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Position Paper on Entrepreneurship Facilitation in Latvia; “Jobs & Society” initiative

1. Executive Summary

Economic recession in Latvia has resulted in an extremely high unemployment rate. Today, large companies are not able to generate new jobs and many people are leaving the country in quest for job abroad. We believe that workforce emigration prevention and creating new jobs should be one of the primary concerns of the government. Therefore FICIL members individually and FICIL as organisation is supporting and would encourage government to support implementation of the “Jobs & Society” concept in Latvia.

2. Recommendations/Suggestions

To lessen the negative consequences of unemployment, job creation should be supported.

- (i) Targeted and temporary tax deductions might be considered to encourage first employment among younger people and the long-term unemployed.
- (ii) To facilitate and support the introduction of the “Jobs & Society” concept in Latvia, hence stimulating the start of new companies and supporting entrepreneurship.

A number of FICIL members individually, e.g. Swedbank, SEB, Nordea, Stockholm School of Economics in Riga and FICIL, as an organisation, is supporting and would encourage the government as well as local municipalities to support the implementation of the “Jobs & Society” concept in Latvia according to the model that has been successfully used in Sweden for 25 years.

3. Rationale

Some stabilisation in the labour market has been noticed in recent months, but, as historical experience shows, the unemployment rate will be high for years to come. With low employment, no wage growth, and continuing fiscal consolidation, there is still little hope for the revival of consumer spending needed to sustain a meaningful recovery.

We see that job creation is slow and will continue to be slow as exporting sectors are unable to absorb a large part of the currently unemployed. There are about 230,000 job seekers in Latvia, which is nearly as many as the exporting sectors currently employ. With private consumption and investment starting to recover in 2011, job creation will pick up somewhat, but it is clear that part of the current unemployment is a long-term one, as domestic demand sectors will not need as many employees as in the boom years. This situation is encouraging people to emigrate, leading to structural problems in the long term by diminishing the size and quality of the labour force.

To lessen the negative consequences of long-term unemployment, job creation should be supported. One of the ways to do this is by changing tax policy. For instance, targeted and temporary tax deductions might be considered to encourage first employment among younger people and the long-term unemployed.

Another way to partially tackle the problem is the implementation of the “Jobs & Society” concept in Latvia according to the model that has been successfully used in Sweden for 25 years.

The contribution of this organization can be viewed in both short-term and long-term perspectives. Firstly, the short-term result is to create new jobs and stimulate and inspire people to build their own businesses. Secondly, the organization is aimed at fostering the culture of entrepreneurship in Latvia in general by transforming the business society into a modern, transparent, and knowledgeable environment for companies and investors; this is a comprehensive and complicated long-term task.

The beginning of the “Jobs & Society” concept dates back to England where so called “Enterprise Agencies” were set up in the late 1970’s as a means to handle the unemployment caused by technical progress in the large glass factory “Pilkington” at St. Helens. This positive experience was taken over by Sweden in 1985, when due to economic slowdown “Volvo” closed down its factory in Ronneby which at the time was the main employer in the local community. The key question at the beginning of the 1980’s was “How to re-vitalise the European business society by stimulating entrepreneurs and new companies?” In response, consultations by operating companies and banks became available to persons willing to set up their own businesses in the local community. This has been an extremely fruitful method to support the growth of new enterprises.

The idea of “Jobs & Society” is to provide professional and valuable consultations to persons determined to start their own businesses. Consultants are active local entrepreneurs that are committed to support other people in the start-up phase. The concept of this organization is based on the conviction that it is easier and more efficient to start one’s own business if a person gets the right advice and support from the very beginning by industry professionals. The organization is funded by socially responsible partners – different companies, organizations and municipalities – thus allowing the ability to offer consultations free of charge.

The Swedish “Jobs & Society” organization has proved that that this model is an effective and powerful tool contributing to economic development: it is cost-effective and result-orientated. Furthermore, it is consistently built on certain core values, such as honest entrepreneurship with zero tolerance for corruption and focusing on serious, vigorous entrepreneurship. Today, this concept can be considered as one of the most successful Corporate Social Responsibility (CSR) initiatives in Europe. By encouraging CSR activities in Latvia, “Jobs & Society” can also contribute to several overall goals, like strengthening sustainability and long-term profitability within entrepreneurship. Among other things, this also means a coexistence of large and small businesses and a broad variety of companies, as well as contributing to a wider societal development.

To guarantee high quality, consultants are trained and certified. To achieve a well-structured work method, specially elaborated tools and materials are used by all advisers. Moreover, the thorough work in drafting business plans results in better prepared cases for banks if the person is applying for a business loan. Finally, local consultants can also provide valuable networks of different contacts, which, in many cases, is crucial for the entrepreneur during the start-up phase.

It should also be stressed that the Swedish “Jobs & Society” has already expressed its readiness to fully support the Latvian organization with all kinds of material and share their valuable work experience. This constitutes a favourable precondition for successful implementation of the concept in Latvia.

Finally we would like to list some facts describing “Jobs & Society” activities in Sweden:

- During 2009 the “Jobs & Society” concept (under the brand “Nyföretagarcentrum”)

participated in the start of approximately 12 000 companies (20% of all companies started in Sweden). This work is conducted through 90 “enterprise agencies” situated all over Sweden and creating approximately 15 000-20 000 workplaces.

- It has been proven that the concept improves the quality of the business start, creates more sustainability, more workplaces and better bank clients than if the entrepreneur would start without this support.
- 80% of the companies started through “Jobs & Society” are still active after three years
- Less than 1% of “Jobs & Society” companies have gone bankrupt after three years (compared to 4-5% average for all companies).
- “J & S” has the most efficient method of generating new companies and thereby new jobs in Sweden. The cost per started company is less than € 700.
- The new “Jobs & Society” companies each year generate additional income to the state of € 300 000 000.