

The logo for FORA, consisting of the letters 'FORA' in a serif font, centered within a dark blue square. The square is divided into four quadrants by a thin white cross.

FORA

Promoting  
Entrepreneurship -  
What are the relevant  
measures and the policy  
challenges ?

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Creative Director, FORA

## The key policy question

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Should governments spend money on:

Increasing start-up rates?

Increasing the share of high-growth firms?

Both?

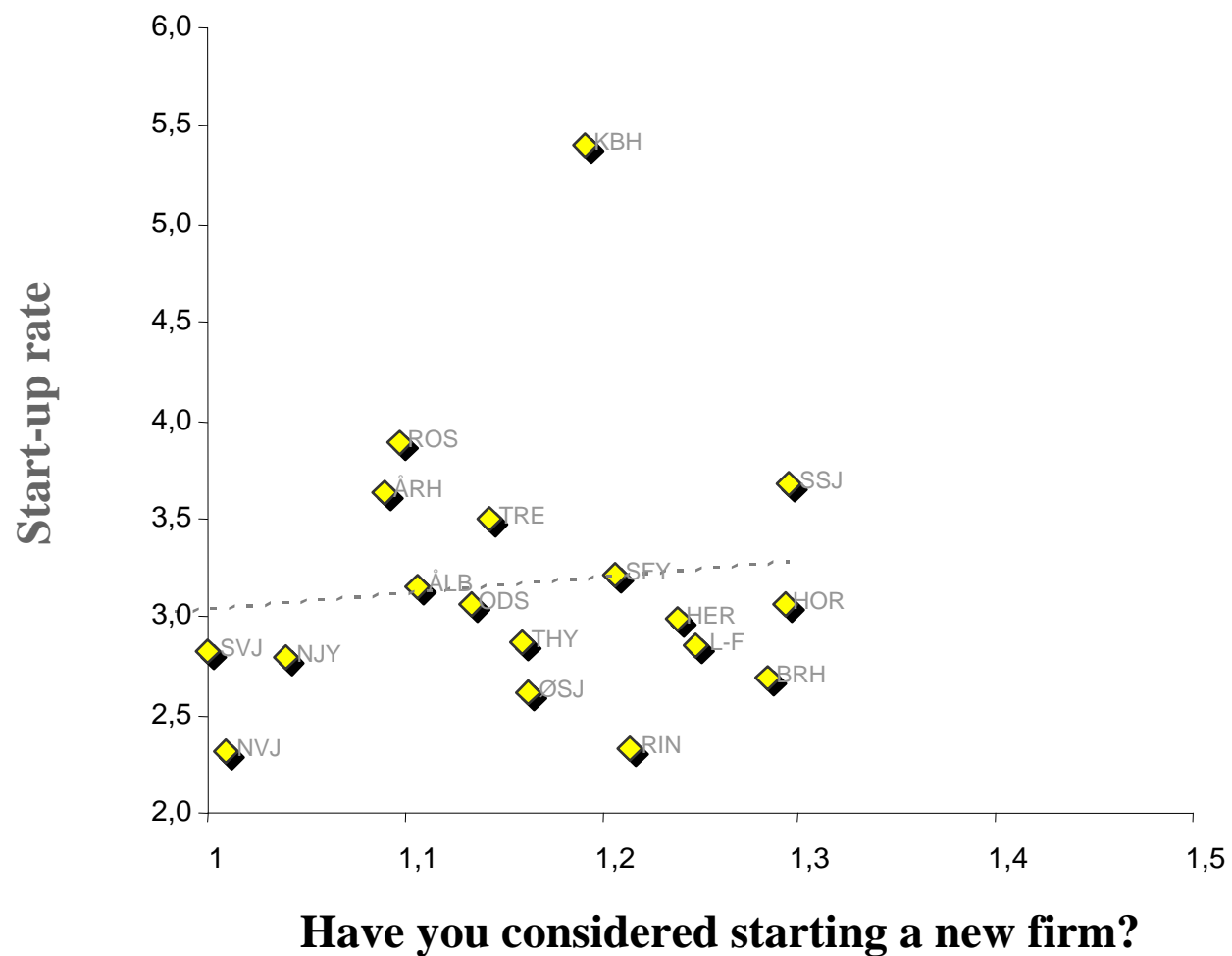
Or something else?

