purchase of municipality property (lease object);

- Establishment of a co-operation model between JSC “Development Finance Institution ALTUM” and municipalities of Latvia, in order to issue guarantees for entrepreneurship projects.

It is anticipated that changes in regulatory framework for entrepreneurs will be adopted before the end of 2020.

Inclusive entrepreneurship strategies and objectives

Objectives and targets for business creation and self-employment by the unemployed and other key social target groups are outlined in the employment framework “**Inclusive Employment Guidelines 2015-20**,”¹ which was approved by the Cabinet of Ministers in May 2015 (order Mmb. 244). This framework was established to foster development of an inclusive labour market and includes two key policy objectives related to inclusive entrepreneurship: (i) to increase self-employment and business start-up opportunities for registered unemployed; and (ii) to promote social entrepreneurship, both as a labour market activity for various social target groups and also as a vehicle for supporting these groups in the labour market and society more generally. While tailored support for key social target groups (e.g. women, youth, seniors) are not identified in this high-level policy paper, the regulation on its implementation defines target groups for each particular measure. In addition to self-employment measures, there are some measures to support social entrepreneurship that aim to support the vulnerable unemployed (i.e. those over 54 years old, those with caring responsibilities, those with a disability or mental health challenge).

More broadly, labour market policies have been defined to reach the targets defined in the **Europe 2020 strategy**² as well as taking into consideration an **Annual Sustainable Growth Strategy 2020**³ and several EU strategies such as the European Green Deal, A New Industrial Strategy for Europe, An SME Strategy for a digital and sustainable Europe, New Skills Agenda for Europe and the New Strategic Agenda 2019-2024. However, there are no clear targets for inclusive entrepreneurship.

Monitoring and evaluation practices

Training activities for unemployed, including entrepreneurship training, as implemented by Ministry of Welfare and SEA are evaluated annually and evaluation results are reported in the report, such as recent report “On the training results of the unemployed and job seekers in 2018 and for the priority training directions in 2019”. In general, all collected information with regards to the training events targeted to unemployed, including entrepreneurship training, is analysed by the Training Commission of the Ministry of Welfare and results of the evaluation are used to improve the forthcoming training offer. The evaluation of all training activities linked with the Policy Planning Document “Inclusive Employment Guidelines 2015-20” are currently under way.

¹ In Latvian: *Iekļaujošas nodarbinātības pamatnostādnes 2015.-2020.gadam*

² *National Reform Programme of Latvia for the Implementation of the “Europe 2020” strategy* was approved by the Cabinet of Ministers on 26 April 2011, and submitted to the European Commission on 29 April 2011. Annually Progress Report on the Implementation of the National Reform Programme of Latvia is being prepared where also the progress on the achievement of the quantitative targets of Latvia within the Europe 2020 strategy is described.

³ <https://eur-lex.europa.eu/legal-content/LV/TXT/PDF/?uri=CELEX:52019DC0650&from=EN>

Recent developments

Policy measures in response to COVID-19 to support entrepreneurs and the self-employed⁴

Employers and taxpayers that have been affected by the COVID-19 crisis are entitled to apply for the allowance for idle time and the division of the payment for late tax payments in instalments or deferral thereof for a period of up to three years. The allowance for the idle time shall be determined in the amount of 75% of the average monthly gross work remuneration for the period of last six months before the declaration of the emergency situation by considering the information at the disposal of the State Revenue Service (data declared by the employer to the State Revenue Service). Alternatively, it can be in accordance with the actual data declared by employees within the previous six months but not exceeding EUR 700 per calendar month and no less than EUR 180 workers bonus to compensation for workers during downtime as well as a supplement of EUR 50 a month for a dependent child.

Financial assistance is provided also to employees and self-employed not qualifying for the allowance for idle time, i.e. an assistance benefit in the amount of EUR 180 per month and a supplement of EUR 50 a month for a dependent child.

Guarantees and loans are also available for entrepreneurs affected by COVID-19 and are issued by state development institution ALTUM. Companies facing short-term cash flow problems are allowed to postpone the payment of the principal amount to credit institutions until the situation is resolved as the ALTUM provides a guarantee for two years up to EUR 5 million. Businesses facing liquidity problems or companies can also apply for liquidity loans up to EUR 1 million.

