Helping unemployed creating their own work in the new economy

PES support to start ups

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The European Network of Public Employment Services was created following a Decision of the European Parliament and Council in June 2014[1]. Its objective is to reinforce PES capacity, effectiveness and efficiency. This activity has been developed within the work programme of the European PES Network. For further information: http://ec.europa.eu/social/PESNetwork.

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1 DECISION No 573/2014/EU

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1 Introduction

1.1 Background

Public Employment Services (PES) support for the unemployed who want to move to self-employment or start a business has been critically followed. Fears that people 'driven to' self-employed would be less likely to succeed and uncertainties about potential displacement effects of such support have given rise to research on these subjects.

Start-up sort remains a small category within the ALMP offer, but the economic crisis provided an impetus for these schemes and nowadays some eight out of ten PES in the EU (plus Norway and Iceland[2]) have one or more so-called start-up incentive schemes, mostly aimed at all the unemployed. Although economic recovery is well on its way in the EU, unemployment (nearly 23 million were unemployed in the second quarter of 2015) and inactivity (91 million) are still high and job creation is still a major political concern (OECD/EU, 2016).

Two other developments underline the potential and importance of self-employment as a way out of unemployment, but they also show how the nature of self-employment is evolving, as presented below.

The crisis has brought to the fore the relevance of self-employment as an opportunity for unemployed, especially in countries hard-hit by the crisis. In situations where more traditional job opportunities have been virtually non-existent for a long time, self-employment becomes one of the few remaining alternatives. Policy makers also recognised that groups with a lower income and an inferior labour market position were traditionally under-represented amongst the self-employed. From this, an interest developed in what was termed 'inclusive entrepreneurship'. With societies furthering entrepreneurship amongst women, young people, migrants[3], older workers, and people with disabilities, a need has developed for the PES to review and, if necessary, redefine their role in this area.

At the same time, an increasing diversification of work forms has drawn attention to the darker side of the more precarious forms of work thus created. New forms of work often appear in a grey area where workers find themselves somewhere between being an employee or self-employed. Recently, the discussions and legal action on the 'collaborative economy', notably on platforms such as Uber, have once again raised concerns about self-employment for groups already in a weak position in the labour market. The Commission Communication on establishing a European Pillar of Social Rights[4] earlier this year drew attention to both the provision of assistance for finding work and being self-employed as well as protection for those in precarious employment. The Commission launched a consultation on new protection for people in a-typical work, such as the collaborative economy.[5] Whether this has any implications on public programmes supporting self-employment is another question to be examined by public authorities, including PES.

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2 This report refers to the 28 EU Member States, as well as Norway and Iceland where information was available for these countries. With the three PES in Belgium, the total number of PES covered by the study amounts to 30.

3 The term migrants as used in this report encompasses all foreign born or people born from foreign citizens and encompasses other terms used such as 'ethnic minorities' and 'immigrants'.

4 26 April 2017, COM(2017) 250 final

5 Delivering on the European Pillar of Social Rights - Questions and Answers, European Commission - Fact Sheet, http://europa.eu/rapid/press-release_MEMO-17-1005_en.htm

1.2 Study objectives

The changing context, summarised above, calls for a review of existing PES support in this area as well as an assessment of the possible implications for PES resulting from the experience gained so far, and the implications for the PES. This study therefore aims to provide a summary of the lessons drawn in available evaluations and good practice reviews, aimed at making this information accessible to PES. The current scope of information on the topic is too wide and diverse for most PES to be able to invest the staff time needed to access it directly, assess it critically and identify the ideas relevant to their work. Highlighting relevant conclusions and pointing out their possible implications will provide a basis for PES needing to navigate the increasingly globalised and digitalised world of self-employment, understand its rules and effectively guide jobseekers wishing to enter it.

1.3 Focus and methodology

The study focuses on PES[6] support for setting up a new business, rather than support for entrepreneurship in general. The review focuses on start-up incentives for the unemployed, but also draws lessons from general policies for the support and development of small and medium-sized enterprises (SMEs). It covers all measures offered by PES. First of all, this includes the actual start-up incentives (programmes favouring the setting up of a new self-employment or entrepreneurial activity by unemployed workers) such as subsidised grants, microfinance opportunities and the possibility of converting unemployment benefits into start-up grants. The report also reviews the evidence on other services accompanying these start-up incentives, such as information and sign-posting, guidance, mentoring and counselling and training.

Although the unemployed may create small businesses that in turn might create employment opportunities for others, this study does not look into those cases, and instead it focuses on the larger group that becomes self-employed that remain micro companies, i.e. those with zero employees.

A key feature of the study is that it draws on existing information to provide a common and unique framework of analysis. Policies and practices to support the unemployed setting themselves up in self-employment have been mapped and studied extensively in recent years, not just by the European Commission and the OECD, but also at national level. Key publications include those on missing entrepreneurs and inclusive entrepreneurship (OECD/EU 2013-2016) and EU labour market peer reviews in this field (EEO 2010, Duell 2011, EEPO 2014). A full list of references is annexed to this report.

1.4 The report

This report summarises the existing information, extracting and presenting knowledge in a way that is the most relevant to PES. An important section of the report is reserved for valuable lessons that can be identified in existing evaluations and practices. In addition, the descriptive part focuses on classification and typologies, in terms of, for example, measures and target groups. For detailed information, reference is made to the existing sources.

The role of PES in supporting start-ups is reviewed in the light of the importance of self-employment (measures), the effectiveness of various measures in relation to different target groups, and the possible policy issues and implications emerging from lessons learned and contextual developments identified.

[6] Their role in the field is also defined in relation to actions from other stakeholders supporting self-employment

2 A changing context

2.1 The importance of self-employment for EU labour markets

Although the vast majority of the EU working population are employees, slightly over 14% are self-employed. More than two thirds of this group are 'own-account' workers. In other words, roughly one in ten workers (10.3%) are self-employed without employees.[7] The share of own-account workers in employment ranges from 4.7% in Denmark to close to a quarter in Greece. These figures illustrate the variation in enterprise structure of Member States, with certain sectors having a higher prevalence of self-employed than others. However, the business environment and cultural factors also impact self-employment in different countries.

Carrasco R and Ejrnæs M (2012) compared labour market conditions and self-employment in Denmark and Spain, being the countries with the lowest (Denmark) and the highest (Spain) rates of self-employment. They found that unemployment was a driving force for self-employment in Spain, especially for people not in receipt of unemployment benefits, mothers with small children and people on very low wages. Such patterns were not found in Denmark. This suggests that low wage levels, low social security coverage and small amounts of unemployment benefit, as well as high unemployment rates, tend to push people into self-employment thereby increasing the self-employment rates.

As would be expected, the global economic crisis had a significant negative impact on the creation of new enterprises. According to Eurofound (2011), this decline stabilised again after 2009, but at a lower level compared with the numbers before the crisis. The crisis also led to increasing numbers of bankruptcies in many countries. Post-crisis recovery in enterprise creation rates has been slow and the first indications of a turning point emerged as late as 2015 (OECD, 2016).

These developments affected not only the self-employed, but also employees working for companies. This in turn contributed to the decline in employment growth and the extremely high unemployment rates that marked the crisis.

An IPPR report in early 2015 concluded that self-employment in Europe constitutes an important part of the labour market. Yet it also signalled that self-employment in Europe did not increase at the same rate as employment in general. Southern and eastern European countries had high self-employment rates but overall employment had not recovered. In northern and western European countries the proportion of self-employed workers had not increased, although employment was growing. The OECD (2016) pointed out that OECD self-employment rates and the number of self-employed remained below pre-crisis values in many OECD countries by the end of 2015.

Furthering self-employment not only provides a means of compensating for these trends, it also helps bottom-up initiatives that may identify niche markets and find innovative solutions. The European Commission and the OECD launched a project on Inclusive Entrepreneurship in Europe. It aims to further business creation and self-employment amongst the '26 million people in the European Union that are unemployed and actively seeking work'.[8]

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7 Eurostat Labour Force data, 2015, from http://ec.europa.eu/eurostat/statistics-explained/index.php/Labour_market_and_Labour_force_survey_(LFS)_statistics#Self-employed

8 http://www.oecd.org/cfe/leed/inclusive-entrepreneurship.htm

2.2 Self-employment for non-traditional groups

The joint OECD/EU project aims to further entrepreneurship amongst specific groups that are traditionally under-represented amongst the self-employed and who encounter more problems in finding or keeping work. Besides the unemployed in general, three obvious target groups in this respect are women, youth and older workers. Migrant workers on the other hand, are an important target group for entrepreneurship policies because they are already more likely to become self-employed while facing difficulties entering regular employment. A less common groups of potential self-employed are disabled. The findings of the project for each group is discussed briefly below, with some additional evidence from other sources.

During the economic crisis, unemployment rates increased for all target groups of inclusive entrepreneurship policies, but young people were especially badly hit. In addition, activity rates were significantly lower for these groups (OECD/European Union 2015).

2.2.1 The unemployed

According to OECD/European Union (2015) data, the number of unemployed people who use self-employment as a way back into the labour market is small. Only 2.1% of the unemployed in the European Union in 2013 tried to become self-employed. Again, this figure depends a lot on the country concerned, with a share as low as 0.7% in the Slovak Republic, going up to 7.0% in Romania. Since the beginning of the crisis in 2008, this percentage has been increasing slowly but steadily.

No less than 5% of the 'inactive' and 4.5% of ' employees in 2013 made the transition to becoming 'self-employed without employees' in 2014. Only 2.7 % of the unemployed made a similar transition. The transition to becoming self-employed with employees was made by 0.7%, compared to 1.2% and 3% for former inactive and employees (European Commission 2016c).

2.2.2 Women

According to OECD/EU (2016) women, despite similar levels of education and skills, were less likely to be a new business owner than men in the European Union between 2009 and 2013 (1.8% vs. 3.5%). Women are also less likely to be self-employed. On average, 5.1% of employed men aged 15-24 are self-employed, compared with 3.6% for women, while 29.2% of employed men aged 55+ are self-employed compared with 15.9% for women (OECD 2016).

Women and men also differ when it comes to the characteristics of their self-employment (OECD 2016):

- Self-employed men are two and a half times more likely to employ others than self-employed women, and they work on average eight hours per week more than self-employed women. Both self-employed men and women tend to work more than employees, especially the self-employed who are themselves employers.
- In a majority of countries, 70% or more of self-employed women work in the services sector, while the share for men is around 50%.
- The share of employees who have a second job as self-employed is very low, but virtually always higher for men than for women.

In addition, according to the OECD/European Union (2015) report on missing entrepreneurs:

- Self-employed women worked more hours per week in 2013, on average in the European Union, than those who were employees, but fewer hours than men who were self-employed.

- The median number of hours worked per week by self-employed women varied greatly across European Union countries in 2013. Self-employed women worked the greatest number of hours per week in Austria and Belgium, exceeding 50 hours per week.
- Self-employed women with their own employees on average worked approximately 3 hours per week more than those without employees.
- Self-employed women earned slightly less than self-employed men in the European Union in 2012.
- Women who worked as employees earned approximately EUR 4,200 more per year than women who worked in self-employment in 2012.[9]

2.2.3 Young people

Youth (15-30 years old) in the EU were more likely to be new business owners than adults between 2009 and 2013 (2.9% for youth against 2.6% for adults), but their businesses seem to have low survival rates. (OECD/EU 2016). Youth (15-24 years old) were, however, much less likely than adults (15-64 years old) to be self-employed in 2013. In the European Union, the self-employment rate for youth was 4.2% relative to 14.4% for adults (OECD/European Union (2015).

With regard to the characteristics of youth and their companies (OECD/European Union 2015):

- Very few self-employed youth have employees. In the European Union, only 81,200 (10.5%) had at least one employee in 2013.
- In most European Union countries, the majority of young people do not feel that they have the knowledge and skills to start a business.
- Over the 2009 to 2013 period, young people (18-30) in the European Union were slightly less likely than adults to believe that they have the knowledge and skills to start a business (36% vs. 41%).
- However, in several European Union countries, the youth were just as likely, or slightly more likely, than adults to believe that they had the skills for entrepreneurship. For example, more than 50% of the youth in the Slovak Republic reported that they had the knowledge and skills to start a business.

