



Support self-employment/entrepreneurship of the unemployed in occupations at low risk of automation

Unemployment is a real possibility for many when considering jobs displacements and job polarisation (i.e., erosion of middle-skilled jobs) following adoption of automation technologies. There is evidence that suggests that self-employment can be a bridge to paid employment.¹ Based on it, the governments in the EU have long supported self-employment and entrepreneurship schemes aimed at the unemployed people as a possible route back into employment. For some unemployed individuals that have limiting personal circumstances (e.g., caretaking responsibilities, physical inability to work more than a few hours a day, living in remote areas with limited transport options), self-employment seems to be the best option to return to the labour market. Still, the share of the unemployed who aim at becoming self-employed is relatively small. The estimates show that in Europe less than 2% of those who have been unemployed for more than 24 months are interested in becoming self-employed.² Self-employment might not be suitable for all unemployed individuals, therefore public support for new entrepreneurs should be targeted based on success potential of a business venture, but not exclusive. Regardless of the above, the governments should stimulate self-employment/entrepreneurship of the unemployed in occupations at low risk of automation.

Raise awareness of the benefits and challenges of self-employment among the unemployed

Raising awareness of the benefits of self-employment is an important first step in encouraging the unemployed. The benefits include boosting future employability due to continuous employment record, development of skills and of work networks, ensuring continuous income and flexible work arrangements. However, the unemployed individuals should get a realistic picture of what it means to be self-employed and how to develop a successful business venture. Hence, the challenges associated with self-employment/entrepreneurship should also be shared with an emphasis on how to overcome them. To raise awareness of the benefits and challenges to the unemployed, policymakers could involve public employment services, government institutions that focus on welfare support, education/training institutions. Successful cases of new business ventures by self-employed should be spotlighted on media, appraised by public organisations and industry representatives.

¹ OECD. (2021c, September 10). Building local ecosystems for Social Innovation. OECD iLibrary. Retrieved December 20, 2022, from https://www.oecd-ilibrary.org/industry-and-services/building-local-ecosystems-for-social-innovation_bef867cd-en

² Ibid



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Support the development of entrepreneurial skills

Becoming a self-employed requires self-confidence, risk-aversion mentality, ability to develop business networks and possessing business acumen.³ These could be coined as entrepreneurial skills. Due to lack of these skills, some population groups, like women, are less frequently engaged in self-employment.⁴ At the moment, about two-thirds of the EU Member States offer tailored entrepreneurship training for the unemployed, while one-third provides access to business consultancy for the unemployed. To support the development of entrepreneurial skills, the government should ensure accessibility and high-quality of trainings. The trainings could be provided by education/training institutions, business support organisations (e.g., business centres/networks, tech hubs) or by business mentors/volunteers. As it was mentioned earlier, it is recommended to provide public funding for training following an assessment of a success of potential business venture. This implies that an individual show already presents a business proposal or demonstrates some capabilities to start a business. Otherwise, public resources might get drained without any substantial benefit for the society and economy.

Facilitate access to finance

Access to public or private finance is the most used policy tool to support self-employment and entrepreneurship amongst the unemployed.⁵ As far as public financing, about three quarters of the EU Member States offer specific grants for business creation for the unemployed. However, private finance options are typically lacking, as private banks, investors lack guarantees of success of future business ventures launched by the unemployed. Less than a half of the EU Member States provide tailored microfinance schemes and loan guarantees (i.e., when a third party offers to pay the debt if the main borrower defaults on the payments). While it is important to facilitate access to private and public financing schemes, the alternative forms of financing also can be tested and encouraged. For example, crowdfunding, fixed period income support programmes, fintech solutions, peer-to-peer lending.

³ OECD. (2021c, September 10). Building local ecosystems for Social Innovation. OECD iLibrary. Retrieved December 20, 2022, from https://www.oecd-ilibrary.org/industry-and-services/building-local-ecosystems-for-social-innovation_bef867cd-en

⁴ WEgate. (2019). Studies highlight the issues facing female entrepreneurs. WEgate. Retrieved December 20, 2022, from <https://wegate.eu/news-events/news/studies-highlight-issues-facing-female-entrepreneurs>

⁵ OECD. (2021b, December 6). The missing entrepreneurs 2021: Policies for inclusive entrepreneurship and self-employment. Publications Office of the European Union. Retrieved December 20, 2022, from <https://op.europa.eu/en/publication-detail/-/publication/70eb8ecc-57dc-11ec-91ac-01aa75ed71a1/language-en>



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Support business creation with regulatory tools

Public regulations serve as either incentives or disincentives for entrepreneurship and self-employment, especially for the unemployed.⁶ Thus, ensuring favourable conditions for doing business and providing preferential treatment for new entrepreneurs are critical. The latter could include lower tax rates, facilitated administrative processes for opening a legal entity or relaxing restrictive rules for getting specific permissions. Less traditional regulatory tools for the unemployed individuals seeking self-employment represent, for example, welfare bridge schemes that provide unemployment insurance payments for a fixed period while the unemployed set up their own business venture. To select an appropriate method of regulatory support, policymakers should analyse the key barriers for self-employment and seek to address them.