Furthermore, according to the information provided by SEA, in order to support employers whose workload has increased as a result of COVID-19 or due to the start of seasonal work and needs additional labour, the SEA plans to organise a campaign on seasonal work, including agricultural work, to address and bring together both employers and jobseekers. As part of the campaign, the SEA is planning to target employers who offer seasonal job vacancies to register with the SEA and offer suitable candidate selection services. Information about vacancies and selections will be published in the SEA branch offices and website, information about the campaign will be disseminated in the media.

⁴ The text was drafted in August 2020. Policy actions implemented after this date are not covered in this report.

3 Assessment of current and planned inclusive entrepreneurship policies and programmes

Developing entrepreneurship skills

Overview and assessment of policies and programmes

Table 3.1. Characterisation of schemes for developing entrepreneurship skills

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Entrepreneurship training		✓		✓					
	2. Entrepreneurship coaching and mentoring		✓		✓					
	3. Business consultancy, including incubators/accelerators		✓		✓					
Immigrants	1. Entrepreneurship training		✓		✓					
	2. Entrepreneurship coaching and mentoring		✓		✓					
	3. Business consultancy, including incubators/accelerators		✓		✓					
Youth	1. Entrepreneurship training	✓	✓		✓	✓		✓	✓	
	2. Entrepreneurship coaching and mentoring	✓	✓		✓	✓		✓	✓	
	3. Business consultancy, including incubators/accelerators									
Seniors	1. Entrepreneurship training									
	2. Entrepreneurship coaching and mentoring									
	3. Business consultancy, including incubators/accelerators									
The unemployed	1. Entrepreneurship training	✓	✓	✓	✓	✓		✓	✓	
	2. Entrepreneurship coaching and mentoring	✓	✓	✓	✓	✓		✓	✓	
	3. Business consultancy, including incubators/accelerators	✓	✓				✓	✓		

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

Training programmes implemented by the SEA are primarily targeted at the unemployed, and they also include entrepreneurship training. Those programmes can be attended (and are attended) by unemployed people and job seekers.

The Ministry of Economics also offers a number of general entrepreneurship training but these offers are not tailored or targeted to people from under-represented or disadvantaged groups. One activity that is supported by Ministry of Economics and has gained major popularity in many regions is business incubators. These are typically support within programmes to support business creation in the non-capital regions. 15 incubators have been established all across the Latvia since October 2016, offering both pre-incubation and incubation services. Pre-incubation is targeted to those with potential entrepreneurs with business idea or entrepreneurs who have registered business but are in very early stage of business idea development. Pre-incubation programme is available for the period up to six months, offers mentorship in idea development and development of knowledge and skills that are crucial to implement the idea (consultations, seminars, courses- free of charge), access to office space, including equipment. Participants are admitted on the regular basis. The incubation programme targets entrepreneurs that have not been in business for more than three years. This programme is available for four years and includes access to office space, free training and seminars including mentorship, 50% co-funding for number of services such expert support in IT, finance, marketing and more. Admission to the programme is done quarterly. In addition, number of support mechanisms are developed by ALTUM.⁵ However, there is no data on the profiles of supported entrepreneurs in the incubation and pre-incubation programmes.

Youth

An entrepreneurship scheme for unemployed youth is offered as part of the Youth Guarantee programme (“Support for self-employed and starting business”). It has been offered since 2014 by the SEA. This scheme is similar to the measure for the unemployed (see below, section *the unemployed*) in that it provides assistance with the preparation of business plans and a grant of up to EUR 3 000. In addition, it provides an allowance equal to the minimum wage for six months. Youth between the ages of 18 and 29 years old are eligible for support under this measure. The programme assists selected participants to develop a business plan and, at a first stage, also provides with a feedback in up to 20 consultation sessions for each participant. When submitted to a commission of business professionals, about one-quarter of business plans are approved. To implement approved business plans at the second stage, grants can be awarded, as well as monthly scholarships at the level of the minimum wage for up to six months are provided. After one year, employment rates of participants in stage two have reached 65%-70%, compared with around 60% for participants in stage one.