2.2.4 Migrants

According to the IPPR (2015), migrants tend to be self-employed more often than other workers, as they often face barriers when trying to find work as an employee. An OECD (2010) study on immigrants already noted that they are more likely to be self-employed than the indigenous population in many OECD countries, based on data from 2007. Countries that stood out in this respect were Belgium, France, Nordic countries, and particularly, countries in central and Eastern Europe. This was subsequently confirmed in the OECD entrepreneurship report (2013) that revealed that in OECD countries around 13% of foreign-born workers are self-employed. Between 2005 and 2010 migrants consistently represent around 12% of the self-employed not working in agriculture.

In the European Union 6.6% of self-employed people were born outside of their country of residence, and almost half of this group outside of the European Union (OECD/European Union 2015). The self-employment rate of foreign-born people in the EU is slightly lower than the self-employment rate for people born within their country of residence (14.1% vs. 15.3%). The 'foreign-born' self-employed were also less likely to have employees (24.7% vs. 28.5%).

[9] Based on an analysis of median annual incomes.

Self-employed immigrants also seem to have a higher level of educational attainment than self-employed natives (OECD 2013). For the UK (UKCES 2011), it is suggested that ethnic minorities actually make use of their cultural and other endowments related to their background, to better penetrate the market in countries they or their parents originally came from.

2.2.5 Older people

Older people (50-64 years old) were less likely to be a new business owner in the European Union between 2009 and 2013. For older people, the rate for setting up new businesses depends very much on the country they live in. (OECD/EU 2016).

For adults overall, the percentage was 2.6%, for older people it amounted to 1.6% OECD/EU (2016). Nevertheless, self-employment increases with age. In most OECD countries self-employment rates are higher in older age groups, for both women and men. Amongst young men (15-24) the average self-employment rate amounts to 5.1% of employed men, compared to 29.2% for men aged 55 and older. For women these figures amount to 3.6% and 15.9% respectively. Men are more often self-employment in all age groups, but the difference is highest in the age group 55+ (OECD, 2016).

With regard to the characteristics of older self-employed and their companies (OECD/European Union 2015):

- The degree to which older self-employed people hire employees varies greatly across Member States.
- Older people believe they have the knowledge and skills to start a business. This is to about the same degree as working age adults in general say they do (2009 - 2013, 39% vs. 41%).
- This proportion does vary substantially across countries, ranging from 30% in Italy to 50% in Austria.
- The size and growth rates of businesses operated by older people tend to be small across the EU (OECD, 2016).

2.2.6 People with disabilities

The labour market position of people with disabilities, including their share of self-employment, is poorly documented. According to the OECD/European Union (2014), the available data, however, suggests that people with disabilities are more likely to be unemployed or inactive. It would also seem that people with disabilities that are working are often found in low-skilled, low-paying occupations. On the other hand, if people with disabilities are working they appear to be self-employed to the same degree as other workers, based on data from the European Union Statistics on Income and Living Conditions (EU-SILC).

Self-employment rates of people with disabilities vary across Member States, but also according to their type of impairment or disability and its severity. People who are severely limited in their daily activities are more likely to be self-employed. Musculoskeletal problems for example. seem to be a contributing factor to choosing self-employment over working as an employee. Based on evidence from the UK, it seems that self-employed people with disabilities are more likely to work alone and operate as a home-based business (OECD/European Union 2014).

2.3 New forms of work and self-employment

2.3.1 Defining self-employment

Statistics typically capture self-employment by asking workers to assess their situation themselves. Eurostat defines the self-employed as people 'who are the sole owners, or joint owners, of the unincorporated enterprises in which they work, excluding those unincorporated enterprises that are classified as quasi-corporations'.[10] A further distinction can be made between employers (self-employed with employees) and own-account workers (self-employed without employees).

The definition highlights the risk-taking element of self-employment, as owning an unincorporated business can create unlimited liability for its owners. The definition does not include people that work self-employed part-time when paid employment as an employee is their main activity. The OECD uses a similar definition in its publication series Entrepreneurship at a Glance, but it also includes unincorporated businesses.

Key characteristics of self-employed work include independence and autonomy, the absence of the typical hierarchical employment relationship, and by contrast, the fact that the person is in a position to make the operational decisions affecting the enterprise.

It is important to recognise that the above definitions encompass a variety of self-employed workers. These e.g. include (UKCES 2011):

- Entrepreneurs and small business proprietors;
- Independent professional workers (in the arts and liberal professions, for example);
- Skilled manual craft-workers;
- Farmers;
- Some categories of home-workers or 'outworkers';
- 'Labour only' subcontractors (e.g. in the construction industry, although recent tax changes are likely to have reduced this component of self-employment).

2.3.2 Real vs fake self-employment

Low or erratic earnings are often a feature of starting-up a business. Continued low income, however, means that the self-employed cannot build up the necessary reserves for the future. They are likely to fall into poverty if the business fails or when they reach retirement age. The risk that this situation might occur is markedly higher where people have been pushed into self-employment. For these people, there is no pre-selection in terms of their motivation and skills, so the risk of unsustainability is increased.

For several years authors (from Böheim and Mühlberger in 2009 to Westerveld in 2017) have pointed to the fact that 'disguised employees' or 'bogus self-employed' are found amongst the self-employed. This discussion is linked to concerns about the precarious nature of these jobs and to the involuntary or necessity-driven nature of the choice to become self-employed.

On the other hand, the UKCES (2011) report also cited research that highlights the importance of positive motivations such as lifestyle reasons (e.g. relating to balancing family and working life) and occupational norms (i.e. the nature of an individual's profession). The opportunities to start a business, financial or otherwise, constitute other pull factors.

10 http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Self-employed

2.3.3 New forms of work

Eurofound (2015) has prepared an extensive overview of new forms of work that emerged or became much more prominent since 2000. To be included in the overview, employment had to meet one or more of the following criteria:

- A new relationship between employers and employees different from the established one-to-one employment relationship
- The provision of work on a discontinuous or intermittent basis or for very limited periods of time rather than on a continuous or regular basis
- Networking and cooperation arrangements between the self-employed.

These new forms of work could be, but did not have to be, characterised by 'a place of work other than the premises of the employer' and 'strong or prevalent support of ICT'.

From the nine new forms of work Eurofound identified, three specifically related to self-employment: portfolio work, crowd employment and collaborative employment[11]:

- Crowd employment is a new form of work made possible by ICT. It is mainly characterised by not being location-bound. Buyers and sellers of services or products are brought together by virtual platforms. Work can be shared between sellers because larger tasks can be broken down to smaller jobs.
- Portfolio work is work done by self-employed people working for a large number of clients, providing small amounts of work for each of them.
- Collaborative employment refers to business partnerships that go beyond traditional business partner relationships in order overcome the limitations imposed on those forms of economic activity by their smaller scale compared to larger competitors. Freelancers, the self-employed or micro enterprises cooperate to overcome limitations of size and professional isolation.

These new forms were dominant in southern European countries (Cyprus, Greece, Portugal and Spain), the Baltic states (Latvia and Lithuania), Denmark and Germany and generally involve the self-employed. New employment forms for both employees and the self-employed were found in Austria, Belgium, France, Hungary, Italy, Norway, Sweden and the UK. In the other European countries new forms of work tend to relate to employees.

Maselli et al (2016) developed an overarching framework starting from the on-demand economy and distinguishing three sub-groups:

- The true sharing economy, providing a temporary access to under-utilised assets between consumers;
- Platforms where one can conduct an auction or a contest to receive a service;
- The product service economy, which is a business-to-consumer relationship.

Wage levels vary considerably across platforms. This may partly be explained by the relative newness of the phenomenon. As a result of workers may have a poor idea of their market value. It may also be a sign that workers in geographical areas with low demand for their skills make use of opportunities elsewhere in the world, even in regions with lower price levels. With regard to working conditions Maselli and her colleagues point out that the system transfers stress and pressure from employers to the self-employed for several reasons. The first reason is that platforms are demand-driven or client-driven. This means that outsourcing becomes very compressed in time as a large pool of workers is contacted at the same time, with increased competition as a result. All contacts are more or less immediately in effect, a feature of the use of a virtual platform.

[11] Voucher-based and ICT-based mobile work are applicable for both employees and self-employed, but seem less relevant (vouchers) or are overlapping with the other two groups (ICT).

Other factors besides the high competition and the short-term deadlines that Maselli et al. mention are 'the unpredictability of the demand, the need to keep skills extremely up-to-date, the need to constantly engage in self-promotion and the uncertainty of the remuneration' as stress-contributing factors.

The on-demand economy tends to lead to precarious employment. While some jobs pay very well and precariousness is not unique to this sector, some clear risks are also visible. Job security and social protection are clearly limited within this type of employment. Also, it would seem that, increasingly, traditional forms of employment carried out by employees are turned into jobs for the self-employed. Maselli et al. used Eurostat LFS data to show a structural increase in the share of contingent workers from 27.4% in 2002 to 32% in 2014.

Several other publications do not distinguish between these three forms. Names such as collaborative economy and crowd work are used interchangeably, as are other phrases like 'sharing economy', 'platform economy', 'on-demand economy', 'Uber-economy' or 'gig economy'. In its Communication on the collaborative economy last year, the European Commission points out that the sector, as well at its definitions, is changing (European Commission, 2016d). It defines the collaborative economy in a broad sense as 'business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals'. The definition encompasses service providers, the users of these services and intermediaries. The definition furthermore states that 'the collaborative economy transactions generally do not involve a change of ownership and can be carried out for profit or not-for-profit'.

Even with this broad definition, the collaborative economy remains small. However, the sector has been growing rapidly since 2013 and it has already become an important factor in some sectors. In 2015, the gross revenue from collaborative platforms and providers was estimated to be EUR 28 billion in the EU. Projections of the collaborative economy include estimates as higher than EUR 160-572 billion (European Commission, 2016d). The European Parliament (EP 2016) found that platform work does not seem to attract the unemployed or the inactive. Instead it seems to supplement the income of the under-employed or the self-employed who are not in full—time employment.

Key issues to be addressed, according to the Communication, include market access requirements, liability regimes, the protection of users, taxation, and the rights and social protection of workers in the collaborative economy.

In its research agenda on the collaborative economy, the European Commission's Joint Research Centre identified the following open issues to be addressed (JRC, 2016):

- When developing policies and regulations, take into account the variety of platforms existing in the collaborative economy;
- Collect, process and disseminate data on the collaborative economy;
- Take measures to ensure the trustworthiness and transparency of platforms, e.g. through rating systems;
- Conduct research on the functioning and impact of digital labour market platforms on labour markets;
- Adjust social policies to fit the atypical forms or work common in the collaborative economy.

2.3.4 A new employment status?

An advantage of the collaborative economy is that it offers opportunities for people who have difficulty finding more regular employment to earn an income. However, the more flexible working arrangements with individual tasks performed on an ad-hoc basis may

create uncertainty on the applicability of employment and social protection legislation for workers. The applicability depends on the definition of an employment relationship, but distinction between the self-employed and workers is no longer as clear as it used to be.

The commission Communication (European Commission, 2016d) refers to the EU level definition applied by the Court of Justice (CJEU). It defines an 'employment relationship' as starting from the performance of services for someone else, while being under the direction of that other person, and receiving remuneration for this work. The features that define someone as employee or self-employed thus centre around the existence of a subordination link, the nature of work, and remuneration. The actual definition differs between Member States. Therefore the Communication calls on Member States to:

> *'- assess the adequacy of their national employment rules considering the different needs of workers and self-employed people in the digital world as well as the innovative nature of collaborative business models;*
>
> *- provide guidance on the applicability of their national employment rules in light of labour patterns in the collaborative economy.'*

Schmid (2010) makes a plea for recognising that the standard employment relationship is changing because societies are changing. The increasing employment participation of women, the rise of 'mature' aged workers, and the desire to open the labour market to persons with restricted work capacities, all contribute to an increasing need for variability in employment relations. Addressing the associated risks and drawbacks requires new forms of social security or a more flexible standard employment relationship through adaptations in labour law and 'social law'. He also advocates policies that systematically support or encourage trial and error processes, during which workers can experiment with combinations of (dependent) employment and self-employment.

