

# **Targeting unemployment through entrepreneurship based on a social responsible behavior strategy**

The Portuguese Case Study

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“Here’s to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently (...). You can quote them, disagree with them, glorify or vilify them. About the only thing you can’t do is to ignore them. Because they change things (...). And while some may see them as the crazy ones, we see genius. Because those who are crazy enough to think they can change the world are the ones who do.”

**Steve Jobs**

## 1. ABSTRACT

**Title:** Targeting unemployment through entrepreneurship based on a social responsible behavior strategy: the Portuguese Case study

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This study explores an innovative and integrated approach to solve the unemployment problem in Portugal through a social responsible behavior based-strategy. Human, intellectual and financial resources are presented as tools to efficiently engage such citizens in entrepreneurial activities in order to increase labor market productivity and promote the country's economic growth (Bosma , Stam , & Schutjens, Creative Destruction and Regional Competitiveness, 2006).

After a careful literature review and analysis of the insights collected from the thorough research on unemployment and entrepreneurship, specifically regarding human and financing capital, a framework based on the social service innovation concept is presented.

The proposed set of solutions to reduce unemployment in Portugal were obtained by conducting a survey targeting unemployed Portuguese citizens, addressing their needs and expectations regarding training programs, and a status quo analysis of crowdfunding, together with the (historical) statistical results concerning the Portuguese labor market and its impact in the entrepreneurial sector.

The dissertation findings are expected to be a useful contribution to the entrepreneurship literature, shedding some light into the main dimensions to be analyzed when defining an implementation strategy through a social responsible behavior, based on training and financing possibilities, and proposing a set of relevant guidelines to design operations in order to achieve its major goal.

**Keywords:** *Unemployment; Social Responsible Behavior; Training; Entrepreneurship; Crowdsourcing; Crowdfunding.*

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## 2. ACRONYMS and ABBREVIATIONS

BLS – Bureau of Labor Statistics

CITE – Comissão para a Igualdade no Trabalho e Emprego

CSR – Corporate Social Responsibility

EC – European Commission

GEM – Global Entrepreneurship Monitor

ICLS – International Conference of Labour Statisticians

IEFP – Instituto do Emprego e Formação Profissional

ILO – International Labour organization

INE - Instituto Nacional de Estatística

INOFOR – Instituto para a Inovação na Formação

KILM – Key Indicators of the Labour Market

LLL – Lifelong Learning

MCIES – Ministério da Ciência, Inovação e Ensino Superior

MTSS – Ministério do Trabalho e Segurança Social

NUTS - Nomenclature of Units for Territorial Statistic

OECD – Organization for Economic Co-operation and Development

PLE – Personal Learning Environment

PNACE – Plano Nacional de Acção para o Crescimento e Emprego

SMEs – Small and Medium Enterprises

SRB – Social Responsible Behavior

UN – United Nations

VET – Vocational Education and Training

### 3. PREFACE

My last year was really important in what comes to be my motivation for this thesis. I was for 6 months in one of the most developed countries in the world (USA) doing my exchange program. From this experience I took 3 main lessons: USA markets have a different perspective on entrepreneurship - they value those that try to follow their craziness and create a business from scratch even if they are not well succeeded. They become entrepreneurs because they believe it's the best option and not because they lack other alternatives. Due to the hard competition in their markets they are more creative and innovative when trying to find solutions for traditional problems or needs. They have a greater ability to think out of the box and they leverage highly on social networks – academic, professional, online – because they understand that others have something to teach them and there is no need to do the same mistakes if you can learn from others experience's and do it right at first.

Then I travelled to São Tome e Principe to start a microcredit project in one of the least developed countries in the world. From this experience I took 3 main lessons also: people are what they are, you can show them another point of view but they will only change their mentality if they can foresee that their situation will be improved. Having to explain predetermined concepts in a simpler and more intuitive, allowed me to understand some conceptual frameworks from a different perspective and in deepen my capability of analyzing all the variables and agents that interact in different situations. As in the USA, although at a different level, knowing the right person in the right place makes an enormous difference when trying to solve a given problem – social networks exist but are available on-line.

After 1 year outside of Portugal I came back with a different perspective on what can be done to improve the situation we are currently living. There is a lot we can do to surpass existing market failures. So I decided to address the unutilized labor resources problem to try to come up with innovative and integrated solutions leveraging on our entrepreneurial potential and devoting special attention to human and financial resources. I would like to finish by quoting Steve Jobs: “Your time is limited, so don't waste it living someone else's life (...) have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary.”



#### 4. ACKNOWLEDGMENTS

This thesis would have been difficult to accomplish without the help of my supervisor Susana Frazão Pinheiro who, gave me all the support I needed even when it was not possible for her to be physically present. She had always raised my attention when I was starting to get lost and helped me focusing, giving me suggestions on the methodology that would best fit the problem being addressed.

To Joana that presented me, two years ago, a project whose main goals were related with the socially excluded people and manners to help them to get reintegrated. At that time I could not predict the enormous impact that challenge would end up having in my academic, personal and professional life. This initial idea, after several improvements, is currently one of my lifetime projects and joins several of my expectations and beliefs for the human being I want to become in the future.

To Ana, Ricardo, Miguel, Hugo e Daniel who raised my attention for the multidisciplinary phenomenon unemployment is and helped to explore solutions that incorporate information technology, design, entrepreneurship, law and psychology.

A special thanks to all the people that gave me final feedback on my work and raised my attention for all the needed improvements. I honestly think that the final document I am delivering now would be poorer if I did not have your help.

I could not forget my family and friends who helped me in everything and didn't let me quit even when it seemed impossible to deliver this dissertation on time. The fact that you have always believed in my capabilities made me believe in myself too.

Finally, I want to thank all the people that answered my questionnaires. This data was of extreme importance for the findings presented in this dissertation and without it the final conclusions I drawn wouldn't have the same impact I believe they will.

## 5. INTRODUCTION

Economists all over the world have studied the labor market for ages. From Adam Smith, passing Milton Friedman and ending in Peter Diamond, all of them understood the importance of the labor market and its impact in the performance of the real economy. The human resources interact with almost every topic we try to study in economics; given the impact the measures and resolutions that arise from the analysis have on the individuals integrated or not in the labor market. “Human capital is one of the most important driving forces for economic competitiveness, development and growth.” (Pašič, Kavkler, & Boršič, 2011).

The labor market comprises several players with different roles, incentives and expectations. Some of them belong to the demand side – enterprises, governments - and others to the supply side – unemployed and employed people. Due to the adverse consequences for one’s life from not having a job or not being satisfied with it, the underutilization of labor resources, specially its most well-known form, unemployment, has been one of the topics related with the labor market mostly studied by academics.

However even after all the time spent studying this phenomenon it still persists and presents novel dynamics and several difficult features not covered on the literature yet. The public policies taken to control it are hard to measure and some of them end up having undefined results concerning the standard measures used to compare unemployment vertically – over time – and horizontally - across countries. This yields several interesting questions: Why should we expect public policy to be the only actor intervening in such an important topic? Is it possible – through private organizations – service-providing institutions, to try to help governments to solve this problem? What would be the best way to leverage on innovative solutions to overcome the specifications of the traditional problems being analyzed? In a world that values globalization, innovation in services, products and communication channels - Internet and online social networks - are there solutions that aggregate some of these elements in such a way that can yield powerful results to fight unemployment back?

This thesis aims to provide a set of integrated solutions that leverage on the private sector entrepreneurial power through a social service innovation approach, using

training and financing as implementation tools. The final goal is to present an alternative solution to help solving the labor underutilization problem in Portugal.

### 5.1. Research topic

There are several damaging consequences from unemployment concerning one's financial condition, self-esteem, career paths and development of job skills. By no doubt the longer a person is unemployed the more damaging will be the impact on her life.

Although there is a wide diversity of research studies on the labor market and on labor underutilization, the multidisciplinary solutions available for approaching this phenomenon are still limited. By exploring alternative ways of using private sector entrepreneurial potential as a way to develop innovative training and financing tools, we aim to explore an integrated solution for the labor underutilization problem in Portugal.

Unemployment is the main structural problem we propose to analyze. On the literature review several explanatory factors are discussed and in the empirical context you can find an analysis based on INE<sup>1</sup> data for the unemployment demographics in Portugal. After that its relationship with entrepreneurship is discussed, both theoretically and with the support of empirical evidence from several countries. Data from The Global Entrepreneurship Monitor (GEM) is used to describe the entrepreneurial sector in Portugal as well as data from INE. Being the human, intellectual and financing resources the basis for a successful entrepreneurial activity, these are the topics selected for further analysis and recommendations. Regarding the human resources the chosen methodology was a survey applied to currently unemployed people to assess their expectations about training and learning methodologies. For financing capital the approach was slightly different: after a careful comparison between different financing forms, an emergent phenomenon – crowdfunding – is introduced. Due to its novelty both nationally and internationally, the approach chosen to explore this matter was an international comparison followed by a discussion on how to integrate it in the Portuguese reality with some lessons and challenges presented in the end. To finish we propose a framework that intends to aggregate all the recommendations presented during this thesis, which will serve as the basis for their future implementation.

**Problem Statement:** How can we use the entrepreneurial potential of the private sector to solve the labor underutilization problem in Portugal, leveraging on training and financing tools as catalysts for a broader set of innovative and integrated solutions, which will be implemented using a social service innovation approach.

## 5.2. Research Questions

**Q1:** What are the major factors influencing the unemployment phenomenon in Portugal? What challenges does the labor market reserve us for the next years?

**Q2:** How can our entrepreneurial potential be a solution for this structural problem? What is the relationship between these two complex phenomena in the Portuguese case?

Assumption 2.1: Can training be one of the implementation tools to improve entrepreneurial capability and to solve the problem of unemployed lack of skills? What training typologies better fit both the Portuguese culture and the global technology advances?

Assumption 2.2: What is the role of capital financing in the business creation process? With the current economic crisis, what funding alternatives should we consider to better position start-ups in the market, increasing productivity levels and promoting economic growth?

**Q3:** How can a Social Responsible Behavior based-strategy be integrated between the private and the public sector, as the base for the set of proposed solutions that will help reducing unemployment in Portugal? Is social service innovation a suitable approach concerning strategic design and operational implementation?

## 5.3. Dissertation outline

From now on, this dissertation is sectioned into 5 chapters beginning with the literature review on the main underlying concepts: unemployment, entrepreneurship and social responsible behavior. Secondly a brief overview of the Portuguese situation, including an unemployment diagnosis as well as the major challenges the entrepreneurial sector

has to deal with is presented. On the third chapter, the methodology and analysis section, the research methods and data used as well as the reasons for the selection and the results are presented and an analysis of its implications for the proposed solution is conducted.

The fourth chapter incorporates the final framework, based on the statistical results, and the analysis performed, that will be used to implement the social responsible behavior based-strategy. At last, the concluding chapter makes a brief overview of what has been discussed throughout the dissertation and the main findings and challenges for future research.

“No one lives long enough to learn everything they need to learn starting from scratch. To be successful, we absolutely, positively have to find people who have already paid the price to learn the things that we need to learn to achieve our goals.”

**Brian Tracy**

## **6. LITERATURE REVIEW**

The purpose of this section is to revise all the theoretical background in each of the proposed topics, highlighting all the relevant details and those where further analysis is needed to come up with the appropriate set of conclusions. Starting with the central topic under analysis, labor market slack, we will analyze the labor market structure and provide a diagnosis for unemployment. Then entrepreneurship potential and its interaction with unemployment is explored, focusing on start-ups needs for human, intellectual and financing capital. Finally, the concept of social responsible behavior is revised and its role between the public and the private sector is analyzed in detail. The tables presented are either adapted from existing ones in which case sources are cited, or have been drawn for the purpose of this thesis based on a number of papers.

### **6.1. The labor market: relevant concepts and unemployment diagnosis**

In the present section, we will focus in 2 topics for analysis. First we will revise the relevant concepts in the labor market and explain how they fit our approach. Then the unemployment concept is further analysed and a diagnosis is presented.

#### **6.1.1. Going beyond unemployment using the labor market framework**

The current internationally accepted labor market framework dates from 1982, and it was approved on the 13th International Conference of Labour Statisticians (ICLS). According to it, the working age population can be divided in three categories: employed, unemployed and not economically active.

For several years and across countries there was a single indicator in the labor market category that was broadly used: the unemployment concept. According to the

International Labor Organization (ILO) definition and in line with the OECD and the INE, “the unemployed comprise all persons above a specified age who, during the reference period, were: without work, that is, were not in paid employment or self-employment during the reference period; currently available for work, that is, were available for paid employment or self-employment during the reference period; and seeking work, that is, had taken specific steps in a specified recent period to seek paid employment or self-employment” (International Labour Organization, 1982).

Unemployment concept became widespread, allowing for international comparisons, because its computational process was simple and it did not require further information apart from the one available on the standard labor surveys. Although this concept is still used as the headline of labor statistics, criticisms started approximately 50 year ago. On the 11<sup>th</sup> ICLS, 1966, Philip Hauser suggested a framework that included the concept of underemployment on the unemployment definition. In 1970s, Julius Shiskin, Commissioner of Labor Statistics said that, “no single way of measuring unemployment can satisfy all analytical or ideological interest” (Shiskin, *Employment and Unemployment: the doughnut or the hole?*, 1976). From then on, alternative measures started being developed and applied in several countries: USA (Shiskin, *A New Role for Economic Indicators*, 1977) and (Sorrentino, 1993); South East Asian Countries (International Labour Organization, 1982); Canada (Devereaux, 1992); OECD [ (OECD, 1993) (OECD, 1994) and (OECD, 1995)].

It is widely agreed that the unemployment computation is a valuable instrument for analysis in labor statistics. Nevertheless, a complementary set of alternative measures, defined to allow for international comparisons, can enrich one’s understanding of the labor market. According to the ILO working paper for the 18th ICLS, (Mehran & Bescond, 2008) the goal is to “introduce, at par with unemployment, a supplementary concept that measures the employment problem as experienced by individual workers.” However, a standard and objective definition for each of the new segments being integrated is essential to allow for international comparability and to add value to the analysis performed by statistic bureaus.

*The Labor Market Framework Revisited*

Appendix 1 shows a revisited representation of the labor market. The diagram summarizes both, the labor force framework presented on the 13th ICLS and its refinement presented on the 18th meeting (International Labor Organization, 2008). According to this new version, the labor market comprises all the individuals above 15 years of age (working age population). However there are people in this group that belong to the labor force and others that are out of it. The ones that are not part of the labor force are either (1) individuals that want to work, available but not seeking for a job (Discouraged workers); (2) other inactive workers available for work; or (3) the ones that are not available to work at all. The labor force participants are either unemployed or employed. Still from the ones that are employed, some would like to work more hours than they do (visible underemployment), others are employed but either earning less than expected or not using their skills efficiently (invisible underemployment). For a complete definition of each of the concepts presented above, please consider reading appendix 2.

Aiming at labor market efficiency, policies undertaken should target not only the unemployed but also the other segments that are interested in contributing for the country productive activities but due to different circumstances are trapped in their current situation. These other segments can be aggregated in a new concept - labor underutilization. Quoting ILO, it “is a broad concept that encompasses unemployment and other forms of mal-employment namely, insufficient volume of work (labour slack), low remuneration (low earnings) and incompatibility of education and occupation (skill mismatch)” (International Labor Organization, 2008). In appendix 3 a diagram defines the three categories and the respective sub-categories of labor underutilization.

In this thesis, only the labor slack category is further explored since its significant weight for the labor underutilization equation. Moreover, labor slack components – unemployment, time-related underemployment, discouraged workers and inactive persons with labor force attachment – are the ones researchers normally include when studying alternative measures for the standard unemployment rate since they account for all the individuals that want to contribute efficiently to productive activities but due to inappropriate market conditions and other reasons these human resources are not being fully used.



Still there is a long way to go until these labor slack components can be used for international comparisons and other labor market analysis. Although the time-related unemployment is already standardized by ILO (1998), concerning the discouraged workers and the other inactive persons marginally attached to the labor force, there is no international definition so far. An extensive work by OECD (1987) and OECD (1993) exist on the concept, definition, measurement and analysis of discouraged worker. The initial thought was to consider them as immediately productive and available resources. However several studies on this matter concluded that although certainly they behave differently from other people out of the labor force they are not that close to the unemployed, as we would expect at a first glance. Nevertheless, studying inactive person's heterogeneity is still relevant in terms of labor market analysis and policymaking strategies (OECD, 1995)<sup>2</sup>. Moreover in the Portuguese case, unemployment is the most relevant category of labor slack, being the discouraged workers and the underemployed of insignificant dimension when integrated on labor market slack calculation. (INE, 2006) For an extensive discussion on this matter, please read appendix 4.

### *Applicable concepts in the scope of this thesis*

In this thesis the aim is to present a set of innovative and integrated solutions to make people contribute in a more efficient way to productive activities in Portugal. Given that, the focus is not only towards unemployed rather it includes the discouraged workers and the underemployed. It would also be interesting to evaluate the skill mismatch segment of labor market slack, if this was measured by lifelong learning instead of standard educative measures.

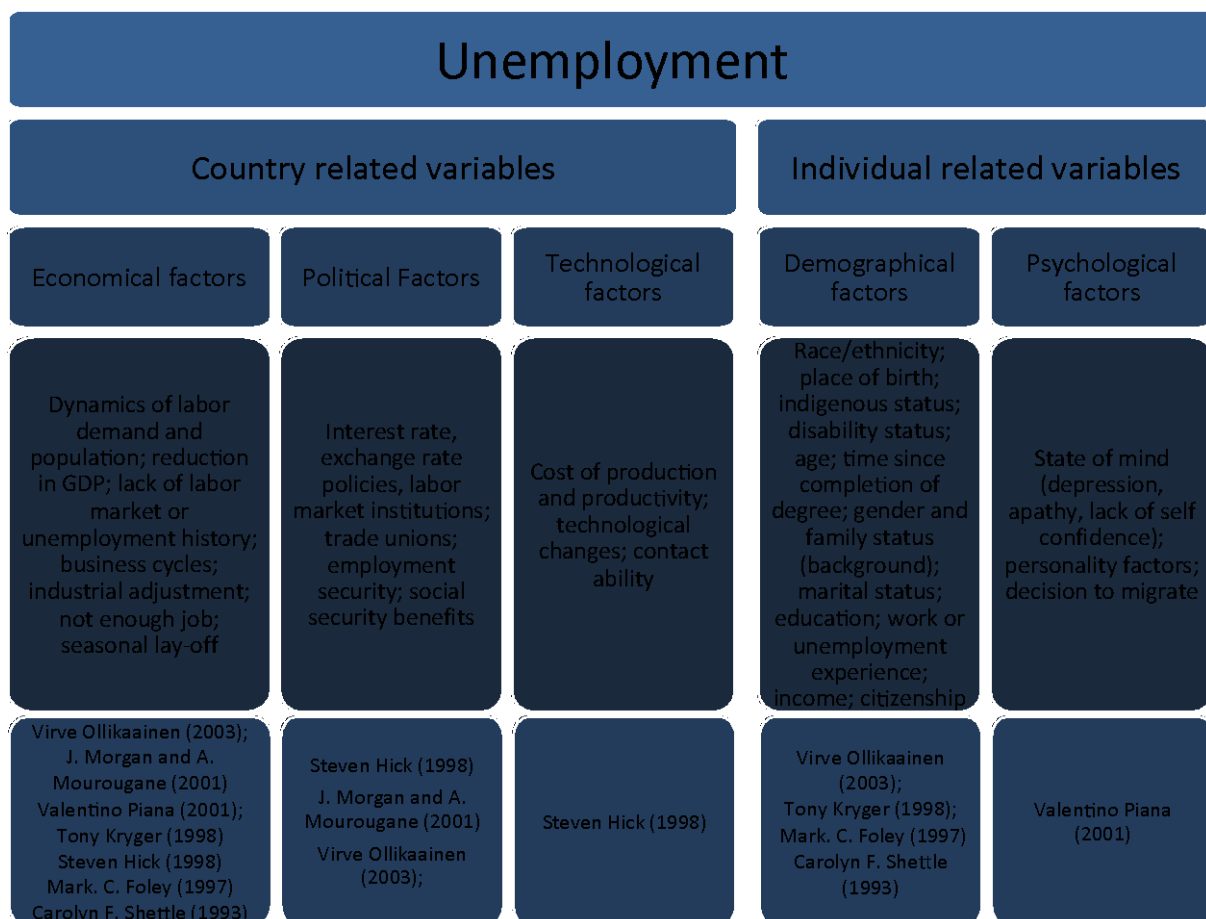
#### **6.1.2. Diagnosing Unemployment**

“The key to understanding employment or its negative counterpart, unemployment, is to examine its underlying components” (Morris, Machuca, Jaeckel, & Wallace, 2010).

There are two ultimate goals when studying unemployment. Either the aim is to explain the differences between individuals propensity to find a job or, in a broader sense, to find the variable that allows for unemployment differentials across countries. These two

goals generate distinct approaches to unemployment, and thus two different sets of variables need to be analyzed.

Although it may be stated that there is no standard classification system for such a complex phenomenon as unemployment, there is at least some tendency. Remeikienė & Startienė (Relationship between entrepreneurship and unemployment, 2008) tried to aggregate all the research already developed by several authors and came up with the following systematized framework.



Graph 1: Unemployment Determinants adapted from Remeikienė & Startienė (Relationship between entrepreneurship and unemployment, 2008)

Normally when analyzing the factors that affect unemployment differentials across countries, it is also useful to distinguish between endogenous and exogenous variables. The first ones include the country institutions, and by definition they are the targets of government interventions. According to Sala (2009) there are four ways to split the institutions analysis. We can start by analyzing the wage bargaining institutions

(collective bargaining) or the fiscal policy (labor taxation), to end on the employment and unemployment protection legislation. The author found out when comparing Portugal to Spain that the most relevant difference between the two countries is the eligibility rules for unemployment protection (Sala, 2009).

The exogenous or external variables are also known as shocks and they belong to the public policy intervention sphere (Blanchard, Explaining European Unemployment, 2004). In Portugal and Spain, even though the countries suffered from the same shocks, unemployment differentials were significant, invalidating these when explaining the differences (Blanchard & Jimeno, 1993). These variables are the game rules and they can be internationally driven or country-specific. Still having some information on them will help aligning the proposed suggestions to a certain context specification.

Concerning individual related variables, workforce demographics are well known for being differentiation elements which affect unemployment rates across groups of people [ (Shettle, 1993), (Foley, 1997), (Ollikainen V. , 2003)]. These will be analyzed for the Portuguese case further in this thesis.

## **6.2. Entrepreneurship**

Unemployment is widely regarded as a major social and global economic problem (Blackburn, 1999) that started with the Great Depression and spread around the world damaging each and every country. From then on, it has been a major challenge for public policy intervention, especially nowadays when the Eurozone is having difficulties in remaining competitive (Audretsch & Thurik, Capitalism and Democracy in the 21st Century: from the Managed to the Entrepreneurial Economy, 2000). Businesses at its initial stage (start-ups) and the SMEs are two channels that have been used by authorities to affect unemployment levels [ (Carree & Thurik, The impact of entrepreneurship on economic growth, 2003), (Kwoka & White, 2001), (Thurik & Wennekers, Linking Entrepreneurship and Economic Growth, 1999), (Carrasco, 1999) (Masuda, 2006), (Schumpeter, 1934) and (Wong, Ho, & Autio, 2005)]. The small business sector, and hence business ownership is of considerable importance in the U.S. and other OECD economies [ (White, 1982); (Audretsch D. , Innovation and Industry Evolution, 1995) and (Kwoka & White, 2001)] since it boosts competition.

Entrepreneurship speeds up the innovation pace in an economy, and it promotes economic growth, by increasing employment opportunities, commodities' diversity and labor productivity (Bosma , Stam , & Schutjens, Creative Destruction and Regional Competitiveness, 2006).

Thurik & Wennekers (Linking Entrepreneurship and Economic Growth, 1999) defined entrepreneurship as "...the manifest ability and willingness of individuals, on their own, in teams within and outside existing organizations, to perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product-market combinations) and to introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions." It "is a dynamic and social process where individuals, alone or in collaboration, identify opportunities for innovation and act upon these by transforming ideas into practical and targeted activities, whether in a social, cultural or economic context" (European Commission, 2006). It might involve combining risk, creativity, personal success and past experiences and/or innovation with financial, moral and social responsibility, but these terms are not necessarily to define it as a global phenomenon (Acs Z. , Audretsch, Braunerhjelm, & Carlsson, 2004). It is normally operationalized either as the number of self-employed (Storey, 1991) or as business ownership (Baptista & Preto, The dynamics of Causality between Entrepreneurship and Employment, 2007).

The ways the entrepreneurial activity is integrated in the economic activity of a country differ a lot. The first distinction to be made is between entrepreneurship and intrapreneurship. In the first case the need to change occurs outside an organization as opposed to arising inside the organization. Then depending on the incentives behind the entrepreneurial activity, we distinguish between corporate, social and public entrepreneurship. For a detailed definition of the different forms of entrepreneurial activities see appendix 5.

In Portugal there is also another type of entrepreneurship, the "subsistence" entrepreneurship (Remeikienė & Startienė, Does the interaction between entrepreneurship and unemployment exist?, 2009). This type of entrepreneurship has little influence on the employment opportunities being created by the new firms, since it

is associated with small/inexistent growth potential.

The two relevant concepts for this thesis scope are corporate entrepreneurship, from the unemployed perspective, and social entrepreneurship, which is the root for the proposed implementation framework that will integrate the solutions presented to promote a positive interaction between unemployment and entrepreneurship.

### *Linkage between unemployment and entrepreneurship: a coin with two faces*

Entrepreneurship is a too complex concept and it is influenced by multiple factors. A discussion on the factors that might influence entrepreneurial activities might be found in appendix 6.

The unemployment and entrepreneurship interaction dates back to the 40's when (Oxenfeldt, 1943) pointed out that individuals when confronted with unemployment and low prospects for wage employment, turn to self-employment as a viable alternative. Yet, scientific papers on this matter only started to be published in the 70s [ (Carlsson, 1993) and (Acs & Audretsch, 1993)].

In the next table you can find aggregated all the possible interactions between entrepreneurship and unemployment. By primary effect we denominate the first interaction that might occur between the two phenomena. High unemployment might lead to increases in a country's entrepreneurial activity (Refugee Effect) or the two phenomena might be negative correlated (Prosperity Pull Effect). Then, if there is evidence for the refugee effect one of two things might occur. The first, known as Schumpeter effect, states that more entrepreneurial activity will lead to increases in the available employment opportunities, reducing unemployment. However it might be the case that the entrepreneurial activity created in the first place was just for necessity (here, we nominate this effect as the necessity-entrepreneurship effect, in accordance with GEM that uses this expression to account for people involved in the entrepreneurial sector due to lack of other options). In that case the business growth potential is limited and further effects in reducing unemployment are non-existent, and can even be negative.

Primary effect	Subsequent effects	Schumpeter Effect	Necessity Entrepreneurship Effect
<b>Definition</b>			
<b>Refugee Effect and Prosperity Pull Effect</b>	<p><b>Refugee Effect (RE):</b> Also known as income choice or recession push effect, unemployment and the loss of social status is said to have a positive impact on entrepreneurship because it becomes the only viable income-generating option in the labor market. (Lange, 2000). The opportunity cost from starting a business is lower – unemployment encourages entrepreneurship.</p> <p><b>Prosperity Pull Effect (PPE):</b> states that a high level of unemployment is associated with a low level of entrepreneurship. Either because unemployed people do not have the necessary expertise to start-up a business and do not have intrinsic properties of the entrepreneur [ (Lucas, 1978); (Oi, 1983)] or because of the reduced demand for its products due to the economic conditions, the revenues for the business might be lower than expected, increasing the risk of bankruptcy (Kihlstrom &amp; Laffont, 1979). Individuals will own a business only if the country's economy and business environment are favorable [ (Meuhlberger, 2007) (Johansson, 2000), (Parker, The Economics of Self- Employment and Entrepreneurship, 2004)].</p>	<p>Also known as the push effect. It states that increases in entrepreneurial activity will contribute to the economic performance by introducing innovation, creating change and competition, enhancing rivalry and leading to reductions in unemployment rates [ (Thurik &amp; Wennekers, Linking Entrepreneurship and Economic Growth, 1999) and (Carree &amp; Thurik, The impact of entrepreneurship on economic growth, 2003) ]. New start-up firms provide employment opportunities in themselves and also create employment in existing firms [ (Fritsch &amp; Mueller, 2004) in (Wong, Ho, &amp; Autio, 2005)] with some studies showing that small and new firms are the source of the majority of new jobs created</p>	<p>The low survival and growth rates of new firms suggest that their contribution to reducing unemployment is limited (Wong, Ho, &amp; Autio, 2005). Individuals are "pulled out "of business (Remeikienė &amp; Startienė, Does the interaction between entrepreneurship and unemployment exist?, 2009). Van Stel &amp; Storey (2004) emphasized that start-ups might guarantee employment for the business owners (due to RE) but will generate no growth.</p>

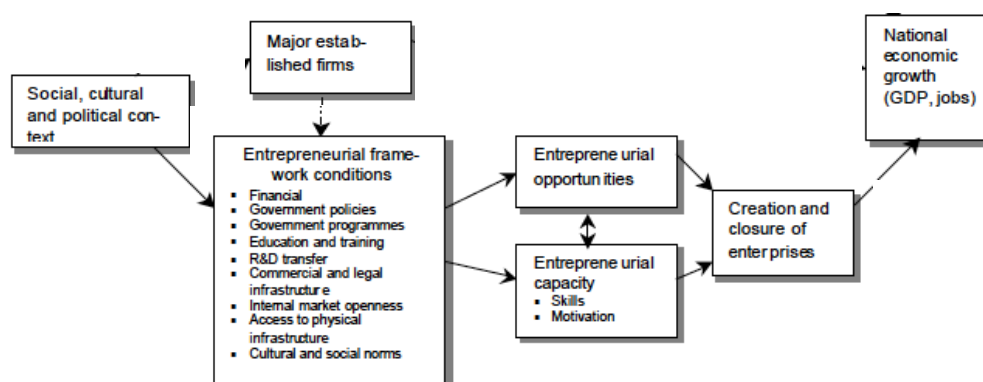
<b>Refugee Effect and pull/prosperity effect</b>	<b>Theoretical supporters</b>		
	<p><b>RE:</b> (Caree, Stel , Thurik, &amp; Audretsch, 2008); (Verheul, Thurik, &amp; Stel, 2006); (Blau, 1987); (Highfield &amp; Smiley, 1987); (Evans &amp; Jovanovic, Estimates of a Model of Entrepreneurial Choice under Liquidity Constraints, 1989); (Hamilton, 1989); (Evans &amp; Leighton, Small Business Formation by Unemployed and Employed Workers, 1990); (Yamawaki, 1990); (Blanchflower &amp; Meyer, 1994); (Reynolds, Storey, &amp; Westhead, 1994)</p> <p><b>PPE:</b> (Lucas, 1978); (Jovanovic, 1982); (Harrison B. , 1994) and ( Blanchflower &amp; Oswald, 1998)</p>	<p>(Schumpeter, 1934); (Fritsch &amp; Mueller, 2004); (Audretsch, Caree, &amp; Thurik, Does Entrepreneurship reduce Unemployment?, 2002); (Picot, Manser, &amp; Lin, 1999); (Naude, 2008); (Pfeiffer &amp; Reize, 2000)</p> <p>(Storey, 1991), and (Audretsch D. , 1998) found out that by using longitudinal analyses we will find a positive relationship between the 2 phenomena.</p>	<p>(Audretsch D. B., Innovation and Industry Evolution, 1995); (Ritsilä &amp; Tervo, 2002) (Storey, 1991), and (Audretsch D. , 1998) argue that if (pooled) cross sectional data is used, we will find a negative correlation between the two phenomena. The penetration rate, or employment share, of start-ups is remarkably low (Geroski, 1995).</p>
	<b>Proven empirical evidence</b>		
	<p><b>RE:</b></p> <p><b>23 OECD Countries:</b> (Audretsch &amp; Thurik, Capitalism and Democracy in the 21st Century: from the Managed to the Entrepreneurial Economy, 2000); (Caree, Stel , Thurik, &amp; Audretsch, 2008)</p> <p><b>US:</b> (Evans &amp; Leighton, The Determinants of Changes in U.S. Self-Employment, 1968- 1987, 1989)</p> <p>Audretsch, Caree, &amp; Thurik (Does Entrepreneurship reduce Unemployment?, 2002) studied the <b>bi-directional forces</b> underlying this relationship and concluded they both exist.</p>	<p><b>Japan and 23 OECD countries:</b> (Audretsch &amp; Thurik, Capitalism and Democracy in the 21st Century: from the Managed to the Entrepreneurial Economy, 2000); (Stel &amp; Stunnenberg, 2004); (Caree, Stel , Thurik, &amp; Audretsch, 2008); <b>US</b> (Birch, 1979) (Birch, 1987); <b>Sweden</b> (Davidsson, Lindmark, &amp; Olofsson, 1998) <b>Canada</b> ( Baldwin &amp; Picot, 1995); <b>West Germany:</b> (Audretsch &amp; Fritsch, A Note on the Measurement of Entry Rates, 1993) <b>GEM<sup>3</sup> participating countries:</b> (Reynolds, Bygrave, Autio, Cox, &amp; Hay, Global Entrepreneurship Monitor 2002 Executive Report, 2002)</p>	<p><b>US</b> retail and service industries: (Carree &amp; Thurik, The impact of entrepreneurship on economic growth, 2003) <b>Germany:</b> (Audretsch &amp; Fritsch, The Geography of Firm Births in Germany, 1994) <b>Italy:</b> (Garofoloi, 1994)</p>

Table 1: Primary and Subsequent interactions between unemployment and entrepreneurship  
 (Information adapted from several research studies cited in the table)

However, in countries such as **Portugal** (Baptista & Thurik, The relationship between entrepreneurship and unemployment: Is Portugal an outlier?, 2007); (Baptista & Preto, The dynamics of Causality between Entrepreneurship and Employment, 2007), **Spain** (Golpe & Stel, 2007) and (Thurik & Verheul, The relationship between Entrepreneurship and Unemployment: The Case of Spain, 2003) and the **United Kingdom** (Thurik, Entrepreneurship and Unemployment in the UK, 2003) it was not possible to determine which of the effects prevailed. The main reason presented by Audretsch, Caree, & Thurik (Does Entrepreneurship reduce Unemployment?, 2002) is related with the fact that the interaction models being used do not incorporate the economic situation of the country, or the cultural/individual characteristics of the population.

### *Key determinant Resources for entrepreneurial success*

The GEM conceptual model, presented in 2002 (Reynolds, Bygrave, Autio, Cox, & Hay, Global Entrepreneurship Monitor 2002 Executive Report, 2002) represents the interactions between SMEs and large companies and their contribution to the countries' economic growth. Concerning the entrepreneurial framework conditions, enterprises have to take advantage of the opportunities created - given the social, cultural and political context and the economic success of large enterprises, new market opportunities are created for start-ups and SMEs through technological spill-overs, spin-offs, increases in domestic demand for goods and services and integration of SMEs in supplier networks (UN, 2004) - and leveraging on entrepreneurs' capability and motivation, they will promote economic growth and ultimately reduce unemployment. Inevitably in the process the flow of SMEs creation and destruction will increase.



Graph 2: The entrepreneurial framework (adapted from Reynolds et al., GEM, 2002)

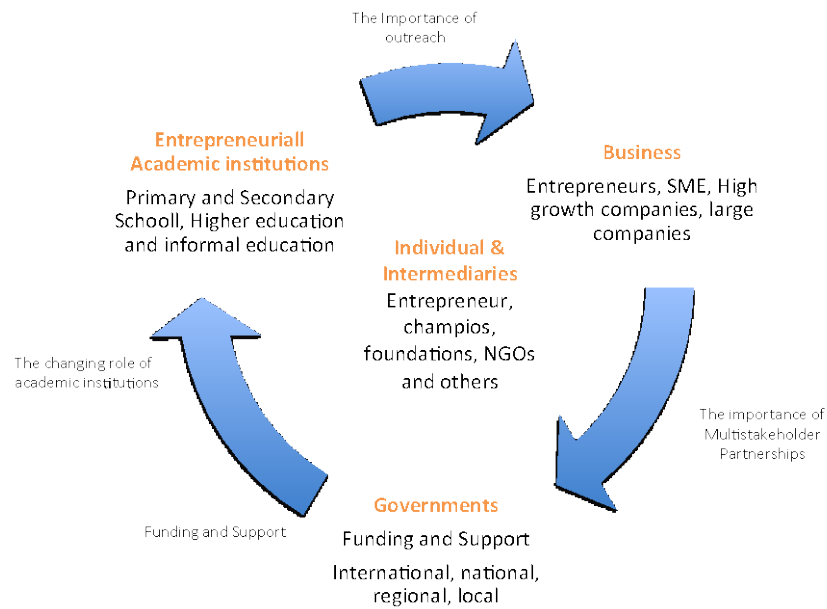


From the previous graph we can understand that policies for boosting entrepreneurial capacity should not focus solely on macroeconomic conditions or access to finance, the most frequently used policy tools to promote entrepreneurship. Although such policies are doubtless important for broadening the base of individuals with incentives to start up a business and with access to the necessary means, these policies alone will not be enough. As the British economist, Alfred Marshall, once said, the founding and development of firms depend to a large extent on the entrepreneurial qualities of the individual entrepreneur (Barreto, 1989).

The availability of resources (Shaver & Scott, 1991) together with the entrepreneur's personality traits (Thornton, 1999) are key determinants for one's entrepreneurial success.

An entrepreneur's pursuit starts with identifying an opportunity. But this opportunity must be matched with resources or the success of the project will be compromised (Smith & Petersen, 2006). According to the authors, these resources fall in one of the three categories: intellectual, human and financing capital. For example, the entrepreneur might not know how to manage a business (if he is not familiar with business concepts and procedures due to lack of training). Moreover some businesses require human resources with specific skills or qualifications. Finally, even when an idea is really profitable and the entrepreneur has all the capabilities necessary to start a business, having means to finance it is a crucial step. Not having the needed money to start will invalidate the business from the beginning.

The entrepreneurial ecosystem, developed during the World Economic Forum in 2009, integrates both the main players and the resources needed to promote an effective development of the entrepreneurial activity (UNCTAD secretariat, 2010). Each stakeholder in the ecosystem needs to recognize entrepreneurship as a key element of its strategy, thereby creating win-win networks from the entrepreneurial relationships. The different stakeholders are involved in a series of symbiotic actions, which include awareness and outreach, the development of human capital and critical talent, public-private partnerships, multiple sources of innovation, intellectual property and funding. In a dynamic and growth-generating entrepreneurial ecosystem, there is a high degree of interaction and coordination among these key elements



Graph 3: The Entrepreneurial Ecosystem by World Economic Forum, 2009.

### 6.2.1. Investing in Human Resources

Entrepreneurial activities are highly dependent on the quality of the human resources available. Developing one's attitudes, personal qualities, formal knowledge and skills as the ability to think creatively, to work in teams, to manage risk and handle uncertainty is essential for the entrepreneur to succeed (OECD, 2009). "Education for Enterprise" can be defined as the development of "a group of qualities and competencies that enable individuals, organizations and communities to be flexible, creative and adaptable in the face of rapid social and economic change" (Lewis, 2002). According to OECD (2008), it should be focused on both narrow defined tools as how to start a business, financing and human resources management; and broader attitudes as creativity and risk taking.

Training interacts with the real economy in two different ways. It allows people to fight back unemployment by improving their skills, increasing their ability to keep up with the market requirements (MTSS, 2007). This decreases their probability of being unemployed, and if unemployed will improve their chances of finding a job (Abreu & David, 2010). Also it promotes economic growth for the economy as a whole, by boosting productivity and promoting investment opportunities in the country, which makes companies better prepared to face a growing competitive economy (Rebelo, O PNACE 2005/2008 e a Educação, 2009). Already in 1986 Alaluf defended that training

works as an instrument that allows for labor value appreciations, so if developed in an articulated manner and integrating the new competencies needed in the labor praxis it will allow for significant value creation in the economy.

### *Lifelong Learning*

According to the European Union definition, lifelong learning (LLL) “encompasses all purposeful learning activity, whether formal or informal, undertaken on an ongoing basis with the aim of improving knowledge, skills and competence” (Eurostat, 2001). Independently on the methods chosen the goal is to invest in a person’s knowledge update in a way that contributes to her personal and professional development and for “an educated and knowledgeable society that possesses not only qualifications but also competencies” (Abreu & David, 2010). As stated by Neto (2004) in Silva & Bassani (2007) “the word competence derives from the Latin ‘competentia’ and means proportion, symmetry, referring to the capacity to understand a determined situation and react suitably to it in the best and fairest way possible.” Competences are acquired by participation in multiple workshops, work experience, and other attributes such as initiative, autonomy, creativity, and ability to evaluate business opportunities.

Around the world, people’s training in entrepreneurship tend to make them entrepreneurially competent in terms of capable, opportunity-aware, risk-willing and role-modeling, as evidenced recently by the Coduras Martínez, Levie, Kelley, Sæmundsson, & Schøtt (2010).

In this thesis the approach for lifelong learning aims at developing ones skills through training opportunities rather than being focused on education. Training enhances competencies, and education facilitates training and thereby indirectly promotes competencies, but education has little direct or separate effect on competencies (Coduras Martínez, Levie, Kelley, Sæmundsson, & Schøtt, 2010). Entrepreneurs’ formal education and their entrepreneurial training both have direct positive effects on their performance in terms of growth-expectation, exporting, innovation, competitiveness and newness of technology and product (Schøtt & Sedaghat, 2011).

### *Training Typologies*

There are 3 distinctions to be made, concerning training typologies. The first one relates with the channels used to update ones knowledge – via formal, non-formal or informal learning (Eurostat, 2001). Then training programs might aim at the acquisition of core or personal and social skills, or specific and technical skills (OECD, 2009). Finally depending on one’s availability, motivation and ability to work by himself, the training program format differs. It can be in-class training, a distant learning program, or an hybrid combination of both.

	<b>Formal Learning</b>	<b>Non Formal Learning</b>	<b>Informal Learning</b>
<b>Channels to update knowledge</b>	The Education and training a person can get through public and private schools, universities and other recognized learning institutes. It is a certified learning, taught by qualified professionals.	Training programs more or less institutionalized that can be or not certified. However this certification is not enough to enhance a person’s career progress as it happens with the formal learning.	It is an upgrading of one’s experience, which results from day-to-day activities. Normally these initiatives occur in a non-institutional environment and the individual can structure the activities he is performing.
	- Activities and workshops undertaken in schools, colleges, university and other education/learning institutes.	- Courses, workshops - Seminars, conferences and other activities organized out of the educational system. - Private classes and workshops	- Asking family, friends and colleagues for help - Journals, technical magazines and books - CD-Rooms and other broadcast material - Voluntering activities - Hobbies - Internet research
<b>Content</b>	<b>The acquisition of key (or core) skills</b>	<b>The development of personal and social skills</b>	<b>Skills relating to business start-up or financial literacy</b>
	The requirements for operating effectively in a working environment, for planning a career and for the process of identifying & accessing work opportunities (i.e.: literacy, numeracy, communications, ICT and problem solving)	A whole raft of skill and personal attributes may be subsumed within this category, including: team working; self-confidence; self-awareness; risk taking; problem solving; creativity; and the desire to innovate;	Such as drafting business plans, marketing, financial management, sales, and human resource management.

	<b>Classroom learning (traditional methodology)</b>	<b>Distant learning (outside the class training)</b>	<b>Blended learning<sup>4</sup></b>
<b>Training Format</b>	Involves being in the same physical place than the teacher, being less flexible in terms of location and schedules available. On the other hand, because you have the teacher and your colleagues there you will feel pressed and more motivated to achieve your own goals. Also the class discussion is very helpful to clarify some concepts that were not understood at the first time and to clarify one's doubts in real-time	Normally it is easier to adapt the course content to your own needs, and more importantly you can decide the time and place where you want to use the course material. However sometimes if you are not motivated enough to start the course, the lack of contact with the teacher and your colleagues might limit the knowledge appropriation process.	Distant learning is complemented with classroom sessions, taking the most from all the distant learning advantages and leveraging on its disadvantages to create an instrument that integrates traditional and innovative learning in just one method in order to reach even a greater amount of potential participants. The classroom time should be dedicated to solving case-studies, team problem-solving exercises, and labs that reinforce concepts learned through self-study. Outside the class, the participant has access to all the materials, in order to study and be fully prepared to interact in classroom discussions.