The unemployed

The SEA offers support for acquiring business start-up skills and competences for the registered unemployed, job-seekers and people at risk of unemployment within the framework of the active labour market programme “Measures to start a business or self-employment”. Participation in the measure is intended for SEA registered unemployed who meet at least one of the following conditions:

- Have completed vocational secondary education or higher education in the field of entrepreneurship, business management or another comparable field or in the field in which it is planned to start a business or self-employment;
- Have completed professional education programs that provide the necessary knowledge in the field of business management or in the field in which it is planned to start a business or self-employment;

⁵ For more information on various support mechanisms please see <https://www.altum.lv/en/>

- Have completed vocational secondary education or higher education and have completed a non-formal education program (not less than 120 academic hours) in a field related to business management.

Since 2011, all employment training programmes offered by the SEA are implemented with a voucher system that provides individuals with a voucher to “purchase” the training that they need. The length of training programmes may vary:

- from 60 to 160 hours for upskilling training programmes (the value of a voucher does not exceed EUR 360 or EUR 520-EUR670 for specific driving courses);
- from 160 to 320 hours for advanced vocational training to reach vocational proficiency (the value of a voucher does not exceed EUR 400);
- from 480 to 1 280 hours for vocational training programmes (the value of a voucher does not exceed EUR 600 for programmes with 480 hours, EUR 800 for programmes with 640 hours, EUR 1 200 for programmes with 960 to 1 200 hours).

Several training programmes devoted to the development of a sense of initiative and entrepreneurship can be found under the list of advanced vocational training to reach vocational proficiency, those are “Accounting”, “Organisation of small business” as well as “Project management”. All of them are the most demanded training programmes among SEA clients, ranking as the top 10 in participation as well as in training completion and job placement rates (Table 3.2).

Table 3.2. Unemployed participation in SEA-organised advanced vocational training to reach vocational proficiency in 2017

With entrepreneurship skills developing related training programme	No of participants in 2017	No of person who completed training from July 1, 2016 until June 31, 2017	No of persons who found a job six months after completion of the training (until 31.12.2017.)	Employment rate six months after training completion
Accounting	103	122	117	53%
Organisation of small business	340	321	144	44%
Project management	450	408	187	46%
With entrepreneurship skills developing related training programme	No of participants in 2018	No of person who completed training from July 1, 2017 until June 30, 2018	No of persons who found a job six months after completion of the training (until 31.12.2018.)	Employment rate six months after training completion
Accounting	101	100	52	52%
Organization of small business	334	344	141	41%
Project management	418	457	235	51%
With entrepreneurship skills developing related training programme	No of participants in 2019	No of person who completed training from July 1, 2018 until June 30, 2019	No of persons who found a job six months after completion of the training (until 31.12.2017.)	Employment rate six months after training completion
Accounting	119	93	39	42%
Organisation of small business	544	389	162	42%
Project management	489	417	222	53%

Source: SEA (2020)

Participants also receive financial support while participating in training with a daily stipend of EUR 5 (approximately 100 EUR a month). The following additional expenses are also covered by the SEA: training place adaptation for persons with disabilities, and involvement of care personnel for persons with disabilities, such as assistants, sign language experts, etc.

Training is usually provided in full-day sessions and they may last up to six months. Simple or low-skilled occupations are excluded from the list of training programmes. An unemployed person may participate in vocational training programmes once in a two-year period and in upskilling programmes not more often than twice a year, except State language courses where person may be involved in the acquisition of no more than three education programmes.

