

About GEM

Entrepreneurship is an essential driver of societal health and wealth. It is also a formidable engine of economic growth. It promotes the essential innovation required not only to exploit new opportunities, promote productivity, and create employment, but to also address some of society's greatest challenges, such as the United Nations Sustainable Development Goals (SDGs) or the economic shock wave created by the COVID-19 pandemic. The promotion of entrepreneurship will be central to multiple governments worldwide for the foreseeable future, especially considering the significant negative impacts of the pandemic on economies. Governments and other stakeholders will increasingly need hard, robust and credible data to make key decisions that stimulate sustainable forms of entrepreneurship and promote healthy entrepreneurial ecosystems worldwide. During its 23 years of existence, Global Entrepreneurship Monitor (GEM) has repeatedly contributed to such efforts, providing policymakers with valuable insights on how to best foster entrepreneurship to propel growth and prosperity once again.

GEM carries out survey-based research on entrepreneurship and entrepreneurship ecosystems around the world. GEM is a networked consortium of national country teams primarily associated with top academic institutions. It is the only global research source that collects data on entrepreneurship directly from individual entrepreneurs. GEM tools and data are therefore unique and benefit numerous stakeholder groups. By becoming involved with GEM:

- Academics apply GEM's unique approaches to studying entrepreneurship at the national level;
- Policymakers use GEM data to make better-informed decisions to help their entrepreneurial ecosystems thrive;
- Entrepreneurs increase their knowledge about where to invest and influence;
- Sponsors and partners collaborate with GEM to advance their own strategic organizational interests;

- International organizations leverage GEM's entrepreneurial insights in their reports and events and by combining GEM data with their own data sets to enhance analysis and thought leadership in entrepreneurship.

As indicators of GEM's credibility and impact in the area of entrepreneurship, in 2021, GEM represents:

- 22 years of data;
- 3,000,000+ entrepreneur respondents and expert interviews since 1999;
- 148,000+ respondents to the 2021 GEM Adult Population Survey;
- 2,000+ expert interviews for the 2021 GEM National Expert Survey;
- 120 economies since 1999;
- 370+ specialists in entrepreneurship research (GEM National Team members);
- 300+ academic and research institutions;
- 200+ funding institutions;
- 1,000+ publications in peer-reviewed journals.

GEM began in 1999 as a joint research project between Babson College (USA) and London Business School (UK). The consortium has become the richest source of reliable information on the state of entrepreneurship and entrepreneurial ecosystems across the globe, publishing not only the GEM Global Report annually, but also a range of national and special topic reports each year. GEM's first annual study covered 10 countries; since then some 120 countries from every corner of the globe have participated in GEM research. As a result, GEM has gone beyond a project to become the highly networked organization that it is today. GEM can confidently stake a claim to be the largest ongoing study of entrepreneurial dynamics in the world.

Collaborate with GEM to assess city and regional readiness for entrepreneurship



What makes a city or region attractive to entrepreneurs? Which factors draw creative entrepreneurs to a city or region ... indeed, to any entrepreneurial ecosystem? What gives them the confidence that they can build successful, value-adding and profitable companies in a nurturing context? How good are cities and regions at building these contexts and nurturing entrepreneurship?

