

The Missing Entrepreneurs

**Inclusive Entrepreneurship Policy
Country Assessment Notes:
Latvia**

2022-23



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FOREWORD

Entrepreneurship plays an important role in the economy as it is a driver of innovation and job creation. However, entrepreneurship policies can also help achieve other policy objectives such as strengthening social inclusion and labour market attachment. Inclusive entrepreneurship policies aim to ensure that all people, regardless of their personal characteristics and background, have an opportunity to start and run their own businesses. Governments can do more to unlock the entrepreneurial potential among groups such as women, immigrants, youth, seniors, the unemployed and people with disabilities by using differentiated policies and programmes that respond to specific barriers faced. This includes the use of dedicated measures, as well as reducing negative social attitudes and biases, removing regulatory and institutional obstacles, and improving access to general entrepreneurship measures.

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) as part of a collaboration with the European Commission. These notes provide an overview of current and planned policy actions and identify some actions that could be implemented to strengthen the current support offering. These country-specific notes are part of a wider programme of work on inclusive entrepreneurship policy by the OECD and the European Commission that includes “The Missing Entrepreneurs” publications, the Youth Entrepreneurship Policy Academy (www.yepa-hub.org), 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 inclusion and diversity in entrepreneurship, including through refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills, strengthening entrepreneurial culture and networks for groups that are under-represented in entrepreneurship, 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: <https://www.oecd.org/cfe/smes/inclusive-entrepreneurship/>.

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This report was prepared by David Halabisky of the OECD CFE based on inputs prepared by the national inclusive entrepreneurship expert Professor Arnis Sauka of the Stockholm School of Economics in Riga, under the direction of Dr Jonathan Potter, Head of Entrepreneurship Policy and Analysis Unit, both of the OECD CFE. Much of the data contained in this note were prepared by Dr. Jonathan Levie of the Global Entrepreneurship Monitor.

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

A draft of the report was circulated for written feedback to government ministries and stakeholders involved in supporting inclusive entrepreneurship. The author is grateful for the suggestions received, notably those from the Ministry of Welfare and the Employers’ Confederation of Latvia.

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INCLUSIVE ENTREPRENEURSHIP TRENDS AND POLICIES IN LATVIA

KEY MESSAGES

Inclusive entrepreneurship rates and trends

- The proportion of people involved in creating and managing new businesses is above the EU average. Over the period 2016-20, rates were high for women (double the EU average) and youth (triple the EU average).
- In contrast to the EU overall, self-employment increased slightly over the past decade. Growth has been particularly strong among immigrants.

Approach to inclusive entrepreneurship

- Currently, most support is targeted at the unemployed. Some efforts are made to ensure that training offers are relevant for the market and considers the needs of different groups.
- Investments in social enterprises have been growing, which has some benefits for increasing diversity in entrepreneurship.

Policy strengths

- Measures to support job seekers in becoming self-employed appear to work well.

Policy gaps and areas for improvement

- There is little tailored entrepreneurship support for women and youth apart from some support offered through higher education and by small non-government organisations.

Main recommendations

- 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.
- Work with private sector financial institutions to increase the availability of microcredit with the support of the European Union's EaSI Programme.

CONDITIONS FOR ENTREPRENEURSHIP AND SELF-EMPLOYMENT

The businesses population declined between 2019 and 2020 despite high entry rates – the business exit rate was nearly double the EU average and is increasing (Table 1). However, the share of the population who are starting and managing new businesses was more than double the EU average and increasing. This is largely due to an increase in necessity-based entrepreneurship, which was nearly double the EU average and increasing. The proportion of people who are self-employed in 2021 was approximately equal to the EU average while a slightly greater share of those who are self-employed were employers.