Financing entrepreneurship

Overview and assessment of policies and programmes

Table 3.3. Characterisation of schemes for facilitating access to finance

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Immigrants	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Youth	1. Grants for business creation	✓	✓		✓	✓		✓	✓	
	2. Loan guarantees		✓		✓					
	3. Microfinance and loans		✓		✓					
	4. Other instruments (e.g. crowdfunding, risk capital)									
Seniors	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
The unemployed	1. Grants for business creation	✓	✓	✓	✓	✓		✓	✓	
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

Entrepreneurs from under-represented and disadvantaged groups can also access a number of mainstream start-up financing supports. These include a microcredit programme that is operated by ALTUM, which is the government’s development finance institution.⁶ It provides loans of up to EUR 25 000 with a 50% subsidised interest rate and a SME growth loan. Also, ALTUM has recently signed an agreement with the European Investment Fund (EIF) to improve access to finance to innovative small and

⁶ ALTUM is the successor to the Latvian Guarantee Agency.

medium-sized enterprises (SMEs) in Latvia.⁷ ALTUM also offers an SME microcredit programme but it is unlikely that unemployed people would access these financial supports.

Although microcredit is also available from private sector lending institutions, there are currently no financial intermediaries that make use of the European Union's Programme for Employment and Social Innovation (EaSI).⁸ This represents a missed opportunity.

Youth

A start-up financing scheme for unemployed youth as part of the Youth Guarantee programme ("Support for self-employed and starting business") has been implemented since 2014. Results of Youth Guarantee programme to support unemployed youth in starting business are integrated within Table 3.2.

The unemployed

Tailored measures for financing business creation by people from under-represented and disadvantaged groups are almost exclusively focused on supporting the unemployed. The main measure is the "Measure for Commencing Commercial Activity or Self-employment in Latvia", which is managed by the SEA under the auspices of the Ministry of Welfare of Latvia. This measure provides a grant of up to EUR 5 000 and up to 20 professional business counselling sessions to support the implementation of the business plan, as well as individual counselling to help applicants their business idea. In addition, it provides an allowance equal to the minimum wage for six months. (See the previous section for further information).

The number of participants and allocated funding (2013-19) within the "Measure for Commencing Commercial Activity or Self-employment in Latvia", which is managed by the State Employment Agency of Latvia are displayed in Table 3.4.

Table 3.4. Participants in the "Measure for Commencing Commercial Activity or Self-employment in Latvia"

	Total number of unemployed	Long term unemployed	Youth unemployed (18-24 years old)	Unemployed with a disability	Unemployed who are ex-offenders	Unemployed after parental leave	Unemployed pre-retirement age
2013	173	64	6	12	1	7	8
2014	198	55	18	10	1	11	7
2015	244	65	22	11	0	6	7
2016	298	57	31	16	0	14	7
2017	211	84	11	14	0	5	6
2018	213	68	11	12	0	8	8
2019	156	59	3	7	0	2	8
Total	1493	452	102	82	2	53	51

Source: SEA (2020).

This measure has achieved some very positive results. Only 10% of projects that were supported are considered to be unsuccessful by evaluations and 71% of participants who launched a project were still involved in their start-up after two years. This is in line with international good practice examples, including

⁷ https://ec.europa.eu/commission/commissioners/2014-2019/katainen/announcements/investment-plan-europe-eif-and-altum-sign-agreement-benefit-innovative-businesses-latvia_en

⁸ This programme seeks to facilitate microcredit for entrepreneurs from under-represented and disadvantaged groups.

the Start-up Grant in Finland and the Welfare Bridge programmes in Germany. The keys to its success are the strong vetting process and staged approach to providing support. However, there is room to improve awareness about the programme since few people know about it and it is not actively promoted by the SEA.

Results of measure for Commencing Commercial Activity or Self-employment in Latvia by regions (2013-19) are presented in Table 3.5. Approximately 40% of support has been targeted to the capital city of Riga and Riga region, which can be explained with the fact that Riga in general has highest economic activity. Support provided within Riga region, however, is followed by Latgale region (20% of implemented activities), which has highest unemployment rate in Latvia. Indicator of activity for other regions is approximately 13%.

Table 3.5. Participants in the “Measure for Commencing Commercial Activity or Self-employment” in Latvia by regions

	Kurzeme region	Latgale region	Riga region	Vidzeme region	Zemgale region	Total
2013	28	30	71	24	20	173
2014	32	45	78	20	23	198
2015	36	48	101	37	22	244
2016	43	60	118	33	44	298
2017	29	41	87	24	30	211
2018	28	38	91	22	34	213
2019	20	29	68	19	20	156
Total	216	291	614	179	193	1493

Source: SEA (2020).

