

# Access to Finance & Business Development Services

- How to set up a microfinance scheme under the ESF: COPIE manual on access to finance
- How to use grants to help business starters: Estonian start-up grant scheme
- How to combine access to finance and coaching to reach out to specific target groups: Créajeunes in France & dreamStart in Belgium

## Legal & Institutional Framework

- How to find out if institutional framework is well adapted: COPIE diagnosis tool
- How to adapt the legal framework for easing the start of a business: French auto-entrepreneurship statute
- How to facilitate the transition from unemployment to self-employment: Swedish social security reform

## Entrepreneurial culture

- How to test the state of entrepreneurship education: COPIE entrepreneurship education tool
- How foster the entrepreneurial spirit of specific target groups:
  - Romanian AntrES scheme for female entrepreneurs
  - Ashoka Youth Venture for young people
  - Experience of Me Inc in Germany
- Run aggressive awareness campaigns

# Conclusion

- Not one single measure will change the picture
- Need for an inclusive entrepreneurship strategy covering all areas
- Make use the ESF for the promotion of inclusive entrepreneurship

# **Cost-effectiveness of inclusive entrepreneurship support**

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## I. Introduction

Does it make sense to support business founders out of unemployment with start-up subsidies?

### Necessity Entrepreneurs

- Motivations with negative influence on survival
- Escape from unemployment
- Higher failure probability
- Tiny incomes if they survive
- No significant investments, no additional jobs
- No economic relevance

**I. Introduction**

**II. Method**

**III. Description of programmes**

**IV. Results**

**V. Conclusions**

## I. Introduction

### **Three Research Questions:**

- (i) How to define cost-effectiveness in context of start-up subsidy?
- (ii) What are the effects of the start-up subsidy?
- (iii) What are the financial implications for the funding institution