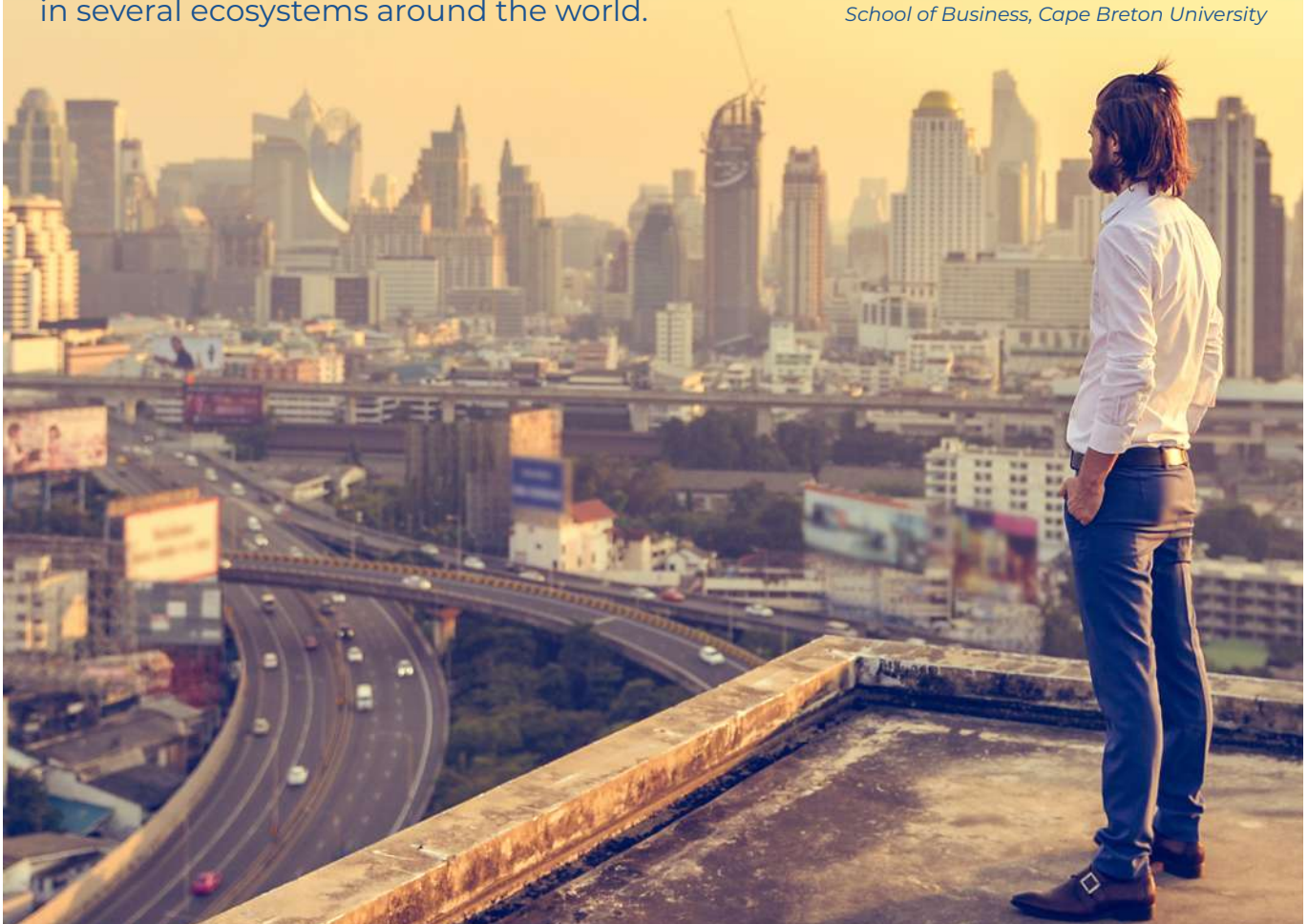
Collaborate with GEM to find answers to these questions in cities and regions that are important to you! Our **Entrepreneurial Ecosystem Quality Composite Index (ESI)** is a diagnostic tool that provides frameworks and data to analyse just about any subnational ecosystem. ESI reports have been conducted in several ecosystems around the world.

"The GEM ESI methodology provided a valuable contribution to deepen our knowledge of Madrid's entrepreneurial ecosystem. It is a solid scientific approach and offers the possibility to analyse a number of variables aligned to different key pillars. This enabled us to identify how the main actors interact and the key issues to be addressed to foster ecosystem development. The ESI tool is a great input for diagnosis and policymaking."

—Isidro de Pablo López,
Universidad Autónoma de Madrid

"Reporting on the findings from the Global Entrepreneurship Monitor's Entrepreneurial Ecosystem Quality Index in our region of Nova Scotia, Canada, generated a significant amount of interest from policymakers and ecosystem actors. Some of the notable findings, based on our data, have informed debate and helped leading ecosystem players to think about strategies for further ecosystem development."

—Kevin McKague, PhD,
Canada Research Chair and Associate Professor of Entrepreneurship, Shannon School of Business, Cape Breton University



For more information, visit www.gemconsortium.org or contact info@gemconsortium.org

Executive Summary

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Entrepreneurship is a key driver of economic development and recovery. There is a clear and pressing need for hard data-driven evidence on entrepreneurship. Robust data serve as a policy base for governments, businesses and individuals. For these stakeholders, it is particularly important to understand what is happening in the area of entrepreneurship in the midst of the disruptions caused by the COVID-19 pandemic. This is because entrepreneurship can provide solutions to many of the world's most challenging economic, environmental and social issues.

In this 23rd Global Report, Global Entrepreneurship Monitor (GEM) offers a substantial and contemporary body of evidence based on extensive interviews in 2021 with some 150,000 individuals across 50 different economies, which together represent around 68% of global Gross Domestic Product (GDP) and 45% of the world's population.¹ This interview evidence adds to the stock of more than three million people interviewed by GEM since its inception in 1999. Time series data provide the background to the analysis and assessment of results in 2021, while consistency in definition and measurement allows changes to be identified. For example, levels of entrepreneurial activity in 2021 can be compared to 2020 and 2019, offering a clear guide to the impact of the ongoing COVID-19 pandemic on entrepreneurial activity.

