A REVIEW OF ENTREPRENEURSHIP IN EUROPE: ENTREPRENEURIAL AMBITIONS, INSTITUTIONAL CHANGE, QUALITY ENTREPRENEURSHIP AND THE POTENTIAL OF SOCIAL PROTECTION

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JYVÄSKYLÄN YLIOPISTO

A PERSONAL NOTE

Writing this Master's thesis has been a gargantuan undertaking – consolidating the findings of an extensive literature review covering entrepreneurship policy, economics and practice, has been a challenging but rewarding journey.

Thank you to all those around the world who supported me. Thank you also to the University of Jyväskylä for the gift of further study to explore my intellectual curiosity in a way which I hope adds scholarly and practical value to issues that effect us all – issues related to the world of work, economic prosperity and balancing economic and social models.

Finally, this thesis is dedicated to Justin for his undying love and support.

Sepideh Roshan Talbot
March, 2021

ABSTRACT

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Abstract

Entrepreneurship has the potential to drive economic development and social advancement. The European Commission implemented entrepreneurship policy as a pragmatic response to its economic and social challenges, especially after the 2008 financial crisis. Institutional changes to promote entrepreneurship and enable individuals to directly contribute to economic growth, job creation and society were introduced to create an entrepreneurial Europe.

This study undertakes a systematic review to examine the implications of entrepreneurship policy within Europe. Examining and understanding the impacts of entrepreneurship policy and institutional changes are particularly relevant because of the billions of Euros invested and the impacts on the working lives of European citizens. By examining a broad range of existing literature, the study finds that the entrepreneurial Europe envisioned by policymakers has not been fully realised. Instead, entrepreneurship activity has skewed towards poor quality, necessity entrepreneurship. The European institutional context has also shifted away from the social model on which it was founded, increasing the exposure of European workers to social risks. To promote sustainable growth, wellbeing and well-functioning labour markets, researchers and policymakers are reconsidering the role of social protection. Social protection also has the potential to promote quality entrepreneurship. Based on the review of literature, seven testable propositions about how social protection can promote quality entrepreneurship have been developed for future empirical testing.

This study advances knowledge in entrepreneurship research and contributes to debates in policymaking and practice. It also provides a sound basis for subsequent empirical research.

Keywords
Entrepreneurship policy; Europe; Institutions; Necessity entrepreneurship; Quality entrepreneurship; Social protection.

TABLES

CONTENTS

1 INTRODUCTION

After the global recession in the 1990s, interest in entrepreneurship as a solution to economic and social challenges gained traction. International organisations such as the Organisation for Economic Cooperation and Development (OECD), and the European Commission, as well as the academic community became drawn to entrepreneurship's potential (Lundström & Stevenson, 2005). As evidence of entrepreneurship as a driver of economic growth, job creation and competitiveness accumulated (e.g. Acs, 2006; Audretsch, 2003; Audretsch & Keilbach, 2004; Carree & Thurik, 2008; Parker, 2009; Thurik, Carree, van Stel & Audretsch, 2008) the European Commission's interest in entrepreneurship strengthened.

In 2013, the European Commission released its Entrepreneurship 2020 Action Plan (European Commission, 2013). The Entrepreneurship 2020 Action Plan evolved from the Lisbon Strategy (see European Parliament, 2000) and was developed to fulfil Europe's[1] entrepreneurial ambitions (European Commission, 2015). Institutional change was considered necessary to promote entrepreneurship. Institutions are the formal and informal rules which guide behaviour (North, 1990) and institutional arrangements have been found to influence entrepreneurship activity (e.g. Acs, Audretsch, Lehmann & Licht, 2016b; Baumol, 1990; McMullen, Bagby & Palich, 2008).

Using a systematic review methodology, this study contributes to developing knowledge about entrepreneurship in Europe and its implications by bringing together a broad range of relevant literature. This study first provides the background to the way in which entrepreneurship policy emerged in Europe, as well as its main objective (section three). Identifying the objective of entrepreneurship policy is important in measuring its effectiveness. Existing literature highlights that the ambiguity surrounding the definition of "entrepreneurship" makes it difficult to identify entrepreneurship policy and its objective, because this ambiguity feeds into how the policy is defined and formed (e.g. Smallbone, 2016). By considering the process of entrepreneurship, research suggests that entrepreneurship policy aims to increase the supply of entrepreneurs and the creation of new ventures. Section four, discusses the role of institutions in influencing behaviour and how changes to Europe's formal and informal rules intended to promote entrepreneurship activity to citizens. Changes to Europe's institutional context were made with the expectation of increasing venture creation by providing access to finance, labour market reforms, changes to tax regimes and education campaigns.

[1] References to Europe mean the European Union before Brexit, when the United Kingdom officially left the Europan Union in 2020, unless otherwise stated (i.e. EU28).

The outcomes of entrepreneurship policy is examined in section five. Examining implications of policy is not only the domain of practitioners – researchers are also encouraged to explore the implications of policy and related actions (Antony, Klarl & Lehmann, 2017), especially over the longer term (Giraudo, Giudici & Grilli, 2019). In their highly influential work, Zahra & Wright (2011) encourages entrepreneurship researchers to shape, guide and even provoke policy discussions. This study is partly motivated by these appeals for researchers to contribute to policymaking.

The review of literature reveals that the effectiveness of entrepreneurship policy in producing the economic and social benefits sought by European Union policymakers has been limited. Entrepreneurship policy has not significantly increased entrepreneurship activity and has skewed entrepreneurship activity towards ventures which contribute little to economic or social prosperity (Spasova, Bouget, Ghailani & Vanhercke, 2019; Mühlböck, Warmuth, Holienka & Kittel, 2018). There are various contributing factors, especially active labour market reforms which promote entrepreneurship to unemployed individuals. The ambiguity in the definition of "entrepreneur", and the way European policymakers treat individuals working outside of standard employment arrangements was also influenced the composition of Europe's entrepreneurs. The literature suggests that promoting quality, rather than more entrepreneurship (e.g. Shane, 2009) can create greater benefits to the economy and society. Quality entrepreneurship is examined in section six. The literature reveals broad consensus that quality entrepreneurship is defined with reference to productive entrepreneurship (Baumol, 1990). While a measure of productive entrepreneurship remains contentious, opportunity entrepreneurship as a proxy for productive entrepreneurship is gaining scholarly legitimacy (Chowdhury, Audretsch & Belitski, 2019; Mohammadi Khyareh, 2017).

As the implications of entrepreneurship policy in Europe come to light, what has become apparent from the literature is the need for alternative approaches to promoting quality entrepreneurship. Section seven, discusses the importance of framing policy and undertaking institutional change with reference to the European context. Much of the research influencing Europe's existing entrepreneurship policy relies on underlying assumptions, theories and concepts dominated by Anglo-Saxon academics (mainly from the UK, USA and Canada), and contains specific research traditions, ideologies and assumptions that differ from those in Europe (Meyer, Libaers, Thijs, Grant, Glänzel & Debackere, 2014). The European context is founded on a social model, where citizens are protected against social risks (e.g. poverty, old age, unemployment, sickness and disability). In particular, a fundamental component of Europe's social model, social protection for workers, aims to remove the negative impacts of temporary or permanent loss of income (Eurofound, 2017; Spasova, Bouget, Ghailani & Vanhercke, 2017).

The dominant, US-centric approach to entrepreneurship research and policymaking characterises social protection and welfare states – elements inherent in Europe's social model – as barriers and disincentives to entrepreneurship (e.g. Aidis, Estrin & Mickiewicz, 2012; Hessels, van Gelderen

& Thurik, 2008; Parker, 2009; Parker & Robson, 2004; Wennekers, van Stel, Thurik & Reynolds, 2005). Section eight examines the role of context in entrepreneurship research and policymaking. The review of literature suggests that applying a US-style approach to promoting entrepreneurship in the European context may have contributed to the lack of effective policy outcomes, and institutional changes over the last decade which have put the European economy, working life and social model at risk (e.g. European Commission, 2018; Spasova et al., 2019). The impact on Europe's entrepreneurial ambitions are particularly relevant and of interest because the effects of the approach to entrepreneurship policy taken, impact the working age population.

Social protection is once again being recognised as a productive factor (European Commission, 2016) with the potential to promote entrepreneurship, sustainable growth, individual wellbeing and well-functioning labour markets (European Commission, 2017a). Social protection in Europe is considered in section nine, and its potential to promote quality entrepreneurship is examined in section 10. Based on the literature review, seven proposition are developed to help guide future empirical research and policy linking social protection with the promotion of quality entrepreneurship in Europe. A conclusion, limitations and suggestions for future research are discussed in section 11.

A systematic literature review methodology was adopted to provide a robust overview of entrepreneurship in Europe by linking theoretical research and empirical findings from a variety of sources (Tranfield, Denyer & Smart, 2003). Taking stock of current knowledge provides useful insights to both researchers and policymakers. In doing so, this study aims to answer calls for contextualised research and advance knowledge about entrepreneurship's inherently, complex interaction between economic and social life (Welter, 2011; Zahra & Wright, 2011). Contextualisation can also aide in developing context-specific policy proposals (Foss, Henry, Ahl & Mikalsen, 2019). There are calls for research to explore how the social protection system can support entrepreneurs in a context where institutions are promoting entrepreneurship (Caraher & Reuter, 2017) as well as research that provides greater understanding of the link between institutions and entrepreneurship quality (e.g. Urbano, Aparicio & Audretsch, 2019).

Therefore, this study responds to recommendations to improve understanding about the relationship between institutions and entrepreneurship (Bjørnskov & Foss, 2016; Boudreaux & Nikolaev, 2019; Urbano et al., 2019). Such research can instigate meaningful policy debates about institutional change and complementarities within a specific context (Caliendo, Künn & Weissenberger, 2020; Hipp, Bernhardt & Allmendinger, 2015; Valdez & Richardson, 2013). Entrepreneurship scholars are also being increasingly asked to widen their perspective (Economidou, Grilli, Henrekson & Sanders, 2018; Pahnke & Welter, 2019; Zahra, Wright & Abdelgawad, 2014; Zahra & Wright, 2016), juxtapose theoretical modelling with reality (Fayolle, Landstrom, Gartner & Berglund, 2016; Su, Zhai & Karlsson, 2017) and provide more systematic, policy-relevant research (Audretsch, Colombelli, Grilli, Minola & Rasmussen, 2020; Block, Fisch & van Praag, 2017). Policymakers and researchers are encouraged to consider social implications of macroeconomic policies due to rising inequalities, especially within Europe (Istituto per la Ricerca Sociale, 2016; OECD & European Union, 2017). The extensive, systematic literature review undertaken in this study attempts to respond to these calls and opportunities to improve understanding of entrepreneurship and policy-related matters.

Moreover, this study contributes to calls for researchers to reconsider the implicit assumption that entrepreneurship is intrinsically beneficial and to focus on evidence-driven entrepreneurship policy research which considers specific mechanisms that can support all entrepreneurs (Wiklund, Wright & Zahra, 2019). Finally, the seven propositions developed as a result of the review are expected to initiate debate and further research about a new institutional arrangement which has the potential to promote quality entrepreneurship. It questions the link between Europe's social model with economic and social outcomes, as well as how entrepreneurship research and policy have evolved in Europe. The following section explains the methodology adopted in more detail.

2 METHOD

"All types of review should be systematic...You will encounter many definitions for literature reviews, but you will find that the word 'systematic' often features as a critical element within the description of a literature review"
(Booth, Sutton & Papaioannou, 2016, 2)

This study has adopted a literature review methodology to examine existing literature and assess whether entrepreneurship policy has been effective in producing the economic and social benefits sought by European Union policymakers. The review has also informed the development of seven propositions for future empirical testing. Review methodologies are considered suitable and valuable for integrating a large body of research and analysing it to advance knowledge for a variety of academic output ranging from published works in reputable academic journals (Palmatier, Houston & Hulland, 2018) to theses and dissertations (Booth et al., 2016). A literature review methodology is appropriate for this study because it seeks to collate and synthesise a diverse body of existing literature which has already adeptly examined the complexities inherent in entrepreneurship, so as to explore the linkages within sometimes disparate and contradictory findings, provide fresh insights with possible practical implications, and generate avenues for future research (Palmatier et al., 2018; Tranfield et al., 2003).

While this study may question and reflect on the normative ideas underlying entrepreneurship (Fayolle et al., 2016) it is not primarily focused on analysing specific concepts,[2] critiquing particular narratives and methodologies, or establishing a new theoretical framework. The primary objective of the study and its methodological approach is to answer the question of whether policy decisions and actions have been effective (Booth et al. 2016). In doing so, it seeks to contribute to academic knowledge, policy and practice (Tranfield et al., 2003).

A meaningful literature review with appropriate coverage of an issue requires a robust process for identifying and collecting existing research (see Cooper, 1998). Historically, management research, where entrepreneurship has strong theoretical roots (e.g. Bruton, Ahlstrom & Li, 2010), has experienced particular challenges in establishing robust approaches to gathering relevant literature for review, largely because of its interdisciplinary and fragmented nature (Briner & Denyer, 2012; Denyer & Tranfield, 2009). The seminal work of

[2] While this study does discuss conceptual issues, there is no intention to categorise and describe concepts relevant to entrepreneurship research and their relationships to each other. The discussion of concepts (e.g. definition of entrepreneur) is used to provide some context around the difficulties of examining the effectiveness of entrepreneurship policy, and the implications for the economy and society.

Tranfield et al. (2003) contends that applying the principles of systematic review can produce high quality research with both academic and practical significance. They argue that "[i]ncreasing the precision of a reliable evidence base [so] that policymakers and practitioners can make more sensitive judgements is the ultimate aim of the application of systematic review procedures to management research" (Tranfield et al., 2003, 219).

A systematic review is principally a replicable, scientific and transparent process which outlines the way in which a researcher has gathered and analysed research findings. It can reduce bias and facilitate appropriate exploration and development of ideas for policy, practice and future research (Booth et al., 2016; Denyer & Tranfield, 2009; Tranfield et al., 2003). It goes beyond an ad hoc data mining activity or a simple description of findings. The practice of systematic review originates from the medical field and entails strict adherence to highly rigorous and prescriptive protocols (see Moher, Shamseer, Clarke, Ghersi, et al., 2015). Denyer & Tranfield (2009) compares medical and management research, positing that their intrinsic differences mean simply applying medical notions and protocols to management and organisational studies is inappropriate. Most notably, research in management and the social sciences relies on professional judgment and interpretation which is incongruent with strict adherence to the systematic review protocols established within the medical field.

In any areas of research, carrying out a systematic review is challenging. The term "systematic review" is ambiguous and no standard definition in either medical (Moher et al., 2015) or management research (Fisch, & Block, 2018) exists. To encourage greater adoption of the systematic review methodology, influential researchers on the subject have attempted to clarify what a systematic review entails within the context of management research. Denyer & Tranfield (2009, 671) states that a systematic review as a "specific methodology that locates existing studies, selects and evaluates contributions, analyses and synthesizes data, and reports the evidence in such a way that allows reasonably clear conclusions to be reached about what is and is not known...[and should be regarded] as a self-contained research project...that explores a clearly specified question, usually derived from a policy or practice problem, using existing studies...[with] distinct and exacting principles".

Simpler definitions of systematic review also exist. Briner & Denyer (2012, 112) argues that within management research, a systematic review "simply means that reviewers follow an appropriate (but not standardized or rigid) design and that they communicate what they have done". Similarly, Palmatier et al. (2018) suggests that systematic review refers to a methodical assessment and comparison of relevant, published literature without quantitative assessment. Fisch, & Block (2018, 103, Footnote 1). In broad terms, a systematic review "refers to all literature reviews that follow a systematic, transparent, and reproducible process for identifying academic literature about a clearly defined topic or research question". The production of credible, trustworthy and useful research primarily relies on methodological transparency and robustness (Aguinis, Ramani & Alabduljader, 2018).

Therefore, a systematic review of literature in management research is considered to be a quality controlled, coherent and replicable method of collecting and analysing prior research, and not particularly focused on one specific, strict protocol. In line with precedence already set within management research, this study has adopted a systematic review approach without adherence to the specific and strict protocols established in medical research. In addition, similar to other systematic reviews within management, a meta-analysis was not undertaken because the heterogeneity of the way entrepreneurship is defined and researched prevents it (Tranfield et al., 2003). Consistent with the principles of systematic review, the process adopted in this study can assist with developing an understanding of the issues, considering different perspectives and providing suggestions for making progress towards a possible solution in the future (Denyer & Tranfield, 2009).

In line with the seminal work of Tranfield et al. (2003), this study planned the review by considering the availability of a sufficient number of relevant studies and by taking a cross-disciplinary perspective. An initial key word search was used to determine the scope of relevant literature. The key word "entrepreneurship" was used to search the University of Jyväskylä (JYU) library international e-material (e.g. journals, books) database to identify the number of English-language, peer reviewed, full text, published articles available. The search returned 347,822 results encompassing subjects such as economics, business, education, gender and labour economics. When the word "policy" was added, 105,235 results appeared. The results returned literature related to various subjects such as political science, public policy and economic growth. Due to the volume of literature it was clear that sufficient research exists for the review methodology to be of value (Palmatier et al., 2018). Search terms also returned results published in prominent entrepreneurship journals (e.g. Entrepreneurship: Theory and Practice, Journal of Business Venturing, Small Business Economics), suggesting that research related to these key words are valued by high-ranking, entrepreneurship journals.

When examining policy and practice, bias in research and agenda can be mitigated when attention is paid to a broader source of knowledge, including those from policymakers and practitioners (Tranfield et al., 2003). Considering a broad range of sources assists in reducing publication bias in entrepreneurship research and provides access to views that challenge dominant assertions or assumptions (O'Boyle Jr., Rutherford & Banks, 2014). As an area of research matures, researchers are encouraged to take a multidisciplinary view relying on established approaches to challenge, critique and self-reflect about the assumptions, myths and politics underlying entrepreneurship (Fayolle et al., 2016). Taking a multidisciplinary view is more challenging than one would expect. Being interdisciplinary in nature, entrepreneurship has been examined by various fields (Carlsson, Braunerhjelm, Mckelvey, Olofsson, Persson & Ylinenpää, 2013) but multidisciplinary interchange has historically been limited (Zahra & Wright, 2011). For instance, while entrepreneurship overlaps economic and social life, the vast quantities of entrepreneurship research remains largely segmented into the mainstream economic and management disciplines (Campbell & Mitchell, 2012). Other disciplines tend to examine entrepreneurship from their own particular perspectives (see Audretsch, 2003).

As the researcher's familiarity with the topic grew, the following search terms were used to identify other relevant literature: "opportunity entrepreneurship", "necessity entrepreneurship", "quality entrepreneurship" "institutional theory" and "social protection". These search terms were linked to titles, abstracts, and keywords and where relevant, the contents of journal volumes or issues in which articles appeared. The particular search terms focused on the macro-level outcomes of policy decisions and actions rather than detailed exploration of other topics within entrepreneurship, such as specific individual traits (e.g. age, family size, level of education), pedagogical approaches to entrepreneurship education, specific types of entrepreneurship (e.g. social entrepreneurship, family-run ventures), formation of entrepreneurial ecosystems or entrepreneurship in developing nations.[3] Further exploration revealed recurrent studies and policy documents being cited within and across various studies from both entrepreneurship and related fields. Recurring citations led to bibliographical searches to find original literature and seminal works. Such a flexible and iterative systematic review process was time-consuming but is encouraged because it identifies influential and best quality works, allowing the researcher to develop their understanding of the topic in a creative and less biased way (Denyer & Tranfield, 2009; Tranfield et al., 2003).

Therefore, the scope of the literature extends beyond academic journals within entrepreneurship to mitigate the risk of taking too narrow a perspective and to facilitate pursuit of a holistic understanding of entrepreneurship in Europe. Guidance from researchers also helped to identify seminal and influential works to provide a valuable starting point, given the large number of search results returned. Literature searches extended to the European Commission documents, the internet (e.g. Google scholar) and personal requests for information from academics[4].

Literature included in the review are those published in peer reviewed journals, seminal works, papers authored by recognised experts (e.g. Zoltan J. Acs), published by highly regarded sources (e.g. European Commission, International Labour Organisation), influential with numerous citations[5] and published textbooks. Relevant literature has been taken from the most prominent entrepreneurship journals because of their high impact factor – Small Business Economics, Entrepreneurship, Theory and Practice, Journal of Business Venturing, Journal of Small Business Management, Entrepreneurship

[3] Although such topics may be touched upon, when relevant, to establishing background and context of the issues discussed in this study.

[4] For example, at later stages in the process, when relevant literature was not accessible from the JYU database direct requests to scholars were made.

[5] As per Google Scholar (www.scholar.google.fi/) and when referenced repeatedly in other relevant studies.

and Regional Development (see Foss et al., 2019). Total literature reviewed was not solely from top journals because sometimes alternative views are not presented (Aguinis et al., 2018). For this study, documents and reports by policymakers are particularly important. Not only do they communicate policy choices but policy documents and reports are outside the influence and control of commercial, academic publishers (Briner & Denyer, 2012). In addition, to broaden the perspective taken in this study, studies using qualitative and quantitative methodologies, review studies, theoretical and empirical works, as well as critiques were included. Studies were selected because they were either forming theory or shaping understanding of entrepreneurship and policy implications. In consideration of the European context, research using European data was specifically sought out. Reading the abstracts, conclusions and data source helped determine whether the literature was relevant to the research question and European context.

Unless it met the inclusion criteria above *and* provided significant contribution to understanding the issues, literature was rejected if it was not directly related to the research question (e.g. it related specifically to running family businesses, microfinance), had few or no citations, appeared in popular press (e.g. newspapers, magazines) or was published in very low ranking journals.[6] To incorporate the latest knowledge and consider emerging issues surrounding the implications of entrepreneurship policy. Research over 10 years was excluded unless they made a significant contribution to the topic or was considered relevant to answering the research question (e.g. seminal and influential works, reports by policymakers).[7] Wiklund et al. (2019, 427) argues that "impactful entrepreneurship research usually surfaces questions with long-term horizons". Taking a longer term horizon with this review aims to cover as much relevant literature as possible to holistically understanding the field, challenges and developments. This approach was used to limit the risk of overlooking important contributions which may add to the background and understandings underpinning the issues explored in this study.

Greater coverage and diversity in relevant literature increases the quality of the work. However, seeking an exhaustive list of citations can also be counter-productive for identifying the central outcomes and developing propositions with practical relevance (Cooper, 1998; Tranfield et al., 2003).

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[6] For instance, 2018 IDEAS journal ranking below one were not included and 2019 SCImago Journal Rank (SJR) (https://www.scimagojr.com) with ranked in the botton 10% for all journals and in their respective fields were not included unless studies were cited often in other important literature. In this case, judgement was used about suitability and value.

[7] For instance, the influential book Parker (2009) is a first edition. The second edition was published in 2018 and printed in the United Kingdom by Clays, St Ives plc. It has over 1,500 citations. The researcher was unable to access this second edition but refers to the 2009 edition. To compensate, newer studies have been identified in this study and used to complement foundational knowledge in 2009 which has remained influential to more recent findings. In fact, Parker (2009) was identified as influential and the publication was sought out from bibliographical searches.

Instead, reliance on representative findings and seminal works can be sufficient as resource, time and other constraints can make such coverage, prohibitive (Booth et al., 2016; Cooper, 1998). Given time and resource constraints, judgement was made as to which articles were representative. In addition, given the specific focus on the study of entrepreneurship, while a broad range of relevant literature was examined, one third of the literature was drawn from the top five entrepreneurship research journals (see Table 1). Entrepreneurship journals significantly influenced the literature review but were balanced by literature from a wide variety of other research areas and sources examining entrepreneurship and policy-related issues.

TABLE 1 Percentage of literature drawn from top five entrepreneurship journals

Journal title	No. of papers	% of total sample
Small Business Economics*	83	21
Entrepreneurship Theory and Practice	32	8
Entrepreneurship and Regional Development	7	2
Journal of Small Business Management	5	1
Journal of Business Venturing	4	1
Other – entrepreneurship journals	49	12
Other – European Union communications and reports related to entrepreneurship	27	7
Other – non-entrepreneurship journals (e.g. peer reviewed journals in other disciplines, textbooks, international policy communications and reports)	191	48
TOTAL	398	100

Total high impact entrepreneurship journals = 131 (33%)
Total entrepreneurship journals = 180 (45%)
* The majority of entrepreneurship research came from Small Business Economics because it tends to focus on practical aspects of entrepreneurship, including policy and outcomes.

Synthesis is a generic term referring to the way in which the literature gathered on a particular topic or research question is summarised, integrated and discussed (Tranfield et al., 2003). Synthesising individual findings, reconciling conflicting evidence and drawing conclusions are integral for comprehensive understanding of a subject by academics and practitioners (Palmatier et al., 2018). The findings of this review are synthesised using an interpretative approach which links themes across seminal and influential studies. This approach goes beyond passively summarising findings and seeks to provide new insights, challenges to the status quo as well as bases for future research and a basis from which to inform policy (Denyer & Tranfield, 2009; Tranfield et al., 2003). Interpretative synthesis is appropriate for examining and broadening understanding about the effectiveness of complex interventions using a variety of studies, including both qualitative and quantitative studies (Briner & Denyer, 2012; Booth et al., 2016). This is a common approach in management studies, used to link a diverse range of studies to provide insights which may not be clear by examining studies in isolation (Denyer & Tranfield, 2009).

In terms of presenting the outcomes of the review, the influential work of Booth et al. (2016) argues that a study examining the effectiveness of policy decisions and actions using a mix of qualitative and quantitative studies, the result of a systematic search and review is presented in a narrative-style format (as opposed to tabular or graphical). This method of reporting allows the researcher to help unfold the story of what is known about the topic and provides a basis for recommendations. Accordingly, this study is predominantly structured chronologically to present the reader with the necessary background to entrepreneurship research and policy, build on this understanding to evaluate and examine the implications of entrepreneurship policy, and provide possible ways forward. This structure also reflects the iterative nature of the review, understanding of the implications of entrepreneurship policy and how the accumulation of knowledge unfolds.

Finally, the extensive nature of systematic reviews can often disrupt established ideas or taken for granted assumptions (Briner & Denyer, 2012). This may be reflected in the discussions and seven propositions identified from reviewing relevant literature. Propositions, rather than hypotheses, have been developed because there is no empirical testing in this study. Instead, this study has drawn from and links multiple sources of research, provides a robust foundation for understanding how entrepreneurship policy has developed in Europe and a strong basis for subsequent empirical testing to advance entrepreneurship research, and inform policy and practice (Tranfield et al., 2003). The next section provides the background to entrepreneurship policy within Europe, including its appeal, definition and objective.

3 AN ENTREPRENEURIAL EUROPE

"...new and young enterprises represent a key ingredient in creating a job-rich recovery in Europe"
(European Commission, 2013, 27)

Entrepreneurship is a multifaceted concept that relies on the economic and creative potential of individuals to drive progress. This section begins by exploring the appeal of entrepreneurship to policymakers faced with economic and social challenges since at least the 1990s. In his 1912 seminal work, the economist Joseph A. Schumpeter introduced the idea that entrepreneurship is central to economic growth and development (Schumpeter, 1912). He argued that the intrinsic creativity of entrepreneurs enables them to combine resources in ways which produce innovations. These innovations manifest in new products, methods of production, markets and resources which satisfy the needs of consumers and disrupt the status quo (Schumpeter, 1912; Schumpeter, 1934). A resurgence of Schumpeter's theory began in the late 1970s and by the late 1990s, policymakers and researchers became increasingly interested in entrepreneurship and its potential (Landström, 2008; Lundström & Stevenson, 2005; Meyer et al., 2014), particularly in relation to economic and individual advancement (Carlsson et al., 2013).

To the European Commission, entrepreneurship is considered "a powerful driver of economic growth and job creation" (European Commission, 2013, 3). The expectation is that the potential economic value entrepreneurship can create can also accrue unlimited benefits to society. Increased interest in entrepreneurship happened to coincide with persistent economic problems in Europe and the OECD (Audretsch & Thurik, 2000). In the 1990s, Europe's slow growth and high unemployment was so pervasive it was given its own term: "Eurosclerosis" (Baumol, Litan & Schramm, 2007). In response to the persistent economic challenges and their associated social consequences, policymakers turned to entrepreneurship as a viable solution (Bradley & Klein, 2016; Lundström & Stevenson, 2005; Mühlböck et al., 2018; OECD/ European Union, 2017; Smallbone, 2016;).

In 2000, the Lisbon Strategy outlined a co-ordinated effort to position entrepreneurship as a cornerstone to economic growth and job creation in Europe (European Parliament, 2000). In 2004, the European Commission released its agenda for entrepreneurship, emphasising the importance of new venture creation (European Commission, 2004). What was clearly emerging was a commitment to develop and implement structural changes and reforms to fulfil Europe's entrepreneurial ambitions (Baumol et al., 2007; European Commission, 2015).

The 2008 financial crisis, or the Great Recession, laid bare Europe's deep structural weaknesses. The Great Recession not only stalled but in some cases reversed economic growth and social advancement within Europe. To illustrate, in the immediate aftermath of 2008, the European Union recorded a 4 per cent drop in Gross Domestic Product (GDP) and unemployment stood at 10 per cent, or 23 million people (European Commission, 2010). Unemployment climbed to a peak of 11.4 per cent in 2013 (Eurostat, 2018; Eurostat, 2020; OECD/European Union, 2017). The challenges to regional economic and social prosperity that existed before 2008, become more prevalent. The Great Recession is estimated to have halved the European Union's growth potential (European Commission, 2010), placing greater pressure on Europe's long term competitiveness and controls on rising inequality (European Commission 2010; OECD/European Union, 2017).

The Great Recession intensified efforts to ignite a recovery through entrepreneurship. The Lisbon Strategy which was unveiled in 2000 (European Parliament, 2000) was ratified as the Lisbon Treaty in 2009,[8] signifying the formal commitment by the European Union to promote entrepreneurship. In 2010 the European Commission released its Europe 2020 strategy. This roadmap for progress outlines the European Commission's economic and social priorities. Specific targets include an employment rate of at least 75 per cent for the population aged 20 to 64 years, investment in research and development (R&D) to reach 3 per cent of GDP and reducing the risk of poverty for 20 million people (European Commission, 2010). Since releasing the Europe 2020 strategy, Member States have been encouraged to promote entrepreneurship and its viability as a career option to their citizens. The Small Business Act,[9] for example, was conceived to provide a framework and co-ordinated approach to formulating and implementing "SME-friendly" policies (European Commission, 2008; European Commission, 2011).

Momentum towards an entrepreneurial Europe increased further in 2012 with the introduction of the Entrepreneurship 2020 Action Plan (European Commission, 2013) which attempted to bifurcate entrepreneurship from small business activity and give prominence to entrepreneurship policy. As the blueprint for joint action, the Entrepreneurship 2020 Action Plan was a clear and explicit commitment to foster Europe's entrepreneurial potential. It introduced initiatives to remove institutional barriers to entry, including educational initiatives and increasing the appeal of entrepreneurship (European Commission, 2013). The expectation was that through entrepreneurship, individuals would contribute directly to macro-level outcomes such as economic growth, employment and social cohesion. Members States were asked to recognise "entrepreneurs as creators of jobs and prosperity" (European Commission, 2013, 27). Determined to encourage entrepreneurship, Eurostat, the statistical office of the European Commission, began actively monitoring

[8] Source: https://en.wikipedia.org/wiki/Ratification_of_the_Treaty_of_Lisbon (Retrieved 09.09.2019).

[9] Although the Small Business Act contains legislative proposals, it is not itself a legal instrument and the use of the term "Act" has been added as a symbolic gesture to represent its political significance (European Commission, 2008). It is a set of 10 principles which guide policy formulation and implementation by the European Union and its Member States.

Member States against targets set out in the Europe 2020 strategy and Entrepreneurship 2020 Action Plan.

Expecting a link between entrepreneurship and growth is not wholly unfounded. The seminal work of Wennekers & Thurik (1999) constructed a framework suggesting that more entrepreneurs would be economically beneficial. In both North America and Western Europe, there was evidence that entrepreneurship has contributed to economic and social development since the 1970s (see Audretsch, 2003). Specifically in Europe, empirical evidence suggests that activities of new rather than established firms were a source of regional economic growth in Germany in the 1990s (Audretsch & Fritsch, 2003; Audretsch & Keilbach, 2004).

Therefore, the European Commission's decision to invest in creating an entrepreneurial Europe to overcome economic and social challenges can be considered a rational and pragmatic decision. The potential benefits of entrepreneurship stimulated various initiatives and interventions under the remit of entrepreneurship policy, embedding entrepreneurship as an important element of economic and social life. The next section defines entrepreneurship policy and clarifies its main objective. Providing clarity around what is meant by entrepreneurship policy helps contextualise this study and allow examination of its role in Europe.

3.1 Entrepreneurship policy

Creating an entrepreneurial Europe makes identifying entrepreneurship policy and its objective more than a theoretical or scholarly exercise – it has political, economic and social significance. In their recent analysis of entrepreneurship policy focused on innovative entrepreneurship, (Audretsch et al. (2020) highlights the value of recognising the role of policy in determining entrepreneurial outcomes. Entrepreneurship policy is intrinsically linked with entrepreneurship research because it relies on theories established by researchers that "serve as signposts that tell us what is important, why it is important, what determines this importance, and what outcomes should be expected" (Zahra, 2007, 444).

Therefore, a starting point for defining entrepreneurship policy is to consider what is involved in the study of entrepreneurship. As a standalone research topic, entrepreneurship is a relatively new research field (Carlsson et al., 2013; Kuratko, 2006; Landström, 2008). It began gaining attention as a specialised and autonomous research theme in the 1970s and 1980s, but in the 1990s the rise of the knowledge economy fuelled by technological innovations, globalisation and recession, propelled it onto the global political and research agenda (Landström, 2008). Historically, entrepreneurship research was part of a broad remit allocated to social and behavioural scientists. As a result of its interdisciplinary nature, various academic fields such as management, economics and psychology, have examined entrepreneurship from their own particular perspective (Audretsch, 2003; Bruton et al., 2010; Campbell & Mitchell, 2012; Carlsson et al., 2013; Lundström & Stevenson, 2005).

Seminal works such as Baumol (1990), Lundström & Stevenson (2005), Shane (2009), Shane & Venkataraman (2000) and Wennekers and Thurik (1999), helped set boundaries around the study of entrepreneurship. By producing relevant research and robust theoretical underpinnings, fields of study can gain academic legitimacy (Wiklund et al., 2019). It was not until the late 2000s that entrepreneurship gained some legitimacy as an academic field of study (Meyer et al., 2014). Challenges to legitimacy still linger, such a lack of attention to robust theorising (Zahra, 2007), questions about relevance to policy and practice (Wiklund et al., 2019; Zahra & Wright, 2011) and evidence of publication bias which has raised concerns that views which challenge dominant assertions may be overlooked (see O'Boyle Jr. et al. 2014).

Moreover, entrepreneurship research also remains disparate and lacks consensus (e.g. Audretsch et al. 2020; Henrekson & Sanandaji, 2020). When attempting to consolidate multiple strands of entrepreneurship research, Audretsch, Kuratko & Link (2015) likened their task as being confronted with a "jungle'' because of the multiple theories about what constitutes entrepreneurship and the way it is studied. One of the biggest challenges for entrepreneurship research is the how "entrepreneur" is defined (see section six, below, for a more detailed discussion). Any ambiguity surrounding entrepreneurship can also feed into policy and the policy making process (Arshed, 2017; Smallbone, 2016).

Consequently, there is little consensus about what specifically constitutes entrepreneurship policy, especially when there is the possibility of other public policies impacting entrepreneurship activity (Ahmad & Seymour, 2008; Audretsch, 2003; Dennis Jr, 2011a; Dennis Jr, 2011b; Lundström & Stevenson, 2005; Smallbone, 2016). For example, policies focused on commercialisation of innovations (e.g. R&D tax cuts or other incentives) are expected to induce competition, trigger consumer demand and create quality jobs – this process may indirectly impact entrepreneurship activity even if it is not the sole purpose of the policy (McCann & Ortega-Argilés 2016; Smallbone 2016). In this case, initiatives unrelated to entrepreneurship become wrongly attributed to it. Ambiguity about what constitutes entrepreneurship policy make it difficult to properly assess the effectiveness of related interventions and monitor the investment of public funds (Ahmad & Seymour, 2008; Lundström & Stevenson, 2005; Lundström, Vikström, Fink, Meuleman, Głodek, Storey & Kroksgård, 2014; Smallbone, 2016).

