

Invitalia's Entrepreneurship Support for the Unemployed, Italy

This cases study presents an example of an integrated support programme for unemployed people who are interested in starting a business. The case study discusses the objectives, rationale and activities undertaken. It also presents data to demonstrate the impact that the scheme has had. Challenges faced are discussed and the conditions for transferring this scheme to another context are discussed.

Objectives

The objective of Invitalia's Entrepreneurship Support for the Unemployed measure is to ensure that all unemployed people have the opportunity to enter entrepreneurship. Unemployed youth are given priority access and additional support and incentives. Priority access is also given to start-ups by the unemployed in Italy's southern regions where unemployment rates remain much higher than central and northern regions.

The programme seeks to support unemployed people to enter entrepreneurship through three routes: self-employment, starting micro-businesses and franchising. Start-up entrepreneurs from the unemployed are eligible for support in the following sectors: manufacturing, services and trade (agriculture is excluded). The objectives of the programme include:

- supporting the unemployed to enter the labour market;
- fostering entrepreneurship development at the local level;
- spreading and promoting a business culture;
- enhancing beneficiaries' skills to improve their employability; and
- promoting the development of an entrepreneurial infrastructure.

More broadly, the programme aims to build a local supportive entrepreneurial culture (Invitalia, 2014). For start-up entrepreneurs to be successful, a supportive infrastructure is required to underpin entrepreneurial development, such as a network of contacts that can provide advice, information, finance and other resources.

Rationale

The rationale for the measure is drawn from two areas. First, the generic principle of start-up entrepreneurship support to address unemployment. Policies to support the unemployed to enter entrepreneurship have aroused some controversy. For example, some writers suggest that such policies have resulted in low-quality start-ups (Greene et al., 2004). However, empirical evidence from a survey of over 3 000 start-up entrepreneurs, from 2 programmes of assistance for the unemployed in Germany to start a new business,

found that survival rates were considerably higher than those that are commonly cited: "Survival rates 2.5 years after business founding are quite high (around 70%) and similar for both programmes and across gender" (Caliendo et al., 2010).

Second, there was (and continues to be) a need in Italy to create more jobs and move unemployed people back into work. The Italian economy has seen increasingly high rates of unemployment since the recent economic crisis, reaching an all-time high figure of 13.4% in November 2014 (ISTAT, 2015). Italy's national unemployment rate reached 12.1% in 2015 Q2. However, this national average figure hides a particularly high rate of youth unemployment (15-24 years old) of 41.1% in 2015 Q2. The national average also hides considerable diversity in regional unemployment rates with southern regions having unemployment rates that are up to 6 to 7 percentage points higher than equivalent regions in the north. The highest unemployment rates are in the regions of Sicily, Sardinia and Campania with Sicily's unemployment rate reported at 22% in February 2014 (ISTAT, 2015).

Activities

Invitalia is Italy's national agency charged with the goal of improving Italy's competitiveness, including strategic sectors, with an emphasis on the improvement of economic development in Italy's southern regions. Although Invitalia's remit includes the fostering of foreign direct investments (inward FDI), it is committed to promote Italy's competitive advantage, to boost innovation and local industrial development and to upgrade local competitiveness. To achieve these overall goals of economic development and improved competitiveness, it supports business creation with a particular focus on innovation (Invitalia, 2014). Given the national context of high youth unemployment, and regional disparities in economic development, Invitalia's entrepreneurship programmes are largely designed to support the following disadvantaged groups in entrepreneurship: young people up to the age of 35 years, unemployed people and people from low-income regions in the South of Italy.

Invitalia offers a range of programmes to support businesses and economic development, including established growth and mature businesses. The focus of this case example is on Invitalia's entrepreneurship programme for the unemployed, known as the self-employment measure. It is targeted at supporting the unemployed to enter self-employment and the creation of micro start-up businesses, including new franchises. The features of the programme include financial support via "free" micro loans, training, advice and information as well as one-to-one mentoring support.

The programme was introduced in November 1996 and continues to operate today. Eligible people are those who were at least 18 years old and unemployed for at least 6 months. Financial incentives included grant support of up to EUR 25 823 for expenditure on investment and up to EUR 5 165 for expenditure on working capital. Later from 2000, the unemployed criterion was relaxed so that the measure could apply to all unemployed (at the time of individual application to the programme) and the measure was extended to all regions of Italy. Support under the programme was extended to measures for micro-enterprise and for franchises.

With Invitalia's entrepreneurship programme for the unemployed, the focus of support is on the initial year of the start-up business where there is the greatest risk of

failure. During this critical year of start-up an intensive level of services is offered for up to 1 year, including:

- assessment of the viability of the business proposal, pre-start-up, working with the potential entrepreneur through a needs assessment;
- assistance to the aspiring entrepreneur with the application process to join the programme pre-start-up;
- the disbursement of financial incentives through grants or zero-interest loans;
- managerial training, including mentoring, coaching and technical assistance;
- one-to-one mentoring, which allows the development of personal relationships with start-up entrepreneurs; and
- online support, which provides for the greater outreach of the programme in more rural and remote regions. Invitalia has a specific online support portal: www.autoimpiego.invitalia.it.

