

The Missing Entrepreneurs 2023

Policies for inclusive entrepreneurship
and self-employment

Policy Highlights



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About the Centre for Entrepreneurship, SMEs, Regions and Cities

The Centre helps local, regional and national governments unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation and implement sound tourism policies. More information: www.oecd.org/cfe/.

About the European Union

The European Commission's Directorate-General of Employment, Social Affairs and Inclusion develops and carries out the European Commission's policies on employment and social affairs, education and training. This includes, for example, support for more and better jobs through the European Employment Strategy, free movement of workers and co-ordination of social security schemes, and supporting social inclusion by supporting efforts to combat poverty and social exclusion, reform social protection systems, assess new demographic and social developments.

The full report is accessible



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Inclusive entrepreneurship policy can unlock solutions in a world of polycrisis

The 2023 edition of *The Missing Entrepreneurs* arrives at a time of continued volatility and uncertainty in the global economy, with immediate and pressing challenges including high core inflation and slow growth. These come on top of longer-term pressures, notably climate and demographic change and the digital transition. Entrepreneurs, as important sources of growth, jobs and innovation, have a central role to play in finding solutions to these challenges.

Many people are motivated to become entrepreneurs. Between 2018 and 2022, about one-in-nine people in the European Union (EU) and nearly one-in-five people in OECD countries expected to start a business within the next three years. Men were about

1.5 times more likely than women to report this expectation across EU and OECD countries and young people were the most likely to report an expectation to start a business (24% in OECD countries and 19% in the EU). However, not all those with entrepreneurial aspirations have the opportunity to turn their ideas into businesses.

Inclusive entrepreneurship policies seek to ensure that everyone has an equal opportunity to create a successful and sustainable business, regardless of gender, age, place of birth, work status or other personal characteristics. They unlock entrepreneurial talent across the population, to drive innovation, job creation and more inclusive and sustainable growth.

Not everyone has the same opportunity to pursue entrepreneurship ...

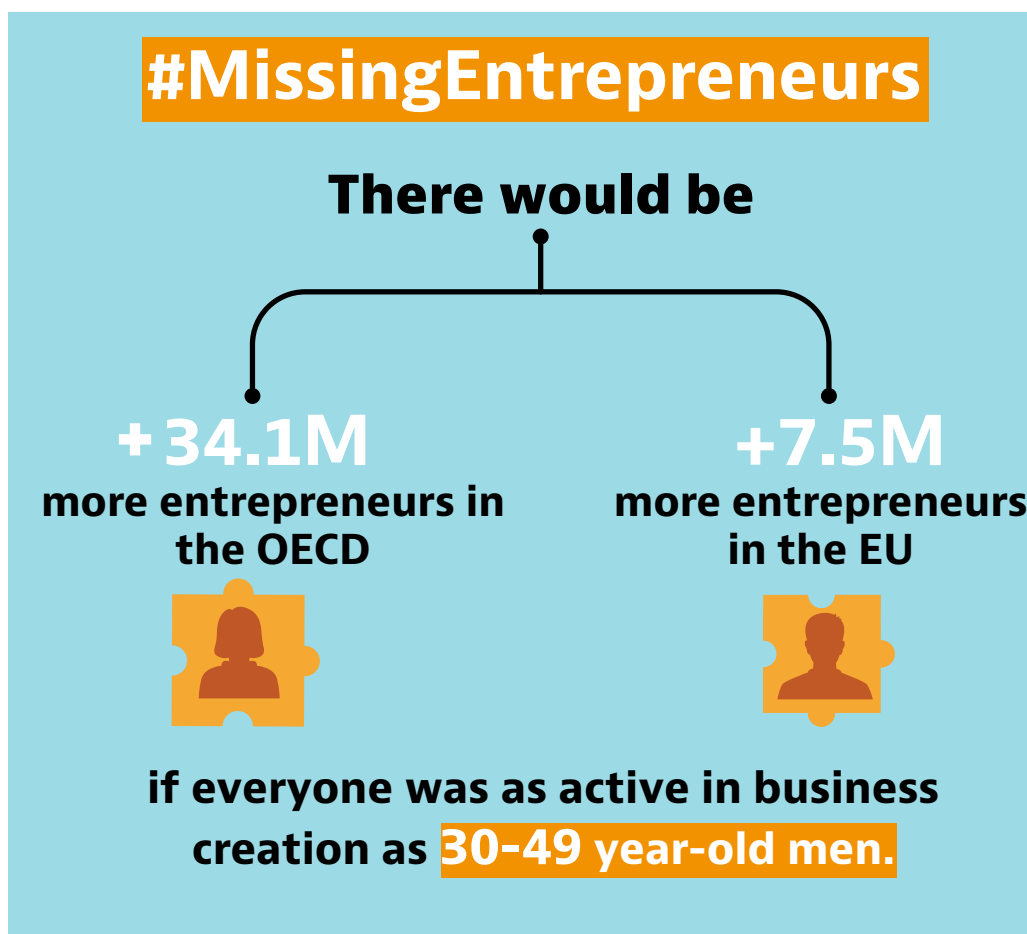
About 7% of people in the EU and 12% in the OECD area were working towards launching a business or managing a new business (i.e. less than 42 months old) over the period 2018-22. However, these shares vary greatly across the population.