## EU's Performance Challenges

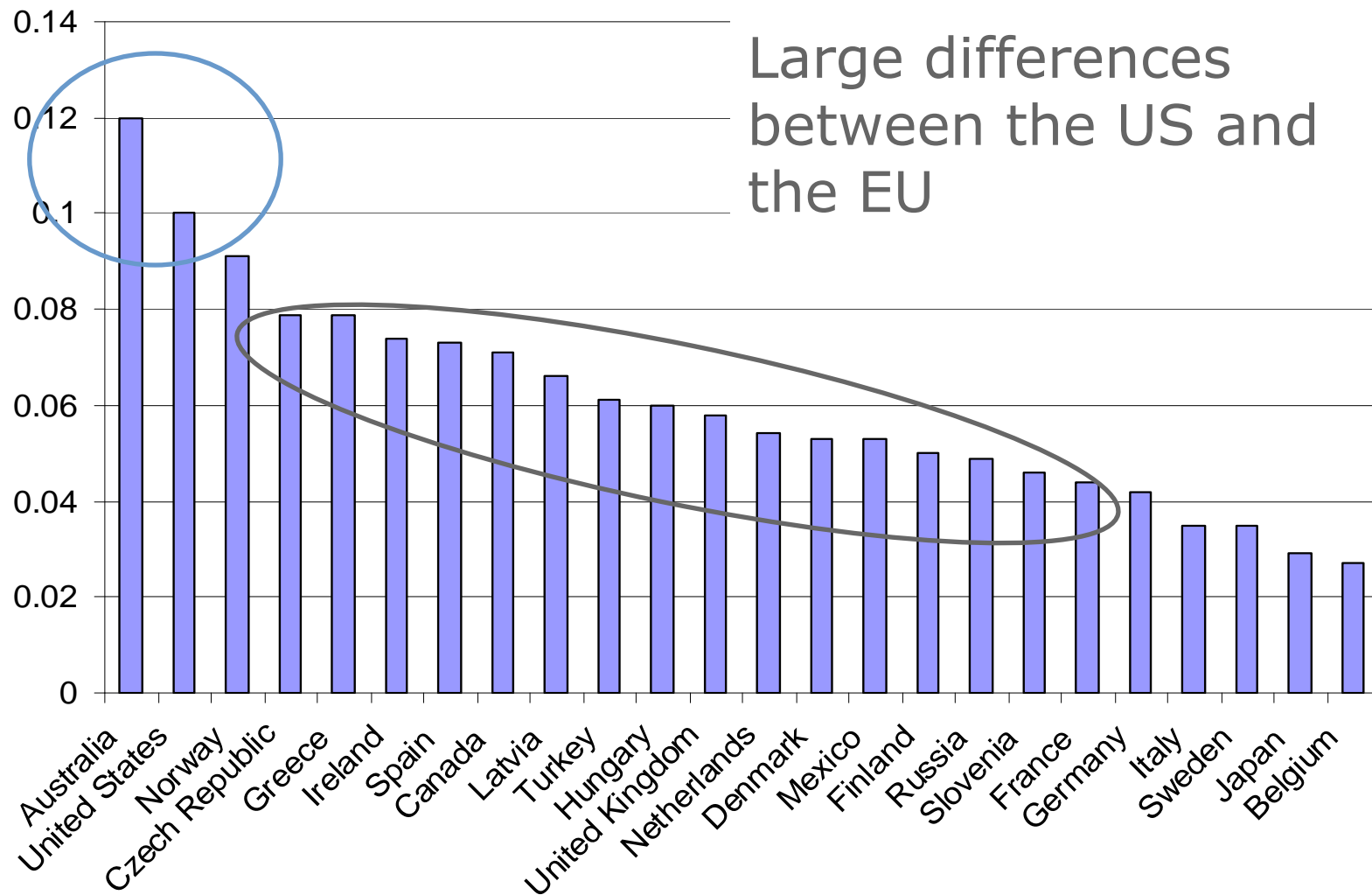
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- The European Commission's Green Paper on Entrepreneurship:
  - *"to boost the Union's levels of entrepreneurship, [by] adopting the most appropriate approach for producing **more entrepreneurs** and for **getting more firms to grow**"*