Table 1. Conditions for entrepreneurship

	Business entry rate	Business exit rate	TEA rate	Necessity-based TEA	Growth-oriented TEA	Self-employment	
						Rate	% employers
	2020	2020	2016-20	2016-20	2016-20	2021	2021
Latvia (%)	11 ▼	12 ▲	14 ▲	32 ▲	11 ▼	12 ↔	38 ↔
EU average (%)	9 ▼	7 ▼	6 ▼	18 ▼	10 ▼	13 ▼	32 ▲

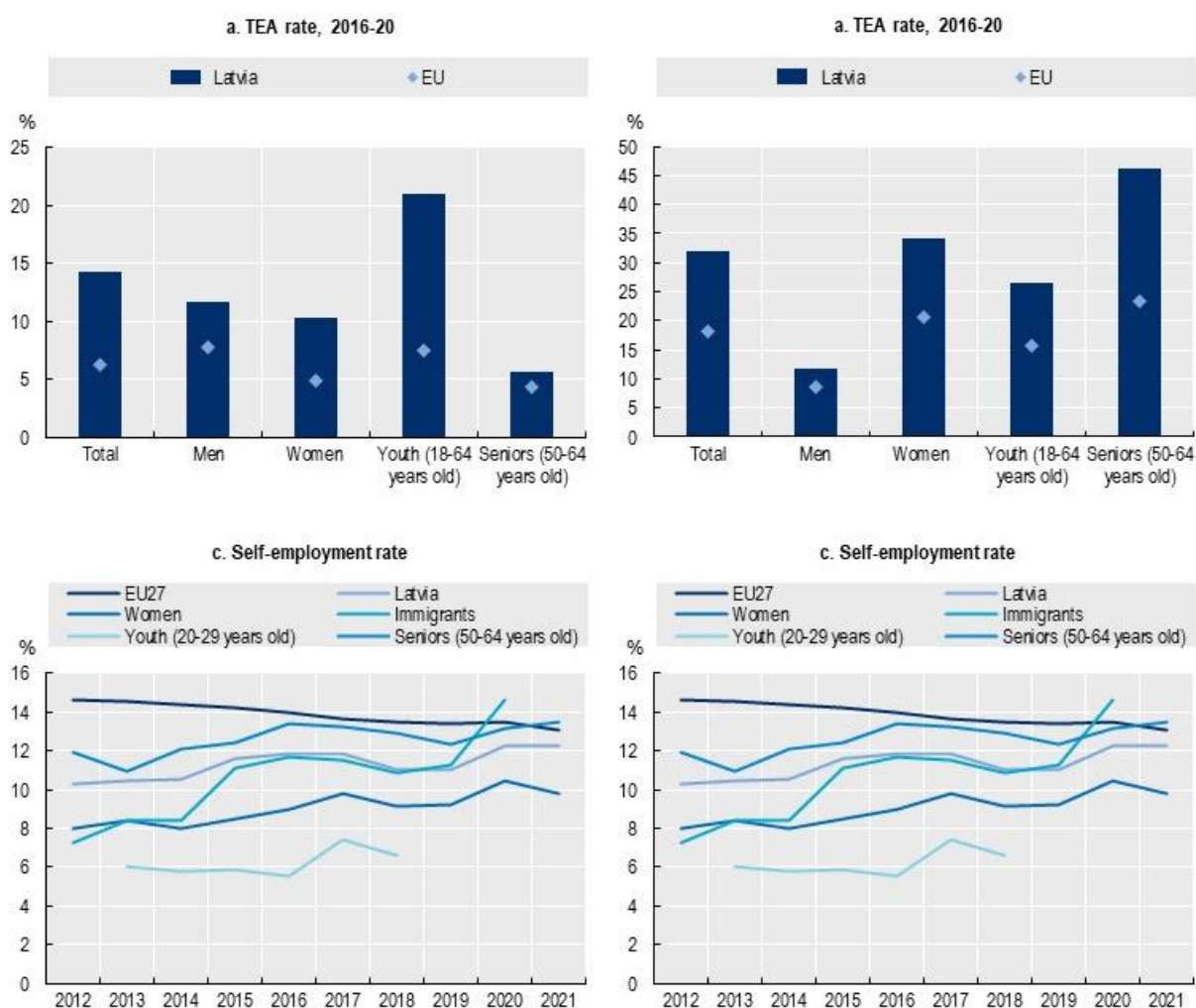
Note: TEA rate measures the share of the population starting or managing a new business (less than 42 months old). Up and down arrows indicate an increase or decrease relative to the previous period, i.e. previous year for annual indicators or previous period (2015-19) for indicators based on data from the Global Entrepreneurship Monitor. The left-right arrows indicate no change, i.e. a change of between -1% and 1%.