Whilst differences across countries reflect a number of factors, including differences in motivation, such as cultural and social attitudes towards entrepreneurship, as well as the prevalence of opportunities in the broader labour market, differences across groups within countries also reflect group-specific barriers. Surveys show that views on the feasibility of starting a business vary greatly across the population. For example, only 40% of young people (18-30 years old) in the EU, report that they have the skills

and knowledge needed to start a business compared to about half of people over 50. This gap also appears in OECD countries, although it is smaller (48% of young people vs. 53% for those over 50).

Converting ideas into businesses requires resources. Differences in own resources (e.g. savings, collateral, skills, networks) and the ability to access external resources also contributes to gaps in entrepreneurship. While access to external resources can help overcome some of these challenges, many people from under-represented groups face information gaps and unconscious (or even conscious) discrimination that limit their ability to secure loans and investments, access skills, build networks and access entrepreneurship support schemes.

Who are the “missing” entrepreneurs?



... leading to millions of “missing” entrepreneurs

The vast majority of “missing” entrepreneurs in the EU and OECD are women, highlighting the significant potential for untapped growth. Estimates from Canada for example show that GDP growth would be 6% higher over the 2017-26 period if the gender gap in entrepreneurship was closed. This is significant but likely to be higher in other countries given the relatively small gender gap in Canada.

Shares of people working on a start-up or managing a new business (<42 months old) 2018-22



Men

EU: 8% - OECD: 14%



Women

EU: 6% - OECD: 10%



Youth (18-30 years old)

EU: 9% - OECD: 14%



Seniors (50-64 years old)

EU: 4% - OECD: 8%

The gender gap in entrepreneurship is closing slowly

At current rates, the gender gap in self-employment won't close until 2086

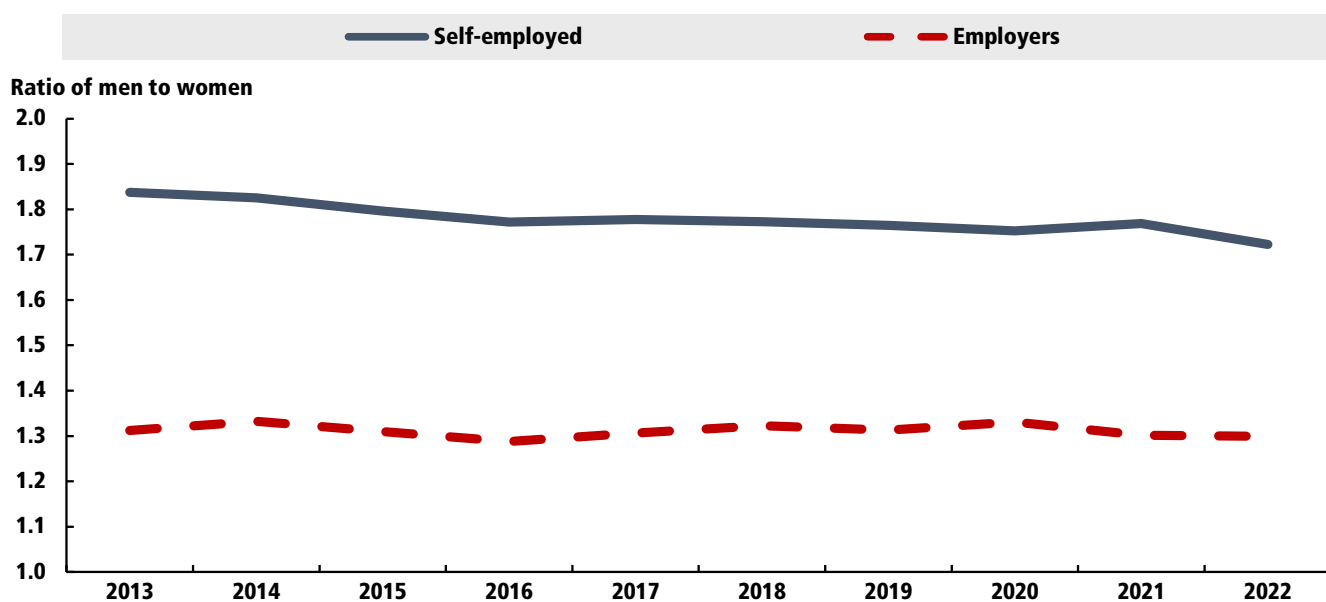
The COVID-19 pandemic had a disproportionately negative impact on women-led businesses in 2020-21, largely due to their concentration in sectors more exposed to lock-down effects. However, the number of self-employed women has since bounced back to pre-COVID-19 levels, while the number of self-employed men has not.

The result is a return to the long-term trend of a slow reduction in the gender gap, at least in terms of the numbers of entrepreneurs. Men were 1.84 times more likely to be self-employed than women in the EU in 2013 and this closed marginally to 1.76 times in 2019 (pre COVID-19) to 1.72 times in 2022 (Figure 1).