A specific group of self-employed, with relatively good work and income prospects, are higher educated professionals, such as journalists, designers, ICT specialists and consultants. Research commissioned by EFIP (2013), a European organisation representing 'highly skilled self-employed individuals who work for themselves but do not employ others', urges policy-makers to recognise that independent professionals (iPros) are a distinct group in their own right, neither SMEs nor entrepreneurs nor 'sham' self-employed. The recommendations from the study also include an appeal to ensure that policy and legal developments do not negatively impact iPros and that iPros are not disproportionately penalised through fiscal and other regimes.

Based on their analysis of UK LFS data, Böheim and Mühlberger (2009) find that dependent self-employed workers[12] constitute a group distinct from both employees and independent self-employed workers. This group is characterised by a more volatile labour market attachment and necessity driven entrepreneurship. They are also likely to stay in the labour market, either as employed or self-employed, and unlikely to create employment for others as employers.

It is, however, not always easy to classify crowdworkers as either employees or self-employed, neither for policy makers and courts, nor for the workers themselves. Perhaps a special status is needed to solve this problem. Maselli et al. (2016) point out that 'looking for an appropriate categorisation can become a trap' and suggest decoupling the link between benefits and rights from the employment relationship, effectively proposing a move from employee social security to universal social protection schemes.

[12] Dependent self-employment is defined as a working relationship where the worker is formally self-employed yet under conditions of work similar to those for dependent employees. (Eichhorst et al. 2013)

It should, finally, be noted that the platform-based new forms of work are not bound by geographic limitations or national borders. This provides an additional challenge when considering the suggestions above.

3 PES support for start-ups

3.1 PES and their in role start-up support

Globally speaking there are two reasons for PES to include start-up incentives in their ALMP offer: firstly to support economic development and secondly to support the employment of job-seeking clients. EEPO in this respect refers to the two key policy rationales: start-up as entrepreneurship policy and start-up as an activation policy (EEPO, 2014).

As 99% of companies are SMEs - and the majority of these are micro enterprises - self-employment is a key factor in job creation. Promoting entrepreneurship will help the creation and survival of SMEs, thereby contributing to growth and investment in the EU. Furthering 'Jobs, growth and investment' is one of the ten political priorities of the Juncker Commission. PES can play a specific role by supporting groups in society that are less likely to become self-employed on their own initiative and face specific barriers that require targeted measures or combinations of measures. Unemployed people, as well as specific groups such as youth and people with disabilities, are less likely to become self-employed than workers and inactive people, as explained in section 2.2.

Self-employment also constitutes a way out of unemployment, especially when jobs are scarce. For this reason support for start-ups is a logical part of the ALMP package offered by PES. Groups which are less likely to become self-employed to a large extent overlap with groups that have a larger distance to the labour market. These groups differ in their perception of their ability to become self-employer and in their desire to do so. Youth more often than adults prefer self-employment to dependent employment (45% vs. 37%) and more often (41% vs. 30%) see this as a feasible activity (OECD/EU, 2016). In line with these findings the Youth Employment Package, including the Youth Guarantee, is specifically aimed at increasing the availability of start-up support services for young people. Furthermore, compared to men, women less often prefer self-employment to employment and less often consider it to be a feasible option for them. Compared to adults in general, older people on the other hand more often feel that self-employment is not a feasible choice for them. They do, however, not differ with regard to their preference for (self-) employment based on gender. Lifestyle choices, financial situation and the opportunity cost of time may help explain these different choices. However, there are also real differences in opportunities and barriers across age and gender groups.

3.2 Barriers to becoming self-employed

3.2.1 Generic barriers

The OECD/EU (2016) good practice compendium shows how people perceive these barriers. When people were asked to clarify why they do not believe it would be feasible for them to become self-employed, the most frequently cited reason was access to start-up financing (21% of adults in the European Union). Other important reasons include a lack of skills to become self-employed (8%), no business idea (7%) and difficulty reconciling self-employment with family responsibilities (6%). People also worry about the risk of failure and its legal and social consequences (5%) and the administrative difficulties (4%).

The importance of barriers and the weight attributed to these barriers depends on personal characteristics, and would need to be identified and assessed on a case by case basis.

3.2.2 The unemployed

The 2014 European Employment Policy Observatory Review (EEPO, 2014) identified four main groups of barriers to entrepreneurship for unemployed people wanting to start a business:

- The risks associated with the income uncertainty of entrepreneurship
- Lack of access to finance/capital resources
- Lack of entrepreneurial skills
- Need for business consultancy

Another specific barrier for the unemployed is that they lack the professional network that comes with a job (OECD/EC, 2015). The longer people are unemployed, the weaker the links with former colleagues and partners will become. The long-term unemployed in addition often already deal with many other problems, ranging from housing to health, a baseline situation which makes it harder to embark upon a challenging initiative such as setting up your own business.

3.2.3 Women

Women are generally known to have smaller and less varied networks than men. Their network also less often includes business services providers or entrepreneurs (OECD/EC, 2015).

Another specific barrier that women encounter is the difficulty of reconciling self-employment with family responsibilities. They report this barrier more often than men, as well as a lack of business ideas. Women and men do not differ in the degree to which they report financial and skills barriers (OECD 2016).

Kautonen raises the issue of caring responsibilities, which in the case of older self-employed people pertains to their parents and relatives. This barrier affects women in particular, as they may more often be found in carer positions. He also points out that being self-employed may provide the flexibility that actually helps combine work and caring responsibilities.

3.2.4 Young people

Young people face some specific barriers because of their age. They have greater difficulty in raising external finance because they lack savings and collateral. They also more often lack the skills to run a business (EEPO 2014[13], OECD/EC 2015, OECD 2016). As a result it is harder for them to be credible to among financers, suppliers, customers and so on.

Young people are often thought not to be sufficiently aware of the requirements and opportunities of entrepreneurship. Education systems mostly prepare students for paid employment, rather than cultivate entrepreneurial attitudes and skills. They lack prior work experience and have limited business networks and business-related social capital. Due to limited resources, young people are more likely to start their business in sectors with low barriers to entry where competition is fierce (OECD/European Union, 2012a).

The young population is of course a mixed population. Some groups of young people may in fact be very well endowed with entrepreneurial skills and access to resources, e.g. the children of the self-employed. At the other end we find groups facing relatively strong

[13] Quoting from OECD/The European Commission (2013)

barriers, such as young people from migrant families, young people living in deprived areas, youth from low income families, and youth with low education levels. Perhaps the facing the greatest barriers are the NEETs - youth Not in Employment, Education or Training (OECD/European Union, 2012a).

3.2.5 Migrants

On the one hand, it has been argued that migrant entrepreneurs may have difficulty understanding regulatory requirements and may be forced to rely upon non-bank and informal finance (EEPO 2014[14]).

On the other hand, another OECD/EC report (2015) also points to the fact that many ethnic minority and migrant communities show a strong entrepreneurial orientation. This indicates they have role models as well as access to community-based support. Immigrant entrepreneurs also have opportunities resulting from knowledge and networks relating to the country they or their family originally came from.

It stands to reason that newly arrived immigrants may have difficulty building networks (OECD/The European Commission, 2014).

Support provided for ethnic minority and migrant entrepreneurs needs to take into account that "over-crowding" in specific business sectors associated with diverse ethnic groups may occur, that migrant entrepreneurs often operate in sectors that are characterised by long working hours, and the fact that migrant groups generally have a mistrust of government and public initiatives (OECD/EC 2015).

Many countries impose restrictions on the labour market participation of refugees (IMF, 2016). In the UK, for example, they can only apply for vacancies in certain narrowly defined "shortage" occupations. In Norway, self-employment is prohibited for refugees. In Germany, employers must prove for each vacancy that they were not able to find German nationals, EU citizens or recognized refugees (except if the refugees have skills in bottleneck vacancies). These restrictions also prohibit refugees from becoming self-employed until they receive entry or a work permit in the country.

3.2.6 Older people

Older people are much less likely to report barriers to self-employment than youth and core age adults (OECD, 2016). Some generic barriers are less problematic for older people; other generic barriers impact older workers in specific ways. Older entrepreneurs benefit from the expertise they have gained over time, but they do not always have the necessary entrepreneurship skills. Older people's skills may be outdated or they may have low levels of digital literacy. Older people who have been away from the labour market for a longer period, through unemployment or retirement, may have difficulty keeping up or updating their networks. Retraining when moving to another sector may also be harder for older people. In many cases, financing is less of a problem for older people becoming self-employed (OECD/European Union, 2012, OECD/EC, 2015).

Barriers to self-employment that are specific to old age include health problems, financial disincentives in benefits and pension schemes, age discrimination, the 'opportunity cost of their time' (a higher preference for leisure time), a lack of awareness of business opportunities and the steps involved in setting up a business, and a lack of information tailored to their needs in its content and presentation (OECD/European Union, 2012). With regard to information needs, the Kautonen (2013) study refers to 'overly-complex and not understandable information published on the websites of different governmental

[14] Quoting from OECD/The European Commission (2013)

bodies and support agencies' and that 'the new concepts and terms on information sites and platforms (only) address the younger, media-savvy and well-educated generation'.

3.2.7 People with disabilities

People with disabilities, especially those with mental and physical disabilities, are likely to encounter discrimination by employers. Self-employment therefore may constitute one of the few entry points into the labour market for them (OECD/European Union, 2014).

At the same time, according to EEPO 2014[15], people with disabilities have more difficulty gaining entrepreneurial experience and skills, and may be constrained by state welfare policies (OECD/European Commission, 2013). Kautonen (2013) quotes from qualitative studies carried out in the UK that illustrate that disability schemes also have perverse effects on their willingness to become self-employed. The Incapacity Benefits regime stipulates that if an individual gives up their status as an Incapacity Benefits recipient, and then starts a business which fails, then this person will return to regular job-seeker status on lower benefits.

The OECD/EU policy brief on entrepreneurship for people with disabilities presents a substantial list of specific barriers faced by people with disabilities when starting a business (OECD/European Union, 2014). They include:

- Lack of confidence and limited aspirations;
- The 'benefits trap';
- Lack of relevant business knowledge and skills;
- Limited access to start-up capital due to low personal financial resources savings (for example home ownership);
- Consumer discrimination;
- Increased labour costs (e.g. assistants to deal with limitations due to a handicap);
- A lack of appropriate business support services tailored to their needs.

3.3 Start-up support addressing barriers

The needs described in the previous sections call for different policy responses. The main concern for unemployed people wanting to start their own business is the lack of income security. This applies in particular to the initial stages of business creation. Many schemes therefore include financial support. This aims to help people with their living costs when setting up the business as well as access to loans for capital equipment. Financial support both in terms of income and access to capital are crucial. Income security measures in the initial stages of the business are, however, more important than the receipt of block loans or subsidies for investment in the business. A lack of entrepreneurial skills and knowledge are key barriers for the unemployed. Training is an obvious response to this, but mentoring and coaching a well as business development support are equally relevant in this respect. Facilitating networking addresses barriers related to customers and suppliers, but contacts with other entrepreneurs will also contribute to skills and information gaps. Welfare bridges such as 'incubators' address combinations of barriers (EEPO, 2014).

The table below lists the six main policy approaches for supporting the unemployed in starting their own business:

[15] Quoting from OECD/The European Commission (2013)

Table 1 Policy approaches for start-ups by unemployed

Financial support	• Grants • Bank loan • Credit guarantee schemes • Microcredit, a subset of microfinance, • Financial education
Training	• Functional/technical skills, including financial management, human resource management and market research • Soft skills, such as interpersonal skills including networking and persuasion/selling, awareness of their own skills gaps and strengths • Knowledge 'for' and 'in' (functional/technical), e.g. employment legislation, compliance with tax requirements, knowledge of potential financing sources and arrangements • An understanding of self-employment, including awareness of the risks and benefits of self-employment
Business development support	• Drafting business plans • Advice and support to bring the business onto the market
Coaching and mentoring	• Coaching • Mentoring
Networking	• Access to peer networks • Access to sector relevant networks (customers, suppliers)
Welfare bridges	• Sign-posting • Business counselling • Incubators

Source: based on OECD/EU (2016), EEPO (2014), UKCES (2011

Not included in the above overview above are measures stimulating entrepreneurship in general, such as measures to reduce bureaucracy and administrative burdens and favourable conditions for the self-employed in terms of tax and social security regimes.