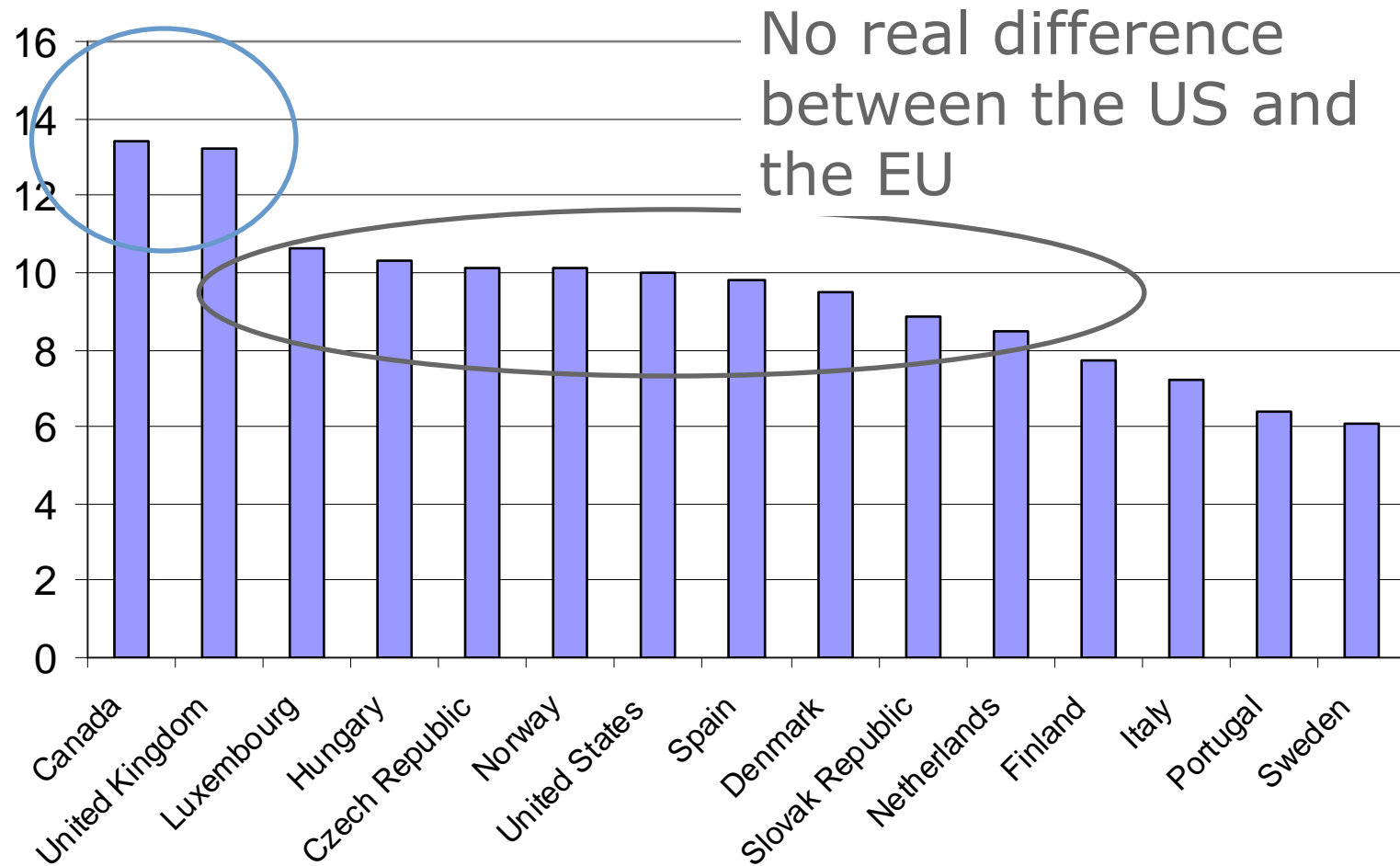
# We need unbiased comparable data



# What is available? The TEA index



# What is available? Start-up rates



# The numerator

## TEA - The numerator

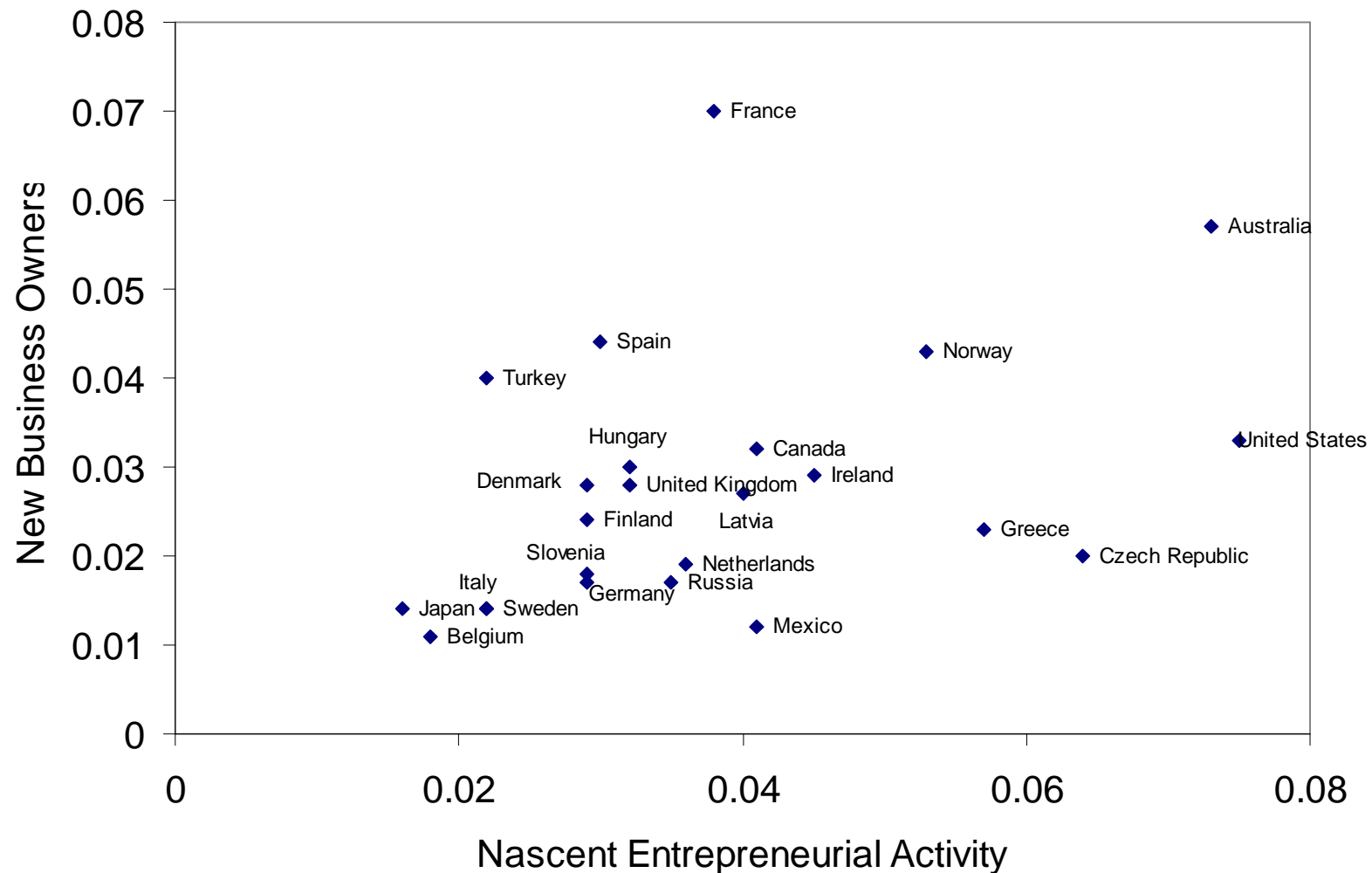
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The sum of:

- Nascent entrepreneurs are those individuals, between the ages of 18 and 64 years, who have taken some action towards creating a new business in the past year.
- New business owners are individuals who are active as owner-managers of a new business that has paid wages or salaries for more than three months, but less than 42 months.

## TEA – the two components of the numerator

Is there are culture bias?



## Entry of new firms

### The numerator – what is a new firm?

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- Most EU countries use VAT registration. The VAT registration thresholds vary from zero up to £60,000.
- Other countries (the US) use first employee

## Entry of new firms

### Data sources

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#### The EU:

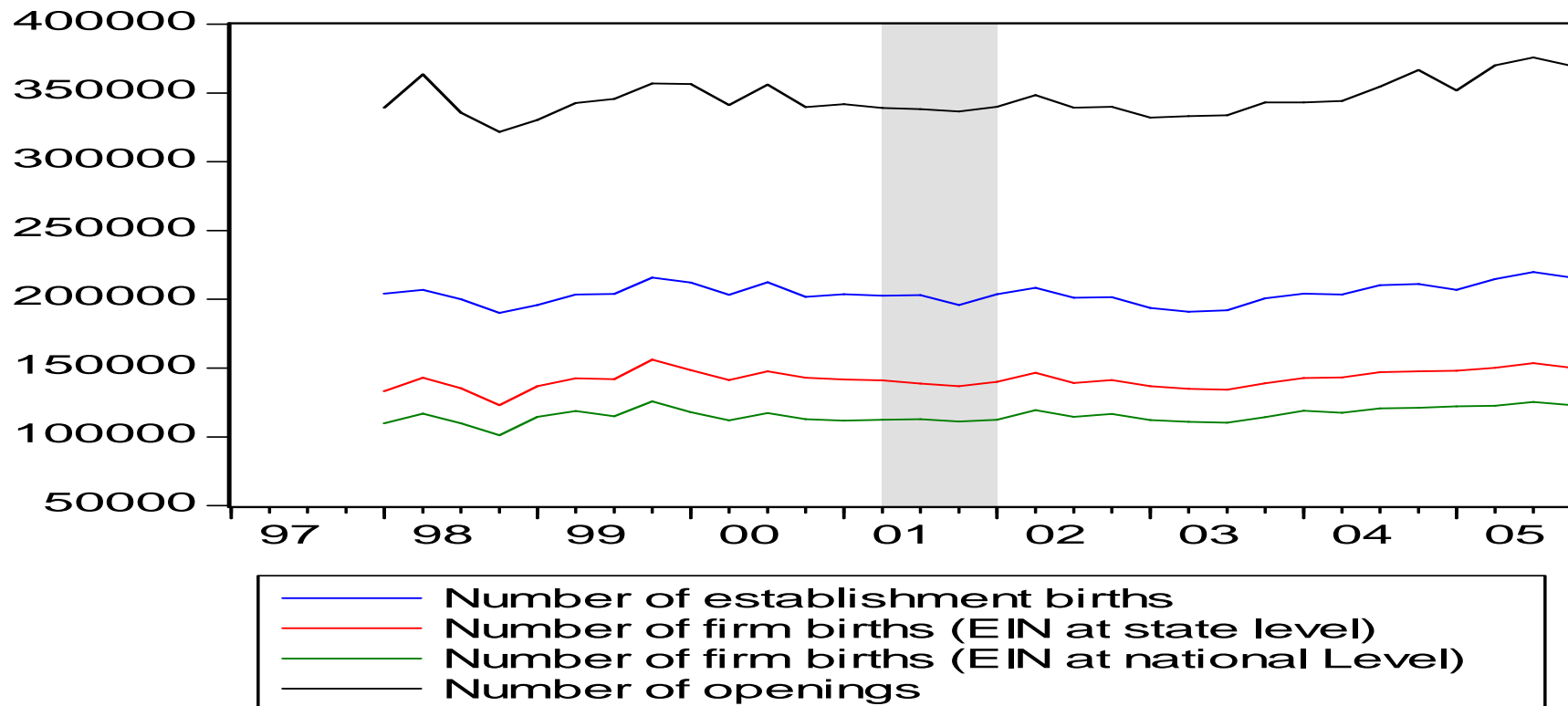
- EUROSTAT Business Demography provides start-up rates for 11 countries (more countries will be available soon).

