

Professional microcredit and support to business creation in France: Three years later, what is the employment situation of entrepreneurs?

Survey among business creators financed and/or supported in 2010 by the five major networks of associations supporting business creation

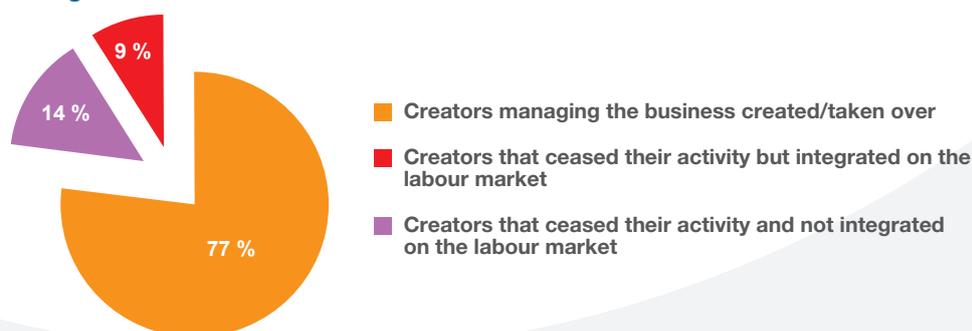
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Microcredit in Europe is at the crossroads of economic development, job creation, financial inclusion, professional and social integration. It is generally defined as loans of less than €25,000, coupled with training, counselling and other non-financial services. It is targeted at persons excluded from banking services, with the aim of helping them to create or develop usually very small businesses. With the support of public authorities, microcredit has experienced significant growth since the early 2000s¹. Although microcredit in France remains relatively modest in terms of volume and of the number of loans granted annually, France is nonetheless one of the countries of the European Union (EU) where microcredit is the furthest developed.

This *Note d'analyse* presents the results of a survey conducted in 2013 by the International Labour Office in partnership with France Stratégie and the Caisse des Dépôts et Consignations (CDC). The survey covers the activity, employment and career path of 4,204 entrepreneurs who started or took over a business in 2010 with funding and/or support from one of the main microfinance providers and business creation networks in France.

The results show a high business survival rate after three years, as well as sustainable labour market integration for microcredit recipient. The conditions in which the activity is pursued can nonetheless be difficult during this first three years, and business creators sometimes find that post-start-up assistance is insufficient in this respect. Most entrepreneurs are on the whole satisfied with their experience of creating a business. The support provided by business creation networks (whether *via* finance or counselling) is widely appreciated.

Three years later: Employment situation of entrepreneurs having created/taken over a business



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English version of « Le microcrédit professionnel et l'accompagnement à la création d'entreprise en France : quel devenir des créateurs sur le marché du travail trois ans après ? », *La Note d'analyse*, n°13, June 2014.

1. According to the European Microfinance Network, 60% of the microfinance institutions identified in 2008 did not exist at the start of the decade, and the number of loans granted grew by 45% between 2009 and 2011. See Jayo *et al.* (2010), *Overview of the microcredit sector in the European Union*, European Microfinance Network 2008–2009; Bending *et al.* (2012), *Overview of the microcredit sector in the European Union*, European Microfinance Network 2010–2011.

THE ISSUE AT STAKE

Since the 1970s, supporting business creation by job seekers has been a significant public policy measure against unemployment in France. Business creation by job seekers represent approximately one third of total businesses created each year². Given the difficulties that these business creators are likely to encounter, particularly with regard to access to bank loans, specific mechanisms for financing and assisting business creation have emerged, at the initiative or with the backing of public authorities. These mechanisms include professional microcredit³.

The impact of professional microcredit and support to business creation on employment in France, however, remains difficult to measure⁴. Specifically, it is difficult to obtain consistent data across business assistance networks concerning the survival rate of businesses, the career path of business creators and the conditions in which they pursue their activities. To address this deficit, this *Note d'analyse* presents the findings of a survey carried out in 2013 among 4,204 entrepreneurs having created or taken over a business in 2010, with financing and/or assistance from one of the main national networks of associations supporting business creation in France.

WHAT IS PROFESSIONAL MICROCREDIT IN FRANCE⁵?

The professional microcredit sector developed during the 1980s, under the leadership of several networks dedicated to financing and counselling business creators.

Professional microcredit has no legal definition in France⁶, and it is not easy to estimate the magnitude and impact of this activity. Indeed, it involves a variety of players who differ in objectives, target audience and methods of intervention. The CNIS (National Council for Statistical Information) was therefore mandated in 2010 to set up a working group to develop a definition of microcredit and to organize the collection of statistical data to better monitor this activity. The working group's report⁷ differentiates between two types of professional microcredit: tradi-

tional professional microcredit, granted on interest by a bank or an authorized non-bank structure, and professional microcredit as quasi-equity capital, which may be granted with interest, or be interest-free, for example, as an honour loan. In either case, the loan is for "an amount of generally less than €25,000", which corresponds to the ceiling set by the European Commission in the EU's microcredit programmes⁸. However, as 61% of business creators in France start out with financing of less than €16,000⁹, this ceiling on the loan amount cannot be the main and only discriminating factor between microcredit and other loan types in the French context.

