

1 Recent trends and policy priorities in inclusive entrepreneurship

This chapter presents evidence on recent trends in self-employment and entrepreneurship among women, immigrants, youth and seniors in the European Union (EU) and OECD. It shows that self-employment has bounced back following the COVID-19 pandemic for many groups in the EU, notably women. However, there are still many millions of “missing” entrepreneurs that cost economies ideas, innovation and jobs. The chapter also provides a brief overview of how governments are using a range of policies and programmes to reduce gaps in entrepreneurship. New policy developments at national and local levels are highlighted, including new strategies to reduce gender gaps in entrepreneurship, the re-emergence of support for senior entrepreneurs in several countries and the introduction of entrepreneurship schemes for Ukrainian refugees. The chapter also outlines some policy priorities for future developments in inclusive entrepreneurship policy.

Key messages

- **While labour markets in many European Union (EU) Member States and OECD countries have recovered from the COVID-19 crisis, the total number of self-employed workers has not yet returned to pre-COVID levels.** However, the number of self-employed women has bounced back to pre-COVID levels while the number of self-employed men remains lower.
- **There are still millions of “missing” entrepreneurs across the EU and OECD.** There are nearly 7.5 million “missing” entrepreneurs in the EU representing 44% of all entrepreneurs and 34.1 million in the OECD representing for 34% of actual entrepreneurs. Nearly three-quarters of these “missing” entrepreneurs are women.
- **These entrepreneurship gaps are due to a combination of long-standing challenges.** Markets and institutions do not affect everyone in the same way and many groups that lack resources face greater challenges in accessing skills, finance and networks. Social attitudes play a significant role as they influence motivations for entrepreneurship, ambitions once businesses are created and affect how entrepreneurs from under-represented groups are perceived by customers, lenders, investors and support providers.
- **Governments in the EU and OECD continue to strengthen inclusive entrepreneurship policies and programmes.** Several countries have introduced new strategies and action plans to support women entrepreneurs, older entrepreneurs and entrepreneurs with disabilities. Governments are also investing more in schemes to support young entrepreneurs and using entrepreneurship schemes to support the integration of Ukrainian refugees into the labour market.
- **Future priorities for inclusive entrepreneurship policy include:**
 - Strengthen policy frameworks for women’s entrepreneurship to create cohesive support systems composed of reinforcing schemes and measures. Strong policy frameworks are also important for setting priorities and securing resources for implementing schemes, supporting women’s entrepreneurship organisations and networks, and undertaking research and data development.
 - Make smarter investments when supporting young entrepreneurs. Evaluations suggest that financial support will boost business creation by young people, but this is not enough to create sustainable businesses. Training and coaching combined with finance is more likely to lead to the creation of sustainable businesses and stronger employment outcomes when start-ups fail. A key success factor for effectively targeting support is to consider the beneficiaries’ motivation levels during in-take.
 - Harness the potential of immigrant entrepreneurs as they are rapidly becoming a significant group of entrepreneurs. Recent evidence shows that they create jobs and opportunities for others. Governments could leverage this potential with a greater emphasis on growth-oriented support and building networks.
 - Leverage welfare bridges when there is a high proportion of unemployed people that have a preference for self-employment but use strong selection mechanisms (e.g. require the preparation of a business plan) to reduce the chances of creating precarious work. The success of these types of measures hinges on several factors, including the provision of at least six months of support.

The need for inclusive entrepreneurship policy in a world of polycrisis

Entrepreneurs have faced a series of economic shocks over the past 15 years, increasing the risks and challenges faced in starting and managing a business. The first major shock was the financial crisis of 2007-08, which heavily affected labour markets. Unemployment increased sharply across the European Union (EU) (from 7% in 2008 Q1 to 10% in 2010 Q1 before reaching 12% in 2013 Q1) and OECD (from 6% in 2008 Q1 to 9% in 2010 Q1) as aggregate demand fell. This crisis impacted young people very strongly as the youth unemployment rate reached more than 25% in the EU by 2010. It took a decade for the youth unemployment rate to return to pre-crisis levels. This was followed by the COVID-19 pandemic, which started in early 2020. This health crisis led governments to effectively shut down some sectors of the economy to protect public health. Unemployment spiked again in EU Member States and across OECD countries, with the unemployment rate nearly doubling over the first two quarters of 2020. On the heels of this, Russia's large-scale aggression against Ukraine in 2022 disrupted economic recovery from the COVID-19 pandemic and introduced volatility into global markets.

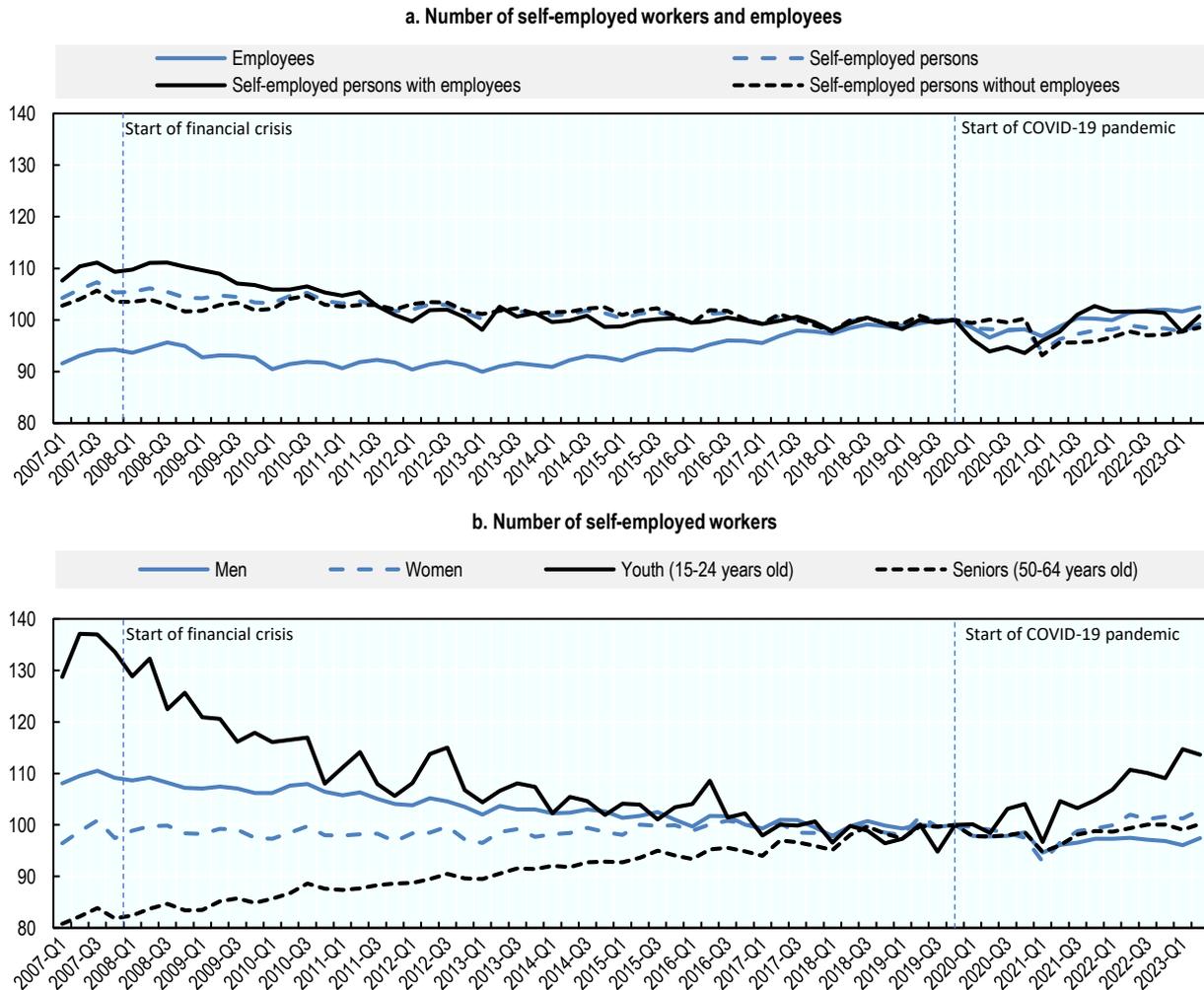
While labour markets have recovered from the COVID-19 pandemic in most EU Member States and OECD countries, self-employment has not yet returned to pre COVID-19 levels. The number of employees in the EU reached pre COVID-19 levels in 2021Q3 and are now about 2% higher (as of 2023Q2) (Figure 1.1). However, the number of self-employed workers remains lower than it was at the end of 2019. This is largely due to slow growth among the self-employed without employees (own-account workers) as those with employees returned to pre-COVID levels in 2021Q3. This decline in self-employment is consistent with the increase in business closure rates and the decline in entry rates in 2020 (OECD, 2021^[1]; OECD/European Commission, 2021^[2]). There was, however, a second small drop in the number of self-employed employers in the EU in the first half of 2022 as uncertainty increased in the global economy.