Research suggests that one useful approach to identifying entrepreneurship policy is to distinguish between policy intended to support existing businesses and those intended to support new business activity (e.g. Lundström et al., 2014; Smallbone, 2016). Yet, even this simple differentiation can be complicated because entrepreneurship policy has evolved from initiatives targeting small-and-medium enterprises (SMEs) (Lundström & Stevenson, 2005; Audretsch, 2003). For example, by 2000 Finland shifted its focus to individuals as potential entrepreneurs and reframed its SME policies into entrepreneurship policies (Heinonen & Hytti, 2016; Heinonen, Hytti &

Cooney, 2010). The European Commission's own entrepreneurship policies have been subsumed within broader industrial policy initiatives under the subject of enterprise (European Commission, 2014). In light of the above, the next section will seek to define entrepreneurship policy by focusing on its main objective.

3.2 Objective of entrepreneurship policy

Establishing boundaries around what constitutes entrepreneurship policy is a valuable exercise – at the very least, it can assist researchers and policymakers ring-fence specific interventions and evaluate them against stated goals and priorities (Dennis Jr, 2011b; McCann & Ortega-Argilés, 2016; Smallbone, 2016). Leading authorities in entrepreneurship policy research, Anders Lundström and Lois A. Stevenson have produced seminal research which has significantly influenced how entrepreneurship policy and its objective are conceptualised.[10] Lundström & Stevenson (2005, 51) posits that "[t]he main objective of entrepreneurship policy is to stimulate higher levels of entrepreneurial activity by influencing a greater supply of new entrepreneurs". More recently, Lundström et al. (2014, 941) states that the objective of entrepreneurship policy is, "to promote the creation of new enterprises". The differentiating factor of entrepreneurship policy from other, related policies is the focus on creating something new, or something that does not yet exist, to life.

Researchers also suggest that it is useful to consider the entrepreneurial process to help identify entrepreneurship policy and its objective (Heinonen & Hytti, 2016; Lundström & Stevenson, 2005; Shane, 2012).[11] The most recognised entrepreneurial process is described by Lundström & Stevenson (2005) and involves the following steps: (i) awareness; (ii) pre-start-up (nascent); (iii) start-up; (iv) early post-start-up; and (v) maintenance and expansion.[12] For this entrepreneurship process to unfold, entrepreneurship policy works to encourage individuals to "consider entrepreneurship as a viable option, actually move into the nascent stage of taking actions to start a business and then proceed into the entry and early stages of the business" (Lundström & Stevenson, 2005, 47). The general consensus is that the process of

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[10] Lundström and Stevenson first examined entrepreneurship policy on an international scale in research completed in 2001 and are the leading authorities in this area.

[11] For a more detailed discussion of the various conceptualisation and theories regarding the entrepreneurial process, see Moroz & Hindle (2012).

[12] Sometimes, the awareness and pre-start phase are combined (e.g. Reynolds et al., 2005). Also, while new ventures can undergo a process of maintenance and expansion (i.e. process (v), above) because the new venture must operate for a period of time before it is considered viable and scalable, policies focused on managing, rearranging or growing existing or larger businesses are considered as being related to SMEs policy not entrepreneurship policy (Lundström & Stevenson, 2005).

entrepreneurship is inherently about change (Audretsch, 2003; Schumpeter, 1934) observed by the creation of new ventures and new economic activity (Baumol et al., 2007; Carlsson et al., 2013; Reynolds, Bosma, Autio, Hunt, De Bono, Servais, Lopez-Garcia & Chin, 2005; Wiklund, Davidsson, Audretsch & Karlsson, 2011).

A long established theoretical view within entrepreneurship research contends that entrepreneurship is of value to the economy and society only when action is taken. That is, value is created when individuals identify opportunities, intend to take action and then take the necessary actions required to create an actual venture (Audretsch & Keilbach, 2004; McMullen & Shepherd, 2006; Nikolaev, Boudreaux & Palich, 2018). In principle, entrepreneurship policy can be considered primarily a behavioural concept concerned with prioritising and directing human capital towards creating something new. The ideal outcome is the creation of a new business venture which facilitates new economic activity that contributes to economic and social advancement.

Given the time taken to create, set up and operate a new business entrepreneurship policy relates to policies targeting young businesses which are inherently small (Lundström et al., 2014).[13] New ventures are generally considered those up to three and a half years old with fewer than 250 employees (Lundström & Stevenson, 2005; Reynolds et al., 2005).[14] In their more recent, detailed definition, Lundström et al. (2014, 944) defines entrepreneurship policy as "[p]olicy measures aimed at individuals who are interested in starting a business, together with those who are still in a starting phase procedure, defined as activities during their first 3 years". Schumpeter (1934) also emphasises that entrepreneurship is not considered a longer term state because once a venture become established, the individual's role morphs into management of an existing business and transforms into an SME.

Therefore, in the context of creating an entrepreneurial Europe, entrepreneurship policy aims to increase the supply of entrepreneurs and the creation of new entrepreneurial ventures. New economic activity gives rise to potential for more individuals to generate new economic activity and contribute directly to economic and social prosperity. How this activity unfolds leads to questions of whether new venture creation is necessary for entrepreneurship and what form, if any, these ventures should take. This is the topic of discussion for the next section.

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[13] While both entrepreneurship and SME policy can relate to the activities of small ventures, SME policy is different because it aims to support existing business ventures already in operation (Lundström & Stevenson, 2005; Smallbone, 2016).

[14] Although studies have considered firms with a life of up to five years as new businesses created by entrepreneurs (e.g. Koski & Pajarinen, 2013).

3.2.1 New venture creation

Some researchers argue that new venture creation is not necessary for entrepreneurship activity. From this perspective, entrepreneurship is associated with a particular mindset, certain behaviours or ability to exploit profitable opportunities (e.g. Palmer, Niemand, Stöckmann, Kraus & Kailer, 2019; Rauch, Wiklund, Lumpkin & Frese, 2009; Shane, 2012; Shane & Venkataraman, 2000; Shepherd, Patzelt & Haynie, 2010).[15] What becomes most important is the unfolding of entrepreneurial activities (e.g. allocation of resources, management decisions, strategy, cognition) to meet specific goals (Sarasvathy, 2004). Taking this view, the vehicle through which entrepreneurial activity unfolds becomes irrelevant. The focus is on the actions of any entity, whether that be individuals or existing, multinational corporations (Audretsch et al., 2015).

However, when exploring the impact of entrepreneurship policy, researchers adopt new venture creation as the most applicable, measurable outcome of policy interventions and entrepreneurial behaviour (e.g. see Acs, Åstebro, Audretsch & Robinson, 2016a; Ahmad & Hoffmann, 2008; Ahmad & Seymour, 2008; Arshed, Carter & Mason, 2014; Lundström et al., 2014; Lundström & Stevenson, 2005; McCann & Ortega-Argilés, 2016; Smallbone, 2016; Urbano & Alvarez, 2014; Urbano et al., 2019). For the most part, specific policy directives tend to refer to venture creation in some form. For instance, when policymakers refer to inclusive entrepreneurship policies, they are referring to disproportionate limits placed on venture creation by disadvantaged groups (OECD/ European Union, 2017). While the report acknowledge that entrepreneurial behaviour can occur within existing organisational structures the focus is on individuals' equal opportunity for creating new, sustainable businesses. Entrepreneurship policies can also exclusively aim to create new high growth potential ventures (Autioa & Rannikko, 2016).

Moreover, as a primarily behavioural concept, entrepreneurship policy also targets individuals as opposed to activities by organisations (Lundström & Stevenson, 2005; Parker, 2009).[16] Entrepreneurship researchers refer to entrepreneurial behaviour by individuals within existing businesses as "intrapreneurship", while "independent entrepreneurship" occurs through new venture creation by individuals (Martiarena, 2013; Neessen, Caniëls, Vos & de Jong, 2019). Entrepreneurship policy-related literature tends to place greater emphasis on the actions of individuals who have, or will have, some personal ownership stake in some newly created venture in which they have ownership or control (Reynolds et al., 2005). Creation of new ventures by individuals is

[15] In an even broader perspective on the outcomes of the entrepreneurship process can be considered as creating new knowledge, forming new institutions and creating new industries (Zahra & Wright, 2011).

[16] Another differentiating factor from SME policy.

significant because it provides the means to commercialise ideas and contribute to economic growth when others, including existing businesses cannot or are not willing to (Acs, Audretsch, Braunerhjelm & Carlsson, 2012).

A focus on individual action and new venture creation also ties back to the European Commission's intent on promoting entrepreneurial careers for individuals (European Commission, 2013). Even if the broadest conception of entrepreneurship policy included the creation of new ventures through intrapreneurship activity, often the decisions such as when and which business opportunities to pursue, are influenced by a management team, parent company or wider corporate strategy (Choi & Shepherd, 2004; Ireland, Covin & Kuratko, 2009). In this case, new venture creation is driven by directives set by an existing organisation and generally precludes personal ownership in both financial and psychological terms, and the entrepreneurial careers envisioned by the European Commission.

Furthermore, linking new venture creation by individuals with entrepreneurship has an established theoretical tradition which is acceptable within reputable entrepreneurship research, official statistical data collection and policymaking practice (e.g. Ahmad & Seymour, 2008; Bjørnskov & Foss, 2008; Bjørnskov & Foss, 2016; Choi & Sheperd, 2004; Dau & Cuervo-Cazurra, 2014; McMullen et al., 2008; Urbano et al., 2019). Venture creation by individuals also feeds into a predominant measure of entrepreneurship activity. The Global Entrepreneurship Monitor (GEM) which measures the number of individuals who start or are in the process of starting new ventures has become an authoritative data source within entrepreneurship research and policy documents (Ahmad & Hoffmann, 2008; Bosma & Kelley, 2019; Ramos-Rodríguez, Martínez-Fierro, Medina-Garrido, & Ruiz-Navarro, 2015).[17] While there are some measurement challenges (e.g. see Parker, 2009) identifying new venture creation by individuals as the objective of entrepreneurship policy is appropriate because it is an observable behaviour and measurable outcome. Quantity-based metrics produce the smallest measurement problems in entrepreneurship research (Henrekson & Sanandaji, 2020).

Therefore, objective of entrepreneurship policy is considered new venture creation by individuals, independent of existing organisations. This perspective relies on an established academic approach which is also consistent with the European Commission's position of creating more ventures (European Commission, 2004). The next section considers what form these new ventures should take.

[17] GEM considers entrepreneurship as an active attempt by individuals at setting up a business as well as managing a new venture of up to 42 months old (Bosma & Kelley, 2019).

3.2.2 Form of new venture

Taking new venture creation as the measurable objective of entrepreneurship policy, raises the question of what form these new ventures should take. Some entrepreneurship researcher argue that the form of venture, or organisational structure, is irrelevant (e.g. Bjørnskov & Foss, 2016; Reynolds, Hay & Camp, 1999; Reynolds, Carter, Gartner & Greene, 2004). A common example is sole proprietorships where a business venture is created, owned and managed by an individual who takes responsibility for it. Another is incorporation where the entrepreneur registers a separate legal entity. Alternatively, in some jurisdictions new ventures do not require any form of business registration or formal set up (Autio & Fu, 2015; Eurofound, 2017).

Within Europe and elsewhere, an entrepreneur is considered to be entitled to earn income and profits for their efforts. The significance of this view is that, the "entrepreneur enters business and the vehicle does not matter, if it is a sole trader, an establishment, a small business or a corporation" (Acs et al., 2016a, 37). The European Commission suggests entrepreneurship simply involves "turning ideas into action and developing one's own projects" (European Commission, 2015, 117). [18] The authoritative measure of entrepreneurship using GEM data also includes incorporated and unincorporated ventures in its measure of total entrepreneurship activity (Bosma & Kelley, 2019). The authoritative work of Audretsch (2003, 3) contends that "[n]o single organizational form can claim a monopoly on entrepreneurship". Taking a broad perspective, new ventures related to the establishment of any new administrative structure that facilitates new, independent economic activity (Ahmad & Seymour, 2008; Bosma & Kelley, 2019; Chowdhury, Terjesen & Audretsch, 2015; Reynolds et al., 2005; Wiklund et al., 2011).

Therefore, any administrative vehicle or set up allowing entrepreneurship activity by individuals, simply represents a particular way of working or engaging in economic activity (Bjørnskov & Foss, 2016; Blanchflower, Oswald & Stutzer, 2001; Burton, Sørensen & Dobrev, 2016; Dey, 2016; Gries & Naudé, 2011; Heinonen & Hytti, 2016). Instead of entering into an employment contract for a salary, individuals who decide entrepreneurship is a viable option establish a new venture to carry out their economic activity (Burke, Lyalkov, Millán, Millán & van Stel, 2019; Codagnone, Lupiáñez-Villanueva, Tornese, Gaskell, Veltri, Vila, Franco, Vitiello, Theben, Ortoleva,

[18] This is a rare reference to a definition of "entrepreneurship" by the European Commission. Another place is on the European Commission website (in relation to industry, entrepreneurship and SME strategies) which states "Entrepreneurship is an individual's ability to turn ideas into action. It includes creativity, innovation (https://ec.europa.eu/growth/industry/innovation_en), risk taking, ability to plan and manage projects in order to achieve objectives" (see http://ec.europa.eu/growth/smes/promoting-entrepreneurship_en – retrieved 12.08.2019). Note that reference again is made to individual action.

Cirillo & Fana, 2018; Quadrini, 2009; Tammelin, 2019). Specifying only acceptable forms of ventures would arguably exclude a large proportion of the population who are treated as entrepreneurs for administrative purposes (e.g. tax office, labour market statistics) (Baumol et al., 2007; Buschoff & Schmidt, 2009; Spasova et al., 2017). What is non-negotiable, however, is that the ventures created are legal (see Dau, & Cuervo-Cazurra, 2014; Thai & Turkina, 2014).

Consistent with the predominant approach to entrepreneurship policy in highly regarded entrepreneurship research, measurement conventions and administrative purposes, this study considers entrepreneurship policy as focused on creating all forms of new, legal ventures.[19] The next section explores how entrepreneurship policy has sought to influence individual behaviour to promote entrepreneurship activity by changing institutions.

[19] However, it is entrepreneurship research conventionally excludes business ventures in the primary sector (agriculture, forestry, hunting, and fishing) (see Stenkula, 2012). Therefore, such ventures are outside the scope of the discussion in this study.

4 THE ROLE OF INSTITUTIONS

"Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social or economic" North (1990, 3)

The following discussion considers how institutions can influence the behaviour of individuals. Similar to other economic or social activity, the prevailing political, regulatory and cultural institutions play a significant role in facilitating entrepreneurship (Zahra & Wright, 2011) and thereby, determining the success of entrepreneurship policy (Bradley & Klein, 2016). Institutions are recognised as working together to achieve, reinforce and shape a society's operational framework and economic performance (North, 1990; North, 1992) – that is, the context in which individuals within a society function and behave.

Institutional theory is concerned with how formal and informal rules, or behavioural guidelines, influence and intersect with each other to form a social, political and economic order (Bruton et al., 2010; North, 1990; Scott, 2014; Urbano & Alvarez, 2014). For over two decades, institutional theory had been recognised as a legitimate and useful theoretical lens through which to study entrepreneurship, but the Great Recession reinforced its importance as a meaningful and appropriate theoretical framework (Bruton et al., 2010; Su et al., 2017; Minniti, 2008; Urbano et al., 2019). Increasingly, researchers are seeking to better understand the role of institutions in influencing entrepreneurship and meeting stated goals (e.g. Abdesselam, Bonnet, Renou-Maissant & Aubry 2017; Bosma, Content, Sanders & Stam, 2018; Pinho, 2017).

As entrepreneurship research has strong theoretical roots in management, the literature has historically applied a sociological perspective of institutional theory (Bruton et al., 2010). This influential framework, advanced by sociologist W. Richard Scott, focuses on the individual's socio-cognitive functioning within a society. The sociological perspective posits that behavioural outcomes are influenced through three institutional pillars, or fundamental elements: (1) Regulative (i.e. rules and regulations constraining behaviour); (2) Normative (i.e. social values and norms which prescribe rights, privileges, responsibilities, duties); (3) Cultural-cognitive (i.e. individual frames of reference and reasoning which form reality, and is based on prevalent collective norms and shared beliefs) (Scott, 2010; Scott, 2014). For entrepreneurship research, these pillars are considered important when considering how individual-level cognition, mental processes and perceptions influence an individual's decision with regards to entrepreneurship (DiMaggio & Powell, 1991; Stenholm, Acs & Wuebker, 2013; Valdez & Richardson, 2013).

However, when examining policy initiatives aimed at solving economic and societal challenges, the economic perspective of institutional theory is preferred. In their meta-analysis of entrepreneurship literature, Urbano et al. (2019) found that almost three quarters of all research examining factors influencing entrepreneurship and the implications for economic growth relied on the economic perspective of institutional theory. This perspective aims to understand how contextual constraints and enablers resulting from particular institutional settings affect entrepreneurship activity at more macro-levels of analysis (Bjørnskov & Foss, 2016; Su et al., 2017). Less emphasis is placed on the effects of institutions on specific, individual cognition and perceptions about the world and greater emphasis is placed on the influence of institutional context on observable, behavioural outcomes of individuals (von Staden & Bruce, 2015). Since both the economic and sociological perspectives view institutions as being integral to society and in shaping individual behaviour, both perspectives can be complementary when trying to understand the consequences of institutions on entrepreneurship activity (Bjørnskov & Foss, 2016).

Nevertheless, the economic perspective is most concerned with how institutions can solve behavioural divergence from equilibrium rather than, as with the sociological perspective, how institutions affect the way individuals navigate particular contexts (DiMaggio & Powell, 1991). In addition, the economic perspective acknowledges the wider influences of political processes, such as policymaking, on economic activity (North, 1992). As this study focuses on entrepreneurship policy, its constraining and empowering effects on new venture creation and the implications on a country's macroeconomic and social advancement, emphasis is placed on research which considers the economic perspective of institutional theory attributed to Douglass C. North.[20] This approach also takes into account the European Commission's commitment to removing obstacles and structural barriers in order to create an environment more conducive to entrepreneurship activity (European Commission, 2013). It also links with the measurable objective of entrepreneurship policy of new venture creation. The following section explores the economic perspective of institutional theory.

4.1 The economic perspective of institutional theory

The seminal work of North (1990, 3) specifically states that "[i]nstitutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic".[21] Within any given context, there are formal institutions (e.g. laws, property rights,

[20] Douglass C. North (5.11.1920 - 23.11.2015) was a Nobel Laureate in Economics in 1993 (Levi & Weingast, 2017). North is credited for linking institutional change with economic behaviour and performance – sometimes referred to as new institutional economics (von Staden & Bruce, 2015).

[21] In a later work, North refers to institutions simply as "the constraints that human beings impose on human interaction" (North, 1993, 1).

judicial and governmental rulings, policies) and informal institutions (e.g. unwritten codes of conduct, sanctions, taboos, customs, traditions, religion). Formal institutions are generally created by governments while informal rules emerge from a society's heritage or culture (Boudreaux, Nikolaev & Klein, 2017; North, 1990). Complementary accountability mechanisms work to monitor and enforce the rules, or constraints. Governance structures enforce and review the rules to mitigate conflicts and help parties realise mutual gains (Williamson, 2000). Enforcement methods provide feedback about acceptable behaviour by imposing incentives and costs for certain actions (North, 1990; Williamson, 2000). In principle, formal and informal institutions, together with complementary enforcement mechanisms, work to mitigate uncertainty by prescribing what behaviour is expected, desirable and unfavourable within a society. As a behavioural outcome, whether and how to engage in entrepreneurship comes within the remit of a society's institutional framework, or context.

Reducing or removing uncertainty is considered important for diminishing some of the risks associated with economic and other activities, as well as maximising their benefits (DiMaggio & Powell, 1991; North, 1990; North, 1992; North, 1993). For example, clear behavioural guidelines during exchange relationships reduces the transaction costs of communicating, monitoring and enforcing one's rights (North, 1990; North, 1992). In this way, institutions support and empower individuals to take advantage of opportunities and engage in beneficial interactions with others (North, 1990; Scott, 2014). Whether there is trust in institutions (or the "system") to provide opportunities and benefits, is also guided by societal norms, values and codes of conduct embedded in formal and informal rules (Welter, 2012).

Trust is a complex and multidimensional concept, occurring at both the micro (i.e. personal, organisational) and macro (i.e. institutional) levels (Li, 2013; Mishra & Mishra, 2013; Welter, 2012). The accepted definition of trust is "a willingness to be vulnerable to another person or party based on some positive expectations regarding the other party's intentions and/or behaviours" (Mishra & Mishra, 2013, 60). Within the context of entrepreneurship, trust occurs when parties perceive that the other will behave in an expected way and seeks to cause them no harm (Welter, 2012). It can promote greater collaboration, risk-taking, innovation and improved performance (Mishra & Mishra, 2013; North, 1990; Welter, 2012) because such an environment provides a basis on which individuals can predict how rules will be implemented and enforced (Voigt, 2013). The implications of actions can become clearer and provide a basis for decision-making. For entrepreneurship activity to be attractive, individuals must trust that institutions are willing and able to establish environments and support mechanisms to facilitate it (Li, 2013; Mishra & Mishra, 2013; Welter, 2012).

Institutional theory posits that institutions can be adjusted to create environments conducive to any activity, including entrepreneurship. The difficulty is that institutional change is a challenging and slow process (North, 1990, Williamson, 2000). Effective institutional change requires complementary adjustments to both the formal and informal rules governing a society as well as the appropriate reinforcing mechanisms (North, 1990; Scott, 2010). Formal institutions can be used to effectively steer informal institutions in particular directions but simply introducing formal rules does not necessarily result in behavioural change, or induce the change intended (North, 1990). There is a risk that institutional change can produce unintended consequences and overlook social needs, which in turn runs the risk of suboptimal outcomes (Baumol, 1990; DiMaggio & Powell, 1991; North, 1990; North, 1992).

Furthermore, institutional change relies on the actions of various actors (Jennings, Greenwood, Lounsbury & Suddaby, 2013). Over time, dominant power structures as well as political, economic and social interests work to establish their own ideas by de-legitimising existing ones, and then introducing and reinforcing their own (DiMaggio & Powell, 1991; North, 1990; North, 1992). As new concepts and ideas gain legitimacy, they diffuse throughout society, become validated and survive (Arshed et al., 2014; Scott, 2014). Once ideas, concepts and behaviours are institutionalised, they become enduring and form the precedent for future activities and behaviours up until the point they are disrupted and changed (Fritsch & Wyrwich, 2018; North, 1990).

Therefore, to meet its objective, entrepreneurship policy requires disruption to existing institutional arrangements to remove any barriers to entrepreneurship. Institutional change aimed at encouraging new venture creation requires a holistic, systematic and structural approach (Baumol, 1990) where the appropriate institutional context prompts individuals to take action (Boudreaux & Nikolaev, 2019). As society becomes more familiar with entrepreneurship, formal and informal rules are adjusted to promote it and reward structures are aligned to reinforce associated behaviours and activities. Once normalised, barriers to taking action fall away. The next section considers how formal and informal rules can influence entrepreneurship activity.

4.2 Institutions and entrepreneurship policy

> "The institutional factors impacting entrepreneurial efforts include the direct action of governments in constructing and maintaining an environment supportive of entrepreneurship as well as societal norms toward entrepreneurship" (Bruton et al., 2010, 426)

Having identified entrepreneurship policy, its objective and the role of institutions in shaping behaviour, the discussion below explores how institutions can promote new venture creation. Institutional change aimed at promoting entrepreneurship is focused on communicating the "usefulness, utility, or desirability of a career in entrepreneurship" (Segal, Borgia & Schoenfeld, 2005, 45). Interventions which change formal and informal institutions are an attempt to build up the necessary motivation, opportunity and skillset required for starting a new business venture (Lee, Cottle, Simmons & Wiklund, 2020; Lundström & Stevenson, 2005).

The seminal work of Baumol (1990) demonstrates that institutions account for observable cross-country variations in entrepreneurship activity since they establish the context in which entrepreneurial ambitions and activities unfold. In the context of entrepreneurship research, the economic perspective of institutional theory contends that institutions, rather than an individual's personal characteristics and propensity for entrepreneurship, significantly influence the level, quality and outcomes of entrepreneurship (e.g. Autio & Fu, 2015; Bjørnskov & Foss, 2013; Bosma et al., 2018; Boudreaux & Nikolaev, 2019; Bruton et al., 2010; Kirzner, 1997; Pinho, 2017). Studies focused on personal characteristics also explicitly or implicitly embed this assumption because institutions are considered as ultimately shaping how a society and the individuals in it, function (Valdez & Richardson, 2013).

Moreover, researchers agree that individual characteristics alone cannot fully explain why some individuals engage in entrepreneurship while others do not (Fuentelsaz, Maicas & Montero, 2018). Even the seminal work of Shane & Ventakaraman (2000, 218) which is often quoted in reference to the importance of personal characteristics, emphasises the significance of context, arguing that while mindset and behaviour matter "it is improbable that entrepreneurship can be explained *solely* by reference to a characteristic of certain people independent of the situations in which they find themselves". For example, creativity, which is needed for idea generation and opportunity identification as part of the entrepreneurial process, is a function of institutional legacy (Del Monte & Pennacchio, 2019). Institutions also affect perceptions of entrepreneurship through the choice and availability of role models within a society, what they teach about entrepreneurship and what individuals are able to learn from them (Zozimo, Jack & Hamilton, 2017). Even when individuals have a high propensity or readiness to engage in entrepreneurship, the desired outcomes need to be cultivated, encouraged and enforced by the environment (Boudreaux & Nikolaev, 2019; Schillo, Persault & Jin, 2016). Welter (2011, 166) argues that "context is important for understanding when, how, and why entrepreneurship happens and who becomes involved".

Institutions can provide the tools, models and constraints guiding individual decisions, including how a new venture is set up, financed, managed and grown (Valdez & Richardson, 2013). Institutions facilitate access to complementary resources and relationships which individuals may not personally possess but need, in order to create and operate their new ventures (De Clercq, Lim & Oh, 2013; Fuentelsaz et al., 2018). The implication of institutional context or set-up can be that individuals who may find it difficult to create a venture in one environment may flourish and excel in another. This links back to Baumol (1990) which posits that the institutional context determines the type of entrepreneurship activity that unfolds. There is general consensus within entrepreneurship research that institutional context influences the characteristics of the new ventures created (e.g. Acs et al., 2016a; Acs et al., 2016b; Dilli, Elert & Herrmann, 2018; Fritsch & Wyrwich, 2018) as well as their performance and overall impact (e.g. Bosma et al., 2018; Boudreaux & Nikolaev, 2019; Bradley & Klein, 2016; Kuckertz, Berger & Mpeqa, 2016).

Much of what underlies the initiatives flowing out of entrepreneurship policy seems to relate to attempts at creating an institutional environment that enables the pursuit of entrepreneurial opportunities. The concept of "opportunity" is central to entrepreneurship and its recognition and pursuit, vital elements of entrepreneurial behaviour and new venture creation (Ardichvili, Cardozo & Ray, 2003; Casson & Wadeson, 2007; George, Parida, Lahti & Wincent, 2016; Kirzner, 1997; Schumpeter, 1912; Shane and Venkataraman, 2000). Short, Ketchen, Shook & Ireland (2010, 40) argues that "[w]ithout an opportunity, there is no entrepreneurship". Entrepreneurs are individuals who "act on the possibility that [they have] identified an opportunity worth pursuing" (McMullen & Sheperd, 2006, 12). The entrepreneurial opportunities available for exploitation are influenced by the prevailing institutions (North, 1990).

Institutions not only influence the opportunities available but they also signal whether and what entrepreneurial opportunities are worth pursuing given the risks, returns, constraints and support available. The appeal and worth of activities can be signalled by institutional changes that actively remove barriers to entrepreneurship, reward individuals who pursue opportunities with high social status, encourage experimentation, allocate funding for innovation and sanction high returns for the creativity and effort used to pursue opportunities (Audretsch et al., 2020; Baumol et al., 2007; Boudreaux et al., 2017; Fu, Wennberg & Falkenhall, 2020). Alternatively, if institutions signal that a particular activity is not valued, unacceptable or not beneficial, individuals are less likely to engage in it (Haynes & Marshall, 2018; Stenholm et al., 2013; Ucbasaran, Shepherd, Lockett & Lyon, 2013). Behaviour can also be negatively affected when perceptions about rewards and penalties (or lack thereof) are misaligned with expectations (Collins, McMullen & Reutzel, 2016).

Some researchers argue that changes to informal institutions should be the focus of policymakers and institutional change because they have a greater influence on the amount and type of entrepreneurship (e.g. Aparicio, Urbano & Audretsch, 2016; Audretsch, Bönte & Tamvada, 2013). For instance, a nation's culture (Dheer, 2017; Hechavarria & Reynolds, 2009) and religion (Zelekha, Avnimelech & Sharabi, 2014) have been found to impact the type and level of entrepreneurship. The meta-analysis by Urbano et al. (2019) also finds that belief systems, social norms and culture can significantly influence entrepreneurship. Others find that informal institutions become relevant when formal institutions are particularly weak or dysfunctional (Bradley & Klein, 2016; Bruton et al., 2010).

Research also finds that informal institutions show a weak, mixed or indirect influence on entrepreneurship (Haynes & Marshall, 2018; Nikolaev et al., 2018; Stephan & Pathak, 2016). These findings are largely attributed to informal institutions representing abstract notions (Liñán & Fernandez-Serrano, 2014) and the varying approaches to institutional theory applied in the literature (Baumol et al., 2007; Terjesen, Hessels & Li, 2016). Schumpeter (1912) argues that cultural and social aspects are relevant to entrepreneurship within a society, and that collectively, the actions of individuals inform a society's culture, but these informal institutions are largely outside the scope of economics, and therefore, entrepreneurship. As a result, when considering public policy aimed at behavioural change and macro-level impacts, greater focus is placed on formal institutions (e.g. Bjørnskov & Foss 2013; Bradley & Klein, 2016). Taking a pragmatic view, formal institutions are more easily controlled and influenced by policymakers seeking to promote entrepreneurship (Abdesselam et al., 2017). It is easier for policymakers and governments to change, for instance, protection of private property, tax codes, social insurance systems, capital market regulation than religious beliefs or traditional customs. Changing formal institutions may not induce anticipated behavioural changes but can provide significant cues as to what is expected (North, 1990).

Changes to formal institutions can also remove the barriers to entrepreneurship presented by existing informal institutions which have become embedded within an society (Baumol, 1990). While, formal institutions do not work alone to change behaviour, they can be used to effectively steer informal institutions in particular directions. Targeted interventions can change informal institutions to establish a new entrepreneurial culture, or maintain an entrepreneurial culture which may be at risk (Darnihamedani, Block, Hessels & Simonyan, 2018; Economidou et al., 2018). Government support and incentives can significantly influence the attractiveness of entrepreneurship activity (Bjørnskov & Foss, 2013; Bruton et al., 2010; Chowdhury et al., 2019; Román, Congregado & Millán, 2013). Tailoring formal institutions to specific contexts such as country, culture and level of market maturity can also be more effective in achieving desired outcomes (Lundström & Stevenson, 2005; Smallbone, 2016). A one-size-fits-all approach to institutional structure and functionality, is not appropriate (Dilli et al., 2018). A considered approach to institutional change is required because "creating an entrepreneurship culture is a long-term task but...its effect, once established, is long-lasting" (Fritsch & Wyrwich, 2018, 351).

Therefore, a balance of formal and informal institutional change can be more effective in producing desired outcomes. The question of which specific institutions better promote entrepreneurship and to what extent, remains contentious, largely because of how institutions are measured and differentiated (Voigt, 2013). Consequently, there are calls for more research providing a better understanding of the role of institutions (e.g. Abdesselam et al., 2017; Bjørnskov & Foss, 2016; Chowdhury et al., 2015; Su et al., 2017) and the joint impact of both formal and informal institutions on entrepreneurship (Nikolaev et al., 2018; Urbano et al. 2019).

Researchers are attempting to apply a multidimensional approach to understanding institutions and entrepreneurship. There is broad consensus that institutions impact entrepreneurship by influencing behaviour and that policymakers can directly influence formal institutions to create a more entrepreneurial Europe. The following section examines the role of organisations in forming policy and the challenge of balancing economic, political and social interests.

4.3 Organisations and institutional change

"The purpose of the rules is to define the way the game is played. But the objective of the team within that set of rules is to win the game - by a combination of skills, strategy, and coordination; by fair means and sometimes by foul means" (North, 1990, 4-5)

According to institutional theory, organisations play a significant role in changing and legitimising institutions. North (1990) contends that if institutions are the "rules of the game" then the "players" of the game are organisations. Organisations, are groups of individuals who are collectively striving towards a common objective: they include economic bodies (e.g. firms, trade unions, cooperatives), political bodies (e.g. political parties, regulatory agencies), social bodies (e.g. church, clubs) and educational bodies (e.g. universities, schools, vocational training centres). Such organisations work to develop, shape and implement and reinforce institutions (Lundström & Stevenson, 2005; North, 1990). In regards to entrepreneurship policy, organisations can facilitate the incremental, institutional changes needed to create the desire and willingness for individuals to engage in entrepreneurship. For example, the activities of the public sector (e.g. welfare, social insurance), financial providers (e.g. venture capitalists, banks), private organisations (e.g. consultants) and the cultural sectors (e.g. media) work strategically to promote and sustain entrepreneurship activity (Brown & Mason, 2017).

The decisions and actions of actors in both the entrepreneurship policy making and implementation processes can be influenced by power structures and special interests, which moderate the way in which institutions evolve and outcomes are assessed (North, 1990). Initiatives that promote entrepreneurship reflect a nation's interplay between political, social and economic factors (Dennis Jr, 2011a; Heinonen et al., 2010; Heinonen & Hytti, 2016). Many policymaking actors who have the power, legitimacy and resources to influence policies and outcomes, are protected from public scrutiny (Arshed et al., 2014). These hidden but influential actors include think tanks (Arshed, 2017), [22] lobbyists and civil servants (Arshed et al., 2014). The relative obscurity of these actors can pose a risk to balanced policy making because they usually have competing and vested interests (Arshed et al., 2014; Bager, Klyver & Schou Nielsen 2015). It is therefore necessary to remember that "[i]nstitutions are not necessarily or even usually created to be socially efficient; rather they, or at least

[22] Arshed (2017, 76) uses the following definition of think tanks: "an independent organization engaged in multi-disciplinary research intended to influence public policy…with a range of interests and expertise amongst their staff which gives think tanks a distinctive perspective on policy issues". Think tanks produce advice and research, and undertake advocacy work. However, they may be closely aligned with or receive funding from political parties and/or receive private sources with vested interests.

the formal rules, are created to serve the interests of those with the bargaining power to devise new rules" (North, 1990, 16).

Consequently, processes and activities connected with entrepreneurship policy can be subject to bias whereby political, organisational and personal interests affect how priorities are assessed and decisions made. Institutional change, therefore, cannot be considered apolitical. North (1990) argues that when the objective is to win, or meet one's objective, there is a risk that the means and methods may become partisan. In his subsequent work, North warns of the need to understand who is creating the rules and the interests they may be serving (North, 1992). Coupled with time and other pressures, some of what drives entrepreneurship policy formulation has the potential to serve narrow or special interests, rather than meeting the long term needs of society (Arshed et al., 2014; Bager et al., 2015; Brown, Mawson & Mason, 2017). For example, in 2005, Denmark was one of the first nations to direct their entrepreneurship policy specifically towards growth orientated ventures. During this shift, stakeholders whose reputations were based on achieving economic growth through entrepreneurship, tended to highlight more favourable information, and disregard conflicting opinions and weak methodologies in order to meet their objectives (Bager et al., 2015). Any kind of political capture and rent-seeking by actors may overemphasise the interests of a narrow field of stakeholders, leading to potential bias and unintended consequences detrimental to the public interest (Baumol, 2008; Campbell & Mitchell, 2012).

Therefore, initiatives supporting entrepreneurship policy that balance economic, political and social objectives pose practical challenges for policymakers and researchers. The policy process and role of organisations are contingent on the political, economic and social context, with each element interacting and influencing the other. Understanding the challenges inherent within entrepreneurship policy is particularly pertinent in light of the European Commission's commitment to creating an entrepreneurial Europe largely based on US-centric research (see Audretsch, 2003). With this backdrop in mind, the next section explores some of the policy initiatives employed to change Europe's institutional context to promote entrepreneurship.