FIGURE 1. The gender gap in self-employment and entrepreneurship is closing slowly in the EU

Ratio of men to women among the self-employed



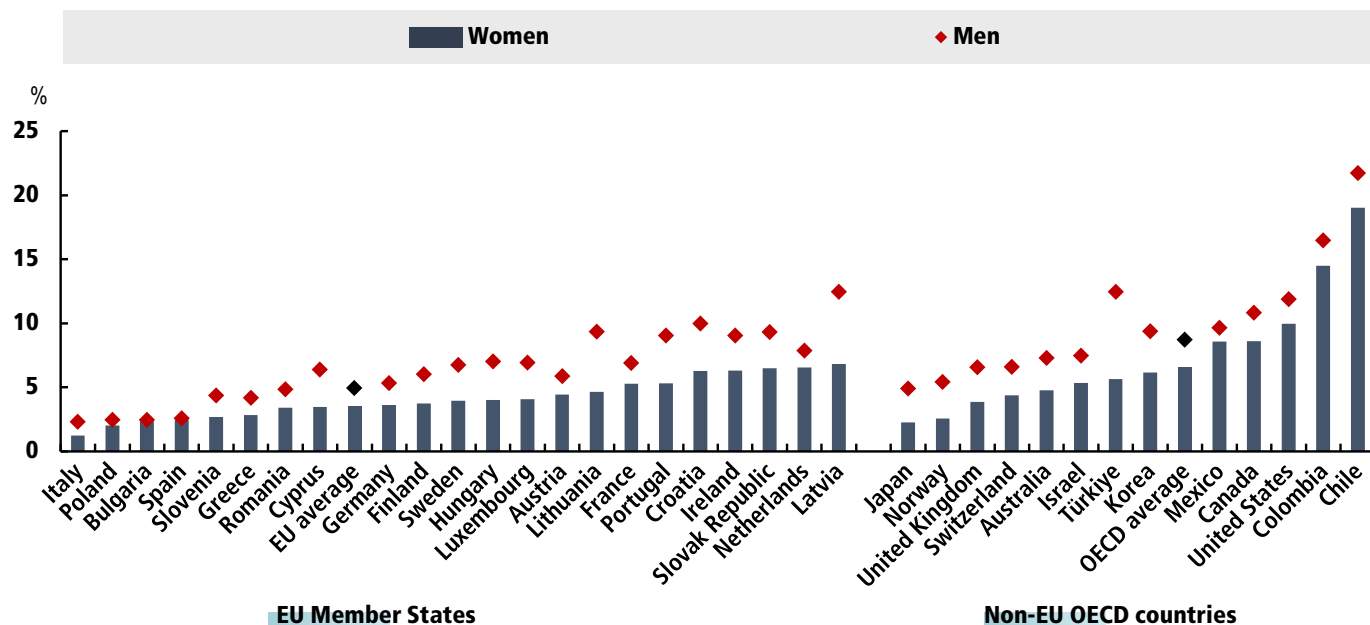
Source: Eurostat (2023), Employment and unemployment data.

Women also continue to be less active than men in starting new businesses. About 3% of women in the EU and 6% of women in OECD countries were actively working on a start-up over the period 2018-22. These were below the rates of men: 5% in the EU and 9% in OECD (Figure 2). Moreover, businesses launched by women are, on average, less likely to be pursuing growth-oriented strategies such

as exporting. In the EU, women operating start-ups and new businesses (i.e. less than 42 months old) were less likely than men to report that their business had customers in another country over this period (29% for women vs. 36% for men). The gap was slightly smaller in OECD countries (25% for women vs. 30% for men).



FIGURE 2. Gender gaps persist in early-stage entrepreneurship across the EU and OECD
Percent of the population that is actively working on a new start-up (18-64 years old), 2018-22



Note: Nascent entrepreneurship rate is the proportion of the population that is actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months. All EU Member States participated in the GEM survey between 2018 and 2022 except for Belgium, the Czech Republic, Denmark, Estonia and Malta. In addition, some countries did not participate in every year over this period: Austria (did not participate in 2019 and 2021), Bulgaria (2019-22), Finland (2018-20 and 2022), France (2019-21), Hungary (2018-20), Ireland (2020 and 2022), Latvia (2018), Lithuania (2018-21) and Portugal (2018, 2020 and 2022). Similarly, the following OECD countries did not participate in the GEM survey between 2018 and 2022: Belgium, Costa Rica, the Czech Republic, Denmark, Estonia, Iceland and New Zealand. The following countries did not participate in the survey in every year: Australia (did not participate in 2018, 2020-22), Austria (2019 and 2021), Finland (2018-20 and 2022), France (2019-21), Hungary (2018-20), Ireland (2020 and 2022), Japan (2020), Latvia (2018), Lithuania (2018-21), Mexico (2018, 2020-21), Norway (2018), Portugal (2018, 2020 and 2022) and Republic of Türkiye (2019-20, 22).

Source: (GEM, 2023[4])

Women entrepreneurs still face more obstacles, with greater severity

Overall, women are held back in business creation by a range of obstacles such as higher self-perceived fear of failure, skills gaps and more restrictive access to finance. Nearly half of women in the EU and OECD report that a fear of failure prevents them from starting a business, compared to around four-in-ten men. The gap in the share of men and women reporting this barrier was greatest in Finland over the 2018-22 period (nearly 20 percentage points). In addition, women are about 75% as likely as men to report that they have the skills needed to start a business, reflecting skills gaps as well as differences in self-confidence. There are also long-standing barriers for women entrepreneurs in accessing external finance, stemming from a number of inter-related

factors on the supply- (e.g. low levels of female representation among lenders and investors, unconscious bias) and demand-sides (e.g. lower levels of financial literacy) of financial markets.

Women are also less likely than men to report that they expect their new business to create a high number of jobs. Only 6% in the EU and 11% in the OECD reported that they expected their business to create at least 19 jobs over the next five years relative to 12% of men in the EU and 16% in the OECD. Although this in part reflects differences in the nature of businesses started, the gravitation of women towards certain sectors is in itself, at least also in part, an outcome of cultural and other societal biases and barriers.