Monitoring of the programme is undertaken by Invitalia, including the compliance of beneficiaries with the requirements of financial assistance, such as monitoring of survival rates, repayment of loans and attendance at training sessions.

Activities and assistance include management training, technical assistance and financial support. It should be remembered that not everyone is suited to enter entrepreneurship by becoming self-employed (Blackburn and Ram, 2006) and an additional goal of the programme is to enhance beneficiaries' skills so that unemployed people improve their job prospects in the Italian labour market. Table 13.1 describes the support provided in more detail and provides a comparison between the activities in the 3 measures or categories: self-employment, micro-enterprise and franchising.

Table 13.1. **Invitalia's entrepreneurship support activities for the unemployed**

	Self-employment	Micro-enterprise	Franchising
Sectors	Manufacturing, services and trade	Manufacturing and services	Trade and services
Max amount of investment	EUR 25 823	EUR 129 114	No limit
Financial support (to 2014)	Full coverage of investment, within the " <i>de minimis</i> " limit: – grant – 5 year soft loan Grant covering 1st year operating costs up to EUR 5 165	Full coverage of investment, within the " <i>de minimis</i> " limit: – grant – 5 year soft loan Grant covering 1st year operating costs up to EUR 5 165	Full coverage of investment, within the " <i>de minimis</i> " limit: – grant – 5-10 year soft loan Grant covering operating costs for the first 3 years
Activities	Business planning Technical and managerial assistance	Business planning Technical and managerial assistance	Business planning Technical and managerial assistance

Source: Invitalia, 2014.

For the 3 measures, the initial service provision is selected by the pre start-up candidates, which includes the assessment of the viability of the business proposal, working with the entrepreneur through a needs assessment and assistance to the aspiring entrepreneur with the application process to join one of the three measures.

It should be noted that the level of grant support was subject to the European Union *de minimis* limit and that under a revision of the programme, from 2015, grant support was expected to be replaced by a new programme with interest-free loans. Workshops are combined with one-to-one meetings with applicants to assist in the development of their business ideas, business model and business plans.

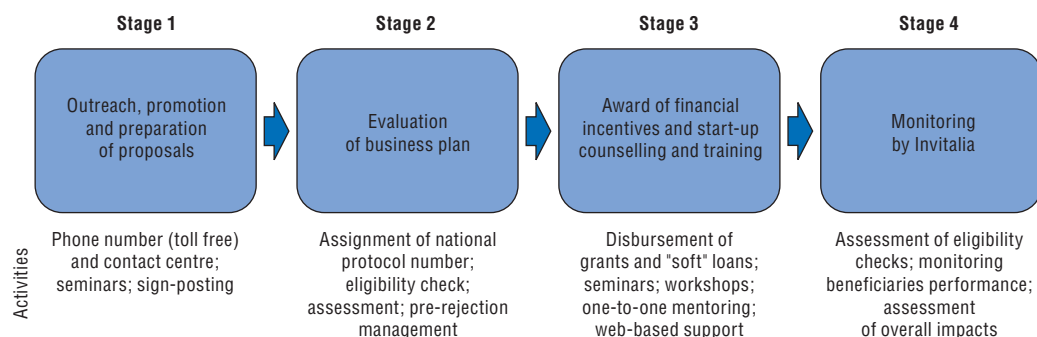
Franchising is run in partnership with accredited franchisors, this measure provides start-up support for individuals to enter entrepreneurship by investing in a franchise. There is no limit on individual investment, but sectors are restricted to trade and services.

Project management

There are distinct stages in the process of application to the programme which are illustrated in Figure 13.1. The first stage involves promotion of the programme including outreach seminars and workshops for applicants. The second stage involves a specific evaluation process for applicants to the programme. Applicants are required to prepare a business plan which is evaluated by Invitalia against a number of criteria including:

- the coherence between the characteristics and competencies of the applicant and the nature of the business proposal;
- the suitability of market conditions; and
- the viability of the proposal, including financial, economic and technical aspects.

Figure 13.1. **Operational process, management and activities of Invitalia's Entrepreneurship Support for the Unemployed Programme**



Source: Invitalia, 2014.

Local partners take care of checking the eligibility of the application, assessing the business plan and meeting with the candidates. These local partners are local development agencies that are in-house to the Italian Regional Administrations. However, the final wrap-up and approval are performed by Invitalia.

Once an applicant is approved by Invitalia, after the evaluation of the business plan, the entrepreneur enters one of the 3 measures (Table 13.1).

Thus in Stage 3, for approved proposals, financial incentives are awarded to beneficiaries, including grants and subsidised loans which are complemented by intensive start-up counselling through one-to-one mentoring, seminars and web-based online support. Invitalia also assesses the impact of the programme by constantly monitoring and gathering information from the enterprises financed (Stage 4). This includes a self-employment website for beneficiaries that provides online support and enables the generation of a self-reported web based system for monitoring (www.Invitalia.autoimpiego.it).

