Self-employment and entrepreneurship: Case examples

Challenges and prospects in the EU: Labour market change – trends and policy approaches towards flexibilisation
Ireland: Delivering practical entrepreneurship experience to graduates

In Ireland, a scheme was in place to help potential entrepreneurs develop the skills necessary to speed up internationalisation. The Graduates 4 International Growth initiative brought together a graduate and a company that are both focused on entering overseas markets. Graduates were matched with an ambitious company and provided with a structured means of acquiring new skills in international business. They also delivered a project that clearly links with their company’s growth plans. The programme lasted 18 months, with participants based in an overseas market for a minimum of 12 months. This programme ran between 2012 and 2018 and has now been replaced with a new initiative entitled Grad Start Programme which also aims to match graduates with growth-oriented companies.

Sources: Eurofound (2012), Born global: The potential of job creation in new international businesses, Publications Office of the European Union, Luxembourg; Enterprise Ireland (undated), Graduates 4 International Growth (G4IG) – Company Information; Enterprise Ireland (undated), Grad Start Programme.

Austria: Support for innovative academic spin-offs via the AplusB programme

The Austrian AplusB programme supported academic spin-offs by providing offices and infrastructure, advice, mentoring, coaching and training in 10 centres across the country. Furthermore, it enabled exchange between small business start-up and researchers and access to loans. The beneficiaries of the programme generally had access to an incubator for 18 months. An evaluation showed that, on average, seven projects per incubator were supported for 17 months (Tangemann and Vössner, 2010). From 2002 to 2014, 486 start-up plans were supported, of which 268 founded a company, with a total of 1,752 jobs (full-time equivalents) being created. One-third of the start-ups would not have existed without the programme, and about 50% would have been formed but with a more limited scope. The programme has since been revised and is now called AplusB Scale-up. The support offered is similar, but it also focuses to a greater degree on the growth (rather than only the inception phase) of the business. Financial support for up to 70% of businesses’ costs can be provided, with each incubator having access to around €4 million for up to five years (Eurofound, 2012; Ploder et al, 2015).

Germany: Start-up coaching

Start-up coaching is a programme offering subsidised coaching services – with subsidies of 50–75% for consultancy services (up to a threshold of €800 per day and €4,000 overall) – for six months within two years of the establishment of a start-up. The scheme is aimed at unemployed individuals, and it is administered and funded by the government-owned development bank, Kreditanstalt für Wiederaufbau (KfW), with co-funding from the European Social Fund. It follows on from a former scheme (Gründercoaching Deutschland – Gründungen aus der Arbeitslosigkeit, GCD-AL). As part of the redesign of the scheme, the duration of support was reduced from 12 months to 6 months. The level of subsidy was also cut from 90% to 50–75%. Between 2008 and 2013, the scheme received €650 million in funding and benefited 18,273 individuals, of whom 4.5% were under the age of 25.

An evaluation indicated that the focus on a clearly defined target group of unemployed (and therefore disadvantaged) business entrepreneurs in the first year of business creation appeared to be a success factor of the programme. The programme enabled start-up businesses in the consolidation phase to be matched with professional coaches, allowing support to be tailored effectively to the needs of the start-up business. Compared to a matched untreated group, those having received programme support were more likely to be self-employed: by 5.8 percentage points after 26 months and by 3.7 percentage points after 64 months (Caliendo et al, 2014).

Denmark, Germany and Malta: Specific bodies responsible for reducing administrative burden

In 2012, the Danish government established the Virksomhedsforum, a business forum addressing administrative burdens and promoting simple rules. The forum aims, in close dialogue with the business community, to renew business regulation by encouraging small and medium-sized enterprises to suggest changes to administration. The forum proposes simplification without changing the objectives of regulations. The government is obliged to either follow the proposals or to explain in detail why they are not being pursued.

In 2006, the Nationaler Normenkontrollrat (National Regulatory Control Council) was established in Germany as an independent body to provide the government with constructive criticism, advice and support in implementing the Bureaucracy Reduction and Better Regulation programme. The programme aims to measure and reduce business costs associated with existing information obligations. It also seeks to improve transparency about such costs at an early stage in the process of drafting new laws.

In Malta, the Better Regulation Unit aims to simplify administrative and regulatory burdens by promoting a regular review and updating of legislation to ensure that it is clear, understandable, up to date and user-friendly. Furthermore, a commissioner has been appointed to examine existing procedures and to recommend ways to improve or eliminate them. The commissioner has also been tasked with reducing existing bureaucratic procedures by 25% through improved use of information and communications technology and through the streamlining of information obligations across government entities.

Sources: Eurofound (2016), ERM annual report 2015: Job creation in SMEs, Publications Office of the European Union, Luxembourg
Estonia and Italy: Supporting innovation and industrial diversification

In Estonia, the GameFounders accelerator was launched in 2012. The initiative offers start-up capital (up to €15,000), high-level mentoring for three months and a global contacts network to individuals and teams who want to establish a business in the gaming industry.

In Italy, the Smart&Start Italia programme, launched in December 2014, supports start-ups that have innovative ideas in high-tech business, that develop products, services or solutions in the digital economy, or that exploit commercial opportunities resulting from research. The support consists of an interest-free loan to cover up to 70% of capital investment and operating costs related to starting up (or 80% for certain groups of founders). In certain regions, only 80% of the loan has to be repaid. Participating start-ups are also supported through technical and managerial mentoring.