INCLUSIVE ENTREPRENEURSHIP TRENDS

The proportion of people involved in creating and managing new businesses is greater than the EU average. Over the period 2016-20, Latvian women were twice as likely as the EU average to be involved in early-stage entrepreneurship (10% vs. 5%) while youth (18-30 years old) were nearly three times as likely (21% vs. 7%) (Figure 1). However, the share of early-stage entrepreneurship that is due to necessity is more than double the EU average. This was particularly strong among women entrepreneurs and senior entrepreneurs.

The share of the working population that is self-employed has increased slightly over the past decade. This is in contrast to the EU average, which decreased. In Latvia, the growth was particularly strong among immigrants as the self-employment rate doubled over the past decade. For other groups such as women seniors and youth the increase has been slight. Nearly four out of 10 self-employed workers have at least one employee, which is above the EU average. More than half of self-employed immigrants (51%) have at least one employee which is among the highest shares in the EU.

Figure 1. Inclusive entrepreneurship trends









Note: TEA rate measures the share of the population starting or managing a new business (less than 42 months old). Self-employment rate measures the proportion of those in employment who are self-employed.

Source: Eurostat (2022), Employment and Unemployment (LFS) Database; GEM (2021), Special tabulations of GEM survey.

THE MISSING ENTREPRENEURS

There are about 168 000 early stage entrepreneurs in Latvia but there would be about 244 000 if the entire population was as active as men aged 30 to 49 years old. About 80% of these 76 000 “missing” entrepreneurs were women and another 75% were over the age of 50 years old. The number of “missing” entrepreneurs declined overall, and across all target groups, between 2020 and 2021.

Figure 2. Changes in entrepreneurship gaps, 2020 to 2021

Overall	Women	Youth	Seniors	Immigrants	Unemployed
					

Note: A down arrow indicates an improvement in the entrepreneurship gap (i.e. the gap has diminished) between 2020 and 2021, whereas an up arrowing indicates that the entrepreneurship gap has grown (i.e. the gap has increased). A left/right arrow symbolises no change in the entrepreneurship gap.

INCLUSIVE ENTREPRENEURSHIP POLICY ASSESSMENT

The use of targeted and tailored entrepreneurship policies to support inclusion and diversity are limited. However, one of the main instruments could be found via Latvia's State Employment Agency (hereinafter - SEA) and its provided support for **registered unemployed and job seekers**, including target groups such as persons with disabilities, long-term unemployed, persons aged 55 years and more, unemployed persons under the age of 29 years, etc. Those target groups are the same for all of the SEA-provided services, including in upskilling and reskilling measures via active labour market policy support. First and foremost, SEA provides Entrepreneurship and self-employment measure for starting a commercial activity or self-employment. This measure is organised and promoted by the SEA since 2008. The aim is to provide advisory services and financial support to unemployed people to launch a business and sustain it for at least two years. At the outset, participants are expected to attend a series of consultations that provide individual assistance to support the preparation and development of a business plan. The second phase of support provides additional individual business consultations and financial grant up to EUR 5 000. This scheme is considered to be very strong.