The impact of the COVID-19 pandemic on the self-employed was sharp but short-lived relative to the financial crisis in 2008-09. The number of self-employed workers fell by more than 5% between 2007Q3 and 2013Q3, which was about the same scale of decline as during the COVID-19 pandemic but spread over six years rather than one (Figure 1.1). Another significant difference between the financial crisis and the COVID-19 pandemic is that employers were impacted much more than own-account workers during the financial crisis and the recovery of the two groups were similar. This is in contrast to the COVID-19 pandemic where self-employed employers bounced back more quickly than own-account workers. Both crises occurred in a context of declining self-employment, which is largely due to a decline in employment in the agricultural sector.

Among the self-employed, women rebounded from the recent crisis more strongly than men. There is a substantial amount of literature showing that women entrepreneurs were disproportionately impacted by the COVID-19 pandemic due to sector effects and taking on a greater share of household responsibilities, such as childcare and homeschooling during this period (OECD/European Commission, 2021^[2]). Yet after a decline in the number of self-employed women in 2020 and early 2021, the number increased in the EU and was 3% higher in 2023Q2 than it was in 2019Q4, whereas the number of self-employed men remained about 3% lower (Figure 1.1). These gender differences are likely explained by the re-starting of economic activities in sectors where women entrepreneurs are concentrated. This signals a return to the long-term trend which is characterised by a gently decline in the self-employment rate – among both men and women – but a closing of the gap in the proportion of men and women who work as self-employed. For further information on trends in women's entrepreneurship and self-employment, please see Chapter 2.

Figure 1.1. Self-employment has not yet recovered since the onset of COVID-19

Change in self-employment and employment in the EU (2019Q4 = 100)



Note: There are breaks in the time series in 2014 and 2021 due to small methodological changes to the labour force survey.

Source: (Eurostat, 2023^[3])

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The number of young self-employed workers increased since the end of 2020, but this is likely due in part to the difficult labour market conditions faced by young people. After a slight decline in 2020, the number of young self-employed workers (15-24 years old) in the EU increased to about 14% above pre COVID-19 levels by 2023Q2 (Figure 1.1). While many of the core measures of labour market outcomes for young people are stronger now than before COVID-19 (e.g. active population increased, number working as employees increased, number in unemployment decreased), many of these outcomes are worse than they were a decade ago. This calls for continued investment in youth by governments, including strengthening support for young entrepreneurs because many of the market and institutional failures remain (Box 1.1). Please see Chapter 4 for more information on trends in youth entrepreneurship and self-employment and Chapter 8 for an analysis of the effectiveness of youth entrepreneurship schemes.

The number of older self-employed workers has also returned to pre COVID-19 levels. In the EU, the number of older self-employed workers (50-64 years old) declined in 2020 and the first half of 2021, but returned to pre COVID-19 levels at the end of 2022 (Figure 1.1). This increase is largely due to the ageing of the self-employed population, but also includes people that start a business to complement savings and pension income. Please see Chapter 5 for further discussion on entrepreneurship and self-employment by older people.

Box 1.1. OECD Recommendation of Creating Better Opportunities for Young People

The Recommendation of the OECD Council on Creating Better Opportunities for Young People was adopted in June 2022. It outlines how countries can implement government-wide strategies to support young people, including through skills, education, employment, social and public governance policies. It builds on the Updated OECD Youth Action Plan from June 2021, and draws on the perspectives raised by young people themselves in a youth consultation organised in September 2021. Adherent countries include all OECD countries as well as Brazil, Croatia and Romania.

The Recommendation is structured around five building blocks and recommends that Adherents:

1. Ensure that young people of all backgrounds and in all circumstances acquire relevant knowledge and develop appropriate skills and competencies;
2. Support young people in their transition into and within the labour market, and strive to improve labour market outcomes for young people, and especially those in vulnerable and/or disadvantaged circumstances;
3. Promote social inclusion and youth well-being beyond economic outcomes, with measures targeted at young people in vulnerable and/or disadvantaged circumstances;
4. Establish the legal, institutional and administrative settings to strengthen the trust of young people of all backgrounds in government, and their relationships with public institutions;
5. Reinforce administrative and technical capacities to deliver youth-responsive services and address age-based inequalities through close collaboration across all levels of government.

Entrepreneurship is covered under the second block on transitions to the labour market. It calls on governments to promote equitable access to entrepreneurship, including social entrepreneurship, through counselling (including post-creation coaching), training of entrepreneurial competencies, and access to finance and networks, as well as facilitate the promotion of innovative entrepreneurship in post-secondary institutions.

Source: (OECD, 2022^[4])

About one-in-five businesses cited COVID-19 as the reason their business closed, mostly women and seniors...

Survey data on the reasons for business exits between 2020 and 2022 showed that the most common reason for business closure was a lack of profitability, but about 20% of entrepreneurs directly cited COVID-19. Data for the Global Entrepreneurship Monitor (GEM) show that over this period, one-in-five entrepreneurs closed their business because it was not profitable (20% in the EU and 19% in the OECD). An additional 18% in the EU and 23% in the OECD indicated that the closure was due to COVID-19 pandemic. Clearly these two factors are linked and if considered together, they suggest that the share of exiting businesses that cited market difficulties as the reason for business closures was nearly

50% higher than before the pandemic. This underscores the extraordinary difficulties faced by entrepreneurs during the crisis.

