

Why the Welsh Government needs to adopt a truly inclusive entrepreneurship policy

When the Entrepreneurship Action Plan for Wales was launched back in 1999, it was the first regional enterprise strategy anywhere in the world.

Whilst it focused on delivering a range of programmes to develop and enterprise culture, increase the number of new businesses and support growth firms, it also focused specifically on increasing participation in entrepreneurship by under-represented and disadvantaged groups such as older people, women, ethnic minorities and young people. This is not surprising as research showed that those individuals who typically started a business were white, male and aged between 30 and 49 years of age.

Fast forward two decades and the mainstreaming of business support here in Wales means that there is little assistance available to help increase entrepreneurial activity within these groups.

However, as a recent OECD study has demonstrated, not only is this focus needed to improve participation in business creation by these groups but support from government during the Covid pandemic may not have taken into account the challenges they face in accessing such help. In fact, one of the main criticisms of support from both the UK and Welsh governments was the lack of support for certain types of self-employed and micro, new and start-up enterprises.

More importantly, the “The Missing Entrepreneurs 2021” report suggests that adopting more inclusive entrepreneurship

policies can help economies to “build back better” by maximising the entrepreneurial potential among different under-represented groups.

This includes reducing disincentives to business creation in regulatory and welfare institutions, facilitating access to finance, and building entrepreneurship skills through training, coaching and mentoring. There also needs to be a focus on strengthening entrepreneurial culture and networks for these groups and co-ordinating strategies and actions for inclusive entrepreneurship

For example, it has been estimated that 50% more people could be engaged in entrepreneurship if everyone was as active as the core group of men aged between 30 and 49 years of age with three-quarters of these “missing” entrepreneurs being women, half are over 50 years old and one in eight are under 30 years old. This could mean an additional 10,000 new firms being created in Wales every year if other groups were supported.

However, this is not happening because of a range of inter-related factors including greater difficulties accessing finance, skills gaps, under-developed networks and institutional barriers such as a lack of childcare or discouraging social attitudes. For example, there remain stereotypes and prejudices for people with disabilities in the labour market and income support for this group could be reduced or removed if they start a business.

In terms of access to finance, there remains unconscious investor bias which can result in women entrepreneurs receiving lower amounts of risk capital, whilst young people have lower levels of savings and collateral, making access to external debt financing more difficult. People over 50 years old are less likely to have digital skills whilst language challenges can prevent immigrant entrepreneurs from building networks in their new business community.

It's also worth noting that some of these underrepresented groups were hard hit by the Covid 19 pandemic and yet there has been little focus on providing extra support for them in any recovery plan. For example, women entrepreneurs have been impacted disproportionately in 2020 and 2021 not only because their ownership is concentrated in the hardest hit sectors but because of demands due to increased household responsibilities as a result of the pandemic. Yet there has been little appreciation of this by either the UK or Welsh Governments in their economic responses to the pandemic.

However, it's not too late to change this and there is a real opportunity for the Welsh Government to adopt a truly inclusive entrepreneurship policy that would support anyone with an idea for a business regardless of their background.

This could be done by delivering tailored support for these groups that finally address the biases within the current entrepreneurial ecosystem against the needs of diverse groups of entrepreneurs.

For example, it could increase funding to startups through the its subsidiary, the Development Bank of Wales, especially by providing micro-finance products that are in demand from those who face barriers in mainstream financial markets such as women, young people and immigrants.

Alongside the funding available to new firms, Business Wales could also develop a range of tailored programmes for different groups especially as research showing that targeted support schemes have higher take-up rates, high satisfaction levels and more positive outcomes than general support schemes. As a result, this more focused approach in delivering finance, training, coaching and networking interventions could provide a solution to boosting entrepreneurial activity by disadvantaged groups.

We all know that new firms create employment, drive

innovation, act as a catalyst for disruption in markets and are key in developing sustainable local economies. However, the challenge is to ensure that anyone who wants to start a business regardless of their age, gender or birthplace are given full support to do so.

Certainly, if Wales is to become a more inclusive economy and society, then there must be a focus on enhancing the participation in entrepreneurship by those groups which are currently under-represented and need specific support to take that first step into starting their own business.

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