Table 2: Distinction of training typologies by 3 categories (compiled information from several reports and research studies)

*Evolution in distant learning techniques: the emergence of e-learning, a combination of training with information technology*

The distant learning is gaining increased importance because nowadays, more than ever, people have less time available to devote to updating their skills. Also with the Internet, a new world blossomed, enhancing peoples' self-learning ability. By leveraging on new tools as blogs and interactive web platforms, distant learning gained a new life.

One of the emergent initiatives is e-learning, defined by Marc Rosenberg (2001) as “the use of Internet technologies to deliver a broad array of solutions that enhance knowledge and performance.” Its roots defend the use of technology as a way of developing individual competences required by the labor market, saving time and money through a more flexible and autonomous process for both the individuals and the SMEs (Carvalho, 2010).

The implementation and widespread use of e-learning was only possible because several conditions were encountered. The fact that nowadays a personal computer and an internet connection became part of one’s routine (technological factor) and the great importance given to knowledge update by the recruiters and the market as a whole, increased the need to invest in lifelong learning techniques that follow the market trends and the individual requirements (economic factors). Also adult students started feeling the need to improve their background due to its impact in their careers and began to invest in certificated courses in areas – science and humanistic - they were not aware of its importance (social-demographical factors) (Lima & Capitão, 2003).

With e-learning, distant learning ability to answer to the student questions in almost real time was improved. Before, the contact between the professor and the student was made through email and conference calls. But with the help of the new information technology findings, the students managing power over their learning process was amplified and the channels through which they communicate with both their colleagues and the professor were improved. Also the students contact network increased in number, diversity and frequency of connections. Each e-learning user develops a personal learning environment (PLE) very complete in terms of tools diversity, resources available and the way both of them interact with the student (Carvalho, 2010). With e-learning, the learning process is more dynamic requiring a greater participation and motivation from its users. The student is the one that has the initiative, responsibility, self-discipline and autonomy.

According to Rosenberg (2001) the benefits from e-learning over the classroom-based learning (or c-learning) arise from 9 roots. However training programs exclusively based on distant learning, and more specifically on e-learning, have some disadvantages also. In the table below you can find a discussion adapted from several authors on e-learning pros and cons.

<b>Advantages adapted from Rosenberg</b>		<b>Disadvantages<sup>5</sup></b>	
<b>Cost efficiency</b>	Since there are no expenses with transportation, infrastructures and also the time devoted to the course	<b>Cost associated with building the platform</b>	Normally this technique can only be profitable if a considerable amount of users is involved
<b>Extended Scope</b>	With e-learning we can reach as many people as we want with no losses for the other users.	<b>Technophobia</b>	A significant part of the population has difficulties in using the web due to lack of resources and skills
<b>Personalized contents</b>	According to each individual's needs you can adapt the course contents to align it with his career prospects (Rosa, 2002)	<b>Motivation and self-organization requirement</b>	If participants are not motivated and do not exert any effort to evolve in the course then the program impact will be irrelevant. Also a high degree of discipline and self-organization are needed
<b>Contents Easy-to-update</b>	Contents can be updated almost instantaneously		
<b>Anywhere and anytime learning</b>	Flexibility arises from the "just in time - any time" philosophy	<b>Time devoted to course preparation</b>	Preparing the course is more time consuming than preparing a workshop
<b>Improving technological skills</b>	Although it requires the person to have some knowledge in IT then after this initial required level, the person will improve her knowledge in this area just by using the e-learning tool	<b>No direct interaction between the teacher and the student</b>	It can limit goals achievement and it can reduce the impact of exchanging experiences. Difficult to promote the existence of relational interactions that only exist in c-learning
<b>Universality</b>	Data exchange legislation on the internet is universal	<b>Lack of socialization</b>	The development of the student's socialization process is limited. Specially related with the discussion of different point of view, between peers.
<b>Community network development</b>	Virtual communities to start really interesting interactions and exchange of contents and opinions, mitigating the lack of physical contact and resulting in a motivational element in the learning process		
<b>Scalability</b>	Decreasing/irrelevant marginal costs	<b>Quality of internet connection</b>	Technical difficulties to update contents or use image and video support

Table 3: Advantages and Disadvantages from e-learning

### *Blended Learning: joining the best from both worlds, classroom teaching and e-learning*

The e-learning, in its first generation tended to be a repetition or compilation of online versions of classroom-based courses (Singh, 2003). Evaluation of the programs made it clear that a single mode of instructional delivery may not provide sufficient choices, engagement, social contact, relevance, and context needed to facilitate successful learning and performance. This confirmed the need for organizations to use a blend of learning approaches in their strategies to get the right content in the right format to the right people at the right time.

So the concept of b-learning was introduced, as a second wave of e-learning, and it combines multiple delivery media that are designed to complement each other and promote learning and application-learned behavior (Singh, 2003).

The concept of blended learning is rooted in the idea that learning is not just a one-time event – learning is a continuous process. By extending the training program reach and optimizing development costs and time, blended learning is better than both traditional methods and individual forms of e-learning technology, used one-by-one.

Benefits	Description
<b>Extending the reach</b>	a physical classroom training program limits the access to only those who can participate at a fixed time and location, whereas a virtual classroom event is inclusive of remote audiences and, when followed up with recorded knowledge objects (ability to playback a recorded live event), can extend the reach to those who could not attend at a specific time.
<b>Optimizing Development Cost and Time</b>	Combining different delivery modes has the potential to balance out and optimize the learning program development and deployment costs and time. Using virtual collaborative and coaching sessions with simpler self-paced materials - off-the-shelf WBT, documents, case studies, recorded e-learning events, text assignments, and PowerPoint presentations - requires quicker turn-around time and lower skill to produce

Table 4: B-learning Benefits, adopted from (Singh, 2003)

Blended learning mixes various event-based activities, including face-to-face classrooms, live e-learning, and self-paced learning. This can comprise traditional instructor-led training, synchronous online conferencing or training, asynchronous self-paced study, and structured on-the-job training from an experienced worker or mentor.



Anecdotal evidence<sup>6</sup> indicates that blended learning not only offers more choices but is also more effective. See appendix 7 for 2 examples of B-learning in Stanford University and University of Tennessee's.

### **6.2.2. Financial capital role in start-ups' success**

Money is the most tangible of the resources entrepreneurs need, although it is by no means simple to obtain given the markets current situation (Smith & Petersen, 2006).

Capital decisions and the use of both debt and equity have important implications for bankruptcy risk, operations, firm performance and growth potential (Cassar, 2004). Entrepreneurs finance their ventures usually by internal funds – provided by the start-up team – or external funds – like debt, equity financing or other funds provided by external parties (Smith & Smith, 2004).

Access to finance is considered by OECD (2002) as one of the three policy domains with significant importance for entrepreneurial activities, aside with facilitation of entry and exit of firms, and government support schemes.

According to the GEM, on the 2000 Executive Report, almost 20% of the interviewed entrepreneurs mentioned lack of finance as the most important barrier to their entrepreneurial activities (Reynolds, Bygrave, Autio, Cox, & Hay, Global Entrepreneurship Monitor 2000 Executive Report, 2000). It is well recognized that new ventures face difficulties in attracting external finance at their very initial stage, be it through bank loans or equity capital [ (Berger & Udell, 1998), (Cassar, 2004)and (Cosh, Cumming, & Hughes, 2009)].

While business angels and venture capital funds fill the gap for larger amounts, friends & family and entrepreneurs themselves provide the smallest amounts. Still, many ventures remain unfunded, partially because of a lack of sufficient value that can be pledged to investors, partially because of unsuccessful attempts to convince investors [ (Hellmann, 2007) and (Casamatta & Haritchabalet, 2010)].

### *Crowdfunding: Solving start-ups' lack of capital problem*

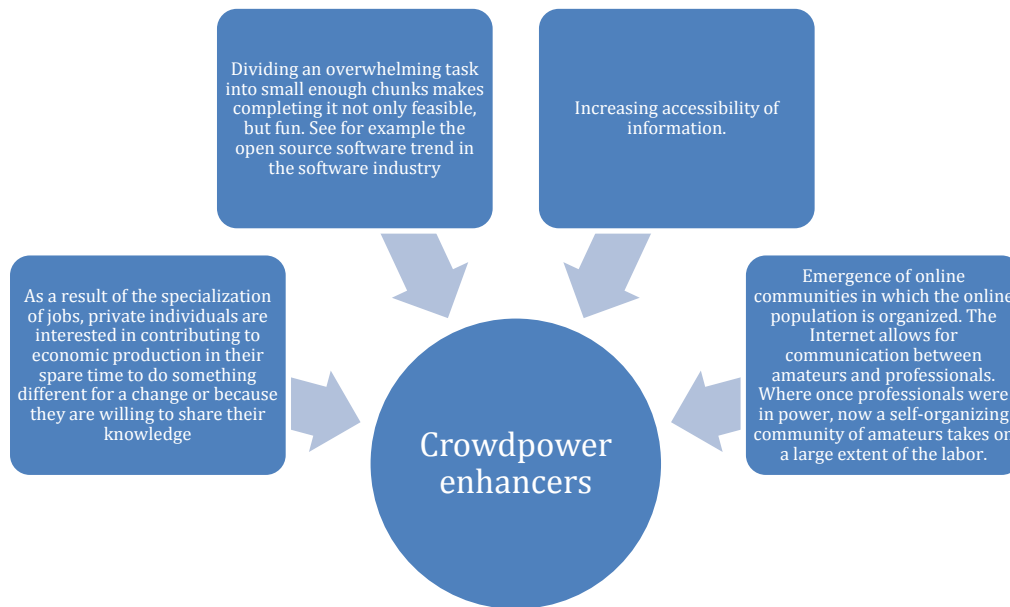
Entrepreneurs seem to experience more and more problems obtaining funds nowadays. Banks have developed a reluctance to provide financing to entrepreneurs due to tightening regulation and financial crisis. In order to overcome this problem, entrepreneurs are seeking alternative ways to obtain funding. An emergent financing tool both in the real and academic world that is worth to mention here is crowdfunding. Belleflamme, Lambert, & Schwienbacher (2011) identify crowdfunding as a subset of crowdsourcing, defining it as: "Involv[ing] an open call, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights".

Similar to crowdsourcing - the first crowd powered concept coined by Jeff Howe in a June 2006<sup>7</sup> and where crowdfunding finds its roots [ (Howe, 2008); (Rubinton, 2011) and (Geerts, 2009)] - this emergent tool is aimed at getting input from the public or the "crowd", which in this case is in the form of a monetary contribution. It is a fundraising mechanism that taps into the market or "crowd" of "consumer-investors" who by means of a donation, investment or pledge can support the development of a vast array of projects, instead of raising the money from a very small group of experienced investors. The return on the investment made depends on the platform on where the project is hosted and the project's nature - music albums, artwork or "meet-and-greets", or a monetary return. (Van Wiingerden & Ryan, 2011)

Additionally, crowdfunding is used for acquiring information (Belleflamme, Lambert, & Schwienbacher, 2011). In that sense, it is an excellent tool for co-creation, in which both the firm and active customers create value through new forms of interaction, service and learning mechanisms (Prahalad & Ramaswamy, 2004).

In the past getting crowds attention was more complicated. From using traditional mail, passing television advertisement, to ultimately using email and internet whose reach power, is unlimited; enterprises and individuals understood the power hidden in these society masses and started exploring them in several manners. For a discussion about the crowdpower industry landscape, look at appendix 8.

Howe (2008) states there are 4 factors that boosted the ability to reach this crowd's power.

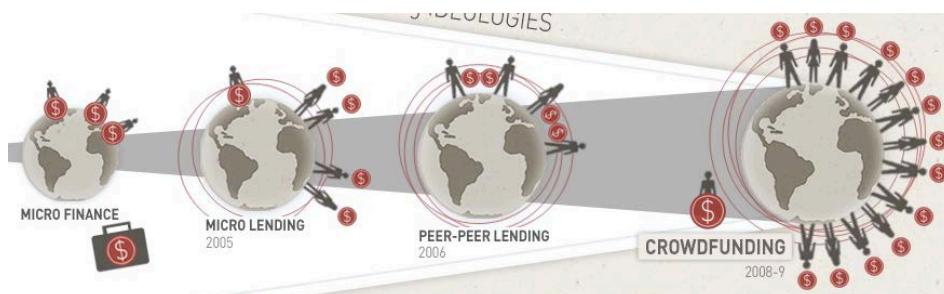


Graph 5: Crowdpower enhancers by Howe

Pleasefund.us, a crowdfunding platform that performed with the support of crowdsourcing.org an exploratory study of the crowdfunding industry, concluded that there are 4 main stimuli for the advent of crowdfunding platforms: High speed internet, online workforce and online international methods, aside with the social media.

Nowadays through online social networks we can address interested parties in our projects from any part of the world.

Also this emergent concept follows a series of funding ideologies based on micro-investment. It started with micro finance evolving to micro lending and peer-peer lending. With all its enhancers the crowdfunding was the process that followed the micro-funding ideology.



Graph 4: Evolution of micro-investment funding ideologies (adapted from pleasefund.us)

Recently, the Dutch Minister of Economic Affairs, Agriculture and Innovation, Mr. M. Verhagen, promoted crowdfunding in his long term policy statement for the Dutch Parliament [Min EL&I (2011) in (Voorbraak, 2011)]. In addition, the European Commission has been encouraged to support crowdfunding and avoid the adoption of useless regulations on a national level [Eurada, 2011 in (Voorbraak, 2011)].

### *Traditional financing tools and Crowdfunding: a comparison*

To be able to view crowdfunding in the broader concept of entrepreneurial finance and to define the financial risks and benefits of crowdfunding, first traditional financing methods are discussed. When we analyze traditional sources of financing for start-ups, it is important to look at 3 categories: debt financing, equity financing and informal financing. In the first one we can have loans - responsible for most of the debt financing to firms (Berger & Udell, 1998) - and government-backed guarantees, governments warrant the payment of a percentage of a loan made by a financial institution. Concerning equity financing we can ask support from angel investors, high net worth individuals, also known as business angels. These individual investors range from the successful, cashed-out entrepreneur on the one hand (Morrissette, 2007) to individuals with little or no experience with venture investing on the other. Rather we can be interested in a more complex and structured financing tool. In that case venture capitalist should be the option. They act through a fund controlling its activities and usually have expertise in discovering and nurturing promising new ventures. Also you can resort to stock markets but not at early stages as the ones we are referring to.

Still as reported by Parker (The Economics of Entrepreneurship, 2009), 31% of start-ups' funds come from family and friends. These are informal investors that face lower information asymmetries (Cumming & A., 2009). They can be very important in signaling the quality of the entrepreneur and their commitment (Conti, Thursby, & Rothaermel, 2010). Later investors may use this signal thereby increasing the likelihood of accessing further funding. However family and friends are disproportionately likely to be local (Hampton & Wellman, 2002).

	<b>Bank loan</b>	<b>Angel investor</b>	<b>Venture Capitalist</b>	<b>Crowdfunding</b>
<b>Type of investment</b>	Debt financing	Equity financing		Debt, equity, profit sharing or revenue sharing
<b>Due Diligence</b>	Much	Much	Very much	Limited - Investors are not specialists and may have access to less information about the industry, past performance of the entrepreneur and other relevant information.
<b>Type of firms</b>	Low Risk	High risk - high return	High risk - high return	All - still crowdfunding yields higher profits for small amounts (Belleflamme, Lambert, & Schwienbacher, 2011)
<b>Firm size/target</b>	Early stage firms - Only for those that can provide collateral and guarantees. [ (OECD, 2002) and (OECD, 1998)]	Early Stage Firms - small innovative firms, characterized by a heavy reliance on intangible assets, uncertain operating environments and negative cash flows	Later stage firms in the same region. [Sorenson & Stuart (2005), in (Agrawal, Catalini, & Goldfarb, 2011), (Zook, 2004) and (Harrison & Mason, 1992)]	All - SMEs, business ventures, creative arts, NGO funding, and charities in any geographical horizon ( (Agrawal, Catalini, & Goldfarb, 2011); (Kappel, 2009))
<b>Intermediated</b>	Yes	No (Berger & Udell, 1998)	The VC firm invests as the fund	No
<b>Active or passive</b>	Passive - they do not bring much knowledge and experience and do not ask for control.	Relatively active [ (Harrison & Mason, 1992), (San José et. al, 2005) and (Avdeitchikova, 2008)]	Very active	Passive/relatively active - very little scope to intervene and protect their interests as stakeholders. The fact that their investment is small is likely to create a lack of incentive to intervene (Belleflamme, Lambert, & Schwienbacher, 2011)
<b>Investment Horizon</b>	+/- 5 years	5-10 years	3 to 7 years	5-10 years
<b>Exit</b>	Pay back	Sales or IPO	Preferably IPO	No obligations - in crowdfunding earning a financial return opposes being involved [ (Harrison & Mason, 1992), (San José, Roure, & Aernoudt, 2005), and (Avdeitchikova, 2008)]

<p><b>Advantages</b></p>	<p>After internal finance, an entrepreneur prefers debt to equity because he remains full owner of the venture (Myers &amp; Majluf, 1984). In addition, debt financing brings tax benefits as the interest can be deducted from taxable operating income.</p>	<p>Equity investors add value by contributing with their expertise and experience in a particular industry or geographical area, bringing in knowledge and increasing firms probability of success (Berger &amp; Udell, 1998)</p> <ul style="list-style-type: none"> <li>- Allows risk to be shift from the entrepreneur to the investor</li> </ul>	<p>Better mechanism for channeling risk capital to emerging sectors [ (OECD, 2002) and (OECD, 1998)]</p>	<ul style="list-style-type: none"> <li>- Anyone with internet access can participate and invest small amounts, aiding to close the equity gap often encountered by capital-seeking SMEs (Mason &amp; Harrison, 1995).</li> <li>- The reach of an online crowdfunding pitch is virtually limitless. (Agrawal, Catalini, &amp; Goldfarb, 2011)</li> <li>- Commercial parties can utilize crowdfunding as a tool to explore the market (Belleflamme, Lambert, &amp; Schwienbacher, 2011) whilst reducing the risk that comes with launching a new product to a minimum due to the funding structure (Schwienbacher &amp; Larralde, 2010) specially in high-risk high investment industries such as the music industry (Agrawal, Catalini, &amp; Goldfarb, 2011). There is no need for “established track record” (Kappel, 2009)</li> </ul> <p>It can also increase the company’s predictive power (Caves, 2000) creating awareness for their product (Belleflamme, Lambert, &amp; Schwienbacher, 2011)</p>
<p><b>Limitation</b></p>	<ul style="list-style-type: none"> <li>- The entrepreneur is the one carrying almost all the risk</li> <li>- Especially due to the last economic/financial crises the access to these loans is increasingly difficult.</li> </ul>	<ul style="list-style-type: none"> <li>- Their funding pitch generally can only address (very small) groups of individuals.</li> <li>- Venture capitalists have the tendency to invest in geographically nearby companies (Zook, 2004)</li> <li>- Entrepreneur loses a share of ownership if decides to issue equity (in the equity based crowdfunding this is also a reality)</li> </ul>	<ul style="list-style-type: none"> <li>- Legal, technical and social complexities (Rubinton, 2011)</li> <li>- Difficult to find a legal framework to apply in these situations, since the relationship is established through online social networks. Protection of intellectual property (Bonabeau, 2009) given its multi-investor nature. Legal limitations because making a widespread solicitation for equity offering is limited to publicly listed equity. (Belleflamme, Lambert, &amp; Schwienbacher, 2011) and (Schwienbacher &amp; Larralde, 2010).</li> <li>- Decreased competitive advantage due to disclosing ideas on the internet (entrepreneur); no control mechanism only indirect control via social network (investor);</li> </ul>	

Table 5: Comparing Crowdfunding with traditional financing methods (information adopted from several research studies cited in the table)

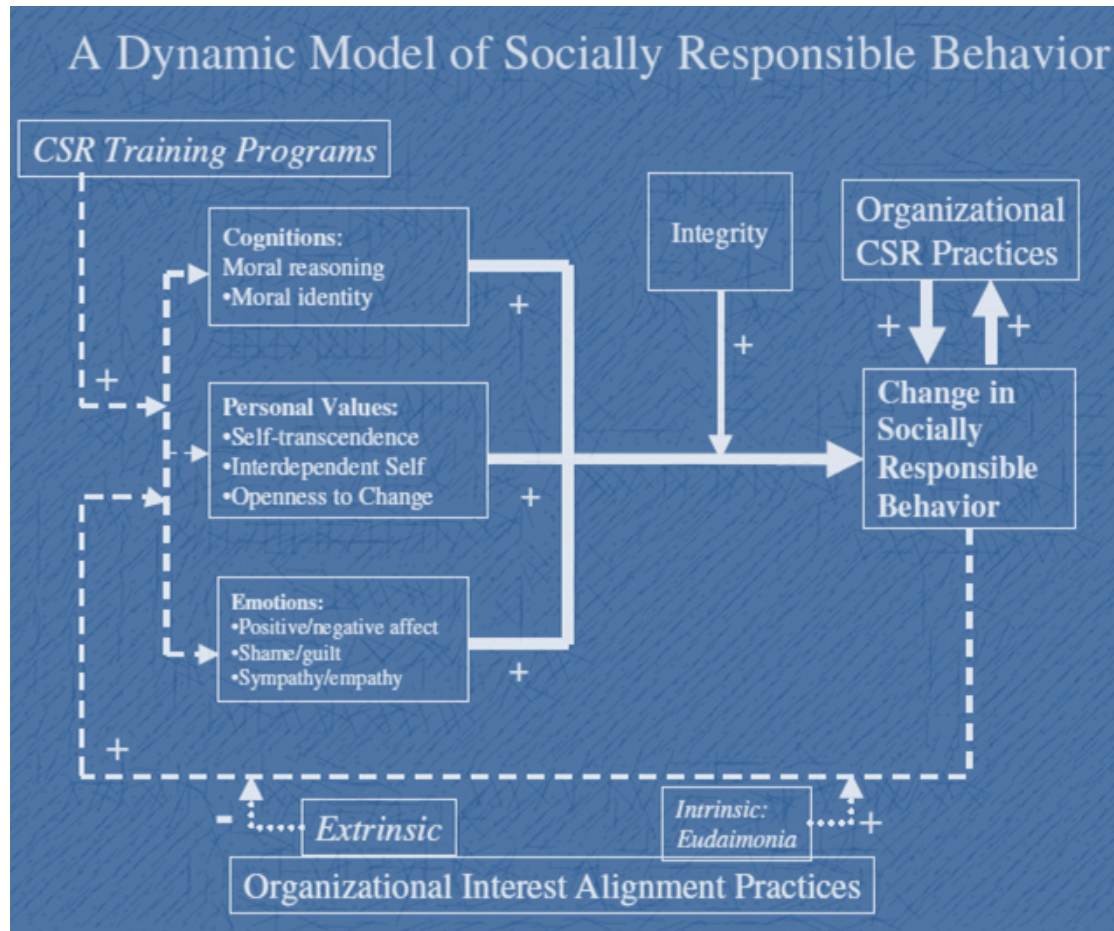
### 6.3. A social responsible behavior based-strategy

Over the past decade, the term social responsible behavior (SRB) has attracted a great deal of attention. Nowadays, with increased competition and the emergent innovation trends, there is the need to join public and private resources in order to stimulate economic growth. Over the last years, a significant number of firms demonstrated their engagement to fully define SRB by integrating its initiatives with the company's core activities.

Corporate Social Responsibility is defined by the European Communities as: "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (EC, 2002). When companies sponsor initiatives under their corporate social responsibility wing, they are promoting a social responsible behavior. As the United Nations High Commissioner of Human Rights, Mary Robinson stated: "it is not a question of asking business to fulfill the role of Government, but asking business to promote human rights in its own competence" (OECD, 2001).

The United Nation Global Compact (UN, 2008)<sup>8</sup>, started one of the most well-known initiatives concerning SRB, whose aim was to develop a business framework to match the companies' operations and strategies with ten universally accepted principles in several areas, including labor standards (four principles). Other activities, regarding youngsters' integration in the labor market and training opportunities for unemployed have been areas of intervention too. These initiatives are responsible for boosting labor market competitiveness and increasing human capital productivity. The socially responsible companies offer a new vision where the finality is not just to obtain profit, but also to find a balance between the heterogeneous and contradictory interests of all interested parties (Grigore & Grigore, 2010).

A SRB based-strategy goes further from the usual CSR practices. It includes every "actions by individuals/groups aimed at enhancing social well-being".<sup>9</sup> Maurizio Zollo (2005) suggests that a change of this kind in one's behavior, involves aligning extrinsic incentives through CSR training programs taking into account individuals cognitions, personal values and emotions and making sure that the intrinsic incentives are also present, specially integrity and the sense of well-being – living and doing well.



Graph 6: A Dynamic model of Socially Responsible Behavior by Maurizio Zollo

Several studies by Jenkins (2006), Murillo & Lozano (2009) and Morsing & Perrini (2009) suggest that although SMEs can be less efficient using their tools, implementing their formal strategies and communicating their activities, they are more likely to get involved in their community and local events. Also they can be more efficient when creating jobs opportunities, and exploring innovation.

### *The social economy: between the private and the public sector*

Economies may be considered to have three major sectors. The first one is the business or the private sector and its incentives are mainly economically driven. Then there is the public sector, managed by the state. In between emerges the social economy, which combines private sector characteristics with the public sector goal of social integration. A better understanding on the interaction between the 3 sectors can be found in



appendix 9. The social economy comprises “constituted organizations, with voluntary members and boards of directors or management committees, undertaking activities for local benefit. It integrates community organizations and businesses, working for the greater good of local communities and marginalized groups, which are led and managed by people in the locality.”<sup>10</sup>

The players that belong to the social economy can be integrated in one of the three sub-sectors: community, voluntary and social enterprises sector.

Community sector	Voluntary sector	Social enterprises sector
Organizations active on a local or community level, usually small, modestly funded and largely dependent on voluntary	Organizations that are: formal (they have a constitution); independent of government and self-governing; not-for-profit and operating with a meaningful degree of volunteer involvement.	Organizations which "are businesses with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners".
Neighborhood watch, small community associations, civic societies, small support groups, etc.	Housing associations, large charities, large community associations, national campaign organizations, etc.	Co-operatives, building societies, development trusts and credit unions.

Table 6: Players in the social economy by sector  
(Adapted from the Wikipedia article on the social economy)

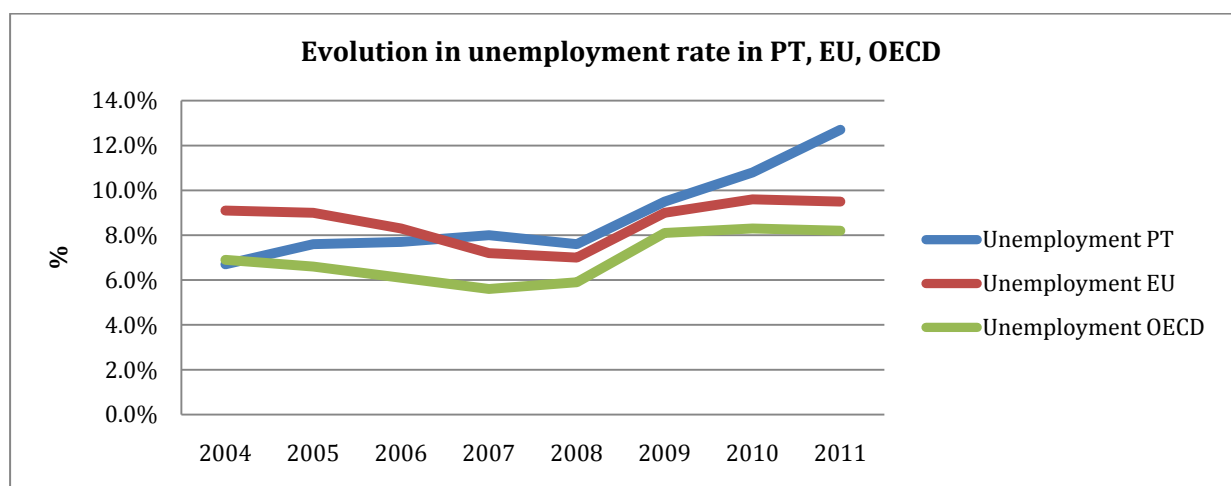
Problems cannot be solved by thinking within  
the framework in which they were created

**Albert Einstein**

## 7. EMPIRICAL CONTEXT: THE PORTUGUESE CASE-STUDY

### 7.1. Unemployment diagnosis in the Portuguese Labor market

The unemployment rate in Portugal for the third quarter of 2011 was 12,4%, a 5,7 p.p increase from its value in 2004. This tendency has been felt across all the OECD countries although Portugal was one of the most affected countries aside with Spain (22,1%), Greece (18,4%) and Ireland (14,7%). These are harmonized unemployment rates for the 3rd quarter of 2011, taken from the OECD statistics database.<sup>11</sup> Below is a graph describing the evolution of the unemployment rate for Portugal, EU and OECD group of countries.



Graph 7: Unemployment rate Evolution for Portugal, EU and OECD countries  
(Computed using data from OECD statistics)

This outlook can be explained by the recent economic crisis and the lack of alternatives countries have, to fight back production reductions and demand shortages. The competitiveness in the global market is exponential and countries as China and emergent countries like Brazil and Argentina are trying to find a spare space for them in

the international economic outline. It is urgent to try to find a set of innovative and integrated solutions to help us turning around the current situation.

### *The demographics of unemployment in Portugal*

Workforce demographics are well known for being differentiation elements that affect unemployment rates. Over the years, countries developed a certain set of labor statistics that allowed them to analyze the interactions between unemployment and these variables. For the sake of consistency and given this thesis scope, we believe this analysis allows us to have the necessary information in order to better understand the market although for sure there are other factors that affect unemployment apart from the ones described in this section. Detailed information on each variable been analyzed can be found in appendix 10. The Table below aggregates the lowest and highest unemployment rates for each variable analyzed and accounting for gender differentials.

	<b>Variable</b>	<b>Unemployment rate</b>	<b>Year</b>	<b>Gender</b>	<b>Variable category</b>
<b>Minimum</b>	NUTS (regions)	2,1%	2004	M	RAA
	Age	4,7%	2004	M	35-44 years
	Education	2,8%	2004	F	No education
<b>Maximum</b>	NUTS (regions)	15,8%	2011	M	RAM
	Age	25,4%	2010	F	15-24 years
	Education	16,5%	2010	F	Primary school (3rd level)

Table 7: Minimum and Maximum Unemployment Rate accounting for gender differentials  
(Computed using data from INE for the period between 2004 and 2010/2011)

Concerning Gender and Age the Portuguese case is not too different from other countries. The gender gap exists and is positive for female (women unemployment rate are generically greater than men's counterpart). The youth unemployment is a reality and authorities devote a great deal of attention trying to control this indicator. For Education and geographic coverage, these two variables present a behavior highly dependent on the economic situation. For example, over several years people with lower education levels could find a job easier than people with university studies. However with the changes in the economic context and due to the increased competition increases this situation was reversed. Still, there are firms that prefer unskilled labor to

perform certain tasks, due to lower labor costs, reducing a person's incentive to increase her education level. Concerning the unemployment rate by geographic location, these also depend on the economic activity in the area. Nevertheless, a pattern can be denoted: whereas RAA presented for several years one of the lowest unemployment rates, since 2008 this has increased a lot. On the other hand the Center region is the one where unemployment rates are lower and more stable, when compared with the other regions.

Concerning unemployment duration, which affects an unemployed propensity to find a job, the Portuguese case is aligned with the international evidence. Especially due to the economic crisis, the proportion of people that are looking for a job for more than 1 year has been increasing, since 2008.

<b>Why is long-term unemployment more serious than its short-term counterpart?</b>	<b>Active labor market policies to reduce the effects of long-term unemployment<sup>12</sup></b>
<p>The longer a person is unemployed the lower the time she devotes searching for jobs and the lesser effective she is in the process. Several factors might be the cause for this behavior, being the most important one the discouragement effects they feel from all the denials. The long-term unemployed also tend to see their skills being depreciated and sometimes they might even lose work ethic. They become less employable, or are perceived as less employable by employers. (Blanchard, European Unemployment, 93/94).</p>	<ul style="list-style-type: none"> <li>- Prevention: to ensure that long-term unemployment does not occur in the first place</li> <li>- Matching: improving job search and placement</li> <li>- Skills acquisition: improving skills and qualifications to enhance employability</li> <li>- Activation: creating incentives to increase the opportunity cost from being unemployed</li> <li>- Demand: targeting job generation actions to provide work experience and temporary employment including, direct employment, recruitment subsidies.</li> </ul>

Table 8: The long-term unemployment problem and policies to reduce its effects

<b>Unemployment rate by duration in Portugal</b>		
Age	NUTS (region)	Gender
<p>The youth unemployment is greater in absolute terms for every duration but &gt; 1 year unemployment. For all the age categories, &gt;1 year unemployment rates have been increasing since 2009</p>	<p>The North region presents the highest long duration unemployment rate, closely followed by Lisbon. In RAA the long term unemployment rate is the lowest from all the regions analysed</p>	<p>In 2010, F&gt;M except for people that are unemployed from 3 months to 1 year. Incidence of long term unemployment (more than 1 year) represented in 2010 more than 50%</p>

Table 9: Unemployment rate by duration in Portugal accounting for age, regions and gender

In the following table you can find the main finding for the 4 variables described before, for the Portuguese situation, as well as some of the causes for these variables' behavior.

Demographic factors	Interaction with unemployment	Facts concerning the Portuguese labor market between 2004-2010/2011	Causes
<b>Gender</b>	Total, North, Center, Alentejo: $F > M$ Lisbon: $F \approx M$ RAM (2011), RAA (2008), Algarve (2009): $F > M \Rightarrow F < M$ (year of $\Delta$ )  female labor market position is inferior to men's although the gender gap has been decreasing	- The North region presented the lowest volatility for men and Alentejo for women, in the reference period - In the last year in every region unemployment increased except from Alentejo and North region female unemployment rate. The greatest increases occurred in RAA and RAM	( $F > M$ )  - Work predominance in specific activity sectors - Education level differentials - Opportunity cost from working (due to family obligations)
<b>Age</b>	Youth unemployment rate higher than other age groups unemployment rate  Still for a person between 50 and 65 years of age, losing a job means greater difficulties to find another one. (unemployment duration is greater for this group of people)	- Since 2009 the increase has been generalized over all the age categories - Female between 15 and 44 years of age were the most affected - Still the male unemployment rate for the 35-44 category has decreased in 2009/2010 - For people between 45-64, the gender gap is irrelevant and the unemployment interactions between male and female are everything but stable (2006-2009 $\Rightarrow F > M$ ; the rest of the reference period ( $F < M$ ) - Age categories unemployment rates are also affected by the education level of their elements. For example for people with primary school-2nd level; only the category from 15-24 years of age presented a high volatility level. For the other categories the increase has been relatively stable.	(High youth unemployment)  - Differentials in job leaving rates due to difficulty in deciding what they want to do - rate of job loss is also different: firms sometimes hire teenagers on a short-term trial basis - Most teenagers are in school and not in the labor force. Thus in real terms the % of youth unemployed is not that high because in these statistics we are just calculating it based on youth already in the labor force

<b>Education level</b>	Ambiguous (according to the reference year conditions, different categories were affected). Still superior education was the one presenting less volatility in the reference period and the lowest value since 2009.	- Unemployment rates for almost every education level were relatively stable until 2008, except for people with primary school-3rd level, where the increase started in 2006. This category was the one presenting the highest values for the unemployment rate during the reference period, except between 2005/2006. The unemployment rate for people without education was the lowest until 2008	- More knowledge or education is related with a better preparation to perform a certain job, especially if there is a fit between the job and the knowledge update
	We would expect an increase in the education level to be associated with a lower probability of being unemployed, everything else the same	- Superior education was less affected by the recent increases in the unemployment rate since 2008 - Except for people with no education females presented a greater unemployment rate than men.	- Improving ones skills will also permit finding a job faster than without those skills acquired.
<b>Geographic coverage and economic activity</b>	Ambiguous	- The region with the lowest volatility was the North region, but with one of the highest unemployment rates in absolute terms. This was also the only place where unemployment rates decrease between 2010 and 2011	Employment opportunities in a given region are highly dependent on its predominant activities. For example in Algarve, where the economic performance is highly dependent on tourism, since 2008, there has been an increase in the unemployment rate. In the North region, which is highly dominated by the secondary sector, the number of unemployed increased and the prospects to find opportunities in the same area were significantly reduced.
	The local efforts and intervention on this matter have a huge impact on the unemployment rates for each region. Also, depending on the activities developed in the area and the subject of one's education, your employment opportunities will differ	- Until 2010, RAA was the region with the lower unemployment rate but the situation was reversed when in the same year the region presented unemployment growth rates over 75%. - The Center region maintained a relatively stable and low path concerning unemployment rate over the reference period, assuming in 2011 the lowest unemployment rate among all the analyzed regions.	

Table 10: Impact each factor has on the propensity for finding a job if unemployed

“Discontent is the first necessity of progress.”

**Thomas Edison**

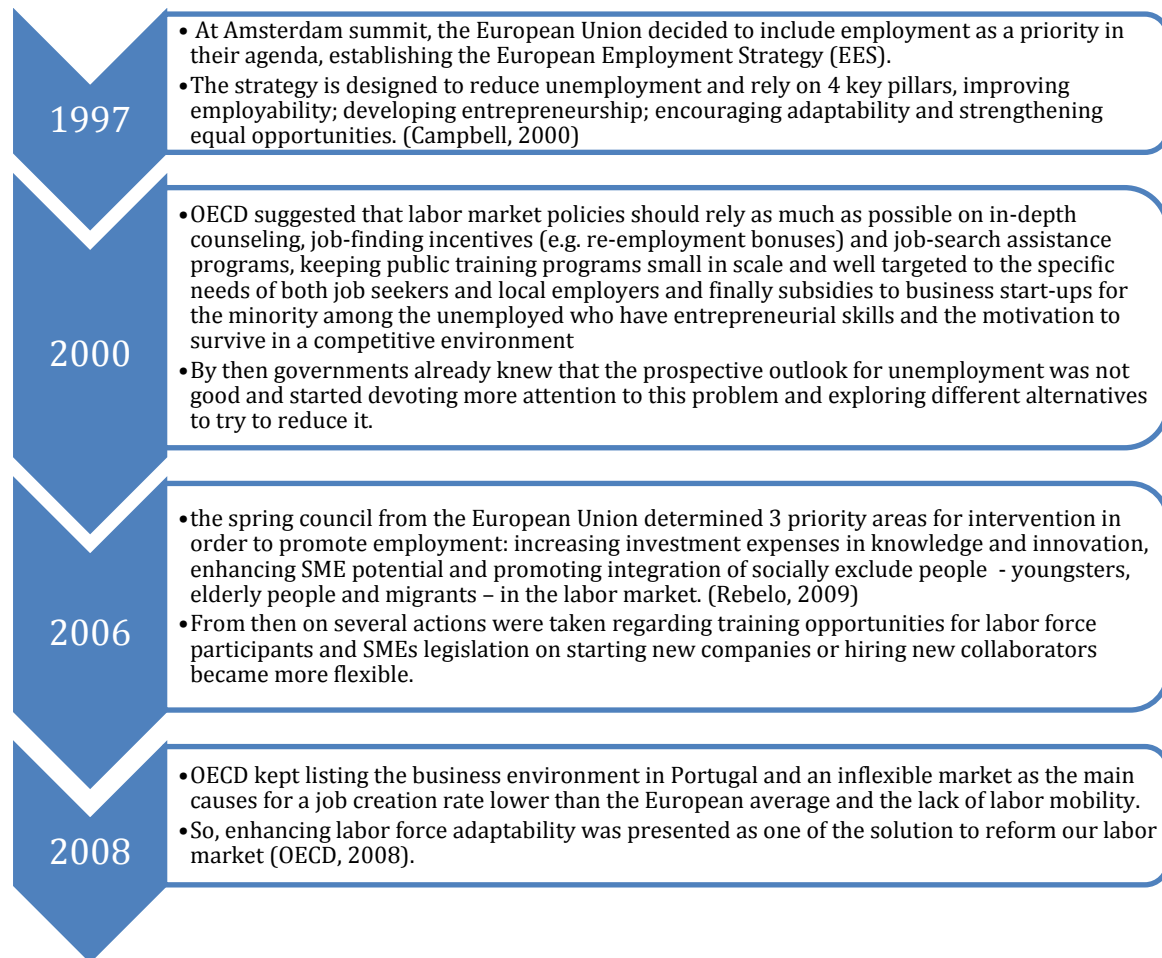
## **7.2. Challenges faced by the Portuguese Labor Market**

Unemployment is a global phenomenon. While affecting countries in different ways, there is no single government that does not have to worry about it. Especially in advanced economies, after the last economic crisis, unemployment has been suffering from steady increases. In the last decade the average increase in the unemployment rate for the OECD countries was around 30%. After being around 6%, in 2010 it raised to 8,3% in 2011.<sup>13</sup>

On current trends, the ILO predicts that only in 2016, employment in advanced economies will return to the pre-crisis situation, one year later than predicted in World of Work Report 2010 (ILO, 2011). So there is the need to focus on innovative forms of job creation in order to increase the range of opportunities available in the labor market and prevent social tensions in the society.

From 1997 onwards, OECD and all its members have been investing time and resources to improve its labor market adaptability [ (Campbell, Reconnecting the Long Term Unemployed to Labour Market Opportunity: The Case for a Local Active Labour Market Policy, 2000) and (Martin, 2000)], and Portugal is not an exception concerning this matter. Empresa na Hora, for example, facilitates enterprises creation. Also more incentives to invest in technology and innovation improved the conditions to start businesses in Portugal. Additionally, authorities never forgot the importance of training. They created programs as Novas Oportunidades and improved the quality of the workshops being offered to the unemployed. To increase their outreach they invested in important partnerships with municipalities and social partners.

The public policy intervention by the Portuguese Authorities on this matter has been extremely important especially concerning the role of employment and learning centers. For detailed information about the Portuguese status quo please read appendix 11.



Graph 8: Ten years of public policy intervention to fight back unemployment  
(A timeline based on facts presented in several research studies and reports)

In 2010, after evaluating the Portuguese intervention in the labor market, OECD concluded that although the strategy in use is the best one to increase programs reach, the need to monitor the programs persists. And this is now the challenge for the governments: information disclosure on the workshops, content validation, and certification, aligned with the OECD standards.

Apart from that, and according to INE, the SME represented, in 2009, 99% of the companies in Portugal. Although they are particularly important when it comes to the mass of people they employ and production power they are associated with, they have huge resources shortage that do not allow them to fully explore their growth potential and survive in an increasingly competitive market. Following this problematic, 2 particular areas of intervention were considered for analysis in more detail, knowledge



creation and update and financial resources, which are essential to promote and enhance business creation.

### 7.2.1. Entrepreneurship

In 2011 Diogo Vasconcelos stated that, only “a new wave of entrepreneurial initiatives might enhance job creation and open a new set of perspectives for our future. That implies a new paradigm for innovation in order to promote the big companies of the future instead of just the big companies we have nowadays.”<sup>14</sup>

The developed world economies are in a transition from mainly mass-production to knowledge intensive industries, with visible consequences in the labor market [ (Audretsch & Thurik, What is new about the new economy: sources of growth in the managed and entrepreneurial economies, 2001) and (Audretsch & Thurik, Capitalism and Democracy in the 21st Century: from the Managed to the Entrepreneurial Economy, 2000)]. The recent increase in the unemployment rates, led to a subsequent increase in self-employment promoting changes in the market dynamics (Baptista & Thurik, The relationship between entrepreneurship and unemployment: Is Portugal an outlier?, 2007). Although the potential value of new ideas and knowledge is inherently uncertain (Audretsch & Thurik, What is new about the new economy: sources of growth in the managed and entrepreneurial economies, 2001), if a new firm does not start to pursue such ideas they will simply remain untapped (Baptista & Thurik, The relationship between entrepreneurship and unemployment: Is Portugal an outlier?, 2007). Thus, entrepreneurship arose as a catalyst for the knowledge-based economic activity.

Portugal provides an interesting case for analysis concerning the relationship between entrepreneurship and unemployment, behaving as an outlier when compared with the other OECD countries (Baptista & Thurik, The relationship between entrepreneurship and unemployment: Is Portugal an outlier?, 2007).

