

**ASOCIACIÓN SOCIOEDUCATIVA LLERE**

**MIGRANT & YOUTH SOCIAL INCLUSION  
THROUGH ENTREPRENEURSHIP  
(My Site)**

**SPAIN - National Report**

**2018**



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## **Executive Summary**

Favorecer la inserción de los jóvenes en el ámbito laboral y mejorar su situación dentro del mercado de trabajo son dos de las principales prioridades del Gobierno de España. El desempleo juvenil en España es un problema estructural, que se ha visto agravado por la crisis, y que presenta graves consecuencias para la situación presente y futura de los jóvenes y limita el crecimiento potencial de la economía española en el largo plazo. El emprendimiento juvenil es ampliamente reconocido como una solución potencial de ese problema, lo que se refleja en varias estrategias, como la Estrategia de la Juventud 2020 y la Estrategia de Emprendimiento y el Empleo Juvenil. El objetivo de este trabajo es presentar el emprendimiento juvenil y emprendimiento de los inmigrantes en España y detectar las oportunidades y las barreras que enfrentan los jóvenes al iniciar un negocio. Este informe forma parte del Proyecto Migrant and Youth Social Inclusion through Entrepreneurship (MY-SITE Project) cuyo objetivo es promover el emprendimiento juvenil como un medio de empleo e independencia financiera y promover la inclusión social de los jóvenes de terceros países (TCN). Este documento es solo uno de los elementos de apoyo para los emprendedores jóvenes/migrantes que podría ayudar a abordar algunos de los desafíos específicos que enfrentan esos jóvenes.

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## 1. Introduction

Youth unemployment is one of the principal economic and social challenges of this decade for many European Union Member States, including Spain.<sup>1</sup> Long spells of unemployment can have serious long-term effects for individuals. Youth entrepreneurship may not solve all the youth unemployment problems, but it can be a part of the policy response. The policies can support job creation, economic growth and social inclusion by overcoming obstacles to business start-ups and self-employment. Inclusive entrepreneurship policies and programmes are increasingly seen as a tool to support under-represented and disadvantaged groups in the labour market which is one of the key messages in Inclusive Entrepreneurship Policies, Country Assessment Notes.<sup>2</sup>

The youth entrepreneurship support system in Spain has many strengths. Youth entrepreneurship is recognized widely as a potential solution, which is reflected in several strategies such as the Youth Strategy 2020 and the Strategy for Entrepreneurship and Youth Employment. In addition, many strategies have also been developed at the regional level. These strategies promote the development of entrepreneurial mindsets among youth and outline measures to strengthen business start-up support for youth entrepreneurs. Despite these strengths, there are a number of areas where the youth entrepreneurship support system could be improved, such as access to finance which remains one of the greatest challenges for youths.

The aim of this report is to present the conditions of youth and migrant entrepreneurship in Spain. The first part of the report presents the country context, presenting data on Spanish demography, employment and entrepreneurship, and a description of youth and migrant policy aimed at employment and entrepreneurship. The second part provides information on the existing opportunities for young and migrant entrepreneurs, whilst debating barriers and challenges they face when starting and running a business. This was mainly based on data collected through interviews with young entrepreneurs and key individuals from the Chamber of Commerce of Toledo, Toledo Business Federation (FEDETO), Enlace Empleo (Employment Link), Federation of self-employed workers (ATA) and Network of Entrepreneurial Professors of the University of Castilla La Mancha.

The results show that young people in Spain can benefit from a number of high-quality business support measures, including coaching and mentoring and business advisory services, and that there are many youth entrepreneurship networks and associations that also play an important role in providing information and giving support in entrepreneurial activities. Despite the opportunities, young and migrant entrepreneurs still face several challenges. This report forms part of the Migrant and Youth Social Inclusion through Entrepreneurship Project (MY-SITE Project). The MY-SITE Project compiles research on the needs of young entrepreneurs while promoting youth entrepreneurship, as a means of employment and financial independence, and the social inclusion of Third Country National (TCN) youth. The

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<sup>1</sup> OECD, European Commission, 2016. Supporting Youth Entrepreneurship in Spain. A review of policies and programmes. Link: <http://www.oecd.org/employment/leed/Spain-Youth-Entrepreneurship-FINAL.pdf>.

<sup>2</sup> OECD, European Commission, 2016. Supporting Youth Entrepreneurship in Spain. A review of policies and programmes. Link: <http://www.oecd.org/employment/leed/Spain-Youth-Entrepreneurship-FINAL.pdf>.

current report aims to identify the types of support mostly needed for young/migrant entrepreneurs, and the practices that could help tackle some of the specific challenges they encounter.

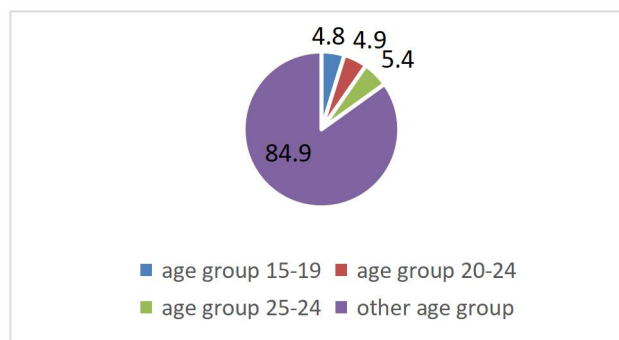
## 2. Country context<sup>3</sup>

### 2.1. Demographic data

According to the Spanish National Statistics Institute (INE) data, Spain had an estimated population of 46,698,569 people in 2017.<sup>4</sup> Of those, 41,979,151 were Spaniards and 4,719,418 were foreigners. This data matches up with the Eurostat database, according to which Spain had an estimated population of 46,528,024 in 2017, 4,419,621 of whom were foreign. The foreign nationals registered in the Continuous Spanish Register and belonging to the EU-28 reached 1,780,698. Among these, the most numerous were Romanians (673,017), British (240,934) and Italians (206,066). Among the non-EU foreign nationals (2,938,720 in total), the biggest communities were the Moroccan (769,050), Chinese (251,748) and Colombian (165,608) citizens.

The ratio of young people<sup>5</sup> in Spain is approximately 15% (7,002,731 people).<sup>6</sup> The ratio of young people in the total population is divided into three groups as follows: age group 15-19 (2,223,012 youth), age group 20-24 (2,260,951) and age group 25-29 (2,518,768). Figure 1 shows the percentage of those belonging to each group of young people.

Figure 1. *Ratio of young people in the total population in Spain*



The representation of women and men in the total youth population is almost equal: 49% are women and 51% are men. Regarding young migrants, the data provided by Eurostat shows

<sup>3</sup> See also Annex 3

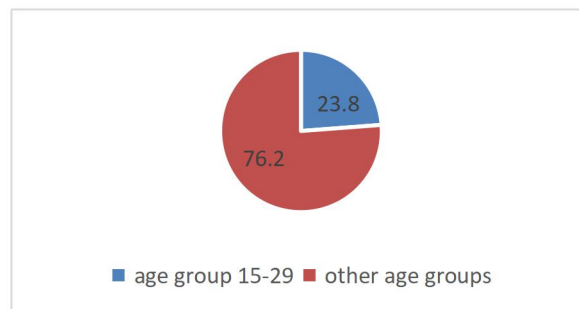
<sup>4</sup> Provisional data on 01/01/2018, published 24/04/2018.

<sup>5</sup> Although there is no such thing as a definition of the concept for youth in the different documents belonging to the General Government Administration in Spain, the Spanish Youth Strategy 2020 ([Estrategia Juventud 2020](#)) considers that youth would include those between 15 and 29 years of age. Regardless of this matter, some of the indicators developed in order to study youth in Spain are related to those between 25 and 29 years of age. The age gap of 25 and 29 years is used to study certain phenomenon related to youth but not the whole youth population that compromises the population between 15 to 29 years. Also, some statistics data branch those from 15-24 and 24.

<sup>6</sup> Eurostat (2017). Population on 1 January by age group and sex. Retrieved from: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo\\_pjangroup&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_pjangroup&lang=en)

that in total number of youths in Spain (7,030,427), the foreigners are 1,218,729.<sup>7</sup> Young migrants constitute 23.8% of total migrant population (Figure 2.). According to the Spanish National Statistical Institute (INE), there are 217,387 foreigners (EU nationals and non-EU nationals)<sup>8</sup> aged 15-19, 319,795 aged 20-24 and 446,248 aged 25 to 29. Of those youth, 145,712 non-EU nationals are between 15-19, 223,480 non-EU nationals between 20-24 and 302,360 non-EU nationals between 25-29.<sup>9</sup>

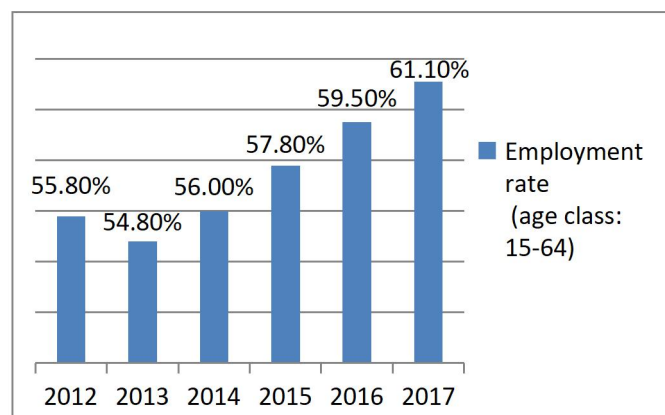
Figure 2. Ratio of young immigrants in all immigrants from non-EU countries



## 2.2. Data on employment, unemployment and self-employment

Before the 2007 economic crisis, Spain’s economy was among the most thriving in the European Union. Nonetheless, since it officially entered recession in 2009, the Spanish economy has been struggling to recover. Employment is still affected by the sharp drop in economic activity.<sup>10</sup> Following the financial crisis, Spain has consistently had one of the highest unemployment rates when compared to the OECD countries. The rate of employment was decreasing since the crisis until 2014, while the unemployment rate was increasing. The following figure (Figure 3) summarizes employment rates in Spain from 2012-17.<sup>11</sup>

Figure 3. Employment rate from 2012 to 2017



<sup>7</sup> Data provided by Eurostat, for 2016.

<sup>8</sup> Any person not having the nationality of an EU Member State

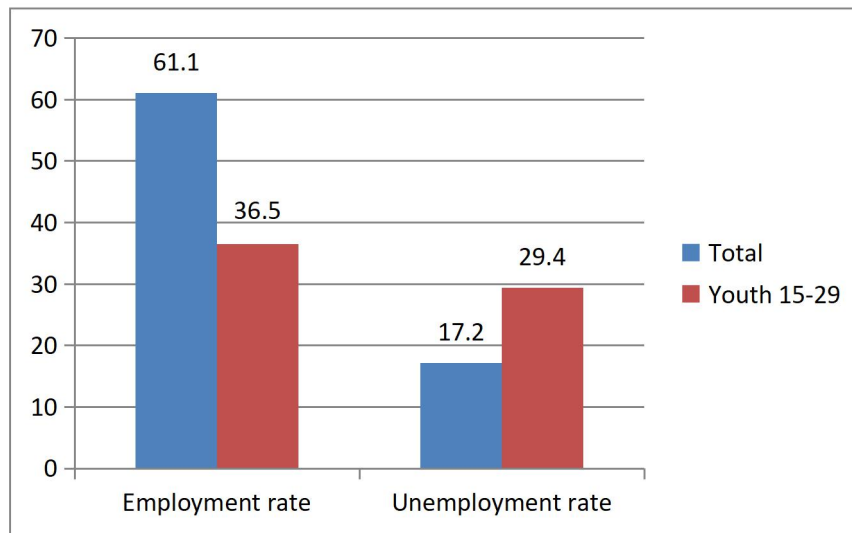
<sup>9</sup> Data provided by INE (National Statistic Institute), on 01/01/2018.

<sup>10</sup> European Commission, 2018. Youth Wiki - Employment & Entrepreneurship: General Context. Accessed on: <https://eacea.ec.europa.eu/national-policies/en/content/youthwiki/31-general-context-spain>.

<sup>11</sup> Eurostat (2017). Employment and activity by sex and age – annual data. Retrieved from: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>.