4.4 Promoting entrepreneurship in Europe

"the future prosperity of any economy depends to a considerable extent on its success in promoting entrepreneurship" (Baumol, 2008, 588)

The previous sections outline the pervasive influence of institutions and the important role they play in helping create behavioural change, inform policy and meet objectives. Institutions transmit information about behavioural expectations within a society. Specific to entrepreneurship policy, policymakers can instigate institutional change to create conditions conducive to new venture creation. Within this context, institutional theory posits that institutions can more significantly motivate new venture creation than an individual's propensity for entrepreneurship.

Therefore, entrepreneurship policy and its related interventions are geared towards managing the potential pool, or supply of entrepreneurs. Ideally, entrepreneurship activity expands as more opportunities for individuals to respond to market demand are created, appropriate risk-reward frameworks are established and the capabilities required to engage in entrepreneurship are fostered (Audretsch, 2003; Baumol, 2008; North, 1992; Zahra & Wright, 2011). Interventions can also target the supply of entrepreneurs by helping develop the necessary human capital[23] required to create and operate a business venture, (e.g. management and technical ability), establishing funding and financial support systems (e.g. access to individuals, networks and services), implementing regulatory reforms to remove barriers to entry, and creating relevant infrastructure (e.g. internet access, education and training), and supporting initiatives that normalise entrepreneurial behaviours and mindset (Brown & Mason, 2017). These interventions are expected to stimulate new venture creation by providing individuals the necessary tools, beliefs, behavioural boundaries and support needed for venture creation (De Clercq et al., 2013; Valdez & Richardson, 2013). Specific interventions are discussed in the next section.

4.4.1 Initiatives promoting entrepreneurship

In the 1990s, the pervading logic for promoting entrepreneurship advocated government intervention through education programmes, or subsidies and venture capital initiatives (see Sobel, 2008). This logic underpinned the US "entrepreneurial state" when in the 1950s and 1960s US public institutions were crucial in funding, nurturing and generating innovation (Botta, 2017). Similarly, the European Commission's entrepreneurship policy was grounded in the idea of nurturing entrepreneurship activity through public investment, and supported by three pillars: (1) Entrepreneurship education and training; (2) Environments supportive of entrepreneurship; (3) Role models and outreach to target groups such as the unemployed, women, youth and migrants (European Commission, 2013). For instance, to demonstrate a commitment to supporting education, research and innovation, the EU Horizon 2020 funding programme made multiple billions of Euros available to support researchers identify sustainable, inclusive, and innovative growth opportunities through entrepreneurship (Economidou et al., 2018; Misuraca, Geppert & Codagnone, 2017). Increased R&D expenditure by universities and governments has been found to encourage entrepreneurship activity (Castaño, Méndez & Galindo,

[23] Human capital can be categorised into general human capital (e.g. years of formal education and employment experience) and specific human capital (e.g. previous entrepreneurial, managerial and founding experience) (Amaral, Baptista & Lima, 2011).

2016; Castaño-Martínez, Méndez-Picazo, and Galindo-Martín 2015; Murdock, 2012). Close collaboration with universities can not only encourage more empirical research in entrepreneurship but also aide in commercialising university R&D, ideally culminating in new venture creation (Baumol et al., 2007; Fini, Grimaldi & Meoli, 2020).

Furthermore, investment in education is considered a particularly potent intervention (e.g. European Commission, 2013; Wennekers & Thruik, 1999). Entrepreneurship education is focused on "education for entrepreneurial attitudes and skills...[and aims to strengthen]...desires to own or start a new business" (i.e. entrepreneurial intentions) (Bae, Qian, Miao & Fiet 2014, 218). Entrepreneurship education is different from other type of education because it has clear pedagogical approaches and aims. For instance, business education is focused on the skills and technical knowledge for working in more established, larger organisations such as corporations whereas entrepreneurship education focuses on the skills and knowledge (e.g. innovative thinking, opportunity recognition, creativity, self confidence) related to establishing business ventures that do not yet exist (Bae et al., 2014).

In addition to teaching necessary skills, entrepreneurship education is also expected to change personal attitudes towards entrepreneurship, as well as nurture the necessary beliefs and abilities required for creating and operating new ventures (European Commission 2008; European Commission, 2013; Nabi, Liñán, Fayolle, Krueger & Walmsley, 2017). Effective entrepreneurship education requires universities to fulfil three objectives: (a) Incentivise – encourage students to start their own business; (b) Develop – inform students with the desire to create their own ventures and; (c) Train – pass on knowledge and bring students into business models (De Jorge-Moreno, Laborda Castillo & Sanz Triguero, 2012). Environments with weak institutions and hostility towards entrepreneurship benefit the most from entrepreneurship education (Walter & Block, 2016). As a key policy implementation tool, various organised and social educational channels, including personalised and experiential learning, target students from kindergarten through to university (Kriz & Auchter, 2018; Lundström & Stevenson, 2005; Ozgen & Baron, 2007; Watson, McGowan & Cunningham, 2018).

However, education is only one tool used to promote entrepreneurship activity. The seminal work of Lundström & Stevenson (2005, 83), states that entrepreneurship education "is considered to be a very important factor in improving the overall entrepreneurial culture and capacity of a nation, but to achieve medium and long term increases in the rate of entrepreneurial activity, other adjustments in the support environment will inevitably have to be made". Entrepreneurship requires both the willingness and ability to take action (Campbell & Mitchell, 2012; Choi & Shepherd, 2004; McMullen & Shepherd, 2006). Limits in capability and functioning (e.g. accessing resources, being healthy enough to work) can stunt an individual's progression from desire, to intention and ultimately, entrepreneurship activity (Gries & Naudé, 2011). To legitimise and encourage entrepreneurship as a worthy pursuit, initiatives other than accommodating educational curricula are required.

For entrepreneurship to gain legitimacy and value to prompt action, it must conform to society's "recognized principles or accepted rules and standards" Aldrich & Fiol (1994, 646). The highly influential work of Audretsch (2003, 30) asserts that despite entrepreneurship being "embedded into a broad range of social, economic, political and cultural factors, ultimately it is individuals who make a choice whether or not to engage in entrepreneurial activities". Accordingly, many entrepreneurship policy initiatives seek to remove personal objections and negative perceptions about starting a new business venture. For example, in 2013 the European Commission established a Startup Europe Leaders Club and urged the European Union to "glorify our entrepreneurs" because it "wants young Europeans to be inspired by home-grown entrepreneurs" (European Commission, 2013a).

When culturally acceptable leadership standards and capabilities are aligned with entrepreneurship activity it becomes more palatable as a career choice (Stephan & Pathak, 2016). Awards, conferences and road shows have been designed to generate enthusiasm about entrepreneurship (Lundström & Stevenson, 2005). The winners, stars and speakers at events become role models who influence what individuals learn about entrepreneurship and become motivating drivers behind new venture creation (Zozimo et al., 2017). When these role models are given a high standing in society, they help increase awareness about the benefits of entrepreneurship and reduce the inherent uncertainties people might fear (De Clercq et al., 2013). Role models can also provide the impetuous for higher profit-making and growth aspirations linked with entrepreneurial ambitions (Kirkwood, 2007). Accolades and rewards for entrepreneurship activity have been used by organisations to reinforce it as the type of economic activity that is acceptable and valued within society.

The European Commission has relied extensively on awareness campaigns and education programmes to reach target populations such as women, youth and the unemployed, to present entrepreneurship as a viable career choice, reduce associated uncertainties and remove behavioural barriers to entry (OECD/ European Union, 2017). A myriad of entrepreneurship policy initiatives target women and ethnic minorities to encourage both greater economic participation and social cohesion (Carter, Mwaura, Ram, Trehan & Jones, 2015). Women are particularly targeted because of low participation rates as well as institutional barriers such as access to finance and discrimination (Foss et al., 2019; Marlow & McAdam 2013; Ribes-Giner, Moya-Clemente, Cervelló-Royo & Perello-Marin, 2018; Verduijna & Essers, 2013).

The pervasiveness of initiatives promoting entrepreneurship can arguably make it difficult for individuals to escape their influence and reflects a commitment by policymakers to promote entrepreneurship to all European citizens. Intensive media campaigns have been used to promote entrepreneurship by raising awareness. For example, globally syndicated reality television programmes such as Dragon's Den (UK),[24] where would-be entrepreneurs pitch for funds and The Apprentice,[25] where entrepreneurial individuals vie for a job working with an already successful entrepreneur, are used to normalise, dramatise and glamorise entrepreneurship. Many of the entrepreneurial individuals are gloried and held up as aspirational role models (European Commission, 2013a). As entrepreneurship becomes an acceptable activity and its functions in society becomes familiar, individuals who conform to such ideals can find it easier to access resources and networks to support their entrepreneurial activities, gain recognition and increase their social standing (Aldrich and Fiol, 1994; Boudreaux & Nikolaev, 2019; Stenholm et al., 2013). Institutions facilitate and encourage behavioural change through knowledge sharing, trust building and perception management to reinforce the acceptability of entrepreneurship activity.

Trust building is a particularly potent approach to promoting entrepreneurship because it facilitates exchange relationships (Welter, 2012). For entrepreneurship to become an attractive and viable option, there must be trust that the relevant institutions, organisations, market mechanisms and inter-personal relationships function within acceptable boundaries (Li, 2013). Similarly, without trust, institutions can risk losing their authority and legitimacy over individuals. Individuals must trust that formal institutions are willing and able to establish environments and support mechanisms to facilitate their entrepreneurial activities especially because entrepreneurial success is uncertain (Li, 2013; Mishra & Mishra, 2013; Welter, 2012). Research suggests that institutional frameworks which overtly support entrepreneurship are necessary to enable their positive contribution to economic growth, (Acs, Estrin, Mickiewicz & Szerb, 2018; Bosma et al., 2018). Supportive mechanisms can be considered an investment in the entrepreneurial potential of individuals which provides an expected return on in the form of job creation, economic growth and social cohesion (European Commission, 2013).

Attitudes and perceptions about failure and bankruptcy, as well as how individuals are treated during these eventualities can create barriers to entrepreneurship. Bankruptcy laws, in particular, are seen to represent "rules of the end game" and form part of the institutional risk-reward structure for entrepreneurship (Peng, Yamakawa & Lee, 2010). Within the European Union, bankruptcy concerns pose the most significant barrier to venture creation (European Commission, 2015). Both formal and informal institutions can produce a stigma around failure (Lee et al., 2020). A legacy of centuries of institutional context has indicated that failed entrepreneurs need to be punished,

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[24] This show is syndicated globally under various names such as "Shark Tank (Australia), "The Project" (Egypt) and "The Lion's Cave (Germany) (Wikipedia https://en.wikipedia.org/wiki/Dragons%27_Den – accessed 26.02.2020).

[25] Another reality television programme syndicated globally (see Wikipedia https://en.wikipedia.org/wiki/The_Apprentice_(franchise) – accessed 26.02.2020).

their victims recompensed and their participation in the market and society be limited (Eklund, Levratto & Ramello, 2020). Alternatively, reframing failure as an important input into longer term entrepreneurial success and introducing a stigma-reducing approach can positively influence decisions to engage in entrepreneurship (e.g. Saravathy, 2004). Supportive bankruptcy laws can signal more tolerant views towards failure, and by enabling a "fresh start" for failed entrepreneurs can encourage entrepreneurship activity (Armour & Cumming, 2008; Fu et al., 2020; Peng et al., 2010).

Moreover, a "fresh start" can mitigate the risk of subsequent exclusionary sanctions resulting from failure, which can restrict future, productive activities (e.g. Eklund et al., 2020). During financial difficulties, entrepreneurs have an opportunity to revive their businesses and can continue to attract capital for future activities (Peng et al., 2010). When a failed venture "does not encumber failed entrepreneurs with onerous liabilities, [it] provides them with incentives to supply greater effort if they try again in business after failing" (Parker, 2009, 447). Aware of this effect and to encourage entrepreneurship, in 2003 the European Commission recommended amendments to personal bankruptcy laws and a number of European Union Members (e.g. Germany, the Netherlands, the UK) subsequently relaxed theirs (Peng et al., 2010). The Entrepreneurship 2020 Action Plan introduced a "second-starters" initiative to promote entrepreneurship and change the institutional context so as to mitigate the stigma and legal implications of failure and bankruptcy resulting from entrepreneurship (European Commission, 2013).

Interventions providing protection and backing to support new ventures engage productively with their environment can remove barriers to entry and promote entrepreneurship (Amezcua, Grimes, Bradley & Wiklund, 2013). To improve chances of survival governments can shield new ventures from failure by providing support ("buffering" programmes) and/or by facilitating access to important stakeholders ("bridging" programmes) (Autioa & Rannikko, 2016). Support mechanisms have also specifically targeted individuals who may have limited opportunities to create ventures, such as those with wealth restrictions, women, migrants and the unemployed (Carter et al., 2015; European Commission, 2015; Heinonen, Hytti, & Cooney, 2010; OECD/European Commission, 2017; Sauer & Wilson, 2016). Forms of government support for new ventures can signal a venture's legitimacy to stakeholders and increase the chances of success by attracting more human and financial capital (Söderblom, Samuelsson, Wiklund & Sandberg, 2015).

Incubators provide "buffering" and "bridging" support can increase survival rates for new ventures by providing subsidised services such as office space, administration, networks and advice (Autio & Rannikko, 2016). Incubators have been found to be particularly effective for new entrepreneurs when they provide access to networks, opportunities and knowledge which would otherwise not be accessible, although their usefulness is contingent on needs and the environment in which ventures function (Amezcua et al., 2013). Subsidised or low cost access to resources which reduce business costs (e.g. finance, labour), tax concessions, advisory services including those tied to specific locations and industries, have been a popular way in which to promote entrepreneurship activity (Acs et al., 2016a; Caliendo, Hogenacker, Künn & Wießner, 2015; Lundström and Stevenson 2005).

However, promoting entrepreneurship through any form of government intervention is a contentious issue amongst researchers and policymakers. A persistent debate centres around the size and role of government intervention, which raises questions about the efficiency of policy initiatives that provide direct support and subsidies (Klein, 2012). The influential work of Sobel (2008) argues that to encourage the best forms of entrepreneurship and allow resources to flow freely to where they can be put to best use, expanding government programmes (e.g. subsidised loans, education) to foster entrepreneurship should be replaced with institutional reforms that limit government intervention. Research suggests that while subsidies do encourage entrepreneurship, they can also keep businesses alive artificially because without on-going support, some new ventures would simply fail or struggle to prosper in the longer term (Caliendo et al., 2015; Dvouletý & Lukeš, 2016). In their analysis of subsidies and employment incentives, Millán, Congregado & Román (2012, 251) conclude that "if the objective is the promotion of long-term successful self-employment, the prescription should not only be to facilitate entry by means of subsidies or guarantees, but also to support the acquisition of the necessary entrepreneurial human capital and to facilitate growth aspirations".

Similarly, incubators which subsidise new ventures have also been found to buffer or shield new ventures from economic realities, resulting in weaker firms, sometimes at the expense of less politically connected but efficient ventures (Bradley & Klein, 2016). Bridging programmes which keep new ventures alive to boost their chances of growth have also been challenged: if a business venture is identified as a high growth potential firm, it is expected to intrinsically perform well and contribute to the economy regardless of government support (Koski & Pajarinen, 2013; Norrman & Bager-Sjögren, 2010). When new entrepreneurs are motivated, have high entrepreneurial skill and appropriate technical and managerial resources, they are more likely to remain engaged in their business venture and therefore, expected to succeed (Carbonara, Tran & Santarelli, 2019).

In addition, employment subsidies can decrease the risk of exit and create jobs (Millán et al., 2012) but because new ventures tend to pay less (Nyström & Elvung, 2014), employment subsidies can also lead to appointment of less-productive individuals, especially for low potential firms (Koski & Pajarinen, 2013). The ability to attract and retain quality employees with higher skills, for example, can be more influential on survival rates and growth potential than subsidies (Koch, Späth & Strotmann, 2013). These factors can increases the risk of failure. Such findings support the contention that a new venture's own resources and resourcefulness should be more influential on its survival prospects and that the role of government is to give individuals the freedom to fulfil their entrepreneurial ambitions.

Consequently, to promote entrepreneurship and new venture creation, policymakers had begun to shift their approach from support and assistance, to an incentives-based approach aimed at increasing the attractiveness of entrepreneurship relative to other options (Heinonen et al., 2010). Policymakers seemed to prioritise a free market approach, and this is discussed next.

4.4.2 Freedom to be entrepreneurial

This section examines the shift towards less government support and the European Commission strongly urging “member states...to take measures to reduce and simplify the regulations and procedures to create new companies and also to facilitate access to credit” (Castaño-Martínez et al., 2015, 2,083). To encourage greater competition, the European Commission had started increasing reliance on market mechanisms during the 2000s (Bekker, 2018). Policymakers also shifted the focus of interventions away from direct subsidies and support, to removing barriers and reducing regulation to create incentives for individuals to engage in entrepreneurship (Heinonen et al., 2010). By the late 2000’s the European Commission was working to balance Europe’s social model with the demands of the market economy (Bekker, 2018; European Commission, 2010; Zeitlin & Vanhercke, 2018).

European policymakers were confronted with what is contentiously considered a significant and robust influencers of entrepreneurship – economic freedom. Economic freedom is associated with changing formal institutions to prioritise the efficient operation of the market economy and remove any restrictions to entrepreneurship activity (Bradley & Klein, 2016; Parker, 2009). The influential work of Gwartney & Lawson (2003, 406) states that “[t]he key ingredients of economic freedom are personal choice, voluntary exchange, freedom to compete, and protection of persons and property” and that “the choices of individuals will decide what and how goods and services are produced”. The consequence is that Governments “must refrain from actions that interfere with personal choice, voluntary exchange, and the freedom to enter and compete in labor and product markets” (Gwartney & Lawson, 2003, 407). Boudreaux et al. (2017) contends that with more economic freedom individuals are better equipped to use their own judgement and take the necessary actions they need to engage in entrepreneurship – when their effort and creativity is rewarded with high social status, individuals are motivated to create extraordinary wealth through experimentation and innovation. The promise of economic and social gains through innovation and entrepreneurship has significantly influenced entrepreneurship policy, such as simplified administrative requirements, flexible contracts for employees and easier access to funds (Audretsch et al., 2020).

Economic freedom is conceptualised through “a summary measure capturing the freedom to engage in economic activity without undue restrictions or subsidies” (Bradley & Klein, 2016, 211). Greater economic freedom is characterised by: small government, robust legal system and property rights, stable inflation, freedom to trade internationally, and restraints on regulations on credit, labour and business activity (Gwartney, Lawson, Hall & Murphy, 2019). It represents a pro-market approach, concerned with “economic liberalization (i.e., the reduction of the level of government influence in economic activity)” (Dau & Cuervo-Cazurra, 2014, 669). Within entrepreneurship research, economic freedom has been described as a concept which "consists of a panopoly of categories, including *trade freedom, fiscal freedom, freedom from government, monetary freedom, investment freedom, labor freedom, property rights, business freedom, freedom from corruption, and financial freedom*" (McMullen et al., 2008, 880).[26,27]

Regulation and legislation are considered impediments to entrepreneurship, and reducing them is expected to make it easier and more profitable for individuals to create ventures. Such an environment embraces low marginal tax rates, protection of property rights, openness to international trade, less onerous business regulations and more flexible labour laws (Bjørnskov & Foss, 2016; Boudreaux et al. 2017; Díaz-Casero, Díaz-Aunión, Sánchez-Escobedo, Coduras & Hernández-Mogollón, 2012). Complex legal systems regulating venture creation are considered to unnecessarily complicate access to credit and negatively impacts entrepreneurship activity (Castaño et al., 2016). The influential Heritage Foundation argues that "[f]ree markets and free people have worked hand in hand to increase prosperity and the quality of life for people. Freer economies have also led the world in innovation and economic growth, and their governments have been made increasingly accountable to those they govern" (Miller, Kim & Roberts, 2020, xi).

In theory, greater economic freedom is expected to encourage competition between individuals, facilitate effective and efficient allocation of resources and allow ventures that adapt quickly to market conditions to prosper. The Entrepreneurship 2020 Action Plan explicitly promotes removing barriers to entry and exit, labour market reforms, adjusting the taxation regime, allowing for easier movement of capital and reducing the overall regulatory burden for entrepreneurs – more open, liberal markets for capital, labour and other inputs are expected to empower entrepreneurs through unhindered access to resources and the freedom to combine them in ways that facilitate their business operations and contribution to macroeconomic performance (European Commission, 2013). A popular institutional change is active labour market reforms where changes to labour institutions encourage unemployed individuals to find work and sources of income through entrepreneurship (Caliendo et al., 2020; Mühlböck et al., 2018). To meet Europe's social and economic goals, the European Commission had already introduced the concept of flexicurity to balance labour market flexibility and security, in the early 2000s

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[26] The most popular economic freedom indices are provided annually by the Heritage Foundation (see Miller et al., 2020) and the Fraser Institute (see Gwartney et al., 2019). The Heritage Economic Freedom Index (EFI) was developed in 1994 and the Fraser Institute Economic Freedom of the World (EFW) Index first edition is dated 1996. The Fraser Institute measure is used largely in studies exploring economic growth (Sobel, 2008).

[27] McMullen et al. (2008) refers to the elements captured by the Heritage EFI. Elements, or categories, include fiscal freedom (freedom from high tax rates and heavy government expenditures), monetary freedom (freedom from inflation and governmental intervention), and labour freedom (freedom from wage and price controls). Refer to APPENDIX A for more detailed and most recent descriptions.

(Bekker, 2018). The execution of balancing social and market models became problematic, and there was a shift towards the free market model (Bekker, 2018; Zeitlin & Vanhercke, 2018).

Underlying economic freedom is that an institutional context that invites individuals to freely exploit financial, human and social resources with little interference is more likely to promote entrepreneurship. The assumption is that "individuals know their needs and desires best and that a self-directed life, guided by one's own philosophies and priorities rather than those of a government or technocratic elite, is the foundation of a fulfilling existence" (Miller et al., 2020, 12). The shift within Europe towards a more free markets, or deregulation, approach to promote entrepreneurship was justified by its association with Schumpeterian entrepreneurship – that is, radically innovative and high growth entrepreneurship based on self-motivation and opportunity exploitation with little government interference (Baumol et al., 2007; Dilli et al., 2018; Ebner, 2006). Schumpeter (1934, 244) argues that "there can only be complete equilibrium if there is free competition in all branches of production". He argues that the best circumstance for economic activity is where there is a "commercially organised state, one in which private property, division of labor, and free competition prevail" (Schumpeter, 1934, 5).

When institutions emphasise the individual as being at the centre of economic and social development, economic freedom becomes intertwined with individual autonomy and agency – including an individual's unimpeded personal freedom to choose to engage in entrepreneurship, or not, and do so in ways they deem appropriate. Individuals then become known generically as "human capital" who are "competitive individualists, preoccupied with investing and enhancing in their own economic value" (Fleming, 2017, 692). The expectation is that while the individual benefits most from investing in themselves and starting new ventures, their efforts eventually produce beneficial spillovers to wider society.

Therefore, anything deemed as interfering with individual autonomy is considered to be a limitation on economic freedom (Miller et al., 2020, 12). Reducing perceived regulatory and legislative impediments to entrepreneurship becomes necessary to freely facilitate venture creation by individuals. For instance, since access to financial resources is essential to entrepreneurship activity (Anderson & Nielsen, 2012; Becker-Blease & Sohl, 2007; Economidou et al., 2018; Schumpeter, 1934), even within industries purported to have low entry costs (Dy, Marlow & Martin, 2017), limiting access can deter individuals who may be considering entrepreneurship from taking action (Blanchflower et al., 2001; Chowdhury et al., 2019; Vegetti & Adăscăliței, 2017) or prevent them from growing their ventures (Bassetto, Cagetti & De Nardi, 2015; Caliendo et al., 2020). After the 2008 Great Recession, the high the cost of capital and credit constraints made access to finance problematic, especially for smaller and younger businesses (Carbo-Valverde, Rodriguez-Fernandez & Udell, 2016). Consequently, the European Commission instituted better access to finance (i.e. financial freedom) in an attempt to encourage new venture creation and facilitate growth (European Commission, 2013).

Similarly, labour market deregulation is expected to simultaneously encourage entrepreneurship and reduce unemployment by removing barriers to movement of labour and disincentives for entrepreneurship activity. Not only can individuals freely allocate their labour to entrepreneurship, but labour market deregulation is expected to provide entrepreneurs the freedom and flexibility to more easily and efficiently manage their recruitment needs during the start up and growth phases (Koch et al., 2013). The European Commission has explicitly encouraged Member States to "continue modernising labour markets by simplifying employment legislation and developing flexible working arrangements, including short-time working arrangements" (European Union, 2013, 20).

The shift towards economic freedom on the premise of availing individuals the necessary resources and autonomy to explore and exploit profitable opportunities has become a noticeable feature of entrepreneurship policy within Europe. The next section explores how these institutional changes can influence whether and why they might engage in entrepreneurship.

4.4.3 The pull and push of entrepreneurship

The discussions above highlight the many interventions related to entrepreneurship policy aimed at creating environments conducive to entrepreneurship activity. This section considers how institutions specifically motivate action. According to the influential work of McMullen et al. (2008), interventions that remove barriers to entrepreneurship and allow pursuit and exploitation of an attractive opportunity for a return, are described as "pull" factors. Individuals engage in entrepreneurship because they are capable, find entrepreneurship appealing and freely engage in it to meet some personal goal (Mühlböck et al., 2018). Individuals who are pulled into entrepreneurship are considered to be self-motivated and expected to benefit most from an institutional context shaped by the ideals of economic freedom. Entrepreneurship resulting from pull factors are expected to produce the most beneficial spillovers to the economy and society (Aparicio et al., 2016; McMullen et al., 2008).

Institutions can also be configured to "push" individuals into entrepreneurship. In this case, entrepreneurship becomes a desperate remedy to unemployment or a last resort where "individuals feel compelled to start their own businesses because all other options for work are either absent or unsatisfactory" (McMullen et al., 2008, 876). External factors and constraints rather than a desire to exploit opportunities become the primary motivating factor for engaging in entrepreneurship (Mühlböck et al., 2018). When push factors motivate entrepreneurship, it effectively becomes a necessity and a tool for survival. Push factors most often relate to labour market deregulation and programmes encouraging unemployed and marginalised individuals without access to the labour market to start businesses for an income source (Laffineur, Barbosa, Fayolle & Nziali, 2017; Román et al., 2013). Individuals can also be pushed into entrepreneurship as a result of retrenchment by an employer, reaching the end of a work contract or as a result of a sale or closure of an existing business venture (van Stel, Millán, Millán & Román, 2018).

However, push factors resulting from institutional change raise questions about whether there is real freedom to choose to engage in entrepreneurship, or not. Pushing individuals into entrepreneurship is of particular concern because as the labour market has become more flexible, welfare institutions have also changed, and programmes have become more rigid and difficult to access (Bennett, 2019). These circumstances have given rise to what is described as "unemployment push", the "refugee effect" or the "desperation effect" (Thurik et al., 2008; Vegetti & Adăscăliţei, 2017) – situations where an individual is pushed into entrepreneurship when they would prefer to be in employment. Consistent with the contention in the seminal work of Wennekers and Thurik (1999), it seems that much of what continues to motivate entrepreneurship policy is the implicit assumption that more individuals engaged in entrepreneurship is beneficial (Acs et al., 2016a; Carter et al., 2015; Verduijna & Essers 2013). In their recent examination of the relevance of entrepreneurship research, including its ability to appropriately examine real world phenomena, Wiklund et al. (2019) argue that the assumption that entrepreneurship is intrinsically beneficial, is rarely tested or questioned. The seminal work of Shane (2009) argues that promoting more entrepreneurship is not always good policy.

Thus far, this study has explored the background to entrepreneurship policy in Europe and some of the prominent interventions adopted to promote entrepreneurship. Interventions aimed at changing formal and informal institutions range from education programmes to develop human capital, to removing barriers to entry and exit. Institutional change is expected to create an environment conducive to entrepreneurship and through pull and push factors, motivate individuals to create new ventures. To consider the impacts of entrepreneurship policy, the next section reviews literature exploring the outcomes of entrepreneurship policy.

5 OUTCOMES OF ENTREPRENEURSHIP POLICY

"the *impact* of the policy is the change in the results/outcome indicator which can credibly be ascribed to the policy intervention such that the movement towards the desired outcomes can be confidently related to the policy" (McCann & Ortega-Argilés 2016, 543).

This section begins the examination of policy outcomes by first considering the role and challenges of policy evaluation. Section 4.1 discusses the importance of accountability and governance for legitimising and reinforcing institutions. Evaluation and accountability are necessary for well functioning institutions (Williamson, 2000), and are particularly relevant given the billions of Euros invested in institutionalising entrepreneurship policy (see Fotopoulos & Storey, 2019). Lundström et al. (2014) argues there has been a lack of transparency in funding, concluding that funding allocation has been determined by political priorities rather than expert policy advice or need. Evaluating entrepreneurship policy effectiveness can help policymakers legitimise and reinforce institutional changes that are effective in meeting stated goals. Reviewing behavioural implications of policy also allows for necessary adjustments towards stated goals. To determine how interventions can be better designed to fulfil desired outcomes and to account for the vast amount of taxpayer funds allocated to them, more efficient evaluation is necessary to foster transparency and accountability (Figueroa-Armijos & Johnson 2016; Lundström & Stevenson, 2005; McCann & Ortega-Argilés 2016).

However, measuring the outcomes of policy initiatives and interventions is challenging. The complex nature of entrepreneurship policy and its intersections with other public policies make it difficult to isolate and measure individual effects on a timely basis (Bager et al., 2015; Bjørnskov & Foss, 2016; Lundström & Stevenson, 2005; Murdock, 2012; Smallbone, 2016). Conceptual ambiguities make it difficult to determine the impact of any particular institutional change (Voigt, 2013). In addition, policy impacts are not always uniform or foreseeable, especially in the short term (North, 1990). Impacts of policies and entrepreneurship activity are generally lagged (Carree & Thurik, 2008). Fotopoulos & Storey (2019, 205) concludes that "the impact of any policy is likely to take several decades to emerge, and when it does, it is likely to have been influenced by a range of influences external to the policy...[and that]...the theoretical foundation for such policies is increasingly questioned".

Measurement and methodological issues surrounding how variables are defined, simplified and measured can have more influence on research results and assessments of outcomes (Baumol et al., 2007; Carree & Thurik, 2010; Lundström & Stevenson, 2005). Campbell & Mitchell (2012, 191) contends that "evidence regarding the effectiveness of a given policy in achieving the stated end runs the gamut from understudied, to ineffective, to generally effective". Response heterogeneity adds an extra layer of complexity in deciphering the effects of policy interventions since individuals exposed to the same stimuli can decide on different courses of action (e.g. Eberhart, Eesley & Eisenhardt, 2017;

Greene, Han & Marlow, 2011). In addition, Bjørnskov & Foss (2016, 301) find that many "studies assume that the responses to institutional and policy differences are approximately homogeneous across different types of industries, businesses, and countries and institutional settings". Data constraints can also limit ability to measure impacts on specific target groups, such as women and migrants (Smallbone, 2016). Study design can also be problematic. For instance, Foss et al. (2019) finds that the majority of empirical studies examining the policy implications of women's entrepreneurship failed to explicitly address policy level issues, institutional context or provide actionable recommendations beyond educating women.

Notwithstanding these challenges, researchers and policymakers remain committed to continuously improving evaluation methods (Lundström & Stevenson, 2005). Various methods and quantitative models have been developed to evaluate the impacts of entrepreneurship policy. For example, Acs et al. (2018) explores the interaction between institutions and entrepreneurship by introducing a composite index for entrepreneurial activity and institutional quality aimed at measuring the impact on economic growth. Similarly, frameworks for policy prioritisation, include the smart specialisation framework promulgated by the European Union, which attempts to account for context when choosing, forming and evaluating policy (McCann & Ortega-Argilés 2015; McCann & Ortega-Argilés 2016).[28]

Therefore, there is consensus amongst researchers that despite the challenges in evaluating policy, their nature, scope and potential long term impacts requires valid attempts at evaluation. While the consequences of specific policy may be uncertain, unpredictable and unforeseeable in the short term, the overall long term trend is predictable, and outcomes can be difficult to reverse once they become visible (North, 1990). In this case, it can be beneficial to at least consider any divergence from expected policy outcomes and identify any need for recalibration towards more desirable ones. Fotopoulos & Storey (2019) argues that the effectiveness of entrepreneurship policy can be evidenced by: (a) at a minimum, a link between entrepreneurship and economic development (e.g. job creation, economic growth); (b) a causal relationship between entrepreneurship and economic development; (c) evidence of market failure which justifies government policy intervention; and (d) the policy induces identifiable, measurable changes. The following section therefore, uses available research to examine whether entrepreneurship policy has met expectations.

[28] Discussion of policy formulation, prioritisation frameworks and analysis of particular evaluation methodologies is beyond the scope of this study.

5.1 Effectiveness of entrepreneurship policy

This section discusses research addressing the outcomes of entrepreneurship policy. The Entrepreneurship 2020 Action Plan identifies investment in education as being fundamental to entrepreneurship, and a primary method of promoting it. Researchers have encouraged increased public investment in higher education (e.g. Castaño-Martínez et al., 2015). There is consensus that better educated individuals (i.e. generally with tertiary education) are more likely to engage in entrepreneurship (see Bosma et al., 2018). For instance, Barreneche García (2014) finds that European cities with higher numbers of university students experience higher rates of venture creation. Tertiary education is also linked with ventures that are generally more productive and beneficial to the economy (van Praag & van Stel, 2013). In Europe, education ecosystems and cultures with a strong knowledge base grounded in science are linked with the creation of new ventures focused on innovation (Del Monte & Pennacchio, 2019; Dilli et al., 2018; Fritsch & Wyrwich, 2018;). Environments with rich traditions of education support the creation of new ideas and entrepreneurial opportunities which in turn encourage entrepreneurship activity. Entrepreneurship education can also provide the necessary bridge to entrepreneurship activity when other institutional support is lacking (Walter & Block, 2016).

However, when specifically considering the impact of entrepreneurship education,[29] overall results are mixed and ambiguous (see Nabi et al., 2017). Some researchers find education geared towards entrepreneurship can produce the necessary human capital required for venture creation (De Clercq et al., 2013; Martin, McNally & Kay, 2013) and reinforce a desire to engage in entrepreneurship (Rauch & Hulsink, 2015). Others question whether entrepreneurial attitudes, skills or innovation can be taught (see De Jorge-Moreno et al., 2012). Walter & Block (2016, 217) finds that "entrepreneurship education is more effective, in terms of stimulating more entrepreneurial activity, in entrepreneurship hostile institutional environments". In their meta-analysis of 73 articles, Bae et al. (2014) found that whether students had any intentions of engaging in entrepreneurship prior to commencing their entrepreneurship education was more important in determining likelihood of entrepreneurship activity than the actual entrepreneurship education itself. The implication is that entrepreneurship education enhances rather than triggers entrepreneurship activity.

A key critique of entrepreneurship education studies is that they generally "focus on short-term, subjective impact measures such as

[29] Recall from section 4.4.1 that entrepreneurship education is exclusively focused on developing entrepreneurial attitudes and skills, and promotion of new venture creation.

entrepreneurial attitudes and intentions, rather than longer term ones such as venture creation behavior and business performance" (Nabi et al., 2017, 278)[30]. While the concept of "intention" in other disciplines has been found to be highly correlated with subsequent action, intention alone tends not to be significantly related to entrepreneurial activity and better measures, such as actual behaviour, are recommended (Bae et al., 2014). Entrepreneurship education incorporated into labour market policy measures to assist individuals affected by business closure has been found to encourage actual transition into entrepreneurship (Nyström, 2020).

Education can fill knowledge gaps about entrepreneurship but a significant barrier to entry is the lack of real world experience in creating and running a business (Giacomin, Janssen, Pruett, Shinnar, Llopis & Toney, 2011; Staniewski & Awruk, 2015). The probability of failure for entrepreneurship is generally, substantial (Criscuolo, Gal & Menon 2017; Peng et al., 2010; Shane 2009) and the risk is exacerbated by a lack of actual experience (Mátyás, Soriano, Carpio & Carrera, 2018).[31] As a result, researchers warn against measuring the success of teaching simply by the number of ventures created by students and encourages universities to provide a more realistic education by ensuring students are aware of the high risk of failure, provide ways to increase the probability of success and focusing on evidence-based choices rather than theoretical outcomes (Buchnik, Gilad & Maital, 2018).