Hence, beyond the amount of the loan, the characteristic feature of professional microcredit in France is that it is usually coupled with non-financial support (in particular help with project planning, financing and counselling) for beneficiaries¹⁰.

2. IGF-IGAS (2013), *Évaluation du dispositif NACRE*.

3. In France, one generally distinguishes between professional microcredit and personal microcredit. Professional microcredit is a loan for the purpose of financing the creation, take-over or consolidation of a small contractor or retailer business for persons having difficulty accessing a traditional form of financing. So-called "personal" microcredit aims at stabilizing the income of individuals and improving their financial security by offering them ad hoc financing of up to €3,000; according to the limit set in the 2005 Social Cohesion Plan, and up to €12,000 under certain conditions. There is understandably a grey area between these two types of credit, as the majority of personal microloans are intended for the financing of projects connected with the beneficiary's job.

4. This has been highlighted by several recent studies. La Cour des Comptes accordingly recommended recently that "analyses and studies of the mechanisms for assisting the creation of enterprises be carried out in order to gain a better understanding of their cost, beneficiaries and effectiveness, and that they be subjected to systematic, regular assessment". See: Cour des Comptes (2013), *Rapport d'évaluation. Les dispositifs de soutien à la création d'entreprise*. See also IGF-IGAS (2013), *Évaluation du dispositif NACRE*, annexe V: "Pilotage du dispositif".

5. This and the following section are in part taken over from Balkenhol B. and Guézennec C. (2013), "Microcredit In France: What impact does it have on employment?", Centre d'analyse stratégique, Working Paper No. 2013-07, April.

6. Although a series of laws refer to it as a means of fostering economic development and social integration (cf. below). For an historical description, see the CNIS report (2011), *Le microcrédit*.

7. CNIS (2011), *op. cit.*

8. See, for example, the Communication from the Commission to the Council COM (2007) 708, entitled "A European initiative for the development of micro-credit in support of growth and employment". It should, however, be noted that, across Europe, the definitions and the conditions for granting microcredit vary considerably from one Member State to another. See, for example, European Commission (2012), "Report from the Commission to the European Parliament and the Council on the Application of Directive 2006/48/EC to Microcredit".

9. Insee data, SINE, first wave, 2010.

10. See IGF (2009), *Le microcrédit* ; CESE (2010), *op. cit.*; CNIS (2011), *op. cit.*



As a result professional microcredit in France brings together a variety of stakeholders: not only microfinance institutions as such but also networks of associations supporting business creation and banks¹¹. Banks generally intervene in collaboration with the above-mentioned networks, in the financing of projects¹². Some banks have even developed their own microcredit mechanisms¹³.

“Beyond the amount of the loan, the existence of systematic support services (in particular, help with project planning, financing and post-creation follow-up) for microcredit beneficiaries constitutes the specificity and value-added of microcredit.”

Compared to business creations in France generally (583,100 business in 2013¹⁴), the share represented by the microcredit sector is relatively small according to available statistics, in terms of the number of beneficiaries (cf. below) but also of the volume of loans disbursed. According to the results of the first annual collection of statistical data on microcredit carried out by the Banque de France, on the basis of the CNIS' definition of microcredit, the total outstanding value of microcredit was around €900 million at 31 December 2012, representing 147,315 professional microcredits¹⁵, against €810 billion in total outstanding loans to businesses¹⁶. However, such a comparison is somewhat skewed, as the purpose of microcredit is as much social as it is economic. Lastly, according to the Banque de France, the mean unit value of professional microcredits was in the region of €9,220 and that of microcredit as equity capital €4,500.

Concerning the actors in this sector, professional microcredit developed in the 1980s with the creation of several national networks of associations that still constitute the nucleus of professional microcredit activities in France. These networks are: Adie, France Active and Initiative France¹⁷. Together, these three operators represent around 40,000 interventions each year¹⁸ (non-bank microcredits by Adie, honour loans by Initiative France and, on a smaller scale, guarantees by France Active). Two

other national networks are involved in the support to professional microcredit recipients in France. *Boutiques de Gestion* (BGE), which participate in the sector's growth by assisting business creators¹⁹. In 2012, BGE assisted the creation of 16,100 businesses. And *Réseau Entreprendre*, which aims at supporting job creation through the creation of businesses with growth potential. Hence, microcredit represents a minor part of its action.

While these five networks do not account for the entire microcredit sector²⁰, they are the leading networks with nation-wide coverage. The survey covered these five networks of associations. It focused on clients who had, three years earlier, i.e. in 2010, created or taken over a business and used professional microcredit and assistance in that context.

The State has also contributed to the development of professional microcredit.