As the data clearly shows, employment rates in Spain increased to 61.1% in 2017 from 59.5% the year before. Employment rates in Spain averaged 60% between 2002 and 2017, reaching an all-time high of 65.8% in 2007 and a record low of 54.8% in 2013 (data for age class 15-64)<sup>12</sup>. Hence, despite the sharp drop in economic activity after 2008, a trend of job recovery from 2014 onwards can be observed. Figure 4 shows Eurostat data for 2017 on employment and unemployment rates for the total population (age group 15-64) and among youth (age group 15-29).

Figure 4. *Employment and unemployment rates for total population and youth*<sup>13</sup>



In numbers, 18,649,000 people from 15 to 64 years old are employed, while 3,917,000 are unemployed. With regard to youth (age group 15-29), by the end of 2017 there were 2,547,200 employed and 1,063,000 unemployed. Of those employed youth, 181,900 are self-employed and 27,5% has part-time jobs. According Eurostat data for 2016 (the last available year), 304,670 are pupils enrolled in lower-secondary education.<sup>14</sup> The number of those enrolled in upper-secondary education is 1,540,646;<sup>15</sup> 8,825 are pupils enrolled in post-secondary non-tertiary education.<sup>16</sup> When speaking of students, in Spain there are 1,570,847 students enrolled in tertiary education.<sup>17</sup> The rest are Neither in Employment nor in Education and Training (NEET), 5.9%.<sup>18</sup>

<sup>12</sup> Eurostat (2017). Employment and activity by sex and age – annual data. Retrieved from: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>.

<sup>13</sup> Percentage of active population was used as unit of measure for unemployment rate.

<sup>14</sup> Eurostat (2016). Pupils enrolled in lower-secondary education by programme orientation, sex and age 2016. <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

<sup>15</sup> Eurostat(2016). Pupils enrolled in upper-secondary education by programme orientation, sex and age <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

<sup>16</sup> Eurostat (2016). Pupils enrolled in post-secondary non-tertiary education by programme orientation, sex and age <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

<sup>17</sup> Eurostat(2016). Students enrolled in tertiary education by education level, programme orientation, sex and age. <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

<sup>18</sup> Eurostat (2017). Young people neither in employment nor in education and training by sex, age and labour status (NEET rates). <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

According to the 2016 Youth and Labour Market Report (Informe Jóvenes y Mercado de Trabajo),<sup>19</sup> since the end of 2014 youth employment in Spain decreased at a higher pace than the EU average. Nevertheless, the unemployment rate is still very high. This has sparked a number of political debates in the country and debates relating to employment and youth entrepreneurship in Spain are mainly focused on the unemployment issue. For example, in the current legislature, the Congress of Deputies the Citizen's Parliamentary Group launched a soft law proposal (Proposición no de Ley) to reform the employment policies.<sup>20</sup> These debates show a disparity of approaches between the concept of youth unemployment as a consequence of the economic and financial crisis, and another broader perspective pointing towards economic and social planning. In addition, another main debate on the matter that takes place in Spain is related to education system reform, and on how to promote entrepreneurship culture from this system, and additionally, how to favour the achievement of skills in non-formal and informal education and its recognition is the object of discussion.

### 2.3. Entrepreneurship in Spain

The Global Entrepreneurship Monitor (GEM) report for Spain 2017-18, considers that the environment to start up a business in Spain has a wide margin for improvement. In addition, the same report says that there are slight improvements in conditions such as education and entrepreneurial training in the post-school stage (2.79 in 2017 vs. 2.15 in 2016) and school (1.82 in 2017 vs. 1.74 in 2016), government policies (2.28 in 2017 vs. 1.90 in 2016) and financing for entrepreneurs (2.52 in 2017 vs 2.37 in 2016).<sup>21</sup> At the same time the report also highlights notable setbacks particularly in commercial infrastructure (2.89 in 2017 vs. 3.25 in 2016), internal market barriers (2.18 in 2017 vs. 2.83 in 2016), domestic market dynamics (2.39 in 2017 vs. 2.73 in 2016), and social and cultural norms (2.33 in 2017 vs. 2.71 in 2016). As a whole, the average assessment of the conditions of the Spanish entrepreneurial ecosystem in 2017 was 2.49; positioning below the 2005-2017 period average of 2.57. A number of recent studies provide a more positive picture regarding entrepreneurship in Spain. According to a Business Perspectives 2018 survey conducted in autumn of 2017 by the Spanish Chamber of Commerce, Spanish companies are more optimistic than their peers from the European Union (EU) regarding their prospects for the next year. Similarly, according to the business confidence data, 2018 is expected to be another positive year for the Spanish economy.

After a slight fall in the previous year, Total Early-Stage Entrepreneurial Activity (TEA)<sup>22</sup> in Spain increased by one percentage point in 2017, reaching 6.2%. Since 2011 and until 2016, TEA index had oscillated between 5.2% and 5.8%, but the 6.0% threshold had not been surpassed since 2008. However, it is also interesting to point out that the 28.3% of the entrepreneurial activity surveyed by the TEA index in 2017 corresponds to people who started a business due

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<sup>19</sup> Link: [http://www.mitramiss.gob.es/es/sec\\_trabajo/analisis-mercado-trabajo/jovenes/numeros/2016/Junio\\_2016.pdf](http://www.mitramiss.gob.es/es/sec_trabajo/analisis-mercado-trabajo/jovenes/numeros/2016/Junio_2016.pdf).

<sup>20</sup> Link: <https://eacea.ec.europa.eu/national-policies/en/content/youthwiki/311-current-debates-and-reforms-spain>

<sup>21</sup> The valuation of the improvements is graded on a scale from 0 to 5.0

<sup>22</sup> The Total early-stage Entrepreneurial Activity (TEA) index assess the percent of the working age population (18-64) who are either a nascent entrepreneur or owner-manager of a new business (the World Bank).



to necessity, while up to 2009 the people who set up a business out of necessity barely reached 15% TEA.

The early-stage entrepreneurs in 2017 were, on average, 40 years old. Regarding gender, the early-stage entrepreneurial population in 2017 showed a slightly higher male participation (55.31% male vs. 44.9% female entrepreneurs).<sup>23</sup> Even though TEA rates have continued to increase slightly in recent years, the quality of new enterprises is an unresolved matter. New businesses tend to focus on the services sector (final consumers) and are mostly born in the form of self-employment.

According to Heritage Foundation Index of Economic Freedom, Spain's economic freedom score is 65.1, which increased by 1.5 points in 2018 compared to the year before. The increase is mainly due to improvements in fiscal health, judicial effectiveness and labour freedom, outpacing lower scores for the government integrity and business freedom indicators. With this result, Spain is ranked as "moderately free" country.<sup>24</sup> According to the World Economic Forum's Global Competitiveness Report 2017-2018, the competitiveness index for Spain is 4.7 which ranks Spain 34<sup>th</sup> among 137 countries. In addition, responses to the World Economic Forum's Executive Opinion Survey suggest that the 5 most problematic factors for doing business are: inefficient government bureaucracy, tax rates, restrictive labour regulations, insufficient capacity to innovate, and access to financing.<sup>25</sup> Furthermore, Spain ranks 28<sup>th</sup> among the 190 countries included in the ease of doing business index, in 2017.<sup>26</sup> This is an improvement compared to the 32<sup>nd</sup> place in 2016. It is for the first time, since the creation of the ease-of-doing-business index, that Spain is placed among the top 30 economies in terms of business climate.

This improvement is also reflected in the number of recently established companies in Spain. As of April 2018, the number of new businesses stood at 8.817, a 13.2% increase when compared to the same period the year before. At the end of 2017, there were in total 3,282,346 companies in Spain (INE, 2018).

According to the Youth Strategy 2020,<sup>27</sup> the view young people hold of entrepreneurship is quite positive and 90% express a positive view of it. In fact, almost half would be willing to start a job on their own. So, in the 2<sup>nd</sup> quarter of 2018 there were 38,998 self-employed individuals under 25 years old and 518,536 aged between 25 and 39.<sup>28</sup> It is hard to present the exact number of young self-employed individuals, as the National Statistics Institute collects data on those under 25, and then from 25 to 39 and older (although, above are showed the data from Eurostat regarding self-employed youth). In total, in Spain there are 2,006,785 self-

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<sup>23</sup> Data from GEM Report for Spain 2018

<sup>24</sup> Data from official web page of the Heritage Foundation <https://www.heritage.org/index/>

<sup>25</sup> Data from official web page of the World Economic Forum <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>

<sup>26</sup> Data from official web page of the World Bank <https://data.worldbank.org/indicator/IC.BUS.EASE.XQ>

<sup>27</sup> The Youth strategy 2020 is an interministerial initiative which main goal is to become a reference for the youth policies developed in Spain and to favour policies and services for youth that have an impact in areas such as employment, participation, voluntary programs, leisure and free time etc. <http://www.injuve.es/sites/default/files/estrategiajuventud2020.pdf>.

<sup>28</sup> Data provided by the National Statistic Institute, 2018.

employed people, 206,844 of who are foreign with the largest number of self-employed by EU countries and then from Asia, South America and Africa<sup>29</sup>.

### **3. Legal, Policy and Institutional framework**

As stated in article 48 of the 1978 Spanish Constitution (Constitución Española de 1978<sup>30</sup>), 'Youth Policy' is understood as the ensemble of measures and goals assigned by public authorities to promote the conditions of free and effective participation of youth in political, social, economic and cultural development. Moreover, according to the Employment Law (3/2015, 23 October), employment policy and, specifically, youth employment policies, are defined as the ensemble of decisions adopted by the State and the Autonomous Regions addressed towards the promotion of employment. The Autonomous Regions may establish and develop their own employment policies, as long as they do not conflict with national policies, or have an impact on labour legislation, which is the exclusive competence of the State. The Employment Law also establishes and regulates the regional employment services and the State Public Employment Service (SEPE, Servicio Público de Empleo Estatal). The SEPE is an autonomous body in charge of the management, development and monitoring of the programs and measures of the employment policy.

The main agent in the design and implementation of youth employment and entrepreneurship policies is the Ministry of Labour, Migrations and Social Security (Ministerio de Trabajo, Migraciones y Seguridad Social).<sup>31</sup> The Ministry is the highest public authority in charge of coordinating relevant actors and responsible for the establishment and control of the Youth Guarantee System. There is no national youth law made by the General Government Administration. Nonetheless, 11 out of the 17 Autonomous Regions (such as Madrid, Catalonia and Galicia) do have laws regarding the youth.

The most important public document on youth entrepreneurship is the Strategy for Entrepreneurship and Youth Employment 2013-20<sup>32</sup> drawn up by The Ministry of Employment and Social Security (now called the Ministry of Labour, Migrations and Social Security). The aims of the Strategy for Entrepreneurship and Youth Employment are to improve the employability of young people, improve the quality and stability of employment, to promote equal opportunities for access to the labour market, and to foster entrepreneurship. The Strategy for Entrepreneurship and Youth Employment includes 100 measures aiming to integrate young people in the labour market, either as employees or through entrepreneurship. The measures are classified according to their impact and their timing, with 15 being early-impact and 85 being medium to long-term measures. It has been drawn up as an open tool that can be used by anyone wishing to contribute their own initiatives to the challenge of

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<sup>29</sup> Data provided by the National Statistic Institute, 2018.

<sup>30</sup> The Spanish Constitution: <https://www.boe.es/buscar/act.php?id=BOE-A-1978-31229>

<sup>31</sup> A ctual Ministry established in 2018. From 2011 to 2018 under the Ministry of Employment and Social Security.

<sup>32</sup> Ministry of Employment and Social Security (2013). Estrategia de Emprendimiento y Empleo Joven 2013/2016. Retrieved from: [http://www.mitramiss.gob.es/ficheros/garantiajuvenil/documentos/EEEJ\\_Documento.pdf](http://www.mitramiss.gob.es/ficheros/garantiajuvenil/documentos/EEEJ_Documento.pdf)

youth employment in all its forms, including entrepreneurship and self-employment. The measures are related to education and training, recruitment incentives, entrepreneurship and enhancing mediation. The measures aimed at encouraging entrepreneurship have been divided into five groups: flat rate for young self-employed people, start a business with finance, start a business with a safety net, collective entrepreneurship, and entrepreneurial know-how. Those measures are discussed in detail in section 4.1.1.