Support the development and inclusion of unemployed in entrepreneurial networks

Following unemployment, many individuals experience the deterioration of professional networks.⁷ Moreover, entrepreneurial efforts of the unemployed would benefit from the support of existing business support organisations and entrepreneurial networks. These networks could provide useful advice, stimulate integration into the value chains, support in the identification of business partners, facilitate access to capital or help to reduce costs by providing access to shared resources. However, many unemployed face challenges in properly integrating into these networks, as at the start they mostly act as beneficiaries and not as contributors to these networks. To counter this, the governments could promote support for new entrepreneurs and provide incentives (e.g., financial incentives or greater accessibility to publicly provided services) for their successful inclusion in the networks.

Consider the following PILLARS and external resources to Support self-employment/entrepreneurship of the unemployed in occupations at low risk of automation:

| Title and weblink | Authors and year | Description |
|--|------------------|---|
| Chp. 6: Self-employment and entrepreneurship by the unemployed | OECD, 2021 | Despite successful government-funded business creation programmes for the unemployed, only a small number choose self-employment to re-enter the workforce. This chapter provides data and success rates on the percentage of unemployed individuals attempting to re-enter the workforce through self-employment. Data is available on EU and EU Member State levels, as well as on OECD countries where feasible. |

⁶ Ibid

⁷ Bejaković, P., & Mrnjavac, Ž. (2018). The danger of long-term unemployment and measures for its reduction: The case of Croatia*. Economic Research-Ekonomska Istraživanja, 31(1), 1837–1850. <https://doi.org/10.1080/1331677x.2018.1521295>



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| <u>Chp. 5: Self-employment and entrepreneurship by the unemployed</u> | OECD, 2021 | This chapter provides data and success rates on the percentage of unemployed individuals attempting to re-enter the workforce through self-employment. Data is disaggregated by gender and age. |
| <u>From Creativity to Initiative: Building Entrepreneurial Competencies in Schools – Guidance note for policy makers</u> | OECD, 2015 | This guidance covers the approaches for developing entrepreneurial competencies and discusses public policy support for entrepreneurial education, emphasizing collaboration, teacher development, and institutional guidance. The document also provides key criteria and examples of good practice. |
| <u>Shooting for the Moon: good Practices in Local Youth entrepreneurship Support</u> | OECD, 2009 | This handbook extends discussions on successful local entrepreneurship support, presenting criteria derived from LEED work, academia, and practitioner insights. It provides a criteria list of good practice with diverse examples, functioning as an instrument for self-assessment and inspiration. |
| <u>OECD Studies on SMEs and Entrepreneurship: Financing Growth and Turning Data into Business</u> | OECD, 2022 | This report evaluates scale-up policies using microdata. It advocates for a more comprehensive and cross-cutting and explores both SME data governance as well as access to 'scale-up' finance. The report shows variation in national policy approaches for SME growth and highlights the need for coordination and integration of SME growth and entrepreneurship in policy. |
| <u>Guidance note: Facilitating access to finance for youth Entrepreneurs</u> | OECD | This guidance note provides measures policymakers can implement to improve access to finance for youth entrepreneurs. The policy guidance follows the good practices outlined in the Better Entrepreneurship Policy Tool. |
| <u>Successful Practices and Policies to Promote Regulatory Reform and Entrepreneurship at the Subnational Level</u> | OECD, 2010 | This report presents best practices to foster regulatory reform and entrepreneurship at the sub-national level. The insights are drawn from case studies in collaboration with three Mexican states (Baja California, Jalisco, and Puebla) and three provinces from different countries: British Columbia (Canada), Catalonia (Spain), and Piemonte (Italy). |
| <u>The 2022 EU Industrial R&D Investment Scoreboard</u> | OECD, 2022 | This scoreboard uses the top 2500 global and 1000 EU R&D investors to provide information for benchmarking EU companies against global competitors, understanding R&D dynamics, and monitoring trends over the last ten years. The publicly available database allows stakeholders to conduct their own benchmarking and monitoring exercises. |
| <u>Networking the unemployed: Can policy interventions facilitate access to employment through informal channels?</u> | Bonoli, 2014 | This article, based on data from 4,600 newly-unemployed individuals in the Swiss Canton of Vaud, explores factors influencing jobseekers' decisions to use informal contacts. It reveals that many unemployed individuals underutilize networks due to a lack of awareness. The article also presents an impact analysis of an innovative intervention, tested in a |



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| | | randomized controlled trial, aimed at raising awareness about the importance of networks for job seekers. |
| <u>European Network of Public Employment Services Integrated services for long-term unemployed 2020</u> | ICON Institute, 2020 | <p>The PES Network monitors implementation of the Council Recommendation on long-term unemployment. This report addresses integrated services and the single point of contact. Its goals include supporting analysis of PES actions against long-term unemployment, contributing insights to benchmarking, and complementing EMCO's quantitative and qualitative monitoring.</p> <p>All reports pertaining to PES efforts and long-term unemployment can be found here.</p> |