Since the early 2000s, the State contributed to the structuring of professional microcredit through a series of laws²¹. The “Law on new economic regulations” (2001) and “Law on the modernization of the economy” (2008) allowed non-profit institutions to provide loans for a maximum of €10,000 to job seekers or recipients of basic social welfare benefits, for the purpose of financing the creation and the development of businesses, as well as to borrow on the market or from credit institutions in order to finance the distribution of microcredits. The law on programming for social cohesion (2005) facilitated business creation by job seekers *via* the creation of a social cohesion fund (“Fonds de Cohésion Sociale”, FCS), managed by the CDC. The FCS role is to “guarantee, for social welfare purposes, loans to persons and legal entities as well as to job seekers or beneficiaries of basic social welfare benefits who are creating a business”.

Public authorities also fund networks of associations supporting business creation, either for their own operations or for the implementation of public programmes to

11. Microfinance Observatory (2012), 2011 *Annual Report*, Banque de France.

12. The issue of the role and place occupied by banks in contrast to microcredit operators is addressed in the Working Paper cited above—Balkenhol and Guezennec (2013).

13. This is the case of the “Caisses d'Épargne” savings bank (and its “Parcours Confiance” product) and Créa-Sol in Marseille, Nice, Avignon, Toulon and the island of Réunion, as well as the “Caisses Sociales de Développement Local” (Social Security Fund for Local Development) in the French departments of Gironde, Dordogne and Lot-et-Garonne

14. According to the Insee directory of businesses and establishments.

15. These figures are reproduced from Regulated Savings Observatory (2013), *Annual Report 2012*, Banque de France.

16. This figure corresponds to the value of outstanding loans granted by credit establishments to businesses of over €25,000. These outstanding loans include credits made available that have been effectively distributed.

17. For a more detailed discussion of the activities of the networks, see in particular Cour des Comptes (2013), *op. cit.*

18. See Balkenhol and Guezennec (2013), *op. cit.* Consolidated data based on the networks' annual reports.

19. BGE does not offer financing for business creation apart from NACRE loans provided by certain associations that are part of the network and have been listed by local authorities to grant them.

20. Which notably also includes banks as well as other association players who intervene at the local level. Regarding assistance to business creation, a variety of public and private actors are also involved among which, in particular, the consular chambers.

21. See CNIS (2011), *op. cit.*

assist business creators. One such public program is NACRE ("*Nouvel Accompagnement à la Création et Reprise d'Entreprise*"), led by the General Delegation for Employment and Vocational Training (*Délégation générale à l'emploi et à la formation professionnelle, DGEFP*) in the framework of its partnership with the CDC. With the exception of Réseau Entreprendre, the networks mentioned above managed in 2012 close to two-thirds of the NACRE "circuits" (tr. note: a business creation/take-over assistance plan in three phases) which amounted to 87% of NACRE loans disbursed²².

The large number of national and local administrations involved in financing start-ups makes it impossible to estimate with precision total public funding granted to business creation networks. According to the Cour des Comptes²³, the five networks covered in this study benefited in 2011 from €123 million in public financing for their operating budgets (including for NACRE-related assistance), which represents 71% of their consolidated budgets on average²⁴. Nearly 50% came from local authorities (€62.6 million). The Cour des Comptes estimates that these networks have received another €120 million from public funds and savings funds for their lending operations to individuals creating or taking over a business (including NACRE loans). The sums at stake are therefore considerable, yet relatively modest compared to total public expenditures devoted to national mechanisms for business creation: in 2011, it amounted to nearly €2.7 billion according to the Cour des Comptes.

PROFESSIONAL MICROCREDIT AND SUPPORT FOR BUSINESS CREATION: WHAT IS THE EMPLOYMENT SITUATION OF BUSINESS CREATORS THREE YEARS LATER?

Findings from the survey among business creators financed and/or assisted in 2010 by the five networks.

Goals of the survey and methodology

While employment and job creation are the primary objectives pursued by public authorities in their support to business creation networks, microcredit as an active labour-market policy is subject to recurrent discussions. A closer look reveals that the objectives pursued by

networks of associations supporting business creation are actually more diverse²⁵: reduce the number of jobless by having them create their own jobs, but also develop innovative enterprises and contribute to the dynamism of the French local economy.

The five networks covered in this study emphasize differently the objectives of social and professional integration. In fact, being jobless is not even a precondition for obtaining financing and/or assistance in creating a business. Broadly speaking, networks in France pursue three major objectives:

- the social and professional integration of a vulnerable population (the so-called inclusive approach);
- economic development and job creation, specifically for the benefit of the unemployed who seek to create their own business;
- business creation as a vector of local economic development (the so-called "entrepreneurial" approach).

Despite these differences, job creation is a shared goal of all networks. Yet, relatively little is known about the impact of professional microcredit and business creation support on employment and the conditions in which entrepreneurs exercise their activity. Beyond the inherent methodological difficulties connected with impact evaluations in general, and despite the wealth of information made available by the networks, the data do not make it possible at present to give a comprehensive and coherent picture, for example of the survival rate of these businesses, or on the income situation and working conditions of entrepreneurs²⁶.

Addressing this issue, the Caisse des Dépôts engaged in 2011 with the various networks a process to define common indicators for measuring their impact, making it possible to monitor subsequently year after year the results obtained, network by network and in consolidated form. Among these indicators, some relate to the situation of businesses after three years of operation.