Regarding employment and entrepreneurship aspects of youth policy, on 28 February 2013 the Council of Ministers of Employment, Social Affairs and Consumption agreed to establish the Youth Guarantee (Sistema de Garantía Juvenil). The purpose of the Youth Guarantee is to ensure that all people under 25 years of age receive a good offer of employment, further education, apprenticeship or training within four months after they complete their formal education. Moreover, in recognition of the particularly difficult employment situation of young people in certain regions, the European Council proposed a Youth Employment Initiative in 2012 for the regions of Europe in which the rate of youth unemployment is higher than 25%.<sup>33</sup>

Another programme that is currently in force is the Youth Strategy 2020 (Estrategia Juventud 2020),<sup>34</sup> which was approved by the Council of Ministers on September 12<sup>th</sup>, 2014. The Youth Strategy is the result of the coordination of the Inter-ministerial Commission for Youth and the Youth Institute. It includes two different Action Plans: the first Action Plan covered the period between 2014 and 2016 and the second, which is ongoing, covers the period from 2017 to 2020. The target group of the Youth Strategy 2020 is the Spanish population between 16 and 29 years of age. The 2020 Strategy (Estrategia 2020) establishes six Axes of Action. Those six axes cover education and training (axis 1), employment and entrepreneurship (axis 2), housing (axis 3), health, leisure and sports (axis 4), participation, voluntary work, inclusion and equality (axis 5) and institutional cooperation (axis 6). The goals regarding employment and entrepreneurship (axis 2) are to encourage the establishment of youth employment opportunities, to encourage the entrepreneurial culture and to promote the implementation of a youth guarantee.

Another initiative is the Operational Programme for Youth Employment (POEJ, Programa Operativo de Empleo Juvenil),<sup>35</sup> which provides a catalogue of measures and initiatives, also including those that promote and encourage entrepreneurship. These, for instance, include training for entrepreneurship and promotion of an entrepreneurial culture, advocating for the creation of businesses and self-employment, and offering financial incentives for self-employment.

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<sup>33</sup> European Commission (2018). Youth Wiki - Employment & Entrepreneurship. Accessed on: <https://eacea.ec.europa.eu/national-policies/en/content/youthwiki/3-employment-entrepreneurship-spain>

<sup>34</sup> Ministry of Health, Social Services and Equality; National Youth Institute (2014). Estrategia Juventud 2020. Retrieved from:

<http://www.injuve.es/sites/default/files/2015/43/publicaciones/Estrategias%202020%20web%20C.pdf>

<sup>35</sup> [http://www.seat.mpr.gob.es/portal/areas/politica\\_local/coop\\_econom\\_local\\_estado\\_fondos\\_europeos/fondos\\_europeos/2014-2020\\_FSE/fse\\_poej.html](http://www.seat.mpr.gob.es/portal/areas/politica_local/coop_econom_local_estado_fondos_europeos/fondos_europeos/2014-2020_FSE/fse_poej.html)

Apart from the Ministry of Labour, Migrations and Social Security, the highest-level public institutions responsible for the cooperation and coordination among administrations in dealing with youth employment and entrepreneurship are the General Council of the National Employment System, along with the Employment and Social Affairs Conference. Both bodies belong to the National Employment System (Sistema Nacional de Empleo), which functions as an ensemble of structures, measures and actions needed to promote and develop employment policy, made out of the State Public Employment Service and the regional public employment services. Within the General Government Administration, the National Coordinator for Youth Guarantee and the Directorate-General of Self-employment, Social Economy and Social Responsibility of companies, are in charge of the implementation of the Youth Employment Initiative (YEI) and responsible for the administration of the European Social Fund in Spain, which is also relevant (see also table 1 for a list of institutions related to the job market and entrepreneurship).

Table 1. *Institutions related to job market and to business start-up*

<b>Name of the body/institution</b>	<b>Description</b>
The Occupation Observatory of the Public State Employment Service (Observatorio de las Ocupaciones del servicio Público de Empleo Estatal)	Analysing the situation and trends in the labour market, groups of interest within the market and their transformations;  Technical unit of the Public State Employment Service;  Under central government.
The Spanish Confederation of Business Organizations (Confederación Española de Organizaciones Empresariales – CEOE)	The main interlocutor representing Spanish companies before the Government, the different Public Administrations, trade unions, political parties and international institutions;  Integrating two million companies and freelancers from all sectors of activity.
The Spanish Chamber of Commerce (Cámara de Comercio de España)	Coordinates the network of Chambers of Commerce in Spain and acts as its representative before national and international governing bodies, as well as providing advisory services to the Spanish government. Promotes, among others, MSEs, self-employed workers and entrepreneurs through specialized support services and aid programs.
Inspection of Labour and Social Security (Inspección de Trabajo y Seguridad Social)	In charge of the monitoring of compliance with regulations in the social order.
Tripartite Commission on Youth Employment (Comisión Interministerial para la Juventud)	The analysis, debate and assessment of public policies concerning youth employment.
The Spanish Confederation of Small and Medium Enterprises (CEPYME,	A confederal, intersectoral, national and professional organization, for the defence, representation and promotion of the interests of small and

Confederación Española de la Pequeña y Mediana Empresa)	medium enterprises and the self-employed entrepreneurs.
The Spanish Confederation of Young Entrepreneurs (CEAJE, Confederación Española de Asociaciones de Jóvenes empresarios)	The employer’s representation of all the young entrepreneurs of Spain, a non-profit organization with an independent character, although integrated in different national and international institutions which goal is to fight for the interests of young entrepreneurs in order to motivate, guide, empower and channel business initiatives, and to facilitate the promotion of entrepreneurial culture and development.

### 3.1. Starting up a business in Spain

In Spain it is possible to start a business through the online system offered by the Business Information and Network Creation Centre (Centro de Información y Red de Creación de Empresas, CIRCE).<sup>36</sup> The CIRCE established the Helpdesks for Entrepreneurs (Puntos de Atención al Emprendedor, PAE),<sup>37</sup> with the purpose of informing, advising and setting-up the administrative procedure for the business creation. The PAE can be run by public or private agencies, professional associations, entrepreneurial organizations and Chambers of Commerce. These centres must sign an agreement with the Ministry of Industry, Commerce and Tourism to be able to act as *Puntos de Atención*. When choosing the online procedure to create a company, entrepreneurs only have to visit two places: 1) the PAE where they will receive advice and assistance and where the Single Electronic Document (DUE) will be filled out for them, without any need to use paper forms, and 2) the Notary, by prior appointment made by the PAE, for the issuing and signing of the public deed. Entrepreneurs may also create the company through the Virtual PAE. To do this they must have a digital certificate in order to access CIRCE’s online portal. In this case, the only step that needs to be taken in person is to go to a Notary in order to sign the articles of association.

According to the World Bank Group’s Flagship Report on Doing Business in Spain in 2018, it takes approximately 14 days to start up a business.<sup>38</sup> Below is the summary of the procedure of starting up a business in Spain<sup>39</sup>.

<sup>36</sup> <http://portal.circe.es/en-US/Paginas/home.aspx>

<sup>37</sup> <http://www.paeelectronico.es/es-ES/Paginas/principal.aspx>

<sup>38</sup> Link on the report: [http://www.doingbusiness.org/reports/global-reports/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB18-print-report.pdf](http://www.doingbusiness.org/reports/global-reports/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB18-print-report.pdf)

<sup>39</sup> More information on all the procedure entrepreneurs can study in comprehensive [Guide to business in Spain 2017](#)

Table 2. *The procedure of starting up a business in Spain*

No.	Procedure	Time to complete	Associated costs
1	<p><b>Obtain a certificate of availability for the proposed company name (certificación negativa de la denominación social)</b> Agency : Mercantile Registry</p> <p>The certificate of availability of the company name is typically requested through the website of the Central Commercial Registry. If the certificate is not requested online, the final document can be obtained by certified mail, through a notary with the platform SIGNO; visiting the Central Commercial Registry; or through courier. In all cases, the certificate is issued by the following day.</p>	2 days	EUR 13.52 (excluding VAT)
2	<p><b>Open a company bank account, deposit capital and obtain a deposit certificate.</b> Agency: Bank</p> <p>In most cases, the entrepreneur deposits the amount of the contributions directly in the bank. Once this is done, the bank issues the relevant certificate evidencing the deposit has been done.</p>	1 day	No charge
3	<p><b>File the Single Electronic Document (Documento Único Electrónico - DUE) and make an appointment with a notary.</b> Agency: Help Desk for Entrepreneurs (PAE)</p> <p>Through CIRCE, the entrepreneur completes a single registration form called DUE that is then sent to the notary's office, the commercial registry, the tax agency, and the social security agency. The single registration form can be filed at any Help Desk for Entrepreneurs (Puntos de Atención al Emprendedor - PAE), or online by the entrepreneur, in which case a digital signature is required. Once the DUE is sent, an appointment request is generated by the SIGNO system with the notary chosen for the preparation of the public deed of incorporation.</p>	1 day	No charge
4	<p><b>Obtain the registered public deed of incorporation and the fiscal identification number (Código de identificación fiscal - CIF) before a public notary.</b> Agency: Public Notary</p> <p>Within approximately one week, the public deed is granted by the notary and the company is</p>	7 days	EUR 475 for the notary and EUR 252 for registration costs.

	<p>registered with the commercial registry and the tax authorities. Besides the granting of the deed that requires the physical presence of the founders, the rest of the procedures are completed electronically through CIRCE or SIGNO.</p>		
5	<p><b>Payment of the municipal tax for urban services (tasa por prestación de servicios urbanísticos).</b> Agency: Bank</p> <p>Payment of the municipal tax ("tasa por prestación de servicios urbanísticos") is required before submitting the notification of start of operations ("declaración responsable"). The bank issues a receipt of payment.</p>	1 day	EUR 414
6	<p><b>Submit a notification of start of operations (declaración responsable) to the Town Council.</b> Agency: Town Council</p> <p>The responsible declaration procedure is to be prepared in accordance with an official model. This declaration can be filed with the Municipality in person, by mail or online through the CIRCE platform.</p>	Less than one day (online procedure)	Included in Procedure 5
7	<p><b>Notify the Ministry of Labour and Industry of the start of operations.</b> Agency: Ministry of Labour and Industry (Dirección General Trabajo)</p> <p>The corresponding autonomous community must be notified within the first 30 days of the start of activities and the opening of the workplace. Every autonomous community has its own form. Some require that work injury and safety documentation (corresponding to the specific business or workplace in question) be filed along with the forms. Other forms and documents might be needed depending on the workplace activities. Business founders can notify the Ministry of Labour and Industry online through the CIRCE platform. This takes place simultaneously with previous procedure.</p>	Less than one day (online procedure, simultaneous with previous procedure)	No charge

The Law 14/2013 on Support of the Entrepreneurship and its Internalization (September, 27<sup>th</sup> 2013)<sup>40</sup> introduces a new specific framework for investors, entrepreneurs and qualified non-EU nationals based on a specialized system for visa and authorization concessions, to attract foreign investment and talent in order to foster economic growth and create jobs. The law distinguishes four different types of visa: investor visa, entrepreneur visa, highly qualified professional visa and expat visa. Entrepreneur visa encompasses two types of visa/permit. One is an entry visa for a maximum stay period of one year for the sole or main purpose of initiating the preliminary steps to start up a business/to undertake an entrepreneurial activity, while the other is a residence permit to initiate, implement or manage an entrepreneurial activity, but the latter can be obtained if the former (entry visa) is already held. So, candidates who are abroad must apply for a one-year residence visa (entry visa), while candidates who are legally in Spain, i.e. who have a residence or stay permit or entrepreneurs visa, must apply for a two-year residence authorization. After this time, this authorization may be renewed for another two-years, provided that applicants still meet the requirements.