More effective policy actions are needed to unlock the potential of women entrepreneurs

Governments and other actors have been reducing barriers to women's entrepreneurship for decades but these efforts are often not well linked to strong policy frameworks. This can result in a lack of vision and cohesion in support systems. Several new strategies have been launched recently in the EU and OECD. The new action plan for "[More female entrepreneurs for small and medium-sized enterprises](#)" in Germany for example includes more than 40 actions structured around several pillars, including facilitating the participation of women entrepreneurs in the green transition.

One of the strengths of the approach is the involvement of five ministries in consultation with 27 women's entrepreneurship networks and organisations, leading to strong buy-in. A number of other countries have also taken important steps to strengthen policy frameworks for women's entrepreneurship. For example, regional action plans for women's entrepreneurship have been developed in France and two new strategies were introduced in the United States – the [National Strategy on Gender Equity and Equality](#) and the [U.S. Strategy on Global Women's Economic Security](#).

Immigrant entrepreneurship has doubled over the past decade

Many immigrants create businesses that employ and create opportunities for others

The share of immigrants among the self-employed in the EU nearly doubled over the past decade. In 2013, about 2% of the self-employed in the EU were born in another EU Member State and 5% were born outside of the EU and these shares increased to 4% and 8% in 2022. This growth largely reflects increased international migration flows but calls for a reassessment of the scale of tailored entrepreneurship support for immigrants.

About 13% of working immigrants in the EU were self-employed in 2022, which was slightly below the proportion of native people (15%). The share of immigrants in the EU who were self-employed over the past decade was steady overall but the share is trending upwards among those born in another EU Member State (Figure 3). Yet, immigrants remain under-represented in entrepreneurship in many countries. The difference in self-employment rates for immigrants and those born in the reporting country varied greatly across

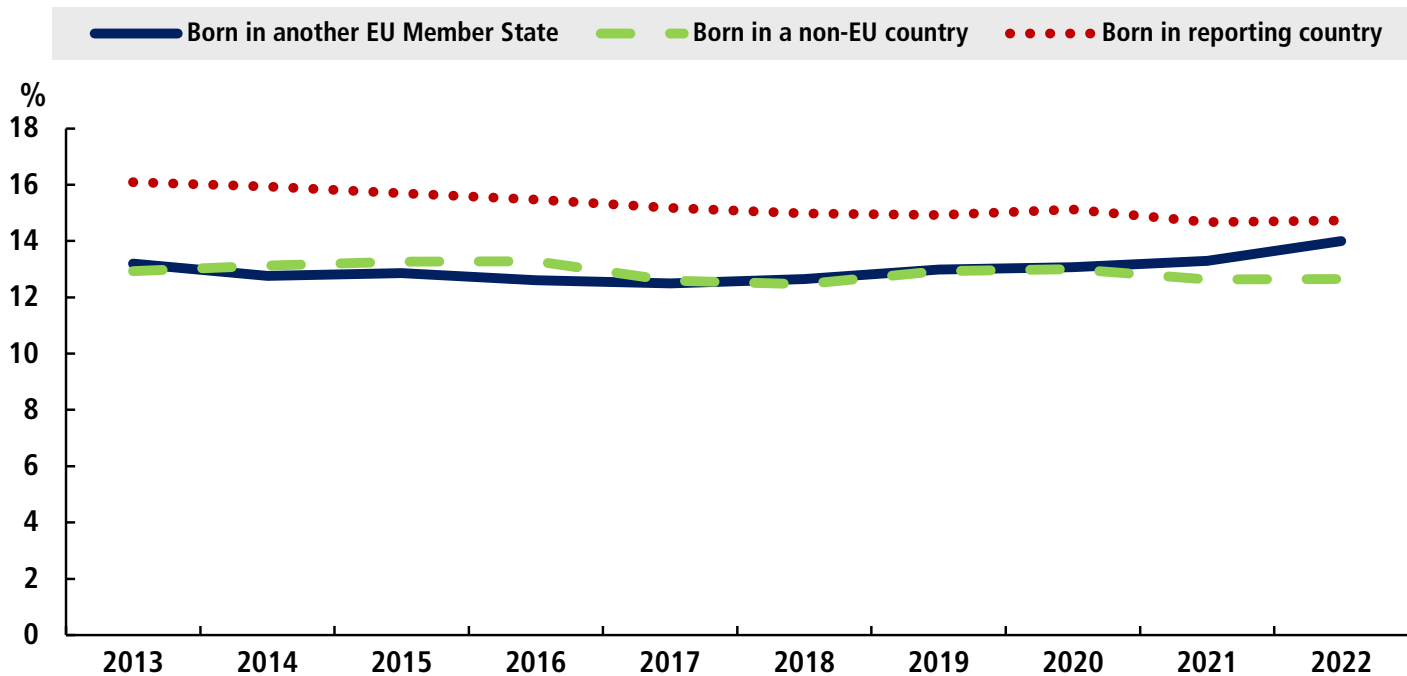
countries in 2022. Immigrants were much more likely to be self-employed in Croatia (8 percentage points, p.p.), the Czech Republic (8 p.p.) and Hungary (6 p.p.) and much less likely in countries such as Greece (-12 p.p.). This variation across countries is influenced by a range of factors including differences in the profile of immigrants arriving across countries (e.g. age, gender), as well as the strength of labour market integration measures.