- The US:

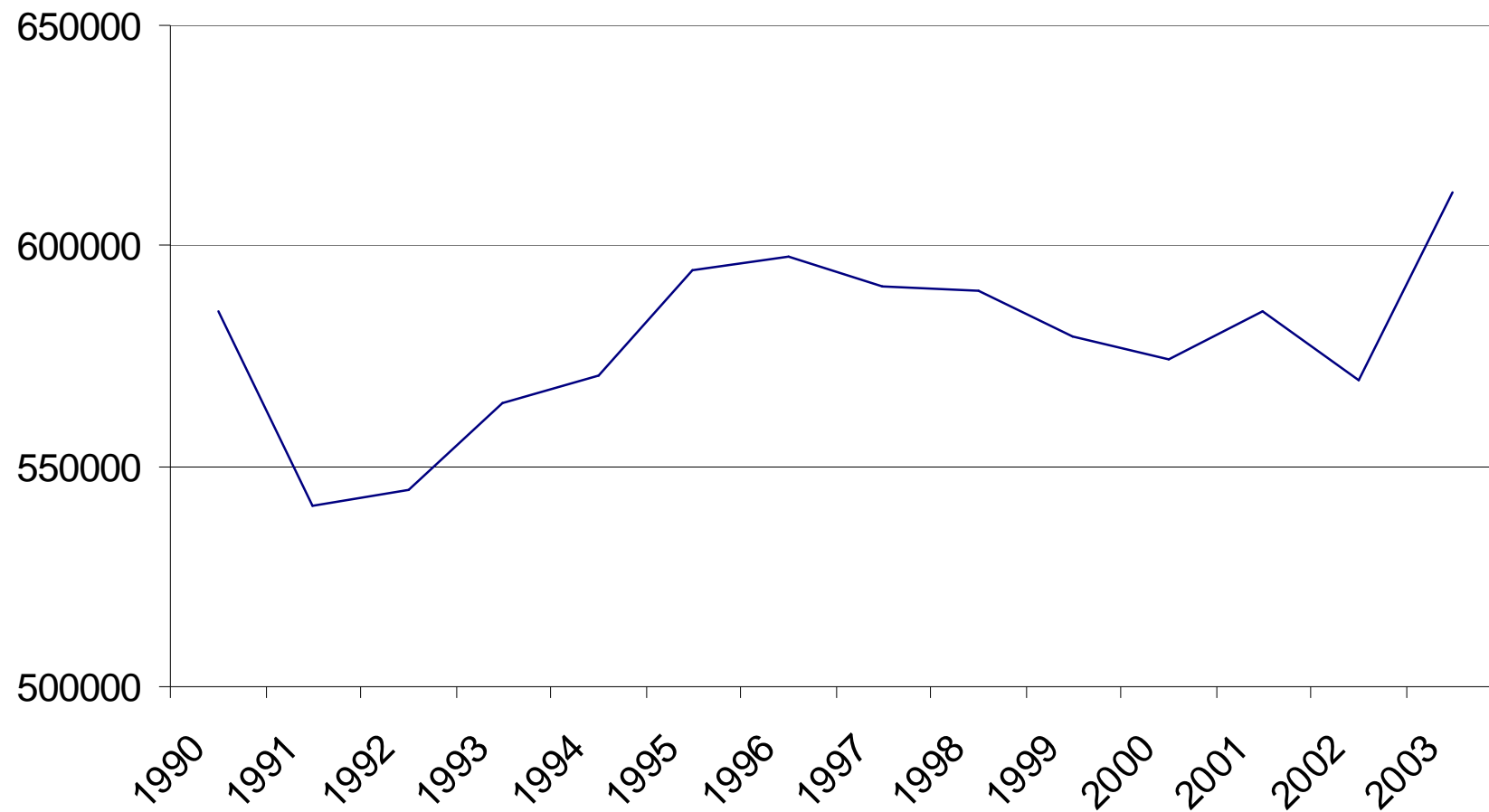
- Four main sources (2 from US Census Bureau, Small Business Administration and Bureau of Labour Statistics) of start-up rates - varying from around 10% to around 20%.

# US data – Bureau of Labor Statistics

Number of openings, births and entrepreneurial births



## US data – Small Business Administration

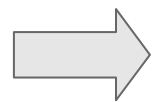


## Entry of new employer firms

### Comparable start-up rates: Denmark as an example

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- The number of new firms entering the Danish market in 2003 with at least one employee:
  - A total of 4,324 firms
- The number of existing firms hiring their first employee in 2003.
  - A total of 7,155 firms existing, in 2002 without employees, hired their first employee in 2003.



Population of new Danish employer firms in 2003 consists of 11,479 enterprises (i.e. 4 324 + 7 155).