Non-EU nationals wishing to reside in Spain and set up or acquire a company there, who do not qualify for the Entrepreneurs residence authorization, must apply for a temporary residence permit and a work permit for a self-employed worker. The processing takes approximately 10 days for visas and 20 days for residence authorizations. Law 25/2015 on the Second Opportunity Mechanism (July 28<sup>th</sup>, 2015), in force since July 30<sup>th</sup>, 2015, has introduced several improvements to this framework. Following the enactment of Act 25/2015, residence permits may be granted to applicants who fulfil the required conditions as well as to all dependent family members, which are understood to be the applicant's spouse or cohabitating partner, children under 18, children aged 18 years or over who remain dependent on the applicant's financial support and who have not formed an independent family unit, and dependent ascendants. All these individuals are eligible for family reunification and may apply for their visa simultaneously with the applicant.<sup>41</sup>

#### **4. Opportunities and Facilitation Measures for Entrepreneurship**

##### 4.1. Initiatives for Entrepreneurship/structural opportunities

In Spain, there are different initiatives and measures either developed or implemented by government (national, regional, local) or by non-government institutions/organizations. The report highlights the most important current measures on youth entrepreneurship in Spain.

##### 4.1.1. Governmental programs and initiatives

The National Plan for the Implementation of the **Youth Guarantee (Plan Nacional de Implantación de la Garantía Juvenil en España)**, among other measures to improve employability, recognizes youth entrepreneurship as an important tool towards the integration

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<sup>40</sup> Spanish Parliament. Ley 14/2013, de apoyo a los emprendedores y su internacionalización. Official State Gazette, 28th September, 2013, n<sup>o</sup> 233, pg. 78787 – 78882.

<sup>41</sup> Miralles & Migallón, (2015). The Spanish Golden Visa after the amendment by the second chance mechanism (financial burden and the other employment-related measures) Act 25/2015 of 28 July. Analysis GA&P, 1-4.



of young people in the world of work.<sup>42</sup> This is why the National Plan is proposed in full coherence with the Strategy for Entrepreneurship and Youth Employment 2013-2016. The aims of the Strategy for Entrepreneurship and Youth Employment are to improve the employability of young people as well as the quality and stability of employment, to promote equal opportunities for access to the labour market and to foster entrepreneurship.<sup>43</sup>

One of the key aspects of the Strategy for Entrepreneurship and Youth Employment is the creation of incentives for hiring young workers and for business initiatives among young people. The Strategy for Entrepreneurship and Youth Employment collects the promotion measures for youth entrepreneurship in a catalogue of measures in line with the goals of the Youth Guarantee. Initiatives are designed to favour business creation by youth. Although the Strategy for Entrepreneurship and Youth Employment is published in 2013 and was planned for a period from 2013 to 2016, the measures included in it are still on the track. Nevertheless, those measures are changing and modifying.

The first measure on business creation included in the Strategy for Entrepreneurship and Youth Employment is the **flat rate (Tarifa plana)** on social security contributions, which establishes a 50 euros flat-rate contribution at the start of self-employment activities. The flat rate aims to facilitate self-employment and the start of business activities for young people under the age of 30. The flat rate is paid by new entrepreneurs to the Social Security. Since 2013, it has had a high acceptance rate, as according to data from then called the Ministry of Employment and Social Security more than 1,200,000 new self-employed individuals have benefited from the flat rate.<sup>44</sup> It has had a significant impact on support for self-employment and new entrepreneurs. Initially, only individuals under 30 years of age were eligible, but due to a strong, positive reaction among the self-employed group, the government extended its application to all new self-employed workers, regardless of their age.<sup>45</sup>

A new law on **urgent reforms of self-employment (Ley 6/2017, de Reformas Urgentes del Trabajo Autónomo)** which came into force on the 1<sup>st</sup> January 2018 provided extra benefits for young entrepreneurs. The flat-rate fluctuates throughout the first years of activity, establishing three tranches of reduction compared to the minimum contribution base. Under the new law, during the first 12 months, one pays 50€, instead of the 275€ which generally applies. During the following 6 months (months 13 to 18) entrepreneurs benefit from a 50% reduction, which equates to 137.97€ for the first quarter of 2018 and 139.43€ for the second quarter, subject to

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<sup>42</sup> European Commission, 2018. Youth Wiki - Employment & Entrepreneurship: Development of entrepreneurship competence. Accessed on: <https://eacea.ec.europa.eu/national-policies/en/content/youthwiki/38-development-entrepreneurship-competence-spain>.

<sup>43</sup> Ministry of Employment and Social Security (2013). [Estrategia de Emprendimiento y Empleo Joven 2013/2016](#). Retrieved from: [http://www.empleo.gob.es/ficheros/garantiajuvenil/documentos/EEEJ\\_Documento.pdf](http://www.empleo.gob.es/ficheros/garantiajuvenil/documentos/EEEJ_Documento.pdf)

<sup>44</sup> Ministerio de Empleo y Seguridad Social. Gabinete de comunicación(2017). Nota de prensa:<http://prensa.empleo.gob.es/WebPrensa/noticias/ministro/detalle/3161>.

<sup>45</sup> Infoautónomos (2018), Tarifa plana de 50€ para autónomos, jóvenes y mayores de 30. Accessed on: <https://infoautonomos.eleconomista.es/seguridad-social/tarifa-plana-autonomos-50-euros-mayores-30-jovenes/>.

the approval of the 2018 General State Budget. For months 19 to 24, new entrepreneurs pay 30% less, which translates to 192.79€ for the first quarter and 195.24€ for the second.<sup>46</sup>

Deductions of social security contributions are offered to any new self-employed person or to those who were not self-employed for the past two years with exception of the self-employed mothers.<sup>47</sup> However, young entrepreneurs (male under 30, female under 35) who take advantage of this flat rate, in other words, who had already benefited for 24 months can, in the following year, get the other reduction of 30% for the months 24 to 36. In these cases, the total duration of the reduction of quota will be 36 uninterrupted months for young male entrepreneurs under 30 and young female entrepreneurs under 35.

Another key policy of the Strategy for Entrepreneurship and Youth Employment is compatibility of unemployment benefits with the start of a business. The policy ensured that people under 30 would not lose their unemployment benefit during the first months following the start of their business. Essentially, in order to ensure a minimum income for unemployed persons who decide to start a business, and to facilitate the implementation of their projects, the Strategy for Entrepreneurship and Youth Employment ensured receiving the unemployment benefits was compatible with registration with the RETA scheme (the Special Self-employment Regime) for a maximum of 270 days (9 months).

The Strategy for Entrepreneurship and Youth Employment also extended the possibility of capitalizing unemployment benefits, allowing **unemployment benefit capitalization** as a key to entrepreneurship. This measure allows a young person to receive the unemployment benefit in advance if this unemployment benefit is invested in an entrepreneurial activity. The policy aims to help the approximately 18,000 people per year under the age of 30 who claim unemployment benefits to start a self-employment activity or to join a cooperative or business partnership. The policy allows recipients of unemployment benefits to capitalize up to 100% of their benefits in order to make a capital contribution to any type of newly created business, provided that a permanent contractual relationship is established with the business. Currently, men up to 30 and women up to 35 years old can request 100% for the single payment of the investment/capitalization of unemployment benefit. Previously, the limit for the single payment of young people stood at 80%, leaving the remaining 20% to compensate the self-employed person's quota.

Following the approval of Royal Decree-Law 4/201,<sup>48</sup> regarding the supporting of entrepreneurs and stimulating growth and job creation, the 100% capitalization of the unemployment benefit can be allocated to the investment necessary to develop the activity.

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<sup>46</sup> Infoautónomos (2018), Tarifa plana de 50€ para autónomos, jóvenes y mayores de 30. Accessed on: <https://infoautonomos.eleconomista.es/seguridad-social/tarifa-plana-autonomos-50-euros-mayores-30-jovenes/>.

<sup>47</sup> In addition, those self-employed who become father or mother have 100% exemption from the fee during parental leave

<sup>48</sup> Spanish Parliament. Ley 14/2013, de apoyo a los emprendedores y su internacionalización. Official State Gazette, 28th September, 2013, nº 233, pg. 78787 – 78882: [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2013-10074](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2013-10074)

This includes the tax charges for the start of the activity, the expenses of setting up and putting into operation an entity, for the payment of fees and specific services for consultation, and training and information related to the entrepreneurial activity.

Other measures included in the Strategy for Entrepreneurship and Youth Employment are those related to improving access to finance for entrepreneurs in order to encourage entrepreneurship among young people and to help support projects which are already running. It is for this reason that all the different ministry departments with responsibilities in this area will make efforts to obtain seed capital funds, microcredits and angel-investments and will strengthen participating loans for the purpose of starting business and financing key activities in early stages. The Directorate General of Industry and Small and Medium Enterprise, belonging to the Ministry of Industry, Tourism and Trade, has a search engine for financial aid and incentives for the creation of companies ([buscador de ayudas e incentivos a la creación de empresas](#)).<sup>49</sup> In addition, the **National Innovation Enterprise (Empresa Nacional de Innovación) (ENISA)**, a public company, provides information regarding funding opportunities for young entrepreneurs within the innovation sector, as well as information on application requirements and funding terms. Furthermore, ENISA actively participates in the financing of viable and innovative business projects through participatory loans. The company is providing the necessary financial resources to newly established SMEs, created by young people, so that they can undertake the investments required by the project in its initial phase.

Currently, the availability of 2018 funds and conditions are still pending approval by the Ministry of Industry, Tourism and Trade, but the admission of applications is available. Nevertheless, access to ENISA funding requires the following:

- a) to be an SME according to the definition of the European Union,
- b) to have its own legal personality independent of that of its partners or participants,
- c) to be founded, at most, during the 24 months prior to the request,
- d) the main activity should be conducted within Spain,
- e) the majority of the capital must be held by individuals younger than 40 years,
- f) the business model should be innovative or should have clearly competitive advantages,
- g) to prove the technical and economic feasibility of the business project,
- h) to have the accounts of the last financial year filled within the Mercantile Registry or in another public registry that may be appropriate.

The amount of offered funds in 2018 starts from 25,000€ and extends to a maximum of 75,000€.

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<sup>49</sup> <http://www.ipyme.org/es-ES/BBDD/AyudasIncentivos/Paginas/BuscadorAyudas.aspx>

Another institution is the **Official Credit Institute (el Instituto de Crédito Oficial)(ICO)**,<sup>50</sup> a public bank with the legal form of a public business entity, attached to the Ministry of Economy and Business through the State Secretary for Economic Affairs and Support for Business. The ICO has the capacity to financially assist self-employed workers, enterprises and public or private companies, both Spanish and foreign, that make productive investments in the national territory and/or need liquidity. Transaction processing is carried out directly through the Credit Institutions. The maximum amount they can offer per customer is 12.5€ million, in one or more instalments.

Within the regional scope, there are several financial aid programmes for young entrepreneurs such as the **Innovactive** Programme in Andalucía, programmes and support entities for the creation of enterprises by the Canary Islands Government, **Microcredits** Programme in Castile and Leon, **Entrepreneurs** Programme by the Aragon Government, etc.<sup>51</sup>

The “**One-stop Business Service**” (**La Ventanilla Única Empresarial, VUE**) was created with the aim of providing all the necessary information and advice to new entrepreneurs on the steps that have to be taken to set up a company/business, and to ensure that in the same physical space they can perform all the necessary procedures for its implementation.<sup>52</sup> VUE arises thanks to the coordination of local, regional and central administrations and the Spanish Chamber of Commerce. The VUE project is a fundamental service to promote the creation of companies, to favour the creation of employment and to provide comfort and efficiency to citizens. VUE’s mission is to help new entrepreneurs by providing technical advice and informing them about the availability of the existing services. In order to favour the birth and consolidation of new companies, the Chambers of Commerce in Spain created **viveros de empresas (business incubators)**. *Viveros de empresas* are physical spaces, especially designed to accommodate start-ups, where entrepreneurs can have access to the resources they need.

The following section of the report will present some programs introduced by chambers of commerce in Spain that help to facilitate youth entrepreneurship. **The PICE plan (Programa Integral de Cualificación y Empleo, Qualification and Employment Program)**<sup>53</sup> is part of the Strategy for Entrepreneurship and Youth Employment of the National Youth Guarantee System launched by the Chambers of Commerce in Spain. The plan is addressed to young people aged between 16 and 29 who do not currently study or work, and to companies that want to hire qualified young people. PICE is a training program for unemployed young people whose objective is to enter the labour market or through self-employment.

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<sup>50</sup> Official Credit Institute (2018). ICO Empresas y Emprendedores 2018. Accessed on:

<https://www.ico.es/web/ico/empresas-y-emprendedores>

<sup>51</sup> European Commission (2018). Youth Wiki – Start-up funding for young entrepreneurs. Accessed on:

<https://eacea.ec.europa.eu/national-policies/en/content/youthwiki/39-start-funding-young-entrepreneurs-spain>.