The nature of entrepreneurship and the socioeconomic environment in Portugal have differed from those in most other OECD countries for the last three decades, specially due to the dominance of ‘subsistence entrepreneurship’ or, using the taxonomy made common by the Global Entrepreneurship Monitor (Acs Z. , Audretsch, Braunerhjelm, & Carlsson, 2004), ‘necessity-based entrepreneurial activity’. Although Portugal was, between 1980 and 2000, one of the OECD countries with the highest self-employment

growth rates (Audretsch, Carree, Thurik, & Van Stel, 2005), this newly created firms, that represented 80% of the firms in the Portuguese economy, normally presented lower rates of survival and growth when compared with the other OECD countries (Baptista, Van Stel, & Thurik, Entrepreneurship, industrial re-structuring and unemployment in Portugal, 2006). Hence, the industrial-restructuring, competitiveness-enhancing effects usually enhanced by increases in the entrepreneurial activity [ (Fritsch & Mueller, 2004) and (Baptista, Escária, & Madruga, Entrepreneurship, regional development and job creation: the case of Portugal , 2007)] probably do not have significant repercussions on the reduction of future unemployment in the Portuguese case. Moreover, in Portugal, comparing self-employment with start-up rates is particularly relevant. Specially between 1980 and 2000, a very high proportion (2/3) of transitions towards business ownership - defined as including all individuals owning a business that is not legally incorporated or owning an incorporated business from which they gain profits as well as a salary – did not involve the creation of a new firm (Amaral & Baptista, 2006), which could influence the interaction of the 2 phenomena being analyzed. (Baptista & Preto, The dynamics of Causality between Entrepreneurship and Employment, 2007). Baptista & Preto (The dynamics of Causality between Entrepreneurship and Employment, 2007) tried to hypothesize it into a model. In the table below you can find their main finds concerning the 2 effects they tested.

Effects being tested	Description	Evidence <sup>15</sup>
<b>Refugee effect</b>	Increases in unemployment lead to increases in subsequent entrepreneurial activity	Entrepreneurial activity in the current year is significantly increased by increases in unemployment over the previous two years. Unemployed people look to entrepreneurial activity as a means of subsistence
<b>Schumpeter</b>	Increases in entrepreneurial activity generate decreases in subsequent unemployment	The model displays a negative effect of entrepreneurial activity on employment in the previous four years, i.e., increases in the start-up rate and/or the business ownership rate occurring in the previous four years lead to increases in unemployment.

Table 11: Interaction between Unemployment and Entrepreneurship  
Adapted from Baptista & Preto (2007)

So the evidence corroborates the existence of a refugee effect. On the other hand Schumpeter effect is not proven to exist in Portugal as opposed to the findings of Audretsch, Carree, Thurik, & Van Stel (2005) for 23 OECD countries with regard to the positive effects of entrepreneurship on subsequent employment creation.

The reason for this mismatch has been already studied by Baptista & Thurik (The relationship between entrepreneurship and unemployment: Is Portugal an outlier?, 2007) and by Baptista, Van Stel, & Thurik (Entrepreneurship, industrial re-structuring and unemployment in Portugal, 2006).

The first ones, found out that the enterprise structure in Portugal is not the one responsible for the discrepancies encountered, although the evidence suggests that Portuguese new businesses start smaller and need more time to grow than their OECD counterparts (Baptista & Preto, The dynamics of Causality between Entrepreneurship and Employment, 2007).

On the other hand, the reason for the discrepancies might be related with macroeconomic factors. The fact that at a national level the enhancement of productive capacity, the significant infra-structure investment by the government, as well as the adjustment costs to new technology adoption were highly dependent on the business cycles in Europe or the proportion of EU cohesion funding received by Portugal, led to productivity slowdowns and increased the time lag for the effect of entrepreneurship on unemployment beyond the OECD average (Baptista & Thurik, The relationship between entrepreneurship and unemployment: Is Portugal an outlier?, 2007).

Still, Baptista, Escária, & Madruga (Entrepreneurship, regional development and job creation: the case of Portugal, 2007) show that positive long-term effects of entrepreneurial activity – as measured by start-up rates – on future employment exist, although they are smaller and take longer to occur in Portugal than in Germany (Fritsch & Mueller, 2004). This can probably be explained by the differences in the ‘quality’ of new entrants, which influence their potential for future growth as well as the fact that most Portuguese new firms have little innovative or competitiveness-enhancing abilities (Baptista & Preto, The dynamics of Causality between Entrepreneurship and Employment, 2007).

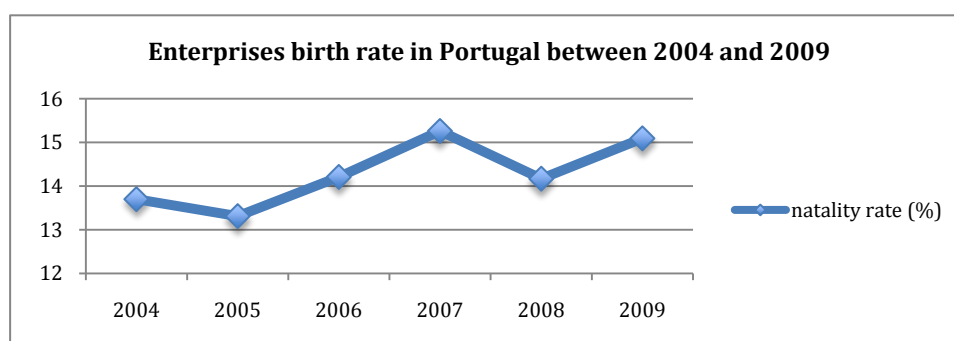
### *The entrepreneurial activity sector demographics*

Portugal is a tertiary-based economy. Commerce and services jointly represented in 2005 71,3% of the country's enterprises, contributing to the employment opportunities with 57,6%. The economic activity is concentrated in 2 regions: North and Lisbon. Even though the concentration has been decreasing over the years, 65,7% of the enterprises are based in one of these regions, and they contribute with 70% for the jobs been created. Concerning enterprises dimension, our private sector is dominated by SMEs, a situation that also exists in the European Union. In the table below you can find the comparison between the Portuguese enterprises dimension and contribution to the labor market, and its counterpart for the EU.

<b>Portugal (INE 2008)<sup>16</sup></b>	<b>European Union (Eurostat 2005)<sup>17</sup></b>
99,6% of the Portuguese enterprises are SMEs and 97,3% are small enterprises	99% of the enterprises are SME
SMEs create 75,2% of the employment opportunities, being small enterprises responsible for 55,2% of the jobs created within the private sector.	SMEs create 2/3 of the employment opportunities

Table 12: Contribution of SME to employment opportunities in Portugal and in the EU  
(Computed using data published by INE and Eurostat)

Concerning the percentage of businesses being created in PT, between 2004 and 2009, the evolution can be found in the next graph.



Graph 9: Enterprises Birth rate in Portugal between 2004 and 2009  
(Analysis based on data published by INE)

The birth and survival rates for businesses for the period between 2007 and 2009, by region, denote that since 2007 there was a decrease in the entrepreneurial activity, and

although there was a recovery in 2009 it was not enough to return to the 2007 values. In 2009, Lisbon and RAA were the regions where more firms were created. However Lisbon was also the region with the lowest survival rate for 2008 and 2009, and RAA suffered the greatest decrease in 2009, from all the regions analyzed. This probably denotes the necessity-based entrepreneurship, which dominated our entrepreneurial activity, and also supports the view that businesses growth potential is limited, and in some cases business survival is also complicated to guarantee. In appendix 12 you can find the graphical representation of all the regions analyzed.

The Global Entrepreneurship Monitor has an interesting indicator to be analyzed: the TEA – Total Early-stage Entrepreneurial Activity. We formed a reference group of countries based on the top 8 countries where crowdfunding is most developed, which indicates a high degree of entrepreneurial activity. We chose 2 years, 2007 which was prior to the economic crisis and 2010 the most recent data available. Almost half of the 9 countries presented a decrease in TEA (PT, US, Spain, and Australia). In PT the decrease was more than 4 p.p – the greatest decreased among all the countries analyzed. Concerning differences in gender, in all the countries men perform more entrepreneurial activities than women except for Australia where TEA is the same for both genders.

	Total early-stage Entrepreneurial Activity (TEA)		Total early-stage Entrepreneurial Activity for Male Working Age Population		Total early-stage Entrepreneurial Activity for Female Working Age Population	
	2007	2010	2007	2010	2007	2010
<b>PT</b>	8,8	4,5	11,7	5,9	6	3,1
<b>US</b>	9,6	7,6	12	6,7	7,2	5,6
<b>UK</b>	5,5	6,4	7,4	8,4	3,6	4,4
<b>Netherlands</b>	5,2	7,2	6,6	10,1	3,7	4,4
<b>France</b>	3,2	5,8	4,1	7	2,2	4,8
<b>Brazil</b>	12,7	17,5	12,7	18,6	12,7	16,4
<b>Germany</b>	3,8	4,2	4,1	5,4	3,4	2,9
<b>Spain</b>	7,6	4,3	9,7	5,4	5,5	3,2
<b>Australia</b>	11,9	7,8	14	7,8	9,7	7,8

Table 13: Comparison of TEA for several countries accounting for gender differences (Analysis based on data published by GEM on their online database)

In the next page you can find 2 tables. Both aggregate GEM data for the group of countries previously presented. The first table aggregates indicators that define individual expectations about training. For example entrepreneurship is seen as a desirable career choice (ranking on the 3rd place) and high status is given to successful entrepreneurs as well as media attention (5th place in the ranking for both the indicators). These last 2 indicators were the only two from the first table that did not present deterioration from the situation in 2007. Concerning the individuals that intend to start a business in the future, we are the 3rd country, presenting a higher entrepreneurial intention than the US, UK and the Netherlands in 2010. Still, the Portuguese entrepreneurial activity could be greater if the fear of failure rate was lower - we are ranked as the 5th country with the highest fear of failure rate in the group of nine countries. Concerning individual perception on the available opportunities and capabilities to start a business, Portugal has one of the lowest value when considering perceived opportunities to start a business (aside with Spain) and was the only country from the reference group where people believe they have lost entrepreneurial skills between 2007 and 2010. Actually in a study done by INE in 2009 to the Portuguese SMEs, 69% of the entrepreneurs stated they have never participated in training programs with specific business creation contents

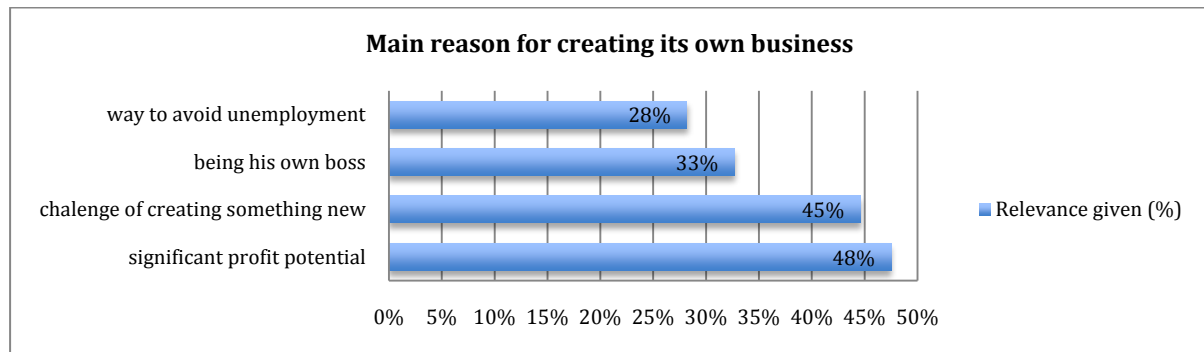
Concerning the 2nd table it is important to notice an increase in the necessity-driven entrepreneurial activity, which corroborates the evidence that in Portugal a great part of the entrepreneurial activity is of subsistence. Also the growth expectations of the young enterprises are limited and deteriorated between 2007 and 2010, which also corroborates the idea that the growth potential of these enterprises has several constraints. The nascent entrepreneurship rate and the new business ownership rate denote a decrease in the start-ups entrepreneurial activity that is also visible in countries as the US, Australia and Spain. Still concerning the established business rate, an indicator where almost all the countries presented an increase, PT and Australia saw they entrepreneurial situation deteriorated. Although PT had the lowest value concerning nascent entrepreneurial activity, US, France, Germany and Spain presented lower values than PT concerning new business ownership. As we would expect the opportunity driven entrepreneurship, with the economic crisis is contributing less for the entrepreneurs' reason for starting a business.

	Entrepreneurship as Desirable Career Choice		Entrepreneurial Intention		Perceived Capabilities		Perceived Opportunities		Fear of Failure Rate		Media Attention for Entrepreneurship		High Status Successful Entrepreneurship	
	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010
<b>PT</b>	66	67	9,8	8,8	58	52	33	20	29	30	51	53	67	71
<b>US</b>	50	64	8,2	7,3	48	58	25	35	27	28	50	66	50	76
<b>UK</b>	55	51	5,6	5,1	49	52	39	29	34	30	57	52	74	77
<b>Netherlands</b>	85	85	4	5,5	39	46	42	45	22	24	61	61	69	69
<b>France</b>	65	65	15,3	14,2	33	37	23	34	41	40	43	45	70	68
<b>Brazil</b>	82	78	21,4	26,5	54	58	39	48	29	33	76	81	79	79
<b>Germany</b>	56	53	4,2	6,4	35	42	24	28	40	34	50	49	80	77
<b>Spain</b>	72	65	4,3	5,8	45	50	34	19	47	36	46	41	61	63
<b>Australia</b>	57	57	10,6	8,7	51	53	55	46	34	36	64	70	72	68

	Nascent Entrepreneurship Rate		New Business Ownership Rate		Necessity-Driven Entrepreneurial Activity: Relative Prevalence		Improvement-Driven Opportunity Entrepreneurial Activity: Relative Prevalence		Growth Expectation Early-stage Entrepreneurial Activity		Established Business Ownership Rate	
	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010	2007	2010
<b>PT</b>	4,8	1,8	4,1	2,8	10	22	53	52	31	16	7,1	5,4
<b>US</b>	6,5	3,7	3,4	2,5	16	37	59	50	31	29	5	8,1
<b>UK</b>	2,9	3,2	2,7	3,3	11	11	52	43	27	21	5,1	6,4
<b>Netherlands</b>	2,7	4	2,5	3,4	11	8	57	64	21	27	6,4	9
<b>France</b>	2,3	3,7	0,9	2,3	24	25	51	56	16	20	1,7	2,4
<b>Brazil</b>	4,3	5,8	8,7	11,8	42	31	38	46	12	18	9,9	15,3
<b>Germany</b>	2,4	2,5	1,5	1,8	26	26	49	48	16	21	4	5,7
<b>Spain</b>	3,5	2,2	4,3	2,1	15	25	50	42	21	11	6,4	7,7
<b>Australia</b>	7,3	3,9	5,7	4	11	19	62	59	25	29	9,1	8,5

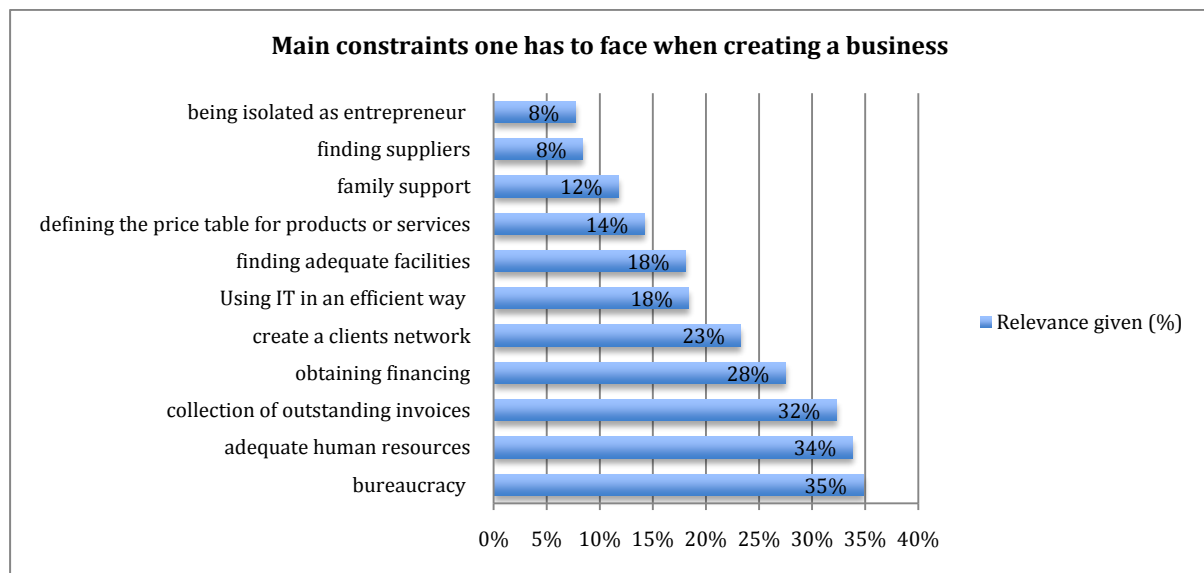
Table 14: Entrepreneurial indicators comparison by countries for 2007 and 2010 (GEM data)

In a study by INE in 2009, respondents presented as the main reasons for starting a business the potential profit they can get (48%), the challenge of creating something new (45%), the desire to be one’s own boss (33%). Also 28% of the participants on the survey, view entrepreneurship as a way to avoid unemployment.



Graph 10: Main Reasons for creating a business in Portugal (INE data for 2009)

In the same survey when asked about the main constraints they faced when the business was being created, in the top five reasons, difficulty in finding the right human resources (34%), and obtaining financing (28%) were ranked as the 2nd and 4th explanation given. Also the creation of a client’s network is a concern for the entrepreneurs.



Graph 11: Main constraints when creating a business in Portugal (INE data for 2009)



### 7.2.1.1. Training

“Dynamic technological progress requires high and constantly updated skills, while growing internationalization and new ways of organizing companies, call for social, communicative, entrepreneurial and cultural competencies that help people to adapt to changing environments and contribute to sustainable development” (EC, 2007). These competencies refer to the experiences, skills and attitudes that serve personal fulfillment, social inclusion and active citizenship, as well as employability.

One of the main strategic goals for the European Union is having an economic community that values knowledge and innovation. In 2005, according to the European Innovation Scoreboard, Portugal was the 23th country in 33 concerning innovation. This unsatisfactory performance resulted from low results concerning education and lifelong learning indicators, even though we performed fairly well when it came to entrepreneurship initiatives and enterprise creation.

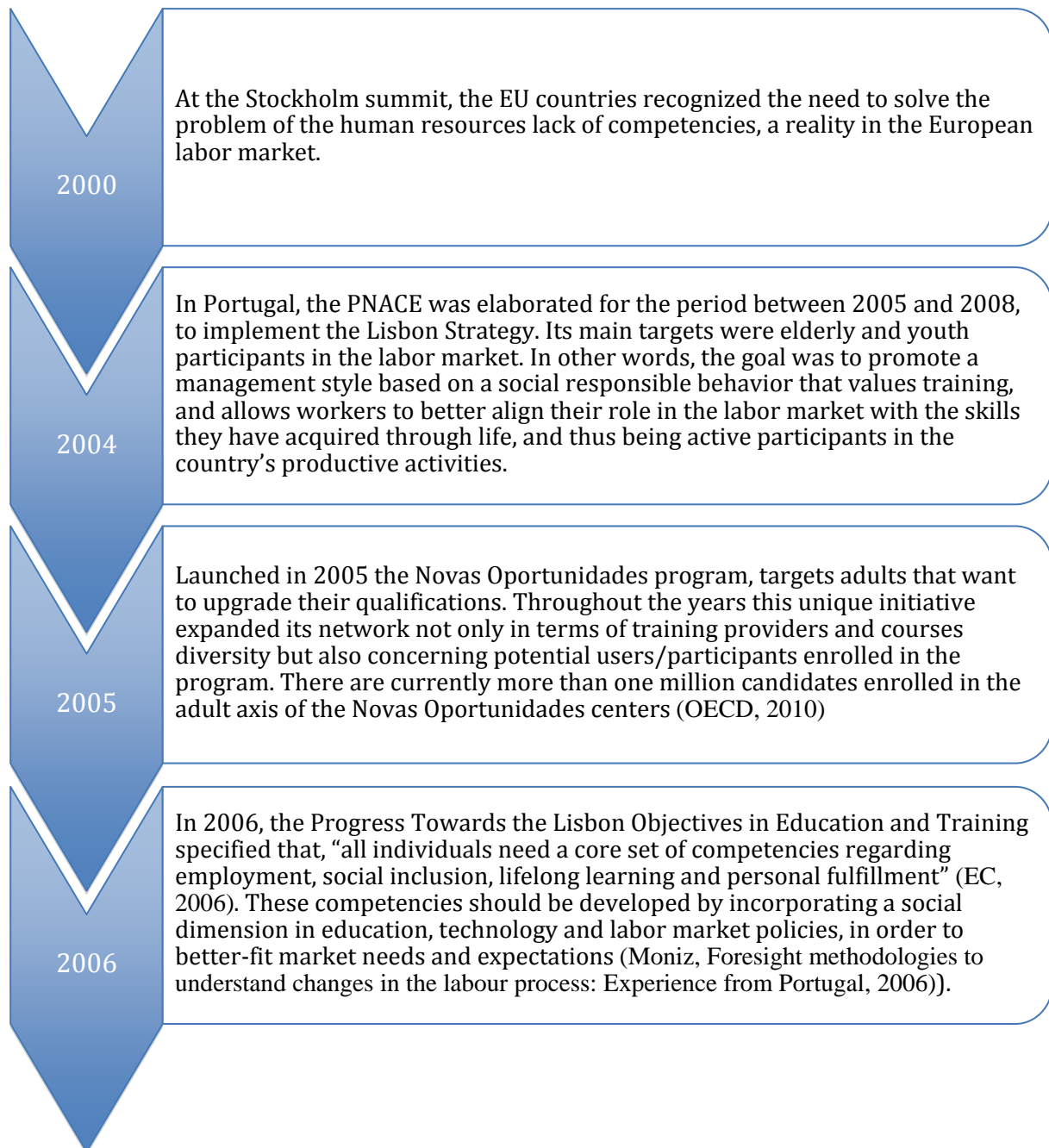
“In Portugal, as well as in any other country, the diffusion of technologies, education and lifelong learning are the main determinants of growth in the long term, as opposed to functioning labor and product markets that are indirectly relevant to economic growth” (Aiginger, 2005).

According to INE, from the 99% SME registered in Portugal, less than 25% of the companies' workers had in 2009 participated in training sessions, and only less than 60% of SMEs provide workers with training possibilities.

The fact that the Portuguese productive and entrepreneurial structure is not prepared to see the advantages of investing in skill updates, the slow generational renewal of the labor market, which impacts the innovation capacity of SMEs and the difficulty to incentivize youngsters to keep studying are some of the reasons presented by Carneiro, Valente, Fazendeiro, de Carvalho, & Abecasis (2007) for the difficulty Portugal is having in keeping employees with updated skills as it happens in other countries. Also, public authorities are almost the only ones offering adult education and vocational training, which narrows the amount of beneficiaries reached, due to the limited investment available for the programs. Moniz & Woll (Main features of the labour policy in Portugal, 2007), agree with Carneiro, Valente, Fazendeiro, de Carvalho, & Abecasis (2007) and go

further stating that the unemployment rate in Portugal is caused by either a complete lack of, or alternatively inadequate, education and vocational training programs.

Below you can find a timeline with the main events promoted by the Portuguese activities, the training and education programs between 2000 and 2006.



Graph 12: Advances in Training between 2000 and 2006 concerning public policy intervention

As it was stated in MCIES (2006) there is the need for the academic and professional qualifications of the Portuguese population to evolve according with the international

context requirements, assuring an economic, social and technological modernization of the labor market. Since 2005, the authorities have been strengthening the supply of technical education, VET (vocational education and training), adults' qualification and several higher education programs. Even after all the efforts institutions have been doing, the lifelong learning is still a paradigm and encounters several limitations when it comes to putting the concept into practice. For example, in a survey done by Instituto de Emprego e Formação Profissional (IEFP), 44% of the respondents stated that the training they have received did not contribute for them to get a job (Amaro, Costa, & Santos, 2011)

OECD believes there is room for improvement concerning evaluation tools to monitor the effectiveness of the program and recommends a more efficient information exchange between the public employment services and training centers in order to improve the results obtained in adults learning programs. Also, they believe the Portuguese market as a whole and the unemployed as direct beneficiaries would profit from mandatory participation in training programs after a given unemployment duration, as it already exists in a number of other OECD countries. Another recommendation is for authorities to support the creation of a comprehensive career guidance website (OECD, 2010).

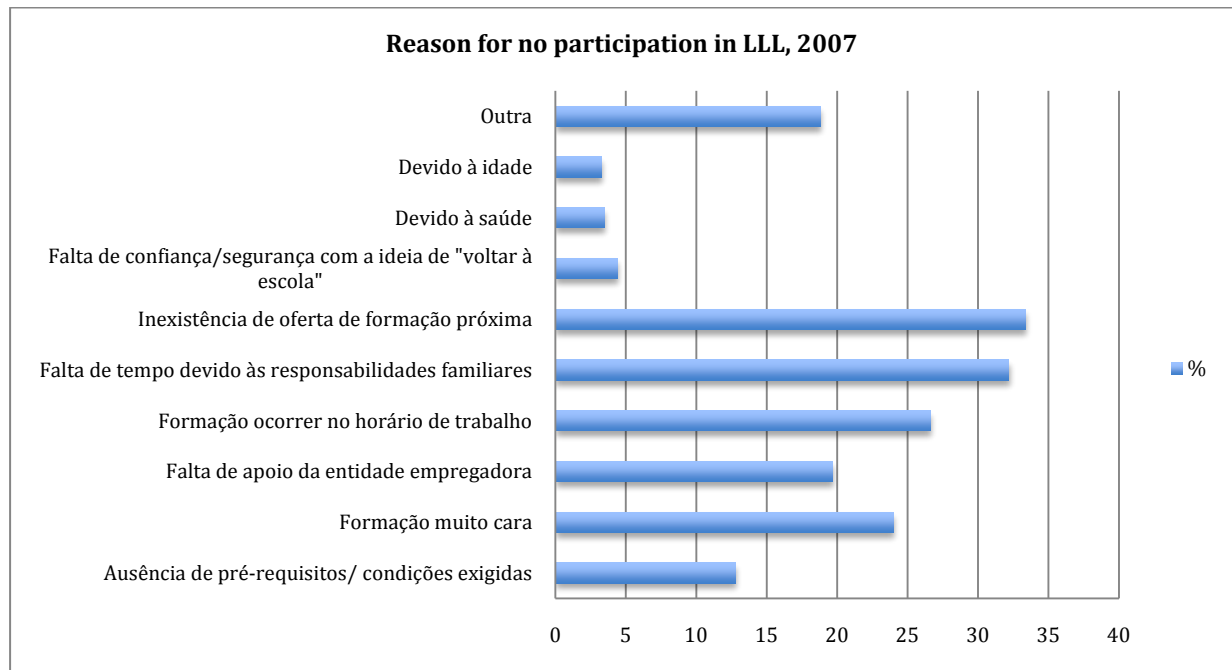
### *Training status quo for Portugal*

There is not a great amount of statistical information, made public by INE concerning training opportunities in PT. What is normally published is the government programs' evaluation, but the training demographic is a topic lacking from statisticians attention.

Evaluating the impact LLL has in the propensity for an unemployed to find a job - in a study conducted by INE in 2007 - non-formal education was the one yielding better results with a transition rate of 50.6%, as opposed to informal learning (30,9%) and formal education (16,3%).

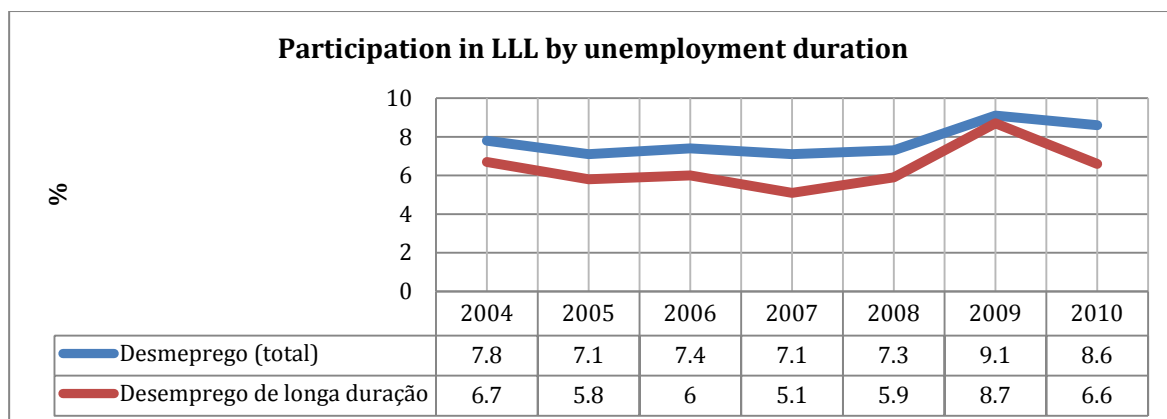
According to INE there are relevant geographic differences to consider when analyzing the % of individuals that participates in LLL. RAA and RAM presented the lowest values. The highest value was obtained in the center region. Except in RAA, since 2009 all LLL have decreased. The gap between regions increased a lot during the reference period (2004-2010). It went from 3 p.p in 2004 to almost 5 p.p in 2010.

The top 4 reasons for no participation in LLL activities were no training programs available close to the residence area (33,4%), lack of time due to personal responsibilities (32,2%), workshops schedule coincident with the work schedule (26,6%), and training programs too expensive (24%).



Graph 13: Reasons for no participation in lifelong learning in 2007 (INE data)

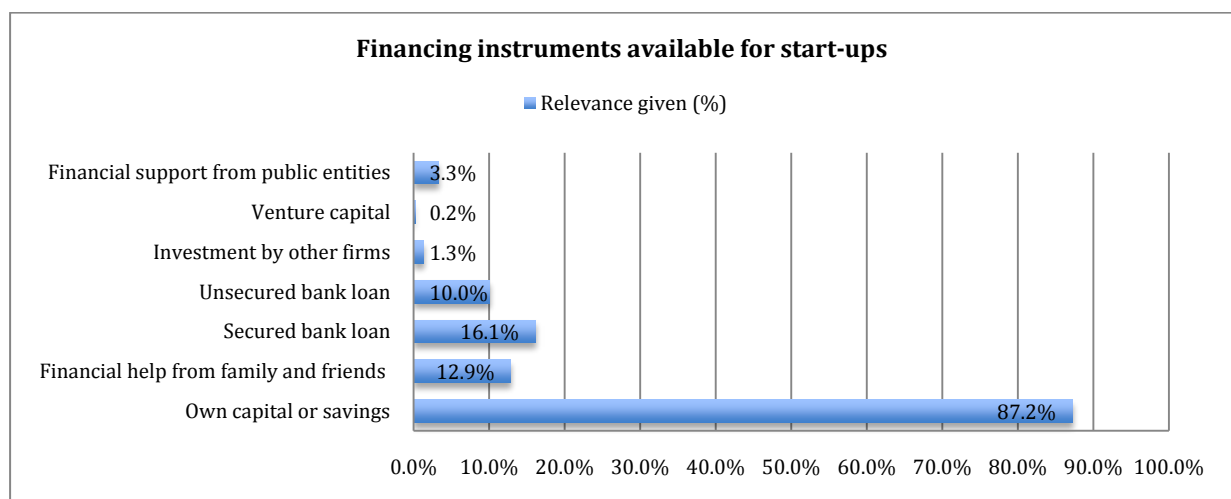
The participation by long term unemployed in LLL is more volatile than the total unemployed category but follows the same path.



Graph 14: Participation in training activities by unemployment duration (Computed using INE data for the period between 2004 and 2010)

### 7.2.1.2. Financing possibilities for a start-up business in Portugal

In a survey conducted by INE between 2005 and 2006, where 1879 enterprises participated, one of the questions was about the financing instruments available for entrepreneurs to start their business. From the graph we can understand that if a person does not have savings, the chances of getting outside investment are reduced. Especially with the economic crises, the option of getting a loan (secured or unsecured) is even more remote now that it was in 2006.



Graph 15: Financing instruments available for start-ups in Portugal in 2006 (INE data)

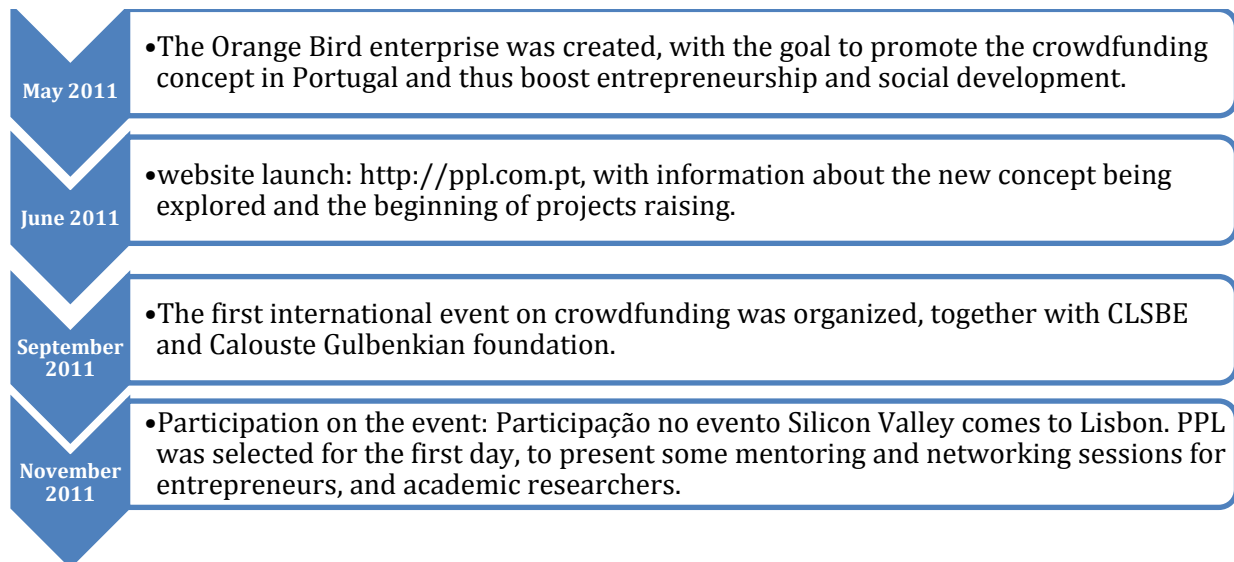
There are not a lot of empirical studies on the crowdfunding phenomenon because of its novelty. However in a survey integrated in a paper by Ralph Van Wingerden and Jessica Ryan, the vast majority of respondents do not frequently engage in crowdfunding, with 71% indicating that they had funded 0-2 times within the last three months, denoting a need for more effective marketing and promotion campaigns. (Van Wiingerden & Ryan, 2011)

According to GEM, the informal investors rate in Portugal was 2,1% in 2010 (as opposed to 3,8% in 2007). In an international comparison with the top 8 countries where more crowdfunding platforms are based, from having the 2nd highest rate in 2007, Portugal presented the lowest rate aside with Brazil for 2010 and was, aside with France, the only country where the informal investors rate decrease within this period.

### *Crowdfunding platforms in PT: Status Quo*



**PPL.com.pt** stands for “People with Portugal,” as in Portuguese “com” means with. In May 2011, the four founders of PPL realized the liquidity gap between aid and microfinance solutions up to traditional investor and venture capital funding in Portugal, where bank loans used to predominate, was disabling several innovative ideas from launching and becoming successful. PPL Crowdfunding Portugal is a status quo disruption very much needed in a country with plenty of ideas but some barriers to develop them. It potentiates a truly engaged community looking to exchange funds and skills, resulting in innovative and creative projects. This is accomplished with local action but global thinking, where PPL networks with the strongest references in the field and works with partners and other European and North American platforms to collectively push the envelope in this new area and promote a strongly positive and impactful democratization of finance. So far they have 6 projects that were financed through the platform.



Graph 16: PPL timeline since they were launched (adopted from information on [ppl.com.pt](http://ppl.com.pt))



**massivemov.com**, is a totally free crowdfunding platform that has been active since July 2011. It presents an innovative concept of cooperative funding and is supported by the passion and motivation that entrepreneurs can put into their ideas.

Massivemov intends to foster and promote entrepreneurship based on the crowdfunding concept as a valid, simple and efficient alternative to the existing funding resources.

Their mission consists of helping entrepreneurs with the starting up of their projects through the cooperation with the community, choosing crowdfunding as an alternative for the fulfillment of projects and businesses opportunities that may add value to the entrepreneur, his supporters and the society as a whole. In the beginning of 2012 they had 4 projects that were financed.



**redebiz.net** was created in the 14th of July 2011, by people with long experience in business administration, web design and marketing. Their mission since the beginning is to provide financing to innovative ideas and to create a network for entrepreneurs, investors and clients discuss ideas and thoughts. The platform is based in Lisbon but their target aggregates all the portuguese-speaking countries

<b>Channel used to promote the projects</b>	The main instrument for promoting the projects is the internet. Concerning the financing system is based on crowdfunding with a small and alternative component of seed capital.
<b>Reward</b>	The entrepreneur offer to its consumer-investors, samples of the products, voucher to try the servisse, a special price table, discounts or extended payment deadlines.
<b>Additional services apart from crowdfunding</b>	They also provide other services to help implementing the financed idea: mentoring, viability studies, accounting, management control, marketing and web development as well as helping organizing the needed material to prepare applications for incentive programs.

Graph 17: Redebiz model for crowdfunding activities (adopted from redebiz.net website)

## **8. METHODOLOGY & ANALYSIS**

This thesis methodology and analysis used several methods concerning the different topics being discussed throughout the sections. For unemployment and entrepreneurship we used data from Statistics Bureau, as INE, OECD statistics, GEM, Eurostat to compute several of the tables presented throughout the sections. Also in some cases data taken from other research studies was also aggregated and used in some of the table built for this purpose, in which case the authors were cited.

Then concerning human and financing resources we in deepen the study in this next section. For the first topic we used a survey to assess which are unemployed expectations about training. For the financing resources the approach chosen was an international aggregation about what has been already done concerning this topic, presenting one of the most successful crowdfunding experiences and taking some lessons that can be applicable to the Portuguese situation.

### **8.1. Survey for the unemployed to assess their expectations about training**

This survey was elaborated and applied during January of 2012 and targeted unemployed individuals, through a snowball method. The questionnaires were sent by email, Facebook and through friends. Being the interaction between unemployment and training a multi-factor phenomenon, this study does not intend to present an exhaustive cause-effect relationship, rather to contribute with some insight for the development of new competences and skills that will improve unemployed prospects on the labor market.

#### **8.1.1. Participants & Questionnaire**

The questionnaire applied, has composed by 20 questions, divided in 3 parts: unemployed demographics (6 questions), training characteristics (8 questions), e-learning concept (6 questions). You can find the survey questions as well as the answers obtained in appendix 13.

Our sample is composed by 54 individuals that are currently unemployed, they were not required to be registered in the unemployment center to answer the questionnaire.



From the 54 participants in the survey, 70,4% live in RAM, 63% are female, 42,6% have between 35 and 44 years of age and 50% have finished secondary education. Concerning their status, for 51,9% of the respondents this is the first time there are unemployed. For 31,5% of the unemployed, they have been in this situation for more than 1 month and less than 6 months. 27,1% of the respondents, currently unemployed, have worked in Wholesale and Retail trade. 14,3% worked in Hotels and Restaurants and in Construction.

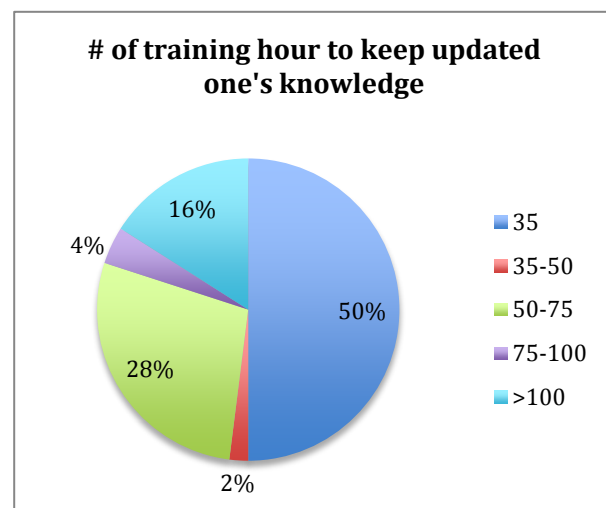
### 8.1.2. Data Analysis

The direct surveys' output was analyzed using SPSS. The qualitative answers were analyzed one-by-one.

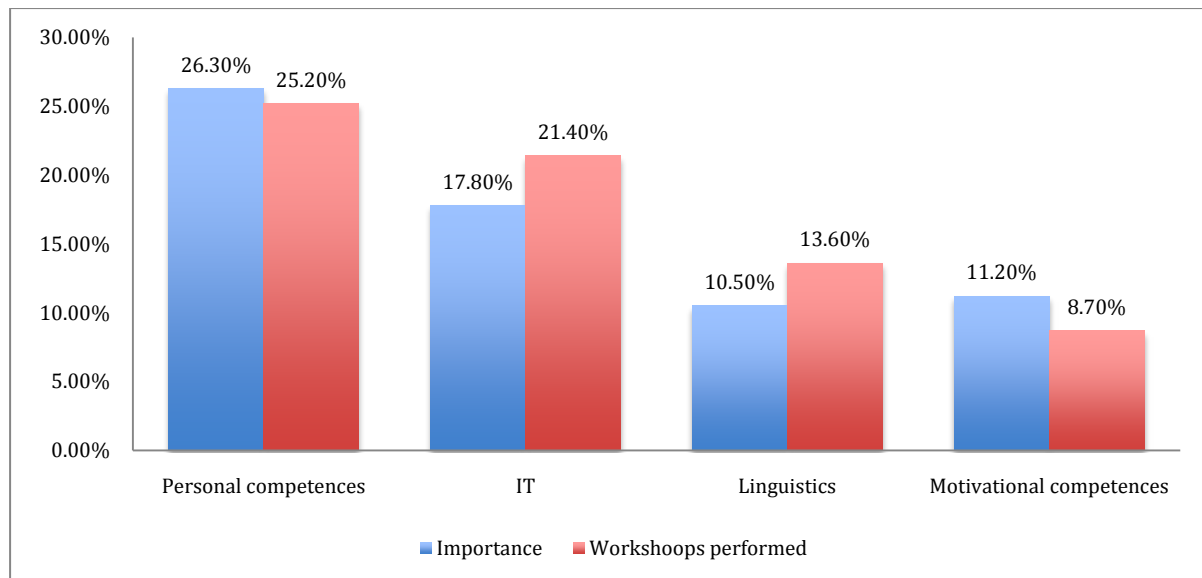
#### 8.1.2.1. Analysis of Direct Survey Results

The survey main findings are presented below:

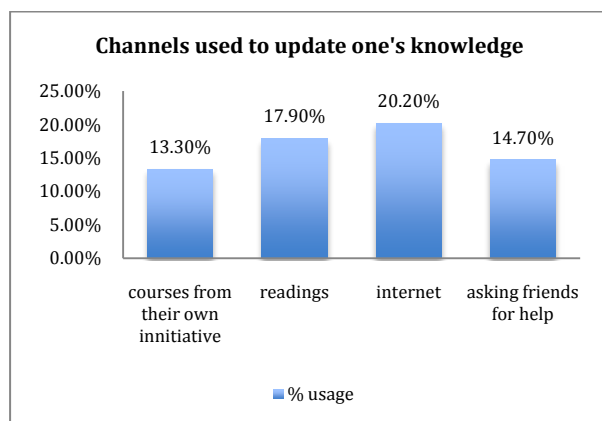
I. For 79,6% of the respondents, updating their knowledge is very important. 50% of them think that the 35 hours of mandatory training are enough. Still 28% think that this value should vary between 50 and 75 hours, and 16% believe that knowledge update in its various forms should account for more than 100 hours per year.



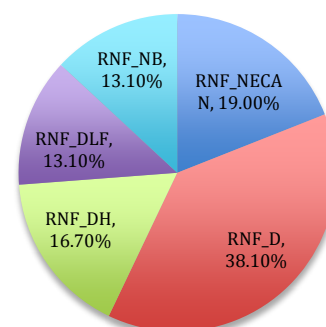
II. According to the respondents the 3 most important areas of training are: personal competences (26,3%), IT (17,8%) and social and motivational competences (11,2%). Although the first two were also nominated as the main areas where people actually did some knowledge update in the last 12 months (25,2% and 21,4% respectively), the 3rd are for knowledge update was linguistics with (13,6%).



