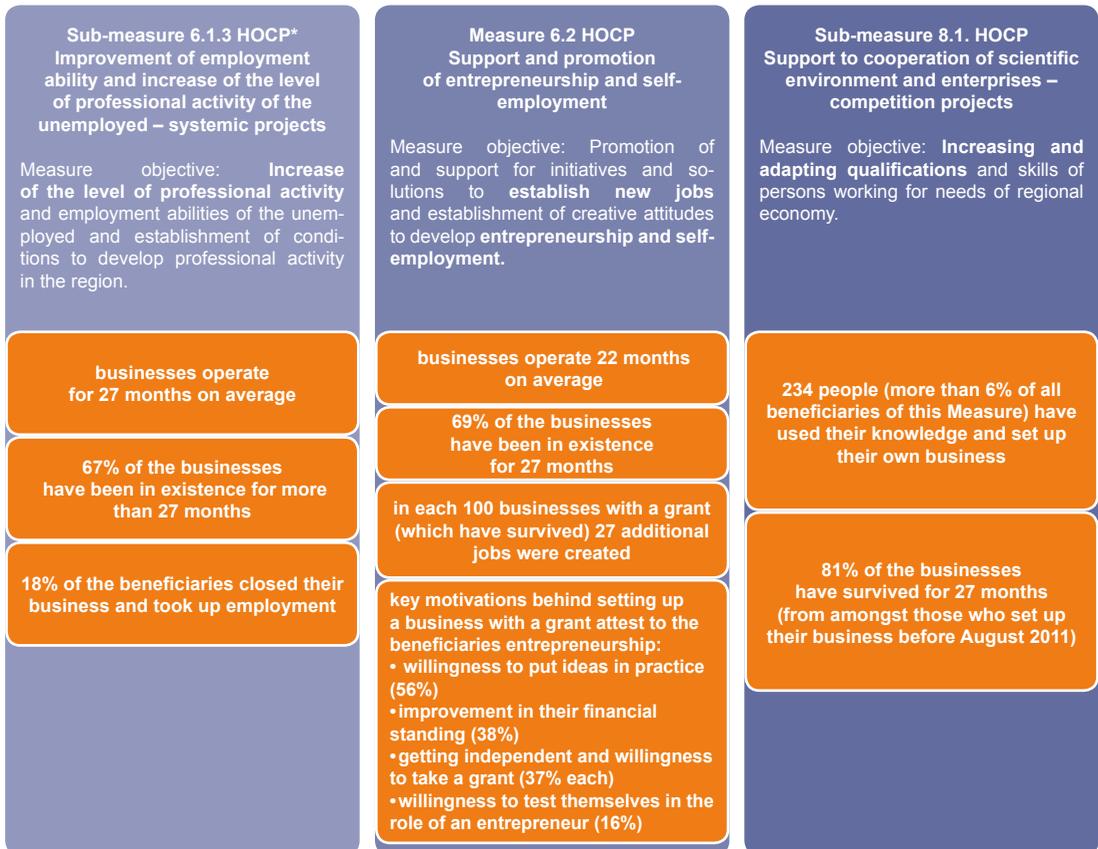


Enterprises with grants

Educational choices have changed and so have PUPs' clients



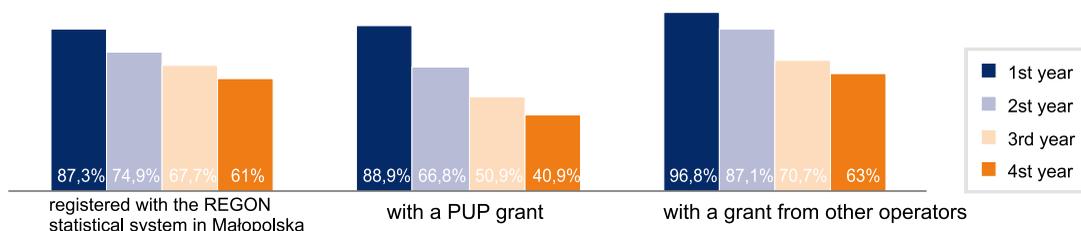
* Human Capital Operational Programme

Effectiveness of the grants – four aspects

1) Survival rate of the businesses set up with a grant: 72% after 27 months. Businesses with a grant are generally in existence for longer than a year (otherwise their owners would have to return the grant together with interest). Entrepreneurs are encouraged to continue their business with a preferential rate of social insurance (ZUS) contribution during the first two years of their existence. Breakthrough points for businesses established with grants come one and two years after their establishment. During that time, most of them are wound up. Those continuing for longer time are capable of operating in market conditions¹.

