



“Open for business?” How to create opportunities in entrepreneurship for everyone

Access the podcast at:

<https://doi.org/10.1787/407380ae-en>

Please cite this podcast as:

OECD (2021), ““Open for business?” How to create opportunities in entrepreneurship for everyone”, *OECD Podcasts*, Duration: 19:27, OECD Publishing, Paris, <https://doi.org/10.1787/407380ae-en>.

Host: Shayne MacLachlan

Speaker: David Halabisky

Duration: 19:27

Date: 30 November 2021

All podcasts express the opinions of the interview subjects and do not necessarily represent the official views of the OECD and/or OECD Member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.

“Open for business?”
How to create opportunities in
entrepreneurship for everyone

Intro [00:00:02] Welcome to OECD Podcasts, where policy meets people.

Shayne MacLachlan [00:00:07]

Not everyone has an equal opportunity to transform their ideas into a business. OECD research shows that if everyone was as active in business creation as corps core-aged men, that's to say thirty to forty forty-nine year olds, there could be an additional nine million people starting and managing new businesses in just the European Union alone. In fact, across OECD countries, there could be as many as 35 million more entrepreneurs.

This startling amount of missing entrepreneurs and the missed business opportunities are due to several factors, including: greater difficulties accessing finance skills gaps, underdeveloped networks and institutional barriers like the lack of childcare and discouraging social attitudes. So these barriers, or these obstacles, are often interrelated and are more acute for youth, women, immigrants, seniors and the unemployed.

Of course, the COVID 19 pandemic has increased many of the gaps in entrepreneurship. Entrepreneurs from underrepresented and disadvantaged groups were more likely to work reduced hours, and some of them even had to close their own businesses.

Today, we're going to discuss approaches to inclusive entrepreneurship policy, which aims to open up opportunities in entrepreneurship to everyone with an idea for a sustainable business, regardless of their backgrounds and characteristics. Harnessing this untapped potential can uncover new ideas, create jobs and contribute to economic growth, which are central to plans for the economic recovery going forward.

I'm Shayne McLachlan and you're listening to OECD Podcasts, so to discuss these issues today, we have David Halabisky joining us, who is a policy analyst in the OECD Centre for Entrepreneurship and SMEs, Regions and Cities, and is the author of a new OECD report that we're going to discuss today called the Missing Entrepreneurs. David, welcome to OECD Podcasts.

David Halabisky [00:02:06] It's great to be here. Thanks for having this discussion. I'm looking forward to it,

Shayne MacLachlan [00:02:10] as are we all. So let's launch straight in. David, you've been working on this project for a number of years, and I think this is in fact, the sixth edition of the report "the missing entrepreneurs." So I guess the obvious starting point for our podcast today would be, you know, to really lift the lid on the big secrets of what we mean by missing entrepreneurs. So David, if you could just paint a picture of who these missing entrepreneurs are for our listeners?

David Halabisky [00:02:40] Sure. Shayne, well, I think we need to take a step back to start with and we need to consider who are entrepreneurs and what do they contribute to our economy. Now, of course, entrepreneurs have an extremely important role in our societies. They are innovators, risk takers and they're key drivers of our economies. Now what they do is they start new business startups. They bring ideas to life. They invest in our communities. And of course, they create jobs for other people. Now the issue that we explore in our work is that not everyone has an equal opportunity to be able to be successful as an entrepreneur to create a business and to have it sustain over time. Now there are different ways in which we can look at these inequalities. The obvious one to start with is activity rates. So who is active as an entrepreneur and who is not being active as entrepreneur? So we can measure that with different metrics, you know, new business creation rates, self-employment rates and regardless of the metric you look at. We see that there are clear gaps. When you look at certain segments of our population, so women are about 60% as likely as men to be involved in business creation and self-employment across EU countries and OECD countries. You can see similar gaps when you look at youth. Youth tend to be very interested in entrepreneurship. In fact, many surveys show that about 45% indicate that they would prefer to be an entrepreneur rather than an employee. But when you look at the data, only about five percent of young people under 30 are actively working on a start-up or working as self-employed. So what we look at in this new report, the Missing Entrepreneurs 2021 that we've prepared with the European Union are really these gaps across the population.

Shayne MacLachlan [00:04:47] You've touched on a number of key points there that really, yeah, helps us understand better who these missing entrepreneurs are, what's their profile and so on. So in fact, I was recently talking to a fellow and rather learned OECD colleague about the groups that you've mentioned young people amongst those. And he was of the opinion that, well, it doesn't matter if, for example, young people aren't starting and managing businesses. And I guess this raises the question on why we should care if entrepreneurs are indeed missing. So. David, if you could just break that down for us, that would be great.