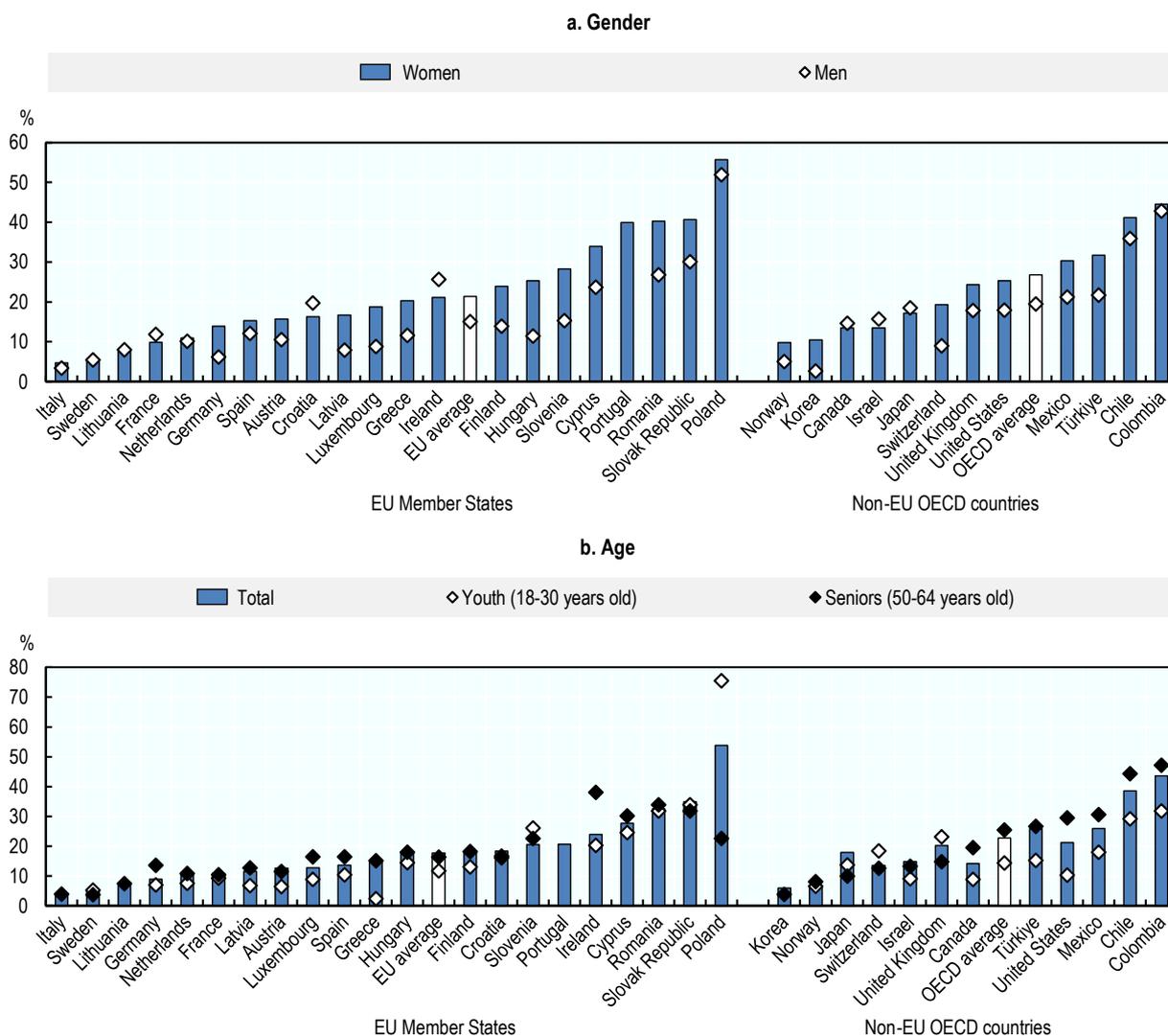
Women were more likely than men to cite COVID-19 as a reason for closing their business. In both the EU and OECD, women entrepreneurs who closed their business were about 40% more likely than men to cite COVID-19 as the reason their business closed (Figure 1.2). This is consistent with the many surveys that were undertaken across the EU and OECD (OECD/European Commission, 2021^[2]). This gap is explained largely by sector effects, but also due to the greater likelihood that women took on greater household and family responsibilities (e.g. home schooling, childcare) during the pandemic which reduced time available for their business. However, this also underlines the difficulties that women entrepreneurs had accessing the resources needed during a crisis. Women entrepreneurs, on average, have smaller networks than men that can be used to access opportunities and support (OECD/EU, 2015^[5]). They are also, on average, more likely to have lower levels of savings and greater difficulties accessing external finance. This greatly hinders their ability to manage their business during a time of crisis. Moreover, many female entrepreneurs had difficulties accessing support (OECD/European Commission, 2021^[2]) and there were few targeted measures to support them, especially during the early stages of the crisis (OECD, 2021^[6]).

The likelihood of citing COVID-19 as the main reason for business exit increased with age. Young entrepreneurs in both the EU and OECD were about 35% less likely than the overall average to identify COVID-19 as the reason for business closure (Figure 1.2). Older entrepreneurs (50-64 years old) were about as likely as the overall average to cite COVID-19 as the reason they closed their business, but the share in OECD countries was much higher. Among OECD countries, more than one-quarter of older entrepreneurs closed their businesses due to COVID-19. These findings are generally consistent with surveys undertaken during the crisis that suggested that younger entrepreneurs were more likely to sustain their activities over this period. Reasons often cited include a greater ability to pivot their business because they are often less attached to their business activity. Another significant factor is that young entrepreneurs are more likely to leverage the potential of digital tools and online markets, which were success factors in maintaining business operations during the pandemic.

The share of entrepreneurs exiting who cited COVID-19 as the reason varied enormously across countries. More than half of exiting entrepreneurs in Poland cited COVID-19 as the main factor, including three-quarters of young entrepreneurs (Figure 1.2). At the other extreme, fewer than 5% of exiting entrepreneurs in Italy attributed the business closure to COVID-19. These differences across countries are due to both structural issues (e.g. sector concentration) as well as policy responses to supporting businesses and employees during the pandemic.

Figure 1.2. Women entrepreneurs were more likely to cite COVID-19 as the reason for business closure

Proportion of entrepreneurs who closed their business citing that COVID-19 was the main reason, 2020-22



Note: The results presented cover all EU Member States and OECD countries except for the following: Belgium, Bulgaria, the Czech Republic, Denmark, Estonia and Malta in the EU and Australia, Belgium, Costa Rica, the Czech Republic, Denmark, Estonia, Iceland and New Zealand in the OECD.

Source: (GEM, 2023^[7])

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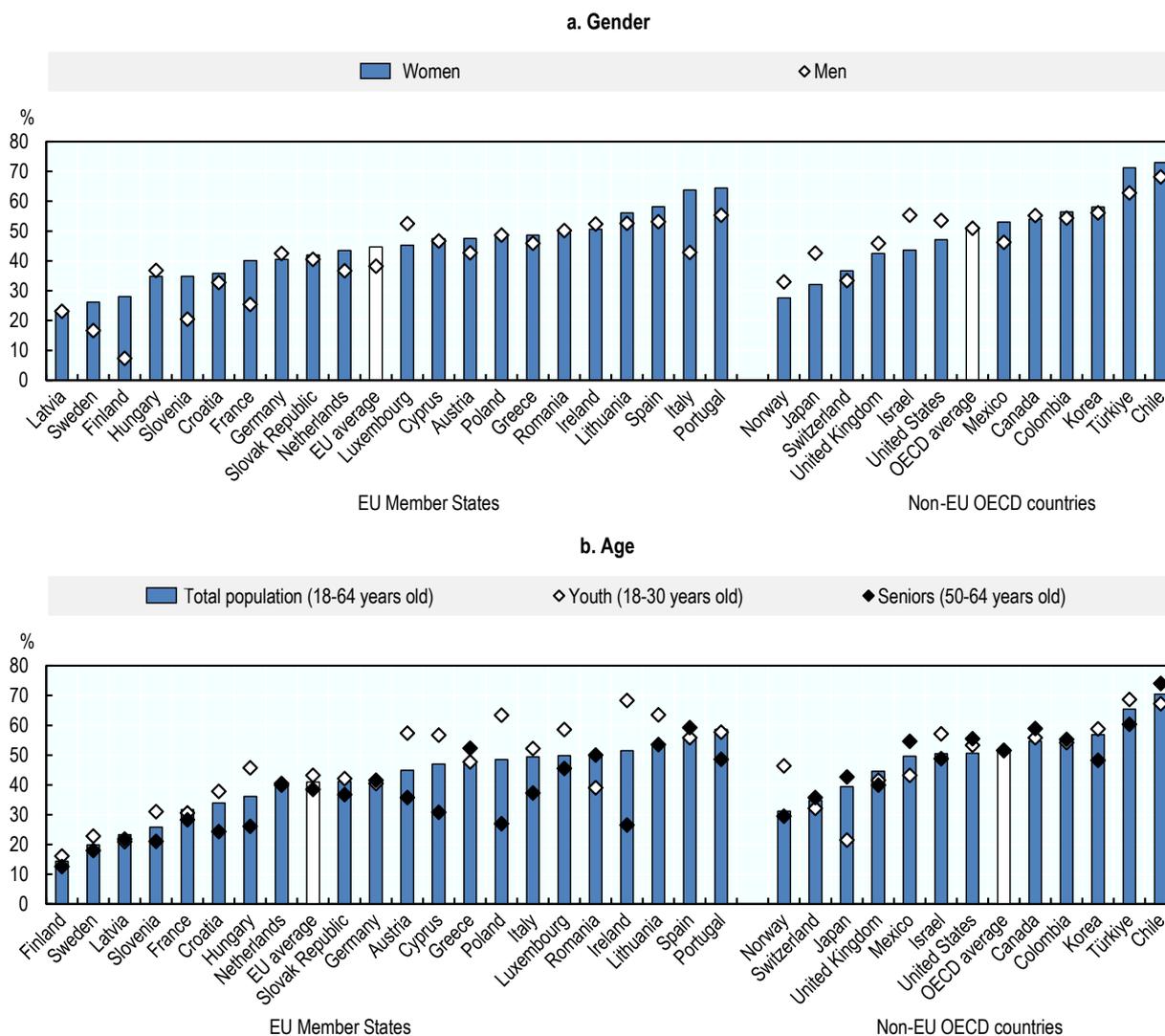
...and many report that it is increasing difficult to start a business...