To fill these indicators, the International Labour Office (ILO), in partnership with the Caisse des Dépôts and France Stratégie, launched a survey in October 2013 among entrepreneurs having created or taken over a

22. See IGF-IGAS (2013), *Évaluation du dispositif NACRE*.

23. Cour des comptes (2013), *op. cit.*, vol. II.

24. Bearing in mind that the distance between the two extremes (28% for Réseau Entreprendre; 82% for Initiative France).

25. See also Cour des Comptes (2013), *op. cit.*

26. See IGF (2009), *op. cit.*; Cour des Comptes (2013), *op. cit.*



business three years before (i.e. in 2010), with the help of one or several business creation networks (see Box "Survey Methodology"). For the Caisse des Dépôts, the survey is part of a broader effort to measure the impact of its instruments. For the ILO, it is part of a global programme to measure the effectiveness of innovations in finance on employment and incomes ("Microfinance for Decent Work"). The project is funded by the Innovation and Social Experimentation Fund (FIES) of the Directorate General for Social Cohesion. Finally, for France Stratégie, this survey is consistent with work in the area of professional trajectories and career paths, which deals in particular with active labour market policies. With this survey, France Stratégie sought to get a better picture of the career paths of job-seekers who created their business, the specific problems they encountered and how professional microcredit constitutes an appropriate response in this regard.

This survey is the first one carried out jointly by the five business creation networks involved in the development of the microcredit sector at the national level. Its objective was to better understand the usefulness of professional microcredit and support to business creation as a means of labour market integration and job creation. The intent was also to enrich the knowledge of public partners regarding the impact of their activities. Lastly, the cooperation with the networks aimed at encouraging information-sharing on good practices in monitoring and evaluation. This survey does not measure the causal impact of microcredit as such, i.e. it does not compare the situation of beneficiaries with like business creators who did not benefit from microcredit. Nevertheless, the survey did reveal entirely new aspects for all networks on business survival rates, labour market integration and the working conditions of business creators.

Survey Methodology

CSA, a public opinion polling company, conducted the survey by phone from 7 to 26 October 2013.

In 2010, the networks reported having financed/assisted the creation or take-over of a business by 45,747 entrepreneurs. In what follows, the term "creator" will refer both to those who created and those who took over a business. For the needs of the survey, the networks were able to provide CSA with 25,462 files who constitute the basis of the survey.

The sample's representativeness is based on the assumption that these 25,462 files are representative of the business creators having benefited from the financing/assistance of the networks in 2010. As these files had been made available by the networks, the consolidated results may be positively biased.

The sample comprises 4,204 entrepreneurs having created a new or taken over an existing business in 2010, in metropolitan France (excluding overseas territories), and having benefited from help by one or several of the five networks (Adie, BGE, France Active, Initiative France, Réseau Entreprendre). The sample was constructed using the quota method based on the network variables: gender, age, sector of activity, educational level and region. Given the possible spread with regard to business creation dates, which could stretch across the entire year 2010, the results presented are valid for a period of from two years and nine months to three years and nine months after business creation/take-over. In the interest of readability, the results are presented as "three years following business creation/take-over".

As a first step, the results were adjusted according to the information available concerning the structure of each network on the basis of the files provided. Subsequently each network was weighted and incorporated into the overall dataset.

Telephone numbers had to be added for those contacts for whom this information was missing in the file given to CSA, in order not to bias the results by excluding this population. Care was taken with regard to the management of the call file in order to maximize the probability of reaching the persons who were least available. As in the case of any telephone survey, the results presented are based on the statements made by the persons surveyed, not on observed facts.

The survey questionnaire was developed in collaboration with the participating networks; four categories of questions and indicators²⁷ were chosen as basic elements for evaluating the outcome with regard to the employment and professional integration of beneficiary business creators:

- the creator's business (survival/non-survival, economic situation, development prospects);

27. The elements retained are those that, in the eyes of the networks consulted, constitute a consensus-based, representative nucleus of the performance of their activities, independently of their diversity. These indicators are not intended to supplant those used by each operator individually.

- the creator's professional integration, that is, his/her post-creation employment situation beyond the company's mere survival (this led to the inclusion in the questionnaire of a specific module aimed at business creators having ceased activities);
- the conditions in which the activity is pursued, in particular, the business creator's income;
- the skills acquired thanks to the experience of business creation, in terms of social and professional integration (in particular, the ability to manage a budget, integration into professional networks, self-confidence and self-esteem).