Recent developments

The most significant changes in the last three years with regards to the activity “Measures to start a business or self-employment” are the changes in the amount of the grant award grant, where support has been increased from EUR 3 000 to EUR 5 000.

According to SEA, following results have been achieved so far:

- In 2019 150 persons wrote a business plan (BP) (120 with assistance of consultants, 30: independently; 73 (out of the planned 75 persons) received support for the implementation of the BP (EUR 5 000 and 6-month grant in the amount of the minimum monthly salary).
- In 2020 150 persons wrote a BP (120 with assistance of consultants, 30: independently). It is planned to support 75 persons for the implementation of the BP (EUR 5 000 and six-month grant in the amount of the minimum monthly salary), but the number of supported persons depends on the quality and viability of the prepared / evaluated BP.

Entrepreneurship culture and social capital

Overview and assessment policies and programmes

Table 3.6. Characterisation of public policy actions to promote entrepreneurship and develop networks

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									
Immigrants	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									
Youth	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives	✓	✓		✓					
Seniors	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									
The unem-ployed	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives	✓	✓		✓	✓		✓	✓	

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

There do not appear to be many public policy actions to promote entrepreneurship to people from under-represented and disadvantaged groups, aside from the active labour market measure “Commencing Commercial Activity or Self-employment” and small actions under the Youth Guarantee programme. There was no evidence of media campaigns, role models, awards or ambassador networks. Moreover, the presence of entrepreneurship in the school system is at an early stage of development so children and teens are not yet receiving a lot of exposure to entrepreneurship.

Furthermore, no entrepreneurship networking programmes were identified for any of the social target groups. However, various networking activities as well as entrepreneurship campaigns targeted for unemployed and youth are included within the support measures as described in the previous sections of the report. Further, there are a number of non-governmental organisations active in this area. For example, the *Radām Novadam* operates business competitions for youth.⁹

⁹ <http://radamnovadam.delfi.lv/>

Regulatory measures

Overview and assessment of regulatory environment

Table 3.7. Characterisation of regulatory measures used to support entrepreneurship

			Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Maternity leave and benefits for the self-employed Access to childcare									
Immigrants	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Entrepreneurship visa Administrative and tax obligations can be met in several languages									
Youth	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Student business legal form Reduced tax and/or social security contributions for new graduates									
Seniors	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Medical leave schemes for the self-employed									
The unemployed	1. Support with understanding and complying with administrative procedures		✓	✓		✓					
	2. Measures to address group-specific regulatory challenges	Welfare bridge to support those moving into self-employment Mechanisms for regaining access to unemployment benefits if business is not successful	✓	✓		✓					

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

Regulatory measures and actions that support inclusive entrepreneurship are confined to efforts that reduce administrative burdens for business start-up. While such measures do not target under-represented or disadvantaged groups, entrepreneurs from these social groups stand to benefit since they often face greater challenges in navigating the institutional environment.

On 12 October 2017, the Parliament adopted Social Enterprise Law which came into force on 1 April 2018. The aim of the Social Enterprise Law is to promote the quality of life of society and to foster the employability of people at risk of social exclusion. The law ensures the legal framework by providing both the criteria for obtaining the status of a social enterprise and the procedure for state support for this type of entrepreneurship. The status of a social enterprise is granted to limited liability companies that engage in creative economic activities with beneficial social impact, for example, provide social services, contribute to shaping more inclusive civil society, promote education, support science, work toward environmental protection and conservation, provide animal protection, or foster cultural diversity. As mandated by the Social Enterprise Law the Cabinet of Ministers adopted three Regulations in 2018:

- Cabinet Regulation No. 101 “Regulations Regarding the Social Enterprise Commission” setting creation and procedures of the Commission considering applications for status of social enterprise, and annual reports of social activities.
- Cabinet Regulation No. 173 “Regulations Regarding the Population Groups at Risk of Social Exclusion Risk and Procedures for Granting, Registration and Supervision of the Status of a Social Enterprise” defining the groups of social exclusion to be employed by the work integration social enterprises, as well as procedures for granting the status and supervision of social enterprises.
- Cabinet Regulation No. 197 “Regulations on the Conditions for Granting Business Support to Social Enterprises and the Procedure for Granting Support” setting the state aid procedures for social enterprises utilizing the Enterprise Income Tax incentives awarded by the Social Enterprise Law.