<sup>52</sup> Chamber of Commerce. Ventanillas Únicas Empresariales (VUE. Puntos de Atención al Emprendedor.

<https://www.camara.es/creacion-de-empresas/ventanilla-unica-empresarial-punto-de-atencion-al-emprendedor>

<sup>53</sup> Chamber of Commerce. Programa Integral de cualificación y Empleo. Accessed on:

[https://empleoygarantiajuvenil.camara.es/sites/empleoygarantiajuvenil.camara.es/files/descargas/guia\\_general\\_web\\_0.pdf](https://empleoygarantiajuvenil.camara.es/sites/empleoygarantiajuvenil.camara.es/files/descargas/guia_general_web_0.pdf).

In order to be eligible to benefit from this program, and this also applies to any youth program developed and funded by government/public bodies, a young person should be inscribed into Youth Guarantee System which, in turn, means to fulfil some preconditions. One of them is to have Spanish nationality or to be an EU citizen or a citizen from a country belonging to the European Economic Area or Switzerland. Other foreigners may also register into the system, provided that they hold an authorization to reside in Spain, or a working permit. The second condition is to be between 16 and 30 years old at the time of application.<sup>54</sup>

Although the PICE program does not only focus on youth entrepreneurship or employment in general, one of its components, the Training Plan, is aimed directly at young entrepreneurs. Specifically, one of the offered actions is entrepreneurship training designed for young people with an entrepreneurial spirit. The face-to-face training sessions provide youngsters with useful tools on how to build and manage a business. Lastly, built into the PICE Program is the possibility to apply for small grants of 600€. These grants are reserved for companies created by young entrepreneurs who are enrolled in the Youth Guarantee and have attended the Training Plan of the PICE Program.<sup>55</sup>

**The PAEM Program (Programa de Apoyo Empresarial a las Mujeres, the Business Support Program for Women)**<sup>56</sup> is a national program to promote and support women's business activity. The program is financially supported by the European Social Fund, the Institute for Women and Equal Opportunities of the Ministry of Health, Social Services and Equality and the Chambers of Commerce. PAEM is targeting women who want to develop a business idea or project. Participation to the program is not limited to a specific age group, hence, PAEM is a program that encourages young women to start up their own business.

The PAEM Program can also help women to obtain microcredit of up to 25,000€ without a guarantee. For the processing of those micro-loans the Spanish Chamber of Commerce collaborates with Microbank-La Caixa, through the agreement signed with the Institute for Women and Equal Opportunities. Through the Chamber and the PAEM Program, women are accompanied in the preparation of the business plan and in the processing of the microcredit request. In addition, in the case of obtaining financing, the experts from Chamber of Commerce monitor and provide assistance to the women during the first six months for the consolidation of her company. The microcredit is open to female entrepreneurs who want to start their business and female entrepreneurs with a business of less than five years.<sup>57</sup>

**España Emprende Program** is another programme offered by the Chamber of Commerce which aims at supporting and advising an entrepreneur in all phases of “the business life” (gestation of the business idea, creation of the company and procedure of it, consolidation and

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<sup>54</sup> The Ministry of Labour, Migrations and Social Security. Sistema de Garantía Juvenil, Acceso jóvenes. Accessed on: <http://www.empleo.gob.es/es/garantiajuvenil/accesoJovenes.html>.

<sup>55</sup> Chamber of Commerce. Programa Integral de cualificación y Empleo. Accessed on: [https://empleoygarantiajuvenil.camara.es/sites/empleoygarantiajuvenil.camara.es/files/descargas/guia\\_general\\_web\\_0.pdf](https://empleoygarantiajuvenil.camara.es/sites/empleoygarantiajuvenil.camara.es/files/descargas/guia_general_web_0.pdf).

<sup>56</sup> Spanish Chamber of Commerce (2018). Programa de Apoyo Empresarial a las mujeres. Accessed on: <https://www.camara.es/creacion-de-empresas/apoyo-empresarial-las-mujeres-paem>

<sup>57</sup> Spanish Chamber of Commerce (2018). Programa de Apoyo Empresarial a las mujeres. Accessed on: <https://www.camara.es/creacion-de-empresas/apoyo-empresarial-las-mujeres-paem>

cessation). The programme is addressed to individuals or legal entities that wish to start up their business and to established companies that need advice. The programme includes a set of services offered through face-to-face and online channels. Support includes various activities to help the effective completion of the administrative procedure, while advising includes tasks of advice or personalized guidance adapted to the specific entrepreneurial initiative. On the regional level, some Autonomous Regions have created similar programs specifically targeting youth. An example is the Chamber of Commerce of Toledo, which launched **Plan Emprende Joven CLM 2018 (The Youth Entrepreneurship Plan 2018)**. Following the success of the last edition of the program, "Emprende Joven CLM", in which 220 young people of Castilla La Mancha participated, the Chamber of Commerce of Toledo in collaboration with FEDETO (Federación Empresarial Toledana; Toledo Business Federation) launched a new edition of this program that highlights entrepreneurship as an option. Offering young people the opportunity to realize their own business project, adapted to the opportunities that the environment offers.<sup>58</sup>

The objective of the Plan is to reduce the inactivity rate of the youth from Castilla La Mancha and to contribute to their integration in the labour market through self-employment. Emprende Joven CLM 2018 is configured as an innovative project designed to adapt entrepreneurial training to the profile of the participant. This is typically an unemployed young person who is not involved in the training system, has a business idea and wishes to carry out a viable business project and its subsequent implementation. As mentioned above, in order for a young person to be eligible for this program, he/she must be registered with the National Youth Guarantee. For the current edition of the programme, there are 24 training activities in which a maximum of 480 young people from Castilla La Mancha may participate. The subject of the training are evaluation of capabilities and business ideas adapted to the profile of the entrepreneur and his environment, project management, legal and fiscal aspects of the company, marketing and communication, social networks and electronic commerce, funding, and final elaboration of the plan. The main appeal of this programme is that participants are not only offered a training course. Instead, they are offered a direct approach to the world of entrepreneurship with the support of consultants with extensive professional and teaching experience. In addition, further training and mentoring is provided to those participants who, at the end of the program, start their own business.

The **Youth Institute (INJUVE)** is the main agency under the Ministry of Employment and Social Security that promotes the political, social, economic and cultural participation of the Spanish youth. Within the framework of the Strategy for Entrepreneurship and Youth Employment, the INJUVE has set the promotion of employability and entrepreneurial spirit among young people as its priority. One of its key activities is the **Network of Youth Information Services (SIJ Network)**, a network of information services for young people, made up of more than 3,300 centres across the country that report to the regional governments, local councils, associations and other agencies. These centres provide young people with information and advice on resources for employment and entrepreneurship.

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<sup>58</sup> Chamber of Commerce of Toledo (2018). Plan Emprende Joven CLM 2018. Accessed on: <http://emprendejoventclm2018.camaratoledo.com/>

INJUVE launched several programmes in past years, although there is a lack of information whether they are still active or not. This includes the **Emprende XL Social Media Network**, a social network that aims at supporting idea-sharing among youth and offering free entrepreneurship courses and expert advice. INJUVE also created **Emprendemos**, a mobile application providing up-to-date information and links to resources for training and advice to young entrepreneurs, constituting an interesting and modern way to approach the youth. INJUVE also organized **National Competition for Young Entrepreneurs** and created microcredit programmes for young entrepreneurs. They have also made available the **Resources Guide for Young Entrepreneurs (Guía de recursos para jóvenes emprendedores)**. The guide collects the resources at the European, national and regional level allowing young entrepreneurs to be guided in the area of entrepreneurship.<sup>59</sup> In June 2018, the General Directorate of the INJUVE published call for aids of **Young Creation (Creación Joven)**. The call is addressed to young creators of a maximum of 30 or 35 years of age (depending on the lines the projects are related to), for projects to be developed during 2019 in areas such as visual, performing, musical, literary, design, comic, and illustration arts. The submitted projects must be related to one of the four lines of action of which one is addressed to entrepreneurship for young creation (18 to 35 years and up to 7,000€). The other three lines are related to art work production (applying to those from 18 to 30 years of age), mobility of the produced work or mobility of creators (those from 18 to 30 years of age) and one related to exhibitions, workshops or other activities of creation (those from 18 to 35 years of age).

Concerning entrepreneurship education, there is no national strategy as such; it has been developed at sub-national level, with the Autonomous Regions proving to be very active. For example, the University of Castilla La Mancha designed a program called **UCLMemprende** which is developed within Network of Entrepreneurial Professors of the University of Castilla La Mancha. The main objective of the Network is to promote entrepreneurship among the students of the mentioned university. The function of such entrepreneurial professors/promoters is to promote training activities and stimulation of entrepreneurship among their students, support the organization and dissemination of entrepreneurship activities promoted by the Office of the Vice Chancellor for transfer and Innovation and to identify bachelor and master thesis which can become a good business project (student/graduated start-up). Other services provided by UCLMemprende are seminars on entrepreneurial motivation, seminars on entrepreneurship in collaboration with faculties and schools, entrepreneur projects contest and training on entrepreneurship in collaboration with public and private entities<sup>60</sup>.

In addition, it is worth mentioning the case of the **Programa Young Potential Development (YPD)**.<sup>61</sup> YPD is a program of learning to undertake (*aprender a emprender*). The pioneering initiative was launched in 2014 with a mission to discover the potential of people for talent

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<sup>59</sup> Link: <http://www.injuve.es/sites/default/files/Guiaemprendedoresjovenes.pdf>

<sup>60</sup> Universidad Castilla La Mancha (2018). UCLMemprende. Accessed on: <http://emprende.uclm.es/red-profesores-emprendedores/>

<sup>61</sup> Link: <https://eacea.ec.europa.eu/national-policies/en/content/youthwiki/38-development-entrepreneurship-competence-spain>

development and entrepreneurial spirit through four pillars: energy, creativity, communication and leadership.<sup>62</sup>

The objective of the YPD project is to promote entrepreneurial initiatives in the classroom. The aim was to transform a group of professors into authentic social entrepreneurs and agents of change and equip them with innovative tools to transfer this knowledge and take the entrepreneurial spirit to the classroom. The 350 professors received the YPD BOX tool and implemented it in their classrooms in different Autonomous Communities such as Galicia, Castilla-La Mancha, Castilla y León, Aragón and Murcia during the academic year 2014/2015, reaching more than 15,000 students. Through the YPD BOX, teachers would be able to carry out didactic learning content in the classroom, in which young people can discover their potential, develop their talent and foster their entrepreneurial spirit.<sup>63</sup>

YPD reached different audiences through YPD BOX and another significant output the platform YPD ONLINE, as the first channel of learning skills for the development of one's "yes, I can" spirit. In addition, the report on Entrepreneurship Education in the Spanish education system, drawn up by the Red Española de Información sobre Educación-Eurydice España, and published in 2015, describes the situation of entrepreneurship education in primary and secondary education and gather the information on training and support measures for teachers and good practices in this area. The training activities, which were offered to teachers, form five main categories and those are courses related to business creation and management, the implementation in the classroom of specific entrepreneurial education programs aimed at all teacher levels, the development of transversal entrepreneurial competency, methodologies that are associated with the development of entrepreneurial competency, and courses for design of entrepreneurial projects lead by teachers.<sup>64</sup>

#### 4.1.2. Non-governmental actors, programs and initiatives

Non-governmental organizations play an important role in complementing government efforts to developing an entrepreneurial culture among youth in Spain. Although there are lot of NGOs who support youth entrepreneurship,<sup>65</sup> this report will focus on those that work directly with migrants and migrant entrepreneurs as there is a scarcity of public programs and initiatives specifically targeting migrants.