In addition, the “Future skills initiative” was introduced in 2021 – training on online learning platforms via massive online learning platforms (MOOC). The aim of the “Future skills initiative” is to diversify the offer of PES training support and meet the needs of all groups of unemployed and employed at risk of unemployment. Therefore, the offer of online courses focuses on e-learning, thus ensuring the continuity of the training process, and the possibility to shift from full-time/face-to-face training programs to flexible training forms. The priority training areas to be co-financed in MOOCs include learning of Business courses along with Computer science; Data science; Information Technology as well as the field of “Management” and specifically defined transversal skills. The most popular platforms and fields of education demanded by SEA clients in 2022 were related to ICT and business (e.g. Business English Communication Skills Specialization; Google Project Management: professional Certificate; Fundamentals of Project Planning and Management; Excel Skills for Business Specialization etc.) in platforms such as Coursera, edX, FutureLearn.

Apart from the above-mentioned support, additional support via SEA services is provided within its partnerships with Google, Microsoft, the University of Latvia as well as the Latvian Information and communications technology association (LIKTA). In 2022 PES clients were involved in Google digital skills courses, including courses like “Project management” and “Digital marketing and e-commerce”, thus

obtaining Google professional certificates free of charge. The project is still ongoing in 2023 with the planned participation of at least 500 unemployed, jobseekers, and employed. Moreover, it is planned that the range of training programs will be supplemented by the sixth training program - "Cybersecurity".

Similarly, within SEA's cooperation with LIKTA in 2022 additional ICT skills acquisition support was provided via the project "Women4IT" where young women participated also in courses related to the business such as project management. Plus, on top of all that SEA organized participation in the Baltic virtual internship project, where career counsellors informed potential participants about the opportunity to learn ICT and business-related courses such as: "Development of programs and applications", and "Business and data analysis". SEA will continue to provide training on information technologies tailored to labour market needs, involving more clients and target groups in this field, and developing modern and interactive learning processes.

There is little dedicated entrepreneurship support offered to other target groups, but some offers are available through non-government organisations and the higher-education system for youth. In addition, the Social Enterprise Law, as well as the ESF Project "Support for Social Entrepreneurship", are considered as additional areas of strength for inclusive entrepreneurship policy in Latvia. The Social Enterprise Law came into force in 2018 and aims to address social exclusions by improving access to employment for groups at risk of poverty. The ESF co-funded project "Support for Social Entrepreneurship" has been active from 2017 to 2023. The purpose 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 project includes activities such as awareness raising campaigns and the development of a support system for social enterprises and the promotion of social start-ups. Financial grants for social enterprises, and compensation of security payments for employing persons with physical and mental disorders are provided within the project. The project's total funding has been EUR 17 million, of which EUR 13 million were allocated for social enterprise grants and compensations. The new follow-up project will start in 2024, intended to continue the support for social entrepreneurship.

NEW POLICY DEVELOPMENTS

There have been some adjustments to the measures for supporting job seekers in business creation. These are outlined in amendments to the Regulations of the Cabinet of Ministers Nr.75 "On the procedures for organising and financing active employment measures and preventive unemployment reduction measures and the principles of selection of measures implementers", which were introduced in November 2021 and include:

- An increase the amount of monthly grant (paid for 6 months) from EUR 500 to EUR 750;
- A new non-repayable grant of EUR 5 000 has been introduced for the implementation of the business plan after the first year of economic activity (provided certain criteria are met);
- Requirements for compulsory training were removed;
- A pre-selection process has been introduced for business idea applications prior to developing full business plans;
- New funding has been made available for the adaptation of the place of implementation of the business plan up to EUR 1 000 if the person has a disability.

