

3.3 Activating Job-Seekers through Start-up Incentives



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EU surveys indicate that the Maltese population is not particularly entrepreneurial. The educational system has traditionally not focused much on promoting entrepreneurship among students. Lack of funding and excessive bureaucracy hinder budding entrepreneurs. In recent years, a number of actions have been taken to improve the situation by reducing bureaucracy, increasing the availability of training and financial and technical assistance, promoting awareness campaigns and setting up incubation centres. The INT scheme, one of the main ETC initiatives facilitating entrepreneurship among job seekers, has only achieved a limited success. More thorough information about the results of start-up incentives is required.

3.3.1 Entrepreneurial culture in Malta

The Maltese population is not particularly entrepreneurial. If they could choose between different types of jobs, only 34% of Maltese persons would prefer to be self-employed rather than employed by a company, when compared to the EU average of 37% (European Commission, 2012). Besides, fewer persons in Malta consider self-employment to be feasible for them within the next five years than across the EU as a whole (20% and 30% respectively) (European Commission, 2012). Such attitudes are reflected in the ratio of persons whose main occupational status is self-employment, a ratio which has over the years been consistently lower than the EU average. During the last quarter of 2013, there were 23,226 self-employed persons in Malta, of whom 68% were without employees (NSO, 2014). Around 13.1% of the working population in Malta is self-employed, when compared to the EU-28 average of around 14.5% (Eurostat). The large majority of self-employed

persons are males (with a ratio of nearly 6:1), and the gender difference is wider when considering only self-employed persons with employees. Around 16.1% of all male workers are self-employed when compared to a much lower 6.5% among female workers. The ratio of self-employed when compared to all workers shrunk by around 1.2 percentage points between 2003 and 2013. In line with the situation across Europe, self-employment in Malta appears to have been negatively affected by the recession starting in 2008. However, whereas self-employment figures in the European Union in 2013 are still 2.3% lower than in 2007, the situation is considerably better in Malta, as the number of persons in self-employment in 2013 is about 5.5% higher than that in 2007 (Eurostat).

The educational system has not traditionally focused much on instilling entrepreneurial skills and creativity among students. Persons in Malta are less likely to have taken an entrepreneurship course than the EU average (15% and 23% respectively) (European Commission, 2013). Besides, "far more people in Malta than in the EU in general (25% vs. 8%) feel that they lack the skills to be self-employed" (European Commission, 2013, p.5). However, the situation appears to be improving. Entrepreneurship, creativity and innovation form important pillars in the new national minimum curriculum for compulsory schooling. Related initiatives are being carried out more regularly. Examples of these include the "Entrepreneurship through Education Scheme" (Ministry for Finance, 2013a), and the launch of a handbook for teachers entitled "Fostering Entrepreneurship through Education" (di-ve.com). Specialised courses have been set up both at the Malta College of Arts Science and Technology (MCAST, 2014) and at the University of Malta (2014) The Employment and Training Corporation (ETC) also offers an entrepreneurship course targeted toward registering unemployed persons. Entrepreneurial training is becoming less fragmented, with different education and training institutions collaborating more together and with other important actors.

Among the main challenges that have been cited for self-employment in Malta, one finds lack of funding and excessive bureaucracy. A survey carried out in 2012 indicated that a third of entrepreneurs in Malta recalled that the biggest challenge they faced when setting their business was access to finance (National Commission for the Promotion of Equality, 2012). Having

said that, Malta Enterprise provides an array of different incentives to help entrepreneurs, including tax credits, loan guarantees and consultancy services.

3.3.2 Start-up incentives as an active labour market measure

A number of actions have been taken to reduce the impact of bureaucracy on budding entrepreneurs. A Small Business Act (2011) was enacted, though it appears not to have been fully implemented by 2014 (PFK Malta, 2014). The Office of Commissioner for Simplification and Reduction of Bureaucracy was recently established with the task of recommending ways of tackling excessive bureaucracy. Malta Enterprise set up "Business First", a one-stop-shop facility meant to help entrepreneurs deal with Government bureaucracy and focus more on their operations. In 2014, the Malta Environment and Planning Authority (MEPA) set up a Business Development Unit to serve as a one-stop-shop in a bid to simplify the procedure for applying for a development permit and reduce applicants' expenses.

Incubation centres have also been set up in recent years. The Kordin Business Incubation Centre was developed in order to attract and facilitate the growth of innovative business ideas. More specialised incubation centres are also being developed. For example, the University of Malta set up an incubation centre called "Take Off", through which aspiring entrepreneurs interested in the technology of knowledge-based industries can have access to funds and training. A Life Sciences Centre, currently being built, is meant to encourage entrepreneurs "in biotechnology, clean technology, life science products and diagnostic equipment/services, contract research organisations (CROs), medical device manufacturers and specialised service providers" (Ministry for Finance, 2013b, p.120).