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<sup>62</sup> Link: <http://ypdonline.com/conocenos/>

<sup>63</sup> YPD Group (2014). Accessed on: <http://www.ypdgroup.com/wp-content/uploads/2014/06/NP-Evento-Shark-Tank-2014-YPD1.pdf>

<sup>64</sup> Eurydice España (2015). Entrepreneurship education in the Spanish education system. Year 2015. Accessed on: <https://sede.educacion.gob.es/publiventa/resumen-ejecutivo-eurydice-espana-redie-la-educacion-para-el-empredimiento-en-el-sistema-educativo-espanol-ano-2015--entrepreneurship-education-in-the-spanish-education-system-year-2015/educacion-politica-educativa/21483>

<sup>65</sup> Those are the Youth Business Spain, Barcelona Activa, the Spanish Federation of Youth Entrepreneur Associations (CEAJE), the Federation of self-employed workers (ATA), the International Youth Organization for Iberoamerica (OIJ), etc.



**Accem**<sup>66</sup> is a Spanish non-profit organization which, in 2018, carried out the project Reinicia, funded by the Committee of Andalucía. The project, in its second edition, includes training and orientation for refugees and local population (native and immigrant) at risk of exclusion, who want to enter the labour market through entrepreneurship or self-employment, in the city of Jerez de la Frontera. The Reinicia project, is oriented towards offering knowledge and business tools with the aim that each of the participants can successfully implement their entrepreneurial project in the future. At the same time, the social and professional skills necessary for entering in the labour market are also worked on. The objectives of the Reinicia Project are to increase social skills and the independence of the participants, train participants in business knowledge and skills, promote social and cooperative entrepreneurship in groups at risk of exclusion, provide a better knowledge of the labour and economic context of the residence areas of our participants, promote modern business values, inform and promote access to training programmes, guidance and financing, and encourage the independence and the social and labour market integration of participants. In addition to the above, it builds towards the creation of working networks and synergies with other organizations, whether public or private, that facilitate access to both sources of training and funding for participants.

**Acción contra el Hambre**<sup>67</sup> is a global NGO working with vulnerable groups of people. Most of the NGO's programmes focus on enabling beneficiaries to regain their independence and self-sufficiency as quickly as possible. Acción contra el Hambre develops various programmes to support those who have difficulties in entering the labour market and promotes entrepreneurship as an alternative. The organization provides assistance to the beneficiaries throughout the entrepreneurial process and help them to strengthen the entrepreneurial and technical skills needed to start a business. These programmes are called Vives Emprende, and target anyone who is unemployed or lacks job stability and who wants to start a business. As a supplement the Youth Entrepreneurship Itinerary, is targeting young people who neither work nor study. In addition to these programmes, Acción contra el Hambre has published the study "Emerging sectors of entrepreneurship for young people at risk of exclusion", which identifies business niches for young people with more difficulties to enter the labour market and what skills they need to do so. In the Vives Emprende programme, they prioritize access to women, young people under 35 and immigrants, while in the Youth Entrepreneurship Itinerary the participant should be between 16 and 30 years old, unemployed, not taking part in any educational activity and be enrolled (or willing to do so later) in the National Youth Guarantee System. Youth who want to participate in Vives Emprende can apply for a programme at any time of the year. The participation lasts as long as necessary until the creation of one's business, and Acción contra el Hambre follow up until it has been consolidated. The Vives Emprende programme has contributed to the creation of 104 new companies and has offered support to 34. Furthermore, through the Vives Aprende line they have trained 43 teachers and 376 pupils in entrepreneurship by the end of 2017.

**Economistas sin fronteras (Economists Without Borders)**<sup>68</sup> through the permanent programme of Vivero de Microempresas, which was created in 2005, support entrepreneurs

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<sup>66</sup> Link on the webpage: <https://www.accem.es/>

<sup>67</sup> Link on the webpage: <https://www.accioncontraelhambre.org/es>

<sup>68</sup> Link on the webpage: <https://ecosfron.org/>

from the conception of a business idea to its final development. They offer initial advice, provide support in carrying out the viability study (Business Plan) and, during the initial procedures, offer tutoring initiatives and deliver free specialized training in topics related to entrepreneurship. Throughout 2017, 160 people have been benefited from the program, receiving group and personal advice. During 2017, 13 trainings have been carried out.

**Movimiento por la Paz**,<sup>69</sup> a Spanish NGO, has developed a comprehensive advisory service for self-employment and the creation of micro-enterprises that includes, among others, the following actions: customized business plan, consultation on access to financing, micro-credits, and legal and administrative procedures. They also offer specialized training for entrepreneurs and support of entrepreneurs through a programme of assisted management. The entrepreneurial initiatives have received a strong boost from their organization since 2008. During 2017, in collaboration with IMPEFE, they developed a series of training workshops aimed at immigrants and other groups with challenges in finding employment where more than 500 entrepreneurs, 375 of them migrants (138 men and 237 women), participated.<sup>70</sup>

#### 4.2. Opportunities linked to the context

In order to discover what opportunities, challenges and barriers exist in Spanish business context, a series of interviews with young entrepreneurs (Y) and experts (E) in this field have been conducted. The interviewees claim that the legislation in Spain “*is complete*” (E1) and has “*never been so prone to entrepreneurship with measures that favour and help the start of the business activity*” (E3). In addition, experts say that “*the legislation is more flexible than it was years ago*” (E4) and that “[it] *is now fairer, and it facilitates the access to the possible entry of more entrepreneurs*” (E2). The assumption is that the existing strategies and changes in legal framework, made in the past five years, are linked with these improvements. It is indisputable that the existence of Law 14/2013 on Support of the Entrepreneurship and its Internalization, and Law 25/2015 on the Second Opportunity Mechanism has made starting up a business in Spain more accessible.

There are also noticeable improvements following the introduction of the flat rate the Strategy for Entrepreneurship and Youth Employment, and its expansion since then to include all population with extra benefits for youth.<sup>71</sup> Several quotes from interviewees strongly support this assumption. An expert, for instance, noticed that “*The current economic and political environment favours companies, or at least does not interfere very much*” (E2), while another added:

*“The context has improved noticeably...Little by little awareness has been taken of the importance of the support and promotion of self-employed workers and entrepreneurs”*

and the

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<sup>69</sup> Link on the webpage: <http://www.mpdl.org/>

<sup>70</sup> Movimiento por la Paz (2018). Autoempleo. Accessed on: <http://www.mpdl.org/nuestro-trabajo/espana/sociolaboural/autoempleo#sthash.KkN7SGCa.dpbs> .

<sup>71</sup> Firstly, it was made only for youth and up to first 6 months. See more in section 4.1.1. *Governmental programs and initiatives.*

*“conditions for education, training, government policies and financing for entrepreneurs have improved” (E3).*

Besides legislation and policies, there are other significant variables that positively influence starting up a business in Spain as well. Age is the one variable which should be highlighted first, although later in the report it is also identified as a challenge. The interviewees, when asked whether their age impacted their ability to start a business, most interviewed, responded negatively at first, because they thought that their age only helped them to start a business due to the abundance of policies and programs aimed at young entrepreneurs.

A young interviewee suggested that age can positively *“affect it [starting a business] and young women as well”* (Y2). Similarly, another interviewee said that *“additional advantage is given to [a promotion of] youth entrepreneurship”* (E2). An expert added that a young or migrant entrepreneur has a *“number of advantages: fresh ideas, knowledge of new technologies, greater physical and mental strength, motivation...”* (E3). Hence, the idea that young age can constitute an advantage is definitely shared both among the experts and the young people

Furthermore, the Law on Support of the Entrepreneurship and its internalization gave the opportunity to a migrant entrepreneur to start a business easier than before. An expert said, *“there is a good security in Spain to make a company...it does not matter where you are from, you can access the same services as any Spanish person...there is no discrimination when speaking of Spanish or immigrants as long as you have your papers in order”* (E2). One young entrepreneur (a European citizen) also agrees that *“there is no difference between locals and migrants. I mean, starting from scratch is hard for everyone, and maybe the migrants have the language barrier, but it is more a challenge than barrier”* (Y5). Another two interviewees added:

*Since I arrived, I felt as if I were in my own home. I do not notice so much the difference between foreigners and locals, I think that in my country that is more noticeable. When it comes to business relations we talk about work, we talk about business, about money, we do not talk about nationality, at least we should not. Therefore, I do not believe there is discrimination in that sense (Y8).*

*Well theoretically it should not matter where are you coming from and I see Spain as an open nation. (Y9)*

## **5. Challenges and Barriers for Entrepreneurs**

Entrepreneurship comes with many challenges. Experienced entrepreneurs have to deal with some of these challenges regardless of how long they've been in business. Trying to establish a brand, adjust to match or exceed the competition and keep your business profitable are all challenging tasks, both for experiences and inexperienced entrepreneurs. However, young entrepreneurs face some challenges that are especially difficult to overcome. The results from the interviews suggest that starting up a business is not an easy task despite the existing opportunities discussed above.

The challenges and barriers that Spanish young and migrant entrepreneurs face could be divided in the following groups.

- *Challenges related to the legal framework*

A key idea stemming out from the interviews is that laws that govern businesses should be strict but not complex. Simple rules governing business structures are easier to administer and therefore do not impose a substantial burden on businesses. In general, laws should be easy to understand and explain. As was discussed earlier in this report, Spanish law on entrepreneurs is relatively complete, and Spanish policy makers are constantly improving laws on entrepreneurship and business, e.g. on a flat rate, which has facilitated the establishment of a lot of new businesses. There is also some improvement in policies for migrants, especially those related to entrepreneurs' visa. Nevertheless, as an interviewee from Business Federation puts it, the legal framework in Spain still remains *"a little excessive and demanding and in some cases can ballast or even complicate the things"* (E2). Another expert also thinks that the small changes have been done; *"In terms of legal framework, this one has changed a little, although it is true that some regulations have allowed increase of the economic resources that allow to address projects"* (E6).

Challenges caused by complex legislation are exacerbated in cases where specific sectors, that require more monitoring, are involved. According to an expert interviewed:

*"Doing business' is complicated because the legislation is complex, if you want to open something a little more specific or, as I said before, a food or transport sector, well the legislation for this is a little bit more complex and you have to fulfil more formalities so I would conclude that in the specific sectors things may not have progressed so much. Another thing is the conditions and requirements, in terms of the market, in terms of the client, in terms of the charge, etc."* (E2).

On the same point, another interviewee also added:

*It is difficult to start for everyone and in the health area even more. They demand more requirements, and I think this all comes from European Union. There are laws requiring things that there is no need to require anymore, e.g. to have some devices that I will not use because those devices are no longer in use in physiotherapy, but I have to equip my clinic with them anyway. I think all this can be made easier and simple.* (Y5).

Another interviewee suggested that *'obtaining an opening license which is provided by City Hall, the one that permits you to open a business is bit complicated'*(E4).

Law complexity has a negative impact especially on young entrepreneurs who do not necessarily have the experience and knowledge to deal with it. As one young entrepreneur from a European Union country highlights: *"I would have needed to understand the whole Spanish Treasury system because I did not have a business agent and my partner who is Spanish was helping me a lot. I still do not know how to do all that paperwork on my own"* (Y5). Another interviewee who is not from Spain and who has not yet started his own business, said that it would be easier to start up a business in his own country because he could understand

better the legal framework and legal procedures of his own country. From this, it can be concluded that for foreigners and migrants too it is more difficult to start up a business abroad. As he put it *“in our country we know more about the rules and everything and I think it would be easier in our country.”* (Y8).

- *Challenges related to the financial means and services*

Running a business comes with a lot of expenses. Even experienced entrepreneurs don't have it easy when it comes to funding a new business, but they do have a few advantages over newcomers. They might have a pool of capital from a business they previously sold or a steady stream of revenue they can use to fund a new business' cash flow. Even if their first business failed, they've likely made investment contacts and client connections necessary to help support them in a new enterprise.

New entrepreneurs are more likely to start without all these advantages. They need to build a new network and think through all possible funding options before landing on one. This study confirms that access to finance is always challenging when starting up a business. One expert said that *“The biggest challenge is usually having the capital to even start up, assemble and develop the business. Banks are hesitant or reluctant to grant loans with collateral, so the entrepreneur seeks to raise money in other ways, usually by means of or through private investors”* (E6). A youth also suggested that *“it is a bit difficult when it comes to all economic issues while starting up a business”* (Y2). These challenges are even greater when the sector is interested in requires a big capital investment; A young interviewee said that *“it is difficult to join this sector because it is something that is not easy to do because it requires a lot of money”* (Y3), while another added *“I had a lot of challenges because I had to put a lot of money in my business”* (Y5). Another interviewee who is aspiring to start a business, did not start it yet because he challenges financial difficulties:

*“I would really like to start my own business, but I don't have enough funds to start it. This is actually the main reason why I can't start my own business, the money. Most of the time, the good ideas don't become reality for lack of the money...”* (Y6) .