New research in several EU and OECD countries shows that immigrant entrepreneurs can have a disproportionate economic impact. For example, in Sweden, immigrant-owned firms are more likely to employ others and have more employees than native-owned firms, while in Germany, immigrant-owned businesses are more likely to achieve high levels of growth than firms led by entrepreneurs born in Germany. Moreover, 60% of German unicorns have at least one immigrant founder.



FIGURE 3. The self-employment rate for immigrants has been steady over the past decade

Self-employment as a percentage of employment (15-64 years old) in the EU by place of birth



Note: There is a break in the series in 2021. The data presented in this figure do not include Germany to maintain comparability over time since self-employment data by place of birth were not reported for Germany prior to 2017.
Source: (Eurostat, 2023[22])



Governments could do more to leverage the potential of immigrant entrepreneurship

The use of tailored schemes to support immigrant entrepreneurs is common among EU Member States. Many are relatively small-scale coaching and training initiatives at the level of local entrepreneurial ecosystems and include a range of new initiatives to support Ukrainian refugees in for example Estonia, Finland, Ireland and Poland.

In addition, governments could do more to leverage the potential of immigrant

entrepreneurs by adjusting standard entrepreneurship support schemes to reflect the growth in immigrant entrepreneurship and immigrant-led employer businesses. This could include offering immigrant entrepreneurs greater networking support to strengthen ties in local entrepreneurial ecosystems and to increase access to markets, finance, mentoring and other key resources.



The gender gap among self-employed immigrants in the EU is closing faster than among the native-born

In 2022, men born outside of the EU were about 1.6 times more likely than women born outside of the EU to be self-employed. This is down from 1.9 times in 2013 and is now lower than the comparable ratio for the native-born population (1.7 times).

Young people have high hopes but face high barriers in entrepreneurship

Young people have considerable entrepreneurial zeal

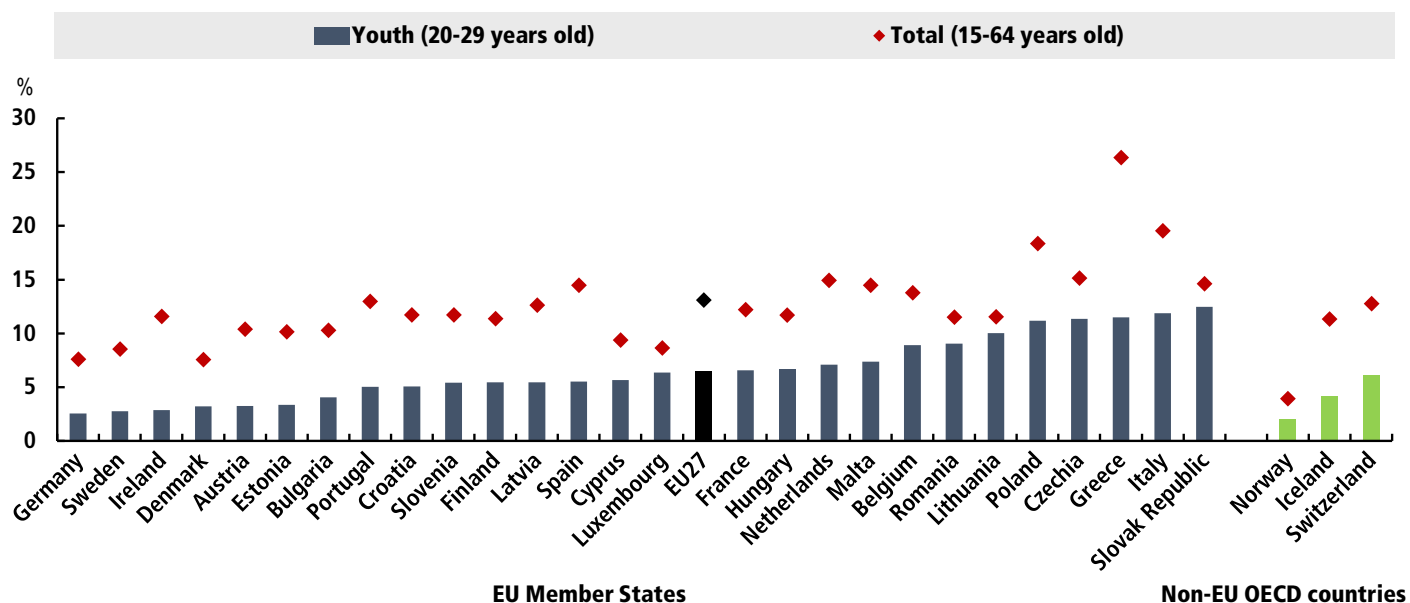
Recent surveys show that 39% of youth (15-30 years old) would rather be self-employed than being an employee. Yet only 7% of young people (20-29 years old) in the EU were self-employed in 2022 and rates were similar in OECD countries where data are available (Figure 4). This suggests that there continues to be untapped entrepreneurial potential among young people.

This difference between entrepreneurial ambitions and actions can be explained by several factors. Young people are at

the beginning of their careers, which likely means that many potential young entrepreneurs have little savings that could be invested in a start-up and lack the credit history needed to access debt financing. In the EU, 73% of young people (15-30 years old) reported in 2022 that they do not have enough financial resources to be self-employed or that the financial risks are too great. Research also suggests that under-developed professional networks and a lack of entrepreneurship skills are also important obstacles to successful business creation.