David Halabisky [00:05:25] Sure. Well, there is an important point to pause on here, and that is that, you know, not everybody can be successful or will be successful as an entrepreneur. An entrepreneur requires a certain skill set, certain motivations and a certain comfort level with taking risk. And not everybody has all of those attributes. And so we have to be careful not to expect that everybody will be an entrepreneur. And this is particularly important when we're talking about government policy. We have to be careful that governments are not trying to encourage and push everybody to be an entrepreneur. That's not what this is about. What we are looking at is trying to level the playing field so that people do have the motivations and skills. They can give it a shot. Now these missing entrepreneurs are people who do have ideas, or at least some of them. And some of them do have the ability to go on to be successful entrepreneurs. And so if we're able to close some of these gaps in entrepreneurship, we can see clear economic benefits through innovation or perhaps innovation transfers when we're looking at immigrants. There is certainly potential for job creation. You know, if we look at women entrepreneurs, clearly this is a group that has on average quite high skill levels. And so we need to look at how we can untapped this potential to realise the economic benefits. There are various estimates out there. Some people have done estimates that say if you close the gender gap and entrepreneurship, global GDP would increase by two percent.

Shayne MacLachlan [00:07:28] But I think that's really helpful. You've successfully, I think, broken down and explained these opportunities, which are indeed important, and that not everyone is cracked up to being an entrepreneur. And that we shouldn't be pushing people into entrepreneurship, I'll definitely report

back to our colleague and encourage him to listening to this podcast in early December when it comes out to clarify that. But I wanted to turn now to why these entrepreneurs or these missing entrepreneurs are indeed missing. David, what are some of the factors that underlie or trigger this situation of having a dearth of entrepreneurs from underrepresented groups in society?

David Halabisky [00:08:07] Yes. And so as we've been talking about, I think it's really about differences in access to opportunities. And if we're looking at opportunities in entrepreneurship, I would tend to break them into two categories. So we see the challenges in two different groups for these populations. The first type of challenge is biases in the institutional conditions. And so this means all of the factors that influence a decision to work or to work as an employee versus a self-employed person. And so we're talking about factors such as taxation and how this tax influenced the decision of labour market activities by a second earner in a household, for example. How does the availability of childcare and maternity supports influence a woman's decision to work as an employee versus a business owner or access to employment insurance and so on? Another important one is benefits. So these population groups, on average, are more likely to be drawing on various benefits systems, whether they be related to unemployment or disability or so on. And the interaction between these benefits also can be an important influence.

Shayne MacLachlan [00:09:30] Yeah, that's very interesting to unravel, some of these institutional conditions and barriers that you spoke about to entrepreneurship. But now I wanted to turn our attention to the COVID situation inevitably. In fact, I can't think of one policy area that we work on at the OECD that hasn't been mildly or severely impacted by the pandemic, which in fact now started about 21 months ago. But David, I was going to actually ask, has anything changed regarding entrepreneurship and these underrepresented groups that you've been speaking about due to the COVID 19 pandemic? But I think it would be more fitting if I rephrased that - what has changed regarding the COVID crisis for entrepreneurs?

David Halabisky [00:10:15] Sure. Well, COVID, of course, was extremely difficult for business owners, particularly those who are operating micro businesses and even the self-employed. And if you look at the groups that we're talking about today, so women, business owners, immigrant business owners, young business owners, these groups were the ones that tended to be disproportionately impacted. So this means they were more likely to close their business. Now why is this? Well, I think a lot of it is related to the types of businesses that these groups run. So on average, these different groups were more likely to be operating in service sectors and mostly personal services, but also tourism related sectors. So clearly, these businesses were more likely to face more severe interruptions. This, of course, has a greater impact on their ability to earn income. Not surprisingly, you know, if we look at the data, if you look at the OECD Facebook World Bank survey, for example, we see a clear gender gap in business closure rates. Women were almost one third more likely than men to have closed their business in 2020. Some of the trends that we saw before COVID were rapidly accelerated. The obvious one is digitalisation, and there are many different facets to digitalisation. Of course, those businesses that were operating online were better able to continue their business activities throughout the pandemic. So there's a clear benefit to being online. Governments also moved a lot of their support programmes online. This helped improve the outreach, actually, so they were able to reach businesses and individuals in rural areas better than they probably would have otherwise. But we have to be careful because this is actually also a barrier for the groups that we are talking about. There are digital skills gaps in many of the population groups. A second fundamental issue is that, you know, we saw the self-employed were really heavily impacted by COVID in the first half of 2020. A government support was not so successful at helping them.