III. The top 4 instruments used to update the respondents' knowledge were: the internet (20,2%), reading materials (17,9%), asking friends for help (14,7%) and courses from their own initiative (13,3%). People that did not do as much training as desired presented as the main reasons, the training courses cost (38,1%) and its inadaptability (19%) regarding the respondents needs as well as the difficulty to conciliate the courses schedule with their personal lives (16,7%)

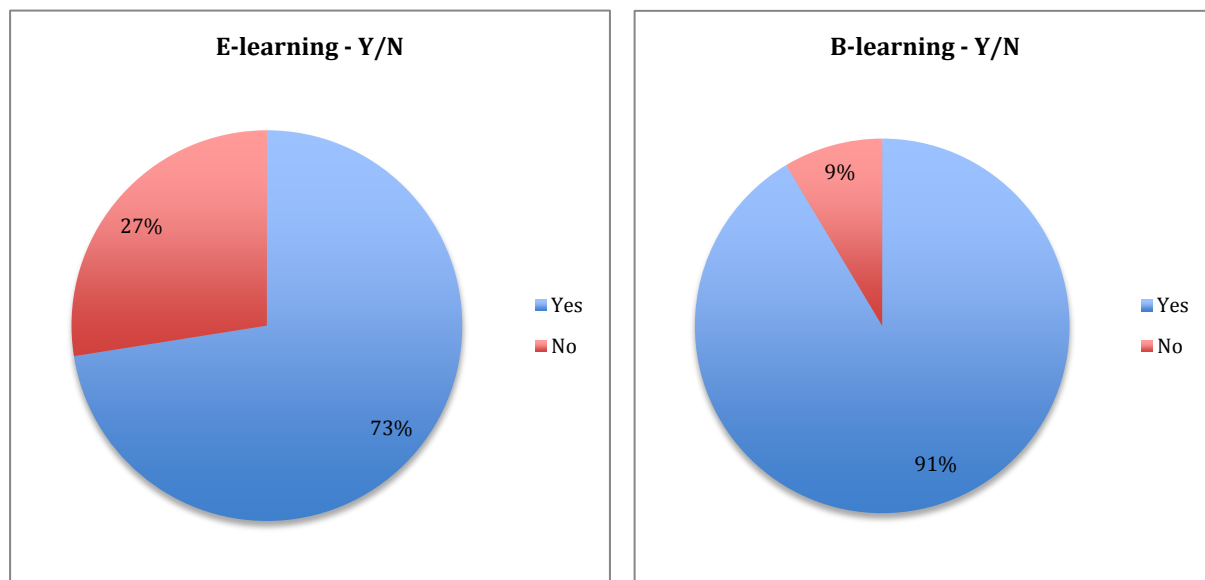


Reasons for not participating in training

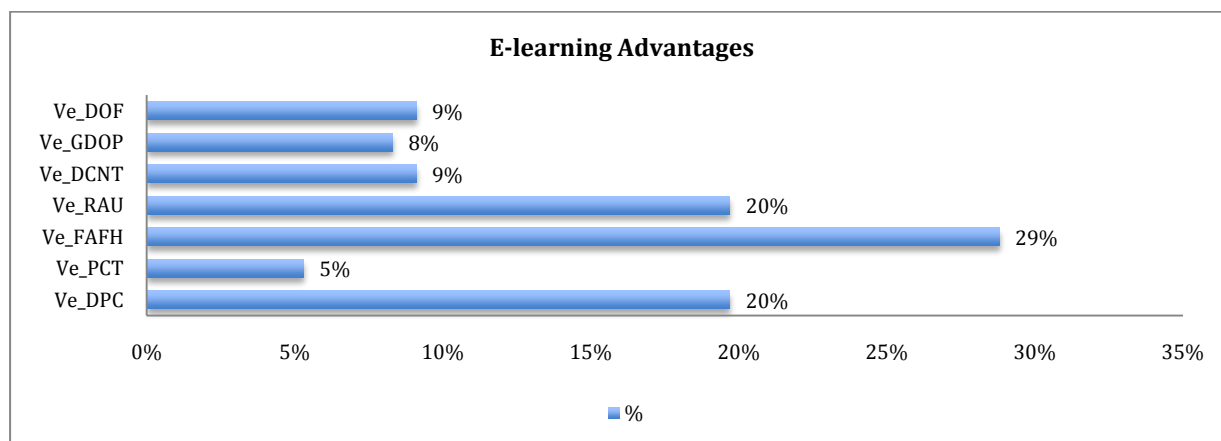


IV. 86,7 % of the respondents have never participated in any distant learning program. When asked about e-learning, only 8,7% of the respondents already tried this instrument, still 72,5% say they would be interested in participating in an e-learning program in the future. Still 91,4% would prefer a blended learning that leverages on e-

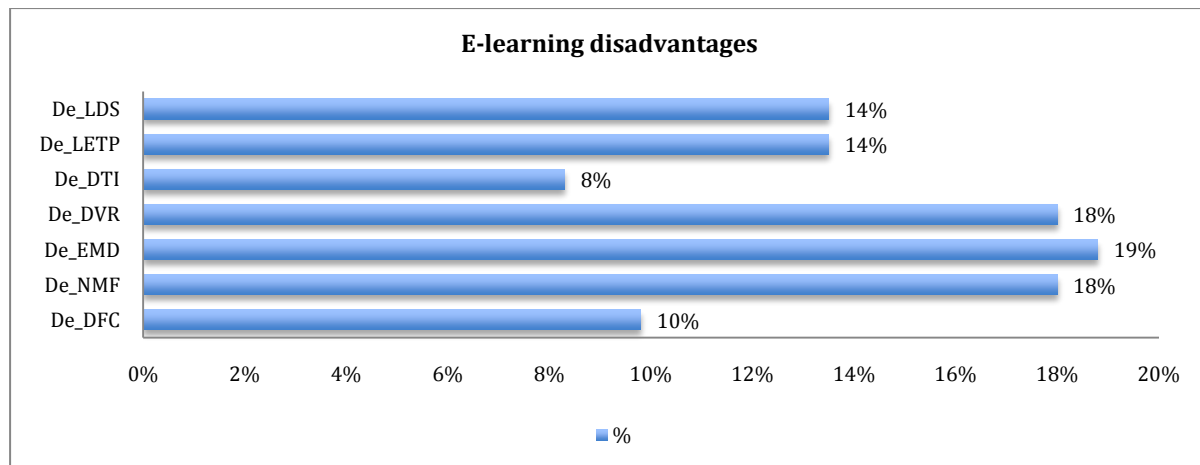
learning advantages, without forgetting the in-class component – in terms of social interaction.



V. The top 3 advantages for e-learning were easiness to access and schedule flexibility (28,8%), contents are permanently available and its update is easier (19,7%) as well as the fact that the learning pace can be decided by the student (19,7%).



VI. The top 3 disadvantages were the self-organization and discipline requirement the students need to have (18,8%), the need for a greater effort to be able to motivate the students (18%) and the difficulty to create relational interaction and promote social integration among trainees (18%).



### 8.1.2.2. Analysis of Survey Open-Ended questions

In the third part of the questionnaire, 5 of the 8 questions were open-ended questions. First of all, respondents were asked about what they consider to be the main advantages from distant learning. From the 43 answers, 21 individuals consider the flexibility and the possibility to reconcile schedules as the main advantages. For 11 of them the fact that displacement is not necessary is also a factor to consider. Still 8 participants do not see any advantages in this learning methodology.

From the 24 individuals that did not participate in any distant learning program, 5 believe that the loss of interaction between the teacher and the colleagues is a necessary condition for them to be motivated and that is the reason why they did not use this technique. For 9 of them the fact that no tailored courses were found, lack of interest or opportunity, made them not to resort to these programs.

When asked if they would be interested in participation in an e-learning program in the future, 12 from the 29 respondents say that if it contributes to one's knowledge update they would accept. Still from the 11 people that would not be interested at all, 7 of them presented as the main reason the difficulty to ensure the social interactions that e-learning promotes.

When asked how they feel about the disadvantages of e-learning and how they can be surpassed, 8 from the 22 recommend a learning method that aggregates both the in-class learning and the internet flexibility. For 33% of the respondents that denied that e-learning disadvantages can be surpassed, the solution was to leverage on its advantages and incorporate new technologies in c-learning. An interesting suggestion was having a

tutor that can help the students organizing the time they dedicate to the workshops. This could help maintaining people motivated. The main advantage perceived by respondents from b-learning is the possibility of social interaction (10 in 30 participants)

### 8.1.3. Discussion

The discussion of the results, follows the questionnaire's outline, and is divided in 3 groups. Concerning unemployment demographics, even though the survey sample is not representative of the population being studied, the results concerning gender differences are in accordance with the literature (the female unemployment is greater than the male unemployment representing 63% of the sample. However if we analyse specifically the dynamics in the most represented region – RAM – we should expect the number of unemployed male to be greater than its female counterpart, but this was not true [M (43%) < F (57%)]. Concerning the other variables that we could analyze – age vs unemployment duration and gender vs unemployment duration - the interactions are non-conclusive, mainly because each group is not equally represented in the sample. Concerning activity areas, our sample, as our economy is dominated by the third sector. For Portugal its contribution to employment is 57,6% and in our sample 41,4% of the respondents worked either on wholesale and retail commerce or accommodation and catering services.

Concerning the second group of questions, the fact that the unemployed value motivational competences so much is related with what Blanchard (European Unemployment, 93/94) found out: unemployed people tend to feel discouragement effects from the denials. The development of personal and social skills is thus the training content chosen by a great majority of people as well as core competences concerning linguistics and IT. People value a lot these competences, which validates the theoretical belief that competences are becoming more and more important when compared with qualifications and education (Neto, 2004).

Concerning learning channels, informal learning methods were the ones most wanted (68,4%). According to INE this channel category is the second yielding better results in terms of finding a job (30,9%). The second was non-formal education (19,7%) – which is

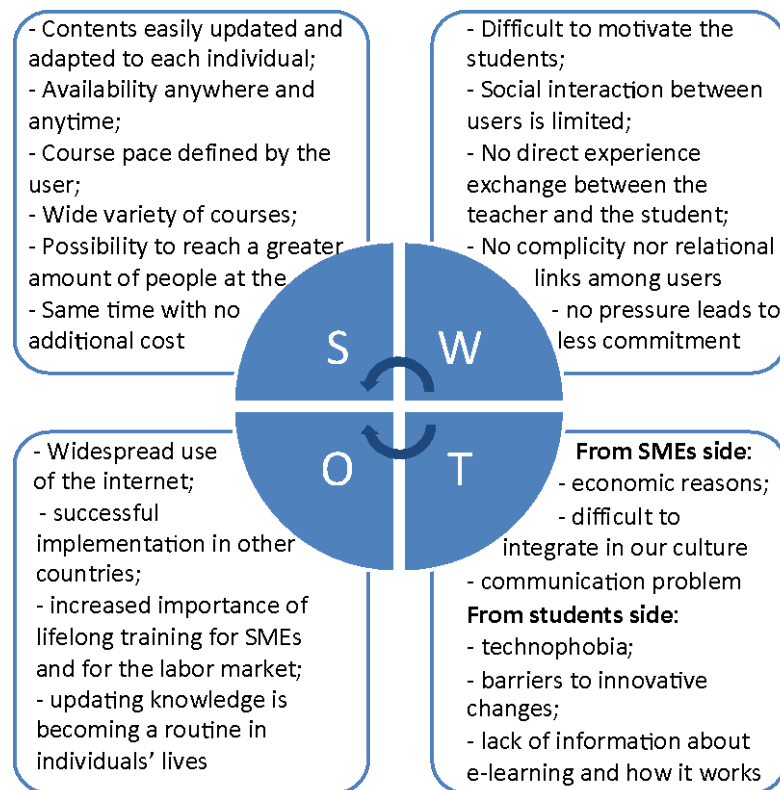
considered by INE the one that yields better results (50,6%). Formal education only represented 11,9% in our sample as opposed to the 16,3% by INE. These results are probably related with the fact that these methods are less expensive than formal and non-formal knowledge update techniques and also they are more flexible and thus allow people to use them during their free time without having to go to a specific place at a specific time.

When asked about the reasons why the participants did not participate in (more) knowledge update activities, the courses costs, with 38,1%, was the main reason. This is aligned with the results from a survey by INE that considers this in the top 3 reasons (with 24%). The inadaptability of the personal schedules with the courses schedules was only stated as a reason to no participation by 16,7%, whereas in the INE survey, 32,2% of the respondents presented it as a justification.

On the third group of questions the findings are aligned with what Carvalho (2010), already presented as the main reasons for e-learning success: more flexibility, autonomous process that allows for time and money economies. It seems that people are giving greater and greater attention to the knowledge update process which is in line with Lima & Capitão (2003) that consider the evolution of the social demographic factors as this one, as the catalysts for the emergency of new learning techniques.

#### **8.1.4. Future Recommendations**

The difficulties to implement e-learning as a training tool in Portugal, come from the novelty in the concept, the barriers created to innovative changes, and a certain degree of technophobia that characterizes the Portuguese population. The SWOT analysis below draws upon the findings of this thesis and the literature found around this topic. and presents a brief analysis for this emergent phenomenon that is the foundation to justify the implementation of a hybrid learning technique that incorporates characteristic from e-learning and c-learning (or classroom learning).



Graph 18: SWOT analysis for e-learning

As explained before, a blended learning methodology can leverage on e-learning threats and turn its weaknesses into strengths. However before designing a b-learning course we should try to understand which the dimensions are and whether a hybrid combination of e-learning and c-learning techniques can yield improvements for the individual's knowledge update. B-learning takes the best from c-learning by using synchronous physical methodologies and e-learning (which comprises the online version of the synchronous techniques) and adds some self-pace asynchronous formats in order to optimize flexibility and peer-to-peer interaction in the training program.

	Description	Examples
<b>Synchronous physical formats</b>	<b>Same time, same place:</b> requires students and teacher to be at the same time in a classroom which can limit one's participation if due to family responsibilities or work schedule they cannot be physically present in a given place	Instructor-led Classrooms & Lectures; Hands-on Labs & Workshops; Field Trips
<b>Synchronous online formats (live)</b>	<b>Same time different places:</b> requires students and instructors to be online at the same time, so that lectures, discussions, and presentations	Online Meetings; Virtual Classrooms; Web Seminars and Broadcasts; Coaching;

<b>e-learning)</b>	occur at a specific hour with all students participating in the activity. However the software, hardware, and bandwidth necessary on both sides can be more cost-prohibitive than actually physically attending a class.	Instant Messaging; Conference Calls
<b>Self-paced, asynchronous formats</b>	<b>Different time, different places:</b> Instructors provide materials, lectures, tests, and assignments that can be accessed at any time. Students may be given a timeframe – usually a one week window – during which they need to connect at least once or twice. But overall, students are free to contribute whenever they choose.	Documents & Web Pages; Web/Computer Based Training Modules; Assessments/Tests & Surveys; Simulations; Job Aids & Electronic Performance Support Systems (EPSS); Recorded Live Events; Online Learning Communities and Discussion Forums; Distributed and Mobile Learning

Table 15: B-learning formats (adopted from Singh, 2003)

There are 5 dimensions to consider when blending a learning process. This can be done through combining online and offline learning methodologies or integrating exercises that respect one's self-pace with more collaborative-oriented tasks. Also we can combine structured and unstructured learning techniques, using both customized and off-the-self-content. To finish we can work with theoretical explanations aside with practice exercises and just in time performance assessment techniques. Cutting-edge productivity tools should provide 'workspace' environments that package together the computer based work, collaboration, and performance support tools.

From the needs unemployed demonstrated in the questionnaire, it would make sense to blend the online and offline learning process, to give them some flexibility, as well as combining self-paced and live collaborative learning not to lose the peer-to-peer interaction that all the respondents value. To give some extra online support, practice and performance assessment can also be turned into a blended method.

<b>Designation</b>	<b>Description</b>
<b>Blending offline and online learning</b>	At the simplest level, a blended learning experience combines offline and online forms of learning where the online learning usually means "over the Internet or Intranet" and offline learning happens in a more



	traditional classroom setting.
<b>Blending Self-Paced and Live, Collaborative learning</b>	It may include a review of important literature on a regulatory change or new product followed by a moderated, live, online, peer-to-peer discussion of the material's application to the learner's job and customers.
<b>Blending learning, Practice and performance support</b>	Perhaps the finest form of blended learning is to supplement learning (organized prior to beginning a new job-task) with practice (using job-task or business process simulation models) and just-in-time performance support tools that facilitate the appropriate execution of job-tasks.

Table 16: Blended dimensions of traditional learning techniques (adopted from Singh, 2003)

### 8.1.5. Limitations of the study

The initial goal of the survey was to have the same number of responses in every region in order to have comparable results across regions. However due to difficulties in obtaining replies from the target, from the 120 participants we only got 54 answers mainly concentrated in one region – RAM.

Moreover this topic is very complex and a more detailed study should be done in order to better understand the unemployed needs as well as the companies' requirement to match both with training programs.

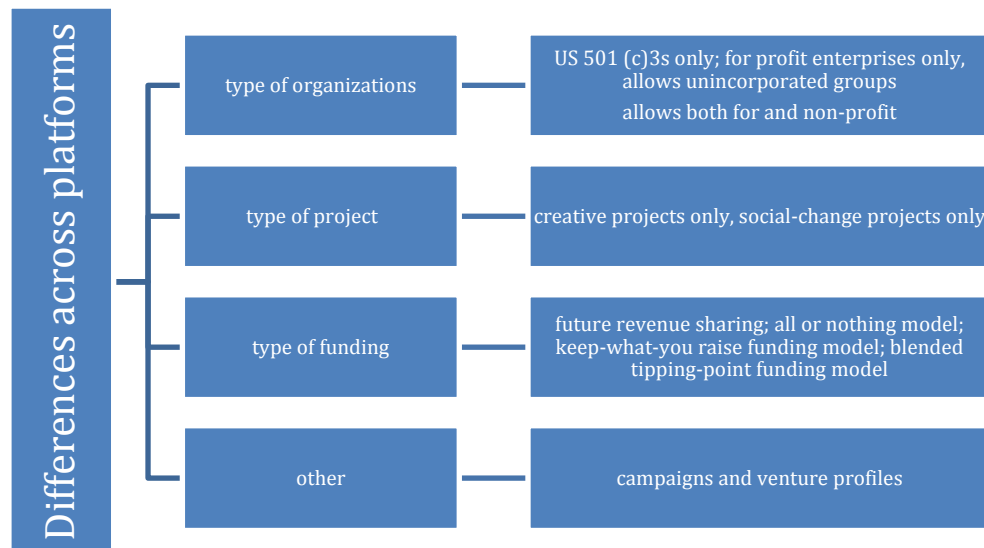
## 8.2. Crowdfunding Platforms STATUS QUO

*“Driven in part by the explosion of vibrant social-networking media, the crowdfunding sensation now stretches to the far reaches of the globe. Fostering creativity, philanthropy, and growth, crowd-funding sites have fundamental social and economic impact, and are altering the allocation of capital.”<sup>18</sup>*

Although crowdfunding is presently small in terms of overall economic activity, it is growing in both the variety of sectors where it is applied (e.g., music, sports, video games, education, retail) and the overall value of transactions [(Lawton and Marom 2010 in (Agrawal, Catalini, & Goldfarb, 2011))].

Belleflamme, Lambert, & Schwienbacher (2011) when studying the crowdfunding phenomenon, distinguish between direct and indirect fundraising. Whereas the first is aimed directly at the crowd, the second is composed by intermediary partners that offer individuals and companies a financing option, encouraging (creative) projects or businesses (start-ups) by means of monetary contributions. These platforms at times share some similarities with online lending markets [ (Everett, 2008) and (Freedman & Jin, 2010)] although these are normally focused on social entrepreneurship and crowdfunding platforms comprise a broader scope of entrepreneurial initiatives.

Crowdfunding platforms are purposefully designed to overcome distance-related frictions [Choi and Bell (2010); Brynjolfsson, Hu, and Rahman (2009), Goldfarb and Tucker (2010), in (Agrawal, Catalini, & Goldfarb, 2011)]. Most have three common properties: 1) they provide a standardized format for entrepreneurs to present their project in a comprehensive manner to anyone with internet access, 2) they allow for small financial transactions (e.g., USD\$10) to enable broad participation with limited downside risk, and 3) they provide investment information (i.e., cumulative amount raised to date and the online identity of current investors) as well as tools for investors to communicate with each other. Platforms might differ from each other according to the type of organization they support, the type of projects available for the consumer-investors to fund, the type of reward (which is closely related with the type of funding considered) and other factors as campaigns and venture profiles.



Graph 19: Differentiation variable in crowdfunding platforms

### *Type of organizations*

The entities asking for funding can normally assume one of 2 forms. They can be profit or non-profit enterprises. Sometimes platforms limit the access to one of the typologies and other times they promote projects independently on its purpose.

The limited evidence that exists on this matter, states that non-profit organizations tend to be more successful in using crowdfunding (Schwienbacher & Larralde, 2010). This finding suggests that when defining their funding strategy, companies should incorporate information on their organizational form in order to better fit market expectations and to be successful through the funding process. This finding increased the alternatives NGOs have for money collection, by including social networks power into the model (Wojciechowski, 2008)

### *Type of projects*

Crowdfunding embodies a vast amount of possibilities for individuals and companies to efficiently raise funds, promote a project, and engage consumers. The type of projects being financed in the platform might be social-driven (35%), business-oriented (16%) and creativity-based (49%). Several platforms allow for different project typologies will others are specifically oriented to a certain type (normally creativity based, as it is the case of kickstarter, one of the first – successful – crowdfunding platforms oriented to artistic/design projects)

### *Types of funding*

When speaking about rewards in crowdfunding, there are two major groups of individuals that crowdfund: there are the ones seeking a monetary rewards and others that are motivated by intrinsic reasons and are satisfied if an intangible reward is provided. So depending on the motives – learning, direct compensation, self-promotion and social benefits - and expected returns each participant has, the crowdfunding typology in use, will differ also (Leimeister, Huber, Bretschneider, & Krcmar, 2009).

Pleasefund.us concluded, from the exhaustive analysis on all the platforms registered in crowdsourcing.org, that we should consider 3 models of crowdfunding: in one side we have donations, philanthropy and sponsorship, based on a non-monetary reward system. The other 2 models are based on a monetary reward principle. On one hand, we have investment-oriented platforms, where an investor decides to fund (part of) an idea. As an investor he can get shares/profits or revenues from the recently created company (equity-based; profit sharing and revenue sharing crowdfunding), or he can get in a point in time his investment back and an interest rate (debt-based crowdfunding). On the other hand we have lending platforms where lenders lend certain amounts to borrowers at a given interest rate. They are not investing in a project but working as an online banker that under certain guarantees lends money to the borrower.

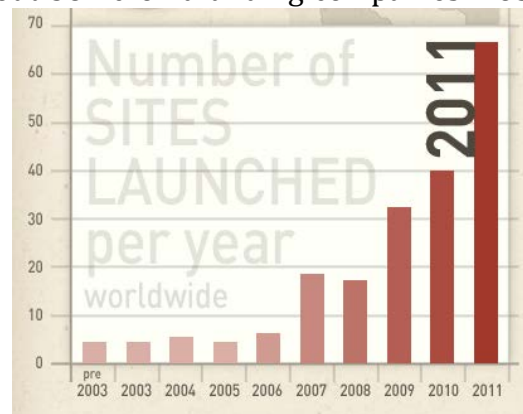
<b>Monetary</b>	<b>Non-monetary reward</b>
Individuals participate to get an extrinsic reward. They do not fund a project for the fun of it or to be involved in the process, nor to help another person to achieve a personal goal.	Individual's reasons to participate in crowdfunding have to do with social reputation or enjoy private benefits from participating in the success of the initiative [ (Glaeser & Shleifer, 2001) and (Ghatak & Mueller, 2009)]
Only 58.7% of crowdfunders chose to engage in crowdfunding activities with the possibility of earning a monetary reward. Moreover evidence suggests that earning a financial return is negatively related to being involved.	The evidence suggest that there are a lot of people whose main concern comes from intrinsic reasoning and that these people participate more frequently in crowdfunding activities (Belleflamme, Lambert, & Schwienbacher, 2011)

Table 17: Individuals' motivation when participating in crowdfunding activities

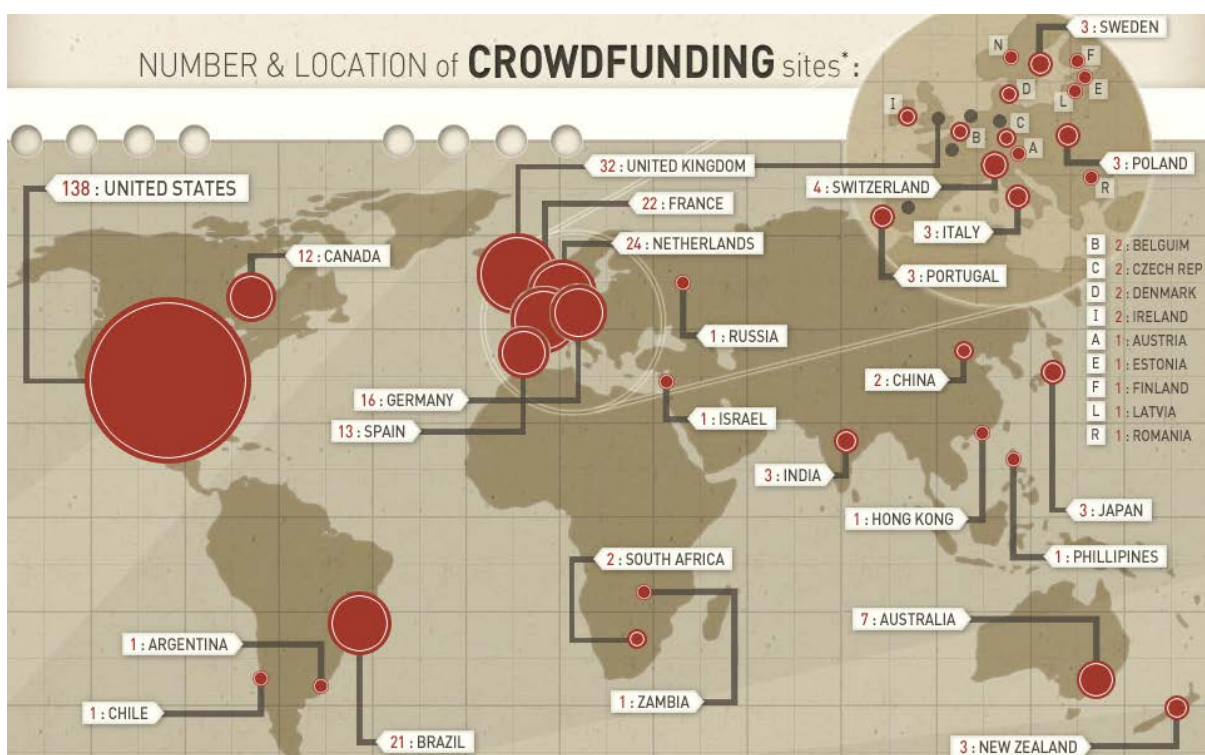
According to pleasefund.us, and still integrated in the funding process, you have platforms that work in an all-or-nothing basis projects (57%), and others that use a keep-what-you-raise funding model (28%).

### 8.2.1. International status quo on the crowdfunding industry

In a recent research done by pleasefund.us, the company tried to aggregate relevant information about the crowdfunding industry using the information from the crowdsourcing.org website, a leading source of crowdfunding information, insight and research. In this website there is information about 381 crowdfunding companies: 265 donation, philanthropy and sponsorship, 66 investing (equity, profit and revenue sharing) and 50 lending platforms. This corresponds to 70%, 17% and 13% respectively. More than 60% of these platforms were founded in 2011, even though the first crowdfunding platforms were created prior to 2003.



From their analysis the pleasefund.us team concluded that 85% of crowdfunding platforms are founded in North America and Europe (44% and 41% respectively). This platforms are mostly located in the US (41%), UK (10%), Netherlands (7%), France (7%) and Brazil (6%).

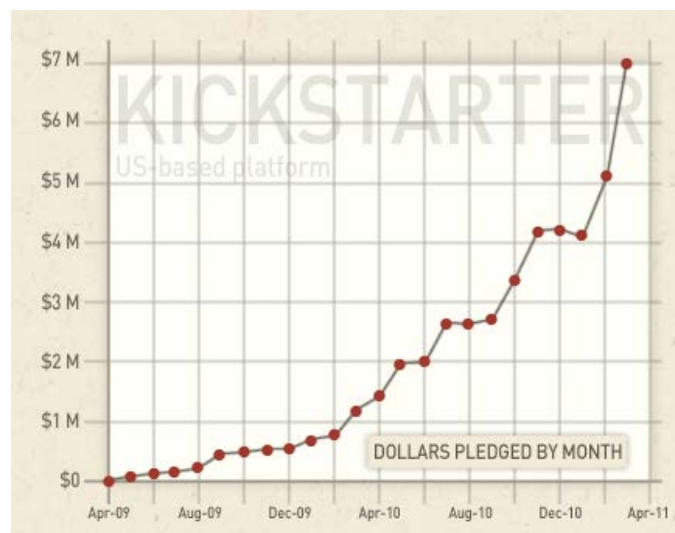


To finish the pleasefund.us team analyzed the average number of likes and followers per month since launch for several platforms. They have 5000 followers and 800 likes per month as opposed to Kickstarter which receives per month 4500 likes and has 15000 new followers per month. This is an indicator of the buzz generated around these platforms, and can also be a signal for the success of this emerging phenomenon

### *The Meteoric Rise of Crowdfunding: Kickstarter*

Kickstarter was founded in April 2009, in USA and it is a funding platform for creative projects. It is a great platform for artists, filmmakers, musicians, designers, writers, illustrators, explorers, curators, promoters, performers, and others to bring their projects and ambitions to life. Project creators inspire people to open their wallets by offering products, benefits, and fun experiences. They send their project characteristics based on certain guidelines, to be validated by Kickstarter. Still the responsible for the project are the ones deciding on the deadline and the target minimum of funds to raise. If in the end of the raising period the target is not achieved, the funds will return to the investors. If the target funds are collected, Kickstarter takes 5% of the funds raised. It is important to notice that there is no guarantees that people that post projects on Kickstarter will deliver on their projects or use the money to do their projects.

Kickstarter has had over \$125 million dollars pledged (raised is lower) and has had more than 15,000 successfully funded projects since 2008. The project success rate is 44%. The business has grown quickly in its early years. In the year 2010, Kickstarter had 3,910 successful projects, \$27,638,318 dollars pledged, and a project success rate of 43%. In 2011, the corresponding figures were 11,836, \$99,344,381 and 46%.



### 8.2.1. Lessons and Challenges for crowdfunding in Portugal

As discussed before, so far in Portugal there are 3 crowdfunding platforms. All of them are donation, philanthropy and sponsorship based. The platforms release both social-change and creative projects. And they already participated in 16 successful initiatives, since July 2011.

Being crowdfunding a worldwide novelty, in Portugal the advances in regard to spreading its usage are baby steps when compared with what needs to be done. For example, legal constraints to investment-driven crowdfunding are something we should try to overcome to increase the usage scope of crowdfunding.

Concerning followers of the platforms (counted via Facebook in the end of January 2012), redebiz has 205, ppl has 1.611 and massivemov 2.431. When compared with the US number this might seem insignificant but if we consider that only in July 2011 Portugal started to hear the word crowdfunding, having already more than 4000 followers for the Portuguese platforms is really good. Moreover the media in Portugal are trying their best to spread the word. Antena3 - a radio station, RTP - a TV station, Expresso - a newspaper, several websites and blogs, as well as events as the first international event on crowdfunding organized by PPL with the support of CLSBE, are doing their best to make this new word a part of the Portuguese vocabulary.

“Vision without execution is hallucination.”

**Thomas Edison**

## **9. SOCIAL SERVICE INNOVATION: AN INTEGRATED FRAMEWORK**

Unemployment related issues are the subject for several academic papers all over the world. Nevertheless, most of the academic work published on this topic is more conceptual related or closely connected to the public policy intervention.

However in terms of the contribution individuals/private institutions can make to address the unemployment problem rather than governments' policy there is still little research available.

### *The social service innovation concept as an implementation approach*

Social innovation, related with social responsible behavior, refers to innovation in the creation of social outputs and outcomes regardless of where they spring from (Murray, Mulgab, & Caulier-Grice, 2008). They are operationalized through the social economy: a midpoint between the market and the state. Social innovation is about a solidarity based service or product innovation having strong social impact for common good, and developed with the (central) participation of citizens.<sup>19</sup> It aims at turning an existing approach into a more effective, sustainable and efficient one. There are 3 criteria for an entity to be considered when offering an innovative social service:

1. Solidarity based service innovation
2. Strong social impact for the common good – the innovation is not oriented to yield profits rather it is made to ensure the common good criteria is fulfilled. This doesn't mean we cannot have a for profit factor rather it would have to accept a strong limitation of the profit
3. Development with the (central) participation of citizens
  - In the innovation development of beneficiaries or in the governance of the innovation process.



	<b>Concept</b>	<b>Implementation</b>
<b>Social (Target)</b>	<ul style="list-style-type: none"> <li>- Social needs or problems</li> <li>- Social value</li> <li>- Balance in creation and capture of value favors the public</li> </ul>	<ul style="list-style-type: none"> <li>- The goal is to integrate innovative and flexible solutions matching our target's needs and potential</li> <li>- Our solutions address unemployed, university, students, volunteers, investors and entrepreneurs expectation's</li> </ul>
<b>Service (Activities)</b>	<ul style="list-style-type: none"> <li>- Intangible offer, accessibility, knowledge, flexibility, simplicity</li> <li>- Integration of different products in a single platform</li> <li>- Intermediary between different customer segments</li> </ul>	<ul style="list-style-type: none"> <li>- Market conditions are changing and the skills one needs or the way one gets financing are suffering a turnaround</li> <li>- We are intermediaries between supply and demand for training employment and financing</li> </ul>
<b>Innovation (Platform)</b>	<ul style="list-style-type: none"> <li>- Novelty</li> <li>- Performance improvement</li> <li>- Magnitude</li> <li>- Implementation/adoption</li> </ul>	<ul style="list-style-type: none"> <li>- Leverage on the network. Using innovative alternatives to get the targeting audience</li> <li>- The platform is integrated and available independently on one's location</li> </ul>

Table 18: Social service innovation concept and fit with our implementation framework

In this specific case, the service will be provided by entrepreneurial enhancers – people that are motivated by a novel vision for how support must be given to entrepreneurship in its most diverse forms. By creating new services and tools we hope to present a different conceptual view for intellectual, human and financial resources in entrepreneurship. To some extent our role and expectations are similar to social entrepreneurs, people who recognize a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change (Wikipedia), and:

<b>Social entrepreneurs characteristics</b>	<b>How they are operationalized through the proposed implementation framework</b>
Are primarily motivated by the social benefits that the organization will generate	The social benefit of reintegrating unemployed in the labor market
Respond to urgent needs and act as a change agent to solve problems	Change agent in the sense that we are proposing an integrated and innovative approach to fight back a structural problem
Want to create some level of financial sustainability to ensure your organization's future, but those are likely secondary to the reason why your organization exists	Through cash flow generation based model – fee for service and partnerships – after a certain threshold of users we will generate enough to sustain our organizational structure

Table 19: Social entrepreneurs characteristics and fit with our implementation framework

### 9.1. The model

The emergence of revenue-generating activities for non-profits has created a new operating model where business principles, market characteristics and values (competition, diversification, entrepreneurship, innovation and a focus on the bottom line) co-exist and work with traditional public sector values like responsiveness to community and serving the public interest. Social enterprises are revenue-generating entities generally owned and operated by a non-profit organization. Since there are no shareholders, any profits from the operations are re-invested into the work of the organization. When the non-profit organization and the social enterprise are one and the same and the business is created to serve clients as its central mission, we are using an embedded business model technique. Here we propose an integration of several business model typologies:

<b>Business model</b>	<b>How it works</b>	<b>KSFs</b>	<b>Fit with our framework</b>
<b>Entrepreneur support</b>	Sells business support to its target population	Appropriate training for the entrepreneur	By helping with the business plan and key financials, as well as other important soft and social skills
<b>Employment</b>	Provide employment opportunities and job training to clients	Job training appropriateness	Matching employers with the right resources, understanding the demand needs and adapting training workshops content
<b>Fee-for-service</b>	Selling social services directly to clients or a third-party player	Establishing the appropriate fee structure vis-a-vis the benefits	In consulting services, for monitoring the projects, for using the platform
<b>Service subsidization</b>	Consulting, counseling, employment training,	Can leverage intangible assets (expertise, methodologies or relationships)	With resources expertise provide counseling and coaching to start-ups and individuals concerning their strategic goal (firms) and professional ambitions

Table 20: Business models' characteristics useful to integrate in our implementation framework

In this framework we aim at creating a pathway for labor market integration through information advice, guidance, counseling, training and financing alternatives. Based on Local active Labor market policy: the policy agenda, we propose a framework with 2 main areas of intervention:

- 1) Information, advice, guidance and counseling of the human capital through two lines of action
  - a) Employability – basic and transferable skills acquisition by job seekers
  - b) Access to employment
    - i) Matching job search – by enhancing the flow of vacancies that are accessible.  
Here there is the need for an intermediary that can be close to the community
    - ii) Work experience: through mock interviews and simulations as well as work trials and tasters
- 2) Financing new ventures – by promoting the creation of new ventures we are indirectly promoting the creation of new job opportunities through business development. Also we allow firms to be better connected to what are job seekers needs and make labor market offers more effective.

### *Services provided*

To help implementing our goals we will use several tools (some more innovative than others) depending in the target specifications:

- Workshops
- Guidance and professional monitoring
- Labor resources pooled in a network that can be used on the projects being financed by the platform and private partners.
- *Crowdfunding*
- Consulting services for entrepreneurs and financed projects motorization. Outside evaluation is of relative importance for firms when assessing their efforts and strategic means or even to validate novel approaches being tested.

### *Applicability: advantages and disadvantages*

Advantages:

- Investors and funders can add value by contributing with experience and insight that can help entrepreneurs build their organization and prepare for the next wave of challenges.

- Entrepreneurs can learn from both their own and others' successes and failures, which enables them to improve their skills and adapt their attitudes [ (Carree & Thurik, The impact of entrepreneurship on economic growth, 2003) and (UNCTAD secretariat, 2010)].

Disadvantages:

- If people are not motivated/ committed with the entities' idea success potential is limited.
- Marketing crowdfunding ideology is of extremely importance for spreading the word and to start creating buzz around this financing methodology

## 9.2. Further steps for implementation

To maximize the likelihood of policy success there are 5 preconditions that need to be in place:

1. Identify the needs on the supply side [(Campbell, 1996a) in (Campbell, Reconnecting the Long Term Unemployed to Labour Market Opportunity: The Case for a Local Active Labour Market Policy, 2000)]. This is especially important to tailor the training program to individual and employer needs
2. The key actors needs have to be assessed as well as the way they are organized in order to promote market efficiency and to align the services being provided
3. Partnerships role is of extreme importance in this case to implement the defined strategies (Hutchinson and Campbell 1998; Campbell 1999) in (Campbell, Reconnecting the Long Term Unemployed to Labour Market Opportunity: The Case for a Local Active Labour Market Policy, 2000). Collaboration between sectors (voluntary/community, public and private) and involving the community in the processes are critical factors when evaluating the impact these partnerships have.
4. A community orientation is crucial [(Social Exclusion Unit, 2000) in (Campbell, Reconnecting the Long Term Unemployed to Labour Market Opportunity: The Case for a Local Active Labour Market Policy, 2000)], specially concerning the proximity to the target groups.

5. Employer involvement is of great importance specially when identifying skill shortages and concerning their involvement in the training programs being developed. Also this allows for better communication between firms and the unemployed concerning job vacancies and training opportunities

Also it is important to find the right cash-flow financing model to allow for the organization's self-sustainability as well as the best legal form for us, given the services we will provide and the constraints offered by the Portuguese market.

## 10. CONCLUSIONS

The need to find innovative and integrated forms to solve structural and complex problems is not new. Changes in agents' expectations and resources availability aside with new knowledge requirements that emerged, demands new market structures and different problem solving approaches to be tested.

Technology breakthrough together with cultural and value changes, are two of the most important catalysts that enhance the period of transformative innovation. By promoting the spread of networks and global infrastructures for information and social networking tools, technology gained a new role in our society. Also the growing emphasis on the human dimension, on putting people first, giving democratic voice and starting with the individual and relationships rather than systems and structures, changed the way we think about the market as well as the way we address these groups of people. We are currently at one of the rare moments when a new set of paradigms challenges the previous ones. We live in a world where both distributed and centralized structures are used simultaneously, where complexity is distributed to the margins – addressing targets that have knowledge of specificity. Nowadays differentiation is the watchword. Instead of investing in scale we promote economies of scope, of information, and most strikingly of trust.

Concerning training the challenges come from 2 sides: mentality/culture and entrepreneurial sector characteristics. People are increasingly interested in going further in the knowledge update process especially concerning linguistics, science and tech, cultural, social and civic competences.

Crowdfunding is a word to be part of our daily vocabulary, in the near future. Still, specially concerning the legal framework for this new phenomenon will be of significant importance. In Europe this is closer than we might think. A group of people is trying to launch an European Crowdfunding Network for 2012, which will focus on trying to find a suitable legal framework for this phenomenon in order to enhance its usage and to give a more consistent theoretical support to the subject.

## 11. FUTURE RESEARCH

In all the topics explored in this thesis there are small information flaws that should be fulfilled with future research studies. Starting with our structural problem, the labor market underutilization, it would be interesting to understand better how the dynamics between the labor market slack components work as well as each element, role and expectations from the labor market. Further investigation should be performed concerning the specific policies that should be undertaken to increase the labor market reintegration ability.

Concerning our proposed solution, entrepreneurship, there is the need to better understand how can we leverage on our reality in terms of demographics and market structure and promote the use of entrepreneurship in a more efficient way, with a greater contribution to the economic growth. A narrower study on the specific skills needed to be successful as an entrepreneur and its impact on one's entrepreneurial potential would help understanding our context and further steps that might be taken in order to increase the entrepreneurial sector contribution to the productive activities of an economy.

Concerning training, specially the enterprises perspective on this matter, has to be explored. We should aim at understanding their expectations in terms of their collaborators skills – we need to ensure that training is closely related to the needs of local employers and involves practical work experience. High quality information is required from employers about their needs and the skill shortages being experienced or anticipated in order to provide the basis for the design of relevant training programs.

Finally, and as it was referred in several moments during this thesis, studies on the crowdfunding dynamics in Portugal are necessary to understand the best strategy and models' characteristics given the Portuguese context. Legal framework is also something needed if we want to explore crowdfunding at its full potential.

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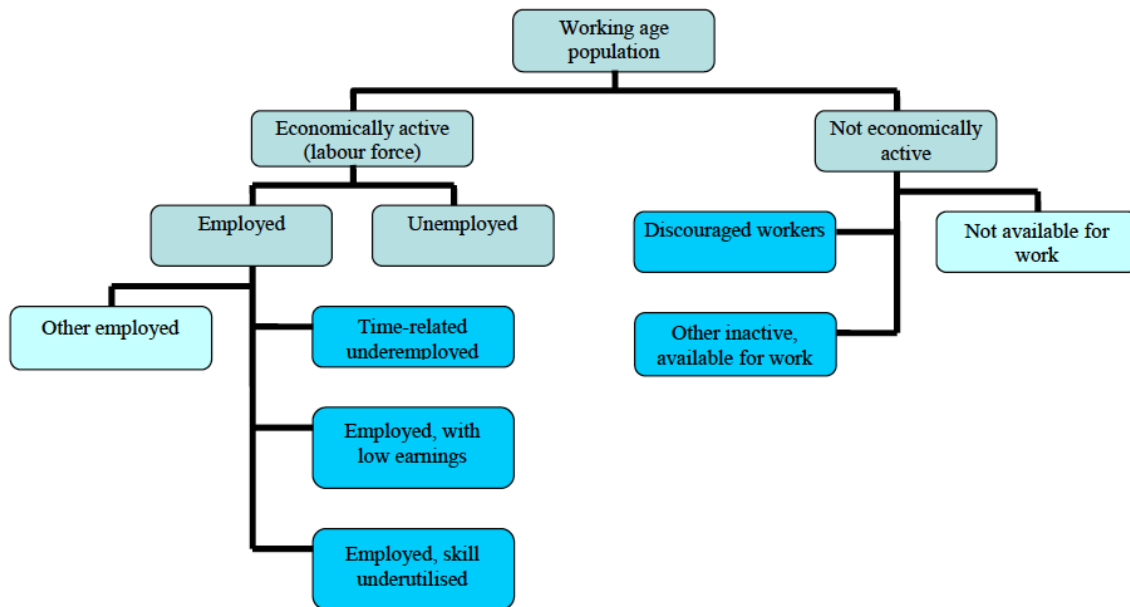
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16.1. Labor Market Framework according to ILO<sup>20</sup>



As shown in the diagram above, measurement of labor underutilization may in fact be regarded as a refinement of the labor force framework. Time-related underemployment, low earnings and skill mismatch are sub-categories of employment, while discouraged workers and other inactive persons with labor force attachment are sub-categories of the not economically active population.