FIGURE 4. Youth are half as likely as adults to be self-employed

Self-employment as a percentage of employment, 2022



Source: (Eurostat, 2023[12])

Young entrepreneurs create jobs for others

Although self-employed youth (20-29 years old) in the EU are about half as likely as the overall average to create jobs for others, they were responsible for at least 350 000 jobs for

other people in 2022 and nearly one-in-five self-employed youth had at least one employee.

Governments can go further by making smart investments in youth entrepreneurship

Whilst it is perhaps not realistic to fully eliminate gaps between the high levels of entrepreneurial ambition and outcomes among the young, the gaps do also reflect a number of market, institutional and behavioural failures.

These include, for example, difficulties in building entrepreneurship networks to access external resources (because others often perceive that young entrepreneurs have less to contribute) as well as in access to finance among others.

However, governments have long-supported young entrepreneurs with a wide range of support such as training, coaching and microfinance. Indeed, public support for young people was strengthened during the COVID-19 pandemic, including for young entrepreneurs. For example, the EU introduced the new European Skills Agenda and the 2020 Youth Employment Support package while OECD governments developed the OECD Recommendation on Creating Better Opportunities for Young People in 2022. These initiatives underline the importance of supporting youth transitions to the labour market and recognise the untapped potential of youth entrepreneurship as part of the solution.

As a result, there has been an increase in investment in youth entrepreneurship schemes and a boost to their scale and quality.

However, governments still often design youth entrepreneurship initiatives without taking full account of the lessons learned from past experiences. High-quality evaluations suggest that finance needs to be a core element of youth entrepreneurship schemes, but this alone does not guarantee success. The pairing of financial support and non-financial support (e.g. training, coaching) is also essential.

Inclusive entrepreneurship can help move job seekers back into work ...

A small but steady share of unemployed people in the EU would prefer to return to work as self-employed

In 2020, there were 14.9 million unemployed people in the EU and of these, 362 000 people expressed a preference for returning to work as a self-employed worker rather than getting a job (i.e. 2.6% of unemployed people). This proportion varied across countries. In 2020, about 1% of job seekers in Greece reported a preference for self-employment compared with 10% in Luxembourg.

The share of job seekers who actually become self-employed in the following year is slightly higher than the share who indicate a preference for it (just above 3% in the EU). Moreover, although slightly lower than comparable rates for businesses started by non-job seekers, about 10% of businesses created by job seekers in the EU had at least one additional employee in their first year.

Start-up support for job seekers need to be well-targeted

One of the key measures of governments to support unemployed people in entrepreneurship is entrepreneurship training schemes. These provide basic business management skills and coaching to job seekers interested in creating a business and can include complementary financial support. Support is increasingly also being made available on-line, such as in Latvia where the State Employment Agency is also placing a greater emphasis on digital skills and how these can be applied to entrepreneurship.

However, given limited fiscal space in many countries, governments need to ensure effective delivery. For example, without strong selection criteria, governments may invest public resources into businesses that would have been launched even without support or indeed into start-ups providing low quality work or limited chances of survival.

...and welfare bridges are a proven way of closing gaps

Welfare bridge schemes: start-up grants for the unemployed

Welfare bridges schemes are a mechanism to support business creation by the unemployed by converting future unemployment insurance payments into a grant and/or allowance to support business creation. This type of measure seeks to motivate and incentivise people to move back into work by becoming self-employed by covering basic costs of living during the initial start-up phase when the business might not be able to yield adequate income.

Some schemes also provide non-financial supports (e.g. training, coaching). Welfare bridges are used in 15 EU countries, although there are important variations in schemes across countries including in their eligibility criteria, transfer rates (i.e. the rate at which future unemployment benefits are transferred into start-up support), support duration, and selection mechanisms (e.g. verification of business

plans). Overall, the measures account for a very small share of active labour market policies measures (ALMP) in most countries using them, accounting for less than 1% of ALMP expenditures. However, they often demonstrate good effectiveness, especially when governments ensure in advance that beneficiaries are highly motivated, for example through the preparation of a business plan.

Evaluations show that about 80% of beneficiaries of well-designed schemes start a sustainable business and, in countries where evidence is available, 50% to 60% of these start-ups are still operating after four to five years (France, Germany, Poland, United Kingdom), which compares favourably with survival rates of all start-ups.

Supporting older entrepreneurs can help to extend careers

The need to retain talent in the labour market

Population ageing is creating a range of challenges for policy makers. People are living longer and healthier, and labour market participation rates among older people are increasing. At the same time, it is putting a heavy strain on pensions, health-care and long-term care expenditures, and older people continue to face a high risk of poverty in many countries. Inclusive entrepreneurship policy can help extend the working lives of older workers who would like

to transition to retirement through a full-time or part-time business activity. Seniors are already active in self-employment, reflecting the ageing of the population of business owners. About 17% of workers in the EU over the age of 50 are self-employed and this proportion increases with age, indeed, to nearly 55% for working people over 75. However, overall people over 50 are about 60% as likely as the general population to be working or managing a new start-up.



