

Executive summary

Inclusive entrepreneurship is an integral part of inclusive growth. Business creation by people from under-represented and disadvantaged groups (e.g. women, youth, seniors, immigrants, the unemployed) helps generate jobs, thereby fighting social and financial exclusion while stimulating economic growth. Inclusive entrepreneurship policies and programmes aim to address market and institutional failures preventing equal opportunities in entrepreneurship for those with realistic potential, regardless of origin.

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

Women are almost half as likely as men to be involved in starting a new business. Between 2014 and 2018, 2.9% of women and 5.3% of men in the European Union (EU) (5.3% of women and 7.9% of men in OECD countries) were actively working to start a business. There is also a substantial gender gap among those who are already self-employed. In 2018, women were about 60% as likely as men to be self-employed in the EU and this gender gap starts young. Young women (20-29 years old) were also about 60% as likely to be self-employed as young men. While the gender gap closed slightly across all age groups since 2002, it is due to a decline in male self-employment rather than growth in female self-employment.

Women entrepreneurs tend to operate different types of businesses than men (e.g. different sectors, work fewer hours) and only 23.3% of self-employed women in the EU had employees in 2018 compared to 30.9% of men. These differences are explained by many factors, including greater barriers faced in the areas of skills and finance (e.g. women entrepreneurs are only 75% as likely as men to report using bank financing). Unsupportive social attitudes can also reduce the ambitions and intentions of women entrepreneurs. Policy needs to do more by cultivating women's entrepreneurial aspirations, addressing market failures in the areas of skills and finance, and improving access to networks and support for growth-oriented entrepreneurs.

Senior entrepreneurship holds promise for longer working lives

Seniors are the largest group of self-employed people in the EU. In 2018, 14.5 million self-employed people were over 50 years old, accounting for 48% of all self-employed people. This number has grown rapidly over the past decade, especially among those aged 65-74 years old, and this growth will continue as the population ages. More than 31% of these self-employed seniors employ others, so policy makers will need to support business transfers as they retire to prevent the loss of these businesses and jobs. Furthermore, an ageing population puts growing stress on pension and healthcare systems. Entrepreneurship offers an opportunity to extend meaningful working lives, reducing some of these pressures. Policy can do more to raise awareness about this potential and encourage more senior entrepreneurs to use their experience to support other entrepreneurs.

Immigrant entrepreneurs more likely to create businesses that employ others

Immigrants are another rapidly growing group of entrepreneurs. The number of self-employed immigrants in the EU has nearly doubled since 2002, increasing from 1.9 million to 3.6 million in 2018. While most of this increase is due to growth in the immigrant population more generally, immigrants are about one percentage point more likely to be self-employed than one decade ago. Nearly one-third of these self-employed immigrants are job creators, which is slightly below the proportion of non-immigrants. Moreover, this share is trending downwards. Policy makers need to ensure that this entrepreneurial talent is harnessed by adapting policies and programmes to the needs of immigrant entrepreneurs, notably by providing language training and supporting the development of stronger entrepreneurship networks.

Youth have high ambitions for entrepreneurship

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

Entrepreneurship is a path out of unemployment

In 2018, 567 600 people in the EU who were unemployed in the previous year started a business, accounting for about 2.5% of the unemployed. This proportion has declined slightly since the economic crisis (2.8% in 2008 and 2009). Nonetheless, this signals some potential for the unemployed to return to work through business creation. However, it is important for policy makers to offer pathways to business creation for the unemployed quickly since interest in business creation is highest for those who have been unemployed for short periods of time.

Can digital entrepreneurship increase inclusiveness?

Digital entrepreneurship may help make entrepreneurship more inclusive with advantages like low start-up costs and access to wider markets through the internet. However, women, youth and seniors are under-represented among digital entrepreneurs in the EU due to several factors including few digital entrepreneurship role models and lack of digital skills. These challenges appear to affect seniors and women disproportionately – only 51% of men and 42% of women between 55 and 75 years old use computers daily. These digital barriers compound traditional barriers to business creation faced by these groups.

Policy makers must do more to address these digital-specific barriers in parallel to addressing traditional barriers to business creation, including building both digital and entrepreneurial skills. It is also critical to foster the development of stronger networks so that digital entrepreneurs can improve their access to funds, opportunities, clients, partners and suppliers. These actions need to be complemented with broader initiatives aimed at

improving digital connectivity, stimulating digital innovation, and strengthening the regulatory environment for digital businesses.

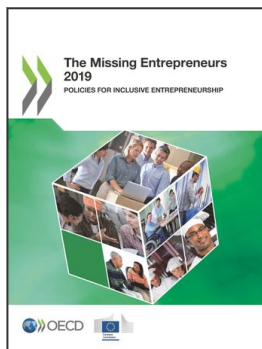
Improving the growth potential of entrepreneurs from under-represented groups

Most country-level evidence shows that entrepreneurs from under-represented and disadvantaged groups are, on average, less likely to operate high-growth firms because they lack the skills, networks and access to finance needed for growth. However, they are also less likely to express motivation to grow their business. For example, between 2014 and 2018, new female entrepreneurs in the EU were only 44.7% as likely as new male entrepreneurs (57.5% in OECD countries) to expect to create at least 19 jobs over the next five years. For inclusive entrepreneurship, the concept of scale-up should be extended beyond rapid employment and revenue growth to include less dramatic growth. This approach also provides social impacts including job creation and is more achievable for a wider range of entrepreneurs.

Dedicated policy actions have been introduced internationally to address the barriers to scale-up, often targeting women and youth entrepreneurs. However, these schemes need to be better linked to other business support such as incubators and accelerators. Policy also needs to do more to build growth ambitions among under-represented groups using inspiring role models from the target group populations and provide more business management training for groups with sufficient programme demand (e.g. women, youth). Access to finance for business growth can be improved by supporting dedicated business angel networks and addressing gender biases in risk capital decision-making.

How can policy better support under-represented entrepreneurs?

Recent developments in inclusive entrepreneurship in the EU focus on improving access to parental supports for the self-employed and strengthening youth entrepreneurship programmes, particularly among students in higher education. Overall, inclusive entrepreneurship programmes need to better respond to multiple disadvantages faced by the target groups, notably by offering flexible packages of support, boosting financial literacy, increasing the provision of coaching and mentoring, and increasing the diversity among those who run programmes.



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