The survey's key findings and lessons learned

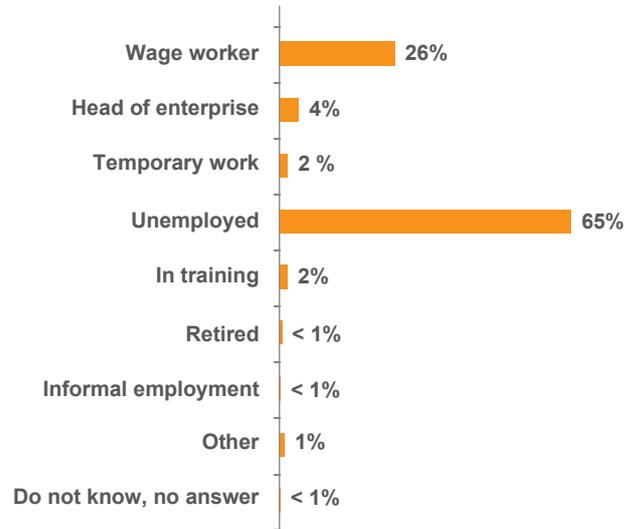
To the extent possible, the results presented below are compared with national averages concerning the characteristics of business creators taken from Insee's "SINE" survey ("Système d'information sur les nouvelles entreprises")²⁸.

A larger number of women and a population often jobless at the time of business creation.

The profile of business creators who are beneficiaries of professional microcredit is by and large similar to that of the "typical entrepreneur" in France, with regard to the level of education (56% have a diploma below or equal to a baccalaureate – secondary level diploma –, compared to an average of 57% for business creators nationally), and with regard to motivation for creating a business. The motivations are essentially positive: independence (for 58% of them versus 61%) and entrepreneurial spirit (for one-half of them versus 44%).

However, surveyed creators are more often women (37% versus 30%) and more often unemployed at the time of start-up than in the national average. Two-thirds of business creators reported having been jobless prior to start-up, while at the national level the proportion of job-seekers among business creators is one-third. More business creators also reported receiving at least one form of social welfare benefit prior to business creation (57% received unemployment compensation or basic social benefits, compared to 39.9% on average nationally), in particular, the ASS ("social solidarity allowance") or the RSA ("active solidarity income") (10% versus 6.3%). From this point of view, professional microcredit seems to effectively reach out to vulnerable groups and thus fulfils a dual economic and social inclusion function.

Employment situation at the time of business creation/take over



The business survival rate is higher than the national average three years later.

At the time of the survey, 77% of the businesses are still in operation, which is markedly higher than the national average survival rate at three years (66% in 2009 for businesses created in 2006). Creators who report having benefited from business creation support at the time of start-up, from financing and from follow-up after start-up also have higher survival rates (82%). These results highlight the positive impact of the networks and the positive role of their screening, their expertise and their advice to creators. It is also noteworthy that the survival rate of creators who were jobless at the time of start-up is 75%, that is, 13 percentage points higher than the national average for job-seekers. The individually adapted support deployed by the networks, together with their screening of projects, thus adequately achieves their objective of sustainability in business creation.

Yet, similarly to what is observed at the national level, those best positioned in the labour market at the time of business creation –in terms of employment and educational background– have a greater chance of seeing their activity survive after three years. The survival rate is higher among holders of a post-graduate level diploma (83%) and among those who had jobs at the time of business creation (82%). This result, however, must be interpreted with caution, as these categories of beneficiaries are also more likely to benefit from a relatively

28. The survey made it possible to follow-up on a generation of entrepreneurs over a period of five years by questioning them the year of business creation and three and five years later. The SINE data used here for information concerning the profile of business creators (not including "autoentrepreneurs") in the year of creation are from the 2010 cohort; for their situation at three years, the data used are those of the 2006 cohort on the situation of business creators three years after start-up. Given the way the economic context of business creation evolved between 2006 and 2009, and 2010 and 2013, this comparison has its limitations and must be interpreted with caution.



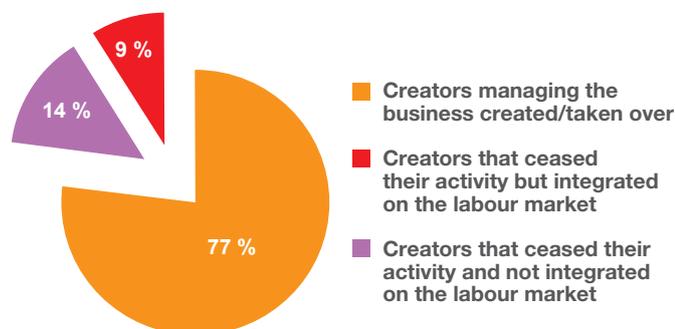
larger financing plan at the time of business creation. Insee's surveys show that the conditions in which a business is created, and in particular the amount of capital invested in the start-up, is more significant than the business creator's profile with regard to the chances of succeeding during the first three years²⁹.

The vast majority of the businesses created or taken over are in the service sector (46%), followed by the retail sector (36%) and construction (9%). Despite a difficult economic context over the period considered (2010-2013), the economic health of surviving business and their prospects are rather good: their revenue for the past two years has basically been stable or increasing (in 80% of cases), and more than half of business creators say they are satisfied with their business revenue (59%). In total, 82% of business creators whose business has survived feel they can maintain or even develop their activity in the next six months, 12% feel they will have to face a difficult situation and only 5% think they will have to shut down their business. This generally positive conclusion, however, does not exclude cash flow problems (42%) over the past 24 months. This highlights the importance for business creators to benefit from constant follow-up during this critical phase of the three first years of operation.