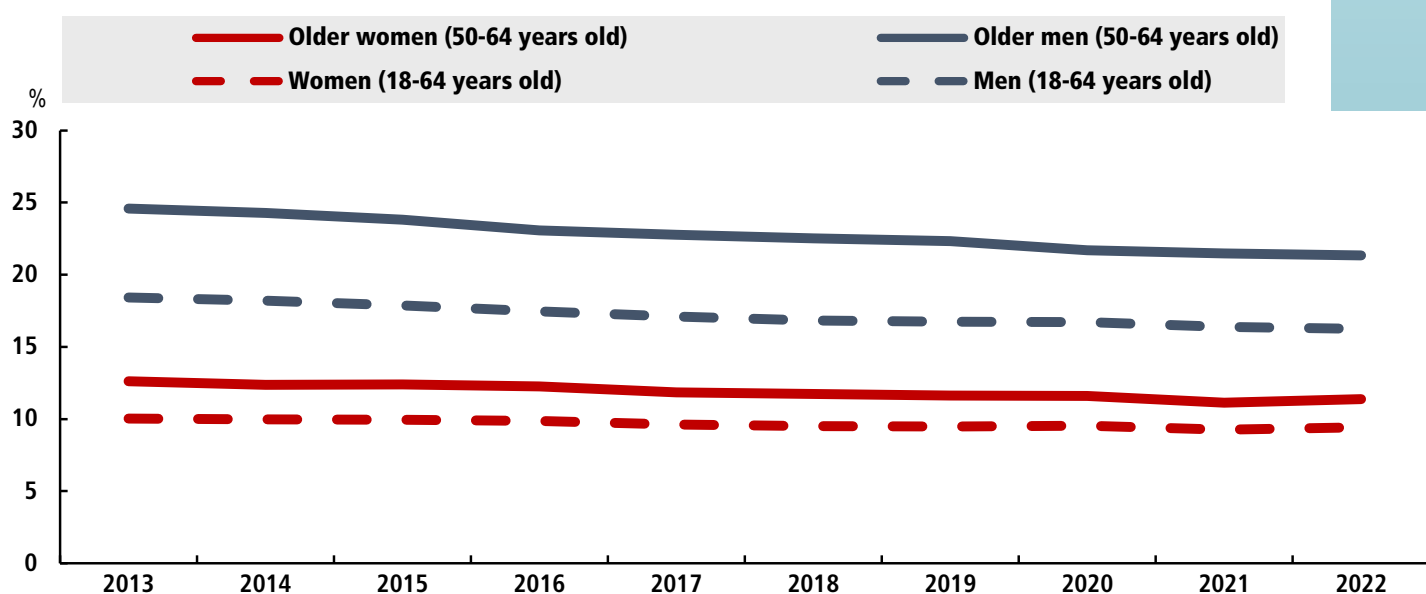
A gender gap in entrepreneurship increases with age

The gender gap in entrepreneurship is larger among older entrepreneurs than among the total population. In 2022, men over 50 in the EU were nearly twice as likely to be self-employed as women over 50 relative to a ratio of about 1.7 men to 1.0 women among the overall population of self-employed workers (Figure 5).



FIGURE 5. There is a substantial gender gap among older self-employed workers

Self-employment as a percentage of employment



Source: (Eurostat, 2023)

Several governments have introduced new strategies and schemes to support senior entrepreneurship

There have been relatively few dedicated schemes to support older entrepreneurs in the EU and OECD over the past decade. However, several new schemes have been introduced in the past three years. These include for example “Start a Business 50+” (Vállalkozz 50+) in Hungary, which was launched in 2022. It offers five in-person training sessions and two online workshops that cover product development, market analysis, financial planning and marketing. Participants can also receive individualised business consultations. Other initiatives have been launched in a number of other

countries, including Bulgaria and Portugal. Moreover, there are increased efforts to promote senior entrepreneurship. Examples include the Slovenian Festival of Entrepreneurship, which organised a dedicated festival to senior entrepreneurship in 2023. The festival sought to celebrate older entrepreneurs and increase awareness about the potential of entrepreneurship as a transition to retirement. Workshops on a range of topics such as digital skills were also offered. This approach is similar to the long-running Viva Seniors Fair in Poznan, Poland.

However, governments could do more. This includes creating a positive awareness of entrepreneurship as a late-career option using role models, promotional campaigns and events (e.g. fairs, festivals as done in Poland and Slovenia for example) to showcase the potential of older entrepreneurs. Business support organisations could also be more sensitive to the challenges faced by older

entrepreneurs by avoiding jargon in learning materials and offering greater support for working with digital tools. Governments can also go further to tap into the experience of older entrepreneurs by encouraging more of them to support other entrepreneurs with coaching and mentoring.

Entrepreneurship can offer a flexible way of working for some people with disabilities

People with disabilities who work are as likely to be self-employed as those without a disability

About 18% of the world's population lives with some form of disability, and in EU and OECD countries people with disabilities account for a large and growing share of the population. Entrepreneurship is often an effective labour market option for people with disabilities, as it can help individuals manage their work in a way that is compatible with other aspects of their life, including their disability. Overall, while people with disabilities are less likely to be working than people without disabilities, of

those who do work the share that are self-employed is similar to that of people without disabilities (Figure 6).

However, on average, businesses operated by self-employed people with disabilities tend to be smaller and have a smaller economic impact than self-employed businesses overall. Data from 26 European OECD countries show that self-employed workers without disabilities are 11% more likely to have employees than those with disabilities.