A lack of practical knowledge or experience can be moderated by offering "well-mentored experiential simulations of the startup process" which ultimately lead to more venture creation (Buchnik et al., 2018, 17). Action-based, or learning-by-doing, education programmes have been found to overcome knowledge and experience gaps, and supports new venture creation (Donnellon, Ollila & Middleton, 2014; Gielnik, Frese, Kahara-Kawuki, Katono, et al., 2015; Watson et al., 2018). Educational business games that simulate the actions and decision-making process during the start up phase can increase an individual's knowledge of business administration, planning and preparation. In Germany, this has led to new venture creation at approximately twice the standard rate (Kriz & Auchter, 2018).

Moreover, connecting individuals to social sources of learning, resources and experiences attained through networks, mentoring, and professional associations have also been found to be beneficial (Buffart, Croidieu, Kim & Bowman, 2020; Donnellon et al., 2014; Ozgen & Baron, 2007; Rigg & O'Dwyer, 2012; Nabi et al., 2017). Exposure to role models is positively related with venture creation (De Clercq et al., 2013). Learning from external sources of

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[30] Entrepreneurial intentions are "desires to own or start a business" (Bae et al., 2014: 218).

[31] It can be difficult to find definitive percentages but Lee et al. (2020) states that 50 percent of new ventures in the USA fail.

education and networks is also related to innovation (Gimenez-Fernandez, Sandulli & Bogers, 2020).

Other policy initiatives, such as R&D expenditure encouraged by the Europe 2020 strategy have also been positively linked with entrepreneurship activity. Encouraging R&D spend has been popular with governments and in the 1990s shifted the source of Germany's regional growth from established firms to new ventures (Audretsch & Fritsch, 2003; Audretsch & Keilbach, 2004). Spending on R&D by higher education organisations is particularly useful in new venture creation especially in more developed, entrepreneurial economies (Murdock, 2012). Using European data, Castaño-Martínez et al. (2015) finds that more expenditure on R&D by governments and universities stimulates entrepreneurship activity. In a follow up study using different methodology, Castaño et al. (2016) was able to replicate these results.

However, Fini, Fu, Mathisen, Rasmussen & Wright (2017) found that institutional pressure and incentives to create ventures resulting from university R&D in three European countries (i.e. Italy, Norway, the UK) was linked with higher rates of venture creation but the overall quality of these ventures was low. More recently, Burke et al. (2019) found that in Europe, higher levels of R&D expenditure is linked with the creation of better quality ventures which contribute more to the economy and society, including job creation. As with much of entrepreneurship research, results are ambiguous.

Changes to tax regimes have also been linked with entrepreneurship activity. Baliamoune-Lutz & Garello (2014) finds reducing tax progressivity in Europe for the higher income range has a positive and significant effect on entrepreneurship activity. In other contexts, Darnihamedani et al. (2018) finds that lower corporate taxes can increase innovative entrepreneurship but favourable capital taxes (i.e. on property and goods) on returns is more likely to result in the creation of viable, high quality ventures in the longer term without increasing income inequality or government debt. In contrast, to many studies which use data from countries with relatively low tax levels and less substantial welfare systems or social insurance programmes, Stenkula (2012) examines the effects of taxes in Sweden – a high-tax welfare state. Stenkula (2012) finds that despite the various taxes imposed in Sweden, there is a significant but small negative relationship between payroll taxes and entrepreneurship activity. They argue that the results reaffirm the importance of considering the holistic design of a tax system and the institutional context in which it operates.

Another salient influence on entrepreneurship activity is ease of access to resources, such as finance (e.g. De Clercq et al., 2013). Although, simply providing resources may not be a motivating factor for venture creation in Europe, facilitating access to resources (e.g. finance) is helpful for individuals already motivated to engage in entrepreneurship (Vegetti & Adăscăliţei, 2017). Access to finance has been found to be particularly important for young, innovative companies (Giraudo et al., 2019). In their extensive literature review of entrepreneurship and innovation, Block et al. (2017) finds that access to venture capital is overwhelmingly important for encouraging innovation. Using German employment data, Koch et al. (2013) finds that labour market freedom enables new venture growth by allowing easier access to the labour needed to fulfil human resource needs. In line with economic freedom principles, reducing start up costs to remove barriers to entry has also been found to increase venture creation although this may unintentionally encourage entrepreneurship with high failure rates, and produce few benefits to the economy or society (Darnihamedani et al., 2018; Sobel, 2008).

The USA has historically been considered an innovation leader and taken the lead on instituting economic freedom (Botta, 2017). Research examining economic freedom rely on US-centric measures (e.g. Economic Freedom of North America (EFNA) index) and often find a positive relationship between economic freedom and entrepreneurship in the USA (e.g. Powell & Weber, 2013). The alternate US-based Fraser Institute Economic Freedom of the World ("EFW") Index is used by studies primarily focused on explaining economic growth (Sobel, 2008) but has also been used by researchers examining links with entrepreneurship activity. An alternative measure of economic freedom is the Heritage Economic Freedom Index ("EFI").[32] There is no consensus on which measure to use (e.g. Aidis et al., 2012). During the literature search, it was difficult to find studies examining economic freedom using a European dataset. Irrespective, examining the impact of economic freedom on entrepreneurship can help researchers and policymakers understand its effectiveness, and where European data has been used, it has been noted.

Using the Fraser Institute EFW measure of economic freedom Bjørnskov & Foss (2008)'s influential study finds that high rates of government spending (i.e. bigger government) discourages entrepreneurship activity but monetary freedom (e.g. low inflation) and access to finance encourage it. Angulo-Guerrero, Pérez-Moreno & Abad-Guerrero (2017, 33) finds that "better legal structure and security of property rights and more lenient regulation of credit, labor and business tend to favor entrepreneurship by opportunity" and that a lack of economic freedom pushes individuals into entrepreneurship because it produces an environment with limited opportunities: although, they admit that due to limitations, their results can "not be interpreted as definitive" (Angulo-Guerrero et al. (2017, 35). Also using the Fraser EFW Index, Dempster & Isaacs (2017), finds that the economic freedom index has a large impact on entrepreneurship activity but upon further analysis, only size of government and trade freedom were positively related to beneficial, or more productive forms of entrepreneurship activity. In contrast, Baliamoune-Lutz & Garello (2014) finds that economic freedom does not significantly affect entrepreneurship activity in Europe.

Using the Heritage Economic Freedom Index ("EFI") Dau & Cuervo-Cazurra (2014) finds a positive relationship between pro-market policy measures and entrepreneurship. Saunoris & Sajny (2017, 312) finds that

[32] This index comprises categories currently consist of 12 specific components. Refer to APPENDIX A for more detail about the separate components.

economic freedom positively effects entrepreneurship activity but warns that "blanket policies that promote economic freedom might not be equally effective across countries". Aidis et al. (2012) finds no significant relationship between EFI and entrepreneurship activity although the Size of Government (i.e. lower government spending and taxation) and, to a lesser extent the Freedom from Corruption, significantly increase entrepreneurship activity. [33]

The seminal work of McMullen et al. (2008) drills down to examine the impact of economic freedom on entrepreneurship by considering the motivations for entrepreneurship. Using the Heritage EFI, it finds that fiscal freedom, monetary freedom and labour freedom pushed[34] individuals into entrepreneurship out of necessity for survival. Labour freedom, as well as property rights, also worked to pull individuals into entrepreneurship to exploit profitable opportunities. Although economic freedom in advanced economies can stimulate entrepreneurship aimed at exploiting profitable opportunities, increasing the degree of economic freedom "has a greater explanatory power for economies in the earlier stages of development than for innovation-driven economies" and that overall, it is more likely to encourage entrepreneurship of poorer quality (Kuckertz et al., 2016, 1,292). Díaz-Casero et al. (2012, 1,708) finds that "almost all components of the Economic Freedom Index have a significant relationship with Entrepreneurial Activity, which is *negative* [emphasis added] in most of the analyses". Most relevant to Europe, in developed countries, fiscal freedom, government size, financial freedom, property rights, freedom from corruption and labour freedom tend to pull individuals into entrepreneurship.[35] Using a European data, Ignatov (2018) finds that European Union members with greater economic freedom experienced higher levels of innovative entrepreneurship.

Historically, research indicates that the relationship between economic freedom and entrepreneurship activity is neither direct or straightforward (Minniti, 2008). More recently, research suggests that not all aspects of economic freedom are significantly or positively related to venture creation. Context, such as USA versus Europe, and level of development also impact the outcome, and interactions between the various elements which can have wider implications beyond entrepreneurship activity. For instance, deregulated financial markets can increase capital market volatility and market risk while deregulated labour markets are associated with increased inequality and systematic underinsurance against risks, such as disability, old-age poverty and

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[33] This work is largely based on the seminal work of McMullen et al. (2008) which also uses the Heritage EFI.

[34] For explanation of "push" and "pull" factors see section 4.4.3, above.

[35] In developing countries, Government Size and Monetary Freedom pull individuals into entrepreneurship. In developing nations, "lack of employment prospects is high and a way out of this situation is the creation of a business or self-employment, where Business Freedom, Trade Freedom, Property Rights and Freedom from Corruption emerge as areas that are negatively associated with entrepreneurship. Government Size is the only aspect that encourages it" (Díaz-Casero et al., 2012, 1,708).

illness (Dilli et al., 2018; Hermmann, 2019). The seminal work of Audretsch & Thurik (2000) highlighted back in 2000 that despite popular perceptions, labour market deregulation such as dismantling social safety nets to solve unemployment is unnecessary and based on the misconception that reduced wages could stimulate employment. They pointed to the Netherlands which at the time, had adequate safety nets in place and rising employment. Bjørnskov & Foss (2013) finds that there is some support for government intervention and welfare states promoting entrepreneurship, especially through investment in high quality infrastructure. These findings raise the possibility of an optimal level of economic freedom.

The concept of economic freedom has a history of being controversial because it is complex and difficult to measure (de Haan, 2003; Gwartney & Lawson, 2003). Aidis et al. (2012, 127) argues that using one index to measure economic freedom is inadequate to capture the complexity inherent in economic freedom and conclude that their results "demonstrate that the set of indicators has more than one dimension and enforcing a one-dimensional scale on it may not be a valid technique". Recent studies indicate that results remain generally mixed (Nikolaev et al., 2018) and subject to measurement challenges (Bruns, Bosma, Sanders & Schramm, 2017; Su et al., 2017).

Significant effort and funding has been allocated to entrepreneurship policy over the last decade. Institutional change was expected to increase entrepreneurship but evidence of the effects of these changes on entrepreneurship activity has been mixed. The impact of economic freedom principles which is influenced by the USA's legacy of innovation and entrepreneurship seems to be the least studied in Europe despite the shift towards a more pro-market approach. More recently, researchers are beginning to caution about having too many positive expectations from efforts to promote entrepreneurship (Mühlböck et al., 2018). The effects of institutional change not only impact entrepreneurship, but can also spill over to the wider economy and society with some unintended consequences. This is explored further in the next section.

5.2 Unintended consequences

"the aim of governments should not only be to increase entrepreneurship indiscriminately, but to also take into account the types and characteristics of entrepreneurship" (Angulo-Guerrero et al., 2017, 35).

Entrepreneurship policy has resulted in institutional changes aimed at promoting entrepreneurship to improve Europe's economic and social prospects. While research examining the effectiveness of particular entrepreneurship policy initiatives and interventions is ambiguous, official reports estimate that aggregate entrepreneurship levels have risen only slightly, sitting at approximately 15 per cent since 2002 (Caraher & Reuter, 2019a; Eurofound, 2017; OECD/ European Union, 2017; Spasova et al., 2017;

Tammelin, 2019). Fotopoulos & Storey (2019) found that the £245 million of taxpayer money spent by the Wales Entrepreneurship Action Plan in the UK to increase entrepreneurship to stimulate economic development, was ineffective or had only short term effects. In 2016, other European countries such as Germany, Luxembourg France, Austria, Switzerland and Belgium, which have embraced entrepreneurship policy experience entrepreneurship rates below the EU28 average (Spasova et al., 2019).

However, there is a visible trend showing that the composition of new ventures in Europe has skewed towards ventures which contribute little to economic or social prosperity (Spasova et al., 2019). Countries such as the Netherlands have experienced significant venture creation in recent years but these have generally not met the expectations of policymakers (Conen & Schulze Buschoff, 2019; Economidou et al., 2018; Spasova et al., 2019). In line with this trend, the UK experienced a significant growth in entrepreneurship activity, but as a result of ventures that add little to macro-economic outcomes. Between 2001 to 2014, the UK experienced a 45 per cent increase in entrepreneurship to almost five million workers, at least 1.8 million of which were considered to be of the poorest quality (Fleming, 2017). Bennett (2019, 236) highlights that UK "House of Commons (HC) Work and Pensions Committee (2017) reports that part-time self-employment grew by 88 per cent from 2001 to 2015, compared to 25 per cent for full-time self-employment".

Mühlböck et al. (2018) finds that European's have also created new ventures after the Great Recession and in response to efforts to promote entrepreneurship, not because they have found opportunities to exploit or because they believe in their own skills, but for lack of other income earning options.[36] Nikolaev et al. (2018) highlights that in 2014, Germany's ratio of opportunity to necessity entrepreneurs was similar to those of some developing countries (e.g. Uganda). In terms of macro-level impacts, since 2014 until 2019, the European Union GDP has hovered around 2 per cent, unemployment fell to 6.7 per cent (2019) and the employment rate reached 73 per cent (2019) (Eurostat, 2020).[37] These results indicate that the GDP and employment targets set in the Europe 2020 strategy of 3 per cent and 75 per cent respectively (European Commission, 2010), have largely remained unrealised.

It is noteworthy that in his seminal work, North (1990, 90) acknowledges that throughout history, "[s]ometimes, indeed frequently, policies had unintended consequences". It is possible, therefore, that entrepreneurship policy initiatives and interventions attempting to promote entrepreneurship have also produced unintended consequences. For example, removing barriers to entrepreneurship by reducing start up costs has been found to produce

[36] Mühlböck et al. (2018) refer to these individuals as no-opportunity-no-skills entrepreneurs (i.e. nons-entreprenurship).

[37] This data is based on the EU-27. It excludes the impact of COVID-19 on GDP and the United Kingdom (the United Kingdom left the European Union on 31 January, 2020).

unanticipated problems, such as encouraging more entrepreneurship which adds little value (Darnihamedani et al., 2018; Mühlböck et al., 2018; Sobel, 2008).

Much of the impetuous for entrepreneurship policy stems from the expectation that it will provide some solution to Europe's structural unemployment problem and in turn, benefit economic growth (European Commission, 2013; European Commission, 2015). One significant and popular intervention is tied to active labour market reforms (Buffart et al., 2020; Mühlböck et al., 2018). These reforms change labour institutions on the premise that it will encourage unemployed individuals to find work and/or allow businesses to meet their resource needs (see discussion in section 4.4.2, above). Admittedly, when an unemployed individual creates a new venture they are creating their own job, and possibly jobs for others, which can potentially contribute to economic growth (Dvouletý & Lukeš, 2016; Thurik et al., 2008). New ventures can create jobs for family members and friends (Ferraro & Marrone, 2016; Morris, Neumeyer, Jang & Kuratko, 2018; Olson, Zuiker, Danes, Stafford, Heck & Duncan, 2003). They can provide individuals better work-life balance and greater job fit (de Jager, Kelliher, Peters, Blomme & Sakamoto, 2016) and greater work satisfaction (Millán, Hessels, Thurik & Aguado, 2013). Entrepreneurship may even provide a stepping stone into employment (Millán et al., 2012; OECD/ European Union, 2017). New ventures can also be attractive for individuals seeking to find employment in a business that is seen to be supportive and has an appealing vision (Moser, Tumasjan & Welpe, 2017).

Ostensibly, creating one's own job or using entrepreneurship as a stepping stone into standard employment can seem valuable for individuals who are experiencing barriers to the labour market. In particular, migrant entrepreneurship is seen as a viable option over unemployment because it can provide a source of income, build social and human capital, develop opportunities and jobs for other migrants, and enable potential social and economic mobility (OECD/European Union 2017; Zhou, 2004). Refugee women who experience multiple labour market barriers have been found to experience financial and personal benefits from entrepreneurship (van Kooy, 2016). Yet, migrant entrepreneurship largely occurs out of necessity due to prevailing structural inequalities embedded in the labour market (Ma, Zhao, Wang & Lee, 2013; Ram, Jones & Villares-Varela, 2017). This suggests that entrepreneurship activity can simply be hiding institutional contexts which promote labour market disadvantages and legitimise precarity, placing individuals at greater risk of exploitation and stigmatism, especially if they cannot or do not meet entrepreneurial ideals (Caraher & Reuter, 2017). Acs et al. (2016a, 37) argues that rather than focusing on "inefficient allocation of talent to entrepreneurship" it would be much more positive for governments to focus on reforms that encourage transitioning immigrants into jobs they are educated and more skilled for.

In their recent analysis of the macroeconomic impact of active labour market programmes Laffineur et al. (2017) finds that individuals are simply pushed into entrepreneurship out of necessity which does little to mitigate the unemployment problem. Individuals entering entrepreneurship from unemployment are more likely to exit and either enter paid work or unemployment again (Kautonen & Palmroos, 2010; Millán et al., 2012), although they experience a performance gap over the longer term (Caliendo et al., 2020). In contrast, Millán, Congregado & Román (2014) found that when entrepreneurs do persist in their activities, they are likely to become job creators over time, although the authors acknowledge that such a conclusion is tenuous given reliance on constructed parameters and the period of analysis.

Pushing unemployed individuals into entrepreneurship has been characterised as a form of "welfare substitution" where individuals are pushed out of the welfare or social security system into entrepreneurship because financial support becomes tied to venture creation (Du & O'Connor, 2018, 104). In Finland, for example, start-up grants replace unemployment benefits to encourage newly unemployed workers to enter entrepreneurship (Laffineur et al., 2017). The "bridging allowance" is a similar programme which operates in Germany and is complemented with subsidies that can be used to cover an entrepreneur's initial operating costs (Dvouletý & Lukeš, 2016; Laffineur et al., 2017).

Barriers faced by individuals moving into entrepreneurship from unemployment, such as lack of business and social networks, lack of employment experience, severe credit constraints and lack of confidence, result in ventures that produced lower income, lower innovation, and lower levels of growth which reduce chances of survival (see Caliendo et al., 2015). Entrepreneurs with lower and moderate wealth positions, which is usually the case for unemployed individuals, are more likely to experience limited growth and less likely to employ others (Frid, Wyman & Coffey, 2016). Over time, it is more probable that "job losses from the exit of unsuccessful new firms exceed the growth in the remaining successful firms" (Åstebro & Tåg, 2017, 69).[38] An overreliance on these new, necessity motivated ventures to fuel economic growth, has the potential to reduce the total number of jobs in the economy. This can create a vicious cycle – when there are fewer jobs available, there is increased likelihood that more and more new ventures are created out of necessity for work (Quadrini, 2009). In the Netherlands, de Vries, Liebregts & van Stel (2019) finds that the annual turnover (i.e. income) of necessity entrepreneurs is consistently lower than those of individuals pulled into entrepreneurship to pursue opportunities. Using German data, van Stel et al. (2018, 115) finds "that it is primarily start-up conditions of necessity entrepreneurs that explains their (permanent) lower earnings". Necessity entrepreneurship, therefore, represents "a poor replacement for labour market opportunities as far as well-being is concerned" (Larsson & Thulin, 2019, 922).

Even in circumstances where people voluntarily leave paid employment because they are pulled into entrepreneurship, there is arguably no macro-level

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[38] Established business ventures tend to create more highly skilled and desirable jobs (Kuhn, Malchow-Møller & Sørensen, 2016).

benefits to the employment rate because "there is no new net job creation, only a reshuffling of work" (Acs et al. 2016a, 45-46). One form of wage is simply substituted for another (Shane 2009; Åstebro & Tåg, 2017). The majority of entrepreneurs tend to be financially worse off than those in paid employment. Acs et al. (2016a, 40) contends that the "evidence represents a stylized empirical fact that has been hard to disprove; that most people are economically better off staying employed rather than becoming an entrepreneur". What is often not explicitly mentioned is that as individuals move into entrepreneurship they risk losing access to all forms of social benefits, and protection afforded to employees (e.g. Spasova et al., 2017). This raises concerns about the social impacts of the way in which entrepreneurship policy has been operationalised.

In addition to suboptimal performance, ventures created to move individuals out of unemployment do not tend to produce higher job satisfaction or greater commitment. Vegetti & Adăscăliţei (2017) investigates the effects of the economic crisis and entrepreneurship activity within the European Union and concludes that pushing unemployed individuals into entrepreneurship creates mostly unmotivated, dissatisfied entrepreneurs with limited potential for success. In particular, ventures created out of necessity rarely improve an individual's overall wellbeing (Binder & Coad, 2013; Larsson & Thulin, 2019). Overall, it seems the entrepreneurship emerging typifies a precarious form of work because it provides no guarantee of success or sustainable income.

Policymakers are taking note. The European Commission adopted entrepreneurship policy with a clear expectation that it will promote a certain type, or quality of new venture – those which create jobs, contribute to economic growth and foster social cohesion (e.g. European Commission, 2013). The available evidence suggests the results of entrepreneurship policy has fallen short of expectations. As a result, the priority for OECD and European Union has slowly shifted towards how to avoid trapping individuals into low-productivity and precarious work (OECD/ European Union, 2017). It is becoming clear that entrepreneurship is not suitable for everyone and that simply expecting entrepreneurship to solve structural problems does not mean the expectation will be met. The challenges for Europe are heightened by the realisation that measuring the macroeconomic impacts of entrepreneurship are technically difficult because of measurement challenges (e.g. Henrekson & Sanandaji, 2020), and effects can be indirect and interdependent, making it difficult to identify causal effects (Block et al., 2017). The nature of the relationship between entrepreneurship and economic growth is complex and multifaceted (Figueroa-Armijos & Johnson 2016; Urbano et al., 2019). The complexity raises concerns that a direct link between entrepreneurship and economic growth has and continues to be largely assumed rather than proven (Acs, Autio & Szerb, 2014).

Furthermore, the global economic shocks and structural changes since the 1990s have reduced the overall ability of entrepreneurship to create jobs in the long term, even in environments historically more open to entrepreneurship, such as the USA (Bassetto et al., 2015; Carree, Congregado, Golpe & van Stel, 2015). This situation is exacerbated by entrepreneurship policy, especially when it targets certain groups and unemployed individuals who tend to create ventures that are small and likely to fail (Millán et al., 2014; Nyström, 2020; OECD/European Union, 2017). Designating entrepreneurship as the vehicle for solving the unemployment problem in Europe may have unintentionally shifted the structure of the labour market towards precarious, short term and unsustainable work (e.g. Tammelin, 2019).

Another important yet unintended implication of entrepreneurship policy has been the re-orientation or reframing of entrepreneurship from a bounded activity to a career. Schumpeter (1934, 78) states that entrepreneurship is "not a profession and as a rule, not a lasting condition". It seems a career can *begin* in entrepreneurship but will eventually morph into management of an existing business: entrepreneurship could represent the *beginnings* of a career, unless there are multiple attempts at starting new ventures. Similarly, the influential work of Carree & Thruik (2010, 565) states that "entrepreneurship is not an occupation and that entrepreneurs are not a well defined occupational class of persons". Notwithstanding, entrepreneurship as a career and occupational choice has become an important theme within entrepreneurship research and institutional theory (Burton et al., 2016; Urbano et al., 2019) and promulgated by the European Commission (European Commission, 2013). The risk is that certain individuals can become trapped in poor quality careers over their working lives as they continually start new ventures out of necessity (since they are likely to fail).

Moreover, promoting entrepreneurship for unemployed individuals and target groups has potentially distorted occupational choice by creating adverse selection problems, and job and skills mismatching (e.g. Acs et al., 2016a). Inefficient allocation of resources can prolong economic and societal problems (OECD/ European Union, 2017). By the late 2000s, researchers were already suggesting that neither economic or social problems can be solved by encouraging unemployed or large numbers of individuals into entrepreneurship (Parker, 2009; Shane, 2009).

Furthermore, underlying entrepreneurship is the assumption that individuals engage in entrepreneurship by making deliberate, self-determined and rational choices (Schumpeter, 1934). Institutionally pushing individuals to choose between survival or poverty, removes individual autonomy and agency and seems to represent the antithesis to economic freedom principles. Fleming (2017, 703) argues that the promise of individual freedom in entrepreneurship is flawed when "[o]ne cannot truly express individuality, self-reliance and choice when desperately dependent on an unequal power relationship". The ideal of "entrepreneurial self" where the individual takes personal responsibility for economic and social outcomes is not only unattainable but in the absence of support produces multiple vulnerabilities and precarity (Caraher & Reuter, 2017). This is exacerbated by a loss of access to social safety nets (Spasova et al., 2017).

In an attempt to overcome Europe's economic and social challenges, it seems that entrepreneurship policy and related institutional changes have not brought about the intended outcome. The type of entrepreneurship activity and potential misallocation of human capital into a mismatched "career" are considered problematic (e.g. Acs et al. 2016a; Mühlböck et al., 2018).

Entrepreneurship policy has changed how Europeans work and the support available to them. The economic and social costs in the longer term may exceed any short term benefits. What the unintended consequences of entrepreneurship policy signify is that closer consideration of the type of entrepreneurship manifesting within the Europe Union is warranted. By exploring the type of entrepreneurship activity manifesting, not only can policymakers determine the implications of past policy actions but also identify ways to recalibrate towards better outcomes. The next sections explores the type of entrepreneurship activity Europe needs.

6 RETHINKING ENTREPRENEURSHIP POLICY

"It is widely accepted that an ''entrepreneurial'' country does not simply mean that there are more entrepreneurs"
(Acs et al., 2016b, 530)

A feature of the evolution in entrepreneurship research and policymaking is a recognition that not all types of entrepreneurship are the same. In their analysis of how entrepreneurship affects national efficiency, Du & O'Connor (2018, 92) argue that "blind naivety about how the forms of entrepreneurship influence and affect an economy may lead to, at best, wasteful or, at worst, harmful unintended consequences for any particular economy". The institutional context in Europe has been changed by entrepreneurship policy and examining the implications provides an opportunity to reflect on the type of entrepreneurs and entrepreneurship activity that has developed, and what is needed to support economic and social advancement. This is discussed below.

Institutional theory posits that the ventures created by entrepreneurs "are created with purposive intent in consequence of the opportunity set resulting from the existing set of constraints" (North, 1990, 5). In their meta-analysis of entrepreneurship research and institutions, Urbano et al., (2019, 24) highlight that "institutions may encourage or hinder entrepreneurship by providing an appropriate environment or by imposing barriers". The discussions in the previous sections suggest that the institutional context created within Europe has constructed a bias towards entrepreneurship motivated by necessity, especially when emphasis is placed solely on promoting more venture creation regardless of type or quality.

Since the mid-2000s, researchers have cautioned that simply encouraging more entrepreneurship is insufficient for alleviating economic and societal challenges (e.g. Acs et al., 2016b; Henrekson & Sanandaji, 2020; Urbano et al., 2019; Wong, Ho & Autio, 2005). In their recent analysis of entrepreneurship policy focused on innovation, Audretsch et al. (2020) highlights the value and role of policy in determining entrepreneurial outcomes. In his seminal work, Shane (2009, 141) begins by asserting that "[p]olicy makers believe a dangerous myth. They think that start-up companies are a magic bullet that will transform depressed economic regions, generate innovation, create jobs, and conduct all sorts of other economic wizardry". Research also suggests that a given context has an estimated, optimal level of entrepreneurship and developed nations cannot simply rely on greater volumes of entrepreneurship to grow (Prieger, Bampoky, Blanco & Liu, 2016; van Praag & van Stel, 2013; van Stel, Wennekers & Scholman, 2014).

Given the efforts and significant implications for the economy and the lives of individuals, Acs et al. (2016a, 49) argues that "[f]or policy interventions aimed at stimulating entrepreneurship to be warranted, there should be evidence of the need for more entrepreneurs, evidence of harm to society from the undersupply of entrepreneurs, and evidence that policy interventions can correct the problem". The argumentation and conclusions in Shane (2009) highlight the importance of recognising entrepreneurship heterogeneity and encouraging a different approach to entrepreneurship policy in Europe. Acknowledging entrepreneurship heterogeneity can guide European policy towards initiatives and interventions that might better harness the human capital of its citizens. As a starting point for exploring the issues surrounding heterogeneity, the next section considers who is defined as an entrepreneur in Europe.

6.1 Identifying Europe's entrepreneurs

"the literature is only beginning to build a consensus about how to measure entrepreneurial activity, what outcomes to expect from what types of entrepreneurial activity, and how to properly identify such effects"
(Bruns et al., 2017, 34).

To better understand the practical implications of entrepreneurship policy as it has unfolded in Europe, attention is increasingly turning towards the circumstances which are leading individuals to engage in entrepreneurship and what their activities entail. This section focuses on who is defined as an entrepreneur, and the implications of this for the economy and society. Ensuring the most advantageous type of entrepreneurship is cultivated is a challenging process and complicated by a lack of consensus around how to measure entrepreneurship activity, expected outcomes and their impacts (Bruns et al., 2017). Adding to the challenge is the realisation that even the identity of the "entrepreneur" within entrepreneurship literature remains contentious and problematic (Acs et al., 2016a; Nikolaev et al., 2018; Quadrini, 2009; Wiklund et al., 2011; Wiklund et al., 2019). The way entrepreneurs are identified for tax and administrative purposes also produces implications for the way in which many individuals carry out their economic activities and the social support they are offered (e.g. Spasova et al., 2017). The continuing debates and disparate ways in which entrepreneurs are defined and their implications, are discussed below.

6.2 Terminological ambiguity

"The term ''entrepreneurship'' apparently means different things to different people including scholars and thought leaders in business and policy alike"
(Audretsch et al., 2015, 704)

The following discusses how "entrepreneur" is defined. Despite the tremendous amount of attention placed on entrepreneurship, there still remains some confusion as to who actually qualifies as an entrepreneur. Sometimes, entrepreneurs are described as individuals possessing specific characteristics and attributes, so that the context in which they perform their activities becomes irrelevant. For instance, the seminal work of Shane & Venkataraman (2000) conceptualises entrepreneurship as relating to an individual's response to opportunity (i.e. recognition and exploitation). From this perspective, entrepreneurs are considered to be individuals who have an entrepreneurial mindset defined as "the ability and willingness of individuals to rapidly sense, act, and mobilize in response to a judgmental decision under uncertainty about a possible opportunity for gain" (Shepherd et al., 2010, 62). Such individuals can and are willing to operate under uncertainty, when probability of outcomes are unknown (Kerr, Nanda & Rhodes-Kropf, 2014). This perspective has evolved to suggest that there is an entrepreneurial logic, set of beliefs and behaviours displayed by "true" entrepreneurs regardless of the context in which they operate (e.g. Palmer et al., 2019; Read, Dew, Sarasvathy, Song & Wiltbank, 2009; Rauch et al., 2009; Sarasvathy, 2001).

However, in entrepreneurship policy-related research, context matters because it allows policy outcomes to be observed. As discussed in section 3.2, above, the objective of entrepreneurship policy is new venture creation. These ventures are the vehicles through which entrepreneurship activity unfolds. Even with this perspective, considerable ambiguity remains both within the literature and in practice as to who is carrying out entrepreneurship activity. The ambiguity surrounding entrepreneurship and entrepreneurs often result in diverse and sometimes contradictory conclusions (Audretsch et al., 2015). Inconsistent terminology within entrepreneurship research contributes to the uncertainty surrounding the identity of the entrepreneur (e.g. Audretsch et al., 2015). The disparate ways in which entrepreneurship is conceptualised, operationalised and measured can influence research outcomes (Chowdury et al., 2015; Henrekson & Sanandaji, 2020). Carlsson et al. (2013) argues this disparity results from the multidisciplinary nature of entrepreneurship.

Notwithstanding, the principal terminological impediment to consensus about the definition of "entrepreneur" is the proclivity by researchers and policymakers to use the terms "entrepreneur" and "self-employment" to represent the same activity (e.g. Acs et al., 2016a; Abreu, Oner, Brouwer & van Leeuwen, 2019; Dvouletý & Lukeš, 2016; European Commission, 2018; Nikolaev et al., 2018; Segal et al., 2005). Some researchers argue that it is inappropriate to equate entrepreneurship and self-employment because the former is tied to innovation, growth and a particular skillset required to exploit opportunities in any context (e.g. Casson 2010; Ireland, Covin & Kuratko, 2009; Neessen et al., 2019), but not the routine tasks which are often attributed to self employment (Henrekson & Sanandaji, 2020).

Others disagree. Welter, Baker, Audretsch & Gartner (2017, 317) argues that due to the heterogeneity emerging within entrepreneurship, "[w]e should not restrict ourselves to a singular meaning of entrepreneurship, but should instead fully embrace heterogeneity and differences" – this perspective captures anyone in self-employment. When considering the effects of entrepreneurship on economic growth, Bjørnskov & Foss (2013, 57) acknowledges that self-employment may not be an ideal measure of entrepreneurship, but reiterates that entrepreneurship theory is "fundamentally about deploying resources to new uses in the pursuit of profit under uncertainty, and all self-employment would seem to be entrepreneurship in this sense". Self-employment, or operating a new business, therefore represents the simplest form of entrepreneurship activity (Blanchflower et al., 2001; Burke et al., 2019).

From a labour economics perspective, which influences much of economic theory and policy, self-employed individuals are considered entrepreneurs. The occupational choice theories embedded in labour economics conceptualise entrepreneurship as activities undertaken outside of standard employment agreements and underpins much of the historical understanding of the role of entrepreneurship within the economy and society (Bjørnskov & Foss, 2016). Accordingly, the recent joint OECD/ European Union report defines entrepreneur as "[a] person (business owner) who seeks to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets" (OECD/European Union 2017, 234). Individuals with employment contracts are excluded from being entrepreneurs as they are not business owners.

However, in practice, the propensity to equate entrepreneurship with self-employment is necessary to provide a comprehensive means of measuring such a complex activity as well as aiding comparability (Audretsch, 2003; Abreu et al., 2019; Henrekson & Sanandaji, 2018; Carree et al., 2015). This practical reality is reflected in highly regarded journals (e.g. Entrepreneurship: Theory and Practice, Journal of Business Venturing, Small Business Economics) that publish research specifically equating self-employment with entrepreneurship (e.g. Abreu et al., 2019; Armour & Cumming, 2008; Bae et al., 2014; Berkhout, Hartog & van Praag, 2016; Millán et al., 2013; McMullen et al., 2008; Román et al., 2013; Thurik et al., 2008). The European Commission's own study of entrepreneurship within the European Union was focused on total levels of new business venture creation and equates entrepreneurship with self-employment (European Commission, 2015).

Despite the challenges, quantity-based metrics such as self-employment and new business venture creation provide the best measure of entrepreneurship (Henrekson & Sanandaji, 2020). Measuring entrepreneurship with the variable "self-employment" is also considered better able to capture entrepreneurship activity (i.e. venture creation) within the whole economy rather than in specific sectors (Del Monte & Pennacchio, 2019). The GEM database, recognised as an authoritative data source, considers entrepreneurs as any individual who starts any kind of new business venture because they can be entrepreneurial in a variety of ways (Bosma & Kelley, 2019). Total [early-stage] entrepreneurship activity (TEA) is a prevalent measure of entrepreneurship in research and includes nascent entrepreneurship (i.e. any and all individuals in the process of setting up a business) and owner-managers (i.e. any and all individuals owning and managing a young business) (e.g. see Bosma et al., 2018; Bosma & Kelley, 2019; Urbano et al., 2019).

Adding to the confusion and ambiguity is the way in which terminology is used by non-academics and in popular culture. With increased promotion of entrepreneurship as a viable and sometimes preferable career option, the term "entrepreneur" is neither neutral nor always used to genuinely differentiate between different forms of economic activity. Instead, the term "entrepreneur" has become a label that is better able to garner government support and societal interest than the term "self-employed" because in the current institutional context, "entrepreneur" has been constructed to represent a more exciting, dynamic, aspirational and worthy pursuit (McKeown, 2015; Zahra & Wright, 2016).