Nearly half of people working on a new start-up in the EU and OECD reported that it was harder to launch a business than in the previous year. Overall, responses to the GEM survey between 2020 and 2022 about business conditions did not vary greatly by gender in most countries (Figure 1.3). However, women were much more likely than men to report that it was harder to start a business in several EU Member States, notably Finland, France, Italy, Netherlands, Portugal, Slovenia and Sweden. Luxembourg was the only EU Member State where men were more likely than women to report that it was harder to

start a business relative to the previous year. Overall, the likelihood of reporting that it was more difficult to start a business relative to the previous year increased with age in nearly all countries.

Figure 1.3. Half of women and youth report that it is harder to start a business now than a year ago

Percent of nascent entrepreneurs who are that “Starting a business much more difficult or somewhat more difficult than a year ago”, 2020-22



Note: Nascent entrepreneurs are those who are 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 results presented cover all EU Member States and OECD countries except for the following: Belgium, Bulgaria, the Czech Republic, Denmark, Estonia and Malta in the EU and Australia, Belgium, Costa Rica, the Czech Republic, Denmark, Estonia, Iceland and New Zealand in the OECD.

Source: (GEM, 2023^[7])

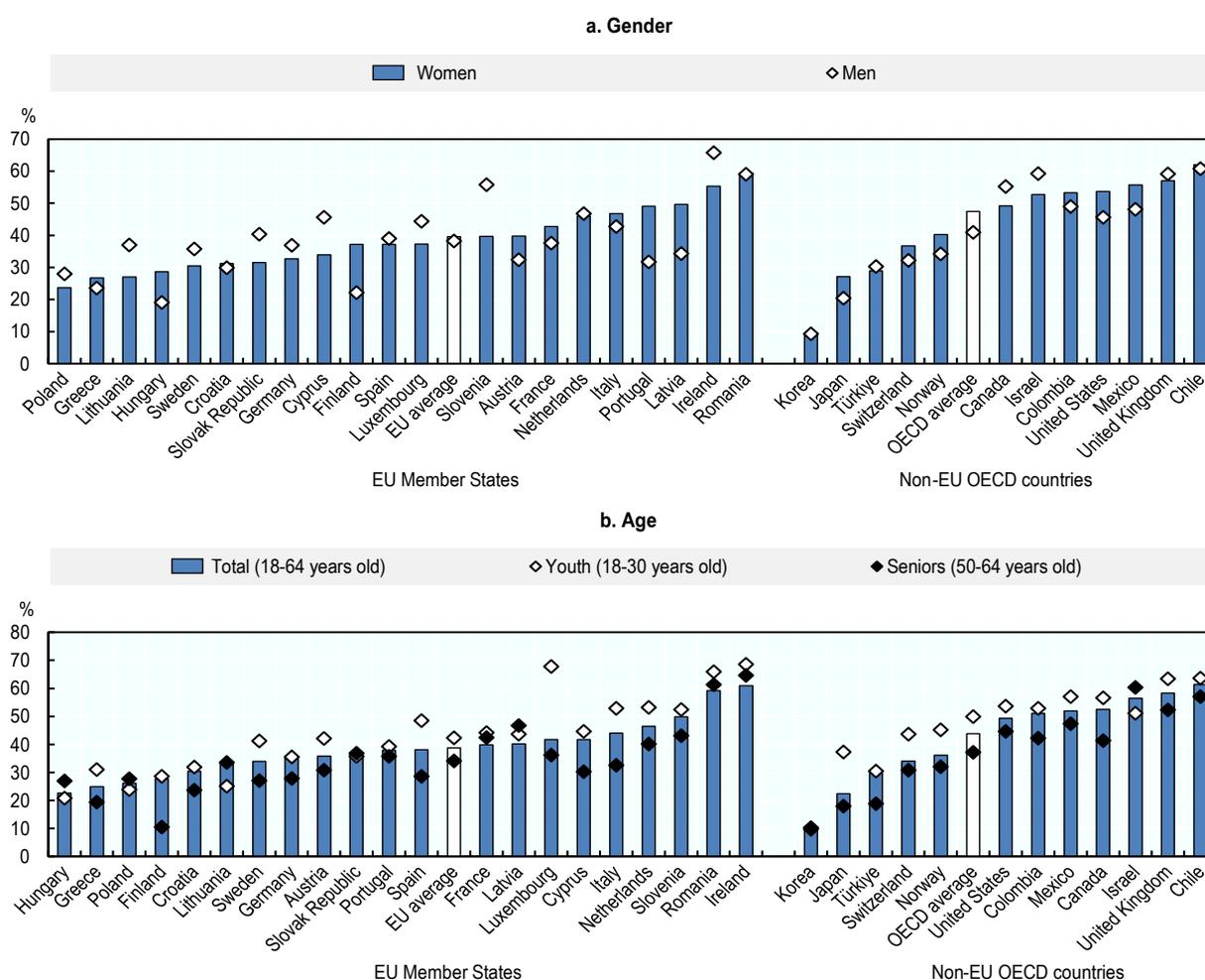
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...but some people saw entrepreneurship opportunities during the pandemic

While many entrepreneurs operating businesses faced serious negative impacts on their businesses, others identified new opportunities that were created by the pandemic. Nearly 40% of people working on a start-up in the EU between 2020 and 2022 and nearly 45% in the OECD indicated that they identified opportunities during the pandemic that they wanted to pursue (Figure 1.4). Overall, there was little difference in the share of men and women who identified entrepreneurial opportunities in the EU, but men were slightly more likely than women to see opportunities in OECD countries. Young entrepreneurs were the most likely to see opportunities, which is likely due to the very high proportion of youth-operated businesses that leverage the internet for reaching clients and new markets.

Figure 1.4. 40% of entrepreneurs saw opportunities during the COVID crisis

Percent of nascent entrepreneurs who agreed that the “COVID-19 pandemic provided new opportunities that you want to pursue with this business”, 2020-22



Note: Nascent entrepreneurs are those who are 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 results presented cover all EU Member States and OECD countries except for the following: Belgium, Bulgaria, the Czech Republic, Denmark, Estonia and Malta in the EU and Australia, Belgium, Costa Rica, the Czech Republic, Denmark, Estonia, Iceland and New Zealand in the OECD.