3.4 PES Support for start-ups

3.4.1 Development of start-up incentives

In 2014 all of the 29 countries reviewed[16] in the EEPO had some form of start-up incentives for the unemployed at the national and/or regional/local level. These incentives have always constituted a small share of the ALMPs offered by PES. Nevertheless, in over one third of the countries reviewed (Denmark, Greece, Spain, France, Hungary, Portugal, Slovenia, Finland, Sweden and the United Kingdom), they had already been there since the mid-1980s. They came to the fore more recently, after 1995, in Estonia and in Lithuania.

Between 2008 and 2010 Member States included incentives for self-employment and business start-ups as part of the measures proposed to deal with the consequences of the crisis. Overall, the number of users and the take-up of start-up incentives remained virtually the same. However, nine countries increased their spending between 2007 and 2011 (Estonia, Spain, France, Hungary, Austria, Portugal, Slovenia, Slovakia, and Finland). Of these countries, Estonia, France, Hungary, Portugal, Slovenia, and Slovakia increased their spending by 50% or more. With 0.114% of GDP spent on start-up incentives in 2011, this type of measure is by far the most prominent in Spain (EEPO,

[16] EU28 plus Iceland

2014). Some other countries (Belgium, Croatia, Latvia, and Iceland) introduced start-up incentives or programmes later, in response to of the crisis.

3.4.2 Expenditure on start-up incentives

In 2011, EU Member States spent approximately EUR 205 billion on active labour market policy interventions, i.e. 1.9% of their combined GDP. Start-up incentives only constitute a small proportion, approximately 2%, of the budget at the European Union level (OECD/European Union, 2015). For 2014, no aggregate data are available at the EU level, but the share of start-up incentives seems to have risen considerably (OECD 2016). The proportion of ALMPs spent on start-up incentives still varies considerably across Member States. Start-up incentives are a sizeable important measure in terms of expenditure in various eastern and southern European countries. Spain almost spends one quarter of its ALMP budget on this type of measure. Other countries where start-up incentives are important in terms of expenditure are Poland, Croatia and Slovenia, followed by Estonia, Greece, Bulgaria and Slovakia.

Table 2 Expenditure on start-up incentives per person wanting to work in 2014 (in PPS*)

	Start-up incentives (Cat 7)	**ALMPs (Cat 2-7)**	**Share of start-up incentives in ALMPs (%)**
BE	11.9	2,666	0.4%
BG	17.2	246	7.0%
CZ	16.8	1,290	1.3%
DK	-	6,872	-
DE	80.8	1,959	4.1%
EE	28.1	285	9.8%
IE	-	3,159	
EL	38.5	457	8.4%
ES	170.6	708	24.1%
FR	161.5	3,180	5.1%
HR	29.7	234	12.7%
IT	27.1	549	4.9%
CY	0.2	194	0.1%
LV	2.2	248	0.9%
LT	13.8	549	2.5%
LU	4.2	5,182	0.1%
HU	19.5	2,108	0.9%
MT	-	327	-
NL	-	2,584	-
AT	24.6	2,739	0.9%
PL	128.4	871	14.7%
PT	3.6	1,042	0.3%
RO	0.1	55	0.2%
SI	84	733	11.5%
SK	24	402	6.0%
FI	52.2	3,380	1.5%
SE	36.8	5,157	0.7%
UK	-	-	-
NO	-	4,001	-

Source: Own calculations, based on data from European Commission (2016)
* Purchasing Power Standard. This is an artificial currency unit that eliminates the effect of price level differences across countries created by fluctuations in currency exchange rates.

3.4.3 Participation in start-up incentives

Countries with relatively high percentages of participants to a large extent overlap countries where expenditure on start-up incentives is high. Spain and Slovenia have the highest proportion of ALMP participants in start-up incentives. Estonia, France, Croatia, Lithuania and Slovakia also have comparatively high shares.

Start-up incentives are less often used by young people, with the exception of Poland. In Portugal, Germany, Austria and Latvia the share of young participants in start-up incentives is very low. In Hungary and Slovakia, it is high compared to other countries, but still the overall proportion of ALMP participants is less than two thirds of the share for all ages. Women generally make the same use of start-up incentives as men, and even slightly more than men in Latvia. Their participation rates are lower than men's participation rates in Portugal, and Austria, Poland, Slovenia, and Slovakia.

Table 3 Participants in start-up incentives as share of ALMPs (in %)

	All	**Under 25 (%)**	**Women (%)**
BE	2	0.6	2.1
BG			
CZ	3.9		
DK	0	0	0
DE	2.7	0.3	2.5
EE	12.9	4.5	11.9
IE	0	0	0
EL			
ES	24.1		
FR	11.8	4.5	11.3
HR	12.8	3.4	8.6
IT	0	0	0
CY	0.1		
LV	1.1	0.2	1.2
LT	12.7		
LU	0	0	0
HU	0.9	0.5	0.9
MT	0	0	0
NL	0	0	0
AT	2.3	0.3	1.9
PL	8.8	15	7.7
PT	3.4	0.2	2.4
RO			
SI	29.7	12.9	26.4
SK	15.5	10	13.1
FI	3.9	1.8	3.5
SE	0.7	0.3	0.8
UK			
NO			

Source: Based on data from European Commission (2016)

3.4.4 Targeted measures for start-ups

A recent report on PES capacity (Peters, 2016) showed that in 2016 PES[17] rely on one or more instruments specifically designed for target groups. Most use these to target three to four specific groups, notably young people, LTU and older jobseekers. A smaller

[17] For the Dutch PES, no information was available as most of the ALMPs are administered by municipalities or implemented by private bodies.

number target people with disabilities. In addition, most of the changes in ALMPs were aimed at targeting the offer towards specific client sub-groups. New measures also show a stronger emphasis on work-based ALMPs. Five Member States introduced new measures for self-employment in the preceding year. In 2016 eight PES (Belgium-Actiris, Cyprus, Finland, Hungary, Italy, Poland, Portugal and Sweden) offer start-up incentives to specific groups of unemployed in their country. All of them included young people as their target group, some also long-term unemployed (Hungary and Sweden) or older workers (Belgium- Actiris, Hungary and Sweden).

3.4.5 Overview of measures by type and target group

According to the European Employment Policy Observatory (EEPO, 2014), in 2014 financial support was the main type of support provided across Europe. Fifteen Member States offered non-repayable grants or subsidies, eight Member States offered income support during the launch phase of the business, and in eleven Member States unemployment benefits continued during the start-up. Generally, eligibility criteria and a viable business plan are required to qualify for financial support to avoid abuse of the schemes.

Almost all countries offer more than one financial support measure. In eleven countries financial support is combined with other types of support, such as training or coaching.

Start-up incentives across Europe are generally not restricted to specific types of business or sectors, and measures usually target unemployment benefit recipients and the registered unemployed in general rather than specific groups. If specific groups are targeted, these are more often young people.

Table 4 Overview of measures in use across 29 European Countries in 2014[18]

Type of measure	**Countries where such measures are in use**	**No of countries**
Non-repayable grants or subsidies	BE, BG, CZ, DE, EE, EL, ES, HU, LT, PL, PT, AT, SE, SK, FI	15
Link to unemployment benefit (UB):		
Conversion of UB	BG, ES, FR, LU, PT	5
Replacement of UB	BE, DE, AT, FI, UK	5
Income support during launch phase	BE, DE, HU, LV, AT, SE, UK, IS	8
UB continued or graduated during support	DK (continued) — FR, NL (graduated)	3
Preferential loans	BE, BG, ES, FR, LV, LT, NL, AT, PT, SK, UK	11
Tax and social security exemptions	ES, FR, LT, RO	4
Combined measures (financial incentives combined with training, coaching, etc.)	BG, HR, LV, MT, NL, PT, AT, SI, FI, UK, and IS	11
Specific target groups:		
Women	DE, EL, CY, PL, FI	5
People with disabilities	BE, BG, CZ, FR, LT, NL, PL, SK	8
Young people	BE, EL, FR, IT, LT, LV, LU, MT, PL, PT, RO, SK, FI	13
Other disadvantaged groups	HU, PL	2

Source: EEPO (2014), table 2.2

[18] Note that for some measures in 2014 the information may not (yet) have been available when the EEPO report was published or classification may be done differently by more recent standards. For Poland e.g. PES offers consulting and training services for those who received loans (combined measure), as well a preferential loans. On the other hand, while PES support is tailored to needs, there is no specific assistance for disabled or other disadvantaged groups.

More recently, new measures aimed at supporting self-employment were introduced in several Member States. They include the deployment of specific counsellors for jobseekers who want to become self-employed, financial measures, as well as measures specifically designed for women and for youth.

Recently introduced start-up measures:

- The use of specialised self-employment counsellors (HR).
- Slovenia introduced a subsidy programme for formerly unemployed highly educated women who have become self-employed.
- Actiris (Belgium) offers an example of a comprehensive set of measures for older workers with more common measures such as training and assistance in starting a business, but also including outplacement for those aged 45 and over.
- Several start-up incentives were launched in Hungary
- From 1st March 2016, the national "Self-employment National Revolving Fund" was launched in Italy. It aims to support young people that could not find financing from traditional sources who intend to start self-entrepreneurship and self-employment activities.
- Pôle emploi (France) has introduced in 2016 a specific service to promote entrepreneurship and to provide jobseekers with start-up support, hints and methodology. This service "Activ'Crea" is carried out by specialised external providers.

Source: Peters, 2016

3.4.6 Monitoring & Evaluation systems in PES

Viertelhauzen et al (2012) analysed the way PES monitor and evaluate their activities. They find that at the time almost all PES in EU/EEA countries used a performance measurement system to monitor the performance of their organisation.

Many PES had adopted management by objectives principles that drove this process. Some three quarters of the PES agree targets with external parties, such as Ministries, and/or internally with regional and local offices. The benchmarking of local offices is also common practice.

PES use very different sets of indicators. These mostly focus on outputs and results rather than impacts. Customer satisfaction is measured in most PES, although on different occasions and with different frequencies.

A clear majority of PES use data warehouses for the compilation of data collected by the PES. These sometimes also include data collected by other public organisations.

The primary source of information of PES is administrative data. This data usually comes from intake interviews and follow-up contacts with clients. Administrative data can also be provided by other public organisations like the social security or tax administration organisations where employees are usually registered.

The tracking of clients on a structural basis often does not happen as a result of high costs and practical problems, and sometimes because of legal impediments related to privacy. As a result, PES need to rely mostly on survey outcomes to measure their performance.

4 The effectiveness of start-up support for the unemployed

4.1 Introduction

Many authors notice a lack of evaluations, and especially good evaluations, of start-up incentives. This applies at the national level, but meta-evaluations of start-up incentives are often missing or they are not visible at the EU level.

This may be explained by their small role in ALMPs. In addition, typically a small number of participants would make it hard to go beyond outputs and results and identify impacts at macro level. Evaluations of the effects of start-up incentives for specific groups, with the exception of youth, are even more scarce.