Part 1 of this GEM Global Report paints a picture of the level of entrepreneurial activity in each economy. But it also goes far beyond that. It peers into each economy, to examine entrepreneurial motivations, intentions and attitudes related to creating new businesses and making them successful. It explores the nature of those new businesses and their prospects for creating new jobs and expanding internationally, and provides a host of other fine details about each economy's entrepreneurial environment.

An exploration and overview of national business context conditions and key data on each economy are presented in individual national Economy Profiles in Part 2 of this Report. Values for GEM variables in 2021 across participating economies are presented in the Appendix Tables in Part 3.

The following insights address key questions that GEM stakeholders may ask, based on 2021 GEM research.

¹ Estimates based on World Bank data for GDP and populations.

HAS THE PANDEMIC REDUCED HOUSEHOLD INCOMES?

The answer is a resounding “Yes!” One of the questions in the 2021 GEM Adult Population Survey (APS) asked all respondents if the pandemic had, in 2021, led to a decrease in their household income. While answers varied, in 22 of the 47 economies more than one in two adults agreed their household income had decreased, including at least four out of five in India, Kazakhstan and Sudan. Those 22 economies included all 10 Level C economies, 10 out of 18 Level B and just two of 19 Level A economies. (A definition of the categorization of economies into Levels A, B and C is on page 7 of this report.)

It is no surprise that Level A economies are least affected in terms of reductions in household income. Governments in these economies have generally offered more generous personal and business income support through so-called “furlough schemes” which many Level C economies simply cannot afford. As furlough schemes wind down, it will be interesting to observe any further effects of the pandemic on household income in developed economies. Evidence of this will be forthcoming in GEM’s next Global Report for 2022/23.

DO ATTITUDES AFFECT LEVELS OF ENTREPRENEURSHIP?

Again, the answer is another resounding “Yes!” Observing other people in their own communities starting businesses, being able to spot business opportunities, and having confidence in their own ability to start a business, are all important positive influences on the intention to start a business and its realization. However, in many economies, such intentions are constrained by fear of failure. Two examples: in Saudi Arabia, nine out of 10 adults see good business opportunities, think it is easy to start a business and consider they have the skills and abilities to start a business. Yet more than one in two of those seeing good opportunities agree that the fear of failure would prevent them from starting a business. In Saudi Arabia, less than one in five adults intend to start a business in the next three years. By contrast, in Kazakhstan just one in two know someone who has started a business, see good opportunities or consider it easy to start a

business. However, only one in eight of those who see good opportunities to start a business would be deterred by fear of failure. In Kazakhstan, more than one in two adults intend to start a business in the next three years.

The capacity of entrepreneurs to realize their hopes, dreams and intentions can clearly be hampered by their fear of failure. Fear of failure exists for numerous reasons but one major influencing factor is the nature of the business environment. This is where policymakers can make a significant difference. The contrasting examples are revealing; it therefore matters that this fear of failure is addressed through informed policymaking and by creating conducive business frameworks for entrepreneurs. There are a number of possible actions: reducing the costs of exiting a business, for example, or increasing awareness of the many successful entrepreneurs that have had prior failures.

HAS THE PANDEMIC MADE IT MORE DIFFICULT TO START A BUSINESS?

While the answer is once again “Yes”, some qualification is required. The 2021 GEM APS asks those starting or running a new business whether doing so is more difficult than a year ago. The same question was asked of entrepreneurs in 2020. In 2021, more than one in two entrepreneurs agreed that starting a business had become more difficult in 18 of 47 economies. In 2020, almost twice as many (33 out of 46 economies) had 50% or more of their would-be entrepreneurs agreeing that this was the case. So, while there is still agreement that the pandemic has made starting a business more difficult, agreement is less emphatic than a year ago. This points to some degree of global economic recovery and/or perhaps

also to a degree of increased policy support.

At the same time, compared to 2020, there is more agreement among entrepreneurs in 2021 that the pandemic has led to new business opportunities. In 2020, in nine out of 46 economies, more than half of those starting or running a new business agreed that the pandemic had led to new business opportunities. In 2021, this is the case for 15 out of 47 economies. It seems that living with the pandemic has certainly raised awareness of the business opportunities it brings in its wake, and not only for independent entrepreneurs; more than half of entrepreneurial employees² see new pandemic-led opportunities being actively pursued in the businesses they work for.