# Denominator

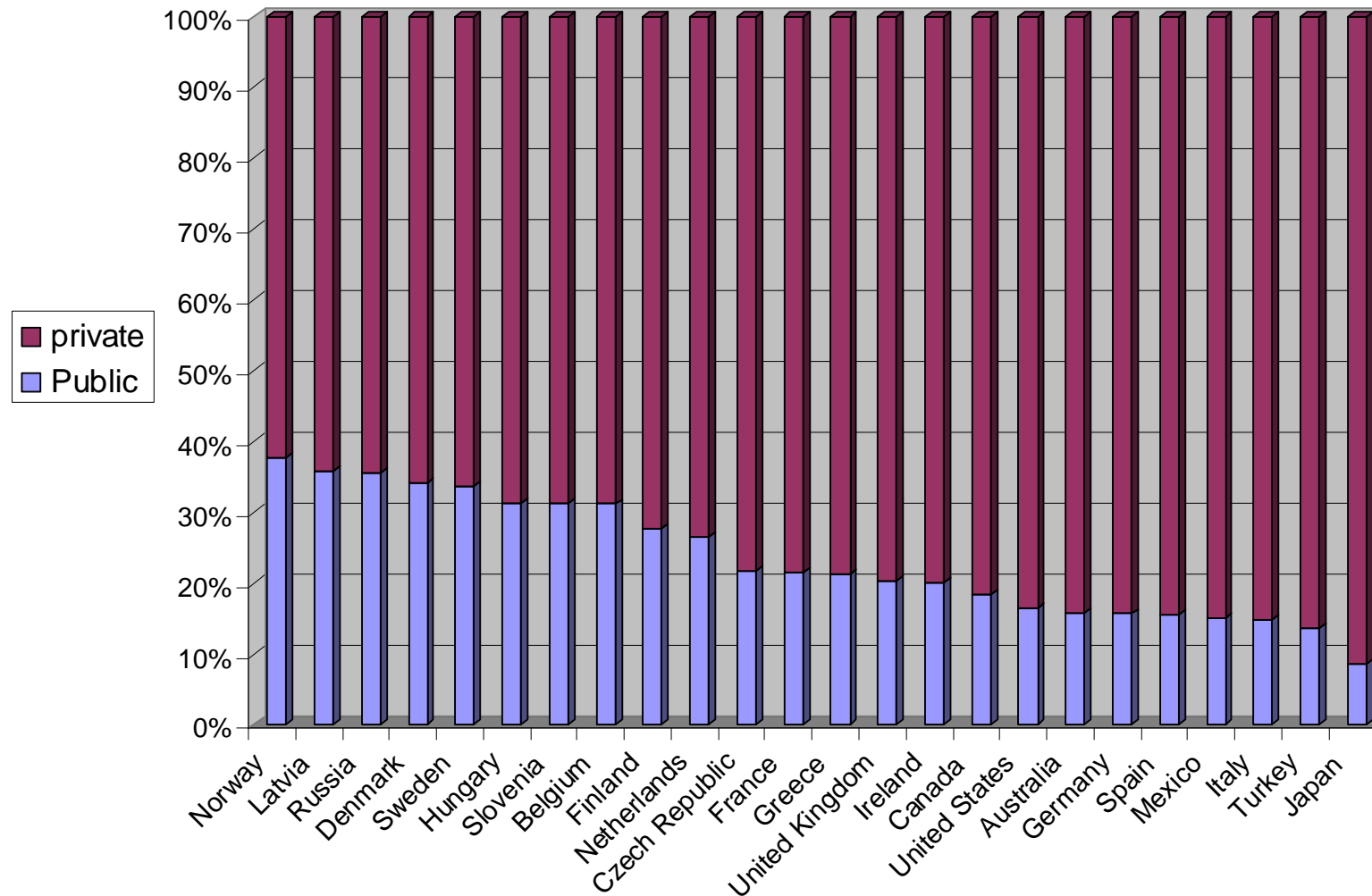
# TEA

## The denominator

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- Individuals, between the ages of 18 and 64 years.
- But is that the relevant measure?
- The size of the public sector varies a lot between countries?

# Share of working workforce in public and private sector - <http://laborsta.ilo.org/>



# TEA

## The denominator

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- We want generation of growth through Schumpeterian entrepreneurship.
- Therefore, the denominator should perhaps be equal to number of individuals working in the private sector.