The above measures tended to focus more on the general support and development of SMEs, rather than serving as start-up incentives for the unemployed or the inactive. The latter initiatives have mainly stemmed from the ETC. Several schemes that were offered by the ETC over the years promoted both employment and self-employment. For example, the Training Subsidy Scheme, which made use of EU funds, supported training for both self-employed persons and individuals employed in micro enterprises (ETC,

2012). As part of another EU funded programme called “NISTA”, publicity campaigns have been carried out to promote both employment and entrepreneurship among women.

Some ETC initiatives focused more exclusively on facilitating entrepreneurship. Apart from its specialised training programmes mentioned earlier, in 2007, the ETC published an entrepreneurship manual for its clients. In 2007-2008, the ETC carried out an EU funded programme called “Promoting Entrepreneurship among Women” whose main aim was to help women set up their own business through training, mentoring, and an awareness campaign (ETC, 2007b). In 2008, the ETC tapped the European Globalisation Adjustment Fund to help persons who suffered from collective redundancies carried out in the manufacturing sector. The initiative included “entrepreneurial start-up grants for those who were interested in starting their own business... (to cover initial expenses such as permits, licenses, marketing and basic equipment)” (ETC, 2008, p.38). The ETC has also promoted youth entrepreneurship through training, mentoring and grants.

The ETC efforts have also been complemented by Government fiscal incentives that were announced from time to time, such as tax credits for women returning to employment and self-employment after a period of absence from the labour market.

3.3.3 Start your own business (Ibda Negożju Tiegħek, INT)

This section briefly discusses a main start-up scheme for unemployed persons in Malta, entitled “Start your own Business”. This scheme, which has been offered by the ETC for over 10 years, targets persons of all ages who want to start their own business. It consists of “a package of counselling, entrepreneurship training, mentoring and financial assistance” (Ministry of Finance, the Economy and Investment, 2012, p. 155). Participants are encouraged to draw up and present a detailed plan about their proposed business idea. A financial grant of up to €5,000 is awarded to participants who attend at least 80% of the training modules, have their business plans approved and have all official documents and permits in order. Over the years, the scheme was complemented by other services meant to increase its success rate. A childcare subsidy is offered to participants who need to leave

their children at childcare centres while attending the scheme. Besides, ETC offers a transport subsidy to participants who live in the smaller island of Gozo.

Participants include both men and women, registering and non-registering unemployed, young and older persons, and persons with varying levels of education including graduates (Barbara, 2003). By accepting the grant, the scheme's unemployed participants agree to forfeit their unemployment benefits for a number of months if their business fails. 227 persons started the INT scheme between 2005 and 2012 (ETC, 2006, 2007b, 2009a, 2009b, 2010, 2012, 2013). In recent years, the number of participants who were awarded the enterprise grant was rather low. Indeed, only about a fourth of participants between 2010 and 2012 managed to get the financial grant. Throughout the years, the scheme spawned a wide variety of businesses such as "diving schools, artworks and retailing, importation and sale of collectible and antique firearms, electrical handyperson services, and holiday letting" (Ministry of Finance, the Economy and Investment, 2008, p.18).

The INT scheme appears to have become more successful when the ETC integrated the drafting of the business plan within (rather than after the completion of) the training part of the scheme and when professional mentors started to be recruited from Malta Enterprise. This indicates the need to plan a scheme's structure very carefully and focus attention on the more difficult aspects of the planning stage, namely the planning of the financial feasibility of the business. Besides, experience demonstrates the importance of having good mentors with direct hands-on experience of business.

The scheme has surely increased awareness about entrepreneurship among unemployed persons. However, its objective of serving as a one stop entrepreneurship programme for the unemployed has only achieved a limited success. The scheme would perhaps benefit from a stricter selection of participants in favour of the more skilled and motivated unemployed persons.

3.3.4 Conclusion

A number of start-up incentives meant as active labour market measures have been organised over the years by the ETC. The ETC collaborates with relevant social actors such as Malta Enterprise and MCAST in the organisation

of its schemes. Malta Enterprise plays a major role in offering consultancy and mentoring services, while MCAST offers specialised training. Start-up incentives have formed part of the country's labour market policy since the early 2000s, but the amount of resources allocated and the number of participants they involved indicate that they played a minor role in subsequent governments' active labour market policies. For example, an average of just six participants were awarded the enterprise grant as part of the INT scheme every year between 2010 and 2012 (ETC, 2011, 2012, 2013), while fifteen participants completed the full training programme "Promoting Entrepreneurship among Women" in 2007 (ETC, 2007b). Start-up schemes in Malta are used much more prominently as a means of business development rather than as part of active labour market policy.

Scant information about the results of start-up incentives exists. Such evidence mainly consists of the number of course participants and completers, at times divided according to gender and age. Longitudinal research about the success or otherwise of the new business ventures is unavailable. Besides, no evidence about deadweight, displacement or substitution effects of start-up incentives in Malta exists. While complementary measures such as subsidised childcare, free transport, TV campaigns and so on may play a role in attracting participants to such schemes, their real impact and value for money is unknown. More thorough information would assist in the evaluation and development of start-up incentives.

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