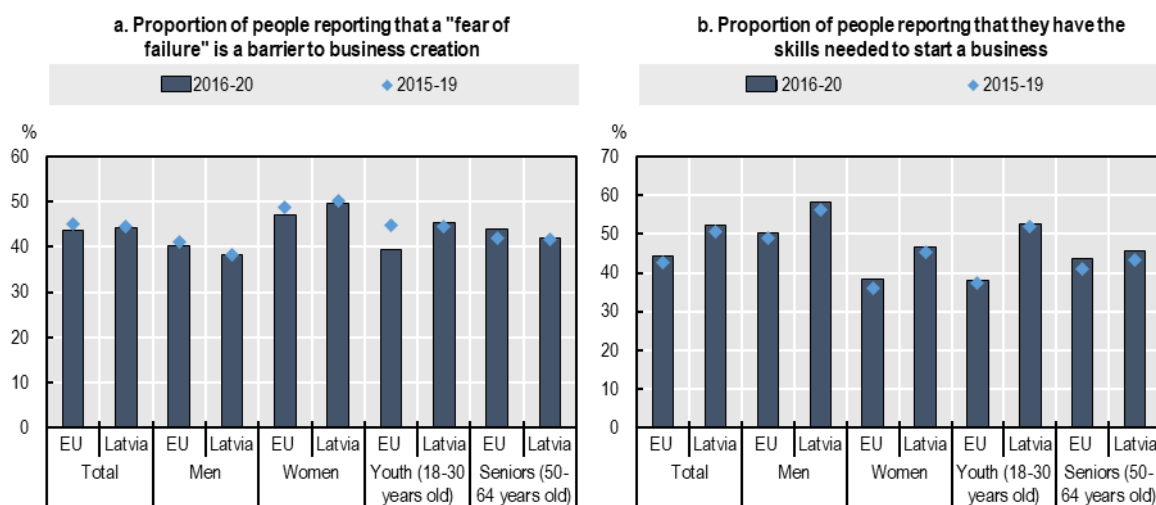
In addition, the Ministry of Welfare is working on several new initiatives including some to diversify sources of financing for social enterprises. Some specific measures will likely include: allowing partial dividend payments (currently completely prohibited, important for institutional investors); improving social enterprises' access to loan financing, development of viable solutions for reduction of labour tax burden,

to promote employment of vulnerable groups; make social entrepreneurship ecosystem support as a permanent supported function in future.

RISK FACTORS FOR INCLUSIVE ENTREPRENEURSHIP

There are a number of factors that pose a risk for efforts to boost inclusion and diversity in entrepreneurship. One is that there is a greater gap in attitudes towards entrepreneurship, notably in how people view risk. Latvian women were more than 30% more likely than men to report that a fear of failure prevented them from starting a business (Figure 3). This gap is nearly double the EU average. However, other traditional barriers to entrepreneurship such as a lack of skills appear to be less of an issue in Latvia, on average, than in many EU Member States.

Figure 3. Barriers to entrepreneurship



Source: GEM (2021), Special tabulations of GEM survey.

POLICY RECOMMENDATIONS

Priority policy actions to increase diversity in entrepreneurship include the following:

- 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.
- Work with private sector financial institutions to increase the availability of microcredit with the support of the European Union's EaSI Programme.
- Increase incentives for investing in social enterprises by, for example, allowing partial dividend payments (currently completely prohibited, important for institutional investors).
- Ensure that every student in formal education has the opportunity to develop entrepreneurial competencies and gain valuable practical entrepreneurial experience. This could include, for example, using student-run enterprises (i.e. student company) as a teaching method within formal education for pupils till age 18 to promote the development of entrepreneurial competencies.

ANNEX A: INCLUSIVE ENTREPRENEURSHIP POLICY FRAMEWORK

Table A.1. Characterisation of the inclusive entrepreneurship policy context

		Women	Immigrants	Youth	Seniors	Unemployed	People with disabilities
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.

ANNEX B: OVERVIEW AND ASSESSMENT OF INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

The tables present 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.