Key EU and international sources on start-up incentives

Currently probably the main source of information on the effects of start-up incentives in the European is the joint project of the European Commission and the OECD on inclusive entrepreneurship in the EU. The project has yielded extensive descriptions of practices in Member States, comparisons of such practices, as well as the lessons learned from them, including those resulting from formal evaluations. The project focuses on 'missing entrepreneurs, i.e. groups less likely to become self-employed. These include the unemployed, but also those groups with typically weaker labour market positions such as women, youth, migrants, older workers, and people with disabilities. The project has so far resulted in four annual reports and policy briefs on individual groups and support measures. The latest annual report has the form of a good practices compendium. Further useful sources at EU level include the peer reviews on self-employment carried out under the mutual learning programme on pathways to support young people into self–employment (Duell, 2011, and the European Employment Policy Observatory, EEPO, in 2014). Interesting comparisons of outcomes of start-ups evaluations and their policy implications are found in research published by IZA (the Institute for Labour Economic based in Germany), e.g. Caliendo and Künn (2010, 2012), Caliendo (2016) and Cho et al (2016), the last is a world-wide study. An example of a study which also explicitly assessed the quality of the evaluations themselves include a study on start-up support for young people in the EU by Sara Riso (Eurofound 2016b).

Many evaluations start from participants and they measure effects at the individual level. They are also more likely to focus on the direct and short term effects. The longer-term effects on participants' labour market position or the eventual impacts on employment and unemployment are far less of a focus point in research. In other words, monitoring is more prominent than evaluation, with a focus on outputs and results, rather than impacts. However, some studies have used modelling to assess impact at the macro level too.

Macroeconomic evaluation of ALMPs – example

A study by Verónica Escudero is an example of an approach that aims to measure the aggregate impact. This approach allowed her to measure both the direct and indirect effects of ALMPs. She compiled a database with data from 1985 to 2010. She used time-series as well as pooled cross-country data, i.e. her survey used new samples in different years. She estimated different models to measure the effects of six different ALMPs, and one of them was start-up incentives. She looked at three dimensions of their implementation (i.e. the allocation of resources to public administration, continuity and timing in the implementation of programmes) and their impact on unemployment, employment and participation rates. She compared the low-skilled and the overall population and also looked at the impact on the low-skilled unemployed. She then checked the results to see if they were not explained by the impact of context factors such as demand conditions, the structure of the labour

market and differences in institutional arrangements (Escudero V, 2015).

Many studies report on effects, but do not further examine causality, i.e. the question of whether the effects were really brought about by the programme. When comparing evaluations, Caliendo (2016) for example noted that causal effects on employment, income and business growth were often not addressed. Only a few causal studies have compared the results for unemployed workers who received start-up subsidies with the results for a control group. Although deadweight is not systematically addressed either, some tentative conclusions can be drawn from this. At the mid-level and the macro-level, potential displacement effects are important but knowledge on this is so far limited.

The present chapter starts out by discussing primary and secondary effects in general, followed by two sections on the effects according to the type of measure and the type of target groups. The final section presents lessons learned identified in evaluations and good practices overviews.

4.2 Primary effects

4.2.1 Indicators for effectiveness

Primary effects are defined here as effects that are directly attributable to, and occur immediately during and after a programme. This section looks at the direct, usually more short-term effects of start-up support measures. In most cases this means gross effects, but in sections 4.2.6 and 4.2.7 some evidence on net effects is also presented.

The effectiveness of a measure should be assessed by the achievement of its objectives. The most common indicator by which the success of start-up support is judged is therefore the survival rate of the business that was started. When measures supporting the unemployed are considered then labour market integration and the ability to provide for a decent living are equally important indicators. These are closely related to the survival rate of the start-up company.

4.2.2 Start-up rates

The overall trend in evaluation findings is that providing financial support to the unemployed during the start-up phase is successful in the sense that it helps unemployed people start a business. A majority of the participants in such schemes continue their business when the support period comes to an end.

EEPO (2014) concludes that evaluations of start-up incentives in Member States show that the businesses thus created have 'satisfactory' survival rates, thereby creating employment for the former unemployed. In general in the EU, some three quarters of participants in schemes promoting start-ups went on to set up their own business.

Some of unemployed do return to unemployment after the initial period of financial support. However, this appears only to apply to a minority. This example is from an evaluation of the New Enterprise Allowance (NEA) in the United Kingdom. This evaluation showed that some 80% of the unemployed starters continued their business after 26 weeks, when the allowance they received under the NEA ended. According to the same source, the longer-term survival rates of supported unemployed start-ups are comparable to general business survival rates (EEPO, 2014).

A collection of international evidence (OECD/European Union, 2012a) showed a small but growing number of studies showing positive results for start-up support programmes for unemployed people. This evidence amongst others came from evaluations of the 'Bridging Allowance' and 'Start-Up Subsidy' in Germany and self-employment grants Sweden. Both studies showed that the programmes successfully brought people from

unemployment into employment. The Swedish study even showed that self-employment grants were more likely than wage subsidies to move people out of unemployment in the long-term. The study also presented evidence from Estonia that grants helped increase the survival rates of start-ups in general.

Finally, the most recent overview study, by Caliendo (2016), concluded that for most countries "survival rates appear to be remarkably high and comparable to (or even higher than) those for all businesses". The survival rates found in this study range from 40% in Denmark (one year after the subsidy has ended) to 93% in Spain (two years after start-up). The long-term effects (four years and more) are known in only a limited number of countries. These amounted to 50% in the UK and 62% in Poland (after four years), 60–70% in Germany (depending on the sub-group, after 4.5 years), 76% in Spain (after six years), and 36% in Finland and 51% in France (both after eight years). This is a positive and promising finding, even in the absence of proper comparison groups.

If evaluations include a control group, this is usually a group of unemployed people who did not participate in the programme. Such studies show that if the unemployed participate in a start-up programme, then they are more likely to be employed than unemployed in the control group, even after several years. They are also less likely to be unemployed or to receive welfare. Studies in Germany and Sweden also show more modest positive effects on the income of former programme participants (Caliendo, 2016).

Some studies (according to EEPO, 2014) suggest that start-up rates also depend on the timing of the intervention. Early expert mentoring and viability testing have yielded higher start-up rates.

4.2.3 Other employment effects

Start-up incentives for unemployment do not aim at self-employment as such, but share the broader labour market integration aims of all ALMPs, i.e. employability and employment. The can also be considered (EEPO, 2014) a stepping stone for progression to regular employment. This is the result of the skills that people develop when going through the start-up process. Starting a business may also develop people's networks and demonstrate their entrepreneurial attitude and capacities to future employers.

The positive effects on employment are higher than the start-up rates suggest. In addition to the group of participants that becomes self-employed, a smaller group finds paid employment and does not reappear on the unemployment registers after the programme is finished.

Some strong evidence is available on these effects through studies using longitudinal studies and studies using control groups (EEPO, 2014). A Swedish analysis of 2003–2007, for example, shows that beneficiaries of start-up incentives were more likely to obtain regular, non-subsidised jobs and were less likely to come back to the PES as unemployed. These effects were still visible after several years. Polish studies showed that some 39% of the unemployed who failed in starting their own business got jobs and did not return to unemployment. In Portugal, as few as 43% returned to unemployment. Also, in the Netherlands a scheme resulted in sustainable outflow from social security. Similar results were more recently found for German and UK programmes by Caliendo (2016). Another overview study (OECD/The European Commission, 2014b) provides further evidence, looking at Finland amongst others.

4.2.4 Sustainable integration

The fact that start-up incentives are successful in helping participants become self-employed, and the fact that for many these seem to be lasting effects, continuing when the programme has been completed, means that these participants have secured a livelihood for themselves.

Another important issue is how much income the new self-employed are able to generate from their business and whether this can be considered a reasonably or satisfactory income.

The studies reviewed in this report did not ask the self-employed about their satisfaction with the revenues from their business. The EEPO review (2014) notes that income from self-employment was found to be small in several studies. However, they also point out income is measured during the start-up phase, when investments are being made in the expectancy of returns in later years.

Caliendo (2016) observes that start-ups by unemployed people should be compared to regular start-ups in order to judge the economic viability of the start-up and provide an indicator for the ability to generate a 'normal' income for the owner. Unfortunately, such studies are not very common and the results are less promising than on start-up rates. The studies he found range from no observable differences to lower income, slower growth, and less innovation.

Finally, it should be noted that the unemployed who succeed in becoming self-employed will generally enjoy or lack the same social protection as other self-employed people. In as much as their choice for self-employment was a voluntary choice this does not require further discussion. The situation is different in the case of so-called bogus self-employment, as discussed below in section 4.2.6.

4.2.5 Adverse effects

Two types of adverse effects are discussed here: creaming and deadweight. These effects are interrelated.

Creaming

As is the case for other ALMPs, it may be attractive for PES counsellors to select those applicants for start-up incentives that seem the most likely to succeed. Whether this creaming is really happening is unknown, but the deadweight effects that occur could be partially caused by this phenomenon.

At the same time, from an economic perspective, there is a call upon PES to actively select promising future entrepreneurs who will create employment for themselves and ideally also for others. Start-up incentives may encourage individuals without the proper skills and qualifications. This adverse selection (Caliendo, 2016) is likely to be detrimental to the performance of businesses created in this way. From an economic point of view, start-ups from unemployment constitute an entrepreneurial risk, in the sense that they are likely to generate start-ups with a high failure rates or minimal income.

In fact, many successful programmes have used extensive selection criteria and procedures for participation (OECD/EU, 2016), especially in the case of more costly measures such as face-to-face coaching or start-up financing. To this end they also use competitive mechanisms, such a business plan competition. The risks associated with such competitive mechanisms are 'creaming' and 'deadweight' effects. As a result, the more disadvantaged groups are less likely to participate.

Deadweight

The evidence on whether participants would have started a company without the financial support is limited, but there are several indications of this effect. EEPO (2014) found evidence from Swedish surveys from the 2000 on self-reported deadweight and there are more objective but rather outdated indications for Hungary. The second missing entrepreneurship project report (OECD/The European Commission, 2014b), however, found many estimates of deadweight. These figures are very wide-ranging, two studies from 2013 report deadweight costs varying between 20% and 70%. Caliendo (2016) quotes studies from Sweden, Denmark and France resulting in deadweight estimates from 40% to 60%.

A proper assessment would need to compare the deadweight effects of start-up incentives to those of other ALMPs. There is some evidence that these effects are similar to most ALMPs and lower than for direct employment creation measures (OECD/The European Commission, 2014b). Furthermore, EEPO (2014) suggest after reviewing evaluation studies from the Member States that deadweight loss seems to be more acceptable in the case of start-up grants than for other ALMP measures, including hiring subsidies.

It is also important to not limit the identification of deadweight effects to starting a business without support. Start-up subsidies help individuals make the transition to having their own business (EEPO, 2014). Even if participants had started a business without support, the support may still be responsible for their success. The latter requires more complicated forms of analyses, which is why they are often not conducted. As a result, deadweight effects tend to be overestimated in evaluations. Caliendo (2016) concludes that potential deadweight effects are likely smaller than feared. One study in particular found that the deadweight effects drops from 49% to 21% (in general) and from 23% to 9% (for a narrower definition of people who registered as unemployed to get the subsidy).

Factors that influence the level of deadweight include the targeting of the programme, but also the type of participants. EEPO (2014) concludes that deadweight is more likely for programmes targeting the better educated unemployed.

4.2.6 Precarious and bogus self-employment

The issue of bogus self-employment is debated far more often than it is properly researched. The debate generated concerns about start-up incentives and the risk that employers could somehow abuse them with participants entering into a situation of false self-employment. These seem to refer in particular to PES schemes, but especially to general schemes that impose few conditions on recipients. Similarly, some of the self-employed are struggling to make a living and in danger of not being able to protect themselves from the financial impacts of illness, disability or bankruptcy.

The situation with regard to precarious and bogus self-employment among unemployed people receiving start-up incentives is unknown and hard to assess. None of the evaluation studies reviewed in EEPO (2014) addressed these issues.

Creating a specific status 'in-between' employed and self-employed could be seen as a basis for measures providing appropriate social protection and preventing bogus self-employment.

Some Member States are known to be taking measures to prevent bogus self-employment. In as much these involve the creation of a specific status this has sometimes proven to be a solution, but sometimes it has also increased the risk of bogus

self-employment. The latter for example occurred when the new status of 'auto-entrepreneur' was introduced in France in response to the crisis (EEPO, 2014). Another example of a specific status is the category of ´New self-employed' (*Neue Selbständige*) in the Austrian General Social Insurance Act, which obliges these people to pay social security contributions.

