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DG Employment, Social Affairs and Inclusion

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Evolution of the self-employment active labour market policy measure

Peer Review on
"Entrepreneurship training for the unemployed:
the Austrian Entrepreneurship Lab example"
Austria, 24-25 October 2019

EUROPEAN COMMISSION

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Peer Review on "Entrepreneurship training for the unemployed: the Austrian Entrepreneurship Lab example" - Peer Country Comments Paper

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1 Introduction

This paper has been prepared for the Peer Review on "Entrepreneurship training for the unemployed: the Austrian Entrepreneurship Lab example" within the framework of the Mutual Learning Programme. It provides a comparative assessment of the policy example of the host country and the situation in Slovenia. For information on the host country policy example, please refer to the Host Country Discussion Paper.

2 Situation in the peer country

Entrepreneurship support has long been a key measure of active labour market policy in Slovenia and start-up incentive programs were one of the largest in terms of funding used during the 2008-2014 economic crisis. Entrepreneurship training *per se* was never an autonomous program; it was and still is coupled with self-employment subsidies.

The measure implemented between 2007 and 2014 was called *Spodbujanje samozaposlovanja* (Promoting Self-Employment) and consisted of two programs: Preparation for self-employment and Subsidies for self-employment. The measure was implemented by the Employment Service of Slovenia (ESS) and, from 2004 onwards, the measure received co-financing from the European Social Fund (ESF).

Both programs were discontinued in 2014 due to lack of funding and concerns that many of the program's participants ended in precarious situations earning very low income (OECD, 2016, p. 114). This was to a great concern to trade unions¹ who have been drawing attention to the precarious nature of self-employed (Širok et al., 2017). The critics argued that Promoting Self-Employment reduced unemployment in the short term, but self-employed are responsible for fully paying their own social security contributions, which in turn brings a higher risk of returning to unemployment and falling below the poverty threshold (Kanjuo-Mrčela and Ignjatović, 2015, p. 368).

Starting in 2016, Promoting Self-Employment measure was scaled down and re-focused on specific target groups set by the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MoLFSA): unemployed youth and unemployed woman with tertiary education. The two programs developed in this process are called the *Spodbude za zaposlitev mladih – Spodbude za mlade podjetnike* (Let's employ young) (2018-2020) and the *Spodbujanje ženskega podjetništva* (Promotion of Women Entrepreneurship program) (2016-2019).

The interest of MoLFSA in start-up incentives and entrepreneurship training has decreased after 2013 due to concerns over the precarious situation of self-employed and in the context of the 'For Decent Work' initiative. Precariousness is a particularly strong concern regarding self-employed in certain professions and industries like translators, journalists, the construction sector and the insurance sector. The topic has been and still is a – although currently dormant – political topic and high on trade unions' agenda. However, with the new government and the forthcoming 2021-2027 multiannual financial framework, the interest of MoLFSA in start-up incentive measures has been restored.

Entrepreneurship training constantly evolved since 2007. New content has been added and the conditions and procedures have been adapted according to the expressed needs of participants and the training providers and modern entrepreneurship training and/or education programmes. Promoting Self-Employment indirectly incorporated modern business models, though not as independent, explicitly outlined elements as it was the case in host country program. The legal framework for the programme on the other hand did not specifically adapt to the new business models and new forms of work.

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¹ Especially the Movement for Decent Work and Welfare Society (Gibanje za dostojno delo in socialno družbo) and Trade union of the Precarious (Sindikat prekarcev).

3 National policies and measures

The key program related to the entrepreneurship training in Slovenia up to 2014 was Promoting Self-Employment. In 2014, this program was discontinued and later reintroduced in form of the scaled down and more targeted Young Entrepreneurs program and the Promotion of Women Entrepreneurship program.

All three mentioned programs follow similar format. They are comprised of entrepreneurship training and a start-up subsidy whereby participation in the training is prerequisite for receiving the subsidy. Entrepreneurship trainings consist of workshops in different forms and formats on entrepreneurship and business and business idea assessment. After successfully completing the training program, participants can take part in the self-employment subsidy program which provides them grants to realize their business ideas.

All three programs are implemented at national level and are not limited to a specific sector of the economy². The MoLFSA is the intermediate body in charge of active employment policy design and management, the training providers are external (beneficiaries) and subsidies are distributed by the ESS. The legal basis for the implementation of all start-up programs is the ALMP Catalogue (Zavod RS za zaposlovanje, 2014). Since 2004, all the programs within the measure of Promoting self-employment measure are financed by both the European Social Fund and national budget.