Source: (GEM, 2023^[7])

There are still millions of “missing” entrepreneurs

One way to monitor gaps in entrepreneurship is to estimate the number of “missing” entrepreneurs. This is estimated by subtracting the number of actual entrepreneurs from the number “potential” entrepreneurs that there would be if everyone was as active as 30-49 year old men in starting and managing new businesses, i.e. setting the activity rate of the whole population to the activity rate of 30-49 year old men. 30-49 year old men are used to compute the number of “potential” entrepreneurs because this is the group that is most likely to start a sustainable business (Box 1.2). The share of “missing” entrepreneurs is reported as a ratio to the number of actual entrepreneurs to provide an indication of the scale of entrepreneurship that could be possible if the uneven impact of barriers and policies were removed. These estimated entrepreneurship gaps represent untapped entrepreneurial potential and do not intend to serve as targets for governments. It is important to note that not all of these “missing” entrepreneurs would be expected to become entrepreneurs as entrepreneurship is not suitable for everyone. Furthermore, these estimates do not make any assessment of the quality (e.g. business survival rate, earnings, hours worked, job creation) of start-up activities. They treat all entrepreneurship as being of equal quality, which likely leads to an over-estimation of the entrepreneurship gaps since economies typically have more unproductive entrepreneurship than productive entrepreneurship (Stam and Wennberg, 2010^[8]). However, less productive entrepreneurship can have a positive impact on economies by combatting unemployment, as well as labour market and social exclusion (OECD/EU, 2013^[9]). Governments therefore need policies that not only seek to address these gaps by boosting the number of start-ups by increasing opportunities and removing barriers but also to boost the quality of businesses started.

New estimates confirm that there are still millions of “missing” entrepreneurs in the EU and OECD.

In the EU, there would be nearly 7.5 million more early-stage entrepreneurs if everyone was as active as 30-49 year old men in starting and managing new businesses. These “missing” entrepreneurs represent nearly 45% of the current number of early-stage entrepreneurs. There would be an additional 34.1 million early-stage entrepreneurs in the OECD if entrepreneurship gaps were similarly removed. These “missing” entrepreneurs account for 34% of actual early-stage entrepreneurs. Both of these numbers suggest that entrepreneurship activity rates are returning to longer term trends. The number of “missing” entrepreneurs reported during the crisis in the Missing Entrepreneurs 2021 were slightly higher, reflecting the disproportionate business closures by women, older and immigrant entrepreneurs (OECD/European Commission, 2021^[2]).

Box 1.2. Selecting a benchmark to compute the number of “missing” entrepreneurs

Estimating the number of potential entrepreneurs requires a benchmark entrepreneurial profile of the most successful entrepreneurs, i.e. the most active in creating businesses and the most likely to succeed in creating sustainable businesses. The benchmark used to compute the number of “missing” entrepreneurs is men aged 30-49 years old. This profile was selected based on the research highlighted below.

Gender

There is a large body of literature that demonstrates that women are, on average, less likely to start a business (OECD/European Commission, 2021^[2]; OECD, 2021^[10]). When they do go to successfully start a business, the business is smaller on average and has lower business survival rates. This is partly explained by different motivations, as women are less likely to have ambitions to grow their businesses (OECD/European Commission, 2021^[2]) and are therefore less likely to pursue growth-oriented business strategies, such as innovation or exporting. Please see Chapter 2 for additional details.

Age

Recent research on the most successful entrepreneurial age suggests that entrepreneurs are the most likely to start a business in their 30s and 40s. For example, research in the United States based on the Global Entrepreneurship Monitor (GEM) survey shows that the age where people are most actively working on new start-ups and young firms is 25-55 years old (Dunk, 2019^[11]). Moreover, measures of entrepreneurial confidence peaks in the ages 35-44 years old (Dunk, 2019^[11]). Similar results were found by GEM research in the United Kingdom.

In addition, research using tax data in the United States over the period 2007-14 found that the average age of entrepreneurs (at the time of start-up) who started companies that went on to hire at least one employee was 42 years old (Azoulay et al., 2020^[12]). This research also explored other metrics of success and found similar results. For example, the average age of entrepreneurs starting venture-capital backed firms was 42 years old and the age of entrepreneurs starting patenting firms was 45 years old (Azoulay et al., 2020^[12]).

The use of the age group 30-49 years old is also supported by a recent meta-analysis of 12 theoretical perspectives and 102 samples that rejected the hypothesis that young entrepreneurs are more successful (Zhao et al., 2021^[13]).

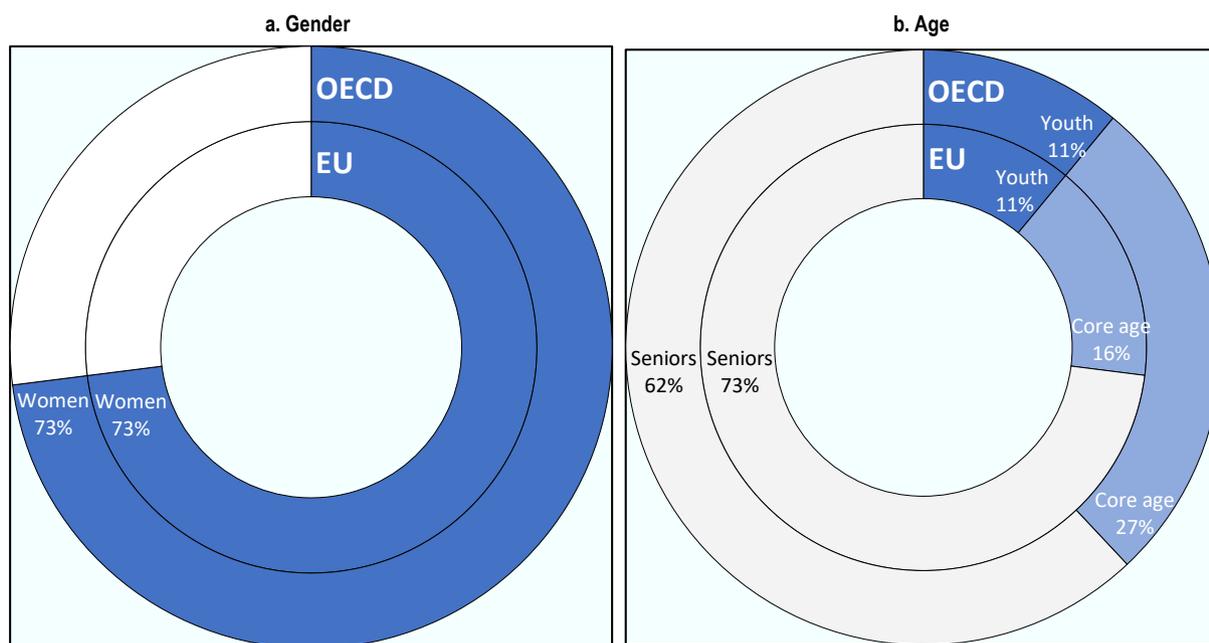
Other characteristics

A number of other personal characteristics have been found to influence the likelihood of creating a business and influencing various metrics of success (e.g. business survival rate, job creation, exporting rates, innovation rates), including wealth, education, experience, place of birth and more (OECD/European Commission, 2021^[2]). However, it is not currently possible to disaggregate current data sources according to these characteristics.

Women and seniors continue to account for the bulk of “missing” entrepreneurs. Three quarters of the “missing” entrepreneurs are women in the EU and OECD (Figure 1.5), indicating that the “missing” entrepreneurs challenge is largely a gender issue. This suggests that governments seeking to increase diversity in entrepreneurship need to increase efforts to reduce the gender gap. Only 11% of “missing” entrepreneurs in the EU and OECD are young (18-30 years old). Conversely, more than 60% of “missing” entrepreneurs in the EU and more than 70% are older (50-64 years old) but this considers only business creation and early-stage entrepreneurship. A large number of older people are owner-operators of established businesses.

Figure 1.5. Women and seniors account for the bulk of “missing” entrepreneurs

Distribution of the “missing” entrepreneurs, 2022



Note: Youth refers to 18-30 years old; Core age refers to 30-49 years old; Seniors refers to 50-64 years old.