The challenge of finding adequate capital is also identified by experts. An expert, for instance, suggested *“that the problem they (young entrepreneurs) have often is financing”* while another focused on the tax burden saying, *“the problem is that that flat rate here paid the first year is €50 and then they leave you alone but that help they give you is practically the same as in all Europe, I think that in France you always pay €50, so what is normal in France here is consider as a help”* (E4).

These challenges are not only present during the starting up phase of a business; young entrepreneurs face them throughout the business cycle. An expert said that *“There are aids and they help you a lot at the start, but the thing is that afterwards there's also challenges of running the business...beside the aids that I asked for, I have asked also for a loan not so much to invest but more to continue with the business”* (Y3).

The other challenges connected with financing are that even existing loans and aids are not sufficient. As suggested by the young entrepreneur quoted above, financial assistance

provided during the early stages is not enough as financial obligations are concurrent and increase over time.

In order to meet the needs of financing their business some young entrepreneurs resolve to bank loans. However, these are typically small, and for bigger loans the collateral is difficult to obtain. As an expert highlighted:

*“there are small amounts...there are projects that are very interesting, but the person needs around 30 thousand Euros to start it, and of course who will give it to you? And the bank is going to ask for a guarantor to give it to you. So, financing is a bit more complicated, but I understand that banks also have to ask for guarantees in order to give money to people” (E2).*

Another added: *“the micro credits are really ‘micro’” (E3).*

Finally, a problem linked to funding is that subsidies are *“not open all year; they can be opened or can be requested in certain dates of the year” (E2)*. Similarly, a young entrepreneur pointed out *“the grants are closed at the moment and until they open it we cannot get any aid” (Y2)*.

- *Slow bureaucracy*

Bureaucracy in Spain also constitutes a barrier to entrepreneurship as it slows procedures down significantly. As one interviewee explained, *“the grants are not easy to receive...and then also in some cases it takes too long to receive it” (E2)*. Another one who wants to start up a business said: *“while developing my business idea, apart the money, the second biggest obstacle that I encountered was the bureaucracy” (Y6)*. Another interviewee said that *“you have to meet all the requirements in order to be granted and we still do not know how to do because it is complicated” (Y2)*. Sometimes the sluggishness also depends on the sector: an interviewee working on agriculture explained, *“in this business everything is going very slowly...I have made an investment that right now does not give me anything, everything is very slow” (Y3)*.

- *Lack of support*

Apart from financial support, lack of overall support is another issue brought up by the interviewees. One of them suggested, it *“is not easy no matter what age you are, but for the young man is even more complicated because he or she is either supported by a relative, a friend or someone who gives him that loan or guarantee that he will pay it later, or is difficult, even impossible to start” (E2)*. One youth entrepreneur claimed that starting a business in agricultural sector is very complicated. He highlighted, *“the people from here in the village start this business because they already have something, otherwise it is difficult” (Y3)*. In his case, the important support for starting up his business was his parents; *“the guarantee was my parents because without them I could not have obtained the loan. That's the problem I find when it comes to financing your business...starting from scratch you risk a lot” (Y3)*. Another interviewee stressed the importance of support especially for young people, as there are the ones in greater need of guidance particularly during the first months of the entrepreneurial activity:

*“If you start young, I think it's important that you have someone who supports you and who helps you and tells you all the problems that could happen along the way, telling you all the challenges you could encounter. Personal support for the young person is important, because you can have all the money in the world but if you do not know how to invest it and what to do with it, if you do not have a strategy and someone who guides you in that, it is more difficult. Especially in the first months - having a mentor to accompany you during the first months would make things easier. For example, my father has a company that my grandfather founded, and my grandfather was his mentor and emotional support until my father felt ready to take it on his own.” (Y8).*

Start-ups require numerous resources, talents and expertise to succeed, including funding sources, technical help, business and legal advice, training, and access to co-working spaces. But, regarding the youth interviewed for this study, the emotional support is also very important. A young female interviewee explained, it was important for her that *“family supports [me] and motivates [me], I mean if it's not going good not to tell me to give up...I want them to motivate me to stay in business...”* (Y1). Another female interviewee who came from abroad also claimed that the support is very important and sometimes crucial: *“My partner and his family were helping me a lot while creating my business idea, I did it thanks to them, with the encouragement especially of the father-in-law and my now husband.”* (Y5). Several experts reported the same. One of them suggested that *“the environment does not support either. Families, mothers and fathers ...and immigrants logically, they do not have a network of contacts and start an entrepreneurship project without present support [family etc.] is very complicated”* (E1). This idea is supported by another young entrepreneur who suggested that *“is harder to start up for someone who is from abroad. Because, in particular, at the beginning of the starting up a business you don't have the support of your family and friends as you live in abroad. Just, you feel alone.”* (Y6).

Lack of support can also be observed through lack of programmes specially aiming at young and migrant entrepreneurs. Entrepreneurial education and training, whether formal or informal, are crucial to improving an individual's awareness of the skills and steps necessary for successfully starting a business. Those who are starting up a business need considerable financial support in a start-up's in the early stages before they can access funding from banks or venture capital firms. As Spain does not differentiate between Spaniards and non-Spaniards, as long as the latter have a residence permit and live in Spain legally, the programs aimed at Spaniards are accessible to migrants as well. Still, as one expert suggests *“programs especially aimed to that group doesn't exist”* (E4).

The problem appears also in some sectors, as *“a business that does not have a high technological component, does not have its own financing by the state”* (E2). Lastly, there is a problem accessing the programmes and lack of programs in various places like rural areas; *“here in Las Cabañas there is not much”* (Y1).

- *Sociocultural challenges*

Communicating across cultures can be very challenging. Effective communication with colleagues, clients, and customers abroad is essential for a successful business. Cultural awareness can help entrepreneurs to improve navigation through potential communication/cultural problems. These challenges relating to the inter-cultural communication influence migrants the most, as they are more likely to have a different sociocultural background and lack of knowledge with regard to the local context. As an expert suggested during the interviews, *“We must not forget that these groups face specific difficulties when starting up a business to overcome cultural and language barriers and sometimes also face cultural barriers and even prejudices”* (E3). Another expert added that *“In their case challenges can sometimes be added to the language problem”* (E2). A female entrepreneur who comes from European Union said that: *“If I had been alone maybe I would have not been able to start up my business, because of the language barrier, because it would take a lot of paperwork and you might fall. It could have been harder, definitely, e.g. if I had come with my parents without knowing anyone here, but it is not my case. I had my partner here.”* (Y5).

- *Age*

Although the youngsters interviewed for this study often stated that age helped them to start their business, due to the existing programs and aids which facilitate youth entrepreneurship, there are still some challenges specific to young when it comes to starting a business. An interviewee suggested that *“young people have very difficult access to financing”* (E2), while another one said, *“You are young, and you do not have that economic capacity to face the opening of a business”* (Y2). With regard to the way young entrepreneurs are perceived by their older counterparts, a young interviewee stressed the fear that young entrepreneurs have towards the elders because *“they know more about business”* (Y1) and can *“have more links, I mean important people around...they can see me more younger, more “greener” and maybe I do not have as much contact as other people...”* (Y1). The same idea was highlighted by another young interviewee. As he said *“It is also important to have good relations and communication with banks, partners, etc. It can be a barrier and quite challenging for a young person to start up without proper business relations”* (Y9).

Having the right information, at the right moment, is very important; especially when you are starting a business (having information on how to start it up, how to keep going, where to go first, having information on possible financial supports, etc). A young person has, by definition, less experience and knowledge. One expert said, *“Unfortunately, there are many, especially young people and immigrants who are unaware of the existence of the types of support out there”* (E3). With regard to the importance of past experience and know how a young interviewee said that, *“To start a business it is necessary to have knowledge but above all experience. I think that experience it is important, I think that young people should work a little before they start something of their own, because you still do not have a “fair age” to start up.”* (Y9).



Furthermore, being lost in all the business procedures creates additional challenges. One young interviewee put it:

*“you do not know the whole thing of how to organize yourself and create your own company, ‘to write your own history’. You do not know what you have to do first, so it is important to inform yourself about it a lot, because there are so many details, details that you have to know before starting it. Mistakes are made out of ignorance, you don’t know how to do it, but once you start you learn” (Y2).*

- *Competition*

Competition, despite its advantages, can be a factor that prevents a start-up from entering a particular market. It is important for new entrepreneurs to find a niche market and carefully consider how they will approach the market. The findings of this report suggest that the competition in Spain can be considered as a challenge. In Spain, experts say that *“the competition is high. There are many that offer so much, so you have to offer something dissimilar, something differential, to bring something new that the other cannot give” (E2)*. Similarly, another expert added *“I think that also the challenge that a young or migrant entrepreneur face is competition. There is a lot of competition out here” (E4)*. Competition is mostly linked to the product or service itself, in the sense that, what the new entrepreneur plan to offer should be better when compared to similar products and services that are already offered. As an expert put it *“Another important challenge for entrepreneurship is to create and/or sell a unique product” (E6)*. Similarly, another interviewee said: *“A great challenge was to sell the product and make customers see that what they are paying is a quality work” (Y7)*.

- *Not being realistic/viability*

It is very common that new entrepreneurs do not understand where their idea fits in the current marketplace. In one of the interviews a person said *“youngsters are not realistic, they say e.g. ‘I want to set up a greengrocer’, well then think about another place, because I see it complicated” (E2)*. One of the interviewed experts said,

*“The forecasts (of business) must be realistic, especially in relation to the income that “a priori” is not known. Something that apparently seems simple and common sense can condition the success or failure of profitable business initiatives. Depending on the income and expenses, the necessary cash flows must be prepared to meet the payments and, based on them, determine the financial needs of the project (E3).”*

The importance of having a viable business plan was also addressed by another expert. He said *“[If the] business plan is not viable and realistic well than is difficult. Starting a business always is really challenging” (E4)*.

- *Insecurity and risk taking/possible failure*

Another challenge in the start-up community is how to address failure in a competitive environment. Failure and the high risk involved in entrepreneurial activities is seen as an

integral part of the process. As one youth explained, *“I see it...more something like an illusion of the future where you put all your letters on the table...this is entrepreneurship for me... I do not think that someone who already has a lot of money will start a business, entrepreneurs are people who risk everything”* (Y4).

Nonetheless, uncertainty and risk of failure element were mentioned several times throughout the interviews. For example, an expert said:

*“Well I believe that setting up a business is always complex, it is complex because it always has an uncertainty...how it is going to work? Sadly, most of the businesses close in a year. That is a reality that has always happened. An uncertainty always exists when you want to start a business, especially when there is a type of investment, when you have to invest 10 thousand, 8 thousand or 5 thousand Euros or whatever it may be. You can lose it because the business has not gone as you thought and yes, this is a risk ...the insecurity, the uncertainty, how it will work, the need for financing, how will I be known, how am I going to sell my product, how am I going to charge it, because it is important to sell it but you have to charge it too”* (E2).

Another expert added:

*“Today it is much easier to start up a business, although you have to be brave and face fear of possible failure. ...There is always a challenge to start a new business and try to reduce to the maximum the uncertainty about its result and economic consequences. The failure rates, especially in the first years, are still very high”* (E3).