The implications of a lack of distinction between entrepreneurs and self-employed individuals by researchers and policymakers is that despite the expectation that entrepreneurship has greater potential and macroeconomic influence than self-employment, any individuals working outside of paid employment, is considered an "entrepreneur" because ostensibly, they have the autonomy, independence and ability to (re)define their work and take on risks for the potential of profitable returns (Baumol et al., 2007; Henrekson & Sanandaji, 2011; Millán et al., 2013; Reynolds et al., 2005). Such a practical approach for identifying entrepreneurs may not seem problematic. If "entrepreneur" is the more palatable term for individuals it may encourage individuals to engage in entrepreneurship rather than seek employment which may stifle their self-determination to engage in valuable, entrepreneurial activity – ideals aligned with principles of economic freedom. It may also provide an attractive option for individuals how have difficulty accessing the labour market.

However, what is often overlooked is the implications of entrepreneurship for people of working age. Individuals described as "entrepreneurs" are not subject to standard labour laws or protection (Buschoff & Schmidt, 2009; OECD/ European Union, 2017; Spasova et al., 2017). As more data becomes available, the implications of entrepreneurship policy and identifying all individuals outside of standard employment as "entrepreneurs" is raising concerns about the emerging trends in working life. What is also raising concerns is the status of Europe's social model, and its role in mitigating the risk of poverty and inequality for Europe's entrepreneurs. These issues are examined below.

6.2.1 New standards for working life

"The policy debate in a number of countries centres on how to encourage entrepreneurialism and associated forms of self-employment as a way to boost innovation and job creation. In these debates, support for self-employment is often linked to discussions about new ways of working and living"
(Eurofound, 2017, 3)

One of the most prevalent changes in working life relates to emerging work arrangements associated with entrepreneurship policy. This section explores the impact of deregulation and labour market reform and their links with term "entrepreneur. In practice, entrepreneurs are individuals in self-employment, or those working outside of standard work arrangements (e.g. Spasova et al., 2017; Spasova et al., 2019). Changes in the labour markets affect working life and have multiple influences (see European Commission, 2016a) and labour related regulatory changes cannot be wholly attributable to entrepreneurship policy. At the same time, the influence of an observable shift in entrepreneurship policy initiatives from emphasising investment and support to economic freedom including labour freedom, cannot be overlooked.

Labour freedom initiatives linked to entrepreneurship policy intend to free up entrepreneurial capacity (see section 4.4.2). Conventionally, high levels of labour regulation are seen as a disincentive to entrepreneurship activity as well as a greater administrative burden and cost to entrepreneurs who needed access to labour for growth (e.g. Parker, 2009). To encourage more entrepreneurship, institutional labour reforms linked to economic freedom have seen the erosion of employment protections (e.g. dismissal protection, restrictions on fixed-term contracts, centralised wage setting, unemployment protections, sickness benefits), generosity and coverage of unemployment benefit for all citizens, and intensified active labour market and welfare reforms (Codagnone, et al., 2018).

However, Herrmann (2019, 10) contends that "one should keep in mind that the [associated] regulation – or deregulation – of labour and financial markets does not chiefly serve the purpose of stimulating entrepreneurship. Regulated institutions have broader societal aims, so that their deregulation has broader effects which are societally undesirable". For instance, to exploit the opportunities afforded by changes in labour regulations, some employers have forced and coerced workers to create new ventures through which to perform their work (OECD & European Union, 2017; Román, Congregado & Millán, 2011; Román et al., 2013; van Stel et al., 2014). These individuals, who are often employed by larger businesses, create new business ventures and take on the risks of entrepreneurship to avoid unemployment (Kautonen, Down, Welter, Vainio, Palmroos, Althoff & Kolb, 2010).

Such employers effectively "transfer [the] costs, risks and responsibilities to the workers and to circumvent collective contributions agreements, labour laws, payroll taxes and social security" (European Commission, 2018a, 68). As a result, "[t]he boundaries between self-employment and paid employment are blurring. Many self-employed workers, especially those who depend on one client, find themselves in a situation that resembles that of employees in terms of economic dependence and autonomy" (Eurofound, 2017, 2). These individuals are generally classified as "involuntary" self-employed because they are "often effectively "forced" into becoming a subcontractor" (Kautonen et al., 2010, 113). This is also linked to the term "refugee effect" which occurs when individuals who are not interested in entrepreneurship as a career, are pushed into it (e.g. Vegetti & Adăscăliței, 2017).

Consequently, a multitude of new forms of work have emerged in Europe, including interim management, job sharing and ICT-based mobile work which are reliant on individuals working through their own business venture (Brodolini, 2018; Spasova et al., 2017). More recently, many solo entrepreneurs are engaged by companies who control digital platforms which connect supply with demand, such as Uber (European Commission, 2018a; ILO, 2017). Many of these workers are set up as solo entrepreneurs and described in various ways, including owner-managers, self-employed without employees, own-account workers, dependent or fake self-employed and involuntary self-employed (e.g. Millán et al., 2014; OECD/European Union, 2017; Spasova et al., 2017). Another emerging term within the literature is "new self-employed" which attempts to capture individuals selling their labour in ways that may resemble typical employment but fall outside of standard employment arrangements (e.g. Conen & Schulze Buschoff, 2019).

Individuals who are not legally employees but perform the same work under the guise of solo entrepreneurship (see section 6.2.2, below), essentially perform the same services as employees but at lower overall cost (Eurofound, 2017; OECD/ European Union, 2017; Román et al., 2011). This type of arrangement also undermines the position of employed individuals who are at risk of being replaced by low cost workers (OECD/ European Union, 2017). Such arrangements are generally accompanied by long working hours and health issues – the poorest conditions experienced by dependent self-employed individuals who "rely on one or two clients and therefore tend to enjoy few of the advantages of employment (e.g. social security protection), few of the advantages of self-employment (e.g. task diversity) but all of the disadvantages that are associated with self-employment (e.g. low income, financial insecurity, long working hours)" (OECD/ European Union, 2017, 29). Protests by pilots at a popular European airline forced to create ventures through which they could continue carrying on their economic activities, highlights the real dangers of worker exploitation at all skill levels and the shortcomings of relying on more venture creation to indicate entrepreneurship policy success (Fleming, 2017).

The particularly problematic outcomes of new forms of work and entrepreneurship policy is how an individual's labour is categorised. The contractual form of labour arrangements is the determining factor. Because occupational choice theories which underlie the studies of entrepreneurship, consider the form rather than substance of contractual agreements, an individual can be categorised as an "entrepreneur" irrespective of their activities, as long as they are not subject to a formal employment contract and their work occurs through some form of administrative set up, undertaking or venture (Kautonen et al., 2010; Reynolds et al., 2005). Such arrangements suggest that individuals are autonomously making rational choices to create new ventures but if an individual is pushed into entrepreneurship, there is arguably no rational choice and no real job creation (see discussions in section 5.2, above).

Contractual arrangements which transform "employees" into "entrepreneurs" simply categorise individuals as entrepreneurs for tax and administrative purposes, and represents an increasingly precarious, low quality form of work (OECD/ European Union, 2017). For instance, these entrepreneurs are taxed as employees but do not receive the same amounts or ability to access to social protection because they fall outside of employment laws (Caraher & Reuter, 2017; Eurofound, 2017; Kautonen et al., 2010). These implications and this restructuring of economic and labour markets has raised interest in social protection (Spasova et al., 2019), although considering the impacts of welfare, or social protection for citizens, remains almost entirely absent from entrepreneurship research (Bjørnskov & Foss, 2016).

Another major disadvantage of viewing workers in non-employment contractual arrangements as entrepreneurs is the impact of unequal power structures can be overlooked (see Fleming, 2017). Recall from 4.3, that North (1990) highlights the role of power structures in determining the "rules of the game". North (1992, 5) reiterates that, "formal rules are created to serve the interests of those with the bargaining power to create rules". The same occurs when setting wages or payment for work. When labour markets are characterised by increased competition and reduced unionisation, wage setting becomes precarious and disconnected with hours worked, reducing the bargaining power of the worker (Christiano, Trabandt & Walentin, 2011). Bargaining power cannot be ignored. The vast majority of entrepreneurs are subject to competitive pressures, lack wage setting ability and access to protections, such as unemployment benefits (see Eurofound, 2017). These competitive pressures are not wholly positive and will be explored further in section 9.1 below.

Focusing on the changing nature of work and the intersection with entrepreneurship policy, Europe has seen a rise in solo entrepreneurship where an individual works through a venture and has no employees. This phenomenon is considered below.

6.2.2 The rise of solo entrepreneurship

"there have been some changes in the nature of self-employment in the European Union" (OECD/ European Union, 2017, 27)

Within the European Union, the proportion of solo entrepreneurs has increased dramatically – "[t]here were 19.0 million solo self-employed workers in 2002, accounting for 65.8% of the self-employed, and...20.0 million in 2016, accounting for 71.5% of the self-employed. This increase in solo self-employment is significant because these businesses are less innovative and contribute less to productivity growth" (OECD/ European Union, 2017, 27). As highlighted in the preceding discussions above, of particular concern is solo entrepreneurship occurring out of necessity. Necessity solo entrepreneurs are most likely to experience poorer work conditions (ILO, 2017), and are at greater risk of poverty and financial insecurity (Eurofound, 2017; Spasova et al., 2017). The five-year survival rate of solo entrepreneurs is on average, below 50 per cent (OECD/ European Union, 2017) and can range from 30 to 60 per cent (European Union, 2018). In contrast, entrepreneurs with employees are expected to survive longer (Millán, Congregado & Román, 2014a).

Solo entrepreneurship can be motivated by both opportunity and necessity (e.g. Braunerhjelm & Henrekson, 2013). Some solo entrepreneurs create ventures that may eventually become small businesses, such as the local hairdresser, and possibly create jobs for others (Åstebro & Tåg, 2017; Millán et al., 2014a). In some limited circumstances in Germany, solo entrepreneurship has been found to be relatively profitable for certain individuals, such as those who hold only a high school graduation certificate (Sorgner, Fritsch & Kritikos, 2017). The challenge to Europe's entrepreneurial ambitions is that many solo entrepreneurs do not generally seek to grow or employ others (Van Stel & de Vries, 2015). Most do not have the ability, resources or institutional support to create jobs for individuals other than themselves and only an insignificant number evolve into more established ventures that are more likely to employ others (Åstebro & Tåg, 2017). Even in the USA which is considered one of the most entrepreneurial nations, over the last 40 years solo entrepreneurs have lost the ability to create jobs and have experienced decreases in average income (Carree et al., 2015). Solo entrepreneurship is generally considered a less desirable form of entrepreneurship activity as its potential for creating economic or social value is limited. This is especially the case when levels deviate from the optimal levels within an economy (van Stel et al., 2014).

The discussions about Europe's entrepreneurs, terminology and implications for individuals highlights how the current institutional context has been unable to produce the entrepreneurial Europe envisioned by policymakers. There is increasing recognition of the unintended consequences arising from institutional change (e.g. economic freedom), including a bias towards necessity and solo entrepreneurship. Reforms which encourage entrepreneurship for unemployed individuals are increasingly receiving criticism (Buffart et al., 2020). Part of the challenge is the conceptualisation of the "entrepreneur" and the classification of individuals outside standard employment contracts as entrepreneurs. Treating individuals outside of standard employment contracts as entrepreneurs and including the new ventures they create in official data gathering by governments and empirical researchers, suggests that entrepreneurship policy has met expectations. With more data becoming available however, greater focus is now being placed on disentangling the increasing heterogeneity amongst entrepreneurs to determine where value can be created – this is linked with the concept of quality of entrepreneurship.

The following sections consider how the trajectory of entrepreneurship policy given Europe's current institutional context could be redirected towards the goals of the Europe 2020 strategy and the Entrepreneurship Action Plan. To begin this discussion, attention first turns to the idea that Europe requires more quality entrepreneurs and attempts to define what "quality" actually means.

7 QUALITY ENTREPRENEURSHIP

"It is important to consider both the quantity and quality of entrepreneurship because not all entrepreneurship contributes equally to economic activity" (Chowdhury et al., 2019, 52)

The implications of entrepreneurship policy initiatives for Europe's entrepreneurs and entrepreneurship activity are only now becoming clear because of their lagged effects (European Commission, 2016). Policymakers are beginning to appreciate that simply calling individuals entrepreneurs or encouraging certain individuals into entrepreneurship to increase rates of venture creation do not necessarily produce desirable outcomes, such as sustainable ventures that create jobs and contribute to wellbeing (e.g. OECD/ European Union, 2017). The following discussion examines how the literature determines what type of entrepreneurship is beneficial to the economy and society.

When the objective of entrepreneurship policy is focused on new venture creation, it can overlook the effects of different forms of entrepreneurship. Overlooking different types of entrepreneurship activity can hide their incremental contribution to macroeconomic outcomes (Du & O'Connor, 2018; Henrekson & Sanandaji, 2020). Ambiguity surrounding entrepreneurship and entrepreneurs often result in diverse and sometimes contradictory conclusions (Audretsch et al., 2015). Ignoring entrepreneurship heterogeneity can distort the outcomes of research because some entrepreneurship can be advantageous while other types of entrepreneurship can have negative impacts (Acs, 2016; Baumol, 1990; Henrekson & Sanandaji 2018; Nikolaev et al., 2018; Parker, 2009). The ability of institutions to support quality entrepreneurship (rather than just quantity) is essential for fulfilling entrepreneurial ambitions (e.g. Stenholm et al., 2013). It is the role of policymakers to determine whether their focus is on the quantity or quality of entrepreneurship and configuring the institutional contexts accordingly (Antony et al., 2017). Research can inform these decisions.

Until common definitions of "entrepreneurship" and "entrepreneur" are agreed within the literature, it may be beneficial to consider entrepreneurship heterogeneity to distinguish between types of economic activity which occur outside of standard employment, and their impacts. The highly influential work of Wong et al. (2005, 344) concludes that "only certain activities and functions of entrepreneurs may stimulate growth" but at aggregated levels of analysis "we are not able to distinguish between these different roles of the entrepreneurs". Instead, to understand the macroeconomic impacts of entrepreneurship for policy positioning, heterogeneity focuses attention towards marginal contribution (e.g. Du & O'Connor, 2018; Morris, Neumeyer & Kuratko, 2015; Shane, 2009).

A better understanding of the institutional drivers of different types of entrepreneurship can also help direct attention towards institutions and reforms which can drive more beneficial, high quality entrepreneurship (Chowdhury et al., 2015; Harbi & Anderson, 2010; McMullen et al., 2008;

Román et al., 2013; Shane, 2009; Schillo et al., 2016; Valdez & Richardson, 2013). Accounting for heterogeneity can also support better comparative analysis between contexts and approaches to entrepreneurship policy (Terjesen et al., 2016).

Sound research can inform institutional reconfiguration, and as entrepreneurship research evolves, it creates an opportunity to assist with fulfilling Europe's entrepreneurial ambitions by supporting a strategic rethink of the approach to entrepreneurship policy. Researchers and policymakers can collaborate and explore interventions that not only encourage more beneficial forms of entrepreneurship but also potentially unwind or override some of the unintended consequences of prior interventions. To this end, the focus of research and policy can become the type of entrepreneurship which is most beneficial. Currently, the literature often makes reference to "quality entrepreneurship". As an abstract, theoretical concept it has little relevance to research, policymaking or practice. The research identifies one conceptualisation around quality entrepreneurship which can be measured in two distinct ways. The following section discusses this in more detail.

7.1 Defining quality entrepreneurship

"...there are a variety of roles among which the entrepreneur's efforts can be reallocated, and some of those roles do not follow the constructive and innovative script that is conventionally attributed to that person"
(Baumol, 1990, 894)

Identifying and promoting beneficial types of, or quality entrepreneurship, can stimulate economic and social benefits. The preceding section indicates that while entrepreneurs are expected to demonstrate more theoretically-aligned, policy ideals (e.g. profit-seeking, innovative, opportunity driven) such as the founders of Aldi (Germany), Angry Birds (Finland) and Skype (Sweden), they can also include individuals working as independent professionals such as interim managers working on short term projects and platform workers (e.g. Uber drivers, ICT workers). In practice, entrepreneurship covers an extensive range of activities. Some activities add little to the economy, society or the individual, while others of better quality, contribute to economic growth and job creation. This section examines how entrepreneurship that adds to the economy and society is defined.

Entrepreneurship research has gradually shifted away from simply examining total entrepreneurship activity, towards exploring heterogeneity and avenues for promoting quality entrepreneurship. As a high level measure of quality, "productive entrepreneurship" has gained traction (e.g. Acs et al., 2018; Antony et al., 2017; Bjørnskov & Foss, 2016; Bosma et al., 2018; Burke et al., 2019). The concept of productive entrepreneurship was introduced in the seminal work of Baumol (1990), which argues that entrepreneurial outcomes will significantly differ according to the prevailing institutional context. When institutions promote entrepreneurship that contributes to both the economy and society rather than purely rent-seeking behaviour (i.e. non-productive) or at worst destructive behaviour, it is deemed productive.

Non-productive and destructive entrepreneurship provide no mutual benefit because the process of wealth transfer between individuals is impaired (e.g. wealth is accumulated by an individual) or wealth is destroyed (Baumol, 1990). When the benefits of entrepreneurship activity are only private and personal, with very little spillovers or redistribution to the wider economy or society, entrepreneurship becomes undesirable (Acs et al., 2016a; Baumol et al., 2007). The negative outcomes of destructive entrepreneurship spill over to the wider economic system and reduce collective welfare (Box, Gratzer & Lin, 2020). While there is consensus that a return for taking on risk to exploit profitable opportunities is a useful and necessary motivator for entrepreneurship (e.g. Acs et al., 2016a), excessive wealth accumulation at the expense of others (e.g. exploitation of employees, adverse effects on the environment) is not (Antony et al., 2017; Baumol & Strom, 2007; Collins et al., 2016; Zahra & Wright, 2016).

In contrast, productive, value-adding activities create economic value and increase total wealth (Baumol, 1990). Baumol et al. (2007, 104) characterise productive entrepreneurship activities as those that "expand the pie or total output". Productive entrepreneurship is seen as creating sustainable, inclusive and innovation led growth, encouraged by institutions which direct individual effort and resources towards exploiting opportunities that create sustainable ventures which also produce benefits to society (Bosma et al., 2018; Baumol, 1990; Economidou et al., 2018). Prior to the drive for more entrepreneurship, there was some recognition that for entrepreneurship to be a value-adding, policymakers and entrepreneurs must consider that effective exploitation of profitable opportunities need to be balanced with benefits such as reduced waste, improvements in macroeconomic performance, increased levels of productivity and welfare gains for the entire population (Baumol & Strom, 2007).

Therefore, productive entrepreneurship is considered to be better quality entrepreneurship. It is more aligned with the entrepreneurial Europe envisioned by policymakers because of its potential to deliver economic and social gains. To encourage the best quality entrepreneurship, institutions should aim "to build societies where it is more promising to be an entrepreneur who creates value than an entrepreneur who transfers value" (Campbell & Mitchell, 2012, 186). According to institutional theory, encouraging quality entrepreneurship requires risk-reward structures that avoid rewarding only rent-seeking behaviour because it is unlikely to produce socially desirable outcomes – instead, institutions must reward and support more productive forms of entrepreneurship (Antony et al., 2017; Audtrech & Thurik, 2000; Baumol, 1990; Baumol, 1993; North, 1990). Even Schumpeter did not advocate entrepreneurship with the sole objective of becoming rich (Henrekson & Sanandaji, 2020). Considering broader outcomes and benefits rather than purely financial objectives (e.g. economic, environmental and social considerations) can allow a broader set of relevant and acceptable outcomes for society to unfold (Herrmann, 2019; Zahra & Wright, 2016).

For more developed economies, productive entrepreneurship is considered crucial for economic and social prosperity (Abdesselam et al., 2017; Bosma et al., 2018; Prieger et al., 2016). While advanced economies have the ability to cushion against some of the impacts of poor equality entrepreneurship due to their relative efficiency (Prieger et al., 2016) a shift towards poor quality entrepreneurship, as has occurred in Europe, can be counterproductive. A bias towards necessity entrepreneurship is linked with poverty and unemployment as well as a state's failure to perform its basic functions for society (Amorós, Ciravegna, Mandakovic & Stenholm, 2019). Such a context provides little opportunity for individuals to engage in quality entrepreneurship. A sobering point for consideration is that the majority of entrepreneurship in developing countries results from necessity and traps entrepreneurs in a persistent cycle of poverty perpetuated by their institutions (Botta, 2017). A bias towards poor quality entrepreneurship is associated with inefficient economies that lack appropriate entrepreneurial opportunities, and can explain why developing countries which tend to have many entrepreneurs remain impoverished (Du & O'Connor, 2018).

Therefore, an imperative for Europe to ensure that any shift towards entrepreneurship that entraps rather than empowers individuals, is curtailed. Measuring productive entrepreneurship can be challenging and the next section considers how productive, or quality entrepreneurship is measured.

7.2 Quality: The contentious allure of innovation

"Our theories and the questions we treat as interesting in this regard are strongly shaped by the valorization of the sages of Silicon Valley and by the presumption that these "gazelles," or more recently, "unicorns"—new ventures valued at a billion dollars or more—represent both the pinnacle and the primary goal of entrepreneurship" (Welter et al., 2017, 312)

Based on the review of literature, institutional theory posits that a society's institutional configuration informs the activity of its citizens and influences economic performance. It follows that for entrepreneurship to be beneficial, entrepreneurship policy must encourage venture creation of a certain quality – that is, entrepreneurship that is productive. Quality entrepreneurship is expected to provide beneficial outcomes for the economy, individuals and society. Policymakers are recognising that promoting quality entrepreneurship can also help unemployed individuals, women, migrants and youth create sustainable ventures can increase their income, living standards and wellbeing, as well as make a greater contribution to aggregate economic performance (e.g. OECD/European Union, 2017). This section considers one way in which this type of productive, or quality entrepreneurship is defined.

The highly influential work of Baumol et al. (2007) suggests that productive entrepreneurship can take two forms: innovative and replicative. Schumpeterian entrepreneurship is generally accepted as being characterised by the former, which involves risk-taking, creative disruption of the status quo, and innovation (Baumol, 1993; Schumpeter, 1912; Schumpeter, 1934). The seminal work of Shane (2009) where quality entrepreneurship was defined as innovative, argues that encouraging anything other than innovative entrepreneurship is "bad public policy". In theory, innovative new ventures are expected to grow and increase the possibility of sustainable economic growth and job creation (Carree & Thurik, 2010; European Commission 2010; Schumpeter, 1934; Shane, 2009; Urbano et al., 2019; Wennekers & Thurik, 1999). Interventions promoting innovation "aim primarily to increase the number of technology-oriented start-ups (including spin-offs from R&D activity) and to stimulate the growth path of higher-growth potential firms" (Lundström & Stevenson, 2005, 143). The appeal and notion of innovative entrepreneurship has significantly influenced entrepreneurship policy (Audretsch et al., 2020).

When innovation is used to proxy for quality entrepreneurship, the approach is often referred to as the "Silicon Valley model of entrepreneurship" (Welter et al., 2017, 312). Expectations are that productive capacity will increase when innovations result in new products and services or new and improved approaches to existing processes and products, (Baumol et al., 2007; Schumpeter, 1934). The expected result is improved economic and social outcomes (Audretsch et al., 2020). Consequently, some measures of entrepreneurship *only* focus on innovation and growth, suggesting that these ventures represent "real" entrepreneurship (Reynolds et al., 2005) and include only billionaires such as Bill Gates (Henrekson & Sanandaji, 2018). Taking this approach produces a bias for greater attention towards and investment in highly visible technology firms and activities in the more obvious regions, like bigger cities (McCann & Ortega-Argilés, 2015; Pahnke & Welter, 2019).

Some studies go further and narrowly define quality entrepreneurship as involving ventures which are radical innovators (Baumol et al., 2007). Radical innovation is often connected with a puritanical view of Schumpeterian entrepreneurship and argues that "real" entrepreneurship is undertaken only by ventures described as "gazelles" and "unicorns" which are seen as having potential for extraordinary growth and an assumed, inherent ability to generate economic benefits (Acs et al., 2016a; Autio & Rannikko, 2016; Dilli et al., 2018; Welter et al., 2017). In whatever form, high-profile innovative ventures are conventionally presented as *the* solution for economic and social problems, regardless of any possible unproductive consequences (Aghion, 2017).

However, Wiklund et al. (2019, 423) contends that while overall living standards may have, on average, improved over the last 40 or more years, they "are accompanied by extensive inequality of incomes and wealth, including many entrepreneurs becoming billionaires". They question the propriety of the extraordinary wealth accumulation of billionaire entrepreneurs (e.g. Gates, Jobs, Bezos, Zuckerberg), when these gains are acquired through means which produce significant negative exogeneities and dysfunctions. Eurofound (2018, 10) finds that "online global providers are likely to take a very significant share of the market, with potentially damaging effects in terms of market competition and inequality".

When only certain individuals or organisations benefit from entrepreneurship, it can compound rather than reduce economic and social problems (Baumol, 1990). For example, when entrepreneurial profits are not distributed evenly, instead of reducing inequality entrepreneurship may actually create it (Nikolaev et al. 2018; Parker, 2009; Quadrini, 2009). It is possible that "[i]nequality motivates entrepreneurs to take greater risks and enter new markets that generate substantial wealth for themselves, but this can lead to an even wider gap between the rich and the poor" (Nikolaev et al., 2018, 261). Evidence within both the OECD and European Union, indicates unequal dispersion of wealth and benefits from innovation and economic growth, can trap low-skilled people with poor access to opportunities in low-productivity, precarious jobs (OECD/ European Union, 2017).

Any benefits radical innovators can produce also tend to be erratic and uneven. Innovative ventures are both difficult to establish and likely to fail (Buffart et al., 2020). Baumol et al. (2007, 90) contend that "[r]adical innovations and the changes they spawn have a tendency to come in waves, accompanied by much disruption over an extended period of time, with many losers and just a few winners". Innovative ventures add volatility to the economy because "radically innovative ventures not only grow more strongly, they also fail more frequently" (Dilli et al., 2018, 316). The process of rapid growth and rapid decline can destabilise economies. Innovators can destroy jobs, displace workers, create poor quality jobs and exert monopsony power[39] over their less protected supply chains (Baumol et al., 2007; Fleming, 2017; Morris et al., 2015).

Furthermore, what some contemporary discussions about Schumpeter's work has highlighted, but remains often overlooked, is that the entrepreneur's disruptive and innovative solutions are expected to come at minimal social cost (e.g. Ebner, 2006). Schumpeter argues that the "exchange economy is not only oriented towards the needs of consumers, but it also takes into account the *means* [emphasis added] that allow demand to unfold " (Schumpeter, 1912, 80). When an economy is dynamic and developing, the overall effect should be beneficial and that with the "rise of entrepreneurial profit and interest, wages and rents rise too" (Schumpeter, 1912, 97). Entrepreneurs and workers are partners where "from the entrepreneurs a steady improvement of the situation of the workers originates" (Schumpeter, 1912, 104). Entrepreneurship is not just about getting rich (Henrekson & Sanandaji, 2020).

Therefore, Schumpeter suggests that ideally entrepreneurship encourages demand and ultimately benefits the economy and society as a whole. Active entrepreneurs pursuing opportunities purchase the labour and other inputs required for their activities at reasonable cost and distribute their profits appropriately. When economics was less reliant on financial markets (i.e.

[39] This power arises in situtions where there is "a single buyer confronted in a market by many sellers" (Ashenfelter, Farber & Ransom, 2010, 203).

more commodities focused), economic models expected value creation which would then be distributed to stakeholders – to shareholders in the form of dividends, and to workers in the form of higher real wages, stable employment and career opportunities (Botta, 2017). In this case, profits are a means to an end rather than the ultimate goal of entrepreneurship activity (Ebner, 2006). In contrast, financialisation of markets is focused on share market speculation rather than value creation and was found to have contributed to the Great Recession in 2008 (Botta, 2017).

Notwithstanding, many "innovative" entrepreneurs become celebrities who are praised for their ingenuity and wealth (e.g. Elon Musk). Baumol (1990, 897-8) asserts that at least from the beginning of the 1900s, it was known that "[i]f entrepreneurs are defined, simply, to be persons who are ingenious and creative in finding ways that add to their own wealth, power, and prestige, then it is to be expected that not all of them will be overly concerned with whether an activity that achieves these goals adds much or little to the social product or, for that matter, even whether it is an actual impediment to production". Many wealthy individuals face few constraints and are pulled into entrepreneurship simply to enjoy non-pecuniary benefits (e.g. higher self esteem or independence) rather than create productive ventures (Hvide & Møen, 2010). Changing institutions can help limit and discourage such rent-seeking behaviour (Antony et al., 2017).

Encouraging only "innovators" or "radical innovators", and rewarding them for increasing their own profits and improving their own standing in society, can lead to dysfunction. Campbell & Mitchell (2012) draws attention to the example of an innovative use of a legal laws and loopholes that allow an individual to profit but at a cost to competitors and customers. Instead, attention could be better placed on the many hidden champions, who though market leaders, are largely unknown but contribute significantly to economic and social prosperity by creating jobs and maintaining sustainable ventures (Lehmann, Schenkenhofer & Wirsching, 2019; Pahnke & Welter, 2019). In their extensive review of innovative entrepreneurship, Block et al. (2017) recommends that focusing on the number and quality of jobs created can better identify productive entrepreneurship.

There are also practical problems in supporting quality entrepreneurship by focusing solely on innovators. Significantly, researchers and policymakers define "innovative start-up" in a myriad of ways. In their review of innovative policy initiatives from around the world, Audretsch et al. (2020, 2) finds "a lack of systematic understanding of the different criteria and approaches used to define innovative start-ups and how these relate to the idiosyncrasies of such firms and the policy rationales behind their support". To support innovative or potentially high-growth ventures, policymakers must not only identify them but also understand how they function and anticipate their needs – any misconceptions and taken for granted assumptions about the sources of innovation, financing, growth patterns and location of high growth potential firms can distort policy priorities (Audretsch et al., 2020; Buffart et al., 2020; Norrman & Bager-Sjögren, 2010). Implicit assumptions such as universities as a major source of high growth ventures, or that innovative firms are always young and small, predominately focused on high-tech, backed by venture capital, and that their growth is linear, rapid and sustained over the long term, can lead to misconceptions that impact funding and other policy decisions (Brown et al., 2017). When measures of innovative entrepreneurship are ambiguous or applied inconsistently, erroneous conclusions can be made (Henrekson & Sanandaji, 2020).

Moreover, the inability to predict which ventures will contribute to economic growth (Bjørnskov & Foss, 2016) and which ventures will survive or grow after their creation (Coad, Frankish, Roberts & Storey, 2016) make it difficult to link institutions, innovative entrepreneurship and economic growth. When analysing a financial support programme in Sweden, Norrman & Bager-Sjögren (2010) highlights the difficulties in attempting to determine which firms to allocate resources (e.g. funding) and concludes that randomised choice would have been just as effective as picking successes. Without hindsight, identifying ex-ante, the trajectory of new ventures or attempting to determine who will successfully develop and commercialise innovations is almost impossible (Autio & Rannikko, 2016; Bjørnskov & Foss, 2016; Morris et al., 2015). Even knowledgeable and experienced investors are experimenting with their funding allocations, until they eventually realise a return on their investment (Kerr et al., 2014).

Betting on technology or high-growth firms to create value from entrepreneurship can be problematic because their performance is not guaranteed. Some seemingly profitable opportunities can fall flat because their viability and problems only appear once explored (Casson, 2010). In their extensive review of studies examining innovative entrepreneurship, Block et al. (2017) found that there was no conclusive evidence that entrepreneurs identified as being innovative were subsequently successful. Lehmann et al. (2019, 361) asserts that while some success can possibly be replicated, "[t]he overwhelming success of the Silicon Valley model of entrepreneurship in generating, financing, and scaling up of unicorns (IT giants like Google (Alphabet), Amazon, or Facebook) is not carved in stone". Even use of big data techniques and machine learning are unable to predict high growth firms, or gazelles because there are factors that cannot be predicted (Coad & Srhoj, 2019). Potential entrepreneurs are themselves unable to predict their own future earnings or outcomes (Berkhout et al., 2016). Instead, entrepreneurs who are considered high potential or innovative, *and* willing to learn are more likely to succeed (Buffart et al., 2020). Put in economic terms, "innovation manifests itself as a fundamentally uncertain event, on which it is often impossible to build up any reliable probability distribution" (Botta, 2017, 286).

To foster economic growth and effectively facilitate entrepreneurial innovation, institutional contexts must consider that innovation is not exclusive to certain ventures (Audretsch et al., 2020) and take a longer term perspective about successful entrepreneurship (Lindholm-Dahlstrand, Andersson & Carlsson, 2019). In reality, most entrepreneurs who contribute to the economy and society are not innovators and only small percentage (about 1 per cent) engage in technological innovation (Shane, 2009; Wong et al., 2005; Welter et al., 2017). By focusing on only a small segment of entrepreneurial activity which can offer no guarantee of success or societal benefits, presents a limited view of productive entrepreneurship. Allocating vast amounts of resources and betting on a narrow segment of the population to fuel economic growth and prosperity appears misdirected because it ignores the potential of the vast majority of entrepreneurship activity (e.g. Botta, 2017; Herrmann, 2019; Welter et al., 2017). For an entrepreneurial economy to function properly, all forms of productive entrepreneurship are considered necessary (Lehmann et al., 2019; Minniti & Lévesque, 2010). If innovation is to flourish and fuel economic and social prosperity, it requires a supportive and balanced ecosystem (Brown & Mason, 2017) not betting on the promise offered by a few "winners".

Therefore, research suggests that shifting the focus of policy priorities away from promoting *only* what is considered as innovative entrepreneurship to promoting more productive, sustainable forms of entrepreneurship can be more beneficial and better aligned with Europe's entrepreneurial ambitions. Entrepreneurship that has the potential to stabilise the economy, open up opportunities for innovation, grow over time and add to collective wellbeing would be much more productive and desirable.

One other frequent way of defining quality entrepreneurship is opportunity entrepreneurship and this is discussed below.

7.3 Quality: Opportunity for growth and prosperity

"When analysing the self-employed as one group, we may be neglecting what people in general mean by entrepreneurship: a disruptive and innovative force that produces new equilibria. Arguably, the group of opportunity entrepreneurs come much closer to this theoretical ideal " (Larsson & Thulin, 2019, 924)

Quality entrepreneurship has also been defined with reference to opportunity entrepreneurship, and is the focus of this section. Entrepreneurship motivated by opportunity is considered to have specific, intrinsic characteristics in terms of its ability to create jobs, impact economic growth and generate innovation (Acs, 2006; Aparicio et al., 2016; McMullen et al., 2008; Morris et al., 2015). Opportunity entrepreneurship is largely self-determined and transpires when individuals are "pulled" into entrepreneurship to exploit opportunities which they perceive to be valuable and beneficial in some way (see section 4.4.3). Motivations to engage in entrepreneurship have been related to institutional context. Fuentelsaz, González & Maicas (2019, 20) finds that the "highest opportunity entrepreneurship rates are observed in countries where the rules of the game (formal institutions) are well defined, culture and society values (informal institutions) greatly affect the process of business creation through their moderating effect on formal institutions".

Recall that Baumol et al. (2007) describes two forms of productive entrepreneurship: innovative and replicative. Opportunity seeking behaviour is seen as creating value – whether than be from replicative or innovative opportunity-seeking (Collins et al., 2016). Entrepreneurs can also transition from replicative to innovative (and vice versa) when their environment facilitates exploitation of appropriate opportunities. As discussed in section 3.2, entrepreneurship can be viewed as a process. In this case, individuals can engage in entrepreneurship and potentially develop some innovation in their products, markets or ways of doing business over time and throughout their entrepreneurial journey. While not initially innovative, entrepreneurs may develop incremental innovation as they progress (Herrmann, 2019). Just as Schumpeter (1912) argues that innovation is a consequence of economic development, not the cause, a more constructive approach to identifying quality entrepreneurship could be to consider innovation as one *consequence* of quality entrepreneurship activity, rather than its cause.