Neue Selbständige - Austria

This category contains a heterogeneous group of workers, such as scientists, artists, and journalists. They are executors of clearly defined tasks for clients rather than continual tasks for the same client. They can also sub-contract their work, putting them in a middle position, and most labour law regulations do not apply to them, although they have to be part of the sickness, work accident, and pension insurance system.

Source: EEPO (2014)

Logic suggests that the targeting of programmes and the conditions imposed impact on the chances of bogus self-employment occurring. In Finland, counsellors at the Employment and Economy Offices and the Enterprise Agency perform initial checks to see if applicants are not hired solely or predominantly by their previous employer. This is repeated at regular intervals up to 18 months. The requirement to develop a business plan and its assessment can also help avoid bogus self-employment.

4.3 Secondary and macro effects

4.3.1 Indicators for effectiveness

Secondary effects are effects caused by primary effects and so they typically show themselves after a longer period of time. Multiple primary effects and multiple secondary may occur, which are also likely to interact. An important group of secondary effects are impacts at the macro level, such as the impact on the employment or unemployment rates in a geographical area. As start-up support can aim to achieve social as well as economic objectives, an additional contribution to employment through the hiring of employees in the newly created firms is expected. In both cases, it is important to take into account displacement effects, which is the main potential adverse effect of start-up schemes for the unemployed at this level.

4.3.2 Overall macro impacts

In as much as evidence is available, start-up incentives are found to be effective in reducing unemployment, and more so than other ALMP policies (EEPO 2014, Escudero, 2015). At the same time, their impact on the unemployment register is small, because the size of the programmes is usually too small to make a substantial difference, especially in times of high unemployment. This applies to the number of participants in the schemes as well as to funding the schemes. Although there is a large diversity between countries, it is estimated that even in countries with a long history of start-up incentives, they only affect at most 1% or 2% of people on the unemployment register (EEPO, 2014). Escudero (2015) confirms that start-up incentives are more effective in reducing unemployment than other ALMPs, but she also found that these effects in particular apply to the low-skilled.

Start-up measures also have a positive impact on the employment rate. Contrary to ALMPs in general, however, this does not apply to the low-skilled. Based on her (macro) analysis, Escudero concludes that training, employment incentives, supported employment and direct job creation measures have better impacts in terms of reducing

unemployment, but also in terms of increasing employment and participation. Spending in start-up incentives, on the other hand, is more effective in reducing the total unemployment rate and the unemployment rate for the low-skilled. It also boosts the employment rate of the overall population.

4.3.3 Additional job creation

One of the objectives of general enterprise policies is to create jobs for employees by furthering entrepreneurship and through the creation of new enterprises. The latter impact is relatively small in the case of unemployed start-ups. These businesses are more likely to remain one-person companies.

Studies in various countries suggest that about 20% of the subsidised self-employed can be expected to hire other staff (EEPO, 2014). In the overview study by Caliendo M (2016), some 17–36% of subsidised businesses hired one employee or more. Most of these businesses still remain small. He observed a large variation in the average number of additional jobs created by the new companies. Average numbers range from 1.1 full-time equivalent jobs per surviving company in Germany to less than 0.5 in France. When limiting the analysis to the firms that were hiring employees, the average number of jobs created per company ranges from 1.6 to 3.1 full-time equivalents.

Nevertheless, the combined effects do matter, as an example from Austria illustrates.

Austria and secondary job creation of start-up programmes

In Austria, 22% of the business start-ups in the UGP programme employed other people in their company. When the employment effects for all 40,908 participants (2006–2012) were extrapolated, approximately 16,000 additional jobs were created for regular full-time employees, 7,000 for marginal employees, 4,900 for free service contract workers, 1,600 for family workers, and there were 630 apprenticeship places.

Source: EEPO, 2014

4.3.4 Displacement

A concern is whether subsidised start-ups displace (crowd out), i.e. take away turnover and eventually employment from existing companies. This may apply in particular when demand is small, so during economic downturns. It seems such effects have not been researched, but some countries have tried to prevent them by demanding and assessing business ideas from potential programme participants.

While displacement effects cannot be ruled out (Caliendo M (2016), the overall distortion effects seem limited since most programmes provide financial support for a short time and typically do not provide large amounts. This is confirmed by EEPO (2014), which concludes that studies do not seem to find any statistically significant displacement effect for start-up grants, although evaluations do find statistically significant displacement effects of around 35% for other labour demand-oriented labour market policy measures, such as hiring subsidies.

According to the OECD/European Commission (2014b), displacement should particularly be taken into account for large programmes and in times of low unemployment rates. Displacement effects furthermore depend on scheme design factors such as the size of incentive, targeting, eligibility rules, and procedures for screening (EEPO, 2014).

4.4 Effectiveness by type of measure

4.4.1 Selection and targeting increase effectiveness

Measures are appropriate or effective at different stages of the business life cycle, and in particular during the seed and start-up phases. According to the EEPO analysis of evaluation studies (2014), rates of start-ups are likely to depend on the point at which they intervene in the business creation process. The studies refer in particular to schemes that use mentoring at an early stage and test the viability of the business being created. Expert mentoring, checking the commitment of applicants and requiring a viable business plan resulted in higher numbers of interested people making it to start-up level, typically almost 50% of the participants.

Besides start-up rates, the use of selection criteria and the targeting of participants has also been found to increase growth and survival rates in a study on start-up incentives for youth (OECD/European Union, 2012a). More stringent selection criteria, e.g. personal characteristics such as higher education levels or prior experience, and a viable business plan are likely to result in higher deadweight effects, but also in higher survival rates. The applicants thus selected will have better entrepreneurial skills and they are also likely to be more committed (Eurofound, 2016b) This study uses the findings of the evaluation of a German programme providing 'start-up coaching' to illustrate that focusing on a clearly defined target group of the unemployed increases the success of start-up programmes. This is explained by the fact that using a targeted approach makes it possible to design a programme that is tailored to the specific needs of the target groups. In the German case, this concerned matching of young entrepreneurs with professional coaches in the consolidation phase. There is less room for tailoring with more general start-up support or lump sum grants. The 2014 missing entrepreneurs report (OECD/The European Commission, 2014b) also concludes that well-targeted programmes with considerable training content do have the potential to improve the labour market outcomes of those targeted, and that well-designed financial incentives might also raise employment at lower cost. Start-up support incentives even appear to be more cost-effective, in this scenario, than other ALMPs for the unemployed.

4.4.2 Financial support and the need for an integrated approach

By definition start-up incentives provide financial support, in the form of an income (guarantee) during the seed and start-up phases or provisions that help acquire the necessary capital. There is some evidence that financing programmes are more effective when they are complemented with other forms of support, such as advice, coaching and mentoring. This evidence was found in the evaluations of youth programmes (OECD/European Union, 2012a).

Patel (2015) found similar evidence for programmes supporting women's entrepreneurship development. She found that programmes that combine finance and business training were more effective in supporting women's business start-up than finance or business training alone. Patel reviewed programmes across ILO countries and could therefore also confirm that such combinations are effective in various contexts, including those less conducive to women's labour market participation. She also points out, however, that such combined programmes are more costly, and at risk of not being very cost-effective.

Integrated packages of financial support, combined with coaching, mentoring and business counselling are offered in various EU Member States and they appear to have

promising results[19]. An evaluation of a Finnish start-up grant in 2006, for example, suggested more support and advice for the applicants would be helpful during the start-up process. The evaluators of 'Wings for business', a small project supporting unemployed people with a disability in the Wielkopolska region of Poland, found that all 22 participants successfully started a company. They believed the coaching and training sessions that were provided alongside financial support were one of the reasons for this success. They also highlighted the fact that the trainers and advisers had experience of working with potential entrepreneurs starting off as unemployed. The strongest evidence comes from an Austrian microcredit programme. Unemployed people - or people who are at risk of losing their job - who want to become self-employed can apply for credit, which is accompanied by consultancy and training. A 2013 evaluation shows that around 90% of the participants were still self-employed at the time of the survey. On average, 0.4 additional workplaces were created by the new enterprises. The evaluation identified the individual support, advice and assistance as a key success factor. This support was provided at all stages of the start-up.

The usefulness of different support varies according to the stages of the business creation process. The evaluation of the financial contribution for the Self-Employment Scheme in the Slovak Republic, for example, considered training as the key factor to success at the early stages when participants were implementing their business plan. Business counselling, on the other hand, was considered important during the phases after business start-up. The Slovak scheme supports people in work as well as disabled people expressing an interested in starting a business. Another example stems from a pilot project by the Gdansk Municipal Employment Office ran in 2009 and 2010 - Mature Entrepreneur. The project supported unemployed or inactive older people who wanted to become self-employed. It offered a variety of support services. As well as a grant and a bridging allowance, these services included training, coaching and mentoring, business advisory services, and network opportunities. Training was a mandatory component of the project and participants would only receive financial support and coaching and mentoring after completing this training. In practice, the participants felt that this requirement kept them from setting up the business. They valued what they learned but they wanted the training to be shorter or conducted in parallel with setting up their business. Whether this lock-in effect was justified by subsequent impacts on employment or income is unknown.

Further research is needed to know which combination works best, for which target groups and under which circumstances.

4.4.3 Coaching and mentoring

Both coaching and mentoring can be peer-based or professional, and they can be either face-to-face or online. Coaching aims to develop the skills of an entrepreneur and it is more likely to be a short-term relationship between coaches and benefit recipients. In the case of mentoring an experienced person, the mentor would assist the mentee in developing skills and knowledge, but also in furthering their personal development. Mentoring focuses less on specific issues than coaching, and generally the relationship will last longer. In the EU, public policy tends to favour mentoring support programmes, probably because of the lower costs associated with such programmes (OECD/European Union, 2015).

[19] The examples provided in this section are derived from OECD/European Union (2015).

Coaching and mentoring benefits

The benefits of coaching and mentoring, according to the literature, are manifold. They include action learning and knowledge absorption capability among entrepreneurs, they help build confidence, motivation, and a range of skills for entrepreneurship and they may even include access to resources such as finance and better access to suppliers and customers. Although often cited, these advantages have not been extensively studied so far. More informal sources have led to the identification of important factors determining success or failure. These include (OECD/European Union, 2015):

- An appropriate matching process between mentees and mentors
- Ease of accessing the mentor (i.e. location of meetings)
- The relationships often begin in a face-to-face manner but should be allowed to develop according to the needs of each party. This flexibility can improve the attractiveness of the support for coaches and mentors, as well as for coaches and mentees
- A set of objectives developed for the relationship and monitoring of progress towards these goals
- Coaching and mentoring relationships should have a fixed duration. This avoids the construction of a relationship of dependence.

4.4.4 Other measures

There is and probably always will be a role for **information and sign-posting services** that alert people in general, and vulnerable groups and unemployed in particular, to make them aware of entrepreneurship as a career. Information and sign-posting services have the advantage of being broadly aimed, having a wide reach, and they are cheaper than other start-up services. They are therefore useful both as a first step and as a supporting measure to the above-mentioned services (OECD/European Commission, 2014b).

Evidence on the effectiveness of **training measures** for entrepreneurs was found, but studies reviewed by Duell (2011) point to a number of issues that need addressing. These apply to entrepreneurship training for young people in general, but the following elements also apply to the training of unemployed who embark on this path. Various studies recommend that training programmes devote more time to teaching entrepreneurial skills as well as the (often present) managerial skills. The OECD identified three main groups[20]:

- Technical – communication, environment monitoring, problem solving, technology implementation and use, interpersonal and organisational skills.
- Business management – planning and goal setting, decision-making, human resources management, marketing, finance, accounting, customer relations, quality control, negotiation, business launch, growth management and compliance with regulations.
- Personal entrepreneurial – self-control and discipline, risk management, innovation, persistence, leadership, change management, network building, and strategic thinking.