16.2. List of concepts related with the Labor Market, according to OECD

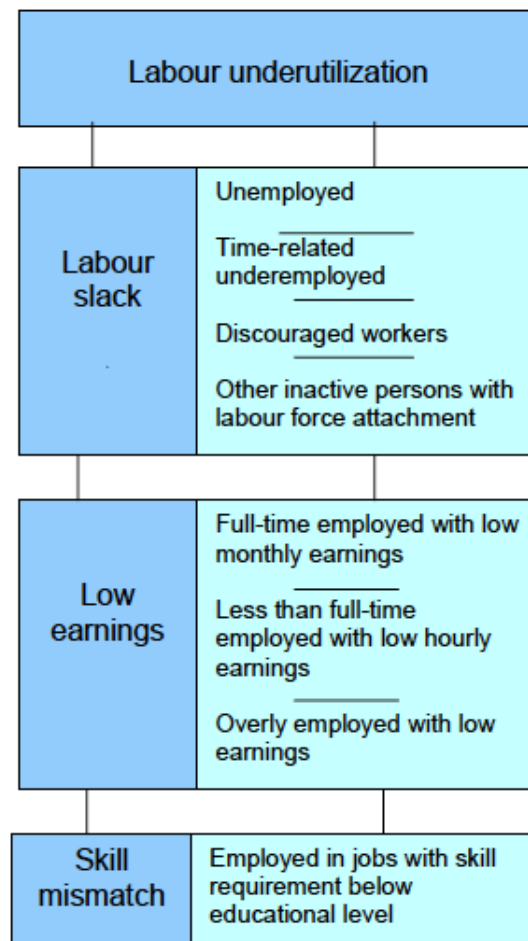
<i>Working age population</i> <sup>21</sup>	For most economies, the working-age population is defined as persons aged 15 years and older. <sup>22</sup>
<i>Labor Force</i> <sup>23</sup>	The total labor force, or currently active population, comprises all persons who fulfill the requirements for inclusion among the employed or the unemployed during a specified brief reference period.
<i>Out of the Labor Force</i> <sup>24</sup>	The not currently active population or, equivalently, persons not in the labor force, comprises all persons who were neither employed nor unemployed during the short reference period used to measure



	<p>current activity. They may, according to reason for not being currently active, be classified in any of the following groups:</p> <ul style="list-style-type: none"> <li>- attending an educational institution;</li> <li>- performing household duties;</li> <li>- retiring on pension or capital income;</li> <li>- other reasons, including disability or impairment.</li> </ul>
<p><i>Unemployed<sup>25</sup></i></p>	<p>The “unemployed” comprise all persons above a specified age who during the reference period were:</p> <ul style="list-style-type: none"> <li>- without work, that is, were not in paid employment or self-employment during the reference period;</li> <li>- currently available for work, that is, were available for paid employment or self-employment during the reference period; and</li> <li>- seeking work, that is, had taken specific steps in a specified recent period to seek paid employment or self-employment.</li> </ul> <p>The specific steps may include registration at a public or private employment exchange; application to employers; checking at worksites, farms, factory gates, market or other assembly places; placing or answering newspaper advertisements; seeking assistance of friends or relatives; looking for land, building, machinery or equipment to establish own enterprise; arranging for financial resources; applying for permits and licenses, etc.</p>
<p><i>Employed<sup>26</sup></i></p>	<p>The “employed” comprise all persons above a specified age who during a specified brief period, either one week or one day, were in the following categories:</p> <p><i>(a) paid employment:</i></p> <ul style="list-style-type: none"> <li>- at work: persons who during the reference period performed some work for a wage or salary, in cash or in kind;</li> <li>- with a job but not at work: persons who, having already worked in their present job, were temporarily not at work during the reference period and had a formal attachment to their job. This formal attachment should be determined in the light of national circumstances, according to one or more of the following criteria: the</li> </ul>

	<p>continued receipt of wage or salary; an assurance of return to work following the end of the contingency, or an agreement as to the date of return; the elapsed duration of absence from the job which, wherever relevant, may be that duration for which workers can receive compensation benefits without obligations to accept other jobs;</p> <p><i>(b) self-employment</i></p> <ul style="list-style-type: none"> <li>- at work; persons who during the reference period performed some work for profit or family gain, in cash or in kind;</li> <li>- with an enterprise but not at work: persons with an enterprise, which may be a business enterprise, a farm or a service undertaking, who were temporarily not at work during the reference period for any specific reason.</li> </ul> <p>For operational purposes the notion of “some work” may be interpreted as work for at least one hour.</p>
<p><i>Underemployed<sup>27</sup></i></p>	<p>Underemployment exists when a person’s employment is inadequate in relation to specified norms of alternative employment, account being taken of his or her occupational skill. Two principle forms of underemployment may be distinguished:</p> <ul style="list-style-type: none"> <li>- visible: Visible underemployment includes individuals who are “involuntarily working less than the normal duration of work determined for the activity, who are seeking or available for additional work during the reference period”.</li> <li>- invisible: Invisible underemployment refers to individuals who are working in jobs where their skills are not adequately utilized.</li> </ul>
<p><i>Discouraged workers<sup>28</sup></i></p>	<p>Discouraged workers constitute one group of inactive work-seekers. These are persons who, while willing and able to engage in a job, are not seeking work or have ceased to seek work because they believe there are no suitable available jobs.</p>

### 16.3. Decomposing Labor Market Underutilization



**Labor Slack:** Labor slack reflects insufficiency of the volume of work. It is composed of unemployment, time-related underemployment, discouragement and other forms of attachment to the labor force.

**Unemployment:** the international standard definition holds.

**Time-related underemployed:** According to the international standards on statistics of underemployment and inadequate employment (16th ICLS 1998), time-related underemployment exists when the hours of work of an employed person are insufficient in relation to an alternative employment situation in which the person is willing and available to engage.

Persons in time-related underemployment comprise all persons in employment who satisfy the following three criteria:

- Willing to work additional hours in the present job, or in an additional job, or in a new job in replacement of the current one(s);

- Available to work additional hours, i.e., ready, within a specified period of time, to work additional hours, given opportunities for additional work;
- Worked less than a specified number of hours, i.e., hours actually worked in all jobs during the reference period were below a threshold defined according to national circumstances (i.e. 40 hours).

Two particular categories of persons in time-related underemployment are: (a) persons who usually work part-time schedules and want to work additional hours, and (b) persons who during the reference period worked less than their normal hours of work.

- Discouraged workers: no international standard definition of discouraged workers exists. However, in the 13th ICLS resolution there are implicit references to this category of workers with the suggestion that countries “may identify persons not classified as unemployed who were available for work but not seeking work during the reference period and classify them separately under the population not currently active.” For the purpose of measuring labor underutilization discouraged workers are hereby defined as persons who during the reference period were:

- Not economically active (i.e. not categorized as employed or unemployed);
- Currently available for work;
- Seeking work during the past six months;
- But not actively looking for work during the last four weeks because of their discouragement from past failure in finding

A considerable body of work exists on the concept, definition and measurement and analysis of discouraged workers [OECD (1987, 1993)]. The 1987 Employment Outlook concluded that the concept was highly subjective and nebulous, and that discouraged workers were neither “close” to the unemployed in the sense that they were quite likely to enter the labor market and look for work, nor “close” in the sense that their lack of job-finding success had driven them out of the labor market.

Other inactive persons with labor force attachment: Among the not economically active population, in addition to discouraged workers, the measure of labor underutilization may include other groups of persons who are involuntary inactive or have a certain degree of attachment to the labor force.

For international comparability, one may consider a broad definition and include in this category all persons who during the reference period were:

- Not economically active (i.e. not categorized as employed or unemployed);
- Currently available for work;
- But not actively looking for work during the last four weeks; and
- Not classified as discouraged workers.

(Persons with another economic reason; persons with recent previous work experience, persons who stopped working for economic reasons; persons who stopped working for other reasons, persons without recent previous work experience)

#### 16.4. Labor slack components: The Portuguese Case Study

In a study, integrated on the Quarterly Employment Statistics, published by the INE in 2006 and using the OECD concepts for visible underemployment and discouraged workers, an empirical study was conducted to define to what extent we should be computing these statistics in a periodic basis or not. The conclusions aligned with the results, other international studies got.

In Portugal, the inactive marginally attached to the labor force (discouraged and others) and the individuals affected by visible underemployment represent groups with a relatively low dimension when compared with the unemployed group. So even when labor slack measures are calculated, unemployed still represent the biggest share on the equation. Below you can find some calculations for Portugal, based on data from 2005, concerning OECD proposed definitions as well as the USA alternative measures.

Indicators	Value	Computation
Unemployment rate	4,7%	Standard definition/computation
Visible underemployment rate	1,1%	$(\text{visible underemployed}/(\text{labor force})) * 100$
Inactive marginally attached to the labor force:	1,6%	$(\text{inactive marginally attached to the labor force}/(\text{labor force} + \text{inactive marginally attached to the labor force})) * 100$
Discouraged workers:	0,6%	$(\text{discouraged workers}/(\text{labor force} + \text{discouraged workers})) * 100$

Concerning the period between 1998 until 2005, it was found that:

- unemployment rate decreased until 2000 and increased afterward. Adding inactive marginally attached to the labor force and visible underemployed wouldn't change the unemployment rate tendency.

- the inactive marginally attached to the labor force rate and the discouraged workers rate do not present a similar path as compared with the unemployment rate one ( the correlation between them is almost null in the first case – 0,01 – and 0,2 in the second case, which is still really low). So these two variables do not behave in counter cycle as we should expect from information on other countries.

Concerning visible underemployment, the correlation with the unemployment rate is 0,46 meaning these 2 variables tend to evolve positively although the correlation coefficient

- One of the reasons for incorporating discouraged workers and even the others defined as inactive marginally attached to the labor force is because it is said that they have similar characteristics when compared to the unemployed people. For sure we can say by comparing the 2nd quarter from 2006 and the 3rd quarter concerning the changes between status, that the inactive marginally attached to the labor force - discouraged and others – is very different when compared with the other inactive that are not marginally attached to the labor force. Even if it is not possible to state that in terms of characteristics they are similar at least they worth trying to monitor the changes on status among the different categories within the out of the labor force group.

- So the inactive marginally attached to the labor force are neither close to the unemployed nor to the other inactive people. However this is not only the case in Portugal. The USA and Canada (Castillo, 1996; Jones and Riddell, 1999) also experienced the same empirical result. 2 explanations might be in the root for this result:

- The individuals tend to overvalue their desire to work when confronted with the question since that's what others expect to hear.

- The employment barriers to these people could be such that they take longer to disappear.

- According to USA alternative measures for unemployment the difference in the average rate for 1998 and 2005 is 0,5p.p if we include the discouraged workers, and additional 1,2 pp. if other inactive marginally attached to the labor force are include and an extra 0,9 p.p if visible underemployed are taken into consideration. So from a 5,4% unemployment rate we end up with a 8% measure on labor slack.

According to the OECD (1995) study, that only accounts for half of the visible underemployment the differential from the standard measure represent only 1,0 p.p.

The differential is 1 to 2 p.p, which we consider of small relevance when compared with the almost 6% unemployment rate.

When analyzing the evolution among the inactive marginally attached to the labor force and the discouraged workers, at least in the recent years, they were fairly stable contrarily to the unemployment rate behavior. From the 3 variables being analyzed, only the visible underemployment rate had a closer behavior compared with the unemployment rate tendency.

The inactive marginally attached to the labor force, particularly when speaking of the discouraged workers, they don't seem to be close to the labor market, as we should expect. The reentrants in the labor force are relatively low and the contacts established with the labor market just occur from time to time. On the other hand the visible underemployed is a temporary phenomenon (normally people in this situation change his/her status for another employment status in the following quarter).

From all this, and concerning quantitative analysis, we will just focus on the unemployment for simplicity. However, as stated before, the suggestions that will lately be presented are intended to cover not only the unemployed but also the other individuals include in the labor slack category.

### 16.5. Typology of entrepreneurial activity

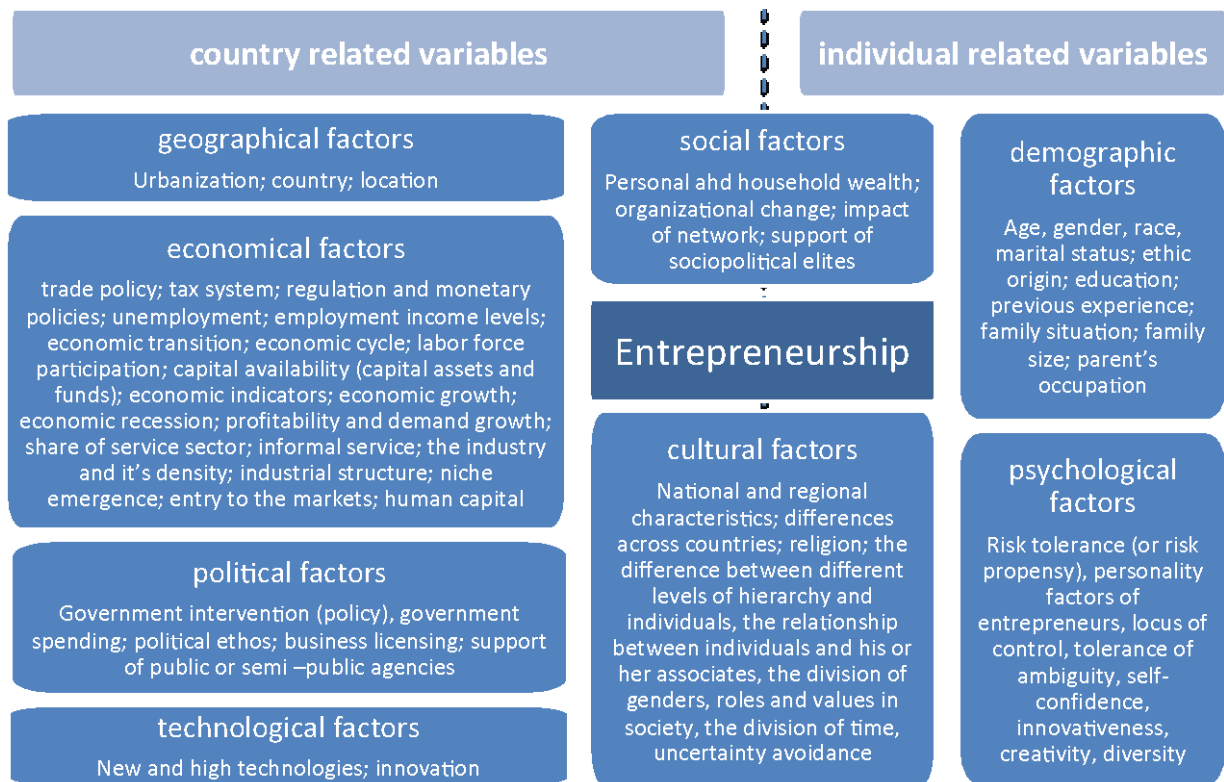
Entrepreneurial activity	Description
<b>Intrapreneurship</b>	Refers to bottom-up, proactive work-related initiatives by employees in organizations to undertake new business activities. (Bosma, Stam, & Wennekers, Intrapreneurship - An international study, 2010) Intrapreneurs tend to have a lower risk profile, but a higher tolerance for the frustration when compared with entrepreneurs (Smith & Petersen, 2006)
<b>Corporate entrepreneurship</b>	It is usually defined at the level of organizations and refers to a top-down process, i.e. a strategy that management can utilize to foster more initiatives and/or efforts to achieve improvement from their workforce and organization. (Bosma, Stam, & Wennekers, Intrapreneurship - An international study, 2010). Its main purpose and incentives are economically driven.

<p style="text-align: center;"><b>Social entrepreneurship</b></p>	<p>Applying entrepreneurial principles to organize, create and manage a venture whose purpose is to make social change. The social entrepreneur's vision is not merely to create something new in the pursuit of fame or fortune, but rather to do so in the quest to make the world a better place. These entrepreneurs may create social-purpose ventures through either a for-profit or nonprofit structure, but having a positive impact on society is a top priority. (Smith &amp; Petersen, 2006)</p>
<p style="text-align: center;"><b>Public entrepreneurship</b></p>	<p>Consists of public service leaders that understand the interrelationship between social progress and economic growth; It integrates everyone that can foster new collaborations between government, businesses and citizens; and who are able to create the profound shift in culture needed to drive the innovation.<sup>29</sup></p>

### 16.6. Factors that influence entrepreneurial activities

Entrepreneurship is a too complex concept and it is influenced by multiple factors. Thurik & Grilo (Latent and Actual Entrepreneurship in Europe and the US: some recent developments, 2005) studied the impact of demographical factors in entrepreneurship. On the other hand, (Specht, 1993) studied the way infrastructures development as the education system, the nature of the local labor market, the organizations' incubator and the information accessibility and availability of premises interact with new business initiatives. Other authors propose not to classify factors into separated categories. The results from their studies showed that factors as creativity, diversity, industrial structure, unemployment, personal wealth, the level of wages and the expected income in self-employment, education, organizational change, ethnic origin, the economic cycle, technological advances; fragmentation of larger firms and organizational change leading to an increase in subcontracted self-employed, government policy and etc. are relevant elements to consider when starting a new business (Lee, Florida, & Acs, 2004) and (Galt & Moenning, 1996). Entrepreneurship is closely associated with knowledge and flexibility, 2 factors that have gained new significance as a source of competitiveness in an increasingly globalized world economy (UN, 2004) (Gaddam, 2007); (Verheul, Thurik, & Stel, 2006) and (Specht, 1993)) decided to create a framework whose main purpose was to present a systemized classification of factors determining entrepreneurship.





## 16.7. Examples of Blended-learning programs success assessment

### *Stanford University*

Stanford University has over 10 years of experience with self-paced enrichment programs for gifted youth.

Their problem was that only slightly more than half of their highly motivated students would complete the programs. They diagnosed the problem as a mismatch between the student's desired learning style—interactive, social, mentored learning—with the delivery technology. Their introduction of live e-learning into their program raised the completion rate up to 94% by addressing these needs. The improvement was attributed to the ability of a scheduled live event to motivate learners to complete self-paced materials on time; the availability of interaction with instructors and peers; and higher quality mentoring experiences. The Stanford research strongly suggests that linking self-paced material to live e-learning delivery could have a profound effect on overall usage and completion rates—enabling organizations to radically increase the return from their existing investments in self-paced content

### *University of Tennessee's*

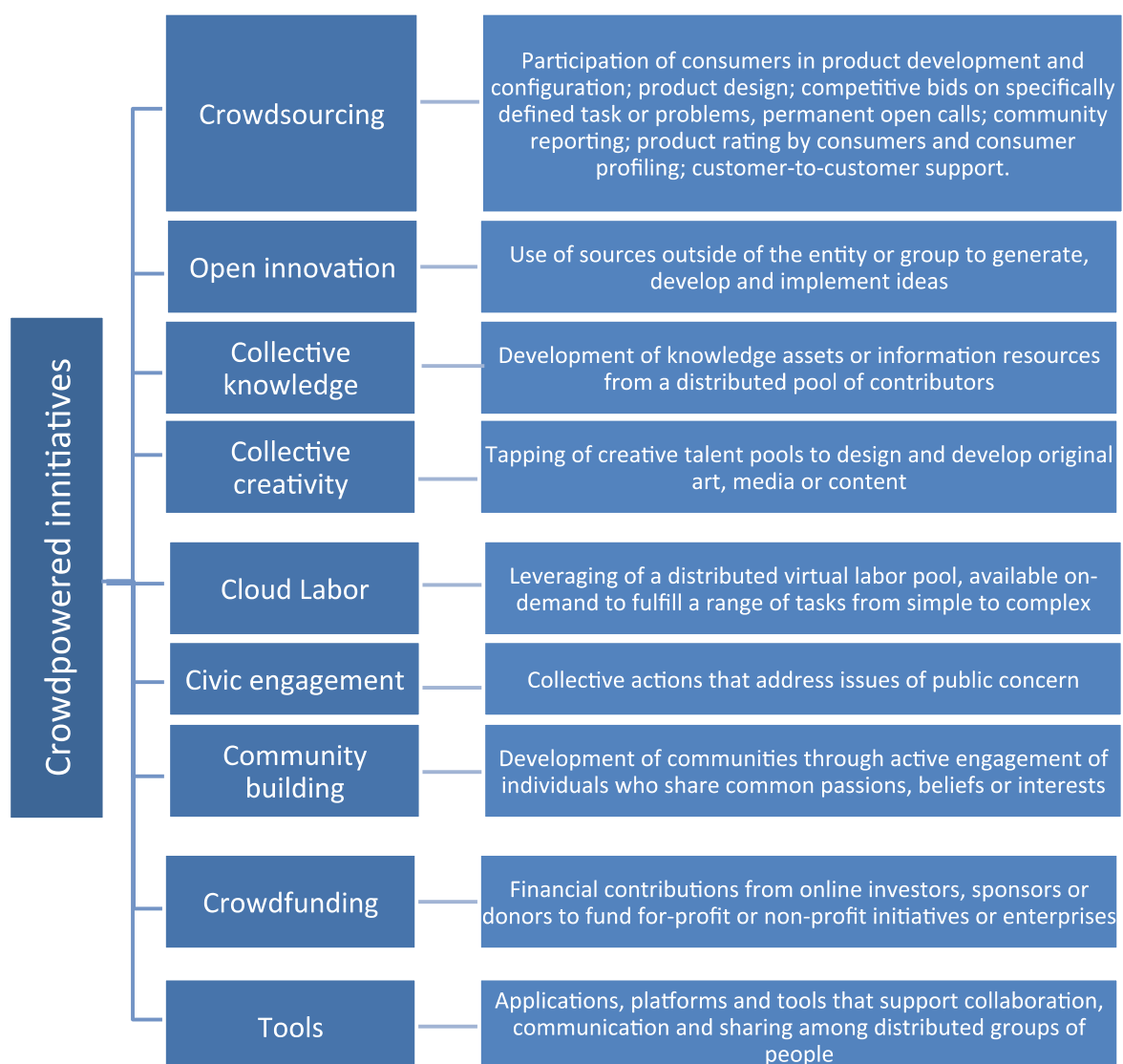
Research by the University of Tennessee's Physician's Executive MBA (PEMBA) program for mid-career doctors has demonstrated that blended learning programs can be completed in approximately one-half the time, at less than half the cost, using a rich mix of live e-learning, self-paced instruction, and physical classroom delivery. Of even greater interest, this well-designed program was also able to demonstrate an overall 10% better learning outcome than the traditional classroom learning format—the first formal study to show significant improvements from e-learning rather than just equivalent outcomes. This exceptional outcome was attributed by PEMBA to the richness of the blended experience that included multiple forms of physical and virtual live e-learning, combined with the ability of the students to test their learning in the work context immediately and to collaborate with peers in adaptation to their unique environments. Taken from Effectiveness of combined delivery modalities for distance learning and resident learning; P. Dean, M. Stahl, D. Sylwester, & J. Peat; Quarterly Review of Distance Education, July/August 2001.

#### **16.8. Crowdpower industry landscape: catalysts for its progress**

Enterprises and individuals understood the power hidden in these society masses and started exploring this crowd in several manners. Crowds have been recently used for several actions related not only with technological solution but also with business strategies in several companies, as well as charity and donation-based events. This new possibility completely changes the role of individuals and companies in the market. Before, production was for the masses and now, more than ever, the production process has started to be performed by the masses (Leadbeater, C., 2007). Consumers act also as producers (Fisk, Brown, & Bitner, 1993) partners for innovative purposes (von Hippel, 1986), key resources and co-creators of value [(Vargo & Lusch, Evolving to a new dominant logic for marketing, 2004) and (Vargo & Lusch, Service-dominant logic: continuing the evolution, 2008)] and investors (Ordanini, 2009). The interaction between consumers and firms increased, promoting creativity and innovation and creating a new dynamic in the productive sector of the economy. This trend has revealed an enrichment and empowerment of the role assigned to consumers (Lusch, Vargo, &

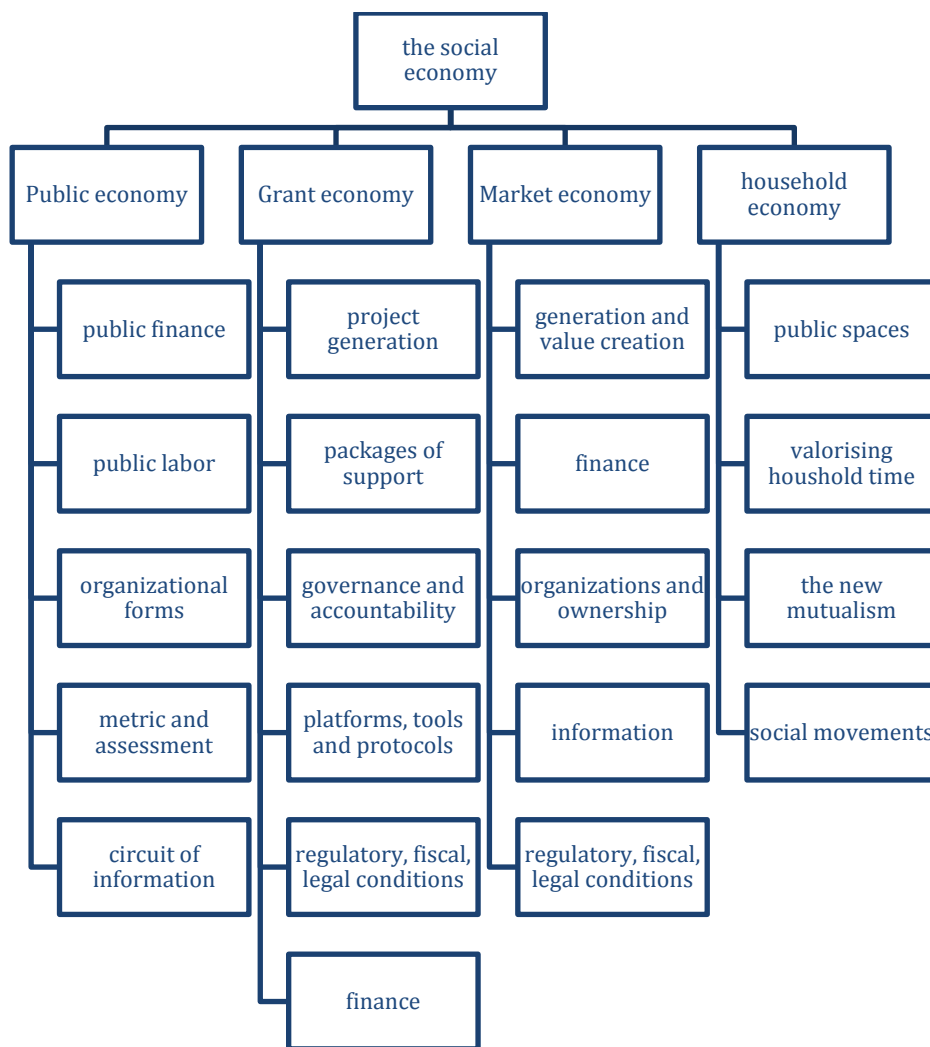
O'Brien, 2007) as they started being seen as key information sources (Kohli & Jaworski, 1990) instead of mere targets (Barksdale & Darden, 1971).

The crowd's power can be used in very different ways. The first one is related with all the activities that promote production itself. The object being produced can be an idea, knowledge; creative products and other products). Then we decided to aggregate all the activities that directly promote labor as it is the case of cloud labor, civic engagement and others. Finally we defined funding related activities as a category as well as tools category, which accounts for all the instruments used to promote collaboration and communication among individuals.



### 16.9. Interaction between the social economy and the private and public sector

The social economy works as the linkage between the public and private sector. These interactions occur through 4 different channels. The public and grant economy belong to the public intervention sphere and the market and household economy constitute the private sector subset of players. (Murray, Mulgab, & Caulier-Grice, 2008)



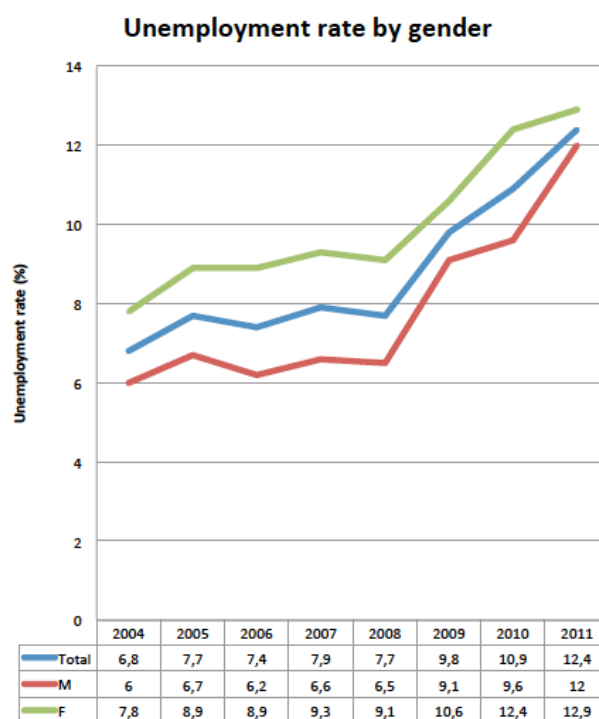
In the next table and analysis about the type of intervention the social economy can have in every subsector of the economy is provided.

		<b>Public</b>	<b>State</b>	<b>Grant</b>
		<b>Private</b>		
<b>Market</b>		This is the space where firms operate, selling products and services to individuals and engaging them as workers.	It can assume the form of taxation and fees or grants, procurement and investment or even by determining regulatory, fiscal and legal conditions, and providing platforms and tools to be used by the actors in other parts of the social economy.	Include, for example, corporate sponsorship, charitable donations, mentoring and various types of corporate social responsibility. There are also emergent forms of productive collaboration between private corporations and NGOs combining commercial provision of goods and services with mutual support and roles for NGOs.
				Include donations and volunteering. One of the most sensitive areas of this interface is when associations and movements from the private sector partially transfer themselves into the grant economy, by giving professionals referrals for paid subscriptions or grants.
<b>Household</b>				

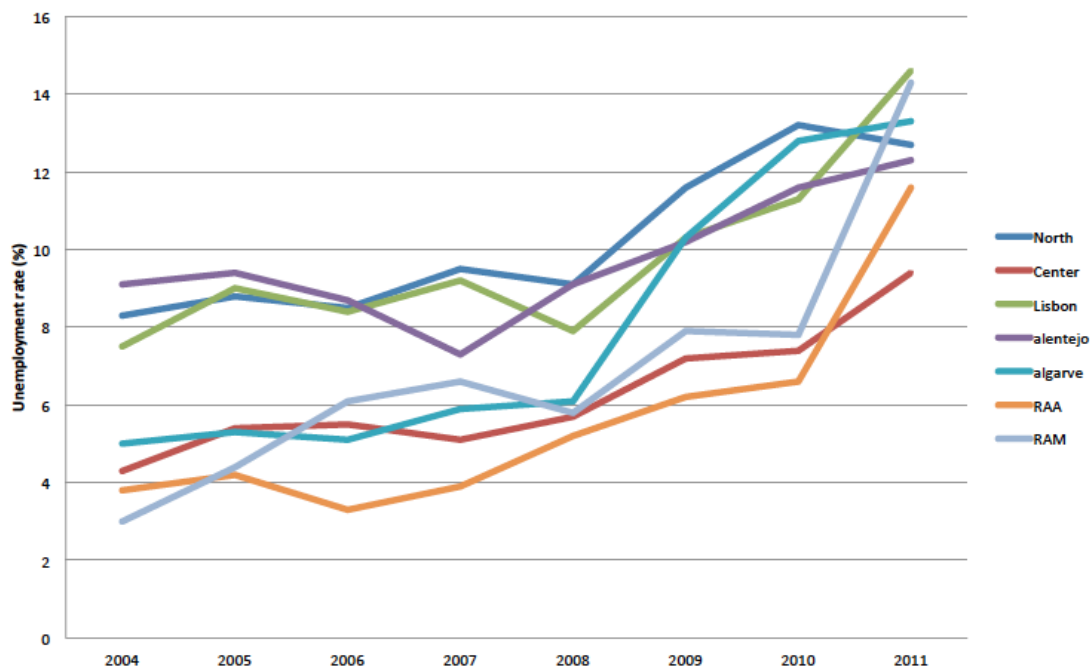
### 16.10. Unemployment Demographics: analysis by variable

#### Unemployment rate by gender and NUTS

Analysis
<ul style="list-style-type: none"> <li>- The unemployment rate has been increasing specially since 2009</li> <li>- The gender gap has been decreasing over the last years (it went from 1,8 p.p to 0,9 p.p)</li> <li>- The minimum rate for men and women occurred in 2004 and was 6% and 7,8% respectively.</li> <li>- The maximum rate was obtain in 2011 (12% for men and 12,9% for women)</li> <li>- The data presented is from the 3<sup>rd</sup> quarter</li> </ul>

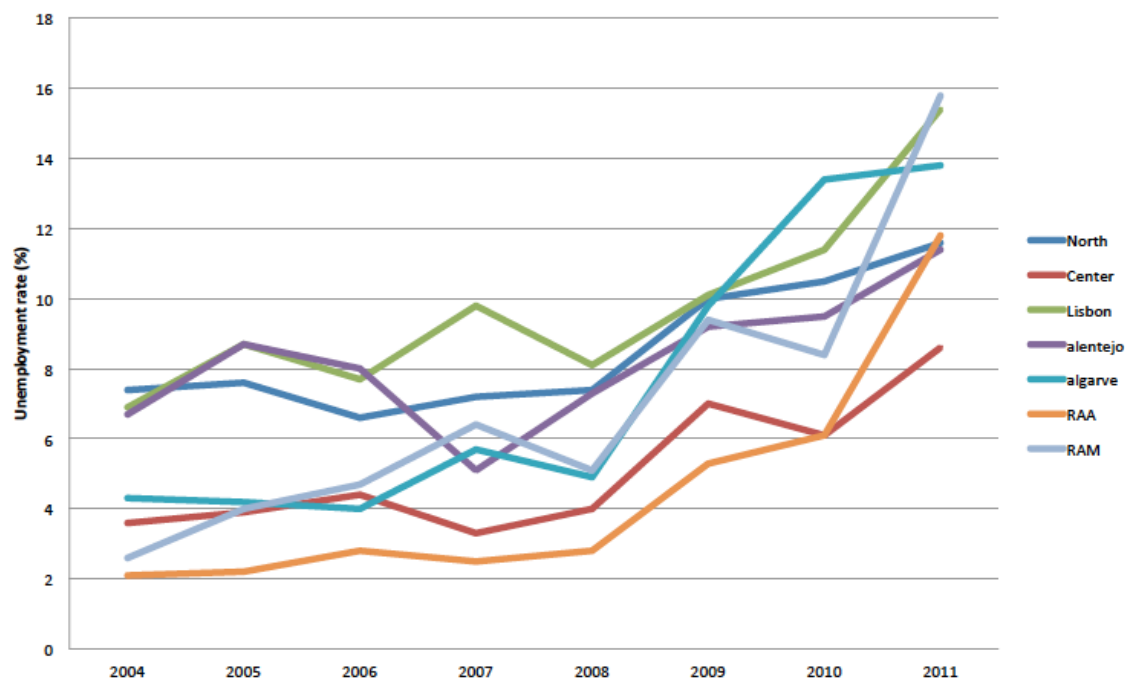


**Total unemployment rate by region**



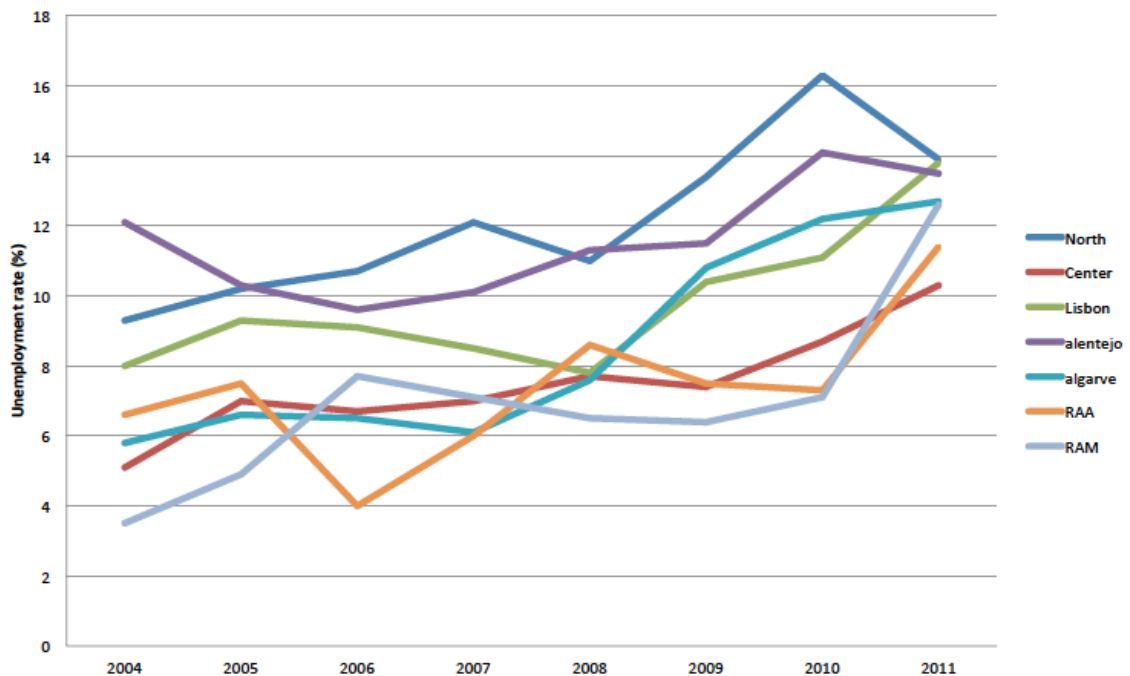
**Analysis** RAM presented the minimum (3% in 2004) unemployment rate from all the NUTS. The maximum rate over the same period belongs to Lisbon with (14,6% in 2011). North was the region that presented less volatility in the unemployment rate. The center region in 2011 was the one with the lowest value (9,4%). In the north region the unemployment rate presented a decrease in the last year. RAA and RAM presented unemployment growth rates over 75% in the last year.

**Male unemployment by region**



**Analysis** RAA presented the minimum (2,1% in 2004) unemployment rate from all the NUTS. The maximum rate over the same period belongs to RAM with (15,8% in 2011). The North was the region that presented less volatility in the unemployment rate. The center region in 2011 was the one with the lowest value (8,6%). RAA and RAM presented unemployment growth rates over 85% in the last year.

**Female unemployment rate by region**



**Analysis**  
 RAM presented the minimum (3,5% in 2004) unemployment rate from all the NUTS. The maximum rate over the same period belongs to North with (13,9% in 2011). Alentejo was the region that presented less volatility in the unemployment rate. The center region in 2011 was the one with the lowest value (10,3%). RAA and RAM presented unemployment growth rates over 50% in the last year. North and Alentejo region presented negative unemployment growth rate for the last year

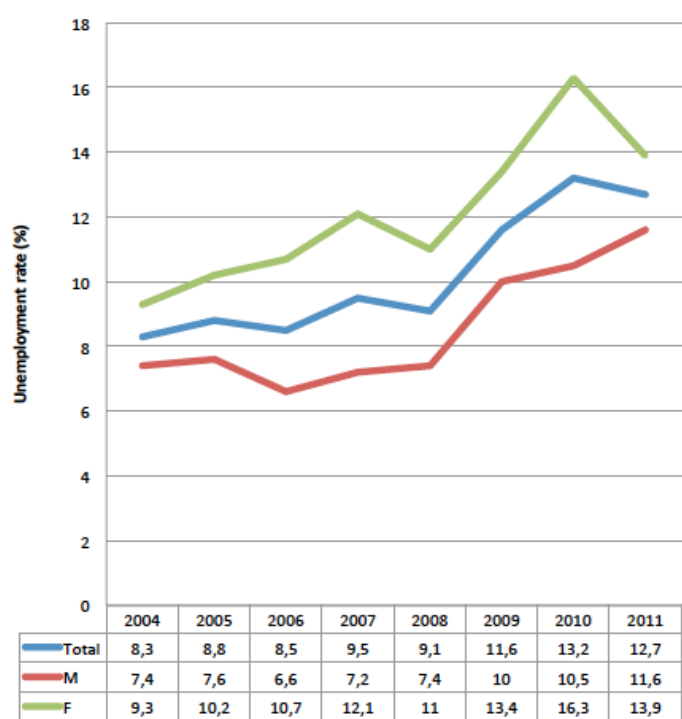
**Analysis**

In the north region, although the female unemployment rate has always been higher than the male unemployment rate, the gap between both varied a lot during the period of analysis (the minimum occurred in 2004 - 1,9 p.p - and the maximum in 2010 - 5,8 p.p.

Since 2008 the female unemployment rate was the more volatile (19%) and in the last year it decreased by 14%.

The minimum unemployment rate occurred in 2006 - 6,6% (men) - and the maximum in 2010 - 16,3% (female).

**Unemployment rate by gender in the north**



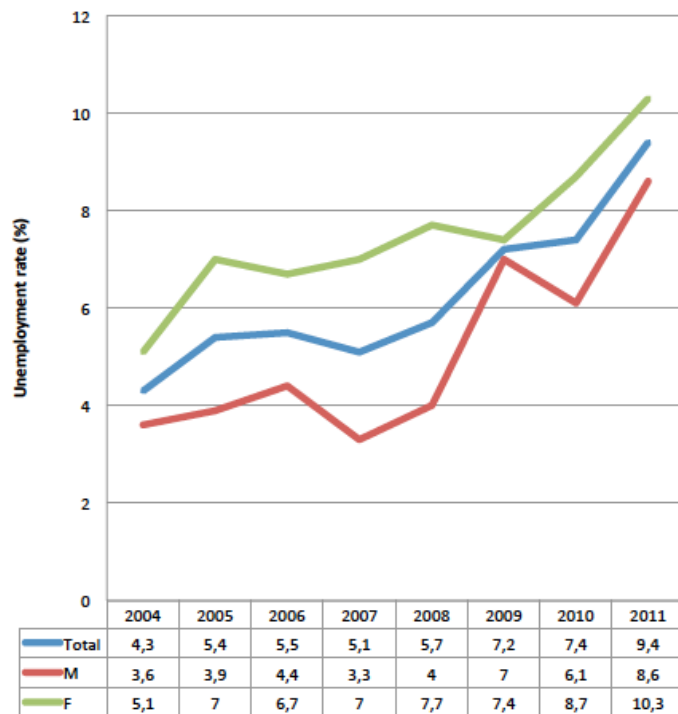
### Analysis

As in the North region, the female unemployment rate was since 2004 always higher than the male unemployment rate, although in 2009 they were quite close.

The male unemployment rate was more volatile presenting a standard deviation around 30% (as opposed to the 15% from female category)

The minimum occurred in 2007 in the male unemployment rate and the maximum belongs to the women unemployment rate in 2011

Unemployment rate by gender in the center



### Analysis

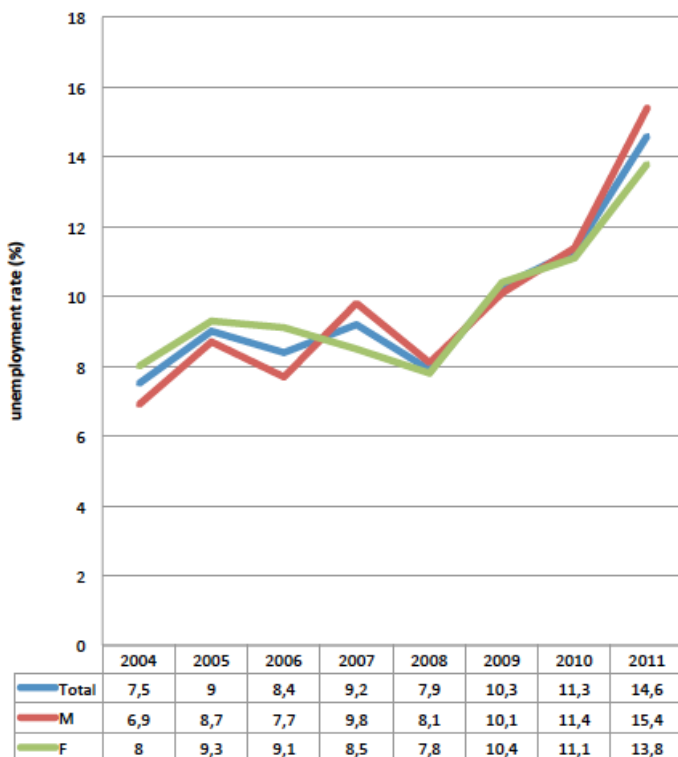
The unemployment rate differential in the Lisbon region is very small. The biggest gap between men and women was 1,4 p.p in 2006.