The annual figures of the first two years of effectiveness of the Social Enterprise Law show that, in average, 50 new social enterprises were registered annually. One-third of all enterprises registered are work integration social enterprises employing groups of people at the risk of social exclusion.

Accordingly, the Ministry of Welfare is implementing the ESF-supported project “Support to social enterprise” to provide additional support for disadvantaged unemployed persons and persons who experience disability, including older workers. The main objective of the project is to identify and verify the optimal solutions for creation and development of social enterprises, including the support to work integration. The planned activities include awareness-raising measures about social entrepreneurship, their meaning and possible contribution for economic growth and society. Activities also include the development of a support system for social enterprises and the promotion of start-ups. Financial grants for social enterprise start-up and already operating companies ranges from EUR 5 000 to EUR 200 000 plus wage subsidies for employing people from vulnerable groups. The annual figures of the first two years of operation of the Project show that, in average, 30 enterprises received grants annually averaging about EUR 65 000 per grant.

There are also regulatory measures in place to minimise the shadow economy and informal entrepreneurship. The Ministry of Finance has created a Special Council and a National Plan for Fighting the Shadow Economy. The National Plan includes a range of measures that aim to simplify tax and business registration procedures to encourage more people to formalise their businesses. There are also penalties for non-compliance.

Overall, there are fewer regulatory measures used than in other EU Member States. For example, little support is offered to help entrepreneurs comply with regulatory and administrative requirements. This gap is likely justified to some extent since the size of most of the social target groups is very small given the country’s small population.

4 Supporting people who experience disability in entrepreneurship

Self-employment and entrepreneurship activities

Since 2009, the employment rate for persons with disabilities in Latvia has been gradually increasing. According to the data of the State Social Insurance Agency of Latvia (2020), 24 969 persons with a disability were employed in 2009. By the end of 2019, this had increased to 40 444 persons, or approximately 40% of persons with disability of working age (102 249).

According to the State Employment Agency, about 6.2% of the labour force was unemployed. Of these, 7 868 people (13.6%) had a disability (50.3% were woman and 49.7% were men). More than half or 64.2% of registered unemployed with a disability were over 50 years. Out of the total number of registered unemployed with a disability 42.6 % were long-term unemployed.

Policy framework

Table 4.1. Characterisation of the entrepreneurship policy context for people who experience disability

		People who experience disability
1. Entrepreneurship policies for each target group are under the responsibility of the following level(s) of government (multiple levels can be checked)	National	✓
	Regional	
	Local	
2. A dedicated entrepreneurship strategy has been developed (either stand-alone or embedded in another strategy)		
3. Clear targets and objectives for entrepreneurship policy have been developed and reported		

Note: A check-mark indicates the level of policy responsibility for tailored entrepreneurship policy (multiple selections are possible) and characteristics of the entrepreneurship policy framework.

Overall, the policy responsibility for supporting those who experience disability in the labour market rests with the **State Employment Agency**. However, the SEA regularly co-operates with **NGOs** such as The Latvian Umbrella Body For Disability Organisations SUSTENTO to deliver services to clients who experience a disability. These include workshops, seminars and training events to support them at finding employment. However, there are no entrepreneurship policies or programmes that are dedicated to those who experience disability.