Therefore, entrepreneurial ventures may include elements of imitation but when motivated by opportunity, entrepreneurship is more likely to be associated with innovation, profitability, value creation and less sensitivity to macro-economic factors (Acs, 2006; Morris et al., 2015; Reynolds et al., 2005). The influential work of McMullen et al. (2008) argues that opportunity driven entrepreneurship is more aligned with Schumpeterian entrepreneurship because it is associated with innovation. Entrepreneurs focused on pursuing profitable opportunities are also more likely to innovate because they intend to survive (Baumol, 1993). New ventures with a greater chance of survival can help the economy and society prosper. Overall, opportunity entrepreneurs are more likely to create ventures that survive increasing the chances of creating jobs and wealth (Cabrer-Borrás & Belda, 2018). As economic prosperity increases there is a higher likelihood that more individuals will engage in opportunity entrepreneurship (Braunerhjelm & Henrekson, 2013; Lippmann, Davis & Aldrich, 2005). This can produce a virtuous cycle of economic and social development through opportunity entrepreneurship.

When opportunity entrepreneurs are able and motivated to exploit opportunities, they will engage in entrepreneurship even when the institutional context is not perfectly geared towards fulfilling all their requirements, and often leave employment to do so (e.g. McMullen et al., 2008; Read et al., 2009). An institutional context promoting opportunity entrepreneurship facilitates an already existing willingness to engage in entrepreneurship and provides the impetus for action (Gohmann, 2012; Vegetti & Adăscăliţei, 2017; Bae et al., 2014). When individuals choose to pursue their own entrepreneurial ambitions, they are more likely to enjoy greater job satisfaction and individual wellbeing (Blanchflower et al., 2001; Larsson & Thulin, 2019; Millán et al., 2013). Greater work satisfaction, however, can come with reduced leisure time as efforts are put into operating the business (van der Zwan, Hessels & Rietveld, 2018).

Even solo entrepreneurship, with its challenges, (see section 6.2.2 above), can become to productive. Many ventures that are established to exploit opportunities are started by solo entrepreneurs (e.g. see Braunerhjelm & Henrekson, 2013). When seeking to exploit opportunities, entrepreneurs, even those starting solo, can eventually grow, innovate and build the capacity to employ others (Carree & Thurik, 2010; Coad, Nielsen & Timmermans, 2017; Millán et al., 2014a; Van Stel & de Vries, 2015). Entrepreneurial innovation and profits are not immediate and accrue over time (Morris et al., 2015). In this case, the description of the "typical entrepreneur" in Shane (2009) as having no employees, working in relatively mature and competitive industries (e.g. trades, professional services), with no desire for growth or likelihood of innovation may not necessarily be a static condition. If, as the research suggests, institutions can be adjusted appropriately, then even "typical" entrepreneur could feasibly transition their activities to quality entrepreneurship over time.

In contrast, necessity entrepreneurship is considered to be of poor quality because it contributes least to economic, societal and individual prosperity. Section 5.2 outlines some of the implications of necessity entrepreneurship such as a lack of job creation, sustainable income or improved well-being. Active labour market reforms that encourage entrepreneurship for unemployed individuals are increasingly receiving criticism (Buffart et al., 2020). Irrespective of the reason for necessity entrepreneurship (e.g. obliged by employer; sale/closure of own or family business; unemployment), these ventures are associated with persistent but significantly lower entrepreneurial earnings as compared with opportunity entrepreneurship (van Stel et al., 2018). Necessity entrepreneurs may persist in their activities, not necessarily because they are viable or profitable but for reasons of founder loyalty and sunk costs (Acs et al., 2016a) or a lack of other employment alternatives (Failla, Melillo & Reichstein, 2017). Currently, necessity entrepreneurship is least likely to be the source of innovations (Darnihamedani & Hessels, 2016) and tend to follow a cost-driven, rather than innovation-driven strategy (Block, Kohn, Miller & Ullrich, 2015).

Accordingly, opportunity entrepreneurship is increasingly becoming recognised as an accepted and legitimate measure of quality entrepreneurship within the literature (e.g. Chowdhury et al., 2019; Mohammadi Khyareh, 2017; Valdez & Richardson, 2013). Taking all these findings into consideration, the review turns to exploring the next steps for entrepreneurship policy in Europe. Preceding this however, is a short reflection of what has so far been revealed from the literature review.

7.4 A brief reflection and way forward

The preceding sections outline the background to Europe's appetite for entrepreneurship, the operationalisation of entrepreneurship policy and related institutional changes, as well as their impacts. The review also highlights the challenges faced by entrepreneurship researchers in measuring and defining some of the core elements associated with entrepreneurship.

The overarching outcome of the review, so far, has been a realisation that for entrepreneurship to fulfil its potential for Europe, there needs to be a break away from the current approach to entrepreneurship policy. Linked with this, is the observation that growing consternation by researchers and policymakers about the sometimes destructive and adverse effects of promoting entrepreneurship fashioned on assumptions underlying economic freedom and

Silicon Valley models of entrepreneurship. These observations from the literature suggest that to fulfil the ambitions of an entrepreneurial Europe, a recalibration away from the current institutional context and trajectory is needed to promote more quality (i.e. productive, opportunity-driven) entrepreneurship. In addition, to maximise benefits for Europe's economy and society, adjustments to institutions must attempt to steer individuals occupied in poor quality entrepreneurship towards high quality entrepreneurship activity. To increase opportunity entrepreneurship, formal institutions must reflect this intention (Fuentelsaz, González, Maícas & Montero, 2015).

In the following sections, this study examines and considers existing research exploring what institutional adjustments might help Europe fulfil its entrepreneurial ambitions.

8 CONTEXTUALISING ENTREPRENEURSHIP POLICY

"policies aimed at stimulating necessity-type entrepreneurs should not be similar to those stimulating opportunity-type entrepreneurs" (van der Zwan, Thurik, Verheul & Hessels, 2016, 289)

In their attempt to capture debates about the merits and challenges of entrepreneurship policy, prominent entrepreneurship researchers Acs et al., (2016a, 36-37) summarise their experiences as this: "Reviewing established evidence, we find that most Western world policies do not greatly reduce or solve any market failures. Instead, the evidence suggests that they waste taxpayers' money, encourage those already intent on becoming entrepreneurs and mostly generate one-employee businesses with low-growth intentions and few opportunities for meaningful economic innovation". Campbell & Mitchell (2012, 193) suggests that the "role of the entrepreneurship policy researcher is to help explain why current policy exists, from among the universe of possible real (as opposed to ideal) policies, and...seek feasible ways to limit the scope of potential unproductive or destructive entrepreneurship and expand the scope of potential productive entrepreneurship".

To understand how European policymakers might change institutions to recalibrate towards more quality entrepreneurship, the following section first reviews research considering the context in which entrepreneurship policy decisions have been made within Europe.

8.1 The incompatibility of a US-approach to entrepreneurship

"researching entrepreneurship in its contexts is not only about recognizing the complexity and diversity of the phenomenon and its contexts for theory and methodology as such, but it is also about listening to each other and recognizing contributions outside the mainstream debate"
(Welter, 2011, 178)

Supporting quality entrepreneurship is challenging, especially when well intentioned policy initiatives produce unintended consequences. It is useful to acknowledge the influences on Europe's entrepreneurship policy choices since such decision makers are not immune to the context in which they operate (see section 4.3). The following examines the influences on entrepreneurship policy in Europe.

Much of the research influencing Europe's entrepreneurship policy has relied on underlying assumptions, theories and concepts dominated by Anglo-Saxon academics (mainly from the UK, USA and Canada) which contains specific research traditions, ideologies and assumptions that can differ from those in Europe (Meyer et al., 2014). Welter & Lasch (2008) discusses the importance of grounding entrepreneurship research in a national context and concludes that considering differences in academic approaches between countries and regions (e.g. Europe versus USA) can provide access to a more diverse range of concepts and methods, which go beyond focusing solely on overarching norms within a specific context. Contextualising research is important because it provides a useful foundation for exploring phenomena, developing research questions, identifying appropriate variables for consideration and their linkages, as well as generally increasing the quality of research (Zahra et al., 2014).

Context also significantly impacts policy decisions and their impacts (Baumol et al., 2007). For instance, adopting the US approach of seeing migrants as ethnic resources, versus the European approach which aims to combine social and economic elements, influences entrepreneurship policy initiatives aimed at migrants (Ram et al., 2017). Zahra (2007, 447) argues that "[a] change in the research context can alter theory predictions in important and interesting ways". Similarly, Heinonen et al. (2010, 1,170) contend that it is "necessary to become more sensitive to emerging developments and possible routes to future economic wellbeing, just as it is crucial to finding the best possible policy-making approaches to each situation, location and time in question rather than aiming at universal optimal policy models".

The dominance of the USA approach to entrepreneurship policy and research stems from it being perceived as having a legacy of innovation and venture creation (Carlsson et al., 2013). In the 1970s, to create a US "Entrepreneurial State", the government shifted responsibility for innovation away from the public sector to the private sector and entrepreneurs, but what is not often discussed, is that it occurred at the expense of reduced value creation and increased inequality (see Botta, 2017). References to American ingenuity and entrepreneurial drive which is frequently attributed to economic freedom and competitive markets, overlooks the significant government funding which occurred prior to the 1970s and the role this played in providing the groundwork for US innovation (Botta, 2017; Parker, 2009).[40] The competitive, free markets which are driven by higher levels of economic freedom and argued as being essential for unleashing entrepreneurial vision and action may in reality, not actually exist (Kerr et al., 2014).

Notwithstanding, the appearance that free markets and entrepreneurial drive as being the source of great innovation in the USA and that any results were economically and socially productive, these perceptions have influenced research and policymaking. The US-style approach to entrepreneurship has produced theories and perspectives arguably based on the actions of a narrow

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[40] In the 1950s and 1960s US public institutions invested heavily in entrepreneurship activity (Botta, 2017).

set of entrepreneurs, particularly those in Silicon Valley (Pahnke & Welter, 2019; Welter et al., 2017). For instance, some researchers suggest that successful entrepreneurship should only reflect the activities of billionaires because they are seen as engaging in the best quality entrepreneurship (e.g. Henrekson & Sanandajli, 2018). The result is an unrealistic presumption that ultra-innovative entrepreneurship represents the experiences of all entrepreneurs and that their outcomes are the primary and ultimate goal of all entrepreneurship activity (see section 7.2). US-inspired entrepreneurship policy is closely tied to ideals of economic freedom and premised on the popular, theoretical notion that inequality spurs economic growth through competition and entrepreneurialism (Baker & Powell, 2016; Botta, 2017). The expectation is that intense competition exerts the necessary pressure for individuals to strive for survival, which in turn induces productivity and innovation (e.g. Lee et al., 2020; Parker, 2009).

However, higher levels of inequality is more likely to push more individuals, including those who would otherwise be likely to engage in quality entrepreneurship, into necessity entrepreneurship (Lippmann et al., 2005; Xavier-Oliveira, Laplume & Pathak, 2015). For entrepreneurship to be of value, it cannot be a forced or a last resort for income (Gries & Naudé, 2011). According to the International Monetary Fund (IMF), inequality undermines growth and economic development and equalising income distribution does not hamper growth, except in extreme cases (Ostry, Berg & Tsangarides, 2014). In Sweden, a country not considered to exemplify principles of economic freedom, almost 90 per cent of entrepreneurs are opportunity driven and therefore, of higher quality (compared with 75 per cent in the USA) (Braunerhjelm & Henrekson, 2013).

Furthermore, the impact of a social model of economic functioning which includes social protection, is largely ignored and devalued in US-based research because initiatives such as public health insurance system are not generally relevant to the US context (see Fossen & König, 2017). Even back in 2000, the highly influential work of Audretsch & Thurik (2000) argued that in a knowledge-based entrepreneurial economy Europe's social model *is* compatible with competition and economic growth. This suggests an alternative narrative to the virtues of US-influenced notions of economic freedom and reduced social protection – one where there is a possibility of mutually beneficial economic and social policies which can promote Europe's vision of economic growth and social cohesion. Similarly, the seminal work of Estevez-Abe, Iversen & Soskice (2001) argues that social protection, rather than being a hindrance to economic activity, prevents market failures by supporting skills formation and therefore becomes a source of competitive advantage. In particular, unemployment benefits can help individuals find work which better matches their skills as well as encourage investment in skills formation (Estevez-Abe et al., 2001).

In contrast to the USA, the European institutional context has been constructed on the basis of a social model which combines economic growth with high living standards and good working conditions (see European Commission, 2017a). The pressure to remain competitive in the global market and the rise of the US-approach entrepreneurship, persuaded European policymakers to consider ways of leveraging the European region's historical advantages (e.g. strong institutions, a highly educated and skilled labour force, world-class research facilities and innovative problem-solving) to increase entrepreneurship (Audretsch, Thurik, Verheul & Wennekers, 2002). Europe's competitive advantage was seen to arise from the ability of its citizens to create economic activity from creativity and new ideas, with no need to compromise its social model (Audretsch & Thurik, 2000). When comparing the Silicon Valley model of entrepreneurship to a more European (in particular German) approach, Pahnke & Welter (2019, 346) found that it represents "everyday entrepreneurship because of its diversity, its value- and long-term orientation, and its contributions beyond a pure economic focus on wealth and job creation". There is a viable argument that a more realistic representation of entrepreneurship activity which is distinct from the Silicon Valley model can form a vibrant segment of the economy, with competitive, innovative, and growth-oriented ventures.

Nevertheless, persistent attempts to emulate the US-style entrepreneurial state, has reproduced some of the undesirable features of the US economy within Europe, including greater income inequality (e.g. Baumol et al., 2007; Halvarsson, Korpi & Wennberg, 2018). In Europe, a Silicon Valley "focus on radically innovative entrepreneurship is also problematic because it neglects the comparative institutional advantage that continental European economies offer to incrementally innovative start-up firms" (Herrmann, 2019, 332). Increased labour market freedom and related changes to welfare institutions have also been associated with creating more poor quality entrepreneurship in Europe (Caraher & Reuter, 2019; Codagnone, et al., 2018; Laffineur et al., 2017). The next section focuses on the taking a more Euro-centric approach to entrepreneurship.

8.2 A European-centric approach to entrepreneurship

As discussed in section 4.4, institutional changes were introduced to promote entrepreneurship. The Europe 2020 strategy laid out the roadmap for Europe's advancement. While not widely discussed in most mainstream entrepreneurship research, underlying the Europe 2020 strategy is the fundamental European idea of Europe's social contract with Member States and their citizens. Zeitlin & Vanhercke (2018, 155) reiterates that "[t]he Europe 2020 Strategy, adopted in 2010, was designed to have a stronger social dimension, compared to the preceding Lisbon Strategy, which had focused primarily on growth and jobs after its 2005 relaunch". In the mid-1990s, as entrepreneurship policy gained popularity, the European Commission had declared that "[s]ocial protection represents a fundamental component and a distinguishing feature of the European model of society" providing more stability and security for enhancing productivity (European Commission, 1997, 9). Far from being viewed as a hindrance to economic advancement, social protection has been globally recognised as a productive factor which can foster growth and competition (Arjona, Ladaique & Pearson, 2002; European Commission, 1997;

European Commission, 2016; ILO, 2005). The European Commission has stated that "ensuring appropriate safety nets in line with European values, social policy should also be conceived as a *productive factor* [emphasis added], which reduces inequality, maximises job creation and allows Europe's human capital to thrive" (European Commission, 2016, 2). Even labour reforms in the early 2000s, were designed to meet economic goals in a way that attempted to maintain a commitment to Europe's social model (Bekker, 2018).

However, as early as in the 1990s, European Union social policymakers were raising concerns that the fiscal and budgetary goals set by certain actors could take precedence over social priorities (Zeitlin & Vanhercke, 2018). The need for accountability and governance over initiatives emanating from the Europe 2020 strategy, was a moot point to the civil society sector whose role is to focus on social issues. Civil society organisations lobbied for greater accountability and transparency to ensure principles in the Europe 2020 strategy were upheld (Istituto per la Ricerca Sociale (IRS), 2016). Much of the debate centred around the risk that the push for flexible labour markets would come at the expense of maintaining security and protection for workers (Bekker, 2018). While the European Commission was able to draw some attention to the Europe 2020 strategy's social dimensions, various factors such as power dynamics, austerity, discontent within the European Union and no sanctions against non-compliance and competing priorities, made enforcing them problematic (Bekker, 2018; Zeitlin & Vanhercke, 2018). It became clear that institutional players and policymakers were working within a system of vested interests.

North, the father of institutional theory was clear about the potential for vested interest – he states: "Institutions are not necessarily or even usually created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to devise new rules" (North, 1990, 16). The tension between the Europe's social model and a US-influenced approach to entrepreneurship seem to have resulted in unintended, negative consequences for Europe. Instead of fulfilling hopes of stimulating innovation and growth through opportunities and entrepreneurship, a deregulated economic system has produced societal inequalities and instability (Dilli et al., 2018). For instance, more flexible working arrangements often hailed as an advantage of entrepreneurship have affected working life (see section 4.4.2, above) impacting the financial, physical and mental wellbeing of individuals, in addition to doing little to enhance labour market choices of individuals (Fleming, 2017; Misuraca et al., 2017).

After the impact of the Great Recession – even before the impacts of entrepreneurship policy were fully realised – the European Commission had started to turn its attention to rebalancing greater flexibility with the social security of its citizens (Bekker, 2018). There is now growing recognition that complementary efforts are needed to reduce problems such as social and financial exclusion emerging from the way in which entrepreneurship policy has unfolded in Europe (e.g. European Union, 2018; OECD/European Union, 2017). Implications of the high costs of failure for entrepreneurs have also been highlighted as an issue to consider (Ucbasaran et al., 2013). The assumption that social protection remains intrinsically a limit to entrepreneurship activity in the European Union is also losing substance (e.g. Elert, Henrekson & Sanders, 2019).

Accordingly, based on the review undertaken, this study suggests that in order to promote quality entrepreneurship within Europe, the focus must shift back to the European context and align with its social model. The European social model comprises a fair social protection system (Spasova et al., 2017). To recalibrate towards quality entrepreneurship which is associated with economic growth and social cohesion, and to leverage the benefits of Europe's social model, this study recommends introducing social protection as a complementary institutional mechanism. Complementary institutional mechanisms can steer individuals towards quality entrepreneurship (Antony et al., 2017). In particular, this study recommends introducing social protection for Europe's entrepreneurs. The next section relies on the literature to define social protection and then explores its relevance to Europe's entrepreneurs.

9 SOCIAL PROTECTION IN EUROPE

> "entrepreneurial economies can benefit from properly constructed safety nets that shield some of the victims of change from its harsh impacts (without at the same time destroying their initiative to get back on their feet)"
> (Baumol et al., 2007, 91).

Social protection is inherent in Europe's social model and forms an important part of formal welfare institutions. As a stand alone topic, however, social protection does not feature prominently in entrepreneurship literature. Much of the research examining social protection is framed within social risk, poverty and social justice perspectives, and when their effects on entrepreneurship is examined, no specific definition of social protection is provided (e.g. Bennett, 2019; Caraher & Reuter, 2019; Conen & Schulze Buschoff, 2019). The following explores how social protection is defined.

The European Commission conceptualises social protection by reference to systems of social security, stating that it "can be provided through in-kind or in-cash benefits...generally provided through social assistance schemes that protect all individuals (based on their citizenship/residency and financed through general taxation) and through social security schemes that protect people in the labour market, often based on contributions related to their work-income. Social security includes several branches, covering a variety of social risks ranging from unemployment to illness or old age" (European Commission, 2018, 1). European Commission (2018a, 2) states that "social security serves to protect people against the financial implications of social risks, such as ill health, old age or job loss, and contributes to preventing and alleviating poverty and social exclusion. It also functions as a buffer during economic downturns by supporting domestic demand".

In Spasova et al. (2017)'s detailed analysis of social protection in the Europe Union for individuals outside of standard employment arrangements, there is no explicit definition of social protection. Instead, it outlines social risks (such as poverty, old age, unemployment, sickness and disability), and social protection provisions relating to working life: healthcare and sickness benefits; maternity and paternity benefits; old age and survivor's pensions; unemployment benefits and social assistance; long term care benefits; invalidity, accidents at work and occupational injury benefits; and family benefits. Social protection is described as being necessary when extenuating circumstances (e.g. sickness, unemployment, caring duties, incapacity, disability) result in an individual experiencing a temporary disruption to their work, or it ceases permanently (Spasova et al., 2017). From the explanations available, the aim of social protection seems to be to alleviate the impacts of extenuating circumstances, or exogeneities, on the ability of individuals to earn income.

The existence of a clear definition is not limited to academia. Global policymakers such as the United Nations (see Barrientos, 2010) and the World Bank state that "[a]mong different international institutions/agencies and national/local governments there is no consensus definition of [social protection]" (Jorgensen & Siegel, 2019, xii). For instance, the International Labour Organisation which sets global labour standards, however, states that "[s]ocial protection provides workers with income security in the transition between jobs, during periods of illness, disability, maternity, and retirement, as well as helps to compensate for low earnings and systems provide access to health care. Social protection usually include both contributory (social insurance) and non-contributory (tax-financed) schemes and programmes" (ILO, 2017, 7).

In circumstances when entrepreneurship research does consider social protection, it is generally tangentially and with regards to moving individuals from both employment and unemployment, into entrepreneurship. Focus is generally placed on measuring social security costs and employment protections for employees, represented by the welfare state, high taxes and large governments which are seen to limit economic freedom and impede entrepreneurship activity (e.g. Aidis et al., 2012; Baliamoune-Lutz & Garello, 2014; Bjørnskov & Foss, 2008; Bjørnskov & Foss, 2013; Henrekson, 2005; Parker, 2009). This dominant approach of considering social protection for employed individuals only, reflects an institutional legacy where social protection is related to an individual's labour market status and activity (Eurofound, 2017; European Commission, 2018). As entrepreneurship falls outside of standard employment arrangements, social protection is not clearly defined within entrepreneurship research and vary rarely linked with the activities of existing entrepreneurs.

Therefore, in addition to an absence of an clear definition of social protection, there is a scarcity of measures for "social protection for entrepreneurs". As the issue of social protection for individuals outside of standard employment, gains prominence some entrepreneurship researchers have attempted to clarify and define what social protection for entrepreneurs represents. Caraher & Reuter, (2019a, 212, Note 1) explains that "the term 'social protection' is sometimes used in a restrictive manner as a synonym for benefits...[but that they] use the term in a wider sense to capture the totality of legally enshrined social rights, benefits and systems of collectivised provision against social risks that are institutionalised in a welfare state". Rapp, Shore & Tosun (2018, 149) refers to "general social policies and unemployment insurance programmes for the self-employed". Similar to Spasova et al. (2017)'s point of reference, these definitions focus on managing social risks arising from extenuating circumstances, or exogeneities which limit or stop income-producing activity.

In line with existing research, this study considers social protection as relating to the mitigation of the social risks entrepreneurs, like any other worker, take on during their working life. This view is also aligned with a European-centric approach which suggests social protection is an investment in protecting workers (rather than a cost) against social risks because of their economic contribution. In the context of entrepreneurship policy and institutional theory, *social protection* can represent an institutional mechanism which provides a buffer and safety net against extenuating circumstances, or exogeneities which temporarily disrupt or permanently end the income-producing activities of entrepreneurs. When confronted with extenuating circumstances, or exogeneities, even the most promising entrepreneurial activities may be disrupted temporarily or cease permanently (Caraher & Reuter, 2017; Rossetti & Heeger, 2019). As with employees subject to standard work contracts, social protection for entrepreneurs does not represent an income substitution programme.

The next section explores the relationship between social protection and entrepreneurship policy. The discussion will then turn to the right and ability of European entrepreneurs to access to social protection.

9.1 Social protection and entrepreneurship

> "[the high degree of differentiation between employment statuses] fuels a permanent tension between, on the one hand, employment and entrepreneurship policies, largely targeting increasing labour market flexibility and fiscal optimisation to lower labour costs; and, on the other, social protection policies guaranteeing universal social rights (e.g. healthcare, family benefits) and adequate social benefits (pension, unemployment benefits)"
> (Spasova et al., 2017, 15).

Social protection is inherent in the European social model and there is growing recognition of the need to reconnect with this fundamental principles. In solidarity and as part of the Europe 2020 strategy implementation process, Member States and the European Union Commission have committed to common objectives on issues of social protection and social inclusion (Istituto per la Ricerca Sociale (IRS), 2016). The following examines how social protection is treated within entrepreneurship research.

The literature search indicated that research examining social protection and entrepreneurship is scant. When entrepreneurship research does consider social protection, it is usually framed with a US perspective. The dominant, US-centric approach to entrepreneurship research has characterised social protection and welfare states as signifying barriers and disincentives to entrepreneurship (e.g. Aidis et al., 2012; Hessels et al., 2008; Parker, 2009; Wennekers et al., 2005; Parker & Robson, 2004). Opponents to social protection often cite the influential work of Henrekson (2005) which finds that under certain conditions, a welfare state is not conducive to an entrepreneurial state.[41] To clarify and contextualise his findings, Henrekson reiterates that his conclusions are made with reference to a very specific context (i.e. mature

[41] This includes reductions in necessity entrepreneurship, which can be considered beneficial as it reduces the amount of poor quality entrepreneurship.

welfare state and tax regime), where "innovative activity was best performed in large established firms and that entry of new firms was unimportant" (Henrekson 2006, 581). He points out that the results cannot and should not be extrapolated to other or even seemingly similar contexts. This latter point reaffirms how policy decisions necessitate appreciation of the nuances of context (e.g. Dilli et al., 2018).

Research involving social protection has a legacy of ambiguity. The influential work of Parker (2009) argues against state and welfare interventions, although acknowledges that whether employment protections actually stifles entrepreneurship is inconclusive. In their recent analysis, Rapp et al. (2018) reiterate that research findings regarding social protection and entrepreneurship is largely ambiguous. US-based research tends to ignore initiatives such as public health insurance because it is not contextually relevant (see Fossen & König, 2017). Measures of social protection used in entrepreneurship research are contaminated with generalised spending on public goods, and the impacts of any protection afforded entrepreneurs, if they exist, cannot be bifurcated (e.g. Bjørnskov & Foss, 2008; Henrekson, 2005). Román et al. (2011, 368) highlight that "[t]he difference in the social security entitlements between self-employed and employees may be of particular relevance...[but]...cross-national data on the differences in the cost/benefit rules governing self-employed and paid-employed workers is not widely available, which limits attempts to control for this type of effect in empirical analysis". Similarly, Hessels, van Stel, Brouwer & Wennekers (2007, 754) states that "[i]nternationally comparable data on social security benefits for entrepreneurs are scant".

Therefore, measures of social protection in studies of entrepreneurship include social security expenditure as a percentage of GDP as used in the seminal work of Wennekers et al. (2005). Social security contributions by employers and employees as a percentage of wages and salaries (i.e. personal income tax and payroll tax respectively) and the OECD summary measure (i.e. ratio of unemployment benefits to earnings) have also been used to measure social security amounts (Parker & Robson, 2004). Hessels et al. (2008) measures compulsory social security contributions by employers and employees. Some researchers have attempted to capture the impacts of social security benefits on entrepreneurship by using the OECD replacement rate measure which reflects the level of (cash) benefits individuals are entitled to relative to their previous income earned through paid employment, although there are comparability issues with the measure (e.g. Hessels et al., 2007; Román et al., 2011). Less frequently, the Mutual Information System on Social Protection from the European Commission (MISSOC) has been used to specifically measure social protection for entrepreneurs (e.g. Hessels et al., 2007; Rapp et al., 2018).

In addition to measurement challenges with social protection, decisions about continuing welfare reforms are largely based on research using data which does not wholly capture the impact of the Great Recession, entrepreneurship policy or the implications of the substantial shift away from Europe's social model (e.g. Bosma et al. 2018; Díaz-Casero et al., 2012; McMullen et al., 2008). Yet this research influences entrepreneurship policy positioning and research. For instance, the exploratory and highly prominent work of Bjørnskov & Foss (2008, 324) argues that "empirical findings rather *clearly* [emphasis added] indicate that central traits of the welfare state—strong redistribution by either public goods, reflected in government consumption, regressive transfers or high marginal taxation—are all strongly negatively associated with opportunity entrepreneurship".

Whether empirical results from previous research can be interpreted with such confidence in a post-2008 context, requires at least some consideration.[42] For instance, Bjørnskov & Foss (2008) uses data from 2001 for 29 countries, which, by their own admission, is a small sample. They also warn that their results do not provide any insight into firm survival or as to the longer term quality of the ventures created. Even though they use MISSOC in their study, small sample size, pre-2008 data and measurement challenges are also limitations in Hessels et al. (2008).[43] In addition, the sample was taken from 2002 which may not capture the influence of entrepreneurship policy, the impact of the Great Recession, or the influence of shifts away from Europe's social model.

Furthermore, like any other activity (e.g. policymaking – see section 4.3, above), entrepreneurship research is not immune from bias and vested interests. O'Boyle Jr. et al. (2014, 773) finds evidence of publication bias in entrepreneurship research which "occurs when studies that support the current stance of the academic community are overrepresented in the published literature and counterintuitive or non-significant findings are underrepresented". This leaves little room for challenging the status quo or dominant narratives, or questions about the benefits of welfare reform and reducing social protection to promote entrepreneurship. Bias in the research process of any fragmented field of study, of which entrepreneurship is, can promulgate questionable theories and unsuitable practice (Tranfield et al., 2003). A narrow perspective can compromise the optimality of future research, policymaking and the subsequent macro-level impacts which can result in "reduced welfare of entrepreneurs and their ventures, as well as those employees and stakeholders associated with the ventures" (O'Boyle Jr. et al., 2014, 780).

In an attempt to balance the dominant narrative about the role of social protection on entrepreneurship Bjørnskov & Foss (2008, 313, Footnote 9) briefly suggests the possibility that "welfare systems, by providing a safety system, may make people more prone to take entrepreneurial actions, because they know that if they fail, they need not starve. Thus, what may be called

[42] This is further exascerbated by the implications of COVID-19.

[43] Other significant limitations include using a limited number of countries, relying on an extremely rough indicator for the relative social security position of entrepreneurs and employees, and not capturing the influences or lack of consideration by individuals, of other risks beyond unemployment or illness.

"opportunity entrepreneurship" could conceivable be positively influenced through this mechanism". This possibility, however, has been left largely unexplored. In their subsequent study, Bjørnskov & Foss (2013, 65) find that counter to their expectations there is some evidence that "increasing the active involvement of the government in the economy, as well as the tax burden, actually increases the impact of entrepreneurship on [Total Factor Productivity]" and that an appropriately structured welfare state could be better at providing the infrastructure needed to encourage entrepreneurship – although they do not accept this complementarity outright. While supportive of Europe's social model, little attention seems to have been paid to these findings.

Other, albeit rare, references to the potential utility of social protection in earlier studies also exist. The seminal work of Baumol et al. (2007, 92) which is often quoted in support of abolishing welfare states argues that "although it may seem counterintuitive, *constructive* [emphasis added] safety nets that catch the fallen without destroying their incentive to get back up can be more important in high-income, entrepreneurial economies than in economies with lower average standards of living. This is because the potential losers from change in high-income countries have more to lose and thus greater incentive to try to stop it or slow it down". The influential work of Parker (2009) which argues against state intervention contends that the goals of economic efficiency and social welfare are incompatible but acknowledges that policies which encourage entrepreneurship at the expense of social welfare are undesirable. The seminal work of Estevez-Abe et al. (2001) cautioned against inadequate wage protection because of its significance in explaining cross-national variance in income inequality.

Subsequently, Bjørnskov & Foss (2016, 302) concedes that there is at least some interaction between welfare states and entrepreneurship (i.e. reducing less productive activity) which requires further investigation but they acknowledge that these interactions "remain almost entirely absent from the entrepreneurship literature". Rare exceptions do seem to exist. In their examination of social security and entrepreneurship within Europe, Elert et al. (2019) conclude that evidence is emerging of the benefits social protection has for encouraging entrepreneurship activity which can benefit the economy and individual wellbeing. This type of entrepreneurship is aligned with Europe's entrepreneurial ambitions and implies there could be a need to recalibrate institutions towards Europe's social model, including re-examining the role of social protection to promote quality entrepreneurship.

The focus of most studies examining the relationship between social protection and entrepreneurship measure social protection for individuals in employment rather than those engaged in entrepreneurship,[44] and are measuring the increased opportunity cost of leaving employment for

[44] Hessels et al. (2007)'s use of MISSOC is an exception.

entrepreneurship (see Hessels et al., 2007). The premise is that when the utility of standard employment is higher than that of entrepreneurship (or conversely, engaging in entrepreneurship has a higher opportunity cost), the rational individual opts for employment which results in reduced entrepreneurship activity (McMullen et al., 2008; Millán et al., 2012; van Stel et al., 2018). With this perspective, a rational decision is to reduce the opportunity cost of entrepreneurship by, for example, reducing social protection for employees, so that there is no comparative advantage to staying in employment over engaging in entrepreneurship.

The literature search returned almost no empirical research specifically examining the impact of social protection for entrepreneurs. A rare exception is Hessels et al. (2007) which attempts to specifically capture the impact of disparities between social security entitlements between employees and entrepreneurs. The disparity between social protection offered to employees and other workers is referred to as a "social protection gap" (Codagnone, et al., 2018; Eurofound, 2017; Spasova et al., 2017). In all cases identified by Hessels et al. (2007), entrepreneurs were at a social security disadvantage, and there is an overall negative relationship between social security and entrepreneurship activity, reflecting an opportunity cost of engaging in entrepreneurship. Another exception attempts to specifically measure social protection for entrepreneurs. Rapp et al. (2018) uses the MISSOC measure to capture social protection for entrepreneurs, and finds that the existence of unemployment benefits for entrepreneurs encourages entrepreneurship in Europe, especially for those already willing to take risks. This can be interpreted as indicating social protection for entrepreneurs provides a greater pull for European citizens who are willing to take risks and exploit profitable opportunities. Rapp et al. (2018) finds that particularly in the presence of unemployment benefits for entrepreneurs, Europeans are willing to take on more risk to engage in quality, opportunity-driven entrepreneurship.

Notwithstanding the challenges in specifically researching social protection for entrepreneurs, a typical recommendation by researchers when *any* negative relationship between social protection and entrepreneurship is found is this: "converging social security benefits for wage earners and self-employed will have the greatest effect on entrepreneurship if they are achieved by *decreasing* [emphasis added] the social security entitlements of employees" (Hessels et al., 2007, 773). Similarly, others suggest reduced amounts or limited access to unemployment and other benefits can increase entrepreneurship because it is the preferred option to unemployment or poverty (e.g. Laffineur et al., 2017; McMullen et al., 2008). Policymakers seem to have acted on such recommendations, undertaking labour market reforms and deregulation, despite the limited research on social protection for entrepreneurs, small samples and measurement challenges, in their efforts to increase entrepreneurship activity.

However, as discussed above in section five, labour market reform and deregulation to encourage entrepreneurship does not necessarily result in productive activity. More significantly, nor does reducing employment protections diminish the risks associated with entrepreneurship, such as income insecurity, which discourage individuals from engaging in entrepreneurship in the first place (e.g. Codagnone, et al., 2018; Rapp et al., 2018). In Europe, reduced social protection for employees is considered inefficient because it is more likely to lock individuals into necessity entrepreneurship and out of opportunity entrepreneurship (Román et al., 2013). Conversely, generous unemployment benefits can be beneficial because they help prevent individuals from having to engage in poor quality entrepreneurship for survival (Laffineur et al., 2017; Spasova et al., 2017).

Notwithstanding, combining reduced worker protections with more flexible, deregulated labour markets has been justified as a method of motivating individuals to either develop the skills needed for employment, or create their own venture for a source of income (OECD/ European Union, 2017). Yet, this combination has simply downgraded the status of employees and pushed many Europeans into low-paid, precarious work conditions (see section 6.2.1, above). In Greece, where the institutional context is characterised by historically low employment protection and welfare, it has developed a reputation for persistent and substantial rates of poor quality entrepreneurship (Gialis, Tsampra & Leontidou, 2017). In an environment where welfare institutions are weak, unemployed individuals lacking sufficient financial support engage in entrepreneurship to establish a source of income out of necessity and need for survival (Hipp et al., 2015). This disproportionately affects more vulnerable groups such as youth, women, older workers and migrants (Codagnone, et al., 2018; OECD/ European Union, 2017).