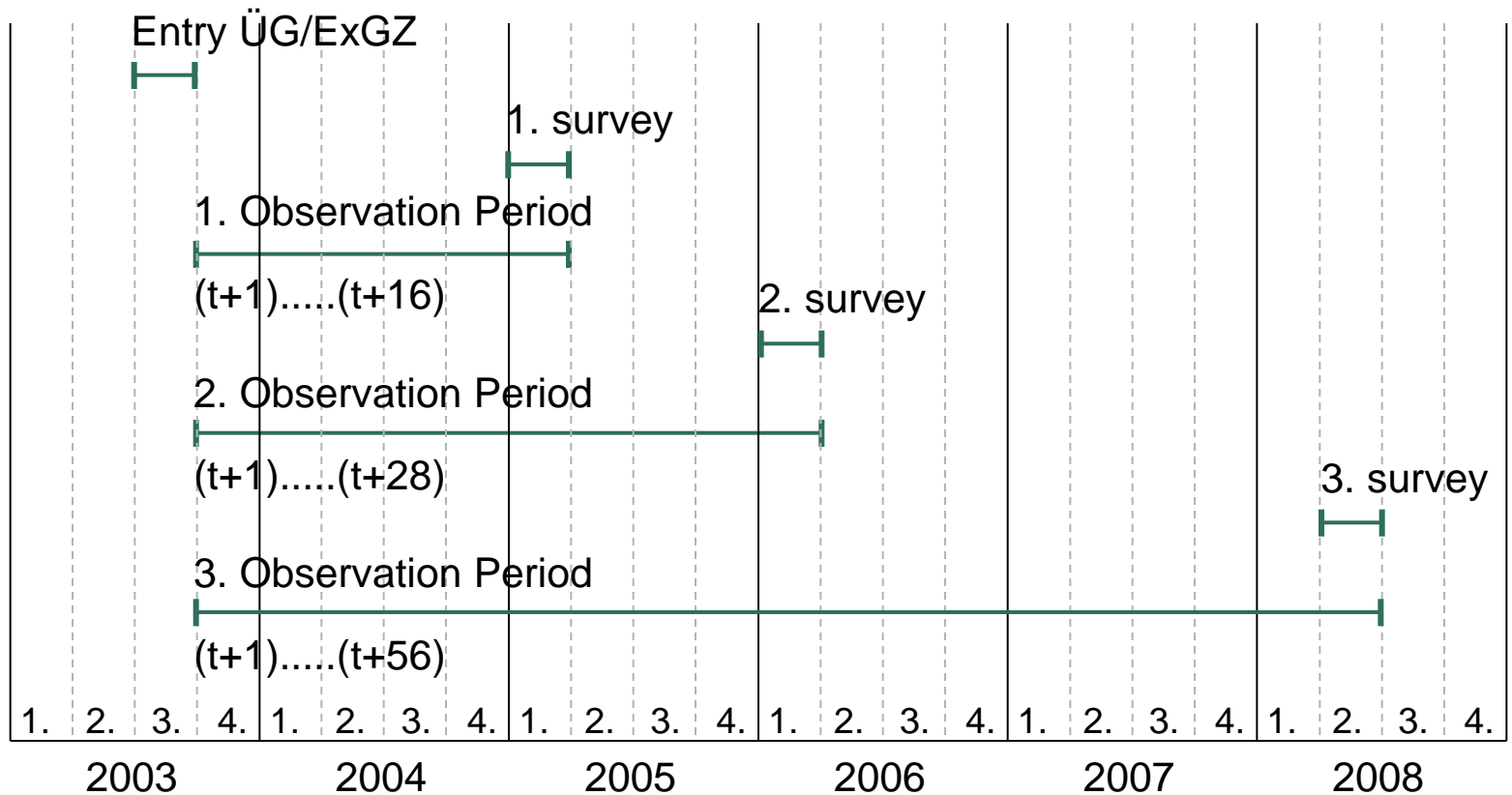


## II. Method

Answer the fundamental evaluation problem:

- (i) What would have happened with treated person, if not treated with the start-up subsidy?
- (ii) What would have been the expenditures of the funding institution (FEA) if the treated individual would not have used the start-up subsidy
- What would have been the overall generated taxes / expenditures of the public authorities in both cases

## II. Method: Evaluation of the start-up subsidy



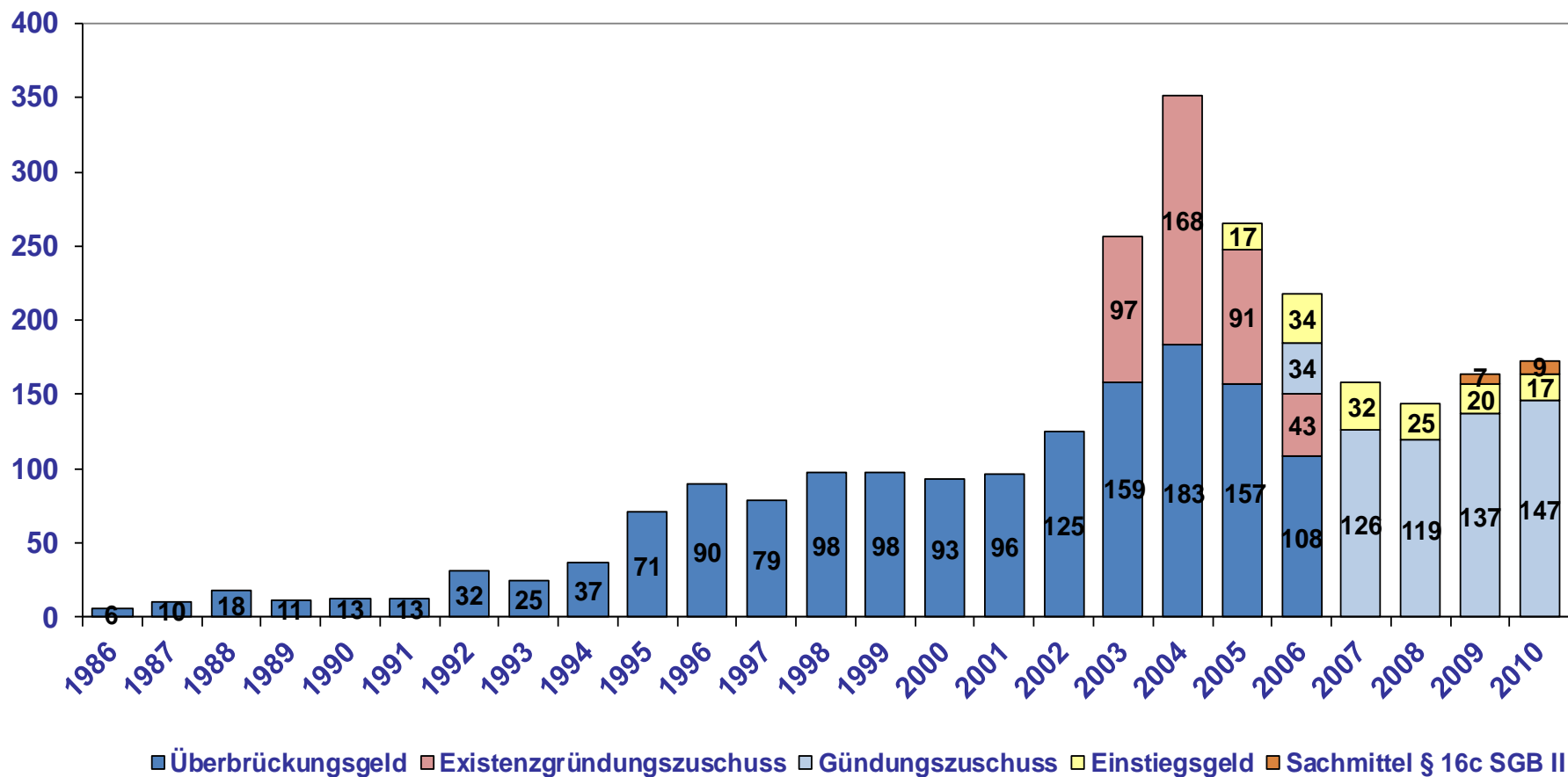
see Caliendo/Kritikos (2006, 2007, 2008).