The Young Entrepreneurs program was launched in March 2018 and will end in June 2020 (Tehnološki Park Ljubljana, n.d.). Promotion of Women Entrepreneurship was launched in 2016 by SPIRIT Slovenia agency together with the ESS and MoLFSA and ended in 2018 (Zavod RS za zaposlovanje, n.d.).

The aim of the Promoting Self-Employment program was to promote self-employment among unemployed persons and those in the process of losing their jobs who wish to pursue an entrepreneurial idea and find self-employment. The objective of the self-employment subsidy program was to maintain continuous self-employment for a period of at least two (2) years³. Both programs thus encourage entrepreneurship, sustainable job creation and creation of new job opportunities.

The aim of the Promotion of Women Entrepreneurship program was to prepare and equip unemployed women with tertiary education with the necessary knowledge, information and contacts for a new entrepreneurial path and to inform them about all measures and incentives available in the business environment ("Subvencija za samozaposlitev," 2018).

The Young Entrepreneurs project is committed to promoting entrepreneurial activity among young unemployed people and to enabling them to acquire comprehensive and practice-oriented knowledge to successfully start their own business. Beneficiaries are young people younger than 29 years who are registered at the ESS.

The target populations of all mentioned programmes were reached either through established institutional networks of involved institutions and/or advertised through established media channels.

3.1 Promoting Self-Employment

Between 2008-2009, the program was implemented in the form of a two-day entrepreneurship workshop (in total 12 hours in 2008 and 16 hours in 2009) conducted by external training providers selected in public procurement.

² With the exception of the agriculture, fishery and forestry.

³ Except in 2010 when the contractual obligation to maintain self-employment was reduced to a period of at least one (1) year

In 2010, the training curriculum was divided into two phases. In the first phase, the business ideas of the participants were assessed by training providers. If participants passed the assessment, they attended a three-day workshop lasting 24 hours in total. The curriculum change was based upon the participants' and training providers' feedback, finding that the two-day format was insufficient for a comprehensive presentation of the Slovenian business environment.

In other words, participants had to obtain an approval on the feasibility of their business idea from outside and independent experts before joining the workshop and before being able to receive a self-employment subsidy. In the second half of 2013, the two-phase curriculum was changed back to one phase and expanded to a five-day workshop. Four days of the workshop were carried out as a group training (in total of 22 hours). On the fifth workshop day, individual presentations and assessments of business ideas with an estimated time of at least 25 minutes per candidate were carried out (Zavod RS za zaposlovanje, 2014, p. 6).

Between 2008 and 2013, the content of the workshops was regularly updated and expanded, adjusting to the situation on the labour market. The final iteration of the training curriculum consisted of 79 hours of instructions and was composed of the following modules: (1) basics of entrepreneurship, (2) financing a company, (3) sales, marketing and presentations – module 2 and preparation of business plan, (5) business plan presentation (Zavod RS za zaposlovanje, 2014, p. 6). Standards for the number of participants where slightly changing throughout the implementation period and ranged from a maximum of 22 to a minimum of 10 participants. Those participants who were unemployed were entitled to a transport allowance (Zavod RS za zaposlovanje, 2014, p. 8).

To successfully complete this training, a 90 % attendance rate was required. After successfully completing training, the participant could decide to establish a new business. In order to obtain a self-employment subsidy, the participant needed a signed employment plan⁴ at the ESS and, within 30 days after the plan was approved, a new business entity had to be established which employed the participant.

The ESS then concluded a tripartite contract with the person involved and its business entity (Zavod RS za zaposlovanje, 2014, p. 9). The subsidy was intended to cover the costs incurred by the self-employed person for compulsory social security contributions and wages. The amount of the subsidy varied throughout program implementation period from EUR 2 100 in 2007 to EUR 4 500 from 2008 to first half of 2013 and EUR 5 000 for the second half of 2013. Self-employed subsidies could be spent largely at the discretion of the recipients (Zavod RS za zaposlovanje, 2014, p. 10).

3.2 Promotion of Women Entrepreneurship

After completing a two-month 100-hour training course provided by the Chamber of Commerce and Industry of Slovenia, the participants received a certificate which enabled them to obtain a self-employment subsidy at the ESS. Fifteen workshops were organised in five Slovenian cities and 18 experienced mentors and entrepreneurs were available for individual mentoring.