Three years later, sustainable labour market integration for more than nine business creators out of ten.

Labour market integration three years later corresponds to two kinds of situation: business creators still in operation (77%) and those who had to close their business but found a job in the labour market (14%)³⁰. Thus, in total only 9% of business creators are jobless three years after start-up³¹.

Three years later: Employment situation of entrepreneurs having created/taken over a business

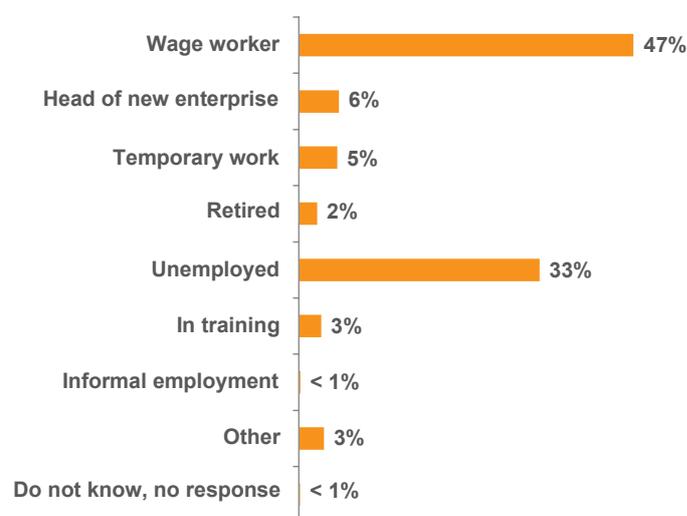


The majority of business creators having ceased activities are in employment three years later.

Those who ceased activities did so mainly due for economic reasons (in more than 50% of cases, sales targets had not been attained, the business had never really taken off or it rapidly deteriorated). Business closure, however, is not synonymous with professional failure since, for those 23% of business creators having ceased activities, the majority is in employment three years later (58% are employees, at the head of a new business or doing temporary jobs). Hence, the experience of business creation can prove an asset when contacting employers.

Among the business creators having ceased activities but holding jobs three years later, the majority enjoy stable employment: most of them are wage-earners (81%), have permanent contracts (58% have a CDI) or fixed-term contracts of long duration (22% with a CDD of 8.9 months on average, and in one-third of cases a CDD of over one year).

Employment situation of entrepreneurs having ceased activities three years after business creation/take-over.



The investment return of public expenditures on microcredit is difficult to estimate, but generally deemed positive.

The return for public authorities of the professional integration of supported business creators can be measured in terms of the cost per job created compared to other employment policy instruments, or in terms of

29. See also Insee (2011), "Créations et créateurs d'entreprises – Enquête de 2009 : la génération 2006 trois ans après", *Insee résultats*, No. 51.

30. 13% have jobs and 1% is no longer of working age.

31. This finding can be compared with that obtained by Unédic with regard to beneficiaries of ARCE (assistance for business take-over or creation): only 12% are back looking for jobs two years after the first benefit payment. See Unédic (2013), *op. cit.*

"avoided costs", in particular the rate of exit from basic social welfare benefits and unemployment benefits. Three years after business creation/take-over, 48% of persons who had been receiving basic social welfare benefits were no longer receiving them. Additionally, 89% of those who had been unemployed at the time of business creation are now integrated into the labour market. Estimates by the *Inspection Générale des Finances*³² also confirm positive investment returns of public expenditures to support business creation for an unemployed population.

Yet, these may be overestimates as it should be taken into account that a certain number of creators may deliberately leave their jobs and enter unemployment before creating their business. The extent of this phenomenon is difficult to estimate, but a survey conducted in 2013 by Unédic (National Professional Union for Employment in Industry and Trade - responsible for the governance of the unemployment benefits system) shows that 53% of job-seekers who created/took over a business say that they had already taken the decision before losing their jobs³³.

The most vulnerable population in the labour market is most likely to be unemployed again three years later, highlighting the necessity of individually tailored assistance.

Overall and similarly to what is observed at the national level, individuals furthest from the labour market are over-represented among the business starters who cease activities and are jobless three years after business creation/take-over. Specifically, the business creators who are more likely not to be integrated into the labour market three years later are those who, at the time of business creation, were recipients of basic social welfare benefits (16% of RSA and 23% of ASS recipients at the time of business creation were again unemployed at the time of the survey).

This finding highlights the necessity of tailoring business creation assistance, suited to the specific needs of this population. According to ADIE's in-house surveys³⁴ specifically targeting the professional integration of the most vulnerable populations in the labour market can yield positive results. In the case of ADIE, the labour market integration rate attained 84% of its targeted population, 42% of which comprised beneficiaries of basic social

welfare benefits at the time of business creation. This shows that this population can also profit from the business creation experience, provided they are oriented towards networks implementing financing and/or assistance programmes that are specifically suited to their needs.

Business creators create on average 1.6 additional wage-earning jobs.

The majority of businesses created/taken over are one person ventures; they do not have paid employees, neither at the timer of creation (77%) nor three years later (63%).