5 Policy recommendations

Three ministries are active in implementing various activities to support entrepreneurship and self-employment in Latvia: the Ministry of Economics, the Ministry of Welfare (through the State Employment Agency) and the Ministry of Environmental Protection and Regional Development. Many of these policy actions are mainstream approaches aimed at the whole population, including entrepreneurs from under-represented and disadvantaged groups. However, these approaches are not typically designed to account for the different needs of the different target groups. There are a two principal number of tailored entrepreneurship programmes offered by the Ministry of Welfare for the unemployed and unemployed youth. These schemes are generally supported by appropriate policy frameworks and are well-planned, and, according to available data, also appropriately implemented. To build on this, the following actions are recommended to strengthen inclusive entrepreneurship support:

1. **Scale-up support offered under the “Measure for Commencing Commercial Activity or Self-employment in Latvia.”** Across the EU, approximately 5% of the unemployed return to work through self-employment. Using this as a benchmark, it would be expected that between 2 000 and 3 000 people would potentially be interested in participating in this programme. However, there are only 150-250 participants per year, suggesting that there is likely room to increase the scale of support offered. Scaling-up such support programmes might be especially relevant in the context of upcoming economic downturn as a result of COVID-19 pandemic. In particular, demand from unemployed is very likely to increase as unemployment rates are about to increase in Latvia, with some sectors, such as construction, tourism, catering being affected more than others. This would require targeted programmes for re-qualification, also targeted to youth, seniors, immigrants and women.
2. **Tailor entrepreneurship training provided through the State Employment Agency to the needs of different target groups.** Training modules on entrepreneurship and developing a sense of initiative are offered as part of the suite of training and upskilling programmes for the unemployed. However, little consideration appears to be given for the different needs of different types of participants, e.g. women.
3. **Work with private sector financial institutions to increase the availability of microcredit with the support of the EU’s EaSI Programme.** Although many private sector programmes offer microcredit programmes, the take-up appears to be low among those who come from under-represented and disadvantaged groups. The EU’s EaSI programme offers support to private sector financial intermediaries but none are currently taking advantage of this support. The government could increase awareness about this opportunity and support the financial institutions in signing agreements.
4. **Improve dissemination and tailoring of information on business start-up to people from under-represented and disadvantaged groups who are interested in business creation.** Unless people from these target groups are involved in a government programme such as “Measure for Commencing Commercial Activity or Self-employment in Latvia”, it is difficult for them to access tailored information on business start-up. Websites and business start-up information packages should be adjusted to point people from different groups to tailored support offers to help them overcome their obstacles.

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Annex A. Methodology

Each country report was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with policy officers, entrepreneurship support organisations and other stakeholders. The information was then verified by government ministries, programme managers and other inclusive entrepreneurship stakeholders, including through the circulation of draft reports for comment and online seminars that were organised between June and September 2020.

The reports are based on a common assessment framework that was developed by the OECD Secretariat. The framework contains five pillars:

1. Policy framework
2. Entrepreneurship skills
3. Financing entrepreneurship
4. Entrepreneurial culture and social capital
5. Government regulations

The reports provide an overview of the current inclusive entrepreneurship policies and programmes. They also notes assess programmes against the following international good practice criteria, considering the “typical” entrepreneur in each of the different target groups (i.e. women, immigrants, seniors, youth, the unemployed, people who experience disability), in the “typical” region in the country. It covers schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. The international good practice criteria used in the assessment are:

- **Tailored:** Are public programmes tailored for the target group (i.e. dedicated)?
- **Consultation:** Are the targeted entrepreneurs consulted during the design of programmes?
- **Outreach:** Are appropriate outreach methods used for different target groups?
- **Delivery:** Are specialist organisations used to deliver programmes?
- **Take-up:** Does the support have high take-up among target group?
- **Scale:** Is the scale of available support sufficient?
- **Impact:** Does evaluation evidence show a positive impact?
- **Integrated:** Is the programme delivered linked other related supports?
- **Links:** Do tailored programmes link to mainstream support programmes?

A focus is placed on the most commonly targeted population groups, namely women, immigrants, youth, seniors and the unemployed. Other groups such as the Roma are covered by the report when relevant. A special thematic section was added on entrepreneurship support for people who experience disability (Section 4) to highlight their potential as entrepreneurs and to showcase the variety of tailored entrepreneurship schemes that are in place around the European Union.