Motivated by existing research which has argued that social protection is beneficial to productivity and entrepreneurship, or that there are at least grounds for further consideration, the dominant trend away from Europe's social model towards a US-style economy and labour market is being challenged by an increasingly vocal cohort of researchers. Lehmann et al. (2019, 365) highlights that despite the contribution of a vast array of entrepreneurs to economic growth and societal wellbeing "public policy has been about divesting in people, in particular in the Anglo-Saxon countries". In his recent exploration of this human capital approach to entrepreneurship, Fleming (2017, 693) coined the term "*radical responsibilization* of employment" where individuals, as economic actors, are increasingly expected to take sole responsibility for their personal and economic fortunes – when this responsibility is outsourced to the individual they become considered entrepreneurs and ineligible for public assistance in times of need. The premise is that individuals will reap the benefits of their investment in themselves but should not be supported if they fall short or fail. Such a view is based on the economic argument that entrepreneurship decisions and outcomes are endogenous – that is, wholly related to the actions, decisions and constraints of the individual (see Quadrini, 2009). This idea is linked with economic freedom principles where the individual is the centre of all their choices, successes and failures (see section 4.4.2).

Placing sole responsibility for personal and economic fortunes on to the individual when policymakers are promoting entrepreneurship and institutional changes that can push individuals into entrepreneurship, seems contradictory to economic freedom principles. Questions are being raised about the approach to promoting entrepreneurship because Europe is seeing "the proliferation of economic insecurity, low-skilled work and personal debt that pervades many societies today" (Fleming, 2017, 693). In addition, Caraher & Reuter (2017, 484) contend that the "reorientation of social policies in Western welfare states, create the ideal of the flexible, self-sustained and active 'entrepreneurial self' – an ideal that is, we argue, virtually impossible to achieve and that can be seen as a main driver of vulnerability". Misuraca et al. (2017, 82) recommends reforming Europe's "social policies and the modernisation of social protection systems (e.g. through innovations in social service delivery, deinstitutionalisation and other innovative regulatory or financial instruments, including social impact investment, for instance)".

Moreover, a lack of social protection arguably represents a failure by governments to support the proper functioning of an economy and society, and contributing to a malfunctioning labour market which systematically pushes individuals into necessity entrepreneurship for survival (Amorós et al., 2019). When necessity entrepreneurship becomes the only option for survival, there is the risk of institutionalised inequality and poverty (Tammelin, 2019). A labour market consisting of low or unprotected workers that is trending towards necessity entrepreneurship, is not only risking Europe's entrepreneurial ambitions but reinforcing unsustainable and precarious means of earning income where there are few benefit for the individual, economy or society. Without social protection for entrepreneurs, what can result is an economy which consists of individuals subject to income uncertainty, risk of poverty, and societal degeneration (e.g. European Commission, 2018). Social protection for entrepreneurs acknowledges that entrepreneurship outcomes are not wholly within the control of the individual.

To better appreciate the implications of a lack of social protection for entrepreneurs in an institutional environment aggressively promoting entrepreneurship, the following section briefly considers the right and ability for entrepreneurs in the European Union, as citizens and workers, to access social protection.

9.2 Access to social protection for Europe's entrepreneurs

"Gaps in social protection coverage affect both 'statutory' access to social protection schemes and 'effective' access to benefits (building up of entitlements) for people in non-standard employment and in self-employment." (Spasova et al, 2017, 8).

The following examines Europe's social protection system and its implication for entrepreneurs. The basis of Europe's social protection system is "maintaining workers' income in case of social risks, whereby the link with employment is the starting point...and ensuring an adequate, uniform income for all citizens in the case of certain risks" Eurofound (2017, 47). Even in this description of Europe's social protection system which refers to "all citizens", it is clear that social protection has been principally established to protect individuals in standard forms of employment. Entrepreneurs, therefore, have generally been unable to access such protection even in light of exposure to similar risks faced by employees in relation to economic activity, health and income-producing activities (Spasova et al., 2017). The European Commission has acknowledged that within Europe, "[n]ew ways of working, together with technological change and the digitisation of the economy, offer new opportunities, increase possibilities for self-employment and new types of activities, and make career patterns more diverse, yet also create new risks of "grey zones" in terms of labour rights and access to welfare" (European Commission, 2016a, 3).

Despite entrepreneurship policy and the institutional push and pull of individuals into entrepreneurship, "[e]ntrepreneurial characteristics, ambitions, and skills are not criteria for social support" (Annink, den Dulk & Steijn, 2015, 188). Within the European Union, social protection programmes for entrepreneurs, where they exist, provide insufficient coverage, inconsistent access, and in some cases simply excludes entrepreneurs, producing a reality where many entrepreneurs, especially the more vulnerable, face exposure to social risks and impacts of extenuating circumstances, or exogeneities (European Commission, 2017; Fachinger & Frankus, 2015; Spasova et al., 2017). Even if entrepreneurs are able to access work-related benefits, these are invariably less generous than those available for employees, and more difficult and burdensome to access (OECD/ European Union, 2017; Spasova et al., 2017).

Access to social protection for entrepreneurs is limited as a result of a general lack of transparency over rights, rules governing contributions and entitlements (e.g. minimum qualifying period, minimum working period, short duration of benefits), income assessment methods and inadequate benefits (European Commission, 2018). Bureaucratic hurdles and processes are also barriers to potential protection for entrepreneurs in Europe (OECD/ European Union, 2017). There are cross-country variations and a lack of consistency within the European Union. For instance, in Portugal all workers are compulsorily covered by unemployment insurance but benefits are conditional, whereas in France entrepreneurs are not covered by unemployment insurance but are entitled to unemployment assistance when they satisfy certain conditions; in the Netherlands and Italy, entrepreneurs do not have access to unemployment insurance benefits or assistance (Codagnone, et al., 2018).

Therefore, there is a risk that a growing number of European citizens who are identified as entrepreneurs are unable to access social protection. Individuals falling outside of standard employment agreements, are treated as entrepreneurs for administrative purposes (e.g. tax office, labour market statistics) regardless of how they manage, perform and initiate their activities (e.g. Buschoff & Schmidt, 2009). For example, in the Netherlands anyone with a non-standard employment contract is subject to similar tax treatments as an entrepreneur, regardless of their administrative set up or title (de Jager et al., 2016). In Ireland, labour reforms mean that "some workers are being classified as self-employed even though they might not possess those characteristics of entrepreneurship and risk-taking often perceived as features of self-employment" (Brodolini, 2018, 41). The International Labour Organisation refers to this as an "employment misclassification" (ILO, 2017). Even when employed individuals move into entrepreneurship from employment, their entitlements are not always transferable, which results in an individual in losing any benefits accumulated during their time in employment (Codagnone, et al., 2018; European Commission, 2018, European Commission, 2018a; Spasova et al., 2017). In light of Europe's social model, any shift away from protection of workers reflects "a profound adjustment of the relationship between individuals and state agencies, and that is in itself a source of increased vulnerability" (Caraher & Reuter, 2017, 488).

Where employees still have some safeguards embedded in employment protection legislation and labour laws, individuals categorised as entrepreneurs are assumed to transact with others on an equal footing and are therefore, covered by civil and commercial law which provides less statutory protection (Buschoff & Schmidt, 2009; OECD/ European Union, 2107). Being governed by civil and commercial law also relinquishes the support of unions (Hipp et al., 2015). While employers are considered able to exert more power over employees, the same view is absent in the relationship between customers (or clients) and entrepreneurs.

Despite the theoretical proposition that entrepreneurs have the autonomy and ability to maximise profits by setting their pricing, many entrepreneurs become price takers. In competitive markets without minimum price floors, prices for work is more likely to be set by customers or clients, and entrepreneurs who seek higher income risk losing contracts and incurring costs to replace that work and income (Ashenfelter, et al., 2010; OECD/ European Union, 2017). Power exerted over entrepreneurs can reduce entrepreneurial rates below theoretical competitive equilibrium because of the entrepreneur's relatively weak bargaining power (Ashenfelter et al. 2010; Spasova et al., 2017). In this case, the buyer exerts monopsony power, and is able to set the price and terms of sale or service. In essence, economic power is transferred from supplier to buyer. In the absence of a scarcity of particular skills which are in high demand, asymmetric power relations and downward price pressure can erode the income earning capacity of the vast majority of today's "entrepreneurs" (Fleming, 2017). Without work-related protections, many entrepreneurs can become more vulnerable, whether by risking a reduction in income or being subject to increased monopsony power from buyers of their products and services (Ashenfelter et al., 2010; Buschoff & Schmidt, 2009; Caraher & Reuter, 2017; Hipp et al., 2015; Spasova et al., 2017). The characteristics of Europe's entrepreneurs and a departure from Europe's social model risks increased vulnerability for a sector of society who are attempting to fulfil Europe's entrepreneurial ambitions. Whether engaging in entrepreneurship as a result of pull or push factors, individuals who may face extenuating circumstance, or exogeneities which impede their income-producing capacity, are mostly unable to access adequate social protection.

The problem faced by Europe's entrepreneurs is that if their activities cease temporarily or permanently due to external factors they are unprotected against social risks. The social protection gap between employees and entrepreneurs can contribute to institutionalising and reinforcing a segmented labour market characterised by inequality between employed individuals and entrepreneurs (Caraher & Reuter, 2017; European Commission, 2018a; Fleming, 2017; Tammelin, 2019). Women are especially disadvantaged by a lack of social protection because unexpected caring responsibilities disproportionately fall on women and can temporarily or permanently affect their ability to engage in economic activity, including entrepreneurship (European Commission, 2016a; European Commission, 2018a). Individuals pushed into entrepreneurship by employers are also particularly vulnerable (Kautonen et al., 2010). Despite generally earning the lowest income, necessity solo entrepreneurs have the least access to social protection and are therefore considered the most vulnerable group of entrepreneurs (Conen & Schulze Buschoff, 2019; Spasova et al., 2019; Tammelin, 2019). In 2015, the poverty risk rate for the self-employed in the EU28 was three times higher than that of salaried workers (Spasova et al., 2017).

A comprehensive examination of social protection within the European Union identified a persistent social protection gap relating to unemployment, sickness and injury protections (Spasova et al., 2019). Despite the high risk of unemployment for entrepreneurs (e.g. European Commission, 2018), unemployment protection is the most difficult to access – it is particularly important because it aims to protect against poverty, social exclusion and facilitate job mobility (Spasova et al., 2017). Job mobility facilitates effective allocation of labour, including to entrepreneurship (Elert et al., 2019).

Contrary to established economic thinking underlying entrepreneurship research and assumes that individuals are myopic, entrepreneurs are willing to invest in income protection (Rossetti & Heeger, 2019). In a recent multi-country study focused on the European Union, entrepreneurs were willing to forgo higher incomes in the present for access to social protection in the future – they were willing to pay up to 5 per cent of their income into voluntary social protection schemes especially when they have obligations, such as families (Codagnone, et al., 2018). Assumptions of individual myopia were unfounded and at least a third of all respondents who were currently employees would switch to entrepreneurship if their social protection were tied to their activities rather than their employment characteristics (Codagnone, et al., 2018).

In the absence of appropriate access to social protection, entrepreneurs may only have market-based, or commercial options available, which involves paying for voluntary insurance-based schemes to cover sickness, unemployment and injury (European Commission, 2018; Spasova et al., 2017). The European Commission (2018) reports that voluntary schemes experience low enrolment rates (less than 1 per cent to 20 per cent), which may be due to myopic behaviour and preferences, lack of awareness and financial impediments. Low enrolment rates can also reflect financially prohibitive insurance premiums (OECD/European Union 2017; Rossetti & Heeger, 2019; Spasova, et al. 2017). High health insurance costs imposed on entrepreneurs significantly deter employed individuals who might otherwise be pulled into entrepreneurship from switching to entrepreneurship, and was found to be more of a deterrent to engaging in entrepreneurship than risk aversion (Fossen

& König, 2017). Entrepreneurs who are able to make voluntary contributions to appropriate schemes may still find it difficult to fulfil eligibility criteria (e.g. uninterrupted contribution periods) and if entrepreneurial income levels are too low, pay outs will be insufficient (Spasova et al., 2017). In addition, the longer the time entrepreneurship activity has stopped, the higher the likelihood access to insurance based benefits are lost (European Commission, 2016a). This suggests market mechanisms are unable to offer suitable, commercial options with the necessary protection to reduce social risk.

The European Commission's assessment of social protection for all workers recommends a minimum policy of voluntary social protection for entrepreneurs, although it argues that mandatory protections may be more effective in achieving more desirable outcomes over the longer term (European Commission, 2018).[45] The assessment concludes that social protection for all forms of employment and labour market status can reduce the likelihood of labour exploitation, individualisation of risk, income uncertainty, precariousness and risk of poverty. These findings are significant given the authority given to previous studies which find that social protection is a barrier to entrepreneurship (see section 9.1, above).

Therefore, whether an individual moves into entrepreneurship from employment, unemployment or even immediately after their education is completed (e.g. high school, university), their labour market status currently limits and/or removes their access to social protection. This can increase vulnerability for a significant proportion of European citizens and reinforce barriers to entrepreneurship for others. Both the OECD and European Union contend that better access to protection for all workers involves "[m]aking social security coverage less dependent on work status [and] requires rethinking the traditional job model" (OECD/ European Union, 2017, 135).

Promoting entrepreneurship as a career for European citizens highlights and questions an implicit assumption: that when individuals engage in entrepreneurship, somehow they are no longer exposed to the same life circumstances or social risks faced by individuals in employment. The impacts of this implicit assumption is examined in the next section.

[45] Discussion about specific social protection programmes (e.g. voluntary vs mandatory) and how they are accessed (e.g. means-testing) is outside the scope of this study.

9.3 Protecting income-producing activity

"Of course, a venture then needs much more, including no small measure of luck, to succeed and grow into a sizable firm and global industry leader" (Economidou et al., 2018, 2)

Researchers and policymakers have acknowledged that the institutional context restricts the access of Europe's entrepreneurs to social protection, implying that unlike employees, entrepreneurs are assumed to be in full control of their circumstances. This section examines the implicit assumption that somehow entrepreneurs are not subject to the same life circumstances or social risks faced by employees. Life invariably presents individuals with numerous risks and eventualities which are outside of their control (Bekker, 2018; Economidou et al., 2018). In their meta-analysis examining human capital and entrepreneurial success, Unger, Rauch, Frese & Rosenbusch (2011, 353) contends that when examining entrepreneurial success studies should "not focus on the individual entrepreneur alone and thereby ignore situational characteristics that may affect the relationship between human capital and success". For instance, exogenous credit constraints which can result from economic shocks can be detrimental to entrepreneurs regardless of their willingness to save their ventures (Bassetto et al., 2015).

What seems often neglected when discussing entrepreneurship is the role of changes in circumstances, serendipity, accidents, bad luck, and other extenuating circumstance, or exogeneities, which while not controllable by an individual, can greatly influence entrepreneurial outcomes. Much of the entrepreneurial research underestimates or assumes away the effect of external factors (Welter, 2011). Greater emphasis is placed on individual rationality and logic using an algorithmic process which considers certain risks and outcome probabilities (Li, 2013). The normative ideal of the autonomous, rational, self-directed entrepreneur who is in total control and bears sole responsibility for their successes and failures is mostly an impossibility (Caraher & Reuter, 2017). Despite assumptions in mainstream research, entrepreneurship does not involve a level playing field (Ram et al., 2017).

Even Schumpeter (1934, 244), the progenitor of entrepreneurship theory, argues that government intervention becomes necessary when a "difficulty is only a temporary one, created by extraneous circumstances". Schumpeter tends to downplay the role of government and social interests in entrepreneurship, yet acknowledges that there is sometimes a need for intervention. In reality, entrepreneurship is a highly ambiguous activity where the majority of elements are nebulous, where outcomes are unpredictable and unknowable (Carter, 2011; Li, 2013). Most entrepreneurs wish to succeed even if it is to establish a source of income, yet the unfortunate reality, is that a majority of ventures fail (e.g. Lee, Yamakawa, Peng & Barney, 2011; Shane, 2009). In the absence of criminality, entrepreneurship failure can be dependent on misfortune rather than solely on personal fault (Eklund et al., 2020). When misfortune strikes, even the most promising entrepreneurial venture is at risk of not producing sufficient income or remaining a going concern (Caraher & Reuter, 2017; Rossetti & Heeger, 2019).

Therefore, focusing solely on the entrepreneur's actions (and assuming away the impact of life circumstances or external factors, institutionalises responsibilities and performance expectations which are mostly outside of an entrepreneur's control. Social protection is a response to people's needs at critical moments during their working lives. An individual's labour market status (i.e. employee versus entrepreneur) does not diminish these risks yet, entrepreneurs are unlikely to have access to similar social protection as employees.

Accordingly, there are now serious calls to safeguard all citizens who take on the uncertainty, precarity and social risks associated with entrepreneurship (e.g. Annink et al., 2015; Caraher & Reuter, 2019a; Henrekson et al., 2019). The challenge is how to fulfil Europe's entrepreneurial ambitions and balance it with the principles embedded in the European social model. Researchers are asked to explore "how the social protection system provides the resources that self-employed persons need to cope with a context of uncertainty and to meet the demands of the 'entrepreneurial self'"(Caraher & Reuter, 2017, 492). Continuing along the current trajectory and implementing economic freedom ideals and removing employment protection to increase entrepreneurship (see section 9.1) reduces the status of all workers, can continue to stimulate undesirable outcomes when considering broader societal aims and poor quality entrepreneurship (Dilli et al., 2018; Herrmann, 2019). The implications of a lack of social protection for entrepreneurs make it difficult to justify continued erosion of social protection for all workers to promote entrepreneurship by attempting to reduce its opportunity cost (e.g. Hessels et al., 2007; Laffineur et al., 2017). The next section explores the benefits of social protection for entrepreneurs and its potential for promoting entrepreneurship.

10 THE POTENTIAL OF SOCIAL PROTECTION

"It is becoming increasingly clear that as the nature of work changes, the span of social protection systems must provide more stability and security" (European Commission, 1997, 20)

This section examines the way in which social protection benefit Europe's entrepreneurial ambitions. Social protection seems to be experiencing a renaissance. Policymakers acknowledge the need to modernise Europe's social protection systems to improve the socio-economic position of individuals and cushion the economic impacts of emerging trends in entrepreneurship activity (Codagnone, et al., 2018; Eurofound, 2017; European Commission, 2018; Misuraca et al., 2017). This is reminiscent of Europe's earlier position when social protection was seen as a productive factor (see section 8.2, above). In addition, researchers are recognising that in the presence of the vagaries and challenges in life, the wellbeing of all labour market participants is highly dependent on labour market conditions and the social protection system in place (Caraher & Reuter, 2017). Bennett (2019) contends that when evidence indicates any improvements to employment statistics are largely driven by poor quality entrepreneurship,[46] the need for social protection becomes more apparent.

Accordingly, in 2017, the European Parliament, the European Council and the European Commission finalised the European Pillar of Social Rights, which attempts to uphold treaties that promote entrepreneurship, sustainable growth, individual wellbeing and well-functioning labour markets (European Commission, 2017a). Significantly, the European Pillar of Social Rights extends social protection to all forms of employment and labour market status or modality and contains the "principles and rights essential for fair and well-functioning labour markets and welfare systems in 21st century Europe" (European Parliament, Council of the European Union & European Commission, 2018, 8).

Members of the European Union have made commitments to "the principles of sustainable growth and the promotion of economic and social progress, as well as cohesion and convergence, while upholding the integrity of the internal market" (European Commission, 2017a, 3). The principles and rights contained within the European Pillar of Social Rights is "designed as a compass for a process of *upward* [emphasis added] convergence towards better working and living conditions in the European Union...to support fair and well-functioning labour markets and welfare systems. The proposed measures are

[46] As is the case with necessity entrepreneurship when unemploymed individuals are pushed into entrepreneurship.

intended to support equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion" (OECD/ European Union, 2017, 26). Recommendations include extending unemployment protection to protect against the high risk of poverty (Spasova et al., 2017).

Therefore, reduced social protection (see section 9.1) for all workers may be only *one* answer to reducing the opportunity cost of entrepreneurship. Based on the review of literature, this study proposes consideration of what can be a more productive approach – it may be more beneficial to *increase* the social protection of entrepreneurs to converge with those of employees (i.e. upward convergence). An upward convergence can also reduce the opportunity cost of entrepreneurship by closing the social protection gap between entrepreneurs and employees, and is better aligned with Europe's social model. In maintaining the principles of Europe's social model, social protection for entrepreneurs can help individuals rebuild maintain or transition out of their entrepreneurship activity when external factors temporarily or permanently interfere just as it does for employees. By reducing the opportunity cost of entrepreneurship through upward convergence, entrepreneurship can become a more attractive income-producing option and career. Such an approach requires a focus on longer term outcomes. These discussions give rise to the following proposition:

Proposition 1: Converging social protection for employees in standard work arrangements and entrepreneurs by *increasing* social protection for entrepreneurs can promote entrepreneurship activity in a way that better aligns with the goals embedded in Europe's social model, foster economic growth, and provide at least minimum living standards and good working conditions for all European citizens.

The finalisation of the European Pillar of Social Rights can be considered a watershed moment. Policymakers are signalling a commitment to all workers. The wording remains contentious in regards to applicability to all forms of entrepreneurship,[47] but the move to extend social protections to all forms of working arrangements is positive. The Pillar of Social Rights represents an institutional shift towards legitimising entrepreneurship as a productive form of labour allocation and labour market status – similar to how employment protection legitimises traditional employment activity (Eichhorst, Marx &

[47] The European Pillar of Social Rights states that "[w]here a principle refers to workers, it concerns all persons in employment, regardless of their employment status, modality and duration" European Parliament, Council of the European Union & European Commission, 2018: 8). However, it in regards to social protection, it states that "*[r]egardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection*" (European Parliament, Council of the European Union & European Commission, 2018, 19). The "*under comparable conditions*" is contentious because it seems to consider only the rights of a certain segment of entrepreneurs.

Wehner, 2017). In the presence of more security, entrepreneurs are expected to gain greater autonomy and control over the work they do (Millán et al., 2013).

Taken together, policymaking is shifting towards taking a longer term view which acknowledges that entrepreneurs, like all other workers, have a right to social protection because they are engaged in work that contributes to economic development. In today's context with its existing social protection gap, the loss of access to social protection is a costly and punitive measure for entrepreneurs, especially those who fail due to extenuating circumstances, or exogeneities. This is arguably an unbalanced approach to entrepreneurship, especially in a context where individuals are both pushed and pulled to take on direct, personal responsibility for macro-level outcomes.

Entrepreneurship can provide benefits which ultimately accrue to governments and wider society (e.g. through tax revenues, jobs, economic growth). There is also an opportunity to reframe the promotion of entrepreneurship as institutional investment in individuals contributing directly to macro-level outcomes. Policymakers acknowledge that "[b]uilding an inclusive, fair and competitive European Union is a joint responsibility that we all share" (OECD/European Union, 2017, 6). Social protection can promote entrepreneurship as a personally and socially valuable form of economic activity and support Europe's entrepreneurial ambitions over the long term. Social protection may change perceptions about entrepreneurship, both failed and successful, and legitimise the risks policymakers are encouraging individuals to take to enable economic and social prosperity spillovers to society. By reducing the opportunity cost of entrepreneurship, it can become a more attractive option for work. Social protection for entrepreneurs can represent an essential institutional complement to economic freedoms which allows individuals to freely engage in entrepreneurship without punishing them for the impacts of extenuating circumstances, or exogeneities.

To clarify, there is no suggestion social protection should be an unrestricted entitlement, or that it should remove all entrepreneurial risk for all businesses in all circumstances – it is not how social protection operates for employees, either. Rather, the conjecture is that using a targeted approach, social protection can mitigate the impact of temporary or permanent cessation of entrepreneurial activity as a result of extenuating circumstances, or exogeneities, especially for entrepreneurs who are already vulnerable (e.g. necessity solo entrepreneurs). External shocks can negatively impact any entrepreneur regardless of their abilities or the quality of their activity. Social protection, therefore, represents a buffer or safety net, and not an income substitution programme.

This study is not proposing a shift back to overly large government or onerous welfare states, where government controls an individual's economic life and decisions at great financial cost and reduced freedoms. It would be impractical and unwise to unwind many of the initiatives which can facilitate quality entrepreneurship (e.g. access to finance, well-designed tax regimes). Instead, this study proposes complementing economic freedom with social protection to enable institutions to facilitate entrepreneurship activity in productive and efficient ways.

A well-regulated institutional environment can still support innovation while maintaining social and market objectives (e.g. Dilli et al., 2018). Quality entrepreneurship cannot flourish in an overregulated economy but an under regulated economy also has hazards. Tilting too much one way, is not the answer. For example, when labour markets are too strict potential entrepreneurs are locked into protected employment contracts while individuals with experience in entrepreneurship are locked out and forced into a cycle of necessity entrepreneurship (Fu, Larsson & Wennberg, 2018). Similarly, encouraging individuals to create new ventures that can solve economic and social challenges need not require more deregulation but can prosper through marginal reforms which balance the risks and benefits of entrepreneurship between the various players (Baumol et al., 2007). Balance is required between social protection that limits the vulnerability of entrepreneurs and the benefits of economic freedom principles which aim to promote and support entrepreneurship (Bekker, 2018).

Taking a longer term perspective when examining entrepreneurship is not altogether without merit. Carter (2011) argues that a longer term view can provide a greater understanding of entrepreneurship by adding context. When evaluating policies, considering the longer term costs and benefits can facilitate efficient allocation of resources and keep vested interests in check (Dvoulet<ý> & Lukeš, 2016). In their analysis of 25 years of institutional research, Urbano et al. (2019) calls for more longitudinal studies to provide greater perspective on the relationship between institutions and entrepreneurship, as well as their effects. Examining successful entrepreneurship with a longer term perspective is beneficial for understanding the levers of longer term, sustainable success (e.g. Fini et al., 2017; Lehmann et al., 2019). Social protection can at least provide a partial solution to some of the challenges policymakers face in encouraging more quality entrepreneurship. These considerations give rise to the following proposition:

Proposition 2: Over the longer term, targeted social protection for entrepreneurs can provide individuals the incentive to contribute to macro-level outcomes of economic growth and social cohesion by engaging in entrepreneurship.

The following sections explore how social protection could promote more quality entrepreneurship.

10.1 Social protection and quality entrepreneurship

"Closing the gap in social protection is not just about fairness and better protection; it is also about enabling people to avail themselves of all employment opportunities in increasingly diverse and faster changing labour markets"
(Spasova et al., 2017, 9).

In pursuit of improved macro-level outcomes and to reinforce the productive function of entrepreneurship in society, the skew towards poor quality, necessity entrepreneurship in Europe has increased attention towards promoting opportunity entrepreneurship (Du & O'Connor, 2018). Necessity entrepreneurship is largely seen as possible route out of poverty, especially in less developed nations since it can provide a source of income (e.g. Baumol et al., 2007; Alvarez & Barney, 2014). Developed economies that perform well tend to have a larger proportion of their population engaged in opportunity entrepreneurship (Abdesselam et al., 2017; Du & O'Connor 2018; Prieger et al., 2016). Europe's trend towards necessity-driven entrepreneurship is, therefore, troubling and new approaches to promoting quality entrepreneurship need consideration. This section examines how social protection might promote quality entrepreneurship.

The European Commission acknowledges that "ensuring appropriate safety nets in line with European values, social policy should also be conceived as a *productive factor* [emphasis added], which reduces inequality, maximises job creation and allows Europe's human capital to thrive" (European Commission, 2016, 2). European values instituted as a result of its social model have historically seen "European continental and Northern countries...constantly perform as highly innovative developed economies with strong welfare systems and low inequality levels" (Botta, 2017, 280). Inadequate social protection "undermines dynamic labour mobility towards higher productivity sectors and entrepreneurship as people are deterred from taking on the risks associated with self-employment" (European Commission, 2017, 3). The European Commission finds that "[g]ood social protection and successful business are...mutually supporting" and that "Member States with a strong safety net often perform better in terms of GDP per capita or external balance than Member States with a weaker safety net" (European Commission, 1997, 12). There is growing recognition of the need to balance fairness with competitive pressures (OECD/European Union, 2017).

Therefore, social protection can no longer be regarded as a financial burden or barrier to economic growth. Instead, it can help create an institutional context which invests in individuals who are pulled and pushed into entrepreneurship, because of the macro-level benefits their success can create. For entrepreneurship to become a viable option, individuals must open up to the inherent uncertainty, stress and vulnerability of entrepreneurship, but also have trust that institutions, market mechanisms, government policies and leaders will support their entrepreneurial journey (Li, 2013; Mishra & Mishra, 2013).

When the entrepreneurial process is seen as going beyond the physical act of simply creating a venture (e.g. Lundström & Stevenson, 2005), social protection becomes analogous to an entrepreneurial incubator where society, through its institutions, accepts risk-sharing to promote successful, quality entrepreneurship. Society becomes the venture capitalist, experimenting and underwriting the eventual success of entrepreneurs. There becomes, at the very least, a tacit agreement that individuals who are pulled or pushed to allocate their labour towards entrepreneurship will have a safety net which buffers against extenuating circumstances, or exogeneities, and mitigates social risks (e.g. poverty).

In contrast, when an institutional setting is perceived as not willing or able to reward individuals in a way that corresponds with their efforts (i.e. distributive justice) they will be less likely to engage in opportunity entrepreneurship (Collins et al., 2016). Even in wealthier developed nations, government failure to provide basic support structures for citizens and a lack of investment in improving the economic and social functioning increases the likelihood of necessity entrepreneurship, and hinders opportunity entrepreneurship (Amorós et al., 2019). Institutional contexts with a reliable system of social protection "covering the whole population, reduces people's propensity to behave in a way that could divert resources from productive use through illegal activity, corruption or otherwise" (ILO, 2005, 4).

More, recently there is growing recognition that institutional complementarity such as combining welfare and labour market flexibility can generate the highest quality entrepreneurship and increase the potential of individual contribution to macroeconomic performance (Dilli et al., 2018; Misuraca et al., 2017). For instance, unemployment protections can incentivise Europeans to move from employment to opportunity entrepreneurship because it buffers against expected loss of income (Román, et al., 2011) and makes it more desirable (Rapp et al., 2018). A lack of health care protection, however, can disincentivise individuals from engaging in opportunity entrepreneurship (Fossen & König, 2017). In their multi-country study in the European Union Codagnone, et al. (2018) found that standardising social protection would encourage more entrepreneurs to hire employees – this is significant because ventures which can attract and hire employees are more likely to succeed (see section 7.3, above). Social protection can also mitigate adverse selection problems by limiting necessity entrepreneurship by reducing the need for individuals to find immediate sources of income (e.g. Laffineur et al., 2017).

Finally, there is something that cannot be left unsaid in 2021: what the COVID-19 pandemic has highlighted and brought forth with unquestionable force is that without a necessary safety net and trust in institutions to support entrepreneurs against extenuating circumstances, or exogeneities, establishing economic and social prosperity through quality entrepreneurship in Europe can remain elusive. A new institutional context and approach needs to be explored if the current, undesirable trajectory of poor quality entrepreneurship in Europe is to be disrupted. To some extent, extenuating circumstances, or exogeneities which temporary or permanently disrupt entrepreneurship activity must be underwritten by the institutions that promote it.

The literature suggests that social protection for entrepreneurs can increase quality entrepreneurship due to its potential to legitimise entrepreneurship and mitigate the social risks affecting all workers. A society seeking to benefit from the spillovers of entrepreneurial success, can institutionally underwrite the entrepreneur when their income earning capability stops as a result of external factors. In addition, if institutions can transform uncertainty into manageable risk (North, 1990), social protection can complement the current institutional context to promote quality entrepreneurship. These considerations give rise to the following proposition:

Proposition 3: Social protection for entrepreneurs is expected to encourage more quality entrepreneurship by making it increasingly attractive and accessible for individuals.

Following from the above, social protection can potentially benefit to individuals engaged in poor quality entrepreneurship. Institutional change already implemented was expected to encourage quality entrepreneurship but has instead given rise to a precarious form of work which lacks social protection and exacerbates the vulnerability of a growing sector of society (Caraher & Reuter, 2017). Necessity entrepreneurship has been related to personal characteristics, perceptions and circumstances (e.g. van der Zwan et al., 2016) but also to individuals faced with pressure to find immediate sources of income (Block et al., 2015; Block & Wagner, 2007; Block & Sandner, 2009) and barriers to exploiting or accessing appropriate, profitable opportunities (Alvarez & Barney, 2014). Social protection designed to follow individuals regardless of the form of their economic activity and mandatory universal insurance covering healthcare, old age, and disability can mitigate disadvantages faced by marginalised groups and remove impediments to growth by new ventures (Elert et al., 2019).

All entrepreneurship has the potential to evolve into quality entrepreneurship (see section 7.3). Since predicting an individual's suitability for entrepreneurship is practically impossible (Konon & Kritikos, 2019) and institutional context is more likely to influence economic outcomes rather than individual characteristics (see section 4.2) it is feasible that even necessity entrepreneurs, with the appropriate institutional environment, can build on their experience to over time, engage in higher quality entrepreneurship in the longer term (e.g. Kautonen et al., 2010).

Necessity entrepreneurship need not be a static inevitability for individuals. If, as institutional theory suggests and the evidence indicates, entrepreneurship is a function of its institutional environment as opposed to any specific human capital or characteristics (e.g. Baumol, 1990; North, 1990), then there is the possibility that recalibrating institutional context towards social protection for entrepreneurs can enable poor quality entrepreneurship to more easily and quickly flourish into a more productive form. Buffart et al. (2020, 13) contends that for individuals entering entrepreneurship from unemployment, "additional soft support measures like coaching, counseling, mentoring, or training (accompanying the subsidy) during the pre or early start-up phase might improve business potential and long-term development". These discussions give rise to the following proposition:

Proposition 4: Social protection for entrepreneurs can promote quality entrepreneurship by increasing the prospects for advancement of necessity entrepreneurs.

The following sections discuss three distinct but related ways in which social protection can promote quality entrepreneurship.

10.1.1 Reducing opportunity cost

" An opportunity cost is the value of the next best choice that one gives up when making a decision" (McMullen et al., 2008, 878)

The review of literature indicates that one of the challenges of promoting entrepreneurship is its high opportunity cost. When the payoff from employment is higher than the financial and non-financial payoffs from entrepreneurship, the opportunity cost of leaving paid employment to engage in entrepreneurship is high (e.g. McMullen et al., 2008). Chowdhury et al. (2015, 141) explains that, "individuals with higher levels of education may feel that their knowledge will be better rewarded in the formal labor market than by starting a new firm. By entering [the] formal labor market an individual has the assurance of a consistent pay but entrepreneurial activity lacks such guarantees". In addition, according to the theory of opportunity cost, when restrictions are placed on an individual's choices and autonomy (e.g. being pushed into entrepreneurship) there is additional cost imposed for a particular course of action (Estrin, Mickiewicz & Rebmann, 2017). Based on the literature, this study suggests that a shift towards a more social model of working life with social protection for entrepreneurs, could reduce some of the opportunity cost of entrepreneurship.

When discussing the benefits of entrepreneurship it can be easy to forget that intrinsically "entrepreneurial tasks are often extreme [involving] high levels of uncertainty, time pressure, stress, and emotions" (Shepherd, 2011, 419). Entrepreneurship can be dynamic and rewarding but even in the best circumstances, the environment produces "immensely competitive and stressful arenas where people have to work long and hard, constantly competing for their jobs" (Zahra & Wright, 2016, 618). A recent study by van der Zwan et al. (2018) using German data found that new ventures require significant investment of time and effort to establish and run, and entrepreneurs struggle to find work-life-balance, which can have severe health implications. They conclude that "few or no benefits in terms of life satisfaction arise, and the benefits for work satisfaction may come at the cost of decreased individual satisfaction in the important life domain of leisure" which then has the "potential for demotivation and a higher likelihood of entrepreneurial exit" (van der Zwan et al., 2018, 86). Given such personal effort, a lack of social protection to buffer against extenuating circumstances, or exogeneities that temporarily or permanently impact income-producing activity and success, can make entrepreneurship less appealing.

Even if entrepreneurs in Europe are satisfied with their work, high levels of job insecurity and prior episodes of unemployment can negatively affect their performance and satisfaction with their working lives (Millán et al., 2013). Job insecurity and precarity can have negative effects on mental health and trap individuals in necessity entrepreneurship, rather than provide a bridge into better work (Codagnone, et al., 2018). Financial hardship and insecurity can lower the wellbeing of entrepreneurs (e.g. higher stress, anxiety, depression) and increase their intentions to re-enter employment (Tammelin, 2019). Insufficient income and precarity have significant consequences for an individual's sense of wellbeing, agency over life events such as family planning, and access to the housing market (Codagnone, et al., 2018). Such life uncertainty can make it difficult for individuals to plan and co-ordinate their activities which can impact whether entrepreneurial opportunities are identified, which ones are considered valuable and whether they are pursued at all (Boudreaux et al., 2017; McMullen & Shepherd, 2006). Whereas employees can rely on social protection to buffer against social risks, a lack of social protection for entrepreneurs can magnify these risks.