HAS THE PANDEMIC REDUCED THE LEVEL OF ENTREPRENEURIAL ACTIVITY?

The GEM database allows comparisons between the proportions of adults starting or running a new business in 2019 (pre-pandemic) and 2021. Total early-stage Entrepreneurial Activity (TEA) is GEM’s most well-known indicator, representing the percentage of adults (aged 18–64) that are starting or running a new business. The level of TEA has generally fallen in this period, including by more than a half in Colombia, the Slovak Republic and Norway. However, there are exceptions,

particularly in Saudi Arabia and the Netherlands, both of which experienced increases in TEA in each of the past two years. One characteristic common to both — and which may explain these exceptions — is the availability of relatively generous support packages for new businesses. Levels of Established Business Ownership (EBO; the percentage of adults aged 18–64 owning or managing a business for more than 42 months) have also fallen in general, although again with exceptions.

WILL THESE NEW BUSINESSES EMPLOY MANY PEOPLE?

The GEM APS asks those starting or running a new business how many people they expect to employ in five years’ time. Relatively few of those starting or running a new business expect to employ six people in five years’ time, although this was more than one in 10 adults in Qatar, Chile and the United Arab Emirates. More worryingly, in a quarter of the GEM economies, over half of those starting or running a new business expect to employ no

one but themselves in five years’ time. This may be indicative of high levels of informal “survival” businesses, created during economic hardship when no other alternatives or social safety nets are available, and when people resort to entrepreneurship as their only fall-back solution. This is a particular concern in some low-income economies, where currently high levels of TEA may not easily translate into more jobs and growth in the future.

² Entrepreneurial employees are those engaged in entrepreneurial activities such as developing new products or services, or setting up new business units, as part of their job. See Chapter 3.

ARE ENTREPRENEURS CHANGING HOW THEY DO BUSINESS?

Many people around the world are working differently as a result of the pandemic. The rise in online business and working from home may be the most important and transformative shifts of the century. GEM included a new question in the 2021 APS, asking those starting or running a new business, and those running established businesses, whether they expect to use more digital technology to sell their products or services in the next six months. This expectation was more prevalent in low-income economies, where startups are typically not so focused on high tech. New entrepreneurs are more likely than established businesses to expect to use more digital technologies: the proportion of new entrepreneurs with this expectation exceeded that of established entrepreneurs in all but three economies: South Africa, France and the Republic of Korea. It seems that established businesses will need more encouragement, or incentives, to invest in digital technologies to reach their customers, or they may be left behind by the new and accelerating business realities.

Additional questions integrated in the APS in 2021 asked those starting or running new businesses and those running established

businesses if they always considered social or environmental implications when making decisions about the future of their business. While acknowledging the opportunity for social desirability bias in responses, there was widespread agreement that they did. Social implications were considered by more than half of new entrepreneurs in all economies except Poland and Norway, and by more than half of established entrepreneurs in all economies except Poland and in Kazakhstan. Environmental implications were considered by more than one in two new entrepreneurs in all GEM-participating economies except Poland and Kazakhstan, and a similar proportion of established entrepreneurs in all but Poland and Israel. These results suggest that entrepreneurs in a small number of countries, including Poland and Kazakhstan, are out of step with their contemporaries in most other economies. This type of GEM research result is interesting for policymakers in these countries. GEM National Reports will delve more deeply into these findings throughout 2022. These questions will be included as part of future GEM APS surveys, allowing trends to be identified as well as, no doubt, the impact of evolving policy frameworks.

WHO IS MOST LIKELY TO START A NEW BUSINESS?

Levels of entrepreneurial activity vary by gender, age and educational attainment. In most, but not all, economies, men are more likely to start new businesses than women, younger people are more likely to do so than older people, and graduates are more likely to start a business than non-graduates. And, while differences are often small and exceptions many, measures to support under-represented groups could make a significant contribution in increasing the level and variety of entrepreneurial activity, hence boosting the process of economic recovery from the pandemic.

However, differences in entrepreneurial activity rates between groups (men/women, young/older,

graduates/non-graduates) within an economy are usually much smaller than differences in these rates between economies. Gender, age and education all matter, but national context seems to matter much more.

Levels of Employee Entrepreneurial Activity (EEA; the involvement of employees in entrepreneurial activities, such as developing or launching new goods or services) are typically higher in better-off economies, not least because those economies tend to have higher proportions of businesses with employees. While EEA levels have fallen slightly during the pandemic, more than half of entrepreneurial employees see new business opportunities due to the pandemic.