Generic and horizontal skills are also seen as a valuable asset that can be passed on during training. The training should aim to make students more creative and innovative, more pro-active and self-confident, and better at communication, team work and

[20] Quoted in: Analytical highlight - Focus on Entrepreneurial skills, EU SKILLS PANORAMA 2014, European Commission, April 2015

decision-making. The ability to take risks and recognise opportunities are also skills that are useful for all workers, but especially for the self-employed (Duell, 2011).

4.4.5 Infrastructure for entrepreneurship

It stands to reason that the implementation of measures and the design of the support infrastructure influence the outcomes of ALMPs, including start-up incentives.

A study on youth start-up support programmes presented some evidence that changes in the support structure can improve the outcomes of such programmes (OECD/European Union, 2012a). However, few studies really focused on youth.

A policy brief on sustaining self-employment for disadvantaged groups (European Union/OECD, 2015b) draws attention to the need for capacity building 'on the institutional side'. This includes general business support organisations, but also officers working within public agencies such as PES. For them capacity building should include the ability to work with potential entrepreneurs from different and often disadvantaged groups.

4.5 Effectiveness for specific groups

4.5.1 The significance of personal characteristics

Although -or perhaps because - disadvantaged groups are less likely to become self-employed, specific groups such as male, middle-aged participants, and participants with an apprenticeship or secondary education showed higher start-up rates (EEPO, 2014). Caliendo (2016), on the other hand, found that 'personal variables' had only a small and statistically insignificant influence on the effects of start-up subsidies. He was able to perform very precise analyses because he was working with a combination of administrative and survey data. However, it could be that the effects of personal characteristics did not show up in his analysis, because they already exert their influence through other variables in the database, such as human capital attainment, labour market and employment histories. Caliendo himself assumes that one way or another personal characteristics do indeed influence the outcomes of programmes. He confirms that subsidised start-up programmes seem to be particularly effective for disadvantaged groups, e.g. low-educated workers or young people.

For Germany, Csillag and Fertig (2015) found that that specialised measures for selected sub-groups, such as clients planning self-employment, tend to have positive effects on long-term unemployment.

4.5.2 Women

Evidence on the effectiveness of start-up support for women is scarce. According to Caliendo and Künn (2012), there are only few studies that show female-specific effects. They present evidence from Spain showing high survival rates after two years as well as after five years. For women, these depend primarily on personal characteristics such as education and marital status. For men, the effects depend above all on their economic situation (as the main source of household income). Australian data shows comparable survival rates for men and women, but fewer hours for women. They conclude that the existing data shows that supporting unemployed women in their journey to self-employment can be quite promising, and more promising than traditional ALMPs. It would also seem that women use self-employment in a flexible way (such as in parallel to other jobs, or with fewer working hours).

Caliendo and Künn (2010, 2012) themselves followed participants in two German start-up programmes –SUS and BA- up to five years after they launched their business. They

found that these programmes were able to integrate former unemployed women into the labour market and improve their income situation. They found large and significant employment effects for female participants that were three to four times as large as those estimated for traditional ALMP programmes. In addition, the women participating in these programmes were more likely to remain economically active and less likely to quit the labour force. Finally, the impact of start-up subsidies on childbearing is less detrimental than other ALMPs, which suggests that these programmes and the self-employed lifestyle allows women to realise a better work-life balance. The effects did not, however, include a clear increase in working income 56 months after start-up. Caliendo and Künn suggest that women become self-employed because there are fewer opportunities in the regular labour market. Women do not seem to make this choice to achieve higher incomes. Although the authors do not say so, this is something that may apply to other groups participating in start-up schemes.

4.5.3 Young people

Evaluations of start-up programmes aimed at young people are limited in number, especially those that really allow reliable conclusions on effectiveness. Based on UK evidence in, the OECD/European Union policy brief on youth entrepreneurship (2012a), it would seem that mentoring services increase start-up rates amongst young people. According to Duell (2011), start-up incentive programmes for young people should include access to financial resources, as young people are less likely to have accumulated such resources in the past and financial services have no objective grounds to trust their credibility.

A thorough review of evaluations of youth programmes was conducted by Sara Riso (Eurofound 2016b). She systematically reviewed evaluations of start-up programmes for young people in, amongst others, France, Sweden and the United Kingdom. She concludes that the evidence is mixed and has some serious methodological shortcomings. A clear outcome seems to be that targeting and selection for participation in such programmes leads to higher results. In several cases it appears that more sophisticated evaluations of programmes show lower results, because they show unintended side effects. Sometimes programmes seem to have few results, but these may still emerge in the longer term, i.e. many years later. It should be noted that in this more rigorous meta evaluation, the results are defined as effects caused by the programme and always compared to a situation where the programme had been absent.

4.5.4 Migrants

Evidence on the effectiveness of start-ups for migrants is virtually non-existent at the EU level. An evaluation of the Swedish Public Employment Service's start-up grants shows that the effects of the grants are smaller for people that are foreign born than for those born in Sweden. Foreign-born entrepreneurs were also more often than in a position of economic vulnerability (Swedish National Audit Office, 2012) The limited evidence on the survival rates of businesses operated by foreign-born entrepreneurs is also found in France, where lower survival rates were found for businesses operated by foreign-born entrepreneurs than for those operated by native-born entrepreneurs (OECD/European Commission, 2014b)

4.5.5 Older people

PES activation strategies in most Member States include active measures to facilitate transitions into self-employment for older workers (Hake B,2011). The Dutch PES is one of the PES offering specific programmes for self-employment to older workers who have become unemployed. Been and Knoef (2015) found that in the Netherlands end-of-career

unemployed individuals are more likely to become self-employed than others. They also found that this effect is significantly increasing with age.

This age group is also more likely to seek a combination of open-ended part-time employment with self-employment. This has proven to be a successful strategy for enhancing employment and income security beyond the standard full-time employment contract (Hake, 2011). Older workers are also prominent amongst people with portfolio careers, or they choose a path involving alternating paid part-time self-employment, periods of unpaid work, and the flexible transition into permanent retirement (Hake, 2011). Such portfolio careers are more common amongst unemployed highly skilled professional workers, often in the media, financial services and creative industries.

4.5.6 People with disabilities

Whereas self-employment can be a very suitable option for people with disabilities, the disabled tend to be as unaware of the desirability and feasibility of this career choice as the able-bodied. Studies also report a fear amongst benefit recipients of losing the safeguard of benefits while earning another income. This is can be a real issue, but it is also exacerbated by poor knowledge of social benefit systems amongst this group (OECD/European Union, 2014, Eurofound, 2012b).

If self-employment does not offer adequate income security depending on the design of the relevant social protection schemes, there is a risk of poverty and social exclusion. A 2003 OECD report addressing this issue mentions 'cumbersome award periods' as well as the difference in income between work and benefits as possible explanations for the 'non-existent outflow' from disablement benefits into work OECD (2003). The existence of these benefits trap was more recently mentioned in various EU and international publications (European Parliament, 2010, European Commission, 2017). The OECD/EU disability policy brief states that "this trap problem should be addressed by ensuring that the welfare system does not cut benefits too quickly on transition to entrepreneurship or discriminate unfairly against those disabled people who chose to become entrepreneurs" (OECD/European Union, 2014).

Some countries have rules that allow benefit to be put on hold for a few years and then revive benefits if the work experience fails, some countries have work incentives to encourage recipients of disablement benefits to find work. However, it would seem that the take-up of such schemes is often low. All in all, low outflow may be due above all to a lack of opportunities (OECD, 2003). A more recent report (Eurofound, 2012b) mentions some examples where benefit systems have been adjusted and tailored to the individual situation, to ensure they do not inhibit entry or re-entry into employment. Examples include the possibility of combining an incapacity pension with a wage earned from a job (Spain), and an 'income disregard' scheme allowing people with disabilities to earn up to a certain amount per month before losing their disability benefit (Ireland). A 2011 report had called for various changes, as people with disabilities in Ireland stood to lose various allowances when finding work. Depending on the individual situation, this could include their medical card (when income is above the upper threshold) or the Household Benefits Package, Free Travel, their Mobility Allowance and their Rent Allowance (NDA, 2011).

There is some evidence that targeted entrepreneurship training and start-up support programmes can be effective for people with disabilities. Existing training and start-up programmes would partly need to be adapted for people with disabilities, e.g. in terms of formats (such as Braille) and language, and longer term support should be available if necessary. Use can nowadays be made of many assistive technologies and improvements in IT and Internet accessibility. Programmes for people with disabilities are, however,

likely to be relatively expensive. Start-up programmes for people with disabilities need to address the potential benefits trap (OECD/European Union, 2014).

5 Conclusions and recommendations

5.1 The rationale behind start-up support

Important considerations underlying the tasks and competencies of PES are the transparency of labour markets and the ability of various groups of jobseekers to successfully navigate their employment career. This is confirmed by the fact that supporting vulnerable social groups with high unemployment rates and the integration of persons excluded from the labour market as part of the combat against social exclusion are explicit objectives in the co-operation between PES in the EU[21].

The present overview study yields a number of arguments for including start-up incentives in the services offered by PES:

- An overlap exists between groups specifically targeted by PES, and groups that face more than average barriers to becoming self-employed, and these groups are often underrepresented amongst the self-employed population in different countries.
- Start-up incentives have been proven effective in bringing unemployed and specific labour market policy target groups back to the labour market, either as self-employed or employed.
- In certain respects, start-up incentives are more effective than other labour market measures. The costs of the actual start-up incentives seem to outweigh the benefits. Accompanying measures increase their effectiveness, but they also negatively impact the cost-benefit ratio.

Information on costs and the relationship between benefits and costs is, as yet, not properly researched. It is clear, though, that this is an important factor when considering scaling up this measure. Two other important considerations are the importance of self-employment in the national, regional and local economy and the unemployment rate. High levels of either could be arguments in favour of the increased application of this type measure, even when taking into account the (likely) unwanted side effects. Self-employment, especially in the case of people getting low levels of benefit, may be the only opportunity to gain a certain level of income. It may prove to become a permanent route out of unemployment or inactivity, and it may at least provide those who tried it with new skills and demonstrable work experience. Certain characteristics of the envisaged self-employment would argue against stimulating self-employment under such circumstances. This would notably include the need to make heavy capital investments or known abuse of self-employed workers in a specific sector or occupation.

The information about deadweight and displacement effects is scarce. It is apparent that they do occur, however, deadweight effects may not be as high as is often assumed. These effects also seem to be more tolerable and more accepted when the problems to be addressed are greater.

Distortion of competition is unlikely to occur as a rule, because of the relatively small scale of these programmes. However, it makes sense to assess individual business plans on potential negative effects, taking into account the occupation and sector concerned.

[21] Decision No 573/2014/EU of the European Parliament and of the Council of 15 May 2014 on enhanced cooperation between Public Employment Services (PES).

5.2 Start-up support

This section summarises the lessons that were drawn in the meta evaluations and peer reviews discussed in the previous chapters.

5.2.1 Programme design

Start-up measures should respond to the needs different groups face. The programme content and design should take account of the different circumstances and preferences of specific groups. Young people are more likely to encounter scepticism on the part of financial institutions and mainstream business advisors. Ethnic minorities and immigrants are more likely to lack awareness of the support available, but may be able to rely more on networks within their ethnic group (OECD/EU, 2016). The support provided in addition to financial support, as well as the timing and the channels used, can be adapted to the target group's needs.

When designing start-up measures, social objectives (the employment of individuals disadvantaged in the labour market) and economic objectives (supporting entrepreneurship per se) should be clearly distinguished and choices should be made on their inclusion and weight. Confusion over objectives and target groups is a risk that should be avoided (EEPO, 2014).

A targeted approach can be accompanied by a selection process. A key element in such a process is the requirement to prepare a business plan, as this will very much help assess the viability of the business, as well as the capacities of the applicant. The preparation of such a plan is also seen as an opportunity to acquire knowledge and experience that may result in other forms of employment, should the business start-up not succeed (BMAS, 2010).

5.2.2 Programme delivery

The correct implementation of policies, with sufficient resources allocated to programme administration, increases the positive effects of start-up programmes (Escudero, 2015). An important question regarding the delivery of programmes is extent to which programmes should be targeted for specific groups. Policy delivery models 'range from full integration into the mainstream provision to the use of specialist agencies delivering tailored support to specific target groups' (OECD/EU, 2016). Roughly speaking, targeted delivery will increase the effectiveness of programmes, while more integrated support is less costly.

