



Public measures to support self-employment and job creation in one-person and micro enterprises

Executive summary

Introduction

For decades, EU industrial and labour market policies have focused on encouraging economic growth and job creation. Self-employment and job creation is a key policy area, viewed by policymakers as a crucial element in fostering growth and employment. The financial and economic crisis that hit Europe and global markets in 2008 has had a negative impact on the employment market in EU Member States, also on the area of self-employment. The aim of this study is to provide an update on recent policies which have been initiated by governments and social partners in an effort to stimulate and support job creation in self-employment and one-person and micro enterprises. The study focuses particularly on measures initiated since 2008 that have been driven, adapted or changed by the economic crisis. It also looks at 'good practice' measures used in different countries that can successfully result in job creation.

The study shows that given the large proportion of self-employed persons and enterprises with no employees (one-person enterprises), there may indeed be a potential for improving the employment situation in Europe if these enterprises could be encouraged to take on employees. A similar potential appears to exist in small, particularly micro, enterprises in relation to hiring an additional employee. Micro enterprises represent a considerable share of the total number of enterprises in Europe. Available data show that a considerable proportion of all jobs are found in SMEs, and even micro enterprises play an important role, as one fourth of all jobs are provided by this type of enterprise.

The report is based on the information and instruments identified by Eurofound's Network of European Observatories (NEO) in the EU27 and Norway in the second quarter of 2011.

Policy context

Entrepreneurship is a key policy priority across Europe, viewed as a trigger to future labour market activation and youth employment. The European Commission's Europe 2020 strategy explicitly focuses on developing entrepreneurship and improving the business environment, not least in relation to the creation of employment in the aftermath of the global recession.

Even though some recovery has been observed, there are still many uncertainties, together with different trends in many EU Member States. Since self-employment and micro enterprises can contribute significantly to job creation, entrepreneurship policy and job creation policy have generally been high on the political agenda. A key question in this study has been to investigate whether the crisis has served to intensify this focus and the search for effective instruments to encourage job creation in self-employment, the hiring of additional employees in micro enterprises or hiring the first employee in one-person enterprises.

Key findings

Prior to the global recession, job creation policies were characterised by a general policy focus on self-employment and hiring additional employees, whereas a policy focus on hiring the first employee only was found in half of the countries included in the research. The national correspondents report that the global recession has resulted in an increased policy focus on meeting the changed conditions for being self-employed and encouraging job creation in micro enterprises (hiring additional employees), but only in the case of fewer than half the countries involved.

In the EU Member States and Norway, there is a wide range of support instruments aimed at supporting self-employment and job creation. Since 2008, some 180 measures are reported to have been initiated, of which about 113 are reported to have been implemented as a direct response to the financial and economic crisis.

Based on an OECD/Eurostat model for evaluating entrepreneurial policy indicators, the identified support instruments have been categorised according to the obstacles and barriers they target and are intended to minimise. In general, the crisis-related instruments are designed to:

- improve access to finance
- remove administrative burdens
- change labour market regulations
- foster research and development
- upgrade entrepreneurial skills
- promote an entrepreneurship culture

A common focus is on initiatives addressing different kinds of regulations primarily within labour market regulation and taxation (41% of the instruments whether they are categorised as pre-crisis or crisis-motivated instruments) and access to finance, typically by providing loan capital (32% of pre-crisis instruments and 34% of the crisis-motivated instruments). The overall result is that it appears that the support instruments before, during and after the crisis address the same challenges. That is, they aim to reduce administrative and regulative barriers, introduce more flexible administrative systems or ease the access to capital.

Furthermore, the policy approaches appear to be mostly indirect rather than directly aimed at encouraging self-employment and job creation, and only in some cases is the provision of start-up capital made conditional on hiring unemployed people.

One example is Austria's 'Regional subsidies for one-person enterprises hiring their first employee in the province of Tyrol' programme that offers wage subsidies for entrepreneurs hiring their first employees. By July 2011, the programme had created 133 new jobs and appeared to be an effective instrument. Another example is the 'Competitive Start Fund' in Ireland where, in addition to other criteria, recipient companies must be able to create ten new jobs within three to four years of start-up to qualify for funding.

However, the authors have observed one change in the policy design: the target groups for the instruments appear to have been narrowed down to focus on SMEs and the unemployed. Furthermore, a closer examination of the identified instruments reveals that most of those applied during and after the crisis had been used at some point before the crisis, and are therefore only re-launched and/or slightly adapted instruments.

The instruments primarily focus on conditions external to the enterprises. Just a few of the instruments identified focus on education, training, consultancy and/or mentors and are based on the rationale that improved entrepreneurial business skills and/or more professionally managed enterprises make for better job creation.

Policy pointers

Generally, there is a lack of documented evidence on the effectiveness and efficiency of the instruments that can be used to guide the design of effective targeting of policies on self-employment and job creation in one-person and micro enterprises. Furthermore, some kind of meta-evaluation would be useful as a tool to consider whether the dominating focus on the regulative framework and access to capital really are the most effective ways to encourage job creation, or if another mix of instruments is the most appropriate. Inspiration may come from other studies that show that increasing the level of competences of new employees, for example by employing highly qualified labour, has a positive impact on job creation.

Further information

The report on *Public measures to support self-employment and job creation in one-person and micro enterprises* is available online at:
<http://www.eurofound.europa.eu/emcc/erm/studies/tn1108034s/index.htm>

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