They tended to fall between the cracks of the support for businesses and the support for employees. So this has reinigorated the debate amongst governments around social protection for the self-employed. And we're starting to see this gain traction, particularly in the EU, and there's some high level discussions going on. The final point is that the relationship between entrepreneurs and governments might have changed. We saw governments acted very quickly. They ruled out support packages very quickly. And we saw extremely high take up rates. Now if you look at the Netherlands, for example, they estimate that more than half of the business population used at least one of the support measures, and this is absolutely astounding. Much higher take up than we saw before COVID. So the point is that this has been strengthened and hopefully this can improve the use of government support programmes in the future.

Shayne MacLachlan [00:13:38] We all know people who have been placed in a tricky situation, you know, as impacted by COVID. I mean, amongst my Paris based friends often feel like I'm the only one who isn't an entrepreneur or self-employed, but certainly I know the stories and they got hit really hard during the pandemic. I just wanted to move on now. I mean, seemingly it would be quite tricky to work out where the missing entrepreneurs are in our cities, towns and villages. So David, how do we find them and subsequently provide support so that these missing entrepreneurs?

David Halabisky [00:14:12] Yeah, that's a good question, because it's not so straightforward, how do you find these people? And I think the critical element for this for governments is that they have to use self-selection mechanisms. There's been a lot of investment in entrepreneurship education, and so this is one way to inform people about what entrepreneurship is and what it's like to be an entrepreneur. But when you're looking at government programmes, as I said, self-selection needs to be a critical element. And we see this in a lot of examples of youth entrepreneurship programmes. There are many, such as the Prince's Trust Youth Enterprise Programme in the UK or the National Youth Entrepreneurship Programme in Hungary. These support offers are offered in stages. And so that you offer a little bit of support to a lot of people at the beginning. And then in order to get further support, you have to require the participants to go through, you know, jump through certain hoops to qualify for the support. So this means that those people who have the motivation to continue will continue, and if they can demonstrate some success, they get a little bit more support. So from a government's perspective, this is great because you are focussing the most intensive support on those who are most likely to succeed. But at the same time, you're giving everybody the opportunity to give it a shot.

Shayne MacLachlan [00:15:45] good to hear about some of these tailored support initiatives from governments for entrepreneurs. But David, if I was to ask you a key question. And just as we wrap up, what would be the key priority for governments in terms of addressing the issue around missing entrepreneurs?

David Halabisky [00:16:06] Well, sure. And I think that there are really three priorities and we go into this in great depth and the new Missing Entrepreneurs report. But the first one is clearly governments need to do more in terms of offering tailored support. So tailored support for different population groups to meet the needs of different groups. Tailored support to meet the local conditions. There are many examples of how this can be done. Secondly, there are finance gaps that still need to be addressed, and there is an important tool that we call micro-finance that is specifically designed to offer financial support to groups who have difficulties accessing traditional loans and traditional investments. And these are generally offered through microfinance institutes. The market is about 130 billion per year, but there is a gap still of about 14 billion, which is 10%. So there's unmet demand for this type of finance so governments can inject

more capital directly or indirectly into this market to try to boost the availability of the supply of microfinance. And then finally, I think there is still a need to address the skills challenge. There are still skills gaps across the population. Financial literacy is a big one. Particularly as financial markets are evolving quite rapidly. We're seeing a lot of innovation, the emergence of fintech. These could be useful tools to help address the finance challenge for some of these entrepreneurs. Coaching is another one that we've seen a great deal of success in a lot of these tailored programmes, and even peer learning is one that we see emerging. There are growing numbers of peer learning programmes, such as one for women entrepreneurs in Ireland called going for growth that puts women together in groups, and that's got the added benefit of helping them to grow their networks.

Shayne MacLachlan [00:18:13] Yeah, that's great. In terms of peer learning, the topic we were just touching upon, imagine that there's loads of resources out there that can help entrepreneurs and those wanting to get into business here. I guess I'm thinking about, you know, podcasts indeed, YouTube, videos, blogs and other types of content that are available for free, you know, all over the web, all over the net that could complement, as it were, the tailored support that you've been describing.

Well, I mean, that brings us to the end of today's OECD Podcast. Thanks, David, for touching on a number of key points and for this rich discussion, looking at how we can do more to address this situation of the missing entrepreneurs.

David Halabisky [00:18:53] Thanks, Shayne. It was a pleasure.

Shayne MacLachlan [00:18:55] To further explore the OECD work on missing entrepreneurs, you can visit our website at [OECD.org/CFE](https://www.oecd.org/CFE). You can also follow us on Twitter [OECD_Local](#) and look for us on LinkedIn [OECD-Local](#). David's also penned a few opinion pieces on the [OECD Cogito](#) blog. So do check those out.

Outro [00:19:12]:

To listen to other OECD Podcasts. Find us on [iTunes](#), [Spotify](#), [Google Podcasts](#) and [SoundCloud.com/OECD](https://www.soundcloud.com/OECD)