Inclusive entrepreneurship policies and programmes should be developed and delivered as part of an integrated strategy (OECD/EU, 2016). It is important to align start-up support schemes with tax and social security schemes to avoid a benefit trap and ensure complementary policy approaches. Developing a strategic framework of economic policies and information on the local economic context may help create public support for start-ups for the unemployed (BMAS, 2010).

Adequately delivering start-up support requires specialist trainers and advisers. Therefore, PES staff dealing with such programmes should receive adequate support themselves, or external expertise should be engaged (OECD/EU, 2016). Insufficient quality of managerial and entrepreneurial counselling offered by job centres is listed as one of the constraining factors for effective start-up support to the unemployed (EEPO, 2014).

To this end, seeking synergies with other initiatives delivered by agencies and ministries with an economic portfolio, such as business incubators, has also been advocated. PES

can cooperate with chambers of commerce for the provision of information, assistance and coaching (BMAS, 2010).

5.2.3 Start-up and accompanying measures

A key element of start-up incentives is the provision of income security, e.g. through continued unemployment benefit, disability benefit or other allowances. Providing access to capital is also important as disadvantaged groups are likely to encounter barriers when approaching financial services. However, though it is not explicitly mentioned in the literature, the need for capital is likely to be dependent on the kind of business created and the availability of their own financial means, as well as the accessibility of external resources to target groups.

In many cases financial support will be more effective when it is combined with other measures such as training and counselling. Developing an appropriate mix of support measures should take into account coherence with existing general start-up measures as well as the wider environment of business support. Actions creating a positive attitude towards entrepreneurship amongst the target group and sensitising support services to their needs can be part of this package (e.g. EEPO 2014, OECD/ European Commission 2014b, BMAS 2010).

During the seed or pre-start-up phase, the provision of information, advice, mentoring, and expertise is of particular importance. Business counselling is relevant in the prestart-up and start-up phase, guidance and coaching continue to be relevant throughout the programme. The need for training depends to a large extent on individual characteristics, but it is important that entrepreneurial skills are never neglected. Once businesses are up and running smoothly, additional services can be considered to promote and support the creation of additional employment (EEPO, 2014).

5.3 Start-up support for specific groups

Although various studies confirm that start-up incentives are effective in integrating various groups of unemployed, the evidence on whether programmes work better for some groups rather than others is limited. The evidence presented in chapter 4 is summarised in the table below. Although women are less likely to actually start a business as a result of following a start-up programme, the programme does succeed for those women that start off with more sustainable employment (such as income and the ability of the business to survive) than men. This may signify that the initial stages of the programme have been more effective for women in determining whether the idea they were pursuing was promising enough. Furthermore, start-up incentives seem relatively effective for young people and relatively less effective for migrants and ethnic minorities. The evidence for both these groups is less conclusive than for women.

Table 5 Relative effectiveness of start-up incentives for target groups*

	Women	**Young people**	**Older people**	**Migrants**
Start-up rate	Lower	No evidence	Higher	No evidence
Survival rate	Higher	Higher?	No evidence	Lower?
Income	Higher	Higher?	No evidence	Lower?

* As so few start-up programmes for people with disabilities exist, they have not been included in this table

Of course, every sub-population is in turn a population with many sub-groups in itself. In addition, one individual has different characteristics, for example women from migrant families, men from deprived areas, young people from low income families, older people with low education levels and so on.

The table on the following pages provides policy makers with a series of points to be taken into account when designing start-up measures. Anticipating the combination of characteristics is important, as are exceptions to the rule when making use of this table.

Table 6 Specific barriers for self-employment for selected target groups

	Women	Young people	Older people	People with disabilities	Migrants
Networks	Smaller and less varied, less often including business services providers or entrepreneurs		Older people that are away from the labour market for a longer period, through unemployment or retirement, may have difficulty keeping up or updating their networks		Difficulty building networks (newly arrived), benefit from contacts amongst their ethnic group or in the country they or their family originally came from.
Reconciling self-employment with family responsibilities	Highly pertinent, but self-employment may at the same time provides more flexibility than employment				
Financial barriers	Not reported by themselves, but discrimination known from general research on women entrepreneurship	Greater difficulty in raising external finance because they lack savings and collateral		Access to start-up due to limited personal financial resources such as savings and home ownership.	Forced to rely upon non-bank and informal finance.
Skills barriers		More often lacking the skills to run a business	Benefit from expertise they gained over time, but not always disposing of entrepreneurship skills, skills may be outdated, possibly lower levels of digital literacy. Retraining may also be harder.	Lack of relevant business knowledge and skills, more difficulty gaining entrepreneurial experience and skills	
Awareness of entrepreneurship as employment opportunity		Often not sufficiently aware of the requirements and opportunities of entrepreneurship			

	Women	Young people	Older people	People with disabilities	Migrants
Social security			Financial disincentives in benefits and pension schemes	Constrained by state welfare policies, perverse effects on the willingness to become self-employed	
Other barriers			Health problems, age discrimination, opportunity cost of time, lack of awareness of business opportunities, lack of information tailored to them (content, presentation).	Increased labour costs, lack of appropriate (tailored) business support services, consumer discrimination.	Difficulty understanding regulatory requirements

5.4 Start-up support and new forms of work

Supporting start-ups launched by the unemployed always has a risk that the desire to become self-employed is at some level necessity-driven, which implies that support is being given to people less suitable for this type of employment and with less viable business ideas. The post-crisis upsurge of new forms of work is likely to provide a new impetus to societal and political concerns about the quality of jobs created by these start-up incentives.

Important new forms of work are collaborative employment, crowd employment, and portfolio work. In more general terms, the concerns relate to low income generated by the new businesses and their overall precariousness or unsustainability.

So far, no evidence has been collected or found on a possible contribution made by start-up incentives to the creation of non-sustainable or to 'bogus' self-employment, at least not on a substantial, measurable scale.

Nevertheless, PES cannot ignore this issue completely for a number of reasons. First of all, bogus self-employment is a small phenomenon, but may be relatively high amongst certain target groups (low skilled, older workers) and in certain sectors. Also, the possibility cannot be disregarded that an increasing inflow of participants motivated by opportunities offered (such as platforms) does indeed happen. This may increase the chances of the creation of precarious and non-sustainable (self-) employment. For certain countries, the issue will be more pertinent than others, as the new forms of work relevant to self-employment are clearly dominant in some countries, and far less frequent in others.

PES cannot, of course, be seen as supporting the creation of non-sustainable or 'bogus' self-employment. It is therefore important that they be able to demonstrate that either the issue is not relevant in their case, or that adequate measures have been taken to counteract negative effects. Such measures can be included in the selection and targeting, and in the follow-up processes.

5.5 Monitoring and evaluation of start-up measures

5.5.1 Considerations and recommendations for monitoring and evaluation

The sources used in this review already list some recommendations for future research and evaluations. They also draw attention to a number of specific features of start-up incentives that should be taken into account. Building on EEPO (2014) and OECD/EU (2013) in particular, the following suggestions are made:

- Impacts: evaluations should go beyond the assessment of direct effects such as start-up and survival rates, and also include secondary effects and wider impacts in terms of sustainable labour market integration and social inclusion;
- Economic development, at sector and local level, and especially in the case of large programmes should be considered when designing and evaluating programmes. The assertion that target groups for these measures more often start their business in low-growth sectors and saturated markets warrants further exploration;
- Occupation and sector analysis are oddly absent in most studies reviewed here, although it stands to reason that they are important determining factors for successful business start-ups. It would make sense to include them in M&E exercises;

- Longitudinal studies: longitudinal research into the impact of start-ups is needed to properly evaluate their effectiveness and compare the impacts with other ALMPs;
- Long-term impacts: this will also help to assess the longer-term effects (survival rates, income) and the mid- and macro- level impacts of incentives;
- Assessing causal relationships and macro effects requires highly technical research. As good examples are scarce at present, it would help if methodological tools were further developed at EU level, as well as sharing experience and expertise, both for those outsourcing and those conducting this type of evaluations;
- Relative impact on specific groups: evaluations of measures aiming at different target groups and general measures should systematically compare the effects and impacts of start-up incentives on different target groups;
- Bogus self-employment: measurement of this phenomenon remains complicated and currently evaluation data is not available to fully understand the extent and implications of bogus self-employment in the context of start-up incentive schemes.
- Costs and benefits: cost and benefits should be compared more systematically. At the same time it is important to take an intelligent approach when conducting this sort of analysis. As with other measures targeted at groups facing specific difficulties, costs will be higher than for other unemployed sectors or regular start-ups.
- Baseline and benchmarks: when assessing the effects of start-up incentives it should be clear what they are being assessed against, e.g. other ALMPs, start-up incentives for other groups of jobseekers, or start-up incentives aimed at the general population?. Specific surveys may help create a baseline for assessing progress made through time.
- Evaluations should take into account the policy context of start-up incentives and include other services provided to the self-employed by the PES, as well as those provided by other stakeholders.

5.5.2 Evaluation criteria when assessing start-up incentives

In their policy brief on the evaluation of inclusive entrepreneurship the EU and the OECD (OECD/EU, 2013) present an overview of how evaluation criteria can be applied in the framework of start-up incentives. These can be used when designing an evaluation. The type of question asked points to the information to be gathered and the kind of answers that can be expected from such an evaluation. The report also provides a useful overview of indicators which is annexed to this report.

Table 7 The use of evaluation criteria when evaluating start-up incentives

Measure	Definition	Example questions
Relevance	The extent to which the activity is suited to the priorities and policies of the target group, recipient and government (objectives versus needs).	Is finance still a barrier to female entrepreneurship? Do changes in regulations related to disablement benefits make it impossible for women to start-up businesses?
Effectiveness	The extent to which the intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance (outcomes versus objectives).	Was the target number of youth enterprises started? Did they survive for two years?
Efficiency	The outputs in relation to the inputs. This is an economic term which signifies that the intervention uses the least costly resources in achieving the desired results (inputs versus outputs).	What was the cost per person advised? What was the cost per (for example) Roma job created? What percentage of clients was from the target group? Were there more efficient ways of implementing the action?
Impact	The positive and negative changes produced by a policy intervention, directly or indirectly, intended or unintended (objectives versus outcomes).	Is there now a higher rate of business ownership and self-employment in the target group? Is there now a higher employment rate for the target group? Has social inclusion increased?
Sustainability	Whether the benefits of an activity are likely to continue after funding has been withdrawn.	Will the microcredit scheme established for senior entrepreneurs be self-financing? Is the advice centre capable of retaining the skills it has developed? Is there a need for further public support?

Source: OECD/EU (2013), table 1

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Annex Indicators for monitoring and evaluation of start-up incentives

Type of indicator	Examples	Typical questions
Baseline indicators for target groups	Number of business owners Number of self-employed Business start-up rate Rate of entry to self-employment	Is inclusive entrepreneurial activity growing? Where are the gaps?
Policy activity indicators	Number of people supported by policy Proportion of beneficiaries from target groups	Are the activities relevant to beneficiaries' perceived needs? Are the beneficiaries those with the greatest need?
Customer satisfaction	Participants' views on quality of the programme Is the delivery method appropriate?	Are there key barriers not addressed by the programme?
Policy output indicators	Change in the proportion of entrepreneurs accessing business loans Change in the proportion of entrepreneurs with business training Change in attitudes to entrepreneurship and self-employment	How far is the policy addressing barriers to entrepreneurship in the target group?
Policy outcome indicators	Rate of business start-ups by 'policy beneficiaries' Rate of entry to self-employment by 'policy beneficiaries' Survival rate after 6 months, 1 year, 3 years Employment in businesses created	Does policy support lead to business creation? Are the businesses sustainable?
Policy impact indicators	Number of beneficiaries in employment after a period of time Income of beneficiaries after a period of time	Even if the enterprises did not survive, has the experience benefited the beneficiaries of the programme?

Source: OECD/EU (2013), table 4

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