There are on average 2.6 jobs per surviving business after three years. Take-overs represent the lion's share of jobs creation (cf. table). The net gain is 0.9 job per business. These results are very close to national trends: within the 2006 cohort of the SINE survey, an average of 2.7 jobs had been created by surviving business three years later, which also represents a net gain of 0.9 job per business.

Job creation in surviving businesses

	<i>Initial number of jobs</i>	<i>Number of jobs after three years</i>	<i>Change</i>
<i>Overall</i>	1,7	2,6	0,9
<i>Start-ups</i>	1,3	2,3	1
<i>Take-overs</i>	3,1	3,9	0,8

The majority of jobs created are long term jobs: three years later, the majority of employees have CDI contracts (71%) versus 14% for CDD contracts. 15% are employed as apprentices or temporaries.

Working conditions: a stabilization of income but at a level deemed insufficient by the majority of business creators.

More than three-quarters of business creators pursue their activity on their own (78%) and on a full time basis (85%). They find that they work more than before (76%), because the activity demands it (71%), rather than by choice (14%).

32. IGF (2009), *op. cit.* As an illustration, the total cost to the public budget over three years of a business financed through microcredit is estimated to be at most €9,500 (of which 70% in exemptions of social security charges), plus €3,900 in supplementary RSA, while full-fledged RSA for the same period may be estimated at €16,400 in case of unemployment. The net gain in this example is thus €3,000.

33. Unédic (2013), *Enquête auprès des allocataires de l'assurance chômage ayant bénéficié de l'Aide à la reprise ou à la création d'entreprise en 2011.*

34. Adie (2013), *Le microcrédit accompagné de l'Adie : face à la crise, une voie de retour à l'emploi*, synthèse de l'étude d'impact de l'action de l'Adie 2013. Adie is the sole network specifically targeting the most vulnerable groups, although it is to note that BGE is also involved in assistance programmes targeting beneficiaries of the RSA, at the instigation of certain local "conseils généraux".



Three-quarters of business creators report that income from their activity has been stable or increasing over the past 12 months. However, this positive development does not make it possible to save (in 74% of cases), nor to regain the level of income enjoyed prior to business creation (in one-half of cases). In total, 60% of business creators report they are dissatisfied with their income. Income from the activity represents the totality or near-totality of the household's resources only in a minority of cases (40%) and is supplemented through a second job in 38% of cases. Lastly, the exit rate from basic social welfare benefits is lower among business creators still in operation (48%) compared to business creators who ceased activities but have jobs (78%)³⁵. This pattern suggests that the standard of living of creators remains relatively modest three years after business creation. The period considered by the survey may in part explain these mediocre results, as the first three years following business creation are the most difficult for business creators.

Given these results, and despite the fact that the reasons for the cessation of activities are primarily economic (cf. above), it is interesting that the return to paid employment is mentioned as the main reason for the cessation of activities in 11% of cases³⁶.

A decisive and admittedly useful role of assistance, but room for improvement, particularly with regard to post-creation follow-up.

Consistent with the positive results in terms of business survival, the vast majority of business creators interviewed acknowledge the useful or even decisive role played by the networks in the execution of their project, independently of their situation three years later (84%).

However, creators found that the assistance provided was sometimes insufficient. Only 52% of them report feeling "sufficiently" assisted after business creation, as opposed to 78% at the time of creation. Overall, 20% of business creators report that "the assistance was never sufficient".

These results show that there is room for improvement in order to better promote business creation support and its

value added. This would mean engaging in more educative work among business creators in this regard, as some of them are probably inclined to focus primarily on the financing made possible by the network rather than by qualitative support they can provide. This upgrading should specifically emphasize post-creation assistance, which appears to be the most difficult aspect to implement³⁷. For the networks, this presupposes assuring regular contact with business creators, in a sufficiently flexible and individualized manner to respond to the variety of assistance needs (which evolve over time and according to the individual). Such post-creation assistance can be organized *via* various channels. For example, post-creation follow-up could be assured by the community of business creators, as a kind of mentoring or "peer" training by more experienced entrepreneurs helping new entrepreneurs, as already practiced in certain networks³⁸.

Lastly, it is noteworthy that the networks assistance programmes complement each other. 36% of business creators report having been assisted by two networks, or even more. The most common "combinations" associate either France Active and Initiative France, who share joint regional platforms, or BGE and another network. This is not surprising as BGE stands out as a network that receives and assists project holders far upstream of creation and then passes the project on to the financial networks.

An experience generally deemed positive for the career path.

Whether their business survived or not, 90% of business creators are satisfied with their experience. Among those having ceased activities, 37% nevertheless consider creating a new business again, and 15% of them "certainly" will create a new business. This highlights the fact that business closure is not necessarily synonymous with failure in the eyes of business creators.

For example, whatever their situation three years later, 89% of business creators feel that the experience of creating a business enabled them to gain or strengthen some professional skills, in particular in the areas of accounting and management.

