Executive summary

With millions of missing entrepreneurs, countries are missing out on potential innovation, growth and jobs

Not everyone has an equal opportunity to transform their ideas into a business. There could be an additional 9 million people starting and managing new business in the European Union (EU) – and 35 million across OECD countries – if everyone was as active in business creation as core age men (30-49 years old). This would be 50% more people engaged in early-stage entrepreneurship in the EU and 40% more in OECD countries. About three-quarters of these "missing" entrepreneurs are women, half are over 50 years old and one-in-eight are under 30 years old.

These missed opportunities are due to several factors, including greater difficulties accessing finance, skills gaps, under-developed networks and institutional barriers (e.g. lack of childcare, discouraging social attitudes). These obstacles are often inter-related and are greater, on average, for women, immigrants, youth, seniors and the unemployed. For example, women in both EU and OECD countries are 75% as likely as men to report having the skills to start a business. These obstacles to business start-up also affect ambitions in entrepreneurship – women for example are 60%-70% as likely as men to expect that their business would create 20 jobs or more over the next five years – as well as business survival rates and performance.

The COVID-19 pandemic increased many of the gaps in entrepreneurship. Entrepreneurs from under-represented and disadvantaged groups were more likely to work reduced hours or close their business. For example, results from the OECD/Facebook/World Bank survey suggested that women were more likely to close their business in 2020 than men. In August 2020, women in Europe were 20% more likely than men to report that they had closed their business. These disproportionate impacts were often due to a higher concentration of businesses in the hardest hit sectors such as hospitality and personal services, less access to resources and more difficulty accessing government support measures due to eligibility criteria.

Inclusive entrepreneurship policy aims to open up opportunities in entrepreneurship to everyone with an idea for a sustainable business, regardless of their background and characteristics. Harnessing this untapped potential can uncover new ideas, create jobs and contribute to economic growth, which are central to plans for economic recovery. While many governments deliver tailored support for these groups, current offers do not always adequately address biases in entrepreneurship ecosystems and institutional conditions, nor the needs of diverse groups of entrepreneurs. Three priorities for governments are:

1. **Finance**: Increase funding to start-ups, particularly microfinance designed for people who face barriers in mainstream financial markets, including women, youth and immigrants. It is estimated that unmet demand for microfinance in the EU is currently EUR 14 billion per year. Governments need to inject more capital into this market since the majority of lenders target clients from under-represented and disadvantaged groups.

2. **Skills**: Entrepreneurs need better skills programmes to support their aspirations and increase the chances that they develop sustainable businesses, including on financial literacy, digital skills and business acumen. Skills gaps in these areas are typically greater among entrepreneurs from under-represented and disadvantaged groups. A greater use of coaching can address these gaps by improving the relevance of support to individual needs, particularly those who face barriers to training programmes.
3. **Tailored support**: Evaluations typically find that tailored support schemes have higher take-up rates, high satisfaction levels and more positive outcomes than general support schemes. Entrepreneurs from under-represented and disadvantaged groups need more tailored support to address systemic biases and greater obstacles to business creation, including training, coaching and networking. This needs to reflect the different needs of different groups and local conditions in a coherent way. Governments can achieve this by engaging more diverse groups in the policy design to help ensure that is it sensitive to varied needs.

Closing gender and generation gaps is critical to unleashing a new era of entrepreneurship

Youth create fewer businesses in the EU than those over 50 years old

Nearly one-quarter of the 18 million people involved in starting or managing a new business in the EU in 2020 were over 50 years old – a greater share than those who were between 18 and 30 years old. While this is similar to the situation in non-EU OECD countries, after adjusting for differences in age profiles, the generation gap raises questions for the EU about how the current population of businesses will be regenerated when older entrepreneurs move into retirement. This exit will be particularly strong for the self-employed since 45% are over 50 years old compared to the one-third of all employees that are over 50.

More needs to be done to support youth in realising their entrepreneurial potential. Surveys suggest that nearly 45% of university students intend to start a business within five years of graduation, yet only 5% of youth aged 18 to 30 are actively working on a start-up. Governments have renewed their commitment to support youth following the pandemic so now is the time to strengthen youth entrepreneurship support. Priority actions need to address the finance gap faced by young entrepreneurs and improve the appeal of support initiatives by better capturing youth perspectives in the design of initiatives.

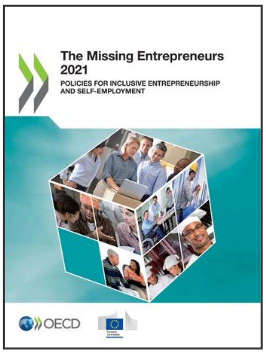
Women are less active than men in business creation

Women are less likely than men to be involved in starting and managing new businesses. Over the period 2016-20, less than 5% of women in the EU were involved in creating a business or managing one less than 42 months old relative to 8% of men. A similar gap appears in OECD countries where 9% of women were starting and managing new businesses relative to 13% of men. These gender gaps are caused by several factors, including barriers in financial markets, skills gaps and institutional conditions that affect motivations. This gender gap represents a missed opportunity for economic growth.

Governments can do more to cultivate entrepreneurial aspirations among women, address market failures in the areas of skills and finance, and support for growth-oriented female entrepreneurs. In addition to addressing institutional conditions that influence entrepreneurship decisions (e.g. access to childcare, taxation), governments need to increase funding for dedicated initiatives and increase gender sensitivity in general entrepreneurship programmes by setting gender objectives and tracking progress.

Immigrants account for a growing share of entrepreneurs

The share of immigrants among the self-employed in the EU nearly doubled over the past decade, increasing from 6% in 2011 to 11% in 2020. This growth is due to many factors, including an increase in immigration flows. However, entrepreneurship policy has not sufficiently recognised this trend and the scale of public support has changed little. This policy gap is being filled by grassroots organisations. More support and financing is needed to improve the quality of businesses started by immigrants to increase the chances of becoming sustainable and encourage them away from sectors with an over-supply. Governments also need to pay greater attention to attracting high potential entrepreneurs by improving outreach and simplifying administrative requirements for those utilising start-up visas.



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