It is presumed currently that a survival period for a business with a grant which is satisfactory from the viewpoint of effectiveness of the support is 30 months or two and a half years. However, over quite a short time of awarding grants under the Human Capital Operational Programme (HCOP, 2008–2013) a relatively small number of businesses existed for longer than two and a half years.

Survivability of businesses set up in 2009



The path to employment for vocational school leavers is through the labour office

2) Does the survival rate of businesses set up with grants differ from the survivability of the total of businesses in Małopolska?

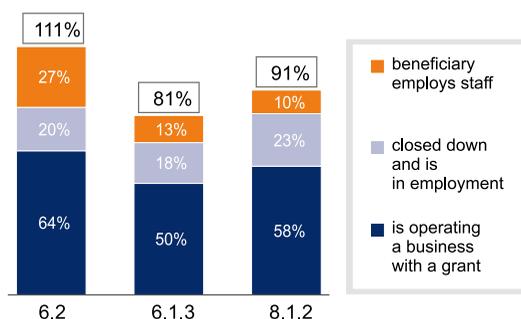
The survival rate calculated by the Statistical Office in Kraków for businesses shows what percentage of firms set up in the year concerned continued in existence for another year. A corresponding calculation for businesses created in Małopolska thanks to grants demonstrates that their survivability is higher in the first and lower in the following years. In other words, after the second year of operation, a considerable number of businesses co-financed by the European Union (EU) close down. After four years, the survival level for businesses set up with grants received from project promoters other than local labour offices (PUP) nearly equals the survivability of all businesses in Małopolska (the bonus, which businesses set up with EU support get at the start of their operations, is exhausted). The much lower proportion of existing businesses which were set up with PUP grants is a consequence of different rules for awarding grants and different characteristics of the beneficiaries.

3) Employment effect is understood in three different ways. First, in the businesses which have not wound up, the grant beneficiaries have durable employment. Depending on which HCOP measure was the source of the grant, in autumn 2013,

there were between 50% to 64% businesses set up with a grant in 2009–2011. Second, additional jobs were created in these businesses – in Measure 6.2 there were 27 jobs per 100 surviving businesses, in Sub-measure 6.1.3 – 13 per 100 businesses, in Sub-measure 8.1.2 – 10 per 100 businesses. Third, a large number of those who closed down their activities set up with a grant found jobs with other employers (and oftentimes the finding of paid employment was the reason closing the business down). As a result, high rates – close to 100% – of the employment effect were generated (for Measure 6.2 it was even much in excess of this figure).

Furthermore, nearly 37% of the owners of businesses with a grant wanted to hire new staff over the coming 12 months.

Employment effect of the grants



Different rules for the PUPs and other project promoters = different effect

Regardless of whether they award grants from the Labour Fund, a systemic project (Sub-measure 6.1.3) or are operators of competition projects (Measure 6.2), local labour offices have to follow the rules set out in the regulation to the Act on the Promotion of Employment and Labour Market Institutions. They differ from the rules applicable to operators of grants under the HCOP, as regards, inter alia, target groups, grant amounts and manda-

tory forms of support.

The PUPs work with the unemployed only and these find it more difficult to be successfully self-employed than people who worked or were economically passive before. Their effectiveness is reduced by the fact that local labour offices may not support their clients on the same rules as the other project promoters.

grants awarding rules

PUPs

- for the unemployed
- grant (six times the average pay) + training and/or advisory support focused on establishing the start-up

other project promoters

- Sub measure 8.1.2
- for people under outplacement and made redundant for reasons due to the employer
- occupational counselling, training and advisory support
- grant of up to PLN 40,000 + bridging support

- Measure 6.2
- for those who want to set upon their own business,
- meet the requirements under the regulations
- training and advisory support
- for the best ones, a grant of up to PLN 40,000 + bridging support

PUPs and other project promoters have different clients

The differences in awarding grants by the PUPs and other operators are also due to the characteristics of their respective beneficiaries. In turn, the beneficiaries' characteristics largely determine the chances for businesses to survive. Grants from the PUPs were given to the unemployed only (more than one quarter of them being long-term unemployed). Their level of education was most frequently above the lower secondary school (nearly two thirds) and they were countryside residents. Also, there were more people amongst them from older age groups (more than one third were above 34 years of age). The proportion of women amongst the PUP beneficiaries was as in the entire population of entrepreneurs throughout Poland (33%).

The people who got support from other project promoters were younger (more than two thirds of them were up to 34 years of age) and better educated (six out of ten had higher education). They slightly more frequently lived in cities. They usually applied for grants being in employment (37%) or occupationally passive (23%; mainly having finished their education or a period of child care). The high proportion of women amongst them (56%) results from the criteria set for the calls for projects to identify project promoters. These were, however, women with specific characteristics (mainly from cities and towns and with higher education), standing higher chances of success in business.