Eligible for the subsidies were women who: (1) had attained at least a college degree (i.e. VI or higher education level), (2) had been registered as unemployed for at least 3 months before joining entrepreneurship training, (3) had received a certificate of successful completion entrepreneurial training, (4) had an interesting business idea, (5)

⁴ According to the Article 113 of the Labour Market Regulation Act, an employment plan shall mean an agreement in writing between an unemployed person and the Employment Service or another implementer of measures, in which they jointly: (1) define the employment objectives; (2) define the time schedule for the unemployed person's activities required for job seeking and participation in AEP measures in order to secure a job as soon as possible; (3) define the job seeking area (Labour Market Regulation Act (ZUTD) 2010).

had a defined entrepreneurial idea in their employment plan and (6) had a realistic chance of realizing full-time self-employment in their own newly established company.

Within 90 days of the training certificate being issued, participants had to enter into self-employment following an employment plan, and then within 8 days submit an application for a subsidy of EUR 5 000, which was expected to be paid within 30 days of the payment request. Self-employment had to be retained for at least 24 months otherwise the funds had to be returned (Subvencija za samozaposlitev, 2018).

3.3 Let's employ young

Young people participating in the program Let's employ you need to first successfully complete the entrepreneurship training program called Young entrepreneur (90 % attendance required) and obtain a certified entrepreneurial plan within the program. In the next step, they need to full-time self-employ in a newly established company. Upon receiving the subsidy, the participants need to remain self-employed for at least 12 months or they have to return the funds.

The first phase of entrepreneurship training consists of 12 workshops lasting a total of 86 hours, divided into five main modules. The workshops cover lessons on the entrepreneurial environment, formulating entrepreneurial ideas, entrepreneurial processes, key tools and elements for creating a good business plan. Participants also get acquainted with the basics of accounting, legal and administrative aspects of business, (online) marketing, ways to get a new business on the market and examples of good business practices in the region.

The second phase consists of 20 hours of individual mentoring, where participants are mentored when preparing a business and financial plan. They are associated with the mentor at the beginning of the training and have two months to prepare the business and financial plan. The third phase involves four hours of one-on-one individual counselling available to young entrepreneurs one year after opening their own businesses. Counselling in this phase is available in various areas including business model design, accounting, finance, sales and marketing, tender assistance, etc. (Tehnološki Park Ljubljana, 2019).

4 Assessment of success factors and transferability

4.1 Promoting Self-Employment

The Promoting Self-Employment measure has had a positive impact on the labour market, especially in the self-employment segment, also with lasting economic effects on the development of entrepreneurship in Slovenia. From 2007 to 2013, 30 798 persons enrolled in Promoting the Self-Employment of which 23 517 persons received start-up subsidies (76.53 %). Among them, there were slightly more men than women. The average age of recipients of the subsidy was 36.9 years. Most had secondary education (60.5 % recipients, 60.3 % non-recipients).

The number of newly created gross jobs exceeded the planned number by 1 217 or 5.5 % and the gross number of jobs created 12 months after the end of the contractual obligation exceed the planned value by 6 605 or 94.4 %. The overall success rate measured by the share of subsidy recipients who fulfilled all their contractual obligations was 88.7 %. It is believed that during the recession it was more difficult to implement a business idea. Thus the 88.7 % success rate was regarded as high (Žvokelj Jazbinšek et al., 2017).

The survey data on stratified sample of 345 participants shows the importance of the business idea assessment for later entrepreneurial success. Of those receiving the subsidy, whose business idea was assessed, 72 % are still engaged in entrepreneurship, compared to only 60 % among those whose business idea was not assessed. In the case of non-recipients, about half were not included in the assessment of the business idea,

and the success rate between the two groups is almost equal, at about 25 %. However, something different turned out for non-recipients: among those whose business idea was assessed, there are more employed than unemployed (Žvokelj Jazbinšek et al., 2017).

The evaluation also uncovered that participation in the entrepreneurship workshop had a positive effect on entrepreneurial success. More than 92 % of subsidy recipients participated in the workshop and 70 % of them remained entrepreneurs until 2017. Only 5 % of the subsidy recipients were not included in the workshops and 75 % of them are still entrepreneurs⁵. For non-recipients of subsidy, the proportion of those who participated in the workshop and are still entrepreneurs is just under 36 %, and in the other group that was not at the workshop, only 23 %. This indicates a positive effect of the workshop participation on the survival rate of the established companies. Therefore, it can be argued that Promoting Self-Employment was most effective for persons involved in both the assessment of the business idea and the workshop, and that involvement in these activities also had a positive effect on persons who did not receive a subsidy (Žvokelj Jazbinšek et al., 2017).

A positive and surprising finding of the evaluation is that the program also helped the unemployed who had no prior entrepreneurial experience nor a positive attitude towards their entrepreneurial skills or entrepreneurship in general (Žvokelj Jazbinšek et al., 2017).