Table B.1. Inclusive entrepreneurship schemes to support women entrepreneurs

		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?	Follow-up: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training		✓		✓					
	2. Entrepreneurship coaching and mentoring		✓		✓					
	3. Business consultancy, including incubators		✓		✓					
Finance	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Culture and networks	1. Entrepreneurship campaigns, including role models									
	2. Networking initiatives									
Regulatory supports	1. Support with understanding and complying with administrative procedures									
	2. Group-specific measures	Maternity leave and benefits for the self-employed								
		Access to childcare								

Table B.2. Inclusive entrepreneurship schemes to support immigrant entrepreneurs

		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?	Follow-up: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training		✓		✓					
	2. Entrepreneurship coaching and mentoring		✓		✓					
	3. Business consultancy, including incubators		✓		✓					
Finance	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Culture and networks	1. Entrepreneurship campaigns, including role models									
	2. Networking initiatives									
Regulatory supports	1. Support with understanding and complying with administrative procedures									
	2. Group-specific measures	Entrepreneurship visa								
		Administrative and tax obligations can be met in several languages								

Table B.4. Inclusive entrepreneurship schemes to support senior entrepreneurs

		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?	Follow-up: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training		✓		✓					
	2. Entrepreneurship coaching and mentoring		✓		✓					
	3. Business consultancy, including incubators		✓		✓					
Finance	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Culture and networks	1. Entrepreneurship campaigns, including role models									
	2. Networking initiatives									
Regulatory supports	1. Support with understanding and complying with administrative procedures									
	2. Group-specific measures	Pension for self-employed								
		Measures to facilitate business transfer/exit								

Table B.5. Inclusive entrepreneurship schemes to support entrepreneurs starting from unemployment

		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?	Follow-up: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training	✓	✓	✓	✓	✓		✓	✓	
	2. Entrepreneurship coaching and mentoring	✓	✓	✓	✓	✓		✓	✓	
	3. Business consultancy, including incubators	✓	✓				✓	✓		
Finance	1. Grants for business creation	✓	✓	✓	✓	✓		✓	✓	
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Culture and networks	1. Entrepreneurship campaigns, including role models									
	2. Networking initiatives	✓	✓		✓	✓		✓	✓	
Regulatory supports	1. Support with understanding and complying with administrative procedures	✓	✓		✓					
	2. Group-specific measures	Welfare bridge to support those moving into self-employment	✓	✓		✓				
		Mechanisms for regaining access to unemployment benefits if business is not successful								

Table B.6. Inclusive entrepreneurship schemes to support entrepreneurs with disabilities

		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?	Follow-up: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training		✓		✓					
	2. Entrepreneurship coaching and mentoring		✓		✓					
	3. Business consultancy, including incubators		✓		✓					
Finance	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Culture and networks	1. Entrepreneurship campaigns, including role models									
	2. Networking initiatives									
Regulatory supports	1. Support with understanding and complying with administrative procedures									
	2. Group-specific measures	Mechanisms to move back into disability benefit system if business is not successful								
		Mechanisms to move regain access to other social security supports (e.g. housing benefits) if business is not successful								
		Medical leave schemes for the self-employed								

ANNEX C: METHODOLOGY

Each country report was prepared by the OECD Secretariat with support from a national inclusive entrepreneurship policy expert. 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 a written procedure in July 2023 by government ministries, programme managers and other inclusive entrepreneurship stakeholders.

The notes are based on the framework used in the OECD-EU Better Entrepreneurship Policy Tool, which contains six pillars:

1. Building entrepreneurship skills and capacities for inclusive entrepreneurship;
2. Facilitating access to business finance for inclusive entrepreneurship;
3. Fostering an inclusive entrepreneurial culture;
4. Building a supportive regulatory environment for inclusive entrepreneurship;
5. Expanding networks for inclusive entrepreneurship;
6. Strengthening the design and delivery of inclusive entrepreneurship support.

The notes provide a brief overview of the current inclusive entrepreneurship policies and programmes. They also 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?
- **Follow-up:** Do tailored programmes link to mainstream support programmes?

A focus is placed on the most commonly targeted population groups, namely women, immigrants, youth, seniors, the unemployed and people with disabilities.