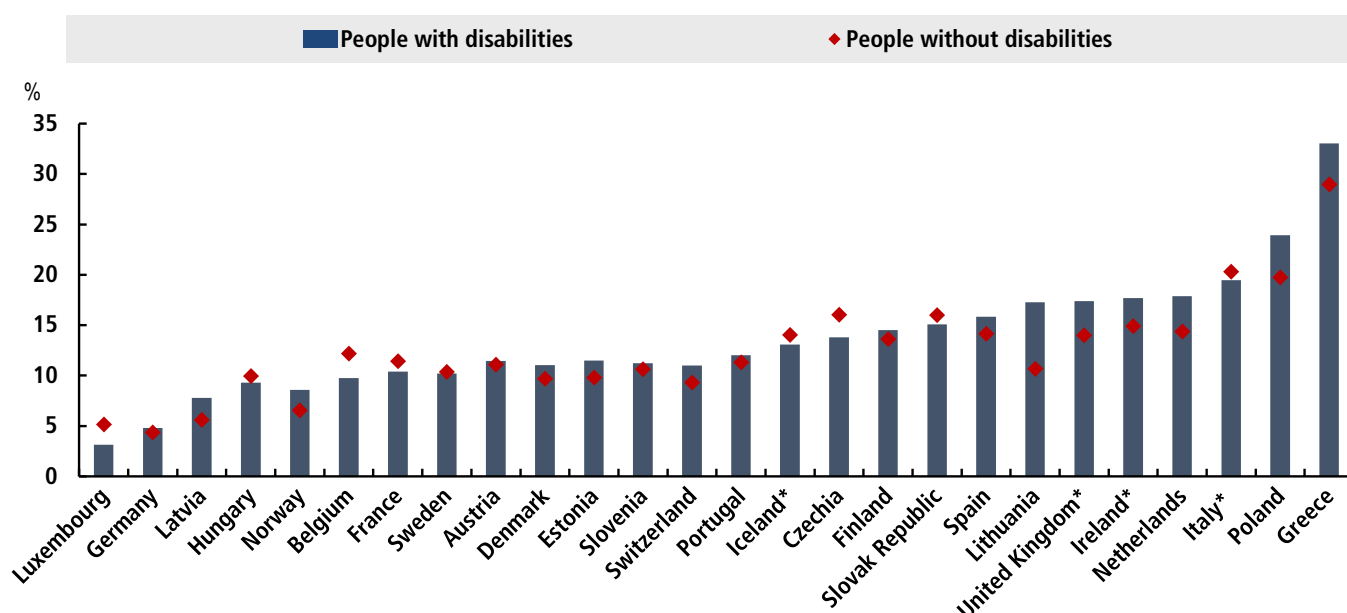
Improving the social and labour market inclusion of people with disabilities is a political objective in the EU and OECD

Entrepreneurship support can be part of the suite of policy tools used to foster social and labour market inclusion of people with disabilities. The rationale for schemes that can overcome the barriers people with disabilities face in business creation includes increasing equality and improving individual lives as well as the economic benefits for society as a whole.

However, only a few EU Member States and OECD countries have well-developed support systems for entrepreneurs with disabilities. But progress is being made.



FIGURE 6. People with disabilities are as likely to be self-employed if they are working
Self-employment as a percentage of employment, 2019



Note: Data for Iceland, Ireland, Italy and the United Kingdom are for 2018 (*). These estimates are based on two questions from the European Union Statistics on Income and Living Conditions (SILC): PH020 (suffer from any chronic illness or condition) and PH030 (limitation in activities because of health problems). The data in this figure report the proportion of people who respond “yes” to PH020 and either “yes, strongly limited” or “yes, limited” to PH030.
Source: (OECD, 2021[10])

In Spain for example the government introduced a new strategy with 43 objectives, including one that aims to promote and support the development of new businesses, entrepreneurship and self-employment opportunities for people with disabilities and in Germany, improved sign-posting of specialised support services for people with disabilities in the main information platforms for entrepreneurs and SMEs have been introduced.

Governments can do more to build momentum. An important place to start is in fostering inclusion and accessibility in the entrepreneurship support system and offering

targeted support to entrepreneurs with disabilities. In addition, governments should help build an entrepreneurial identity for people with disabilities, influencing attitudes both within the population of people with disabilities and among entrepreneurship support providers and the population at large. This entrepreneurial identity can be built using role models of successful entrepreneurs from different parts of the population of people with disabilities and offering training to employment counsellors and business support organisations so they have a greater awareness of the opportunities for entrepreneurship and the support tools available to help them.

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Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

The Missing Entrepreneurs 2023

Policies for inclusive entrepreneurship and self-employment



This Policy Highlights reproduces key elements from The Missing Entrepreneurs 2023 report, the seventh edition in the series of Missing Entrepreneurs reports.

This series of biennial reports examines how government policies can release untapped entrepreneurial potential from under-represented parts of the population of impactful entrepreneurs, including women, youth, seniors, the unemployed, immigrants and people with disabilities. It offers comparative data on the entrepreneurship activities and the barriers faced by each group across OECD and European Union countries. It takes a deep dive into the effectiveness of youth entrepreneurship schemes and the design of welfare bridge schemes for business creation by job seekers. It also contains country profiles for each of the 27 EU Member States showing the major recent trends in diversity in entrepreneurship and the current state and evolution of policy for each country.

Find out more about the report at:

<https://oe.cd/4cd> [to update]

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www.oecd.org/cfe/leed/

Find out more about European Commission work by DG Employment, Social Affairs and Inclusion

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