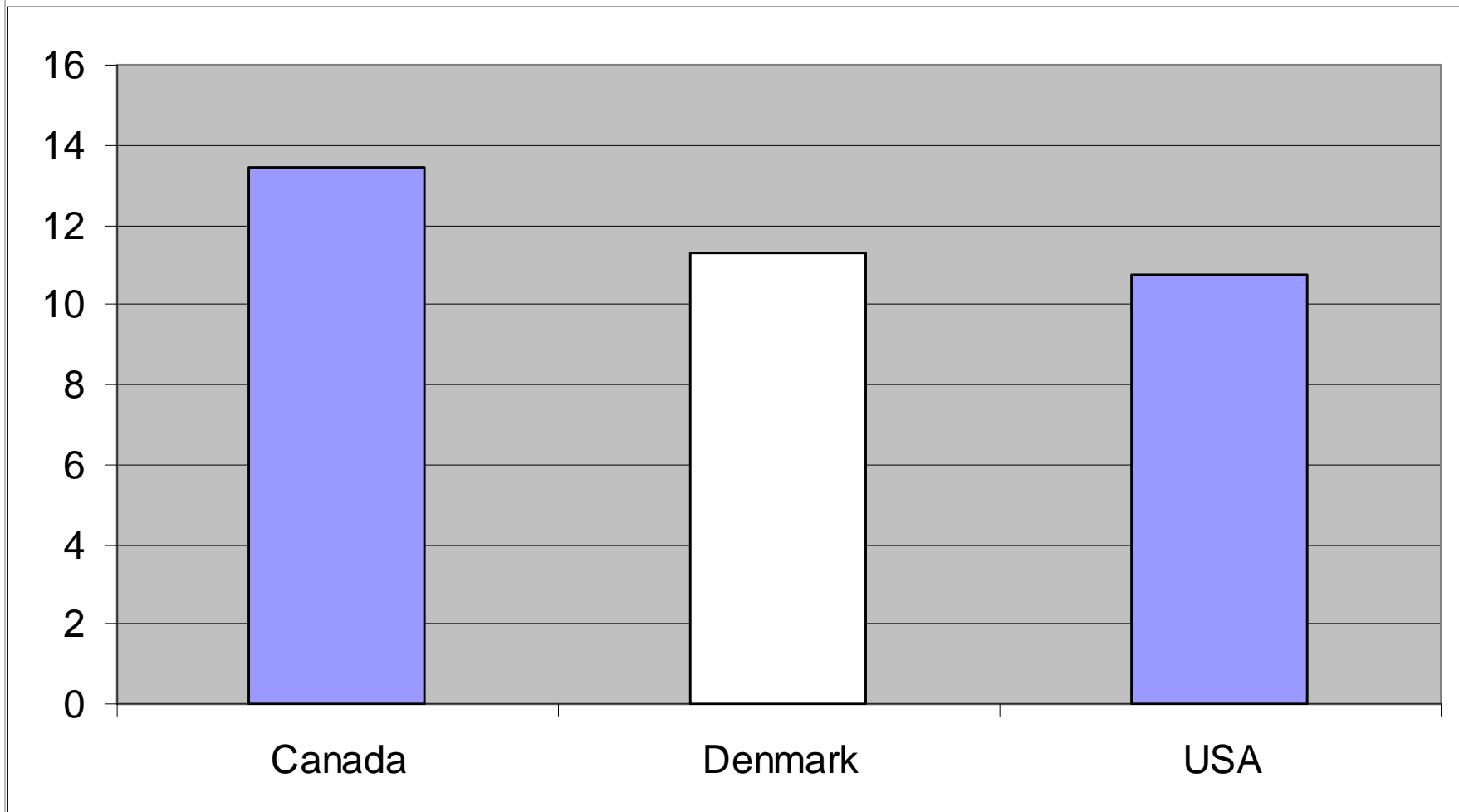
## Entry of new firms

### The denominator

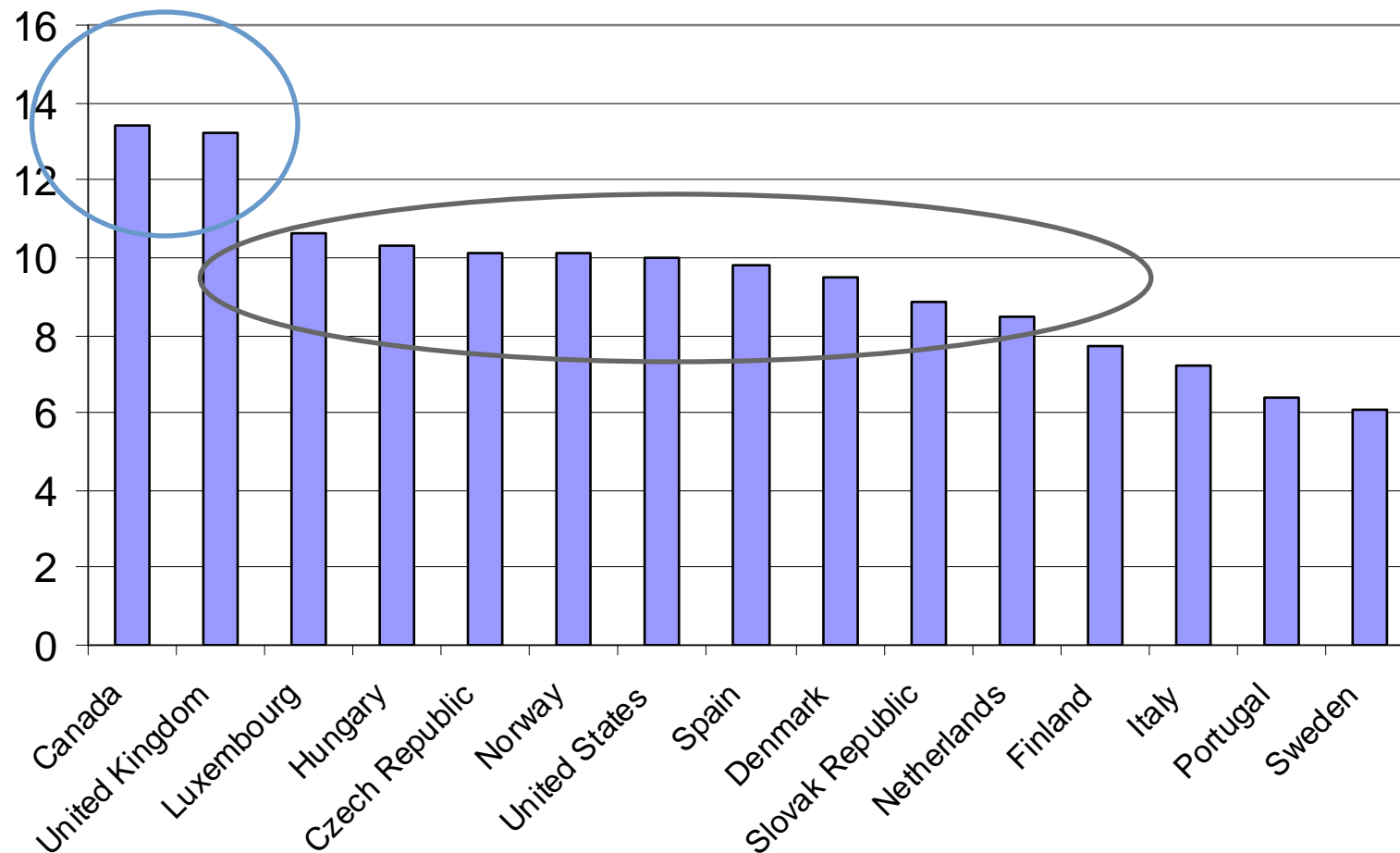
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- Generation of growth through Schumpeterian entrepreneurship.
  - Therefore, the denominator is equal to the stock of existing firms alive at any point during the year
- Alternatively, the number of people in the workforce or population could be used