In some years, the program accounted for more than a quarter of all new self-employment. About two-thirds of the subsidized entrepreneurs still operate today and many do significantly better than they did in the year of incorporation. The post-participation employment rates of participants of the program were high with 67 % of entrepreneurs who were self-employed in 2012 being still self-employed in January 2015. This means that the measure was sufficiently large and effective to have a significant impact on the labour market during the economic crisis and to contribute to a smaller drop in total employment in the private sector of the economy. The positive impact of the measure was not only short-term because the entrepreneurial activity of the participants of the measure is maintained even after the co-financing of their activity through subsidy (OECD, 2016, p. 141).

The estimated extent of false self-employment, i.e. situations where an unemployed person has opted for self-employment primarily in order to retain work and get access to the subsidy, is relatively low (between 11 and 16.5 % of all recipients of the subsidy) and probably no higher than the frequency of this phenomenon among all the self-employed, especially in times of economic crisis (Žvokelj Jazbinšek et al., 2017).

4.2 Promotion of Women Entrepreneurship

This program is also believed to have been very successful. From 2016 onwards, 1 351 unemployed women with tertiary education have enrolled in the entrepreneurship-training program, of which 1 006 have self-employed through the ESS subsidy until November 2018. Most of them continued to be self-employment for more than the two-year period. 78 persons, or 7.9 % of participants, left the program early due to unforeseen circumstances or because of changed market conditions (Zavod RS za zaposlovanje, n.d.).

4.3 Let's employ young

Recent data on the Let's employ young program also shows that the program was very successful. 540 participants enrolled the training (from the initial target of 500 participants) and 505 of those completed the training, got their business idea approved and obtained the subsidy for employment (drop-out rate of 6%) (Zavod RS za

⁵ Officially, every subsidy recipient had to go through entrepreneurship training. However, due to initial problems with organization of the training, there is a small group of participants (358), who got the subsidy, but have not had the training. The 3 percentage points difference is due to invalid survey answers.

zaposlovanje (b), n.d). The data on entrepreneur training for Western cohesion region of Slovenia shows, that in total, 19 training courses were conducted. Each training session included 15-20 participants. A total of 228 workshops were carried out with almost 19 600 lecture hours. Nearly 7 000 individual tutoring and counselling hours were conducted. 51 lecturers and mentors participated in the program (Tehnološki Park Ljubljana, 2019).

4.4 Overall assessment

There is some debate regarding the effectiveness of the Promoting Self-Employment measure. As an anti-crisis measure, it was certainly effective. However, a more in-depth evaluation is required to see whether this measure contributed to the precarisation of work – especially of self-employed. The successors of this program are much smaller in scope have certainly generated interest among the target groups. All three programmes have also been successful in terms of exits from unemployment and the establishment of sustainable self-employment.

According to the anecdotal evidence, the problem of precarious work exists in certain sectors like the insurance industry, journalism, among translators and in real estate. Field visits and monitoring from the ESS suggest that the contribution of the measure to the precarisation of the Slovenian workforce might be exaggerated. However, taking into consideration the host country case, it is evident that self-sustained businesses are not necessarily high added value businesses. To what extent the presented programmes generated jobs and workplaces that are more than merely self-sustained businesses remains to be seen.

According to interviewees, reports and evaluations, there are some lessons learned. First, conditioning the start-up subsidy on the successful participation in the entrepreneurship training and the independent evaluation of the business idea were important changes to the measure. Second, when certain content appeared to be lacking, changes to curriculum were introduced. Third, the introduction and mentoring of renowned entrepreneurs with the Young Entrepreneurs proved to be beneficial to participants on many levels (higher motivation of participants, improved public image of the program). Forth, ESS follow-ups detected that many newly established businesses are now already employing a new workforce or are hiring. Fifth, the problem of taxation which was already evident during the Promoting the Self-Employment measure, remains. Sixth, the controversy of precariousness remains unresolved and is still present on political agenda, although dormant at the time. Seventh, the change to provide program participants with individualized counselling after they have established their business also seems to be promising.

The organizations involved in carrying out the Promoting Self-Employment measure are in favour of continuing it, with the exception of the MoLFSA, which is well aware of trade unions' opposition.

5 Questions

- What are other innovative practices on how to attract companies to engage in business relations within measures promoting the self-employment?
- How to activate long-term unemployed to participate in these measures?
- What are other systemic solutions (integration in LLL, national qualifications, talent centres, etc.) that could be linked to the self-employment promotion measures and – also – financed from the ESF in 2021-2027 Multiannual financial framework?
- How can the possible threat of generation self-employed precarious workers be avoided, especially within large-scale general interventions? Can this be done at all?