Moreover, business venture failure produces personal financial loss, and reputational damage which can limit access to resources and limit career options (Ucbasaran et al., 2013). When an individual takes action to engage in entrepreneurship, their ability to access necessary resources is affected by their existing financial position (Armour & Cumming, 2008; Bassetto et al., 2015; Estrin et al., 2017) and networks (Sarasvathy, 2001). Individuals predicted to be successful and engage in high quality entrepreneurship, but who are unable to meet expectations are more likely to be stigmatised, which can create extra external barriers in further attempts to engage in entrepreneurship (Eberhart et al., 2017).

A lack of labour mobility for entrepreneurs is an additional cost of entrepreneurship. Using European data, Millán et al. (2014) finds that entrepreneurs experience a diminished ability to re-enter the traditional labour market. An entrepreneur's time away from employment can heighten the difficulty of re-entering into employment relationships to earn income – time away from employment raises doubts in the minds of potential employers about the relevance and consistency of an entrepreneur's work experience and result in an unwillingness to invest in or hire ex-entrepreneurs (Fu et al., 2018). Ex-entrepreneurs who already find it difficult to access the labour market (e.g. migrants) can find it even harder to find employment if their activities cease for any reason at all (OECD/ European Union, 2017). Entrepreneurs also incur greater costs when attempting to mitigate or override the risk of their unemployability (Rossetti & Heeger, 2019).

Employees of failed ventures also become disadvantaged in the labour market because either their employers cannot provide support in the transition process or provide positive signalling about the quality of prior employment experience (Nyström, 2020). Using Swedish data, Nyström (2020) finds that such employees are likely to move into necessity entrepreneurship, suggests both ex-entrepreneurs and their employees can become trapped in necessity entrepreneurship. While employees are currently able to transfer their advantages with them throughout their careers, it seems that entrepreneurs transfer their obstacles and disadvantages (see Codagnone et al., 2018).

Therefore, the possibility that extenuating circumstances, or exogeneities temporarily or permanently stop an entrepreneur's income-earning activity, increases the opportunity cost of entrepreneurship. In particular, a lack of unemployment protection which safeguards against lost income can discourage individuals from engaging in the quality entrepreneurship (European Commission, 2017; European Commission, 2018; OECD/European Union, 2017). Rapp et al. (2018) finds that at a minimum, unemployment protection for entrepreneurs, rather than blanket welfare programmes, increases the feasibility of entrepreneurship for individuals. Social protection can not only buffer against external events such as economic downturns but "may have a positive effect on entrepreneurial activity by creating a safety net in case of business failure" (European Commission, 2018a, 123).[48] Social protection can also support individuals back into income-producing activity and is linked with higher economic growth and productivity, especially in the longer term (Arjona et al., 2002). Lippmann et al. (2005, 23) observes that "strong welfare policies in the form of unemployment insurance and job training programmes should reduce the need to rely on necessity entrepreneurship".

As entrepreneurs tend to personally absorb many of the costs of failure, more entrepreneurship-friendly environments such as those with non-punitive bankruptcy laws, could help to moderate the impacts and remove the barriers which stop failed entrepreneurs re-engaging with entrepreneurship (Eklund et al., 2020; Peng et al., 2010; Ucbasaran et al., 2013;). Less costly implications of failure can promote quality entrepreneurship (Fu et al., 2020). A lack of social protection for entrepreneurs can be considered analogous to punitive bankruptcy laws. Baumol et al. (2007, 100) argue that "[e]ffective bankruptcy protection is critical to promoting entrepreneurship, since without it, many would-be entrepreneurs would be unwilling to take the risks of starting a business, knowing that if they fail they could lose everything, on top of facing the severe social stigma of having declared bankruptcy".[49]

Entrepreneurship failure comes with social, financial and psychological costs which distresses the entrepreneur, result in stigmatisation and

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[48] This has indeed been the case with COVID-19 pandemic, where governments temporarily instituted safeguards, funding and grants for businesses to buffer against economic consequences in order to mitigate the risk of failure. Without doubt, COVID-19 is an extreme case of exogeneity which based on events outside the control of individual entrepreneurs. While other exogeneities such as illness, disability and unemployment may not be so extreme, on an individual level these events, usually outside of the control of the individual entrepreneur, can severely effect their performance.

[49] As compared with entrepreneurs who exit by selling their venture.

reputational damage that can hinder their ability to persist in their activities (Ucbasaran et al., 2013). Although the stigma of failure is linked with higher probability of growth aspirations and exporting activity, it can also reduce overall entrepreneurship activity (Lee et al., 2020). Sometimes aspirations cannot always fulfilled (see section **Error! Reference source not found.**).

Moreover, the costs of entrepreneurship and their effects spill over to other stakeholders such as households, creditors and employees – eventually affecting society as a whole (Eklund et al., 2020). Regardless of the cause, decision makers are less likely to engage with struggling entrepreneurs and funding, for example, can be difficult to access as a result of negative perceptions about past performance (Hsu, Wiklund & Cotton, 2017). When individuals are unable to afford the financial and psychological costs of identifying and exploiting opportunities, then there is less chance of them engaging in productive, quality entrepreneurship.

For entrepreneurship activity to emerge and persist, stakeholders (i.e. financiers, employees, customers) must trust or, more importantly, perceive that the entrepreneur has the necessary abilities and characteristics to engage in entrepreneurship before they enter into exchange relationships (Pollack, Barr & Hanson, 2017). Social protection for entrepreneurs affected by external events can signal an institutional willingness to invest in the entrepreneurial process, and could reduce the challenges faced by entrepreneurs seeking to revive their businesses by, for example, attracting capital (e.g. Parker, 2009; Peng et al., 2010).[50]

The influential work of Armour & Cumming (2008, 309) states that "re-entering entrepreneurs will find it more difficult to obtain credit "second time round"". Previous, unsuccessful attempts at entrepreneurship can result in stereotypes, diminished personal wealth, reduced trust in one's own abilities and perceived untrustworthiness in terms of their functionality as an entrepreneur. A lack of trust can be difficult to overcome (Welter, 2012). Anderson & Nielsen (2012) suggest that eliminating discrimination when accessing credit can help promote more quality entrepreneurship.

Viewing social protection for entrepreneurs as similar to friendly bankruptcy laws can provide some insight into its positive benefits. Peng et al. (2010, 518) find that "societies that are friendlier and more forgiving to failed entrepreneurs are likely to attract more individuals to start up new ventures and to have stronger economic development that comes with vibrant entrepreneurial activities". Similarly, when entrepreneurial failure is attributed to extenuating circumstances, or exogeneities (rather than only the actions of the individual), the implications are less likely to be damaging to the entrepreneur's reputation and future prospects (Kirkwood, 2007).[51] These

[50] Parker (2009) suggests that removal of financial constraints can help entrepreneurs continue operations during times of stress.

[51] This is especially the case in contexts where success is viewed with suspicion and/or hostility.

difficulties can increase the risk of poverty and social exclusion – factors that can be detrimental to quality entrepreneurship (Alvarez & Barney, 2014; European Commission, 2018).

Based on the review of literature, this study suggests when an entrepreneur's income temporarily or permanently ceases, social protection can reduce (not eliminate) the opportunity costs of entrepreneurship by providing support to help mitigate the implications of external events, as would be afforded any employee. Social protection for entrepreneurs can also provide institutional signals that failure is not a wholly stigmatising or punishable offense. Ucbasaran et al. (2013, 182) argues that any positive signals which diminish the stigma of failure can "facilitate external stakeholders' willingness to continue their relationship with such entrepreneurs in the future, thereby reducing both the social and financial costs of business failure for the entrepreneurs". Entrepreneurs, like employees, can be affected by events outside of their control which can result in financial and other costs. A lack of social protection for entrepreneurs to buffer against these events can increase the opportunity cost of entrepreneurship and make it less appealing.

Similar to the justification for employment protection, social protection for entrepreneurs would function as an important buffer against financial loss and aide transition to other income-producing opportunities. Entrepreneurs can attempt to rebuild or maintain their entrepreneurial activity over the longer term without having to resort to necessity entrepreneurship. Social protection can also mitigate the risk of low employability and necessity entrepreneurship for employees of failed (temporarily or otherwise) entrepreneurs, by providing the time and resources needed for labour market re-entry. These considerations give rise to the following proposition:

Proposition 5: Social protection for entrepreneurs can complement the current institutional context and aide in the promotion of quality entrepreneurship by reducing the opportunity cost of entrepreneurship.

10.1.2 Investing in serial entrepreneurship

"The entrepreneurial path is one of launching something new without much in the way of guidelines or a script, making misjudgements and errors, learning quickly, and adapting until a sustainable business model is realized" (Morris et al., 2015, 716)

This section considers how social protection for entrepreneurs can form part of an institutional context which promotes quality entrepreneurship over a longer time frame by investing in human capital. Human capital can be categorised into "general human capital (years of formal education and employment experience) and specific human capital (previous entrepreneurial, managerial and founding experience)" (Amaral et al., 2011, 2). Botta (2017) contends that investment in innovation and its payoffs occur over a long time. The probability of success for innovative and high growth potential ventures increases when entrepreneurs are willing to learn during their entrepreneurial journey (Buffart et al., 2020). Taking a longer term perspective can also increase the likelihood of quality entrepreneurship because it allows the impact of education and knowledge accumulation through experience which is required for innovation to unfold (Fritsch & Wyrwich, 2018).

As highlighted in section 5.1, a major barrier for entry into entrepreneurship is a lack of experience in creating and running a business. Some researchers question whether entrepreneurial attitudes, skills or innovation can in fact be taught in a classroom (De Jorge-Moreno et al., 2012). Learning is more likely to occur through experiential learning and practice (Buchnik et al., 2018; Lafontaine & Shaw, 2016; Watson et al., 2018) and involves the integration of knowledge into entrepreneurial activities and behaviour (see Buffart et al., 2020). The seminal work of Kirzner (1997) argues that through experience, entrepreneurs are able to correct past mistakes and lead to more profitable discoveries. Individuals who have gained specific entrepreneurial knowledge and skills are more likely to successfully engage in entrepreneurship (Mickiewicz, Nyakudya, Theodorakopoulos & Hart, 2017). In an extensive literature review of innovative entrepreneurship, Block et al. (2017) finds experienced entrepreneurs were more likely to engage in innovation and recommends that policymakers support environments which strengthen entrepreneurial knowledge and experience.

Moreover, policymakers suggest that entrepreneurship can be considered as being like any other career option available to individuals (see section 3.2.1, above). In this case, like any other career, entrepreneurship can be viewed as an iterative, long term process where an individual develops expertise over time, experiencing failure in anticipation of eventual success (Burton et al., 2016; Morris et al., 2015). Similar to any career progression, skills developed during entrepreneurship become transferable and therefore helpful in the creating subsequent ventures (Parker, 2013). Ucbasaran et al. (2013, 164) contends that when "the costs of failure (i.e. financial, social, and psychological) are too high compared to the benefits of learning from failure, entrepreneurs may choose to exit their entrepreneurial careers. In such a situation, both the entrepreneur and society may lose out".

By framing entrepreneurship as any other journey of work transitions and career building (Burton et al., 2016; Fu et al., 2018), social protection for entrepreneurs can be seen to simply represent protection for individuals in the labour market (European Commission, 2018). Initiatives that actively promote entrepreneurship as a viable career, including for specific target groups such as women and youth (e.g. OECD/ European Union, 2017) can then do so without necessarily increasing the risk of vulnerability. Instituting social protection for entrepreneurs can increase its legitimacy as an employment model even though it is not centred around standard, full time employment (Eichhorst et al., 2017).

Consequently, like any other career, accumulation of specific human capital can translate into greater entrepreneurial potential as experienced entrepreneurs become better able to navigate the entrepreneurial landscape. Just as an employed individual accumulates specific human capital by moving sequentially through their career and gaining experience by working in new positions, jobs and organisations to build their expertise – entrepreneurs can accumulate specific human capital through serial entrepreneurship. Acquiring entrepreneurial human capital and supporting motivated, highly skilled entrepreneurs who are engaged in their activities, can reap greater rewards (Carbonara et al., 2019; Millán et al., 2012).

Specific human capital in entrepreneurship can accumulate through serial entrepreneurship. Serial entrepreneurs are those habitual, or repeat entrepreneurs who create and run ventures sequentially (Carbonara et al., 2019; Lafontaine & Shaw, 2016). Through the build up of specific human capital, serial entrepreneurs, regardless of past failure, engage in higher quality entrepreneurship in their subsequent attempts (Lafontaine & Shaw, 2016; Parker 2013). Engaging in successive venture creation provides serial entrepreneurs the necessary skills and experiences required to increase the probability of their own success, regardless of the individual's starting point (Sarasvathy, Menon & Kuechle, 2013). This is particularly relevant for transitioning poor quality entrepreneurship to higher quality entrepreneurship activity (linked with proposition 4).

As individuals develop expertise and knowledge regarding the process of entrepreneurship, they are able to recognise patterns, make better decisions and manage uncertainty (Dew, Read, Sarasvathy & Wiltbank, 2015; Morris et al., 2015; Parker, 2014). Serial entrepreneurs apply a different logic and engage in behaviour that enables them to successfully overcome challenges and accumulate resources to more effectively exploit opportunities (Read et al., 2009; Sarasvathy, 2001). Prior knowledge gained through experience and learning is fundamental for entrepreneurial opportunity recognition because experienced entrepreneurs are better able to identify and evaluate profitable opportunities and determine how best to exploit them (Block & Wagner, 2007; George et al., 2016; Mueller & Shepherd, 2016; Ucbasaran et al., 2013). Experience, therefore, brings a heightened ability to identify more opportunities which are of higher quality (Ardichvili et al., 2003; Kirzner, 1997; Ucbasaran, Westhead & Wright, 2009) and turn external knowledge into beneficial outcomes (Gimenez-Fernandez et al., 2020). Social protection, can prevent market failures by supporting skills formation and allowing better alignment of skills to economic activity (Estevez-Abe et al., 2001; Acs et al., 2016a).

Moreover, serial entrepreneurship helps individuals strengthen and apply their entrepreneurial skills and knowledge through successive attempts, and facilitate quality entrepreneurship (Carbonara et al., 2019; Parker, 2009). Experienced entrepreneurs are better able to assess a business venture's potential and act quickly to mitigate any financial and non-financial losses (Read et al., 2009). This is similar to experienced venture capitalists who develop skills so that they become better able and more willing to terminate projects that turn problematic or start to underperform, to minimise loss (see Kerr et al., 2014).

Necessity entrepreneurs who start ventures related to a particular occupation or line of work they are familiar with and have experience in, are likely to create ventures that are sustainable which can in some instances, morph into a more productive careers (Kautonen et al., 2010).[52] Block & Sandner (2009, 129) finds that "if a necessity entrepreneur starts her venture in a profession of her expertise, her chances of survival in self-employment increase substantially". Entrepreneurial experience becomes particularly important for building a career in an industry with which an individual has employment or previous experience in, because it is a different style of work arrangement (Carbonara et al., 2019; Chen, 2013).

Fundamentally, entrepreneurship involves experimentation because only after action is taken and investments made, can an opportunity be assessed as having transpired into a viable entrepreneurial venture (Kerr et al., 2014). An institutional context that promotes and incentivises experimentation is essential for propagating opportunity-driven entrepreneurial innovations that stimulate economic growth (Kerr et al., 2014; Lindholm-Dahlstrand et al., 2019). Braunerhjelm & Henrekson (2013, 117) concludes that "different types of skills and expertise, together with an institutional setup conducive to risk taking and experimentation, are required to foster successful entrepreneurial ventures". Policymakers can pursue innovation by either that placing greater emphasis on identifying and prioritising innovative ventures, or place greater emphasis on supporting entrepreneurs learn new ways to innovate (Buffart et al., 2020). This is akin to action-based learning (see section 5.1, above).

Therefore, if entrepreneurship is associated with unlimited potential for individuals to contribute directly to macro-level outcomes, there is also merit in limiting some of the downside risks associated with failure (Lee et al., 2011). When individuals fail to meet pre-determined expectations of an entrepreneur, they become stigmatised (Caraher & Reuter, 2017). Overly punitive measures regardless of the reason for failure (which can arguably include no right to social protection), can result in a scarring or stigma affect which can deter entrepreneurs from engaging in serial entrepreneurship (Amaral et al., 2011; Baumol et al., 2007; Ucbasaran et al., 2013). Institutional measures which facilitate effective entry into and exit from entrepreneurship, can determine the outcomes of entrepreneurship activity by allowing entrepreneurs to transition away from unsuccessful ventures to new activities without severe penalties or lasting stigma (Kerr et al., 2014).

A commitment to supporting entrepreneurs with social protection can cushion against some of the negative effects of failure and support an entrepreneur's transition to new ventures. For instance, in developed countries,

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[52] Linked with proposition 4, above.

corporate and individual bankruptcy laws that allow quick recovery from failure are associated with higher rates of entrepreneurship because the institutional context encourages individuals to take on the risks of new venture creation not only initially but also repeatedly over the longer term (Armour & Cumming, 2008; Eberhart et al., 2017). Social protection signals a willingness to invest in the human capital of all individuals in the labour market, including entrepreneurs. Such visible government support signals legitimacy to stakeholders, thereby allowing some failed entrepreneurs to remain attractive to resource providers (Söderblom et al., 2015). In this case, resources are diverted towards individuals who may be better qualified to engage in quality entrepreneurship because they have experience, but whose income-producing activities may have been impacted by some extenuating circumstances, or exogeneity.

Social protection can allow entrepreneurs to reapply their skills and learning, to establish ventures in the future or re-enter employment. The risk of poverty or re-entering necessity entrepreneurship for survival and source of income may diminish. The accumulation of specific human capital can refine entrepreneurial skills and help correct possible past mistakes, mitigate future risks and improve the quality of entrepreneurship in the longer term. Predicting an individual's suitability for entrepreneurship is practically impossible (Konon & Kritikos, 2019) and taking into consideration the accumulation of specific human capital and lived experience, it is feasible that even necessity entrepreneurs, with the appropriate institutional safeguards, can use their learning to engage in higher quality entrepreneurship in the longer term (e.g. Kautonen et al., 2010). Social protection can help support quality entrepreneurship by enabling skills development, and social and occupational mobility (e.g. Spasova, et al. 2017).

As entrepreneurs gain experience and are more likely to engage in higher quality entrepreneurship which is linked with higher income and wealth, social protection may become less relevant for individual entrepreneurs in the longer term. Social protection such as unemployment, sick leave payments or disability for entrepreneurs can help individuals rebuild or maintain a financial foundation for a more well-informed approach to their allocation of labour. This leads to the next proposition:

Proposition 6: Social protection for entrepreneurs can complement the current institutional context and aide in the promotion of quality entrepreneurship by encouraging serial entrepreneurship.

10.1.3 Removing wealth and income constraints

"people who live in countries with higher levels of income inequality are less likely to engage in [opportunity motivated entrepreneurship] and more likely to engage in entrepreneurial action out of necessity" Nikolaev et al. (2018, 259)

This study has so far considered how social protection for entrepreneurs could promote quality entrepreneurship by reducing its opportunity cost and encouraging serial entrepreneurship. Related to these issues is the effect of income and wealth constraints on the ability of entrepreneurs who have experienced temporary or permanent disruption to their activities due to extenuating circumstances, or exogeneities, to exploit potential new opportunities. Reducing the opportunity cost and enabling serial entrepreneurship is of little value if the entrepreneurs are unable to take action and exploit profitable opportunities or grow. In addition to external sources of finance, personal wealth and income is recognised as a vital source of finance for starting new ventures. Any potential for high quality entrepreneurship remains latent when constrained individuals become pressed to find immediate sources of income (Mickiewicz et al., 2017).

Many financial institutions require entrepreneurs to provide personal guarantees (Cumming, 2012). Even a small risk of losing personal assets (e.g. one's main home) as a result of entrepreneurial activity is a critical decision-making factor and disincentive to engage in entrepreneurship – even by individuals with accumulated wealth and high entrepreneurial aspirations (Armour & Cumming, 2008; Estrin et al., 2017). When personal and household assets are put at risk entrepreneurship activity has a potential to become too costly. Restricted access to finance constrains the ability of individuals entering entrepreneurship from unemployment, grow their businesses (Caliendo et al., 2020).

Consequently, extenuating circumstances, or exogeneities that temporarily or permanently disrupt income-producing activities needed for business continuity and improvement might produce greater inequalities between those with resources to invest and those without. Hvide & Møen (2010, 1256) contends that "entrepreneurship is a luxury good" and that potential entrepreneurs require sufficient amounts of personal wealth for their entrepreneurial performance to be beneficial. Carter (2011, 45) summarises the situation as this: "the wealthy do not achieve their wealth as a consequence of entrepreneurship; they become entrepreneurs as a consequence of being wealthy...[because it] offers an appealing occupational choice". High among the benefits of wealth is the absence of constraints on access to funds, especially when collateral and personal guarantees are required (Carter, 2011; Cumming, 2012).

There is a prevailing and controversial assumption underlying the economics of entrepreneurship which states that some degree of inequality is necessary for innovative (see section 8.1, above). More recent findings, however, suggest that high levels of inequality stifle income mobility, create barriers to entry for opportunity entrepreneurship and result in greater likelihood of individuals engaging in entrepreneurship out of necessity (e.g. Nikolaev et al., 2018). In their influential work, Baumol et al. (2007) warns against believing the myth that adversity is necessary to reignite Europe's entrepreneurial spirit. There is also room to recognise that European social values (e.g. longevity, mutuality, sense of responsibility towards other people) can encourage entrepreneurship, rather than the Silicon Valley world view, can result in innovative, growth-orientated ventures which support economic and social advancement (Pahnke & Welter, 2019).

Constrained individuals often have less time and opportunity to accumulate or cultivate specific skills, resources and networks needed to develop and execute more complex business strategies required for survival and growth (Alvarez, & Barney, 2014; Block et al., 2015; Codagnone, et al., 2018). While individuals with access to abundant sources of household income and funds are less likely to be affected by institutional context (De Clercq et al., 2013) individuals who are financially constrained are limited in their ability to engage in potentially quality entrepreneurship (e.g. Armour & Cumming, 2008). Parker (2009, 263) states that "personal wealth influences entrepreneurs' decisions about the types of venture to initiate – and whether any are initiated in the first place". Caliendo et al. (2020, 12) finds that German entrepreneurs who were previously unemployed were unable to close the outcome gap with other entrepreneurs, and that the "long-run gap in business growth paths rather seems to be driven by unobserved factors like initial business strategies, differential access to capital, and post-start-up business dynamics". Financial and wealth constraints have the potential to limit quality entrepreneurship to a small section of the population – to those who are able to execute their ideas and insights because they have structural advantages and the privilege of wealth and income. The outcome is inefficient allocation of resources, where constrained entrepreneurs may not be able to realise their investment projects while the wealthy will overinvest (Hvide & Møen, 2010).

In Europe, there is growing acknowledgement that "inequalities and social exclusion have been shown to hinder growth and aggravate macroeconomic imbalances" (Istituto per la Ricerca Sociale (IRS), 2016, 10). Xavier-Oliveira et al. (2015, 1201) concludes that "inequality represents a generalized economic hardship across society regardless of financial capital endowments (albeit the immunity of the 'one percent')' and that it can forces even more educated individuals, who are often associated with engaging in quality entrepreneurship, into necessity entrepreneurship". The extent of heterogeneity between countries and contexts indicates that the presumed relationship between inequality and innovation is ambiguous (Botta, 2017; Parker, 2009; Perry-Rivers, 2016). Baumol (2007, 548) states that, "one simply cannot rely on economic inequality and opportunities to profit from it, to achieve [economic growth]". Instead, inequality and social exclusion restrict individual rights, and limit economic development (OECD/ European Union, 2017; van Staveren & Pervaiz, 2017; Xavier-Oliveira et al., 2015). In short, for entrepreneurship to be of value, it cannot be a forced or a last resort for income (Gries & Naudé, 2011). Entrepreneurship cannot be confined to a small sector of society where disproportionate limits are placed on disadvantaged groups (OECD/ European Union, 2017).

Moreover, Baumol et al. (2007, 114) warns that "when income and wealth are too unequally distributed, then economies are at risk either of oligarchic elites dominating policy or of populist backlashes, both of which are inimical to growth". There is then the risk that as vested interests become richer and more powerful, they are more able to determine how entrepreneurship policy evolves and unfolds in practice (see North, 1990). Urbano et al. (2019) encourages giving greater attention to the benefits of inclusive growth which takes societal wellbeing, social mobility and poverty alleviation for a greater portion of the population into account. Strong, supportive legal systems in combination with access to capital can incentivise quality entrepreneurship within an economy (Antony et al., 2017). Lee, Peng & Barney (2007, 259) argues that "[a]s the personal costs of failed entrepreneurial activities are reduced, the number and variety of people pursuing entrepreneurial activities will increase, and society, on average, will benefit". Diversity and heterogeneity in entrepreneurship can produce economic and societal benefits (Pahnke & Welter, 2019).

When external events erode the financial buffers which may have been built up by entrepreneurs, there is diminished ability to overcome credit constraints to invest in their ventures or skills development. This increases the risk of personal, financial loss and limits the ability of entrepreneurs to innovate or transition into other forms of income-producing activity. With no or limited access to adequate resources, individuals who have lost their only or main source of income can become caught in a vicious cycle of necessity entrepreneurship. When only a certain proportion of society can engage in entrepreneurship, there is a risk of diminished productive capacity. These discussions give rise to the final proposition in this study:

Proposition 7: Social protection for entrepreneurs can complement the current institutional context and aide in the promotion of quality entrepreneurship by removing wealth and income constraints by failed entrepreneurs and entrepreneurs whose businesses are in distress.

11 CONCLUSIONS

Since the 1990s, international organisations such as the Organisation for Economic Cooperation and Development (OECD) and the European Commission, as well as academics identified entrepreneurship as a solution to economic and social challenges (Lunström & Stevenson, 2005). Researchers and policymakers were interested by the ability of entrepreneurship to seemingly drive economic growth, job creation and competitiveness (e.g. Acs, 2006; Audretsch, 2003). The prospect of individuals creating value through entrepreneurship and contributing directly to macro-level outcomes appeared to be a pragmatic solution to the economic and social problems facing the European Union.

Using a systematic review methodology, this study examined disparate and sometimes contradictory findings within entrepreneurship research to provide an understanding of entrepreneurship in Europe and its implications. This systematic review links theoretical research and empirical findings from a variety of sources to provide new insights, a basis for future research and to inform policy (Audretsch et al., 2020; Tranfield et al., 2003; Denyer & Tranfield, 2009). This study also examines the role of institutions in influencing entrepreneurship quality (e.g. Urbano et al., 2019).

What became apparent from the review of literature is the lack of effective policy outcomes. The institutional changes in Europe and their unintended consequences suggest the need for a Euro-centric approach to entrepreneurship policy which complements its social model with features of economic freedom principles. The review of literature reveals a potential for social protection for entrepreneurs to promote entrepreneurship and in particular, quality entrepreneurship. Social protection for entrepreneurs can safeguard against social risks in the event of temporary and permanent disruption to income-producing activity resulting from extenuating circumstances, or exogeneities (e.g. Spasova et al., 2017). It can reduce the opportunity costs of entrepreneurship, facilitate higher rates of entry and re-entry, as well as more effective allocation of labour, and remove income and wealth constraints to make entrepreneurship more inclusive.

Relying on the review of literature, seven testable propositions were developed to inform future research and policy direction (see section 10). These propositions are summarised in Table 2, below.

TABLE 2: Summary of propositions

	Proposition	Influential works
1	Converging social protection for employees in standard work arrangements and entrepreneurs by *increasing* social protection for entrepreneurs can promote entrepreneurship activity in a way that better aligns with the goals embedded in Europe's social model, foster economic growth, and provide at least minimum living standards and good working conditions for all European citizens.	Caraher & Reuter (2017); European Commission (2017a); European Parliament, Council of the European Union & European Commission (2018); Spasova et al. (2017).
2	Over the longer term, targeted social protection for entrepreneurs can provide individuals the incentive to contribute to macro-level outcomes of economic growth and social cohesion by engaging in entrepreneurship.	Dilli et al. (2018); Millán et al. (2013); OECD/European Union, (2017); Urbano et al. (2019).
3	Social protection for entrepreneurs is expected to encourage more quality entrepreneurship by making it increasingly attractive and accessible for individuals.	Baumol (1990); Collins et al. (2016); European Commission (2017); North (1990).
4	Social protection for entrepreneurs can promote quality entrepreneurship by increasing the prospects for advancement of necessity entrepreneurs.	Baumol (1990); Buffart et al. (2020); Elert et al. (2019); North (1990).
5	Social protection for entrepreneurs can complement the current institutional context and aide in the promotion of quality entrepreneurship by reducing the opportunity cost of entrepreneurship.	Baumol (1990); Eklund et al. (2020); Fu et al. (2020); Peng et al. (2010).
6	Social protection for entrepreneurs can complement the current institutional context and aide in the promotion of quality entrepreneurship by encouraging serial entrepreneurship.	Baumol (1990); Baumol et al. (2007); European Commission (2018); Read et al. (2009).
7	Social protection for entrepreneurs can complement the current institutional context and aide in the promotion of quality entrepreneurship by removing wealth and income constraints by failed entrepreneurs and entrepreneurs whose businesses are in distress.	Baumol (1990); Carter (2011); Pahnke & Welter (2019); Urbano et al. (2019).

Based on the review of relevant literature, this study recommends that in Europe, aligning economic and social goals could be more effective in promoting quality entrepreneurship. If social protection is not a whole solution than it can at least provide a partial solution. The alternative of remaining on the current trajectory of skewing towards poor quality entrepreneurship, brings the possibility of instituting a vicious cycle of necessity entrepreneurship which adds little to economic development or social advancement.

11.1 Limitations and future research

This study aims to contribute to the advancement of knowledge, policy and practice (e.g. Tranfield et al., 2003). Synthesising a large body of disparate, ambiguous research about an inherently complex activity was challenging. The systematic review methodology adopted and the iterative nature of the process used to explore, reconcile and make sense of the literature may have broaden the scope of this study beyond identifying the implications of entrepreneurship policy. It is sometimes more useful to keep research enquiry narrow, especially in the light of resource limitations and the particular challenges faced by novice researchers (Denyer & Tranfield, 2009). Given the significance of entrepreneurship policy to Europe's institutional context and the working age population, the researcher took on the challenge and applied the principles of systematic review as effectively as possible.

Reviewing a large quantity and diverse range of literature was a considerable undertaking. The purpose was to provide a solid background and understanding of the nuances in entrepreneurship research but a more selective criteria inclusion may have reduced the volume of material and made the review more manageable for a Master's thesis. For instance, focusing only on published material over a more limited time frame, in certain journals discussing only empirical findings of policy implications may have sufficed and still produced robust propositions (e.g. Foss et al., 2019). The challenge with relying on a more limited range of literature is the potential for bias (Denyer & Tranfield, 2003; O'Boyle Jr. et al., 2014) or missing some of the contextual information contained in older studies (e.g. seminal research). The scope of the literature review was also broadened to facilitate understanding, because finding contextualised, empirical research using European data (e.g. economic freedom in Europe) was also difficult.

The theoretical nature of this study can also be considered a limitation. However, a contribution of this study is the aggregation of a diverse range of literature which provides an overall view of entrepreneurship in Europe with reference to different perspectives. The findings can provide a basis for future empirical research examining entrepreneurship, institutions and social economic models. As the European Pillar of Social Rights comes into effect, the seven testable propositions can provide a useful starting point for future empirical verification, especially as more data becomes available, and measures become more robust (e.g. MISSOC for social protection; opportunity entrepreneurship for quality entrepreneurship).

Furthermore, using data collected post-2008 and COVID-19 can be useful for examining the impacts of extenuating circumstances, or exogeneities on entrepreneurship, as well as any moderating effects of social protection. Testing any of the seven proposition in contexts other than Europe may help identify possible moderating effects of social protection on quality entrepreneurship in contexts with high proportions of necessity entrepreneurship. These suggestions for future research can contribute to multidisciplinary, policy-relevant entrepreneurship research.

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APPENDIX A

It is important to note that the Heritage Index of Economic Freedom (EFI) is constantly evolving Miller et al. (2020). The most recent report was released in 2020 and explains that the Heritage Index of Economic Freedom covers four broad categories:

1. Rule of law
2. Government size
3. Regulatory efficiency
4. Market openness.

These categories currently consist of 12 specific components[53]. These aspects can be shaped by government policy to alter the economic and entrepreneurial environment (see Díaz-Casero et al. 2012; McMullen et al., 2008). Much of the research on economic freedom refers to 10 categories which are provided below. For consistency, these have been adapted to correspond with terminology used within entrepreneurship research and the Heritage Index of Economic Freedom:

a) *Property rights (*contingent on *Judicial Effectiveness)*: the ability to own and accumulate property and wealth motivates individuals and businesses. It drives the market economy. Enforcing property rights (real and intellectual) instils confidence in individuals to undertake commercial activities, accumulate income and plan for the future. Protecting private property requires an effective judicial system, which is available to all, equally and without bias or discrimination.
b) *Freedom from corruption (*captured by *Government Integrity* by the Heritage Foundation): systematic corruption occurs when practices diminish the integrity of government institutions, causing inequity and unfair treatment. Corruption infects the economic system and requires transparency and limited government intervention.
c) *Fiscal freedom* (captured by *Tax Burden* by the Heritage Foundation): is the freedom of individuals and businesses to keep and control a larger share of their income and wealth for their own benefit and use. A government can impose a variety of direct and indirect taxes on economic activity by generating revenues for itself.

[53] Many studies refer to 10 categories of economic freedom. In 2017, the Heritage Foundation changed methodology adding Judicial Effectiveness and Fiscal Health. This took the place between 2016 where there were 10 components to economic freedom (Miller & Kim, 2016) and 2017 where there were 12 components (Miller & Kim, 2017).

d) *Government Size (*captured by *Government Spending* and *Fiscal Health* by the Heritage Foundation): excessive government spending can curtail economic freedom because it can distort the market mechanism and clawing back of funds spent through higher taxation. While some government spending can be justified (e.g. infrastructure, funding research, improving human capital, public goods) excessive spending and market intervention leads to inefficiency, bureaucracy, reduced productivity and increased national debt. Government spending can curtail economic freedom and longer term economic growth. Appropriate spending and allocation of funds reflects a healthy approach to financial and resource management, which avoids the crippling effects of national debt.
e) *Business freedom*: the right of individuals to create, operate and exit a business venture without government interference. The most common barriers to engage freely in entrepreneurship are burdensome and redundant regulatory rules.
f) *Labour freedom*: the ability of individuals to find employment and work in whichever manner they choose, is a fundamental component of economic freedom. In addition, the ability of businesses to hire and fire workers to meet their resourcing needs is an essential mechanism for enhancing productivity and sustaining economic growth. Any of the various government regulations which exist (e.g. minimum wage, limits on wages, restrictions on working conditions such as hours worked and hiring and firing practices, etc) can penalise businesses and workers and prevent them from freely negotiating their labour agreement.
g) *Monetary freedom:* is reflected in the existence of a stable currency which facilitates transactions, investments and savings. Prices are also determined by the market. When monetary policy is able to keep inflation low and maintain stability, individuals and businesses can rely on future market prices and make long-term plans.
h) *Trade freedom*: reflects the openness to international imports of goods and services. It also reflects the ability of citizens to interact freely as buyers and sellers in the international marketplace. Governments can restrict the flow of international commerce by introducing trade restrictions such as tariffs, taxes, quotas and bans.
i) *Investment freedom*: a free environment results in efficient and effective allocation of resources. Individuals are free to choose where and to invest so capital will flow to where it is most needed and returns highest. Constraints on capital flows and allocation restricts investors and individuals seeking investment. The more constraints that are imposed, the lower the level of entrepreneurial activity, economic growth, productivity and job creation.
j) *Financial freedom*: formal financial systems which are accessible and efficient encourage competition, efficiency and reduce the cost of financing entrepreneurial activity. Government protects individuals

and businesses by ensuring transparency and integrity within the financial system and promoting disclosure of assets, liabilities, and risks, as well as audits.