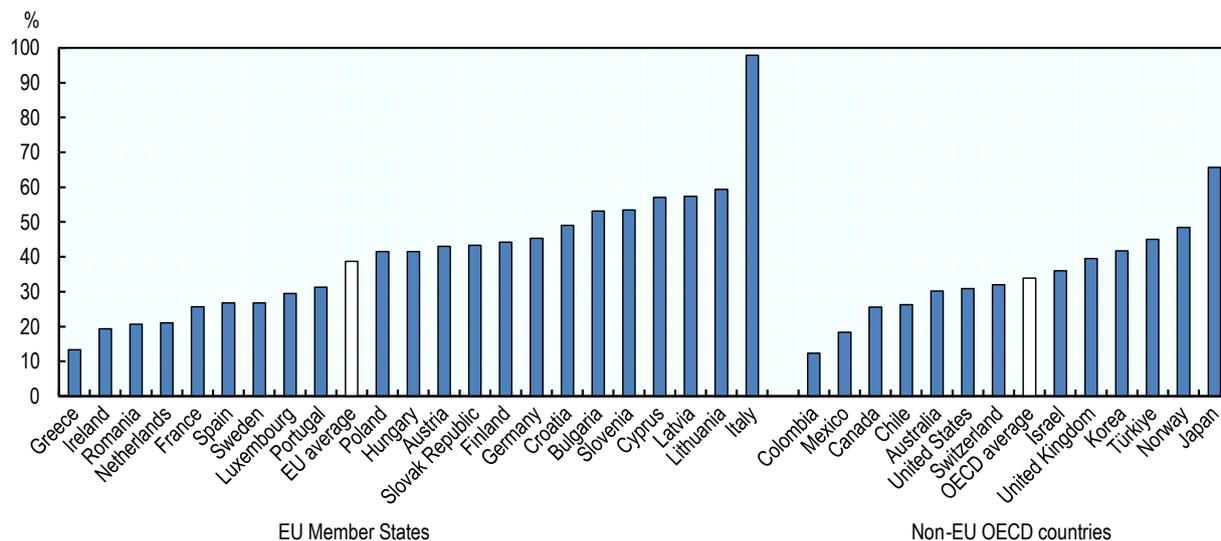
Source: OECD calculation based on (GEM, 2023^[14]).

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The relative number of “missing” entrepreneurs varies greatly across EU Member States and OECD countries, reflecting the vast differences in conditions for entrepreneurship across countries. The share of “missing” entrepreneurs ranged from very few in Greece (13%) to as many as the number of actual early-stage entrepreneurs in Italy (98%) (Figure 1.6). The variations in entrepreneurship gaps across countries result from the interaction of a wide range of different factors, including individual motivations for entrepreneurship and attitudes to risk, social attitudes towards labour market activities, market opportunities and competition levels, access to finance and more. These estimates should not be viewed as targets for governments because they do not consider the “quality” of these entrepreneurship activities in terms of economic contributions (e.g. job creation), impact on markets (e.g. entrants may displace incumbents with no net benefit), nor quality of work opportunity (e.g. earnings). Instead, they are intended to be a tool to help governments understand the scale of entrepreneurship gaps in their country and track their progress in reducing gaps over time.

Figure 1.6. The relative number of “missing” entrepreneurs is higher in the EU than the OECD

“Missing” entrepreneurs as a share of actual entrepreneurs, 2022



Source: OECD calculation based on (GEM, 2023^[14]).

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Using inclusive entrepreneurship policy to reduce gaps in entrepreneurship

The aim of inclusive entrepreneurship policies is to reduce inequalities of opportunity so that everyone, regardless of their personal characteristics and background has an opportunity to start and run a business. These policies, along with the schemes and measures used to implement them, seek to support groups that are under-represented in entrepreneurship (e.g. women, immigrants, youth, seniors, the unemployed, people with disabilities) in starting and growing businesses. Overall, the objective of inclusive entrepreneurship policies is twofold:

- Ensure that people in these groups are aware of the potential that entrepreneurship may have for them as a labour market activity and to build motivations for pursuing them;
- Address market, institutional and behavioural failures that disproportionately affect people in under-represented groups. This includes addressing barriers in financial markets and to acquiring entrepreneurship skills, facilitating the development of entrepreneurship networks and developing an entrepreneurial culture. It would be expected that by addressing these barriers, there would be an increase in the amount of entrepreneurship activities by people in under-represented groups. Moreover, these policies and programmes have the potential to increase the likelihood that businesses created have a greater chance of surviving longer, creating more jobs and being more innovative.

While inclusive entrepreneurship policies seek to reduce inequalities of opportunities in entrepreneurship, an equally important outcome sought is increased employability. By helping people acquire skills and work experience as well as build networks through participation in inclusive entrepreneurship schemes, they also become more employable. Moving people from these groups into employment is also a desirable outcome as entrepreneurship may not be an appropriate career path for all. Inclusive entrepreneurship policies can contribute to broader government objectives, including:

- Strengthening societies by increasing participation in work and society and supporting diversity in the labour market;
- Stimulating growth and create jobs by harnessing the entrepreneurial talents across all population groups;
- Preparing people for the future of work by helping everyone develop entrepreneurial mindsets and learn how to work in flexible ways;
- Addressing unemployment by upskilling the unemployed and supporting them in business creation.

Inclusive entrepreneurship policies vary across countries in their specific objectives. Objectives vary according to political priorities, cultural attitudes towards participation in work and society, budget allocations for entrepreneurship policies and programmes and approaches to active labour market policy. An overview of the range of approaches used by governments to achieve inclusive entrepreneurship objectives is presented in Figure 1.7. One important area of action is to improve the business environment and conditions for entrepreneurship, which impact population groups differently. This includes, for example, removing disincentives in regulatory systems for some groups (e.g. tax policies that favour single income households), positively influencing social attitudes towards labour market participation and entrepreneurship by everyone (e.g. women, seniors, immigrants, people with disabilities) and improving access to entrepreneurship education and training for everyone.

Governments deliver inclusive entrepreneurship policies and programmes in different ways. While the use of dedicated support schemes can be effective, their success is often determined by the extent to which they are designed and delivered in an appropriate manner for the target group. Programme evaluations show a critical success factor is whether or not the schemes reach their intended target clients. This calls for special attention to outreach methods since people access information through different channels. For example, an immigrant entrepreneurship coaching scheme would likely be more effective at reaching potential immigrant entrepreneurs if it was promoted through community-based media and websites in the appropriate language rather than through traditional media channels. Similarly, the content and delivery methods can also be more effective if they are designed for the particular needs of the target group. This can also hold true for general entrepreneurship schemes. Efforts to adjust outreach, content and delivery for specific groups can make the general entrepreneurship schemes more attractive and more effective for different target groups.

Figure 1.7. Approaches to inclusive entrepreneurship

1. Improving the conditions for entrepreneurship	Regulatory framework										
	Market conditions										
	Availability of finance										
	Knowledge creation and diffusion										
	Entrepreneurial capabilities										
	Culture										
2. Delivering tailored support through dedicated programmes	Entrepreneurship skills			Access to finance				Social capital and culture		Regulations	
	Training	Coaching and mentoring	Business consultancy, incubators and accelerators	Grants	Loans	Microfinance	Other (Crowdfunding, risk capital, etc.)	Entrepreneurship campaigns, including role models	Networking initiatives	Support with understanding and complying with administrative procedures	Target group-specific measures to address group-specific regulatory challenges
3. Ensuring appropriate design and delivery mechanisms in dedicated and general programmes	Outreach										
	Selection criteria										
	Content										
	Delivery methods										
	Packages of inter-related supports										
4. Using evaluation as a policy development tool	Ex ante, monitoring, ex post, feedback										

Source: (OECD/European Commission, 2021^[2])