Still the female unemployment rate presented less volatility (14%)

Both the lowest and the highest unemployment rate occurred in 2004 (6,9%) and 2011 (15,4%) for men.

Since 2010 the female unemployment rate presents a lower value than the male unemployment rate

Unemployment rate by gender in Lisbon





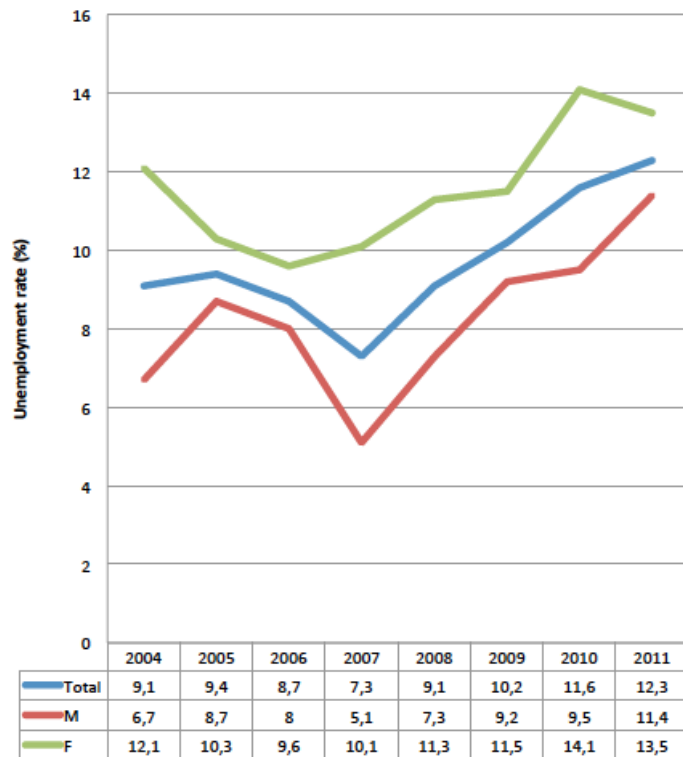
**Analysis**

In alentejo the gap between the female and male unemployment rate is big – from 2.1 to 5.6 p.p – and the greatest volatility is 25% for the male category. Also the female unemployment rate was always higher than the male unemployment rate in the reference period

Its maximum occurred in 2010 for females (14,1%) and its minimum in 2004 for males (6,7%)

Since 2007 the male unemployment rate increase by an average of 5% a year

**Unemployment rate by gender in Alentejo**

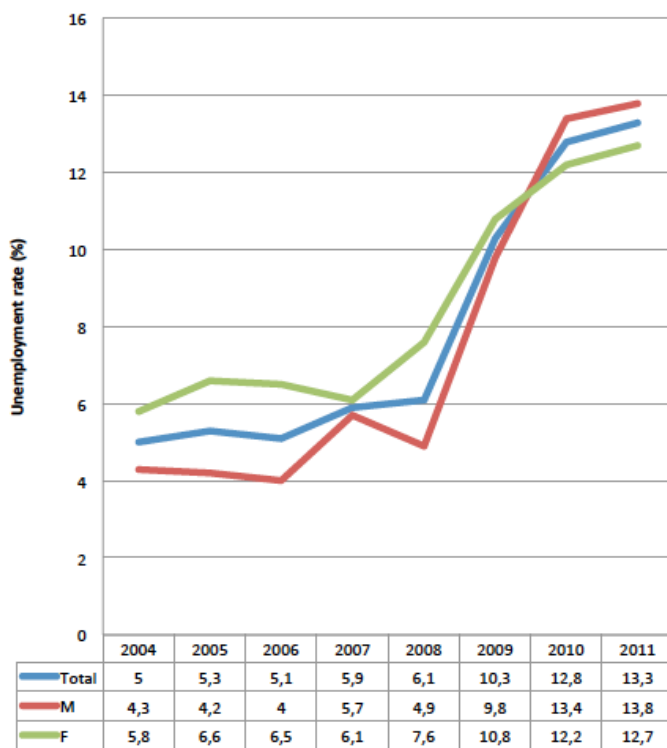


**Analysis**

In algarve the gap between men and women is one of the smallest. However here it is worth to mention the unemployment rate increase since 2008 (15% male unemployment growth rate per year).

Although until 2009 the female unemployment rate was greater than the male unemployment rate, then the situation was reversed and in 2011 the gap was 1.1 p.p and the female unemployment rate was smaller than the male's.

**Unemployment rate by gender in Algarve**



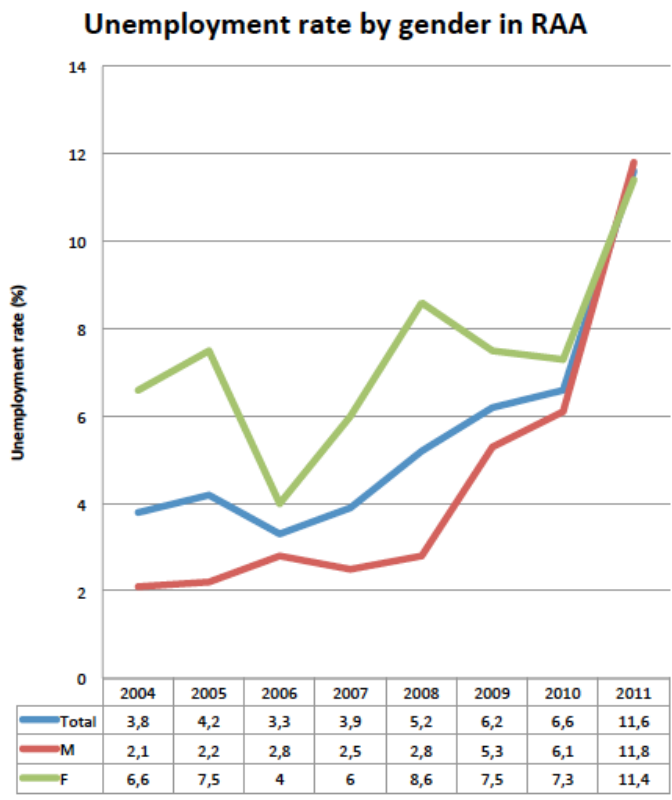
**Analysis**

RAA presents since 2010 very close unemployment rates for the 2 groups, and in the last year for the first time the female unemployment rate was lower than the male's.

The lowest value occurred in the male unemployment rate in 2004 - 2,1% - and in 2011 - 11,8%.

Both categories present a high degree of volatility but for male this arose over 40% in the reference period.

Just in the last period the male unemployment rate deteriorated over 90%.

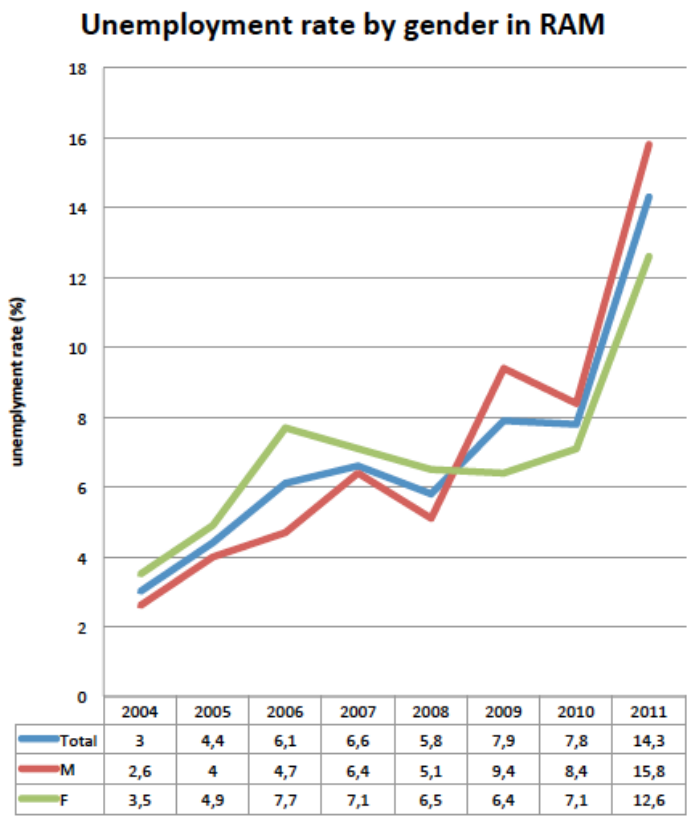


**Analysis**

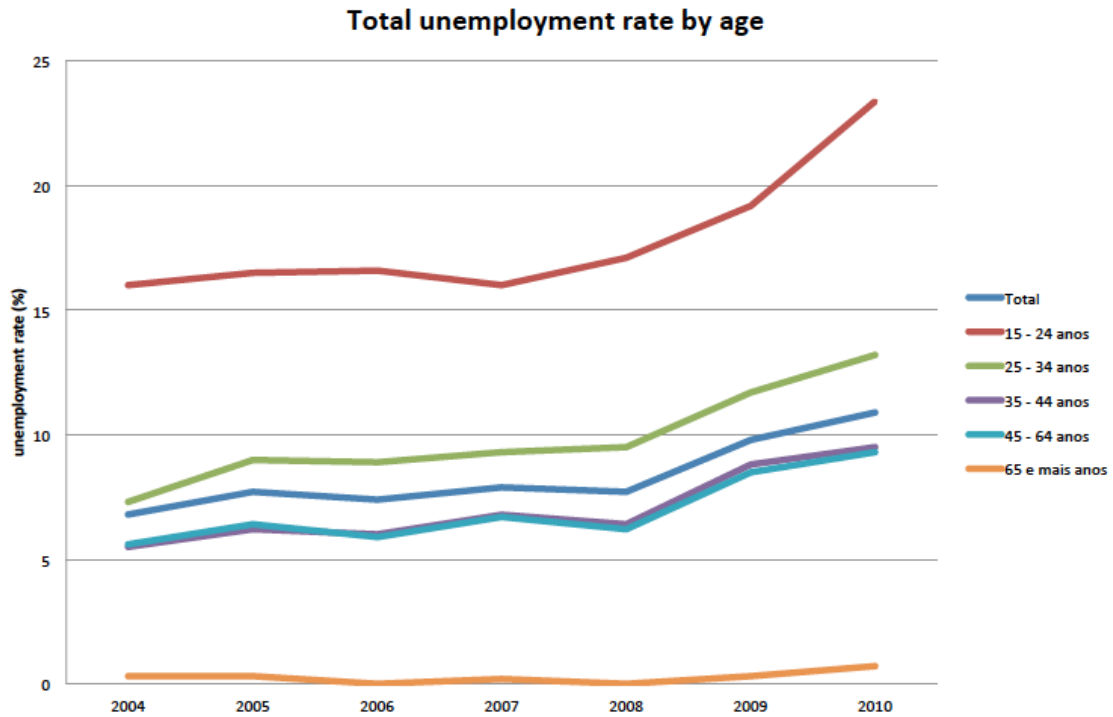
In RAM, until 2008 the unemployment rate for female was higher than the men's counterpart. However after that the tendency changed.

The lowest value as well as the highest belong to the same category - man - with 2,6% in 2004 and 15,8% in 2011.

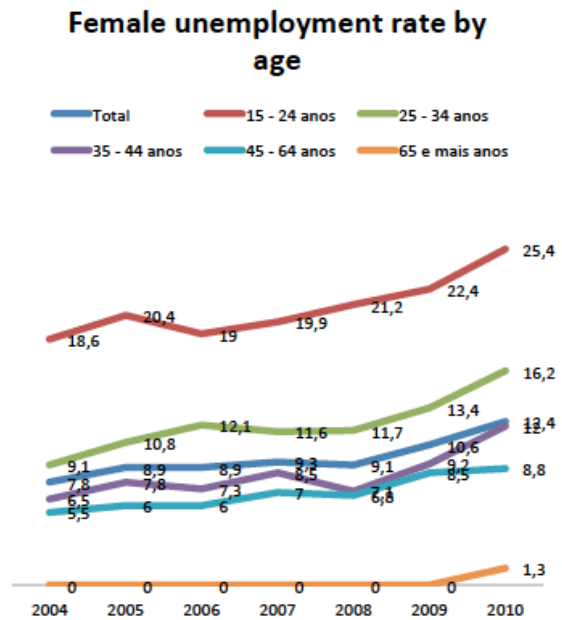
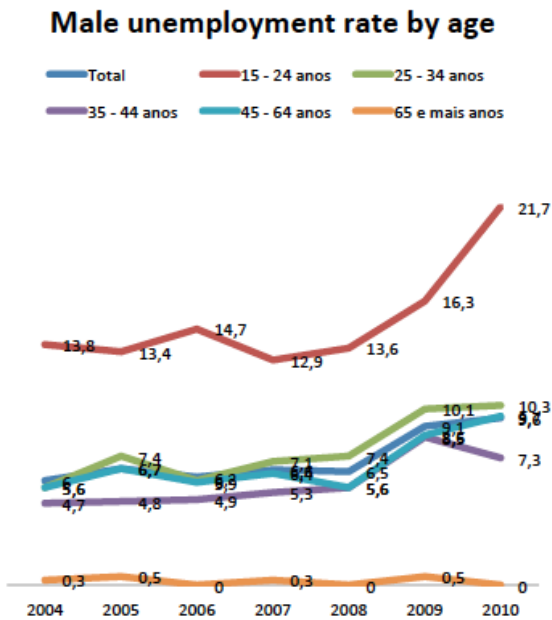
For the reference period volatility was greater for man (around 40%), and these suffered in the last year from an increase in unemployment around 88%.



*Unemployment rate by gender and age*



**Analysis** The group from 15-24 years old clearly presents the highest unemployment rate (always greater than 15%). The group with more than 65 years of age presented the lowest. Insignificant – unemployment rate. Since 2009 the unemployment rate has increased for all the age categories, being the youngest the ones more affected



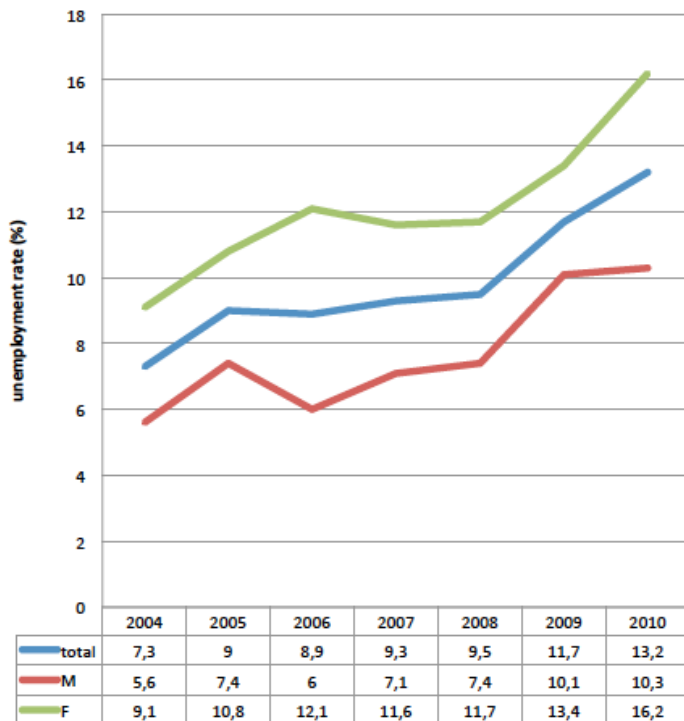
**Analysis**

For the age category from 25-34, the unemployment rate for females was greater than for males.

The gap between the 2 genders, after an improvement, has increased again since 2009 (5.9 p.p)

The lowest unemployment rate in this category occurred in 2004 (5,6% for men) and the greatest one in 2010 (16,2% for female)

**Unemployment rate for people between 25-34 years**



**Analysis**

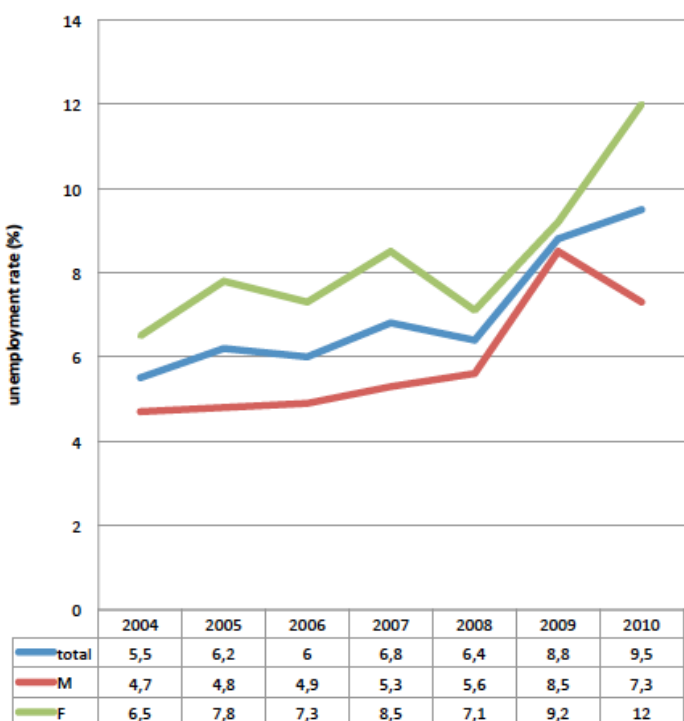
For people between 35-44, after a decrease in the unemployment rate gap, it increased a lot in the last year for 4.7 p.p

The female unemployment rate has been always greater than the male counterpart for the reference period.

Over the same period male showed a greater volatility than women (22% as opposed to 19%)

The lowest value was in 2004 for men (4,7%) and the highest was 12% for women in 2010

**Unemployment rate for people between 35-44**

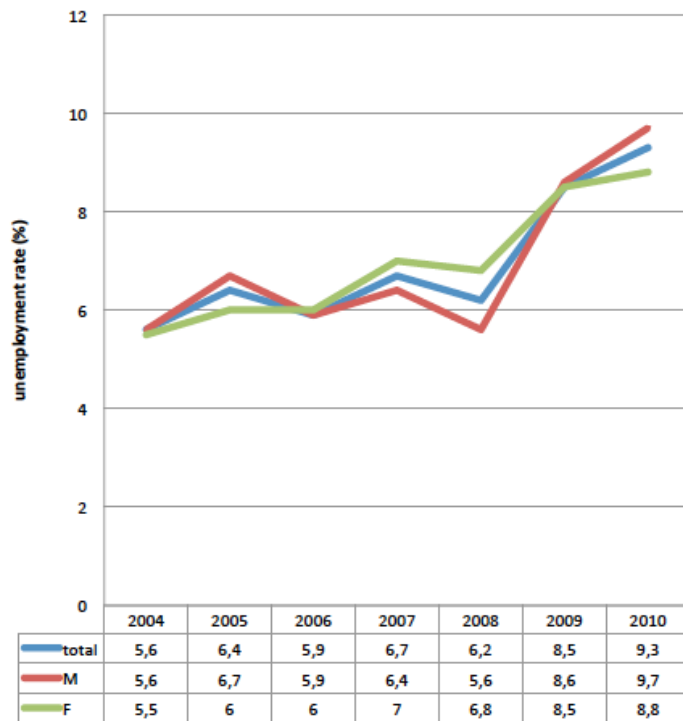


**Analysis**

For people between 45-64, the unemployment rate gap is almost inexistent. Also only between 2006 and 2009 the unemployment rate for women was greater than for man. In the rest of the reference period it was lower. Female presented the lowest unemployment rate in 2004 (5,5%) and men had the highest unemployment rate in 2011 (9,7%)

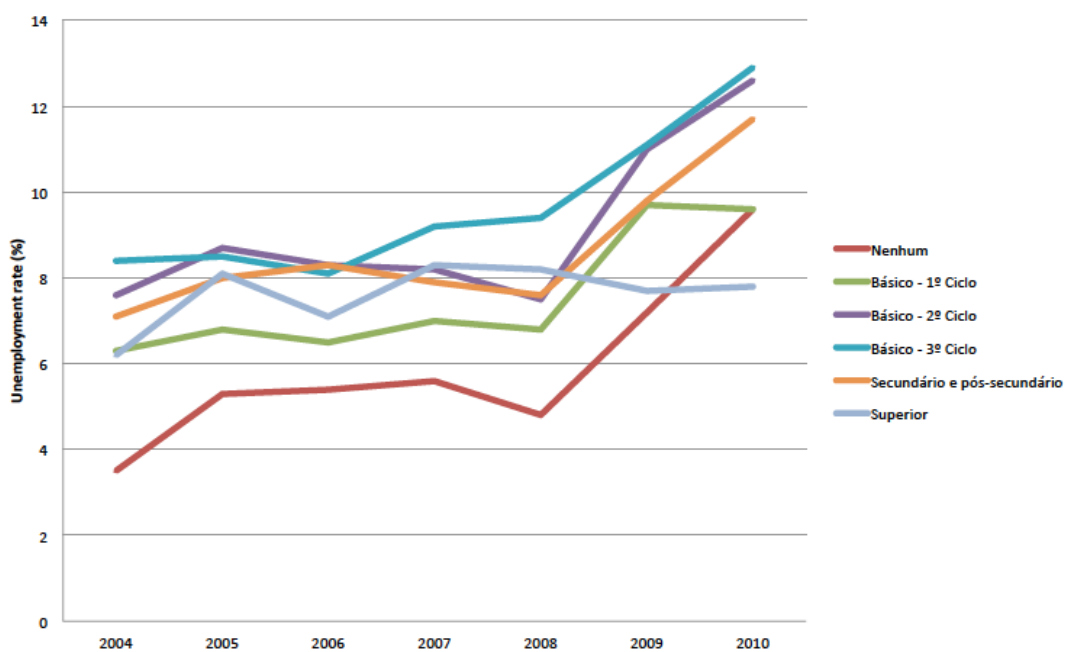
Man presented a volatility around 25% over the reference period (15 p.p higher that the female one)

**Unemployment rate for people between 45-64**



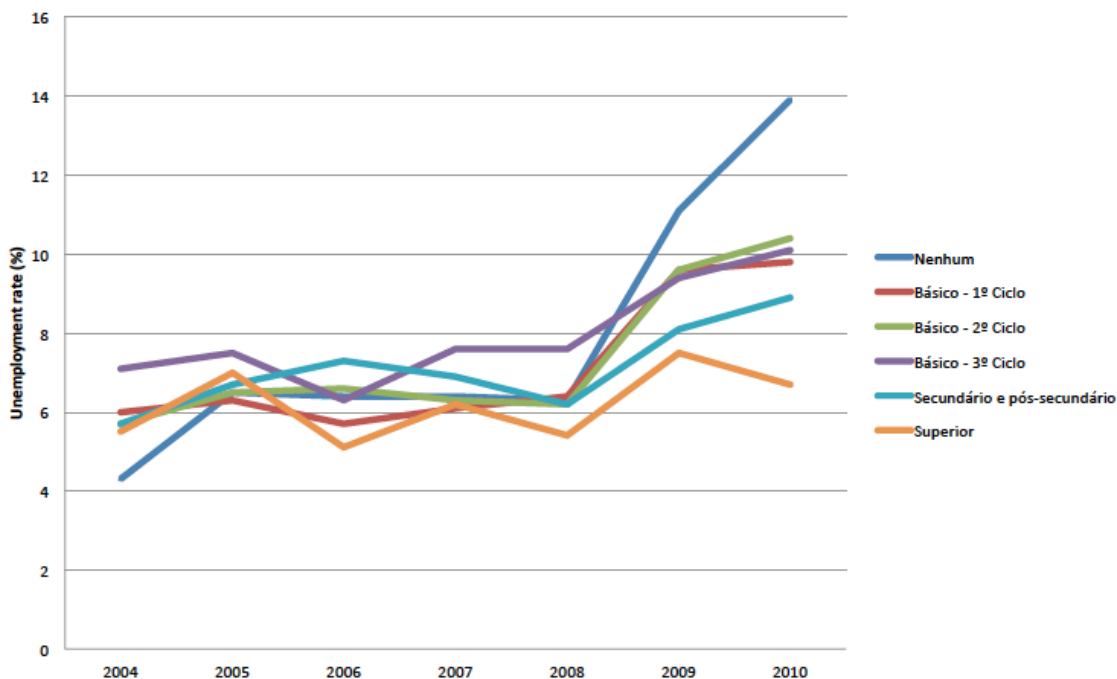
*Unemployment rate by gender and education level*

**Total unemployment rate by education level**



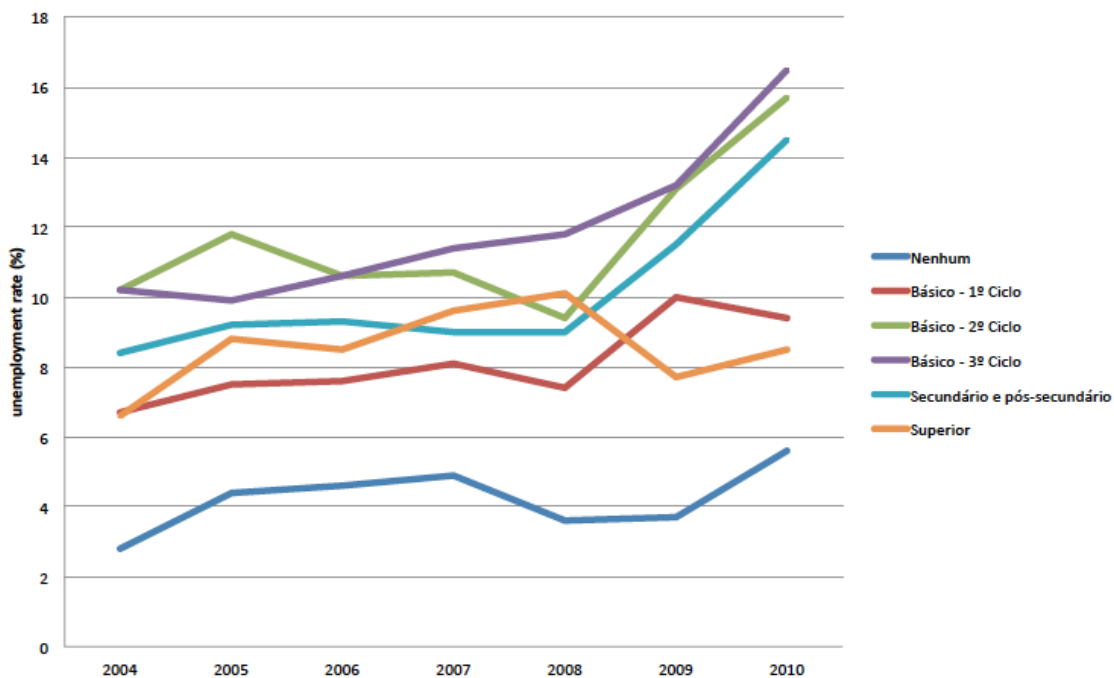
**Analysis** Unemployment rate for people with less than the 3<sup>rd</sup> level in primary school is one of the highest. People with no education have one of the lowest levels of unemployment rate. People with an university degree were the less affected by the unemployment rate increases visible since 2008

**Male unemployment rate by education level**



<b>Analysis</b>	Men with no studies have one of the highest unemployment rates, as opposed to men with university education that present one of the lowest unemployment rates
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**Female unemployment rate by education level**



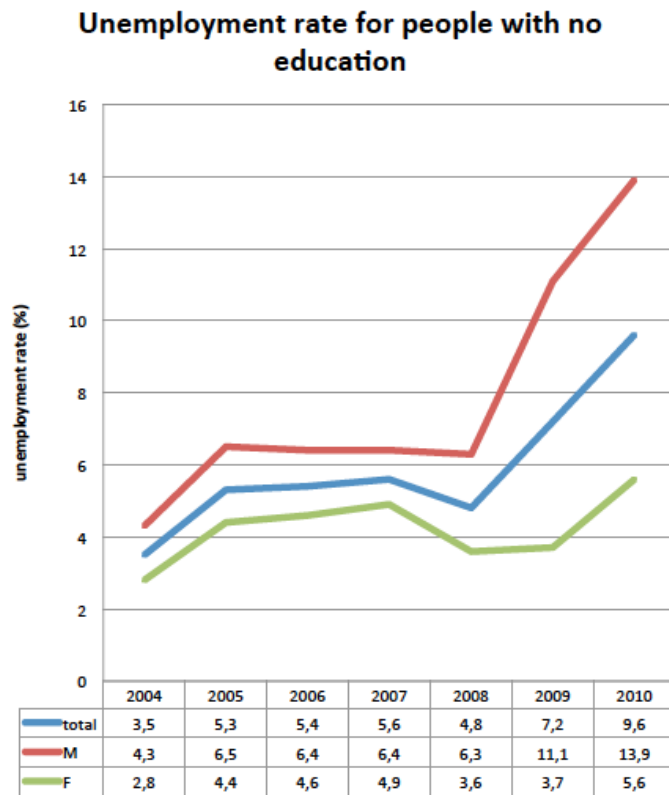
<b>Analysis</b>	Clearly women with no studies are very further from the other groups concerning unemployment rate. Still as when analysing the aggregate results, women with the 3 <sup>rd</sup> level of primary were the ones with the greatest unemployment rate in 2010
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**Analysis**

The unemployment rate for men with no education was relatively steady since 2008 but then it increased a lot. Still over the reference period male unemployment rate was always greater than the female counterpart.

Although the gap between both was relatively stable since 2008 it increased (8.3 p.p in 2011)

The minimum value occurred in 2004 (2,8% for female) and the maximum in 2010 for men (13,9%)

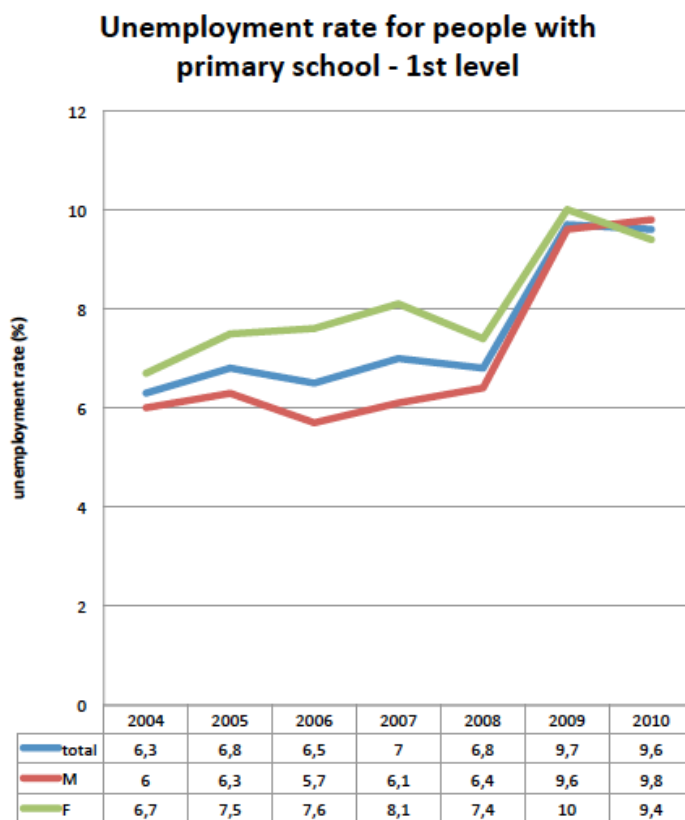


**Analysis**

Although the female unemployment rate was always greater for people with primary school – 1<sup>st</sup> level – in the last year the situation was reversed.

Above all since 2008 the gap between both categories have been decreasing and it is almost irrelevant now.

The male category is responsible for both the lowest and the highest value in this category (6% in 2004 and 9,8% in 2010 respectively)

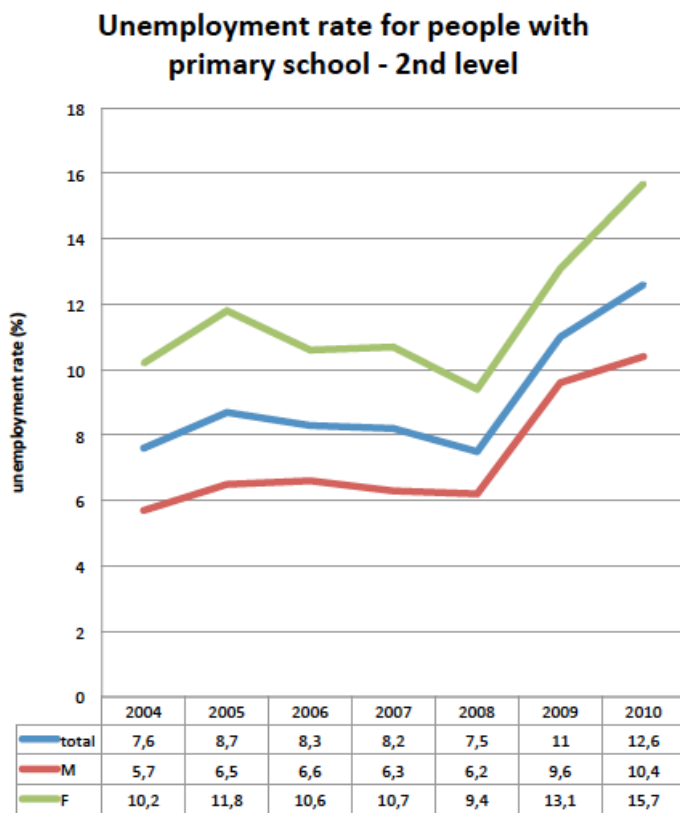


**Analysis**

The female unemployment rate for people with the 2<sup>nd</sup> level of primary education, was always higher than the male counterpart, and the gap was around 5 p.p in the reference period.

The lowest value was for men in 2004 (5,7%) and the maximum registered belong to female in 2010 (15,7%)

Since 2008 both categories present an increase in its unemployment rates

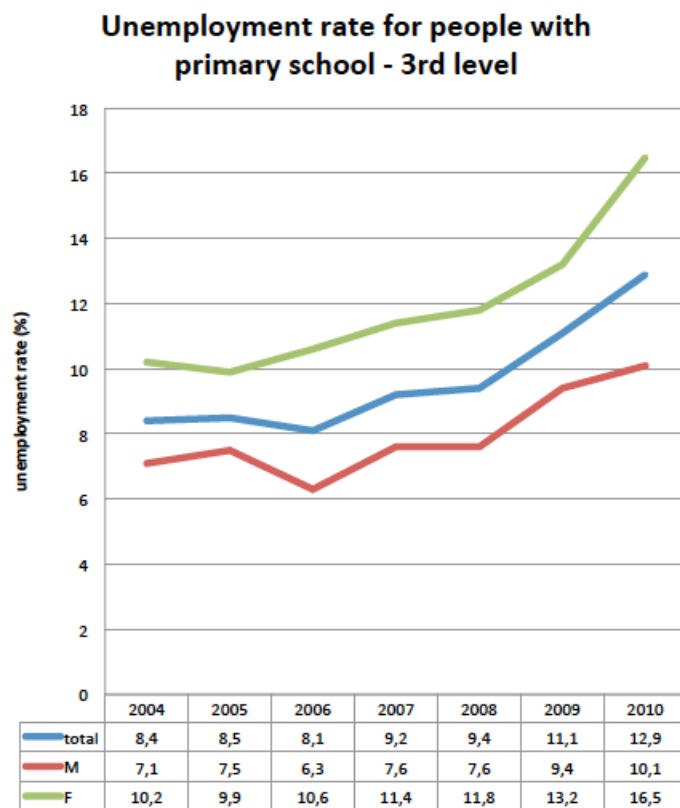


**Analysis**

For this level as for the previous one, the female unemployment rate is always higher than its male counterpart

The highest value is for men with 7,1% unemployment rate in 2004. The lowest level belong to women in 2010 (16,5%)

Since 2005 the female unemployment rate have never decreased.





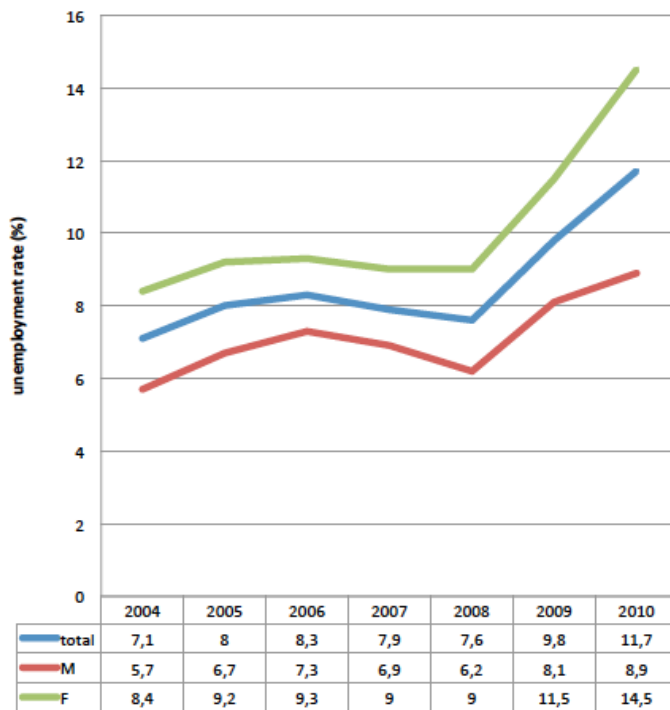
**Analysis**

For people with secondary school, female unemployment rate is greater, still the evolution in both categories is quite similar.

Only in the 2009 the gap between the 2 categories have increased (in 2010 it was 6,4 p.p)

The lowest value is for man in 2004 (5,7%) and the highest for women in 2010 (14,5%)

**Unemployment rate for people with secondary school**



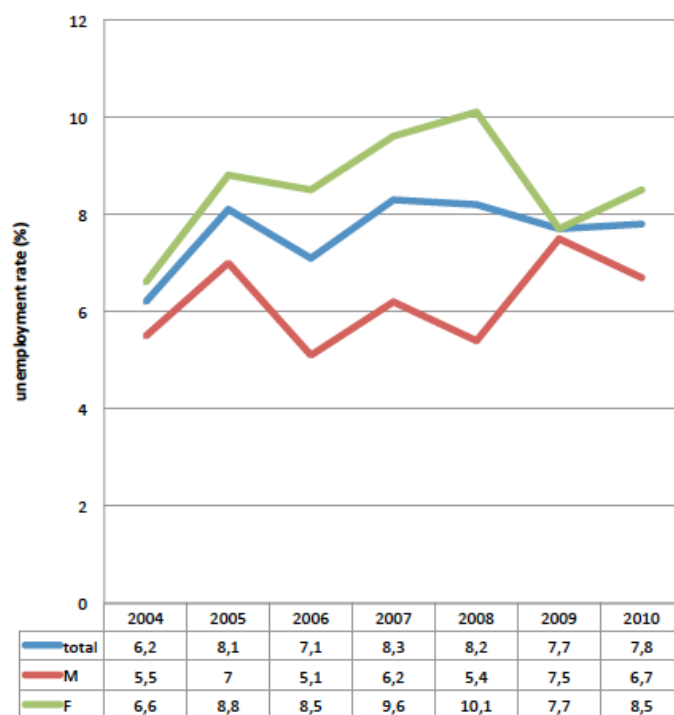
**Analysis**

The female unemployment rate for people with university education was always greater than its male counterpart

The gap almost disappeared in 2009 but then in 2010 it increased again (1,8 p.p).

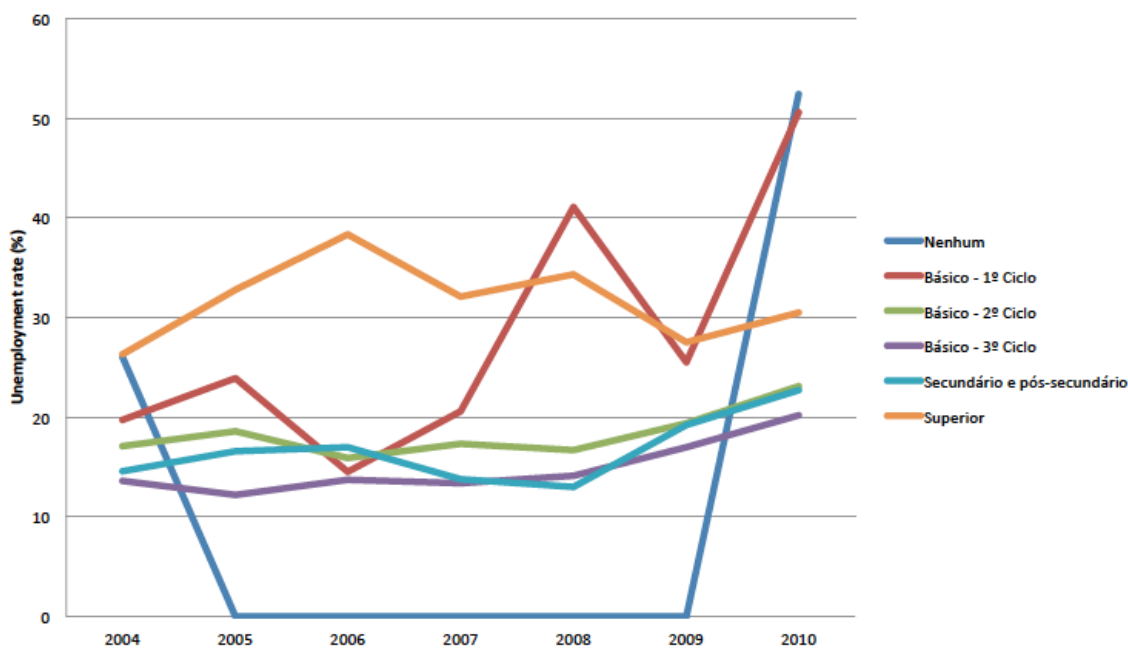
The male had the lowest value in the reference period 5,5% in 2004 and female the highest one in 2010 (8,5%).