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Annex 1 Summary table

The main points covered by the paper are summarised below.

Situation in the peer country

- Entrepreneurship support has long been a key measure of active labour market policy in Slovenia and start-up incentive programs were one of the largest in terms of funding used during the 2008-2014 economic crisis.
- Entrepreneurship training per se was never an autonomous ALMP; it was and still is coupled with self-employment subsidies.
- The main programme implemented between 2007 and 2014 was called Spodbujanje samozaposlovanja (Promoting Self-Employment) coupled with Self-employment subsidy.
- In 2016, Promoting Self-Employment measure was scaled down and re-focused on specific target. The two programs developed in this process are called the Mladi podjetniki (Young Entrepreneurs program) (2018-2020) and the Spodbujanje ženskega podjetništva (Promotion of Women Entrepreneurship program) (2016-2019).
- The interest of MoLFSA in start-up incentives and entrepreneurship training has decreased after 2013 due to concerns over the precarious situation of selfemployed. However, with the new government and the forthcoming 2021-2027 multiannual financial framework, the interest of MoLFSA in start-up incentive measures has been restored.

Assessment of the policy measure

- The Promoting Self-Employment measure has had a positive impact on the labour market, especially in the self-employment segment, also with lasting economic effects on the development of entrepreneurship in Slovenia.
- The evaluation of the Promoting Self-Employment measure showed the importance of the entrepreneurship training and the business idea assessment for later entrepreneurial success.
- Although without conclusive evidence on the effectiveness, the Promotion of Women Entrepreneurship and The Young Entrepreneurs also seem to be effective and popular among the target groups.
- A more in-depth evaluation is required to see whether the Promoting Self-Employment active employment policy measure has been contributing to the precarisation of work – especially of self-employed.

Assessment of success factors and transferability

- How to gear the measure more towards "Work 4.0" and highly value added work and businesses.
- Integration of social network capital build-up into the Promoting Self-Employment measure in Slovenia.
- Pre-selection of participants or/and strict business idea assessment.

Questions

• What are other innovative practices on how to attract companies to engage in business relations within measures promoting the self-employment?

- How to activate long-term unemployed to participate in these measures?
- What are other systemic solutions (integration in LLL, national qualifications, talent centres, etc.) that could be linked to the self-employment promotion measures and also financed from the ESF in the next financial perspective?
- How can the possible threat of generation self-employed precarious workers be avoided, especially within large scale general interventions? Can this be done at all?

Annex 2 Example of relevant practice

Name of the practice:	The Young Entrepreneurs
Year of implementation:	March 2018 - June 2020
Coordinating authority:	Ministry of Labour, Family, Social Affairs and Equal Opportunities
Objectives:	To promote entrepreneurial activity among young unemployed people and to enabling them to acquire comprehensive and practice-oriented knowledge to successfully start their own business. Beneficiaries are young people younger than 29 years who are registered at the ESS.
Main activities:	Young people participating in the program need to first successfully complete the entrepreneurship training program (90% attendance required) and obtain a certified entrepreneurial plan within the program. In the next step, they need to full-time self-employ in a newly established company. Upon receiving the subsidy, the participants need to remain self-employed for at least 12 months or they have to return the funds.
	The first phase of entrepreneurship training consists of 12 workshops lasting a total of 86 hours, divided into 5 main modules. The workshops cover lessons on the entrepreneurial environment, on formulating entrepreneurial ideas, entrepreneurial processes, key tools and elements for creating a good business plan. Participants also get acquainted with the basics of accounting, legal and administrative aspects of business, (online) marketing, ways to get a new business on the market and examples of good business practices in the region.
	The second phase consists of 20 hours of individual mentoring, where participants are mentored when preparing a business and financial plan. They are associated with the mentor at the beginning of the training and have two months to prepare the business and financial plan. The third phase involves four hours of one-on-one individual counselling available to young entrepreneurs one year after opening their own businesses. Counselling in this phase is available in various areas including business model design, accounting, finance, sales and marketing, tender assistance, etc.
Results so far:	In 2018, 253 out of 269 participants enrolled in the training successfully received their certificate. In 2019, 47 more participated successfully which means that the total number of certificates awarded is 300 or 94.6 % of all participants. Of the 300 established companies, 172 were established by young male entrepreneurs and 128 by young female entrepreneurs. In total, 19 training courses were conducted. Each training session included 15-20 participants. A total of 228 workshops were carried out with almost 19 600 lecture hours. Nearly 7 000 individual

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mentors participated in the program.

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