Recent developments in inclusive entrepreneurship policy in the EU

Strengthening policy frameworks

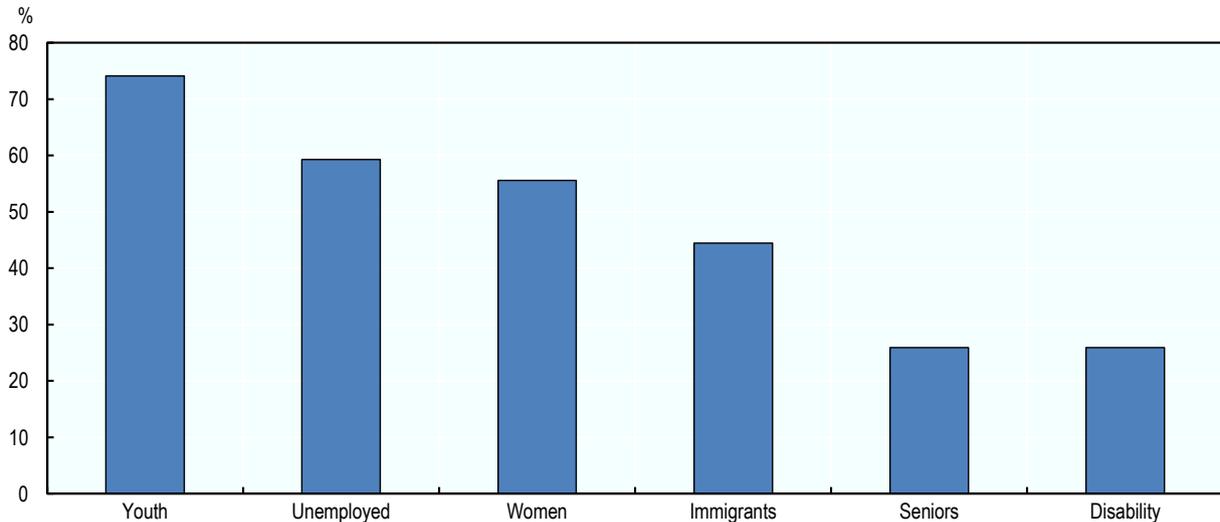
Nearly three-quarters of EU Member States have developed clear strategies to support youth entrepreneurship, but policy frameworks are less clear for other target groups. Fewer than 60% of EU Member States have clear strategies for supporting job seekers' return to work via self-employment or for boosting women's entrepreneurship (Figure 1.8). Furthermore, less than half have a strategy for supporting immigrant entrepreneurs and even fewer for seniors and people with disabilities. The lack of a clear policy framework for supporting different target groups has several drawbacks, including an increased likelihood of highly fragmented support system that is not well-aligned with policy objectives. The absence of a clear commitment to supporting different groups in entrepreneurship is often accompanied with lower levels of resources being dedicated to implementing inclusive entrepreneurship schemes. The result can be a support system with many small-scale schemes that struggle to sustain their operations in the medium-term, which can create inefficiencies if support providers continually need to invest time into securing future resources. Fragmented support systems also presented challenges for the entrepreneurs seeking support because there are too many entry points and options.

Over the past three years, there are many examples of governments introducing new inclusive entrepreneurship strategies. These include a new strategy for women entrepreneurs in Germany (see

Chapter 2), several strategies that leverage entrepreneurship measures to support youth employment outcomes (see Chapter 4), active ageing (see Chapter 5) and the inclusion of people with disabilities (see Chapter 7). Moreover, some countries such as Latvia have made efforts to modernise the entrepreneurship support offers for job seekers provided by the National Employment Agency (see Chapter 6). Additional examples are highlighted in the Country Profiles in Part III of this report.

Figure 1.8. More than half of EU Member States have strategies for supporting youth, women and the unemployed in entrepreneurship

Proportion of EU Member States with a group-specific entrepreneurship strategy, 2022



Note: Strategies could be stand-alone dedicated entrepreneurship strategies or embedded within another strategy, e.g. employment strategy, active ageing strategy.

Source: (OECD, 2023^[15])

StatLink  <https://stat.link/y0nbkf>

Continuing to invest in young entrepreneurs

The COVID-19 pandemic and recent macroeconomic volatility highlighted the labour market vulnerability of young people. Youth unemployment increased by 8% in the EU between 2019 and 2020 as many young people had difficulty entering the labour market during the pandemic. However, the number of unemployed young people (15-29 years old) in the EU has since declined from 5.2 million in 2020 to 4.5 million in 2022 (Eurostat, 2023^[31]). In 2022, this represented 6% of all young people and 11% of those in the labour force, the lowest rates over the past decade. However, youth unemployment remains a priority issue as the youth unemployment rate is at least double the overall unemployment rate in 17 EU Member States. This is a concern for governments because a long unemployment spell early during someone's career can be devastating as the scarring effects and the negative impact on income could last a lifetime. Governments in EU Member States have responded with actions linked to the European Skills Agenda, Youth Employment Initiative and Social Economy Action Plan, and non-EU OECD countries are similarly working to implement the OECD Recommendations on Creating Better Opportunities for Young People and SME and Entrepreneurship Policy. There are also joint OECD-EU initiatives, such as the new Youth Entrepreneurship Policy Academy (YEPA) that seek to support governments in strengthening youth entrepreneurship policies and programmes (Box 1.3). A number of country-specific examples of new developments are provided in Chapter 4 and the Country Profiles in Part III of this report.

Box 1.3. Supporting the development of youth entrepreneurship through the EU-OECD Youth Entrepreneurship Policy Academy (YEPA)

The OECD-EU Youth Entrepreneurship Policy Academy (YEPA) is a policy-learning network that seeks to strengthen youth entrepreneurship policies in European Union (EU) and OECD countries. The YEPA network has participation from policy makers from the 27 EU Member States, representatives from national and international youth entrepreneurship networks, youth entrepreneurship experts and social entrepreneurship networks. The YEPA aims to improve youth labour market outcomes by supporting governments and their partners in designing and implementing appropriate youth entrepreneurship policies. It will boost awareness of the need for policy support for youth entrepreneurship and conditions for policy success by:

1. Raising awareness among policy makers about obstacles faced by young people with potential in entrepreneurship;
2. Raising awareness among policy makers about successful policy approaches and how to design and implement them, as well as how to avoid policy failures;
3. Raising awareness among policy makers and youth entrepreneurship networks on the attractiveness, specificities and added value of social entrepreneurship for youth; and
4. Creating a regular mechanism for policy makers to consult with youth entrepreneurship networks and to stimulate youth entrepreneurship network creation.

YEPA activities include a series of events and workshops that present and discuss the obstacles faced by young entrepreneurs, as well as policy successes and failures. Information notes are prepared and disseminated following each event. The three-year initiative builds on the long-standing OECD-EU co-operation on inclusive and social entrepreneurship and the related OECD outputs, expertise, data and networks on youth entrepreneurship.

Source: (OECD/EU, 2023^[16])

New schemes to support senior entrepreneurs

Senior entrepreneurship schemes have long held potential to support active ageing policies. After a high amount of visibility at the time of the European Year for Active Ageing and Solidarity between Generations (2012), many senior entrepreneurship schemes stopped. However, new policies and schemes have been introduced over the past three years in many EU Member States. These include new strategies in Bulgaria, Hungary and Portugal that emphasise the role of entrepreneurship in active ageing policies as well as efforts to promote and inspire senior entrepreneurs with festivals and award programmes in Slovenia and Poland. This renewed policy interest and action in senior entrepreneurship should help to improve the availability and increase the quality of support, which is lower than for other target groups. Please see Chapter 5 for further discussion on senior entrepreneurship schemes and additional policy examples.

Using inclusive entrepreneurship to support Ukrainian refugees

The flow of Ukrainian refugees into the EU is much greater than the flow of refugees over the 2014-17 period. Many refugees coming from Ukraine are more highly educated than the previous refugee crisis, offering an opportunity for governments to leverage their talents in the labour market. Many EU Member States have launched new initiatives to help entrepreneurs from Ukraine set up a business in their new country. Examples include regulatory changes in Poland that facilitate business creation, while new

support initiatives have been launched in countries such as Ireland, Romania and Sweden. Please refer to Chapter 3 and the Country Profiles in Part III of this report for additional details and more examples.

