



HELPING NEW START-UPS TO SURVIVE THE FIRST YEARS

Start-up grant

Information review: October 2015

FINLAND

After the 1990's recession in Finland it was felt that labour market policy measures carried out by public institutions were ineffective. Conversely, the measures undertaken by the private sector were considered effective. At the same time, there was a strong structural change in the enterprise sector. There was a need to achieve better ALMP results generally and to support structural developments and changes in the small enterprise sector. The national monitoring data showed that the start-up grant was the most effective ALMP measure in Finland when measuring the number of job seekers entering the open labour market 3 and 6 months after exiting the measure. The grant was slightly more important for unemployed entrepreneurs than for the other groups. The findings indicate that in addition to direct employment, indirect employment effects are relatively high as well.

Name of the PES	Ministry of Employment and the Economy Työ- ja elinkeinoministeriö
When was the practice implemented?	1984 – on-going
Which organisation was involved in its implementation?	<ul style="list-style-type: none"> ▶ Private and public counselling services support the beneficiaries in business management and issues on establishing an enterprise. ▶ Private and public vocational training institutions provide ad-hoc professional training.
Which social groups were targeted by the practice?	<ul style="list-style-type: none"> ▶ All unemployed ▶ Employed (threatened by redundancy) <p>Unemployed jobseekers willing to start an enterprise, other people without funding willing to start enterprise, start-up grant funded enterprises.</p>
What were the practice's main objectives?	The start-up grant is a financial subsidy given to jobseekers or other clients of a local Employment and Economic Development Office (TE office, PES) who are willing to establish an enterprise. The idea is to help the newly established enterprise to survive after the start-up phase. It is also possible to combine business training with starting up the enterprise. The desired outcome is that the new enterprise survives and employs additional employees besides its founder.
What activities were carried out?	<p>The local TE office assesses whether the applicant is capable of founding an enterprise and if he/she needs financial support. The TE office also analyses the local enterprise market and determines whether there is room for the new enterprise.</p> <p>After a positive evaluation, the TE office awards the start-up grant. Usually the start-up grant is awarded for two six-month periods; after the first period, the grant can be reassessed. An extra six months (maximum 18 months) may be awarded in special cases. The average start-up grant was EUR 650 per month in 2011.</p>
What resources and other relevant organisational aspects were involved?	The start-up grant is managed by local TE offices, under the Ministry of Employment and the Economy. It is a part of their basic operations and is handled by ordinary civil servants. There are 15 offices across Finland.
Source(s) of funding	National budget (tax revenue) European Regional Development Fund (ERDF)
What were the outputs of the practice: people reached and products?	<p>People reached: At the time of evaluation in 2007, 87 % of the firms founded in 2005–2006 were in operation, compared to all firms founded in Finland whose survival rate was slightly over 60 %.</p> <p>Products: N/A</p>

What outcomes have been identified?

The survival rates of start-up firms were higher than firms in general during their first two years. In addition to relatively high survival, the share of the start-up firms among all new enterprises founded yearly in Finland was 41 %. The start-up grant is seen as a remarkable tool when switching from unemployment or paid employment to independent entrepreneurship. The percentages of people entering the open labour market after the grant period were 72.5 % (3 months) and 72.2 % (6 months).

What are the lessons learnt and success factors?

There are some discrepancies in the start-up system. Three out of four applicants, who did not receive a grant subsequently, established their businesses without the support of a grant and with a high survival rate (86 %). Based on entrepreneurs' own opinions, the grant was slightly more important for unemployed entrepreneurs than for the other groups. The findings also indicate that in addition to direct employment, indirect employment effects are relatively high as well. Longitudinal analysis has shown that an extended grant period, a longer reconsideration period before establishing a business and early phase expert and consultancy services should enhance the results of the practice.

More information on the practice

http://ec.europa.eu/employment_social/empl_portal/weesp/FI-1.pdf



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