### III. Description of Programmes

#### **Five different programs for Start-ups out of Unemployment**

- Bridging Allowance: 1986 – 2006
  - Support over first 6 months
- Start-up Support (Me Inc.) 2003 – 2006
  - Support over the first 3 years
- Start-up Subsidy I 2006 – 2011
  - Support over the first 9 months (+6 months)
- Start-up Subsidy II 2012-
  - Support over the first 6 months (+9 months)
- Entrance Money 2005 –
  - Support depending on your generated income

## Financial Support of start-ups out of unemployment 1986 – 2010 (FEA)



## IV. Results

Socio-economic variables (source: Caliendo und Kritikos, 2010)

cohort 3. quarter 2003	Start-up Subsidy		Brigding Allowance	
	women	men	women	men
<b>Age</b>				
18-29 years	13%	24%	11%	13%
30-39 years	39%	34%	43%	38%
40-49 years	35%	28%	32%	35%
<b>Gender share</b>	<b>47%</b>	<b>53%</b>	<b>25%</b>	<b>75%</b>
Low school degree	31%	47%	16%	32%
High school degree	35%	29%	56%	44%

## IV. Results

### Motives for Business Foundation:

cohort 3. Quarter 2003	Start-up subsidy		Bridging Allowance	
	Women	Men	Women	Men
<b>Pull Motives</b>				
Be my own Boss	46%	56%	49%	55%
Had first Customers	57%	65%	60%	60%
Found a Market Gap	38%	28%	33%	31%
<b>Push Motives</b>				
Termination of Unemployment	84%	83%	71%	75%
Advice From the Labor Agency	23%	18%	16%	12%
Support with Benefits Ends	37%	35%	26%	25%
<b>Push und Pull Motives</b>	73%	75%	64%	65%

## IV. Results

Capital for start-ups and for young entrepreneurs: (source: Caliendo und Kritikos, 2010)

cohort 3. Quarter 2003	Start-up subsidy		Bridging Allowance	
	Women	Men	Women	Men
<b>Start-up Capital</b>				
No / almost no start-up capital	58%	50%	40%	35%
Up to 10.000 €	31%	34%	32%	29%
More than 10.000 €	11%	16%	28%	36%
<b>Share of own capital</b>	<b>76%</b>	<b>76%</b>	<b>69%</b>	<b>73%</b>
<b>Additional Capital needed</b>	<b>31%</b>	<b>34%</b>	<b>41%</b>	<b>29%</b>
Financing further growth	68%	69%	62%	61%
Replacement finance	37%	32%	29%	29%

## IV. Results

Survival Rates after 16/28/56 months, (sources: Caliendo, Kritikos et al., 2006, 2007, 2008)

	Start-up subsidy				Bridging Allowance			
	West		east		West		east	
	Men	Women	Men	Women	Men	Women	Men	Women
<b>after 16 months</b>								
self-employed	74,4	78,2	79,9	79,8	71,8	66,0	71,8	67,9
unemployed	15,1	9,1	14,2	9,7	13,8	14,8	16,4	18,6
employed	7,9	5,3	3,0	5,0	11,6	14,6	9,2	8,0
other	2,7	7,5	2,8	5,5	2,8	4,6	2,6	5,5
<b>after 28 months</b>								
self-employed	67,6	71,9	77,6	74,1	71,5	66,1	70,0	67,9
unemployed	15,2	8,0	14,2	9,5	11,1	10,4	14,3	11,9
employed	11,7	8,1	5,2	8,3	14,0	17,5	13,1	11,7
other	5,6	12,1	2,9	8,2	3,4	5,9	2,5	8,5
<b>after 56 months</b>								
self-employed	59,7	59,1	62,9	57,1	67,9	66,6	70,2	56,4
unemployed	11,7	7,8	9,8	10,4	6,7	3,0	6,8	10,0
employed	20,9	16,5	19,9	18,9	21,1	23,5	20,0	23,0
other	7,6	16,6	7,4	13,5	4,3	6,8	2,9	10,6