Factors which (do not) favour business survival

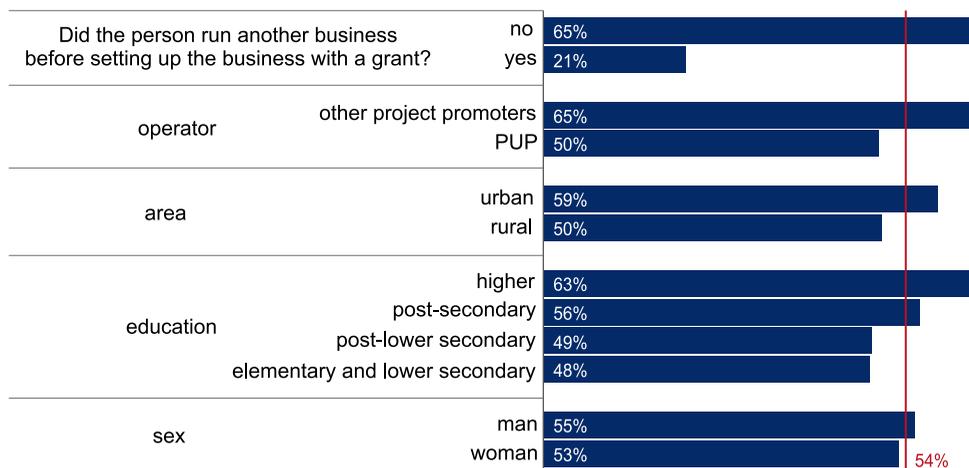
The chief reasons why businesses with a grant wound up were high taxes and social security contributions (35% of the respondents). Many owners pointed also to problems with finding customers or to high competition (26%). During a time of worse business climate, lack of the skill to properly plan and run a business becomes a major risk factor for its existence.

Education profile and work experience – these help if they correspond to the business profile. The business profile corresponding to their education was chosen by about two thirds of the beneficiaries. These were usually people with higher (about 70%) and post-secondary (about 60%)

education, as well as people engaging in business which required certifications or highly specialist preparation (in the building industry, vehicle repair, professional, academic and technical activities, education, healthcare and other individual service-providing operations).

As many as 86% of the surveyed beneficiaries had been in employment before, usually working for one, two or three employers. The ones whose businesses survived more frequently did work which was the same or similar to the profile of the firm set up with a grant (80% of them – for longer than two years), and usually also with their last employer (85%).

Business survivability depending on selected characteristics



The probability of the business is on the decrease...

...when the beneficiary ran a business before. There are counties (poviats) where collapses are noted of nearly all businesses which were set up with EU support by people who had self-employment experience. This is partly the effect of worse entrepreneurship climate which, however, does not explain such a large scale of the phenomenon. More than ninety-percent “mortality rate” for such businesses may be the result of: personal characteristics of their owners, not diagnosed at the stage of project recruitment, beneficiaries continuing to pursue misconceived business ideas or intentional strategy to wind up after attaining a specific objective or after a specific period of time.

... the lower the level of the beneficiary's education. This relates to the profile of the launched business and its profitability on a self-employment basis. People with higher education often picked professional, research and technical or other activities which required higher qualifications, and these areas are characterised by high survivability of businesses set up with grants. People with post-lower secondary education opted for areas most popular both amongst businesses with grants and busi-

nesses in general operating in Małopolska: building industry and trade and vehicle repair. Because of high competition, seasonality and the related tendency amongst the people running such businesses to suspend their operations or take up paid employment, trading and construction firms are characterised by higher “mortality” rates.

...amongst women, if they do not have higher education, reside in rural areas, look after their family members and homes and if they have taken up activities with seasonal demand. Female beneficiaries from more urbanised areas had more frequently higher education. As a result, in such counties, characterised by higher survivability of businesses with grants, the proportion of women amongst the beneficiaries who continued their operations was higher than the average.

...in rural populations. Beneficiaries from rural areas are less educated, pick seasonal areas of operation (such as construction), with little profitability (retail trade or accommodation-related activities and services), characterised by a maximum of 50-percent survival rates.

Published by: Wojewódzki Urząd Pracy w Krakowie
 plac Na Stawach 1, 30-107 Kraków
 tel. 12 42 87 870, faks 12 42 29 785
 e-mail: kancelaria@wup-krakow.pl
 www.wup-krakow.pl



HUMAN CAPITAL
 NATIONAL COHESION STRATEGY



Małopolska
 KRAKÓW Region

EUROPEAN UNION
 EUROPEAN
 SOCIAL FUND