**Unemployment rate for people with the university level**

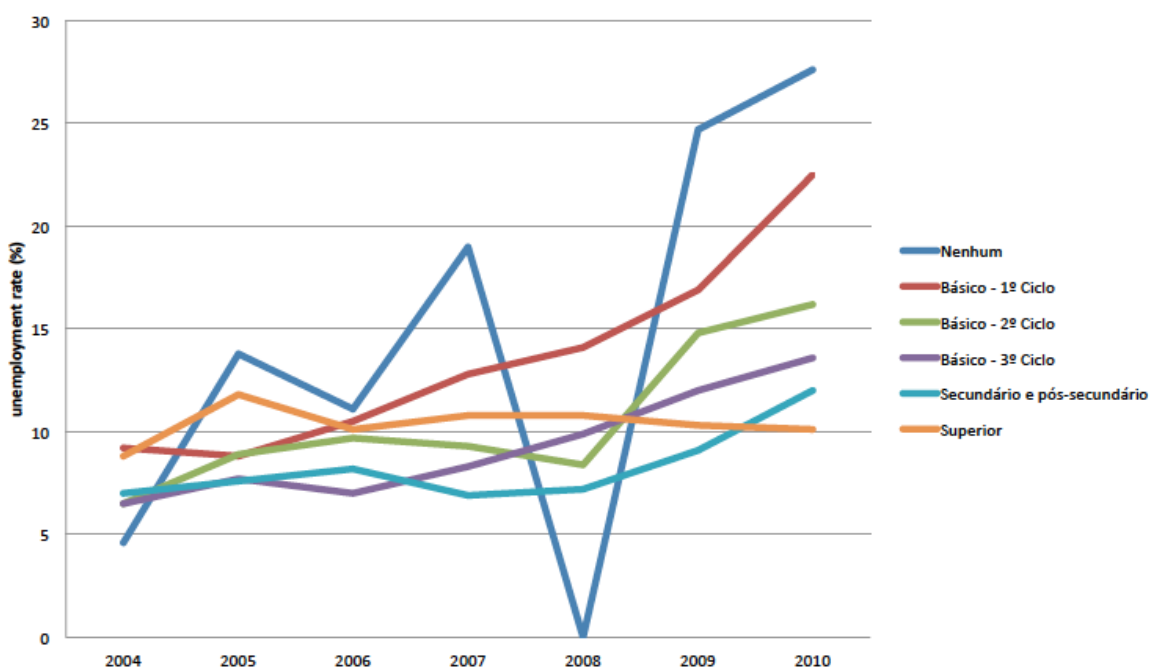


*Unemployment rate by age and education level*

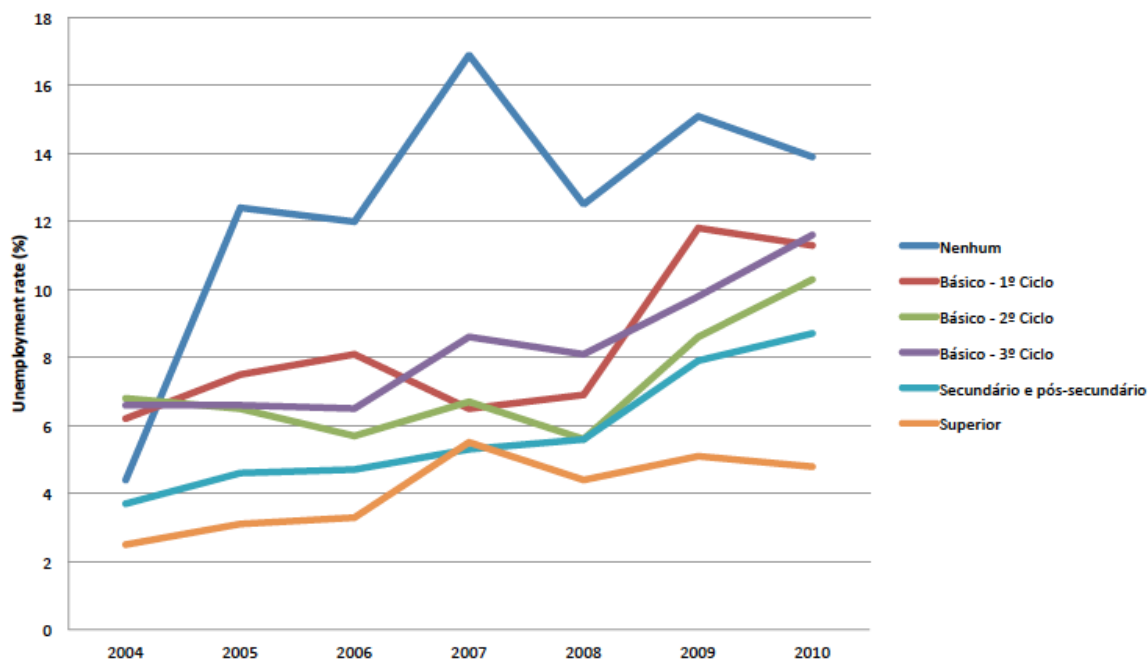
**Unemployment Rate by education level for people between 15-24 years**



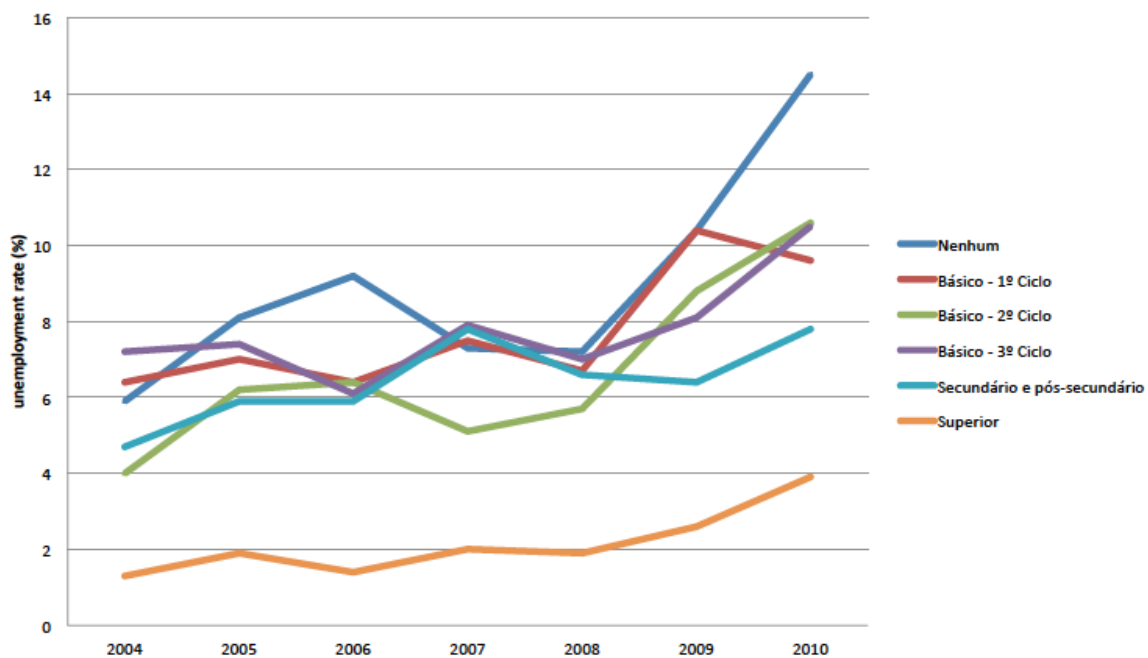
**Unemployment rate by education level for people between 25-34 years**

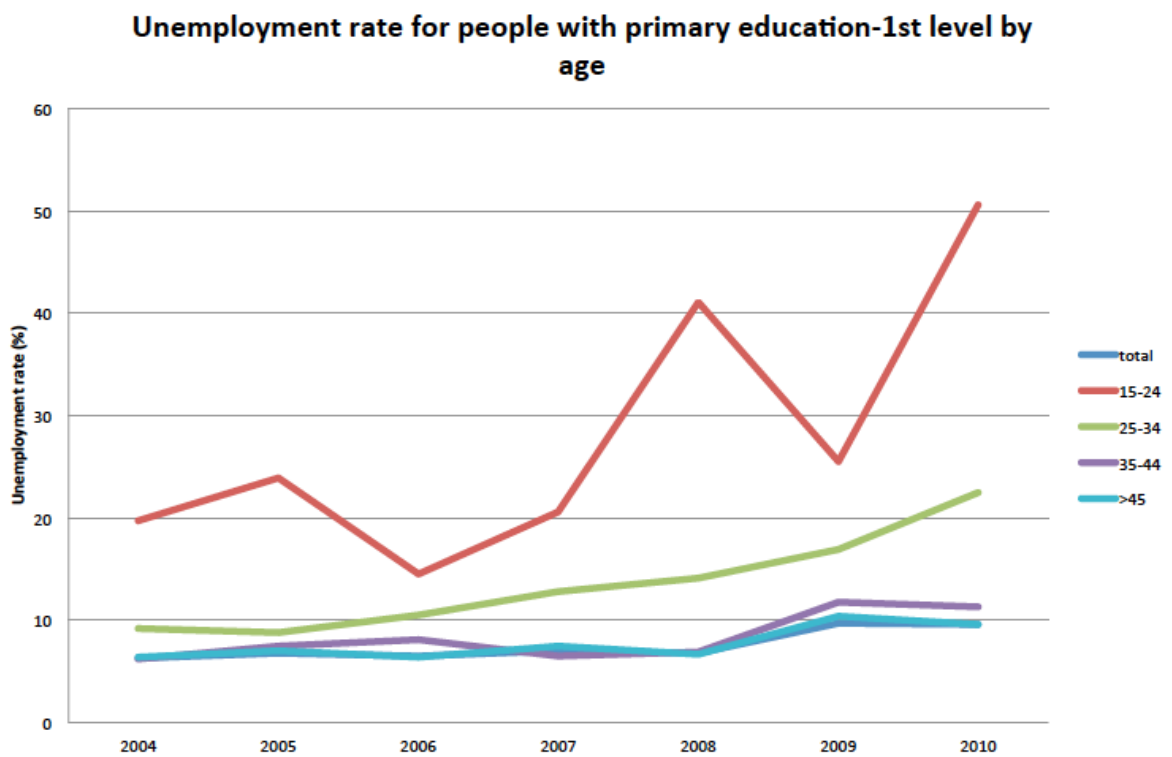
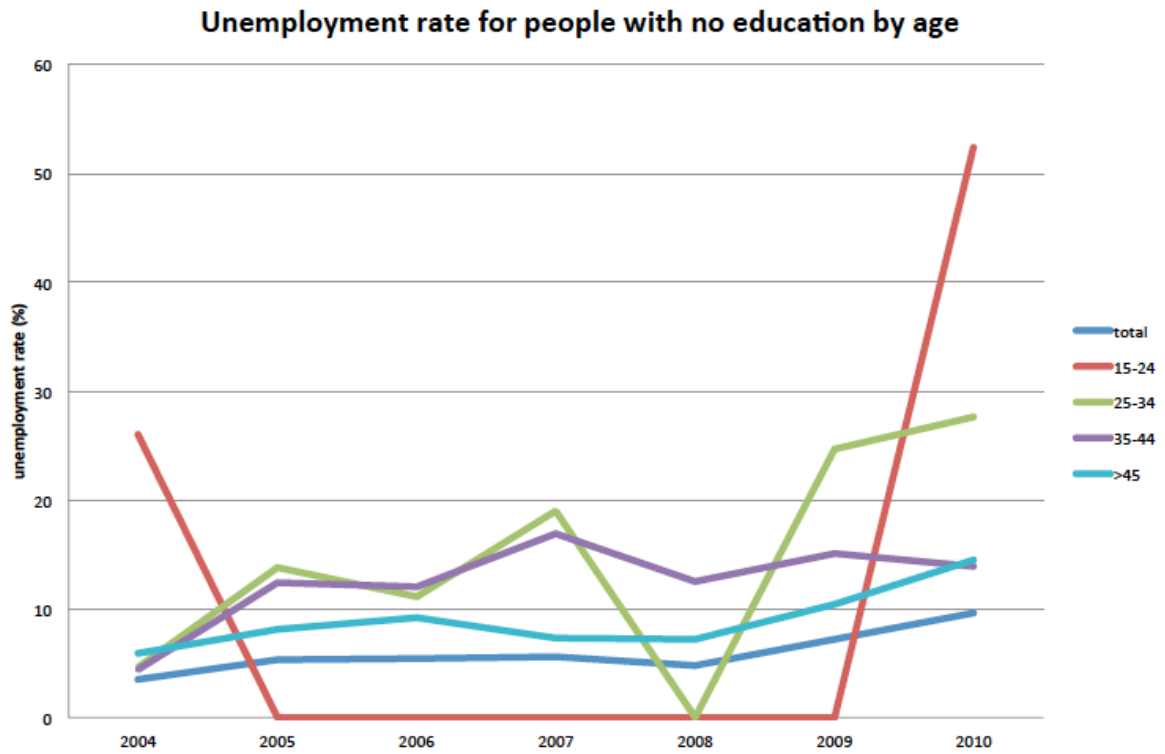


**Unemployment rate by education level for people between 35-44 years**

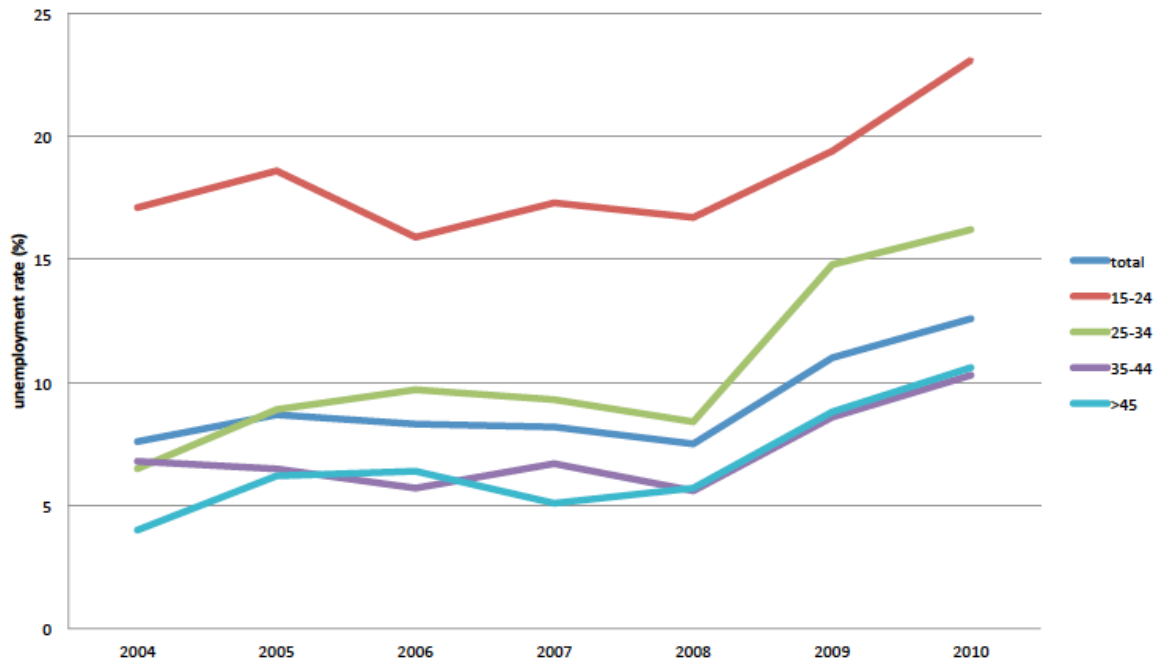


**Unemployment rate by education level for people with more than 45 years**

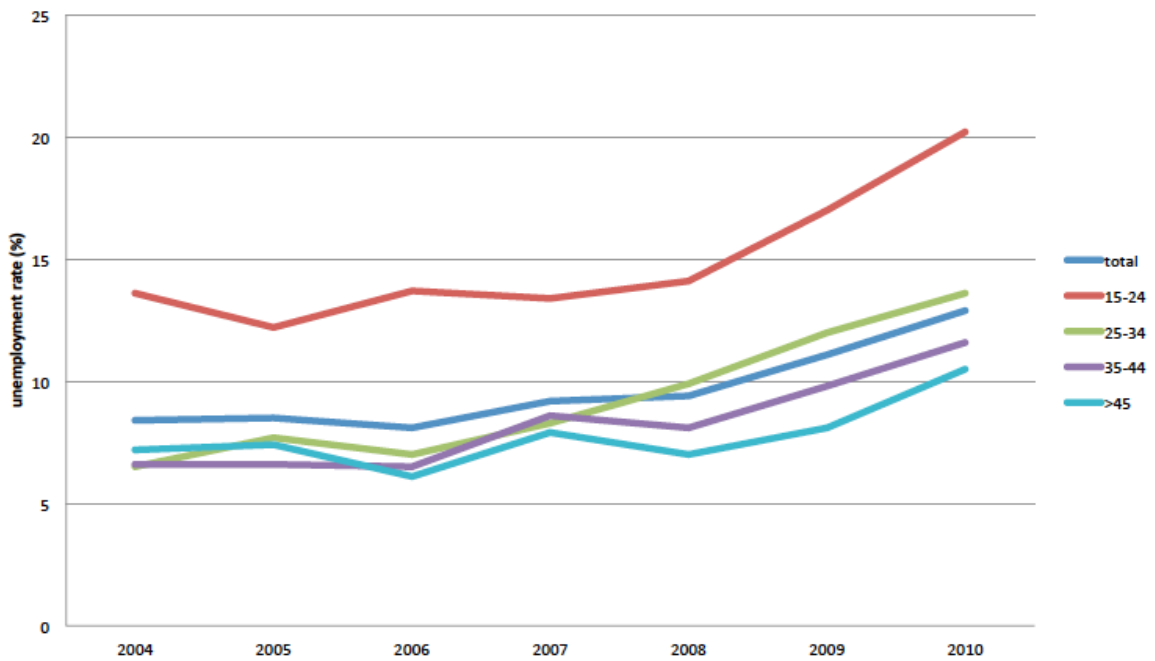


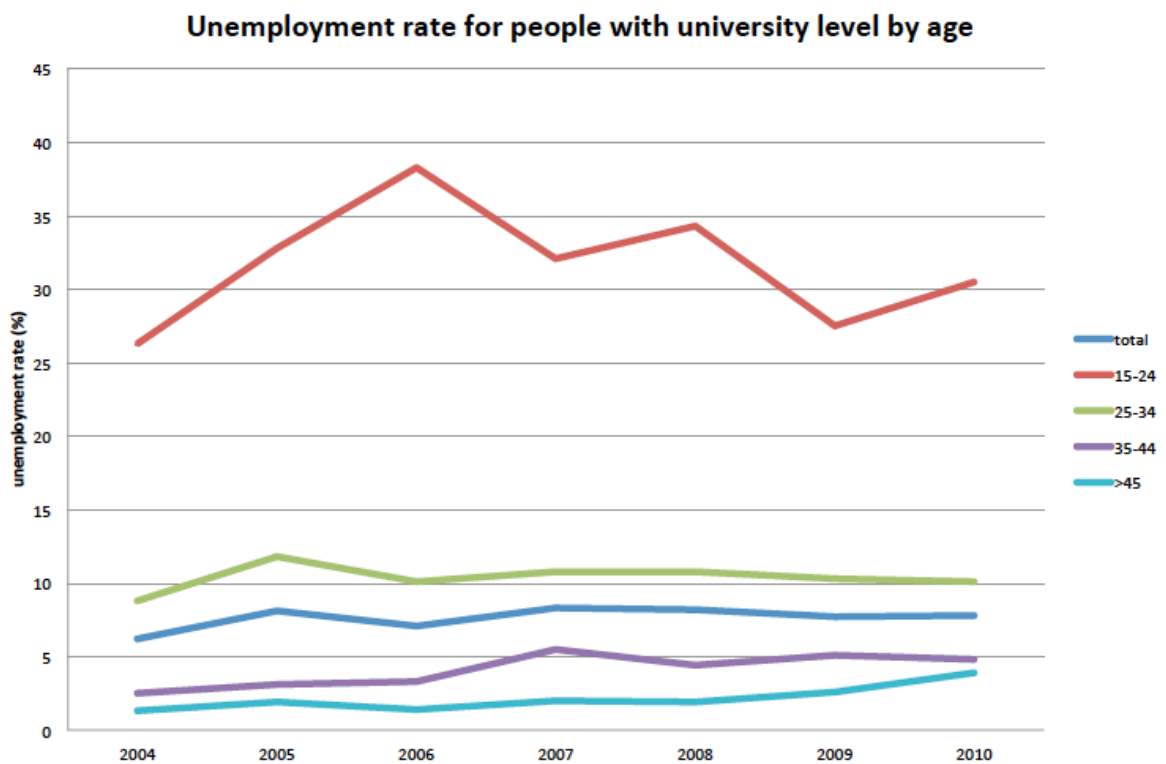
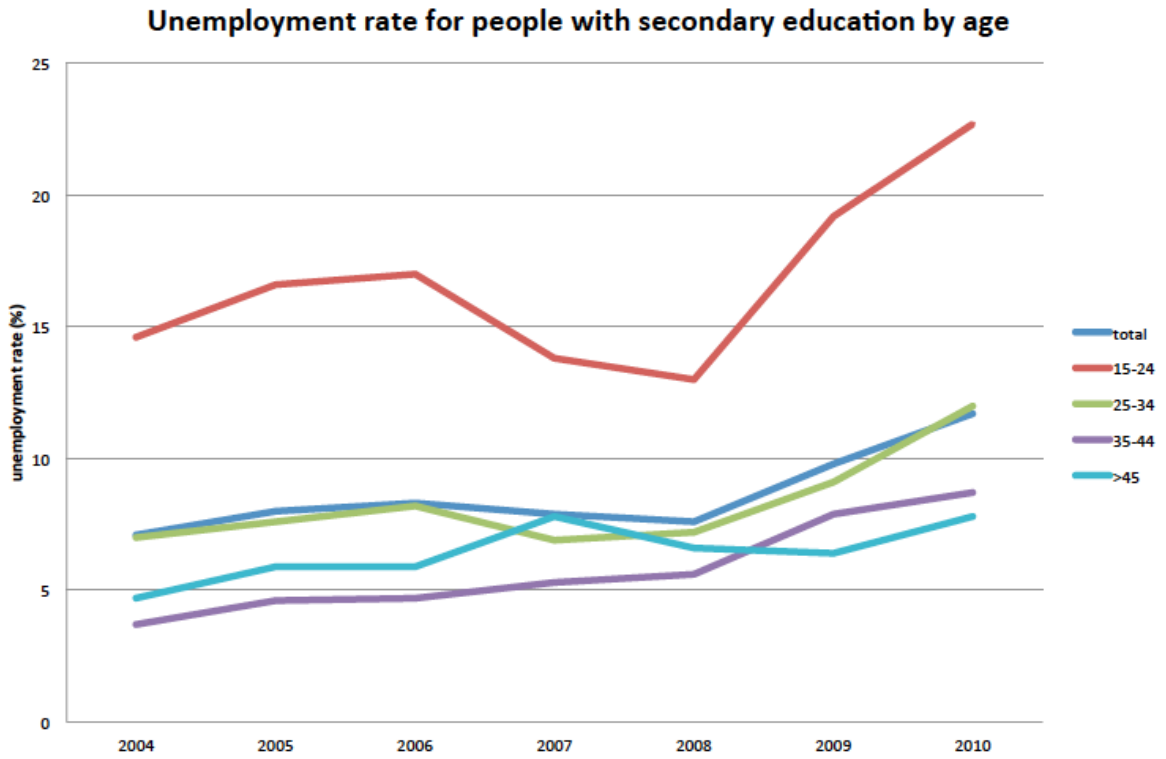


**Unemployment rate for people with primary education -2nd level by age**



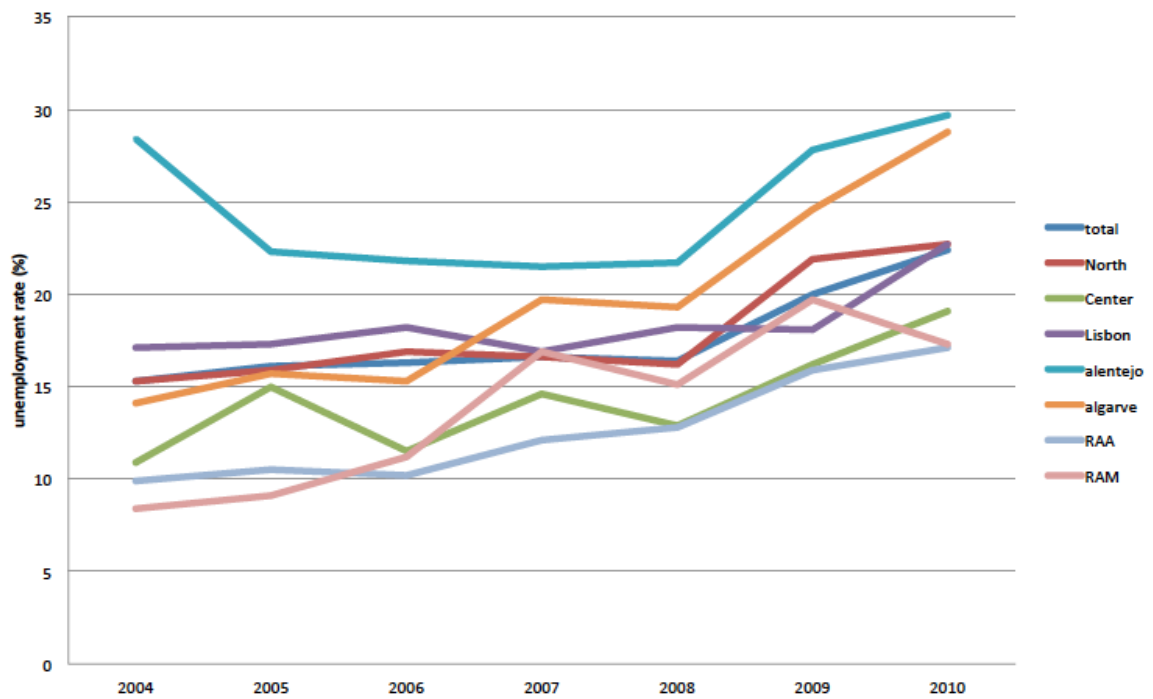
**Unemployment rate for people with primary education -3rd level by age**



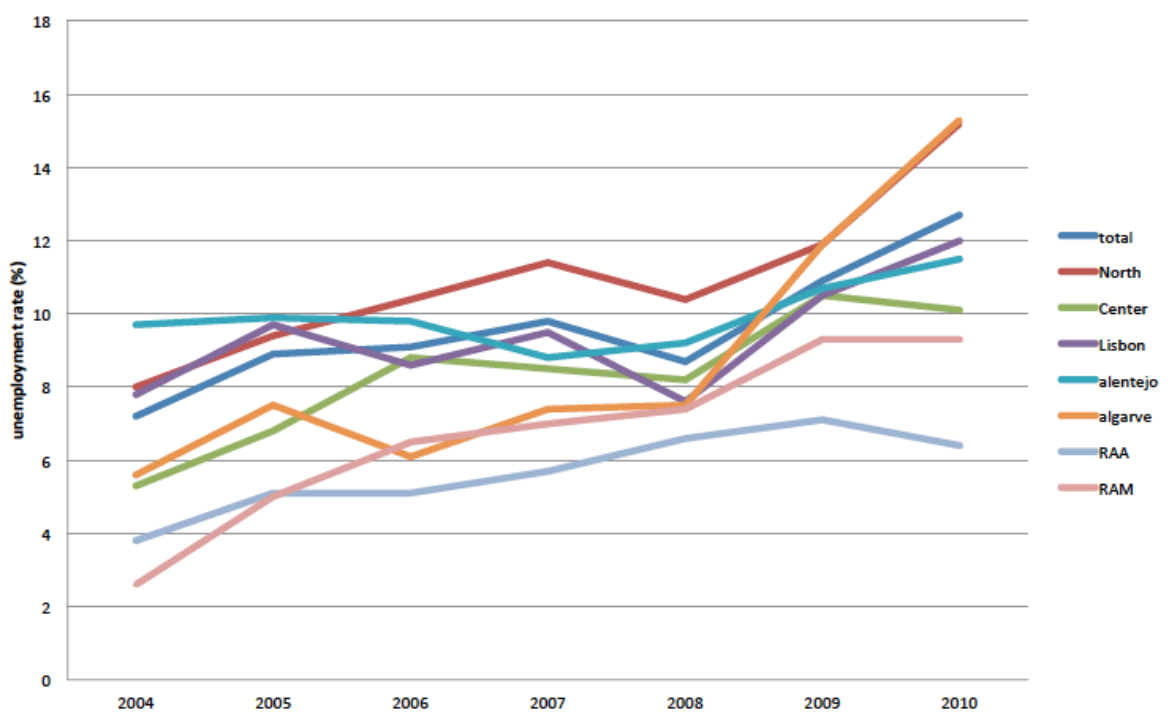


*Unemployment rate by age and NUTS*

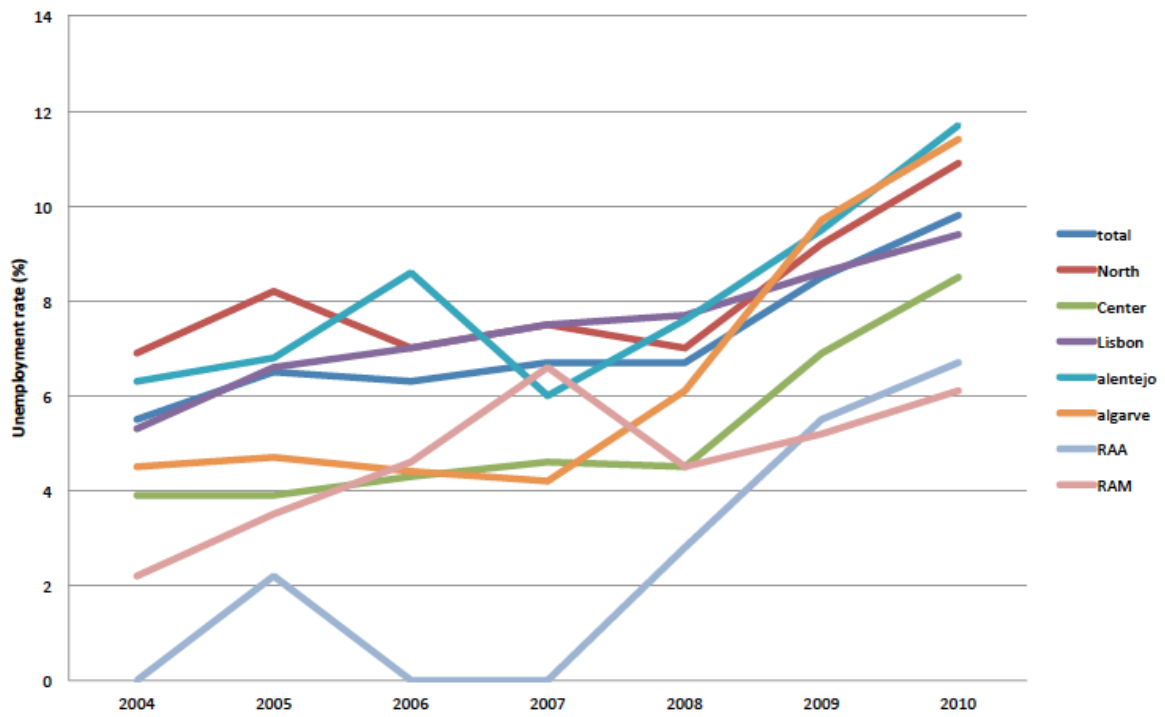
**Unemployment Rate for people between 15-24 by region**



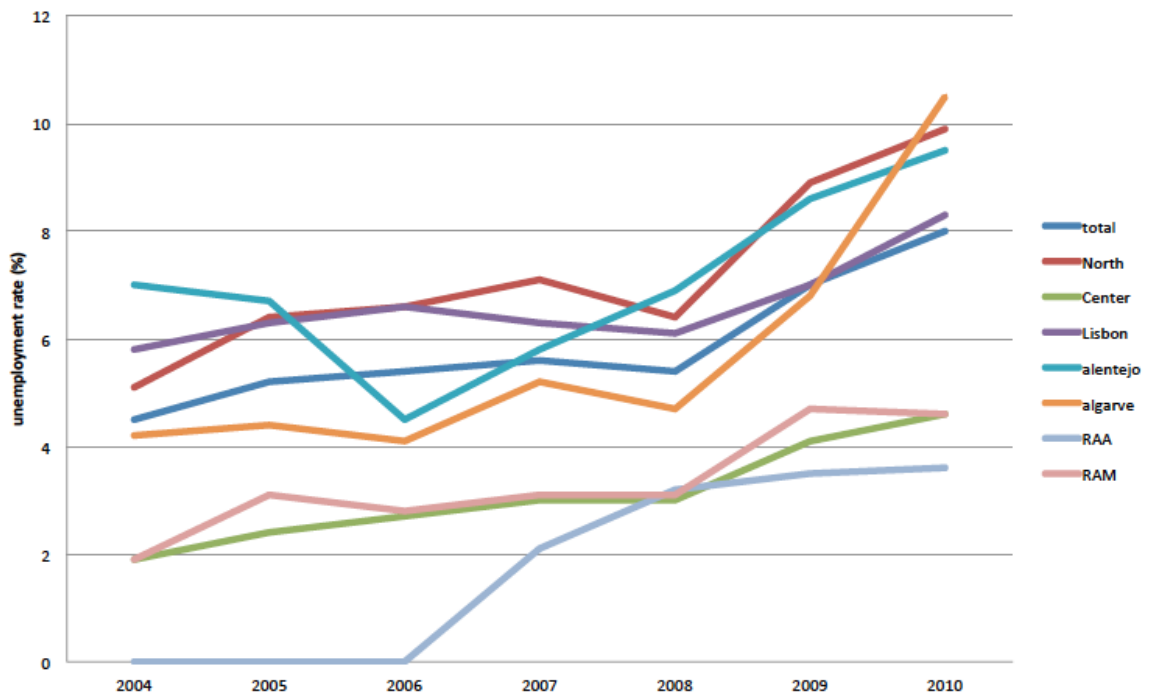
**Unemployment Rate for people between 25-34 by region**



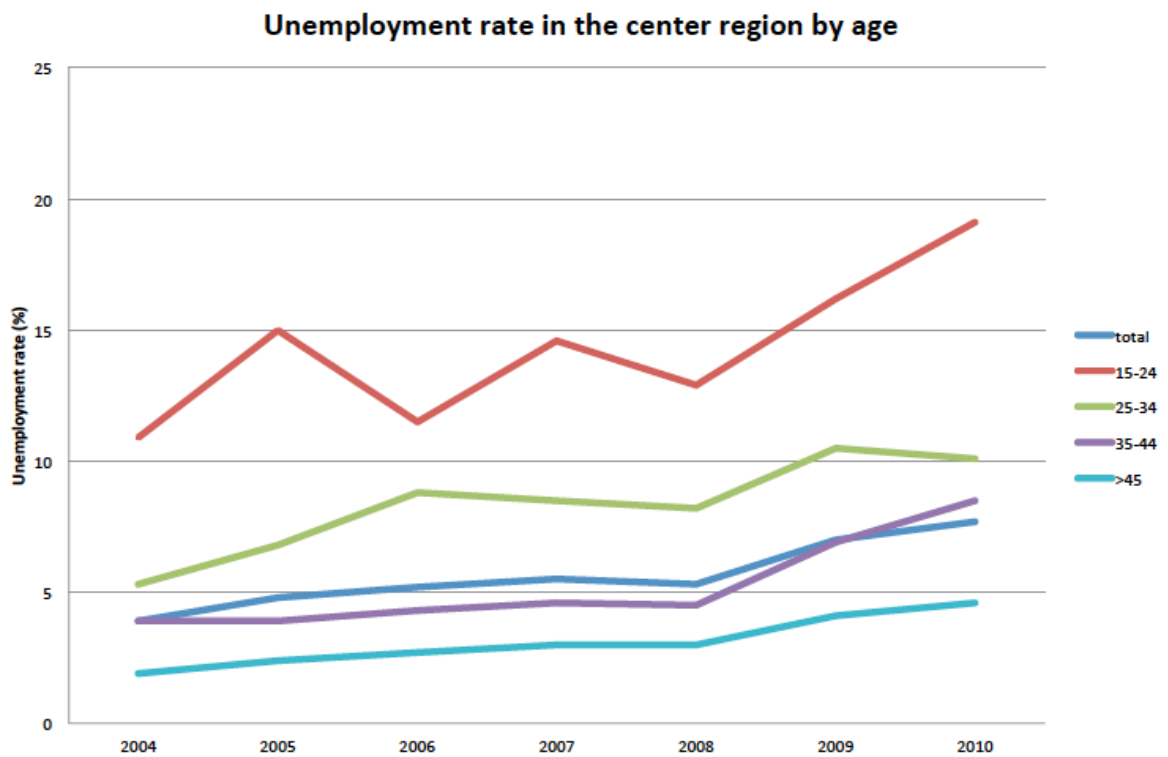
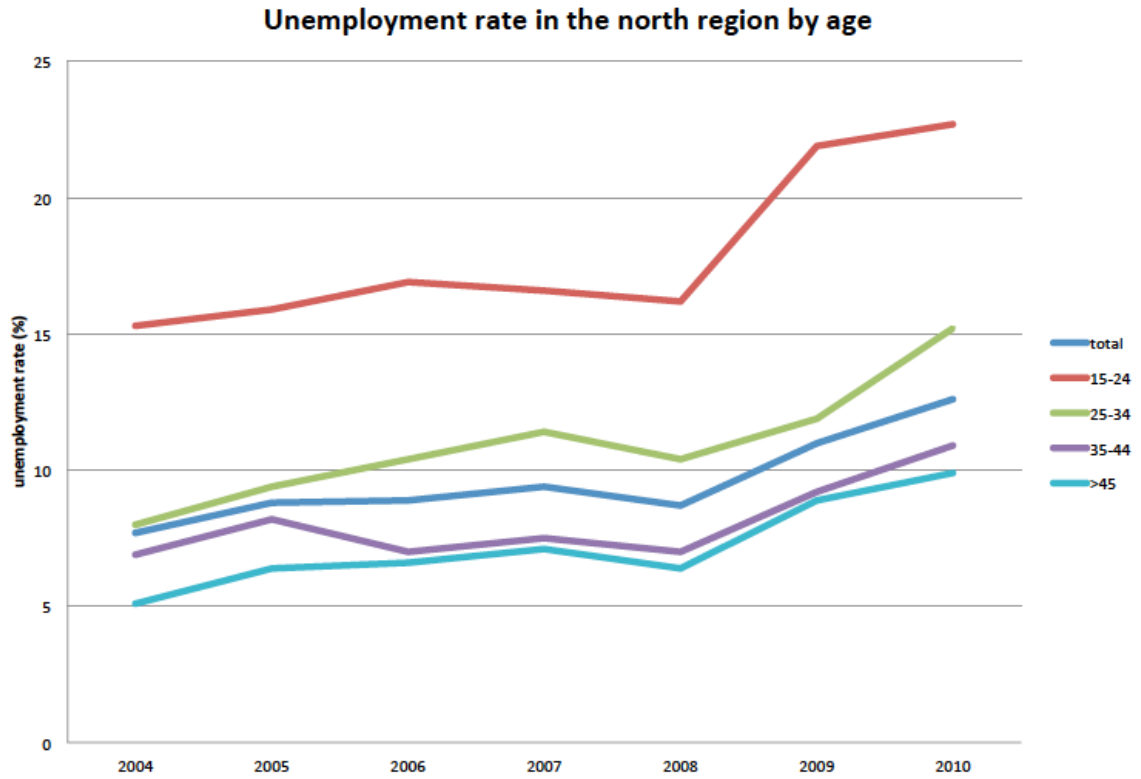
Unemployment Rate for people between 35-44 by region

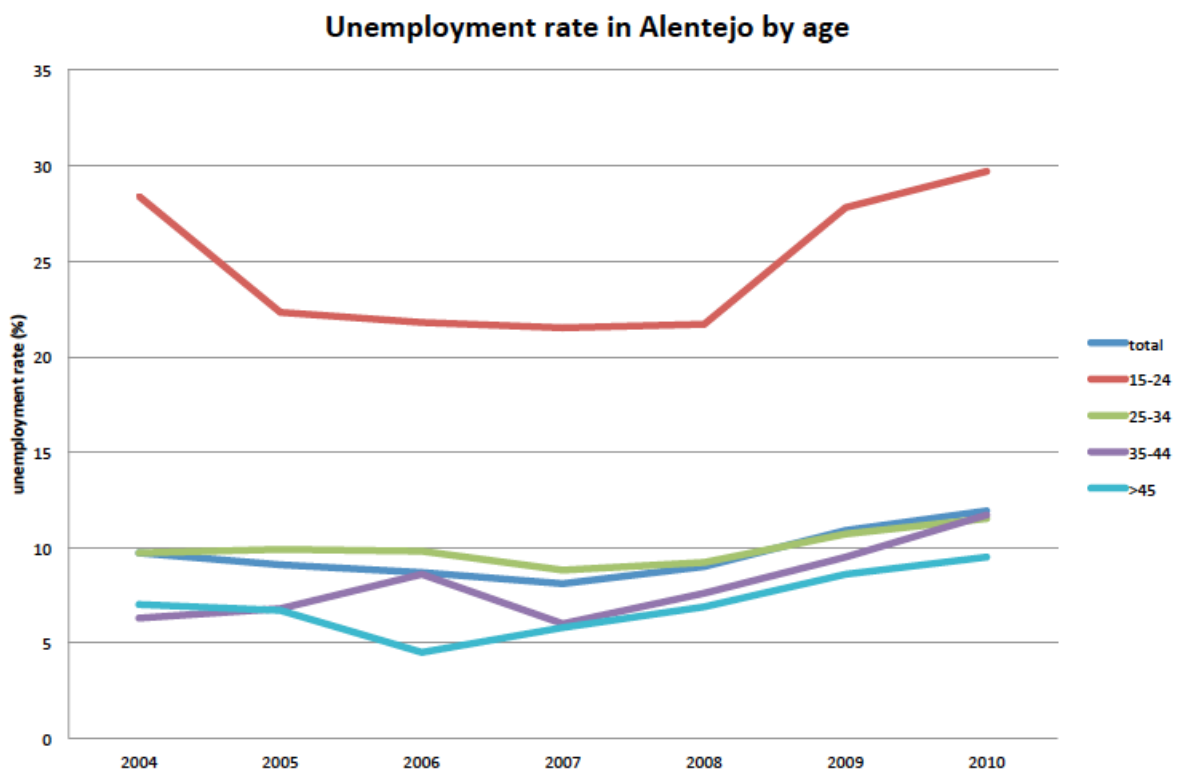
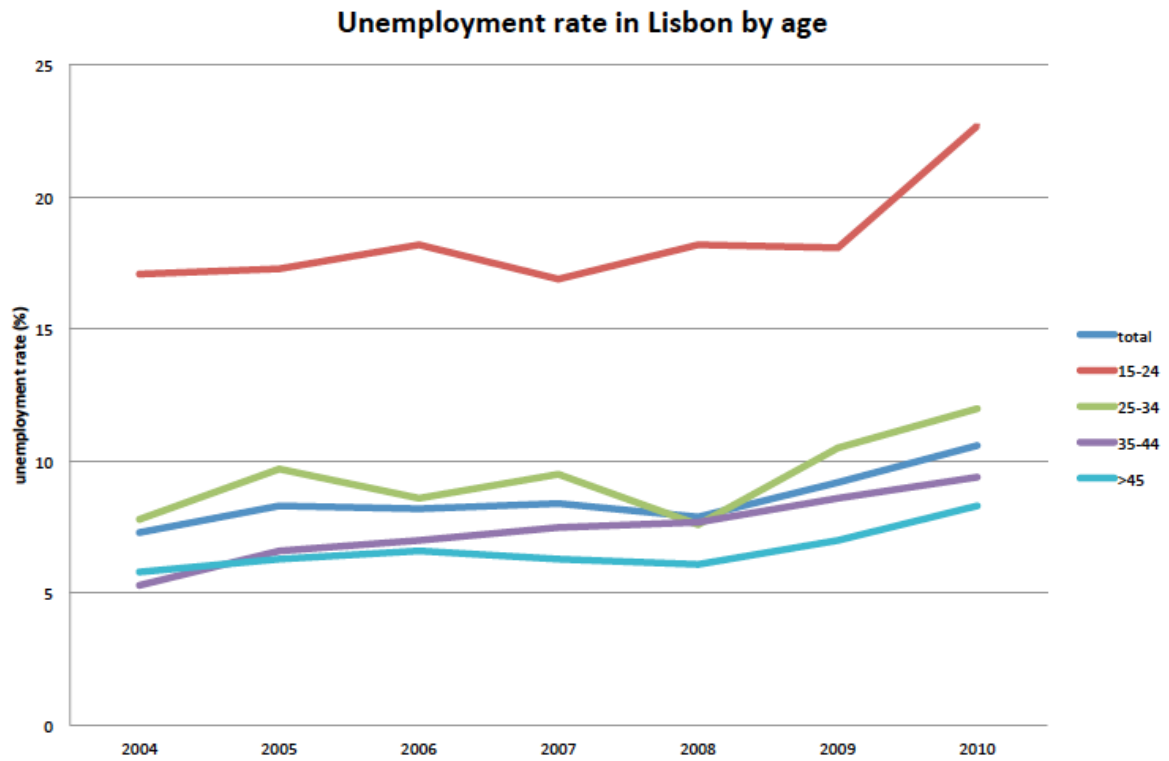