## Results of matching:

- Effects and costs in comparison to control group
- Reminder Monetary efficiency needs always to focus on institutional setting

	Start-up subsidy				Bridging allowance			
	West		Ost		West		Ost	
	male	female	male	female	male	female	male	female
<b>Effect after</b>								
16 months	38%	30%	40%	47%	27%	24%	32%	27%
28 months	36%	43%	43%	49%	28%	34%	37%	39%
56 months	21%	14%	25%	29%	17%	20%	23%	26%
<b>Monetary Efficiency</b>	-	-	-	-	2.880€	1.100€	1.502€	244€
	5.440€	6.900€	5.360€	8.101€				

## IV. Results

Incomes of Self-Employed after 2,5 years (sources: Caliendo, Kritikos et al., 2007, 2008)

cohort 3. Quarter 2003	Start-up subsidy		Bridging Allowance	
	Women	Men	Women	Men
<b>Income of the Self-Employed</b>				
Incomes from previous employment	865 €	1.075 €	1.490 €	1.940 €
Income from Self-Employment 2005	950 €	1.445 €	1.765€	2.350€
Share of higher incomes 2005	45%	57%	50%	55%
Share of higher incomes 2004	30%	38%	31%	38%
<b>Income of comparison groups</b>				
Income from employment 2005	650 €	910 €	1.150 €	1.450 €

## IV. Results

Creation of further jobs: (sources: Caliendo, Kritikos et al., 2006, 2007, 2008)

	Start-up subsidy				Bridging Allowance			
	West		east		West		east	
	Men	Women	Men	Women	Men	Women	Men	Women
<b>Min. one additional employee</b>								
after 16 months	9,8	7,9	9,2	5,9	29,8	21,9	27,8	22,0
after 28 months	14,8	9,1	8,1	9,3	32,9	24,9	27,4	21,9
after 56 months	21,0	16,8	21,3	20,1	41,9	30,8	35,2	28,5
<b>Number of total employees</b>								
after 16 months	2,4	2,2	2,2	1,8	3,4	3,3	3,5	2,6
after 28 months	2,6	3,2	1,9	1,5	4,1	4,0	3,9	2,4
after 56 months	2,6	2,3	2,4	1,7	4,7	5,1	3,6	2,6

## IV. Results: Logit-Estimation

<b>Push and Pull</b>		<b>Remaining unempl. Benefits</b>	
Only Pull	-0,085***		-0,004*
Only Push	0,067*	<b>Start-up capital: Ref: no cap.</b>	
<b>Age: Ref. 18-29</b>		Up to 2.500 Euro	0,006
30 – 39	-0,068**	2.500 – 10.000 Euro	-0,022
40 – 49	-0,030	10.000 Euro a. m.	-0,142***
50 – 64	-0,064	<b>Previous Labor Experience</b>	
<b>Qualification: Ref: no Quali.</b>		From regular work	-0,076**
Skilled workers	-0,063**	From secondary work	-0,073**
Applied Univ.	-0,069	<b>Preparation</b>	
University	-0,082**	Attendance of inform. meeting	0,063**
		Coaching and Advice	-0,071**

## V. Conclusions

### Two Programmes between 2003 and 2006:

- Bridging allowance: attracted more highly qualified
- Start-up support: attracted female, young and low qualified

### Start-ups by previously unemployed

- Face high survival rates
- Substantial Job creation depending on motives
- Both programmes are effective in comparison to alternatives
- Bridging allowance: cost-efficient for FEA within the given institutions (6 months of support, generous unempl benefits)
- Start-up support: not cost-efficient (target groups!)

# Appendix

## V. Consequences

### Support in terms of coaching and financing

- Currently focussing on survival strategies
- Should focus more strongly on deficits of business founders dependent on their motives for starting a venture:
  - Support in terms of analyzing market opportunities: influence size of business in terms of investments and additional job creation
- Microfinance approaches should define target groups among existing entrepreneurs and less among business founders