Project financing

The programme's annual budget has been EUR 120 million, on average, depending on the volume of proposals submitted and approved for funding. The budget includes funds

for grants, soft loans and technical assistance. In the last 8 years funding of the programme has been provided by national government and the European Regional Development Fund.

Challenges encountered

The programme has been established for over 17 years and in that time, modifications and changes have been made in the light of challenges encountered, lessons learned and experience gained.

One of the challenges encountered has been a high number of applications throughout the period of time that the programme has operated. The measure is characterised by a wide social target, with no specific priorities such as gender, employment created, or turnover generated and hence the number of applications remained high, even in the post-crisis climate. The number of applications reached an average of 10 000 per year in the period 2008-11 and 5 700 per year in the period 2012-14.* This has stretched resources and the level of support has been limited by the availability of resources. Seminars and workshops have been popular and well-attended. Broadening the programme through the micro-enterprise and the franchising measures has placed additional demands on resources, but has helped to achieve impressive survival rates.

Alongside financial support and training, advice and counselling of applicants through one-to-one mentoring support has proved important for the survival of businesses and contributed to the impressive job creation impacts of the programme.

Partnerships have been important for outreach and promotion of the programme. The programme is managed in co-operation with local development agencies (owned by the Regions) providing technical assistance to the beneficiaries. The promotional activities, tailored to specific needs at local level, are performed together with various local actors, among which are the Italian Chambers of Commerce.

Impact

Table 13.2 provides information on the impacts of the programme from 1996 to 2013.

Table 13.2. Results from the Invitalia's Entrepreneurship Support for the Unemployed Programme, 1996-2013

Criteria	Result
Applications submitted ¹	327 280
New enterprises created	111 124
Value of grants and loans	EUR 4 032.7 million
Allocated funds	EUR 5 299.0 million
Jobs created	193 084

1. Of the applications submitted: 278 062 (85%) were for self-employment; 45 511 (13.9%) were for micro-enterprise and 3 624 (1.1%) were for franchising. The applications for micro-enterprise and franchising are for the period 2003-13.

Source: This information was provided to the OECD by Invitalia in February 2015.

Further breakdown of the characteristics of programme participants is provided in Table 13.3. It can be seen that beneficiaries were predominantly young, under 36 years of

* This information was provided to the OECD by Invitalia in February 2015.

age, relatively well educated, with high school diploma or higher and that a good proportion were females who are well represented on the programme.

Table 13.3. Personal characteristics of individuals on Invitalia's Entrepreneurship Support for the Unemployed Programme

Characteristic	Percentage
Gender	
Male	56
Female	44
Age	
18-25	21
26-35	38
36-45	26
46+	15
Education	
Basic education	26
High school diploma	57
University	17

Source: This information was provided to the OECD by Invitalia in February 2015.

The survival rates after 7 years of businesses created is reported as 75% (Invitalia, 2014), which represents an impressive survival rate for a programme targeted at supporting the unemployed to enter entrepreneurship. As indicated earlier, failure rates during the first year of operation for new business start-ups from people who were previously unemployed are often 33% or more (Greene et al., 2004). Official business failure rate figures can be misleading since they count all business de-registrations, but these are not necessarily all business failures; the entrepreneur may decide to close a viable business in order to re-enter the labour market.

Conditions for transfer

The entrepreneurship self-employment measure is a national programme which operates across all Italian regions. As such, this represents a volume programme. Invitalia has built profile and partnerships to deliver the programme over time. Providing entrepreneurship support programmes for the unemployed entails many challenges, especially in filtering suitable applicants and ensuring the viability of proposals. In considering the transferability of the principles of the programme for policy makers, a number of critical success factors should be kept in mind. These include:

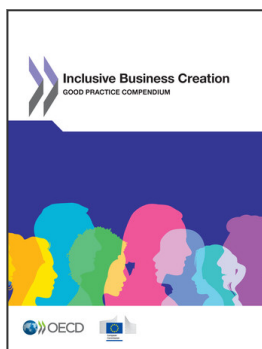
1. *Front-load support.* This provides applicants with assistance in preparing business plans and addressing their business and entrepreneurial skills. It is important to ensure that business proposals match the competencies of applicants on the programme.
2. *Provide a combination of financial and counselling support.* Financial assistance can be important as incentives to applicants to join the programme and come up with viable business ideas. However, this must be complemented by advisory support which is likely to require one-to-one mentoring. Since mentoring support can be costly to provide, it is important to be able to filter applicants on the programme to select those requiring mentoring.
3. *Develop strong partnerships.* Partnerships have been critical for achieving outreach and accessibility for potential candidates from the unemployed thanks to the co-operation

with local development agencies (owned by the Regions). This network has been important in helping to achieve consistency of the delivery of support nationally.

4. *Embrace technology*. The integrated and fully interactive website has been an important development to achieve accessibility for a volume programme. This has allowed Invitalia to be more efficient in the allocation of resources which are devoted to the programme. Applications have increased, yet the programme has still been able to cope with an increased intensity in the number and range of applicants.

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