Future policy directions for making entrepreneurship more diverse and inclusive

Strengthen policy frameworks for women’s entrepreneurship to increase impact

The long-standing gender gaps in entrepreneurship are closing slowly and this is costing economies ideas, innovation and jobs. While the gender gap in self-employment rates in the EU closed from 8.4 percentage points (p.p.) in 2013 to 6.8 p.p. in 2022, the reduction is much less impressive when viewed in terms of the ratio of self-employment rates between men and women. In 2013, women were about 55% as likely as men to be self-employed and this increased modestly to 58% in 2022. There has also been little change between the nature of businesses operated by women relative to those operated by men. For example, women operated businesses are less likely to be exporting and to expect significant employment creation (see Chapter 2 for additional details). Several countries have estimated the cost of gender gaps in entrepreneurship, showing that economies would receive a boost in economic growth if women were as active as men in starting and growing businesses. For example estimates undertaken in Canada in 2017 show that GDP growth would be 6% higher over the 2017-26 period if the gender gap in entrepreneurship was closed (ISED, 2022^[17]). Similarly, a review of women’s entrepreneurship in the United Kingdom in 2017 estimated that 12% of GDP would have been added to the economy in 2017 if women started and scaled businesses at the same rate as men (Alison Rose, 2019^[18]).

Governments, along with non-governmental organisations and private sector actors, have been implementing policies and delivering programmes to support women entrepreneurs for decades. These include ambassador and promotional campaigns, training, peer-learning programmes, coaching and mentoring, and a range of financial supports, including support for women investing in other women entrepreneurs. Some of these schemes have been successful but support systems across the EU and OECD area face challenges in realising a systemic impact.

One of the weakness of women’s entrepreneurship support in many countries is that the policy frameworks are weak or absent. In some countries, policy frameworks for women’s entrepreneurship are described in strategies and action plans. Examples include the Women Entrepreneurship Strategy in Canada and the new action plan for “More female entrepreneurs for small and medium-sized enterprises” in Germany (see Chapter 2 for more information). These policy frameworks have several important functions. First, they help signal the importance of closing gender gaps in entrepreneurship to women, support providers and markets more generally. Second, policy frameworks are typically used to identify policy objectives and priorities, which signals the overarching goals to the full support system. Third, setting policy objectives and priorities helps to secure and allocate resources to programmes and schemes over the medium-term. This is often a critical lifeline for many non-government support organisations that face increased resource constraints in a post-COVID context. Fourth, policy frameworks can help to advance on activities that support the development of informed policymaking, including for example supporting research on women’s entrepreneurship, data development and establishing policy consultation networks.

Make smarter investments when supporting young entrepreneurs

Surveys show that young people have a high level of interest in entrepreneurship. A recent survey in the EU shows that 39% of young people (15-30 years old) would prefer to be self-employed over working as an employee and the most common reasons were “independence to be one’s own boss”; “freedom to choose time and place of work”; and, “personal fulfilment from bringing an idea to life” (European Commission, 2023^[19]).

Despite this high level of interest, few young people report that they are working on a start-up. Between 2018 and 2022, 5% of young people (18-30 years old) in the EU report that they were working on a pre start-up and another 4% that they were managing a new business (i.e. less than 42 months old). In the OECD, the equivalent shares were 9% and 6%. These rates – both in the EU and OECD – are below the proportion of young people indicating that they would prefer to be self-employment. This gap reflects a range of market and institutional failures that hinder entrepreneurship activities by young people (e.g. difficulties accessing finance because risk cannot be accurately priced due to a lack of credit history).

Governments have strengthened their commitment to supporting young people, which includes strong investments in supporting young entrepreneurs. Youth entrepreneurship schemes are very common across the EU and OECD, often offering training, coaching and finance. However, youth entrepreneurship schemes are not well-evaluated overall and there is a significant knowledge gap about what works and why. Chapter 8 presents an analysis of the highest quality evaluations of youth entrepreneurship support schemes from the past 20 years that aim to support business creation and/or improve employment outcomes, and they highlight a number of lessons for governments. The main takeaway is that these schemes show mixed impacts but there are often positive results when they are designed appropriately for the local conditions. One of the most important success factors appears to be the participants' motivations, suggesting that governments could place a greater emphasis on assessing motivation levels during programme in-take, either through a survey or a short interview to better target support. The evaluations also suggest that finance needs to be a critical component of youth entrepreneurship support when the objective is to support business creation and/or transitions to employment. The financial instrument used appears to have an impact as repayable instruments or temporary reductions in tax or social security boost business creation and survival, while grants do not appear to be effective in stimulating the creation of sustainable businesses. One of the gaps identified in the analysis is that very few evaluations assess the efficiency of schemes. Therefore, while many schemes had a positive impact on a range of entrepreneurship and employment outcomes, these impacts were not assessed in relation to costs. However, many of the schemes that had the greatest impact used volunteer coaches and repayable financial instruments. It is, therefore, likely that these schemes were among the least costly to deliver. See Chapter 8 for further discussion.

Harness the potential of immigrant entrepreneurs

The share of self-employed workers in the EU who were born in another country has nearly doubled over the past ten years. In 2013, about 2% of the self-employed in the EU were born in another EU Member State and 5% were born outside of the EU and these shares increased to 4% and 8% in 2022. While this increase is largely driven by increased immigration flows, there is increasing evidence that immigrant entrepreneurs are having a positive impact on economies. For example, a new study in the United States shows that immigrant entrepreneurs are more likely to be pursuing economic opportunities than native-born entrepreneurs and moreover, they create economic opportunities for native-born entrepreneurs rather than displacing them. Please see Chapter 3 for further details.

While public policy to support immigrant entrepreneurs is evolving, it does not appear to be keeping up with the rate and scale of change. The scale of support for immigrant entrepreneurs remains limited in most countries. There are several recent examples of countries seeking to attract high-potential immigrant entrepreneurs with start-up visas (e.g. Portugal) and schemes to help immigrant entrepreneurs embed themselves more effectively into local entrepreneurship ecosystems (e.g. Poland). These measures indicate a good start in adjusting entrepreneurship policies targeted at immigrants, but more is needed to leverage these talents.

Build welfare bridges to success

An effective tool for supporting job seekers in business creation is the welfare bridge. This mechanism allows individuals to convert future unemployment benefits into a grant and/or allowance that supports business creation. The main objective is to overcome market and institutional failures that are faced by unemployed people in business creation. These include, for example, less access to finance and other resources (e.g. networks) relative to those who have a job. These types of schemes have been used in 15 EU Member States in recent years, but there are many differences across the schemes in terms of eligibility criteria, transfer rates (i.e. the rate at which future unemployment benefits are transferred into start-up support), and duration of benefits. An overview of welfare bridge schemes in EU Member States and OECD countries is provided in Chapter 9, including three longer case studies of France, Germany and Sweden to demonstrate different approaches.

Evaluation evidence shows that these types of schemes are successful at moving job seekers back into work, including through business creation. Governments can expect that 80% or more of beneficiaries will create a business and evaluations in France, Germany, Poland and the United Kingdom show that 50% to 60% of these start-ups still operate after five years. Moreover, evaluations in France, Germany and the United States show that between 15% to 35% of businesses started go on to create jobs for others, which is only marginally lower than the overall share of start-ups that create jobs. Even when start-ups do not succeed, the German experience suggests that beneficiaries most often find employment and about 80% to 90% of beneficiaries are in self-employment or employment at any point during the five years after receiving benefits through a welfare bridge scheme.

Governments using these types of measures could strengthen their schemes by ensuring that they designed in-line with the success factors identified by evaluations. These include selecting suitable beneficiaries by requiring some effort before they can access support. In many cases, job seekers are required to develop a business plan that is then assessed for feasibility by a business expert. Such mechanisms signal the applicants' motivation for self-employment and can reduce the likelihood of supporting business activities that will result in precarious work. In addition, evaluations show that the most effective schemes provide support for more than six months. Finally, some schemes have experimented with short-term insurance schemes for those who do not succeed in business creation. This appears to be an effective measure to help bridge this group into employment.

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Part I Inclusive entrepreneurship indicators: Activity rates and barriers



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