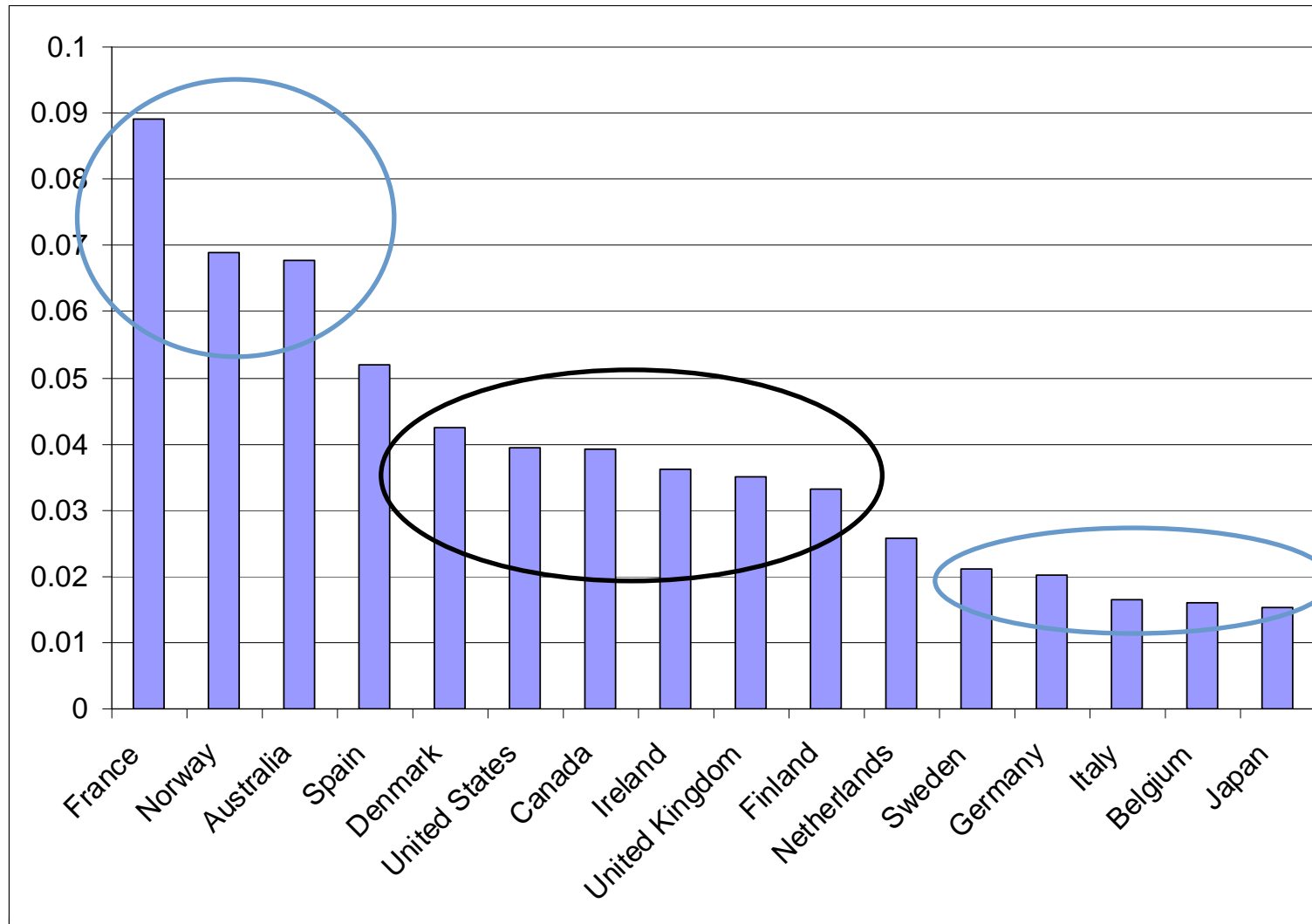
## Start-up rates corrected for differences in method of collecting the data



## Start-up rates



## New business owners – corrected for differences in the size of the private sector



## Entry of new firms

### Conclusion:

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- The presented data from both GEM and start-up rates suggest that EU countries in general *do not* have a start-up problem compared to the US.
- The available data does consequently NOT support any policies aimed at boosting start-up in most European countries!