Interviews showed that young people also view insecurity as a challenge when entering a market and starting up own business. One young entrepreneur said *“you cannot risk and invest all the money that you would like in your business because it is a risk”* (Y2). Another said that *“start up a business in a service sector is easier but start a business where you have to buy a store or for example those people who are dedicated to agriculture to buy a vineyard or something that is riskier”* (Y4)

### 5.1. Differences between migrants and young entrepreneurs

Discussion on the existing programs developed either by both government and non-governmental organizations, coupled with the information provided by the interviewees shows that Spain hardly differentiates between local and migrant youth. According to interviews and explored literature, it can be concluded that there is no discrimination when speaking of migrant youth regarding starting up a business in Spain. One interviewee said: *“there is no discrimination when speaking of Spanish or immigrants as long as they have their papers in order... once you have the number of the NIE - foreign number, you will be able to access the same aid as anyone”* (E2). Another assumption is that local and migrant entrepreneurs face some common challenges, such as challenges related to legal framework or challenges related to financial means and services. When speaking of additional challenges that only migrants

face, the language barrier would top the list, although some foreigners do speak Spanish. An interviewee explained:

*“Here in my office have entered persons from all parts of the world and those who come from the east countries have a lot of facility to learn Spanish, in general any language, but Spanish specifically, usually, they speak very well, I say it because...Although there are many, in general, who can speak Spanish well but sometimes it is not completely fluid for doing business” (E2).*

Although Spain does not differentiate between Spaniards and non-Spaniards in terms of accessibility of the various supporting programs, the lack of programs specifically targeting migrants can be considered an obstacle for migrant entrepreneurship. The existence of programs that favour migrants would raise more awareness among this group and would most likely encourage migrants to consider the possibility of starting a business in Spain. Another obstacle which is bigger for migrants to overcome is financing. Though the same rules apply for locals and foreigners alike regarding access to start-up funding, migrants can have limited access because of lack of (family/relative/friend) support and lack of credit history. One interviewee explains: *“At the beginning of the starting up a business you don’t have the support of your family and friends as you live in abroad. Just, you feel alone.” (Y6).*

Regarding socio-cultural barriers the report shows that they are also present. This is in line with several studies, which suggest that linguistic skills could be a major barrier to migrants’ entrepreneurial activities. Fairlie and Lofstrom (2013),<sup>72</sup> for instance, argued that given the limited language ability it could be difficult to communicate with potential customers and suppliers, or learn about regulations with limited language ability. Therefore, linguistic skills should play an essential role in the study of entrepreneurial barriers for immigrant entrepreneurs as an important factor while discussing barrier.<sup>73</sup> Hence, during entrepreneurial activities in a host country, language improvement should be considered as an important factor. Also, if they do not have enough working experience or a good educational background, starting up a business would be bit difficult.<sup>74</sup>

## **6. Conclusions and recommendations**

This report shows that youth entrepreneurship in Spain is supported by several policy documents and programs developed on the national and the regional levels. The most important national document on youth entrepreneurship in Spain is the Strategy for Entrepreneurship and Youth Employment 2013-16, which includes 100 measures aiming to integrate young people in the labour market, either as employees or through entrepreneurship. Along with the Strategy for Entrepreneurship and Youth Employment, another strategy providing policy support for the promotion of youth entrepreneurship is the 2020 Youth Strategy. Youth who pursue business creation can benefit from a number of high-quality programs such as the programs developed by the central and regional chambers of commerce providing through their programs business advisory services.

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<sup>72</sup> Fairlie and Lofstrom (2013). Immigration and Entrepreneurship. IZA Discussion Paper No. 7669

<sup>73</sup> Weng, H., Chanwong, P. (2016). Investigating the common barriers that high-skilled Asian immigrant entrepreneurs face in the western countries. Lund University Libraries.

<sup>74</sup> Ibid.

In addition, there are many youth entrepreneurship networks and associations that have an important role providing information to youth regarding available support services and building entrepreneurial networks that can be used to identify potential business partners, customers and new ideas. These include, but are not limited to, Youth Business Spain, Red Creativa, Barcelona Activa, the Spanish Federation of Youth Entrepreneur Associations (CEAJE), the Federation of self-employed workers ATA, etc., and especially those who work with migrants: Accem, Acción contra el hambre, and Movimiento por la Paz. These organizations also play an important function of promoting youth entrepreneurship broadly, to inspire potential youth entrepreneurs and to lobby at the political level on behalf of youth entrepreneurs.

Despite the existing strengths, there are a several areas where the youth entrepreneurship support system could be improved. Firstly, in many cases autonomous regions have developed ambitious youth entrepreneurship strategies that overlap with strategies developed at the national level. The multi-level governance structure poses difficulties in gathering information, demonstrating the impact of various initiatives and ensuring the good use of public funding. So, young entrepreneurs face a regionally diverse and inconsistent mix of support programs, consisting of actions by national, regional and local government and a range of community-based and non-governmental organizations programs. Better coordination within and between the regions would overcome some of these difficulties by ensuring that there is a clear mapping of business support providers operating nationally and regionally, so their activities can target youth in various regions of Spain. There is also a need of individualization of the programs and to make some of them more specific as there are many programs providing quite broad information. Selection of beneficiaries of youth entrepreneurship programmes should be made carefully, while tailoring the support provision to the needs of the youth.

Most policies supporting youth entrepreneurship heavily favour those who are university-educated and have business ideas that are related to innovation, social innovation, scientific research and high technology. For example, some of the most significant national support providers such as ENISA and INCYDE target mostly highly potential youth. Instead, more visibility should also be given to policy programmes that focus specifically on disadvantaged youth. It should be kept in mind that disadvantaged youth require additional support where the important role can play the third sector developing more specific programs, especially those aimed at migrant entrepreneurship as there is a scarcity of those programs provided by government bodies.

Accessing finance remains one of the greatest challenges for youth. There are some financial opportunities provided by ICO and ENISA, as well as those from private sector. Nevertheless, microfinance is extremely limited due to banking regulations as they demand collateral for the loans, which are harder for young people and migrants to find. This leaves youth and migrants with few options for external financing when starting a business. Therefore, access to flexible alternative financing for business start-up and development in Spain should be improved by providing financial literacy education to all youth, ensuring youth access to loans and microfinance and use grants when loans are not feasible and encouraging alternative financing methods such as guarantees, crowdfunding, peer-to-peer lending, business angel investment, etc.

Though less significant, some other challenges and barriers that the current report highlights are the ones related to the legal framework, slow bureaucracy, lack of information, knowledge, experience, competition, viability, and insecurity and risk taking. These can be tackled firstly by creating strong background of entrepreneurship culture to encourage more nascent entrepreneurs. It is important to keep promoting entrepreneurship through the educational system where children can develop the entrepreneurial spirit within themselves. It is important to keep developing entrepreneurship programs with an emphasis on disadvantaged youth, which facilitate all the legal procedures and access to finance. It is important that the public, private and third sector work together in order to provide comprehensive programs and support for young and migrant entrepreneurs. The following actions are recommended for strengthening the youth and migrant entrepreneurship:

- Renew the Strategy for Entrepreneurship and Youth Employment for a new period from 2018 to 2020 with the aim of improving the employability of young people.
- Develop an action plan that clearly describes how the measures from the Strategy for Entrepreneurship and Youth Employment will be implemented and annually publish the reports on the implementations of those measures.
- Improve the coordination of youth entrepreneurship policies and programmes among different levels of government.
- Improve youth's access to financing by encouraging the coordination between banks/microfinance institutions and local organisations giving the mentoring on financial support and making it more flexible and adaptive to the context and person's need.
- Encourage educational institutions and employment services to promote entrepreneurial culture and provide continued guidance on entrepreneurship and self-employment for youth and migrants.
- Design and give visibility to entrepreneurship programs that focus specially on the migrant youth.

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## **Annex 1. Figures and tables**

Figure 1. *Ratio of young people in the total population in Spain*

Figure 2. *Ratio of young immigrants in all immigrants from non-EU countries*

Figure 3. *Employment rate from 2012 to 2017*

Figure 4. *Employment and unemployment rate for total population and youth*

Table 1. *Institutions related to job market and to business start-up*

Table 2. *The procedure of the starting up a business in Spain*

## **Annex 2. List of people interviewed in this research**

### *Experts*

1. A.G.F., The Operational Programme for Youth Employment Office, the Association Enlace Empleo – 4<sup>th</sup> July 2018
2. C.J.M, The Association Enlace Empleo – 4<sup>th</sup> July 2018
3. I.D.M., Toledo Business Federation FEDETO – 12<sup>th</sup> July 2018
4. J.G., Ventanilla Unica Empresarial Office, Chamber of Commerce of Toledo – 18<sup>th</sup> July 2018
5. J.L.P.B., the Federation of Self-employed Workers ATA – 18<sup>th</sup> July 2018
6. R.M.L., professor at the University of Castilla La Mancha, Network of Entrepreneurial Professors of the University of Castilla La Mancha, 4<sup>th</sup> October 2018

### *Entrepreneurs (30-35)*

1. A.C.R. (Spanish), export business – 25<sup>th</sup> July 2018
2. F.J.S.R. (Spanish and U.S. Citizen) – photographer – 28<sup>th</sup> of September 2018

### *Young Entrepreneurs (18-30)*

1. E.V.R. (Spanish), handmade craft business – 18<sup>th</sup> July 2018
2. G.M. (Italian), student at the University of Castilla La Mancha, economic studies, aspired to start up a construction company – 31<sup>st</sup> October 2018
3. J. V. (Spanish), young farmer, wine production – 18<sup>th</sup> July 2018
4. L.L. (Estonian), physical therapy private practice – 19<sup>th</sup> September 2018
5. S.F. (Italian), student at the University of Castilla La Mancha, economic studies – 31<sup>st</sup> October 2018
6. S.S.C. (Spanish), aspired to start up a hairdressing business – 5<sup>th</sup> July 2018
7. U.P. (Italian), aspired to start up clothing industry business – 26<sup>th</sup> September 2018

### Annex 3. Data summary

<b>Data summary - Spain</b>	
<b>Population</b>	
Population in 2017 (total)	46'698'569 <sup>75</sup>
Population in 2017 (aged 15-29)	7'002'731 <sup>76</sup>
Foreign population in 2017 (TCN)	2'938'720 <sup>77</sup>
<b>Employment</b>	
Employment rate in 2017 (total)	61.10% <sup>78</sup>
Unemployed individuals in 2017 (total)	3'917'000 <sup>79</sup>
Unemployment rate in 2017	17.20% <sup>80</sup>
<b>Employment - Youth</b>	
Employed youth in 2017 (aged 15-29)	2'547'200 <sup>81</sup>
Employment rate in 2017 (aged 15-29)	36.5% <sup>82</sup>
Unemployed youth in 2017 (aged 15-29)	1'063'000 <sup>83</sup>
Youth unemployment rate in 2017 (under 29)	29.4% <sup>84</sup>
<b>Entrepreneurship</b>	
Total number of enterprises	3'282'346 <sup>85</sup>
Self-employed in 2017 (15-64, total)	2'006'785 <sup>86</sup>
Self-employment rate in 2017	16.5% <sup>87</sup>
Self-employed youth in 2017 (15-29)	181'900 <sup>88</sup>
<b>Global Indexes</b>	
World Bank Ease of Doing Business	28 <sup>th</sup> <sup>89</sup>
World Economic Forum Global Competitiveness Index	34 <sup>th</sup> <sup>90</sup>
Heritage Foundation Index of Economic Freedom (Ranking)	60 <sup>th</sup> <sup>91</sup>
Heritage Foundation Index of Economic Freedom (Classification)	Moderately free <sup>92</sup>
Heritage Foundation Index of Economic Freedom (score)	65.1 <sup>93</sup>

<sup>75</sup> Spanish National Statistics Institute. "Population resident in Spain".

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<sup>76</sup> Eurostat, dataset [yth\_demo\_060]

<sup>77</sup> Continuous Spanish Register, 2017

<sup>78</sup> Eurostat, 2017

<sup>79</sup> *Ibid.*

<sup>80</sup> OECD Data. "Unemployment rate". <https://data.oecd.org/unemp/unemployment-rate.htm>

<sup>81</sup> Eurostat, 2017

<sup>82</sup> Eurostat, dataset [lfsi\_emp\_a].

<sup>83</sup> Eurostat, 2017

<sup>84</sup> Eurostat, dataset [lfsi\_emp\_a].

<sup>85</sup> Spanish National Statistics Institute, 2018

<sup>86</sup> Data provided by the National Statistic Institute, 2018.

<sup>87</sup> OECD Data. "Self-employment rate". <https://data.oecd.org/emp/self-employment-rate.htm>

<sup>88</sup> Eurostat, dataset [lfsa\_esgais].

<sup>89</sup> World Bank. "Ease of doing business index". <https://data.worldbank.org/indicator/IC.BUS.EASE.XQ>

<sup>90</sup> World Economic Forum. "Global Competitiveness Index". <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/>

<sup>91</sup> Heritage Foundation. "2018 Index of Economic Freedom". <https://www.heritage.org/index/ranking>

<sup>92</sup> *Ibid.*

<sup>93</sup> *Ibid.*