Belgium: Agency for Innovation and Entrepreneurship

The Agency for Innovation and Entrepreneurship (Agentschap Innoveren & Ondernemen) was created to encourage innovation projects in the Flemish region and facilitate the relationship between innovation and entrepreneurship. Its main goals are:

- stimulating growth and innovation by means of subsidies
- improving entrepreneurship by supporting networking for start-ups and collaborating with partners that are able to coach small and medium-sized enterprises
- supporting clusters by assisting organisations that cooperate within groups of other firms and organisations
- improving environmental factors by facilitating the development of business parks and/or providing proper company sites

In 2017, a total of €606 million in support measures were distributed by the agency.

In its annual report of 2016, the agency announced it was going to select 20 organisations with which it would cooperate more intensively in the period 2016–2019. Additionally, it would invest €100 million in a range of projects to facilitate entrepreneurship in Flanders in this period. It outlined three goals:

- the creation of a culture of entrepreneurship
- the provision of support that is customised to the life cycle of the company, with a focus on the start-up phase as well as ongoing finance and continuity
- the facilitation of company growth and ambitious entrepreneurship

It organised more concrete projects to address the image of entrepreneurship, the stigma surrounding failure and to support young entrepreneurs or businesses that experience strong growth. The agency is mainly involved in the alignment of different partners and stakeholders, referring them to other organisations appropriately, as well as supporting its various projects.

Source: Eurofound, ERM Restructuring support instruments database.
Estonia: Entrepreneurship-related measures by the Credit and Export Guarantee Fund KredEx

KredEx provides five main entrepreneurship-related measures (KredExi ettevõtluse valdkonna meetmed). KredEx’s loan guarantees help companies to apply for, and increase their possibilities of obtaining, bank loans. The loans can finance investments and provide working capital for businesses that are starting up, enabling fast growth and development. The first measure is a start-up loan (stardilaen), which helps companies that have just started out or have a short credit history and whose collateral assets are either difficult to estimate or are insufficient to obtain bank loans. The maximum amount of the loan is €100,000, and the maximum term is five years. Eligible companies can be a maximum of three years old and have 250 employees or fewer. The entrepreneur is responsible for the loan: the joint and several liability corresponds to 25% of the loan amount. In case of guarantee, KredEx will take secondary responsibility. The guarantee of KredEx is 75% of the loan amount not returned to the bank. If a business plan fails and the entrepreneur is not able to manage the loan, KredEx’s surety will be used before other steps are taken.

The second measure is a business loan guarantee (laenukäendus). This provides a guarantee for investment and working capital loans, leasing transactions and bank guarantees. KredEx prefers to guarantee projects that aim towards company expansion, creating new jobs or growth in exports. The extent of the KredEx guarantee is up to 80% of the loan amount (up to 60% for construction companies) but not more than €5 million for small and medium-sized enterprises and €1.5 million for large companies.

The third measure is a capital loan (kapitalilaen). This subordinated loan is meant for sustainable companies that are growth oriented but which banks are not prepared to finance due to a low rate of self-financing, operation in a ‘risky’ sector or insufficient collateral. KredEx provides capital for the entrepreneur to use. Subordinated loans can enhance an enterprise’s equity capital in the eyes of the bank, which in turn enables the enterprise to borrow additional capital and to develop more quickly. While providing financing that would be otherwise unavailable, KredEx does not interfere in the management of enterprises, unlike risk capital funds. The maximum amount of the loan is €2 million, but it cannot exceed a company’s equity at the moment of disbursement. The loan term is generally 3–5 years, but it can be up to 10 years.

The fourth measure is an industry loan (tööstuslaen). This is designed for export-oriented enterprises in processing, mining, production, transfer and distribution of electrical energy and waste processing and disposal, and it provides investment for machines and devices. A technology loan helps if a bank loan or leasing option is needed for an
investment and the entrepreneur lacks the required capital for self-financing. The amount of the loan can be up to €2 million but not more than 40% of the project cost, and the term is up to 10 years.

The fifth measure is an export loan (ekspordilaen). This is meant for companies wishing to finance large-scale export of goods manufactured in Estonia. The export loan helps if a company wishes to offer a long payment term to a foreign buyer, pay a credit insurance premium or finance the production of goods to be sold to a foreign buyer. The maximum amount of the loan is €3 million, and the term is up to 10 years.

In 2016, KredEx guaranteed and financed a total of 430 enterprises to the amount of €95.6 million (44% more than in 2015). KredEx support made it possible for enterprises to include additional financing from banks and KredEx to the amount of €173.1 million (54% more than in 2015). In addition, 868 new jobs were created (43% more than in 2015). The sectors with the highest share of loans and guarantees were construction (13.9% in 2016 and 6.9% in 2015), and wholesale and retail trade (7.3% in 2016 and 9.8% in 2015).

According to ‘Mid-term appraisal of business and innovation policies’ (Jaaksoo et al, 2012), which included 751 enterprises that have used KredEx measures, the measures have had a positive impact. On average, sales revenue increased by €188,000 per company; share of export revenue increased on average by 6 percentage points; and business income increased by 76%. Overall, the enterprises who had used KredEx measures grew faster, on average, than other companies in Estonia.

Sources: Eurofound, ERM Restructuring support instruments database; Jaaksoo, K., Kitsing, M., Lember, K., Rebane, T. (2012), Ettevõtlus- ja innovatsioonipoliitika vahehindamine [Mid-term appraisal of business and innovation policies], PDF.
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