35. Logically, the exit rate from basic social welfare benefits among business creators who are not integrated into the labour market three years later is lower, at 28%.
36. Although this result has to be interpreted with caution, since business creators who had reverted to paid employment at the time of the survey are likely to rationalize this situation after the fact, it can nonetheless be pointed out here that 17% of ARCE recipients reported that they ceased their activity because their expectations had not been fulfilled (pace, working conditions, activity performed). See Unédic (2013), *op. cit.*
37. On this subject, see for example, the findings of the IGAS-IGF mission on the NACRE mechanism, which highlight the significant drop-out rate by beneficiaries during the post-creation follow-up phase. IGAS-IGAS (2013), *op. cit.*, Annex IV: "Le volet accompagnement de NACRE".
38. On this subject, see for example DARES (2014), "Enquêtes monographiques sur le dispositif nouvel accompagnement à la création ou reprise d'entreprise (Nacre)".

In what areas have you gained or strengthened your competencies?



However, the majority of entrepreneurs still in operation feel they continue to lack the skills necessary to run a business (60%), especially in the areas of accounting and management (65%), but also for dealing with legal and administrative formalities (61%). This rather widely shared view confirms the importance of further developing post-creation assistance, in order to place creators in a position where they can identify and express their needs, and also find the resources to meet them.

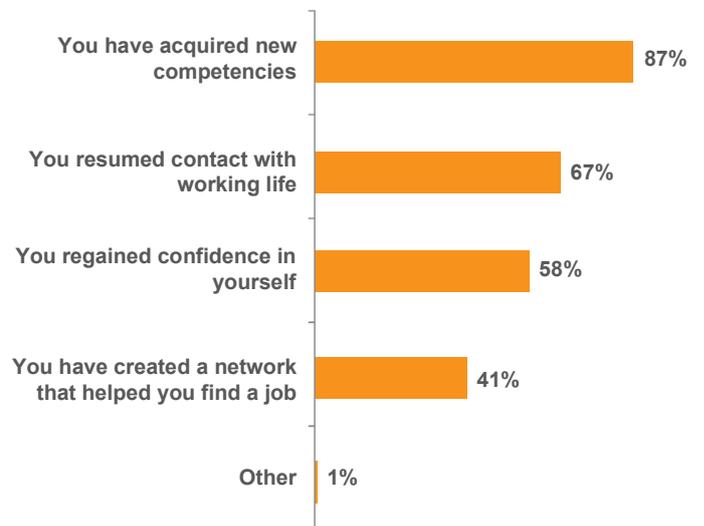
In the case of business creators who have ceased activities, the feeling with regard to the usefulness of the experience for job finding is mixed: 49% feel the experience was useful for finding another job. For those who found the experience useful, the acquisition of new skills and renewed contact with the world of work rank first among the positive sides of this experience.

A greater awareness regarding the issue of impact measurement

Within the framework of current efforts to better understand the impact of professional microcredit on employment, the networks of associations supporting business creation seem more willing now than before to develop a common vocabulary and common evaluation tools. Public authorities can rely on these efforts in order to better identify the strong and weak points of the services they finance, to reflect on ways and means of improving their action, and also to better tailor interventions to the objectives defined jointly with the networks.

In what way was the experience of creating a business useful for finding another job?

(Basis: creators having ceased activities and with jobs, who feel the experience of creating a business was useful for finding another job)



Without minimizing the technical and financial difficulties connected with such an undertaking, public authorities have a role to play by better harmonizing the way the networks are monitored by different public funds providers. The multiplicity of the fund-providers and the subsequent complexity of the reporting and monitoring tools is an obstacle to get a clear view of whether these instruments actually work. Common performance indicators and joint data collection tools will need to be defined. Efficiency gains for all actors are likely to result.



CONCLUSION

Public authorities have a legitimate interest in finding out whether support to business creation makes a difference. This is especially the case in Europe where microcredit is considerably supported and subsidized by public authorities, mostly as an active labour market policy. In France, efforts have begun to harmonize the collection of impact related data. The survey results presented in this *Note d'analyse* shed light on the situation of business creators three years after start-up. The findings underscore the relevance of professional microcredit and assistance for business creation mechanisms, in view of the high survival rate of businesses and sustainable integration into the labour market of beneficiaries. Yet, the conditions in which the business creators operate appear to be mixed and without spectacular income enhancements. The beneficiaries also wish to have more tailor-made counselling post-creation. Still, on the whole, the level of satisfaction with regard to the experience of starting a business is high and the useful role played by association networks is acknowledged in this regard. The joint participation of all major national networks in the study testifies to their growing professionalization and their appreciation of the importance of monitoring beneficiaries and measuring results. This is a sound basis on which public authorities can rely in the future for more impact and efficiency.

Keywords: microcredit, employment, business creation, survey.

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The *Note d'analyse* is published under the editorial responsibility of the Commissioner-general for policy planning. The opinions expressed are those of their authors.

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Commissioner General
for policy planning

Editorial director:
Selma Mahfouz,
Deputy Commissioner General

Printing:
**Commissariat général
à la stratégie et à la prospective**

Legal registration:
June 2014 - N° ISSN 1760-5733

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