Unemployment Rate for people between >45 by region

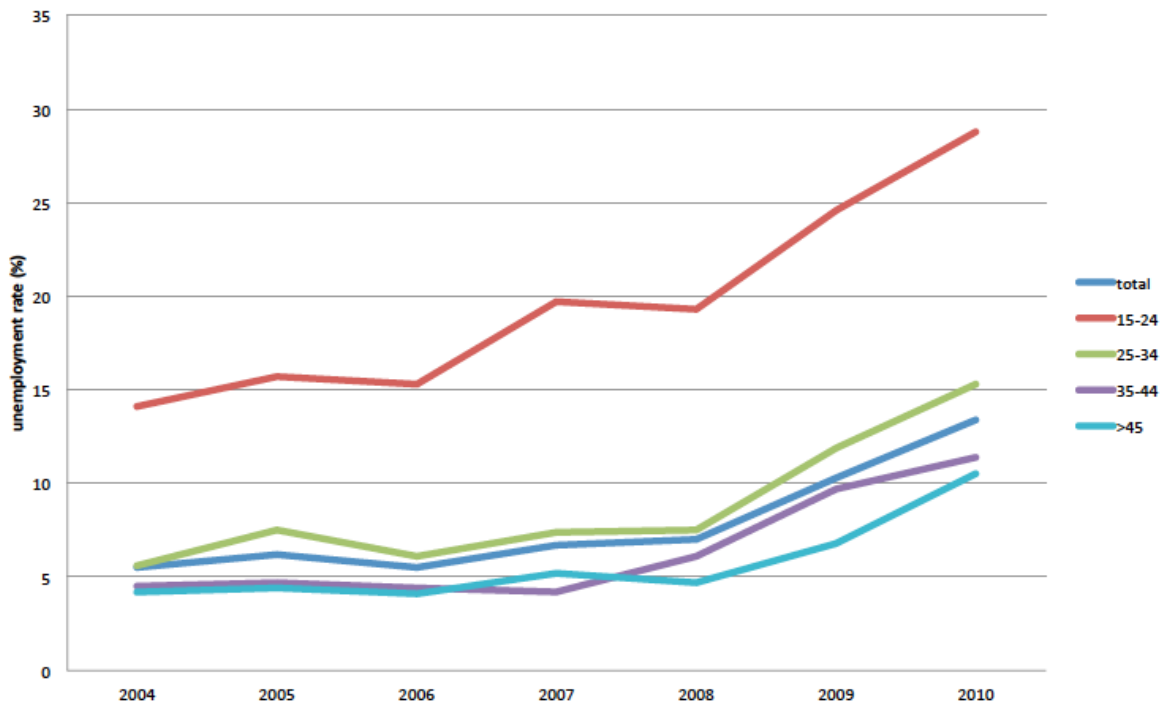




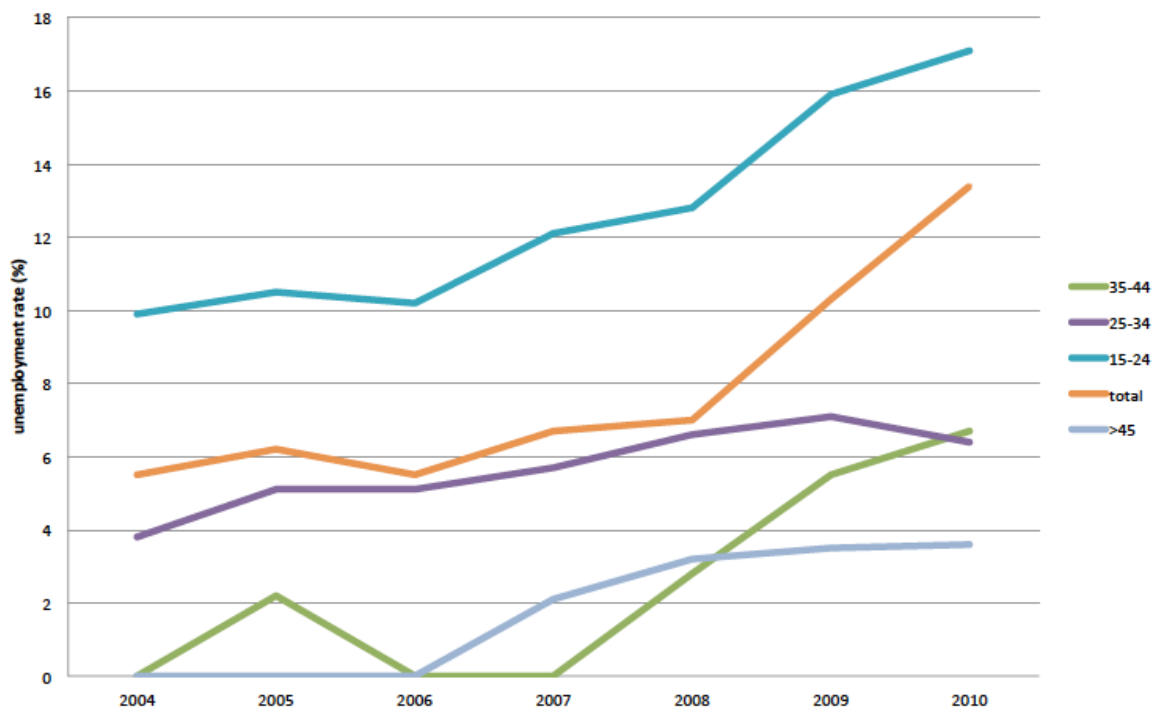


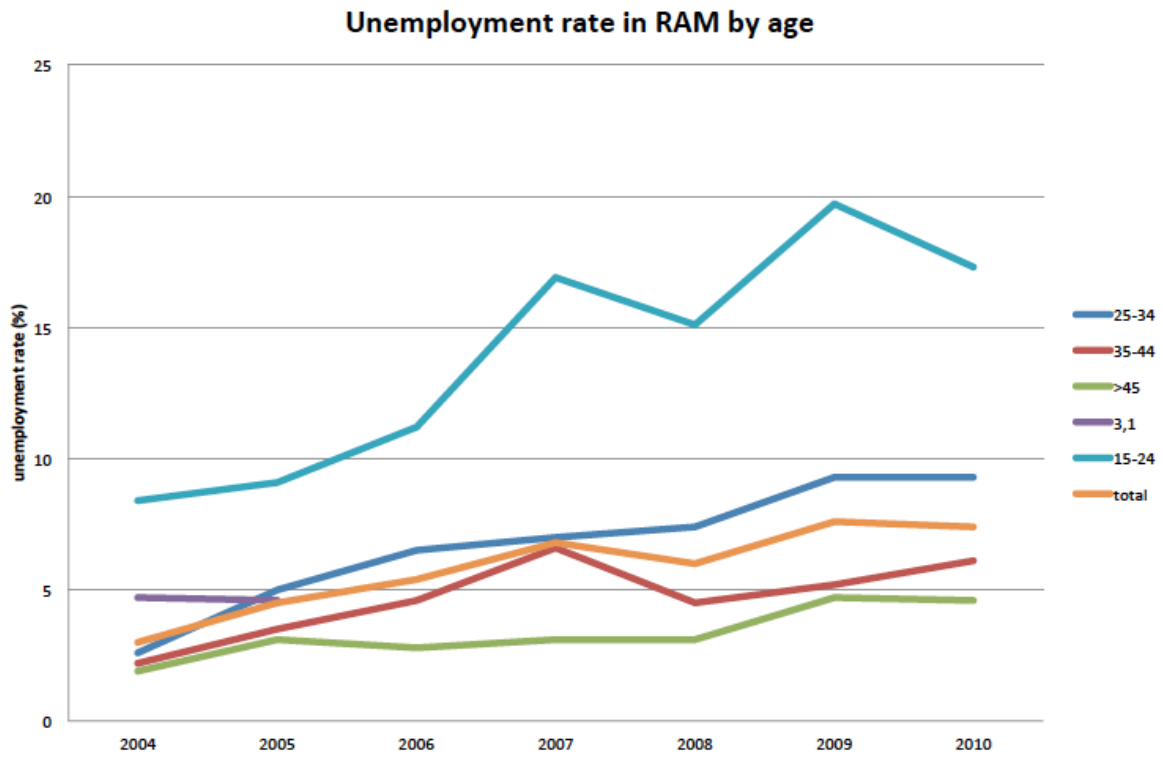


Unemployment rate in Algarve by age

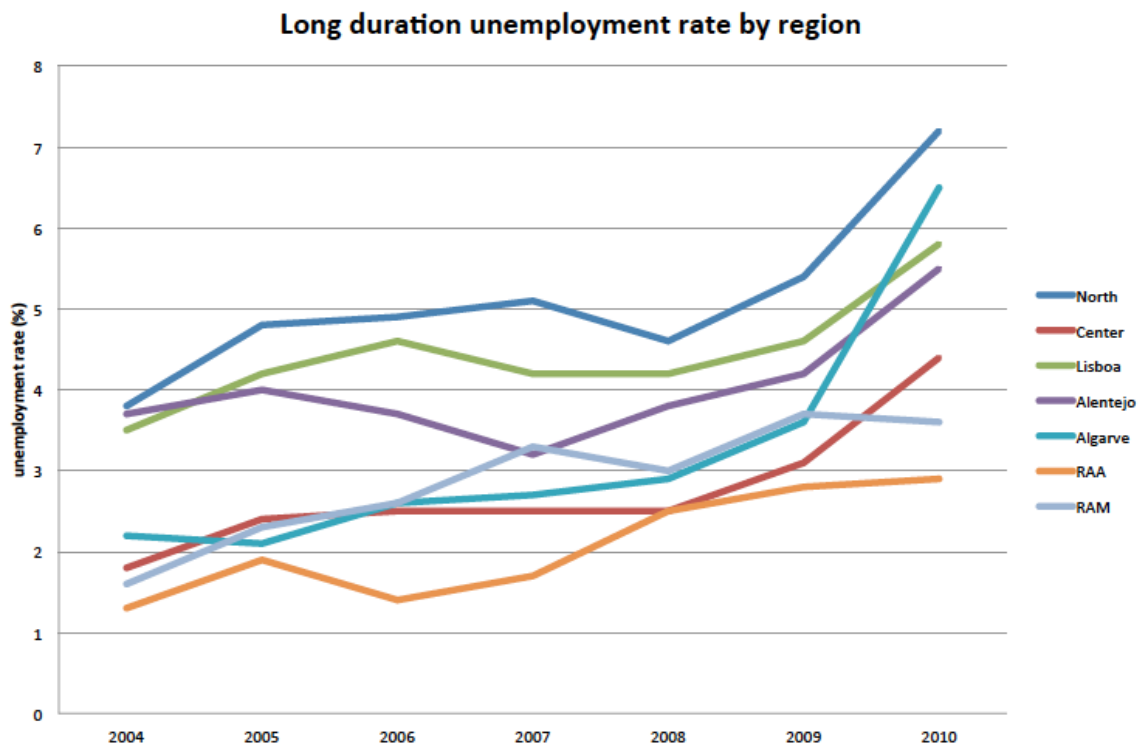


Unemployment rate in RAA by age





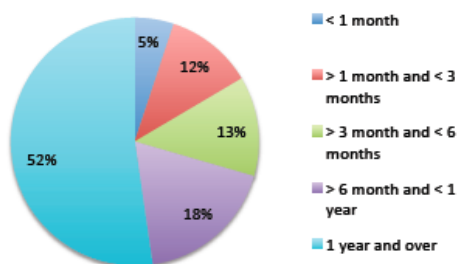
### Unemployment rate by duration



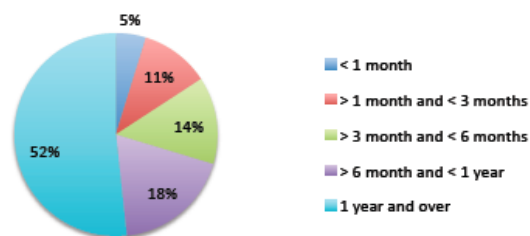
### Gender differences in the Incidence of unemployment by duration for 2010



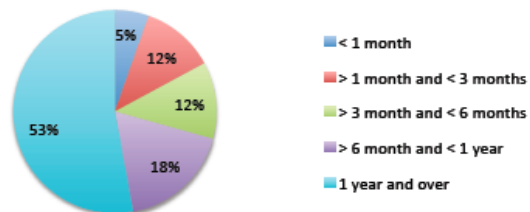
### Total incidence of unemployment by duration in 2010



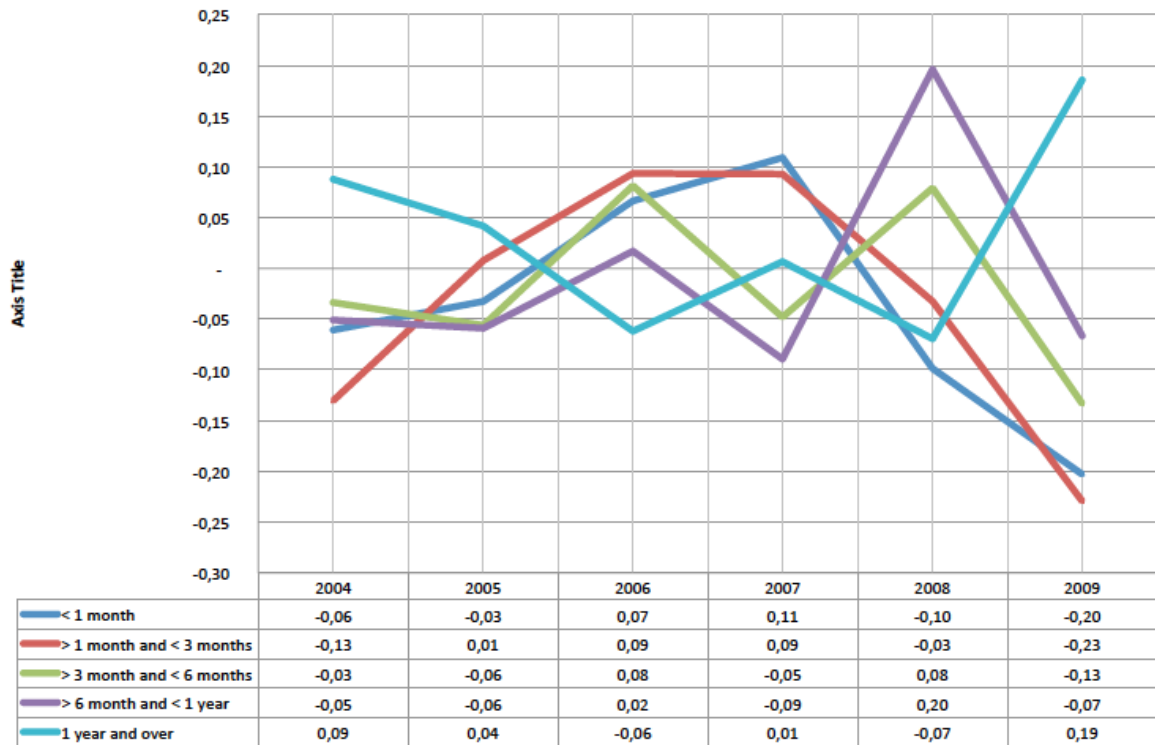
### Men incidence of unemployment by duration in 2010



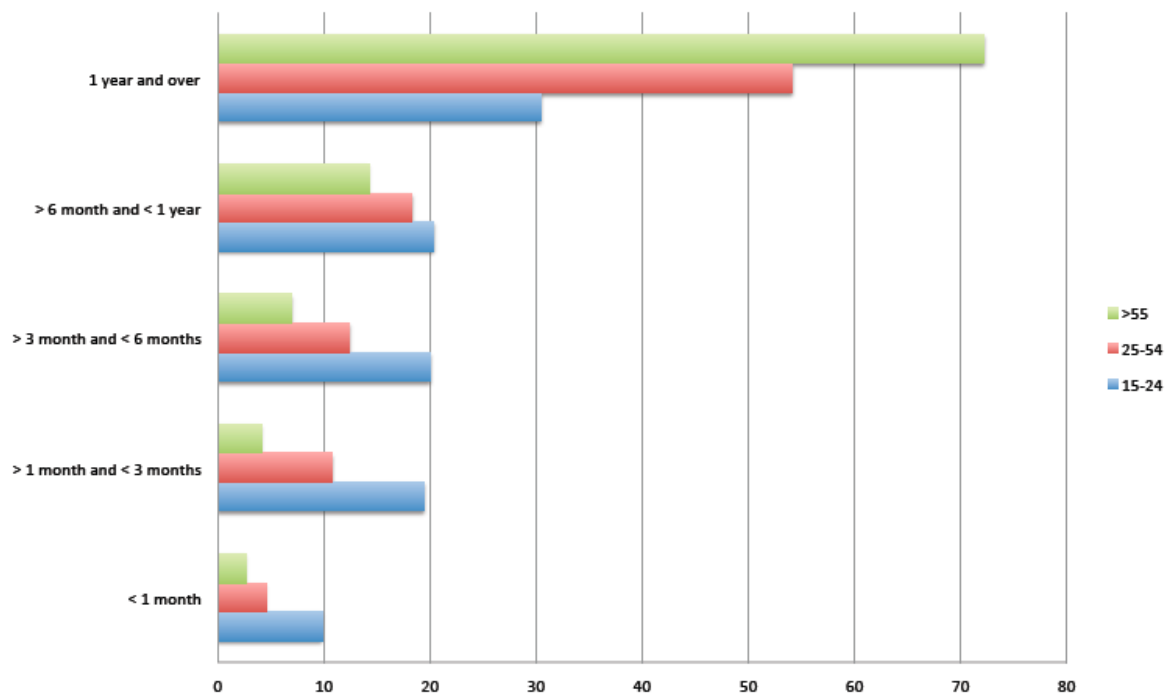
### Women incidence of unemployment by duration in 2010



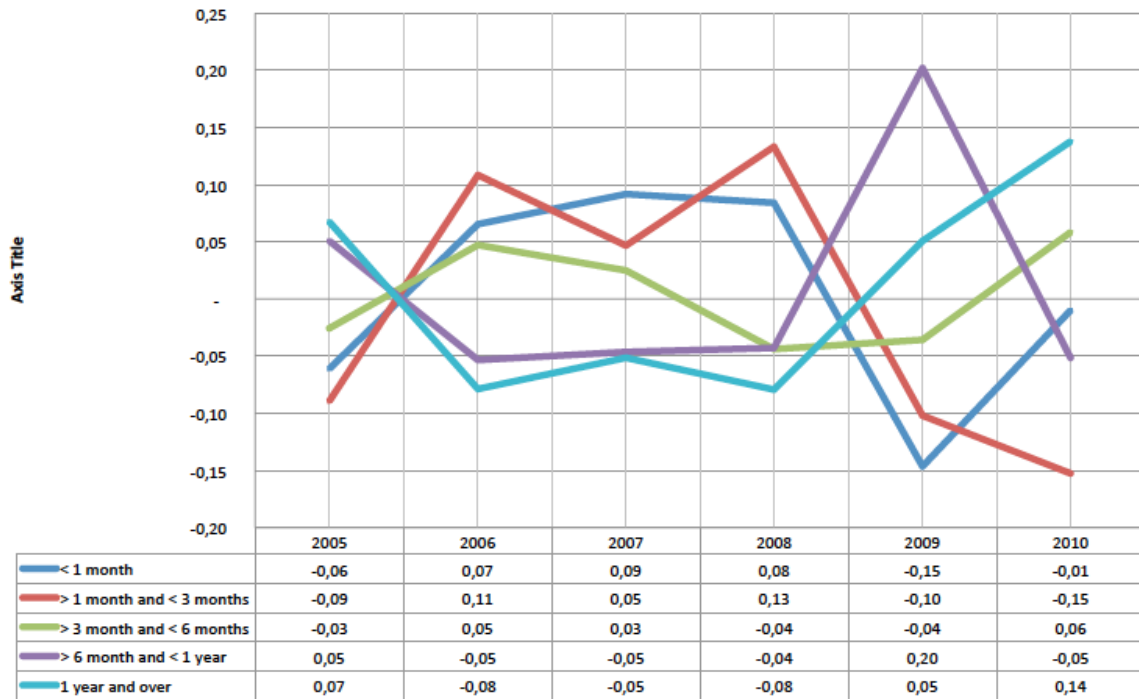
**Variations on the Incidence of unemployment by duration**



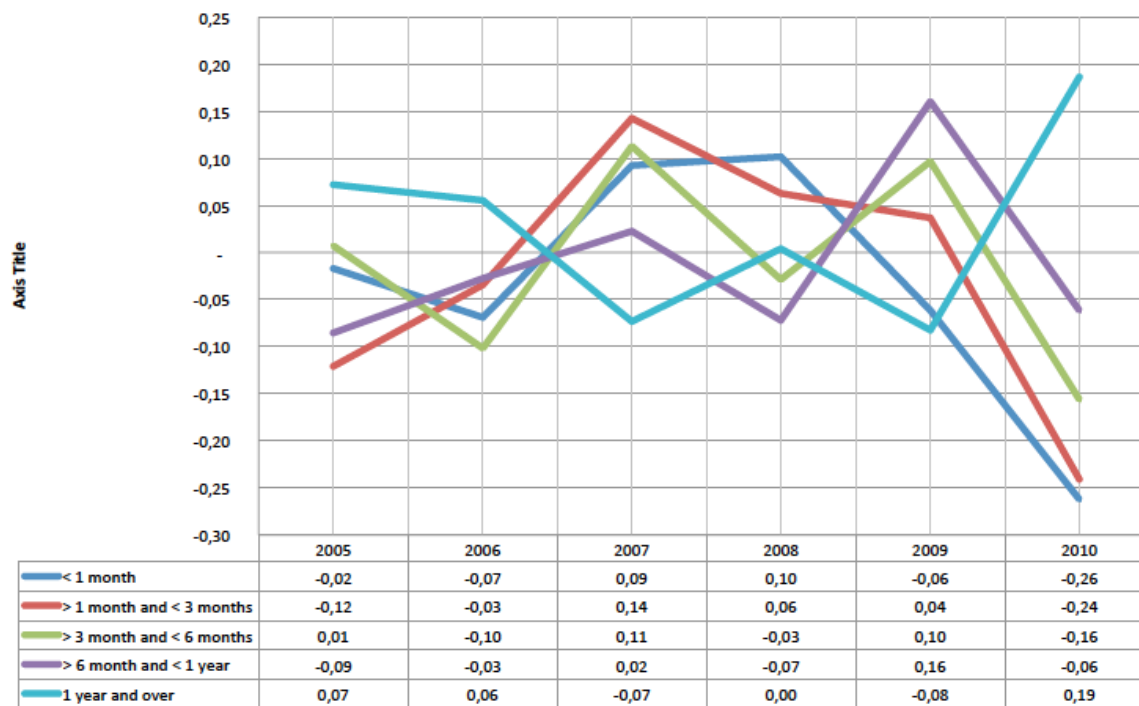
**Age differences in the incidence of unemployment by duration for 2010**



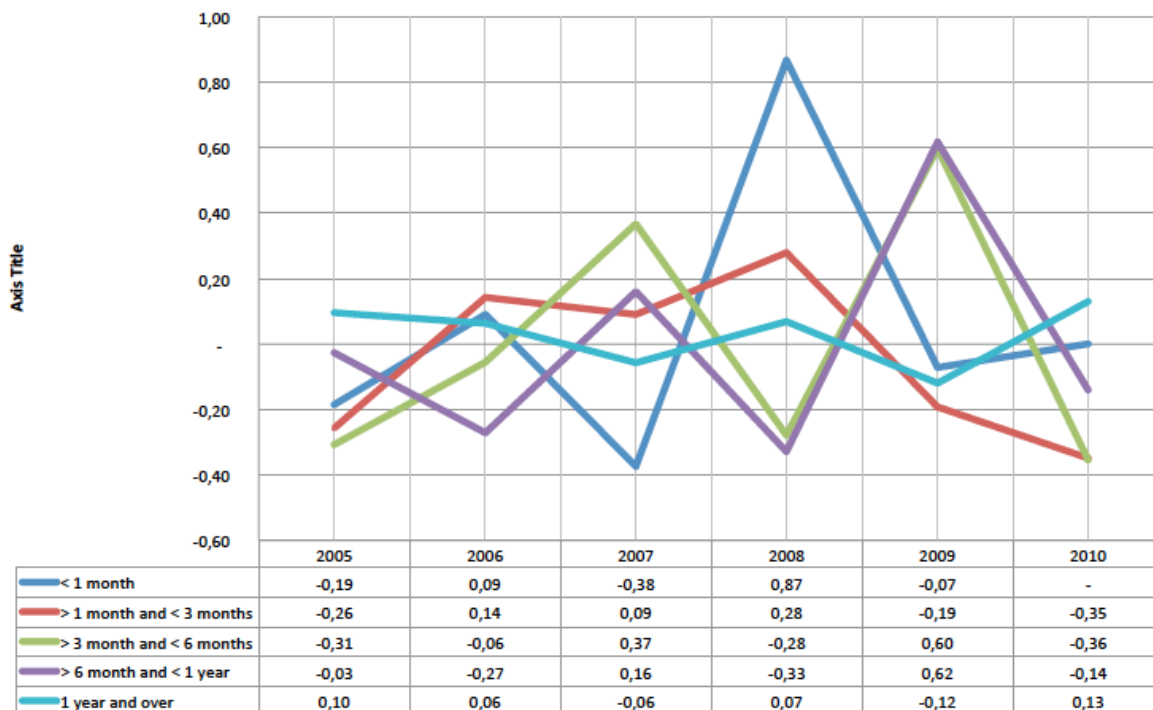
**Variations on the Incidence of unemployment by duration for people between 15-24 years of age**



**Variations on the Incidence of unemployment by duration for people between 25-54 years of age**



**Variations on the Incidence of unemployment by duration for people between >55 years of age**



### 16.11. Public policy intervention by the Portuguese authorities

In Portugal, the state main intervention in the labor market is made in line with the Lisbon Strategy and it is implemented by the National Action Plan for Employment that was adopted by the Ministers' Council Resolution nº 59/98 of 5 May 2008. According with the European employment strategy, four pillars were determined to implement the guidelines on employment (MTSS, 2007c) as well as several principles to help achieving them:

Pillars <sup>30</sup>	Principles <sup>31</sup>
- To improve employability,	- Development of active instruments and measures for labor market integration specially aimed at deprived social groups; and to fight long term unemployment
- To foster entrepreneurship,	- Promotion of business start-ups (in particular SME); - Preventive management measures and follow-up of sectorial restructuring processes
- To encourage the adaptability of workers and firms	- Modernization of education system; - Development of professional vocational training in co-operation with the economy in a perspective of lifelong training



	- Reorientation and intensification of vocational training and retraining;
- To strengthen policies on equal opportunities	- Employment incentives/employment creation in new fields of employment with special attention for the transition of the youngsters to active life

So far all the strategic plan that the Portuguese government has been developing, by analyzing the areas that require an intervention and the tools that could be used to implement their strategy are important steps for further intervention. However a successful pursuit of these goals requires an integration of the private sector and the social economy actors in order to reach as many people as possible with the services adapted to ones needs. The authorities realized since the beginning that relying on multiple actors (municipalities, social partners, etc.) to support the unemployed was the best way to increase their intervention scope and the speed with which they can answer unemployed requirements due to the excess caseloads of the public employment services. However according to OECD (OECD,2010) "Portugal should monitor the quality and the effectiveness of these alternative counseling services".

### *The role of Employment and Learning centers as part of governments intervention*

The Portuguese Government plays a very important role in the labor market by promoting employment and training. To effectively preform its job as labor market manager, authorities created, in 1979, the IEFP – instituto do emprego e formação profissional, which is a Public institute autonomous in administrative and financial terms that is under the jurisdiction of the Economy and employment ministry.

Its services are aggregated in 5 regional delegations that integrate 81 employment agencies; 28 vocational training centers, 5 centers with both the services provided and one professional rehabilitation center.

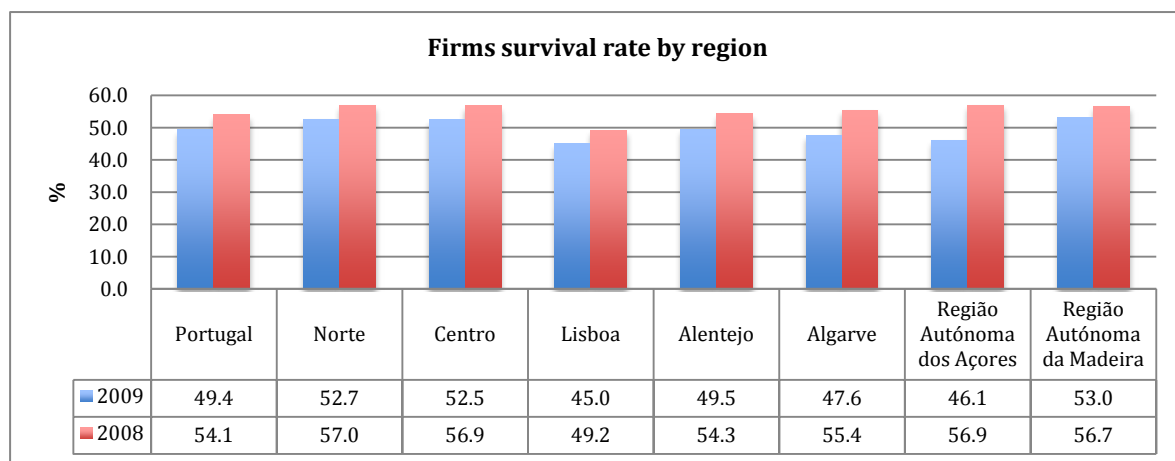
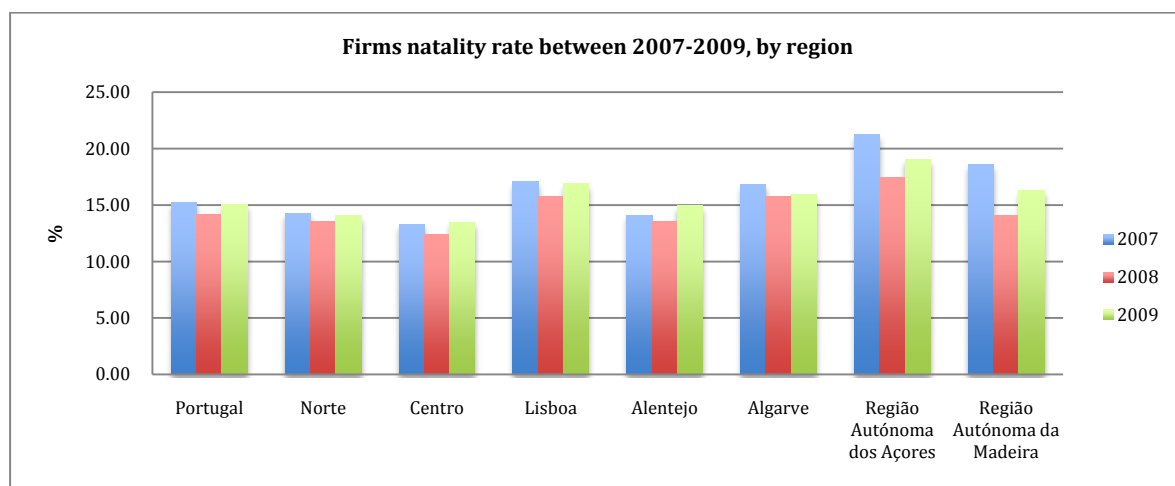
IEFP interaction with the individuals and the firms follows certain guidelines with the ultimate goal of promoting job creation and fighting unemployment through active policies, especially concerning training opportunities<sup>32</sup>:

a) to promote an improvement in the Portuguese economy productivity level through the creation of training workshops adapted to the individuals needs and business sector expectations.

b) to develops forgotten through craft and artisanal microenterprises as a way to create jobs at a local level

c) to ensure that not only employment opportunities are created but also that socially excluded people have the same possibility – in terms of skills - than others to seize these opportunities and also that there are mechanism that can be activated, to answer unemployed needs when the market is not providing the means.

**16.12. Birth and Survival Rate for enterprises in Portugal by region**



## 16.13. Direct survey results from the questionnaire

type of Question	#	description	
Q	1	Zona	region
Answer Options		Response Percent	Response Count
Norte	North	0	0
Centro	Center	9,30%	5
Lisboa	Lisbon	11,10%	6
Algarve	Algarve	7,40%	4
Alentejo	Alentejo	1,90%	1
RAA	RAA	70,40%	38

type of Question	#	description	
Q	2	Genero	gender
Answer Options		Response Percent	Response Count
Feminino	Female	63%	34
Masculino	Male	37%	20

type of Question	#	description	
Q	3	Idade	Age
Answer Options		Response Percent	Response Count
15-24		3,70%	2
25-34		38,90%	21
35-44		42,60%	23
>45		14,80%	8

type of Question	#	description	
Q	4	Escolaridade	Education
Answer Options		Response Percent	Response Count
3º ciclo	Primary school -3rd level	22,20%	12
ensino secundário	Secondary school	50%	27
ensino superior	University level	27,80%	15

type of Question	#	description	
Q	5	# de vezes que já esteve desempregado	How many times have you been unemployed
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
1		51,90%	28
2		24,10%	13
3-5		18,50%	10
>5		5,60%	3

type of Question	#	description	
Q	6	Há quanto tempo já está desempregado	For how long have you been unemployed
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
< 1 mês	< 1 month	9,30%	5
1-6 meses	1-6 months	31,50%	17
7-11 meses	7-11 months	13%	7
12-24 meses	12-24 months	22,20%	12
> 25 meses	> 25 months	24,10%	13

type of Question	#	description	
Q	7	Em que área(s) trabalhou antes e por quanto tempo? (em meses ou anos consoante o que for mais apropriado)	In which areas have you already worked
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
Agricultura	Agriculture	1,40%	1
Produção e Distribuição de Electricidade	Production and electricity distribution	1,40%	1
Outras Actividades de Serviços Colectivos e Locais	Other activities and local and collective services	10,00%	7
Saúde e Acção Social	Health and social services	5,70%	4
Comércio por Grosso e Retalho	Wholesale and retail trade	27,10%	19

Alojamento e Restauração	Hotels and restaurants	14,30%	10
Armazenagem e Comunicações	Storage and communications	2,90%	2
Actividades Financeiras	Financial activities	2,90%	2
Actividades Imobiliárias, Alugueres e Serviços às Empresas	Real state activities , rentals and services provided to enterprises	2,90%	2
Administração Pública, defesa e Segurança Social Obrigatória Educação	Public administration, defense, social security and education	4,30%	3
Construção	Construction	14,30%	10
Outras Actividades	Other activities	12,90%	9

type of Question	#	description	
Q	8	Acha importante manter os seus conhecimentos actualizados	Do you think it is important to keep your knowledge updated
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
Nada importante	Not important	0	0
Pouco Importante	More or less important	1,90%	1
Importante	Important	18,50%	10
Muito importante	Very important	79,60%	43

type of Question	#	description	
Q	9	Em que áreas considera ser mais importante a formação, dada a sua experiência e a situação em que se encontra	In which areas do you believe updating your knowledge is important
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
Competências Pessoais	Personal competences	26,30%	40
Serviços	Services	5,90%	9
Ciências Empresariais	Management	3,90%	6
Ciências e Matemática	Math	3,90%	6
Informática	IT	17,80%	27

Saúde e Serviço Social	Health and social service	7,20%	11
Ciências Sociais, Comércio e Direito	Social sciences, commerce and law	7,90%	12
Humanidades, Línguas, Letras e Artes	Linguistics and Arts	10,50%	16
Competências Motivacionais	Motivational competences	11,20%	17
Engenharia, Indústrias Transformadoras e Construção	Engeneering, construction and transformational industry	5,30%	8

type of Question	#	description	
Q	10	Numero de horas de formação que considera necessário para manter os seus conhecimentos actualizados	Number of hours you consider necessary to keep your knowledge updated
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
35		50,00%	25
35-50		2,00%	1
50-75		28,00%	14
75-100		4,00%	2
>100		16,00%	8

type of Question	#	description	
Q	11	Numero de horas de formação que considera necessário para manter os seus conhecimentos actualizados	Number of hours you consider necessary to keep your knowledge updated
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
cursos da entidade empregadora	Courses promoted by the employment center	11,90%	26
cursos de iniciativa própria	Courses by their own initiative	13,30%	29
seminários e conferências	Seminars and conferences	6,40%	14
leitura	readings	17,90%	39

internet	internet	20,20%	44
Media	media	3,70%	8
visitas a bibliotecas, museus e exposições	Visiting libraris and museums	5,00%	11
participação em ONG	Volunteer work	4,60%	10
actividades de tempos livres	hobbies	2,30%	5
pedidos de ajuda	Asking friends for held	14,70%	32

type of Question	#	description	
Q	12	Indique as principais áreas (3 a 5 opções) nas quais incidiu a sua formação nos últimos 12 meses	Which were the areas where you had training during the last 12 months
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
Competências Pessoais	Personal competences	25,20%	26
Serviços	Services	5,80%	6
Ciências Empresariais	Management	6,80%	7
Ciências e Matemática	Math	3,90%	4
Informática	IT	21,40%	22
outras	Others	1,90%	2
Saúde e Serviço Social	Health and social service	6,80%	7
Ciências Sociais, Comércio e Direito	Social sciences, commerce and law	2,90%	3
Humanidades, Línguas, Letras e Artes	Linguistics and Arts	13,60%	14
Competências Motivacionais	Motivational competences	8,70%	9
Engenharia, Indústrias Transformadoras e Construção	Engeneering, construction and transformational industry	2,90%	3

type of Question	#	description	
Q	13	Indique as principais áreas (3 a 5 opções) nas quais incidiu a sua formação nos últimos 12 meses	Which were the areas where you had training during the last 12 months
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
Não encontrou cursos adaptados às suas necessidades	Did not find courses aligned with his needs	19,00%	16
Cursos demasiado dispendiosos	Too costly courses	38,10%	32
Dificuldade em conciliar os horários dos cursos disponíveis com o seu próprio horário	Difficult to find a schedule that fits one's personal life	16,70%	14
Locais de formação distantes da zona de residência	Workshop location far from home	13,10%	11
A participação no curso não lhe pareceu que fosse trazer melhorias para a sua situação actual	Participation in the course did not seem to improve one's current situation	13,10%	11

type of Question	#	description	
Q	15	já participou em actividades de educação à distância	have you ever participated in any distant learning activity
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
N	no	86,70%	39
S	yes	13,30%	6

type of Question	#	description	
Q	16	já realizou formação em e-learning	have you ever participated in e-learning activities
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
N	no	91,30%	42
S	yes	8,70%	4



type of Question	#	description	
Q	17	Gostaria num futuro de participar em actividades de e-learning	Would you like to participate in e-learning activities in the future
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
N	no	27,50%	11
S	yes	72,50%	29

type of Question	#	description	
Q	18	Gostaria num futuro de participar em actividades de e-learning	Would you like to participate in e-learning activities in the future
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
Disponibilidade permanente conteúdos da formação e facilidade de actualização dos mesmos	Constant availability of professional training content and updating.	19,70%	26
Personalização dos conteúdos transmitidos.	Professional training content personalized for users.	5,30%	7
Facilidade de acesso e flexibilidade de horários.	Easy access and schedule flexibility.	28,80%	38
O ritmo de aprendizagem pode ser definido pelo próprio utilizador/formando.	Learning pace can be defined by trainees.	19,70%	26
Desenvolvimento de competências relacionadas com as novas tecnologias.	IT training skills.	9,10%	12
Grupos de discussão com pessoas de outras áreas geográficas e diferentes experiências pessoais e profissionais.	Experience exchange fora with people from different geographical areas and professional backgrounds.	8,30%	11
Diversificação da oferta de cursos.	Wide range of training courses available.	9,10%	12

type of Question	#	description	
Q	19	Gostaria num futuro de participar em actividades de e-learning	Would you like to participate in e-learning activities in the future
Answer Options		Response Percent	Response Count
Dificuldade em acompanhar os cursos por falta de conhecimentos relacionados com a tecnologia utilizada neste tipo de ensino.	Difficulty in learning due to lack of knowledge regarding the technology used with this type of teaching.	9,80%	13
Necessidade de maior esforço para motivação dos formandos.	Greater effort from trainees to be motivated needed.	18,00%	24
Exigência de maior disciplina e auto-organização por parte do aluno.	Discipline and self organizational skills are demanded from the trainee.	18,80%	25
Dificuldade de criar vínculos relacionais, e promover a cumplicidade entre os formandos	Difficulty in developing social interaction and complicity between trainees.	18,00%	24
Dificuldades técnicas relativas à Internet e à velocidade de transmissão de imagens e vídeos.	Technical difficulties due to internet connection problems and streaming videos speed.	8,30%	11
Limitações em alcançar objectivos na área afectiva e de atitudes, pelo empobrecimento da troca directa de experiência entre professor e aluno.	Limitations regarding objective achievements in affects and attitude due to poor exchange of experiences between teacher and trainee.	13,50%	18
Limitações no desenvolvimento da socialização do aluno.	Limitations regarding socializing development of student.	13,50%	18

<b>type of Question</b>	<b>#</b>	<b>description</b>	
Q	20	O que pensa quanto a conjugar e-learning e c-learning	What do you think about joining e-learning and c-learning in the same teaching methodology
<b>Answer Options</b>		<b>Response Percent</b>	<b>Response Count</b>
N	no	8,60%	3
S	yes	91,40%	32

## 17. ENDNOTES

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<sup>1</sup> INE stands for Instituto Nacional de Estatística, which is the Portuguese Bureau of statistics.

<sup>2</sup> “In fact, many discouraged workers may need public help in making the transition into the labour force and, indeed, into employment. They may face similar problems to, particularly, the long-term unemployed - given their long spells of joblessness. (...) further information is necessary to explain why some discouraged workers do reenter the job market as prospects improve while many others do not. The same situation holds with respect to other non-participants who would like work but state reasons other than discouragement for not looking” (OECD, 1995)

<sup>3</sup> The GEM measures national entrepreneurial activity as the share of people among a country's labour force who are either actively involved in starting a new venture and/or manage a business less than 42 months old.

<sup>4</sup> <http://www.chillibreeze.com/articles/E-learningversusClassroomLearning.asp>

<sup>5</sup> Taken from “A Escola e a Sociedade da Informação - Que Pedagogias para o Século XXI” in <http://www.prof2000.pt/users/acr/materiais/ead/elearn2.htm>

<sup>6</sup> Meaning that the samples used for the evaluation methods were small, and might not be representative, turning it in unreliable results

<sup>7</sup> <http://www.wired.com/wired/archive/14.06/crowds.html>

<sup>8</sup> United Nations (UN, 2008). United Nation Global Compact (online). Available at: <http://www.unglobalcompact.org/AboutTheGC/>.

<sup>9</sup> Maurizio Zollo Strategy Dept. INSEAD; 14 July 2005

<sup>10</sup> [http://en.wikipedia.org/wiki/Social\\_economy](http://en.wikipedia.org/wiki/Social_economy)

<sup>11</sup> <http://stats.oecd.org/index.aspx?queryid=21760>

<sup>12</sup> (Campbell, Reconnecting the Long Term Unemployed to Labour Market Opportunity: The Case for a Local Active Labour Market Policy, 2000)

<sup>13</sup> OECD database: [http://stats.oecd.org/Index.aspx?DatasetCode=LFS\\_SEXAGE\\_I\\_R](http://stats.oecd.org/Index.aspx?DatasetCode=LFS_SEXAGE_I_R)

<sup>14</sup> Published in Publico on the 25th of July 2011: [http://economia.publico.pt/Noticia/diogo-vasconcelos-temos-de-fazer-de-portugal-uma-start-up-nation\\_1504589](http://economia.publico.pt/Noticia/diogo-vasconcelos-temos-de-fazer-de-portugal-uma-start-up-nation_1504589)

<sup>15</sup> Regardless of whether entry rates or variations in business-ownership rates are used as an indicator of entrepreneurial activity.

<sup>16</sup> Data from INE\_ 28 July de 2008: <http://www.ine.pt>

<sup>17</sup> Data from Eurostat, Comunicação da Comissão de 2005 – modernizar a política das PME para o crescimento e o emprego

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<sup>18</sup> <http://www.crowdsourcing.org/editorial/an-introduction-to-crowdfunding-infographic/8263>

<sup>19</sup> Definition of social innovation – a contribution by a french social economic actor

<sup>20</sup> 18th ICLS working paper, “Beyond unemployment: Measurement of other Forms of Labour Underutilization”, 2008

<sup>21</sup> Key Indicators of the Labour Market (KILM): 2001-2002, International Labour Organisation, Geneva, 2002, pages 49 and 53

<sup>22</sup> According to INE, The working age population accounts for individuals with 15 years old minimum. ( through the active population concept - <http://metaweb.ine.pt/sim/conceitos/conceitos.aspx?ID=PT#P>)

<sup>23</sup> International Labour Organization (ILO) Resolutions Concerning Economically Active Population, Employment, Unemployment and Underemployment Adopted by the 13th International Conference of Labour Statisticians, October 1982, para. 8.

<sup>24</sup> Principles and Recommendations for Population and Housing Censuses, Revision 1. United Nations, New York, 1998, Series M, No. 67, Rev. 1, para. 2.205.

<sup>25</sup> International Labour Organization (ILO) Resolutions Concerning Economically Active Population, Employment, Unemployment and Underemployment Adopted by the 13th International Conference of Labour Statisticians, October 1982, para. 10

<sup>26</sup> International Labour Organization (ILO) Resolutions Concerning Economically Active Population, Employment, Unemployment and Underemployment Adopted by the 13th International Conference of Labour Statisticians, October 1982, para. 9.

<sup>27</sup> International Labour Organisation (ILO) Resolution Concerning statistics of economically active population, employment, unemployment and underemployment, adopted by the 13th International Conference of Labour Statisticians (October 1982).

<sup>28</sup> Handbook of Household Surveys, Revised Edition, Studies in Methods, Series F, No. 31, United Nations, New York, 1984, para. 11.125.

<sup>29</sup> ‘PublicServiceEntrepreneurs’EthosJournal(11) online at <http://www.ethosjournal.com/home/item/214-public-service-entrepreneurs>. See also Andrew Cahn & Michael Clemence: The Whitehall entrepreneur—Oxymoron or hidden army? Institute for Government, 2011

<sup>30</sup> (Moniz & Woll, 2007, Moniz, 2008).

<sup>31</sup> Moniz & Woll (2007: 9) and (MTSS, 2007c).

<sup>32</sup> For an exhaustive description of the IEFPP powers please check: <http://www.iefp.pt/iefp/sobre/instituicao/Paginas/ObjetivosIEFP.aspx>