Policy Brief on Youth Entrepreneurship

Entrepreneurial Activities in Europe

European Commission

OECD
BETTER POLICIES FOR BETTER LIVES

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CONTENTS

KEY MESSAGES 3

WHAT IS THE SCALE OF THE YOUTH UNEMPLOYMENT CHALLENGE? 3

Table 1: Annual and monthly youth unemployment rates in EU and selected OECD countries 4

Table 2: Annual unemployment rates in EU and selected OECD countries, 2010 5

WHAT ROLE CAN ENTREPRENEURSHIP PLAY IN MEETING THIS CHALLENGE? 6

Figure 1: Perception of the feasibility of self-employment, 2009 6

Figure 2: Self-employment rates by country and age, 2010 7

Figure 3: Proportion of self-employed persons with at least one paid employee, by age, 2010 8

Figure 4: Proportion of youth and adults by stage of entrepreneurial activity and business ownership, EU and US 9

Figure 5: Average employment growth rates (%) for enterprises surviving three years (EU) 9

WHAT BARRIERS DO YOUNG PEOPLE FACE WHEN STARTING A BUSINESS? 10

HOW DO THE CHALLENGES VARY ACROSS DIFFERENT GROUPS OF YOUNG PEOPLE? 11

Table 3: Total entrepreneurial activity rates by employment status and education level (%), ages 18 to 30, EU-27 11

WHAT SHOULD POLICY DO? 12

Policy example 1: Think Big 14

Policy example 2: Project GATE (Growing America Through Entrepreneurship) (United States) 15

Policy example 3: Prince's Scottish Youth Business Trust 15

Policy example 4: DEFi jeunes (France) 17

Policy example 5: 'Bridging allowance' (Überbrückungsgeld) and 'Start-up subsidy' programmes (Ich-AG) (Germany) 18

Policy example 6: .garage hamburg (Germany) 19

CONCLUSIONS 20

KEY MESSAGES

- Unemployment has risen dramatically across Europe over the last three years and youth face even tougher conditions in entering the labour market. They have typically faced unemployment rates of double the adult level for more than a decade and the youth unemployment rate in the European Union stood at more than 22 % in November 2011.
- Forty per cent of youth indicate an interest in self-employment and governments have a substantial number of programmes in place to help them start businesses, including entrepreneurship education and training; information, advice, coaching and mentoring; financial support; and infrastructure including incubators and youth business networks.
- There is some evidence of success in helping young people to exit unemployment and generating economic value-added, although the evidence base is relatively small and generally lacks rigour: evaluation should be bolstered so that policymakers can focus on approaches that work.
- Youth entrepreneurship is unlikely to be a panacea for solving the youth unemployment problem but it can be a part of the response. To maximise effectiveness and efficiency, policy should target resources on young people with the best chance of success, provide sufficient support to allow them to start businesses outside of low entry barrier but high competition sectors, and provide integrated packages of complementary support rather than one-shot instruments.

WHAT IS THE SCALE OF THE YOUTH UNEMPLOYMENT CHALLENGE?

Youth unemployment is one of the principal social and economic challenges of this decade in Europe and around the world. Long spells of unemployment can have serious long-term effects for individuals, such as reduced earnings and social exclusion. It is estimated that one year of unemployment during youth can reduce annual earnings at age 42 by up to 21 % (Gregg and Tominey, 2005) and that an extra three months of unemployment prior to the age of 23 results in an extra two months of unemployment, on average, between the ages of 28 and 33 (Gregg, 2001). Prolonged unemployment magnifies these problems and increases the chances that they are passed on to their children. In addition to these pronounced individual costs, the unemployed represent a significant stock of unused economic resources that lowers output and the potential for economic growth.

The unemployment rate in the European Union (EU), as a whole, reached 9.8 % in November 2011 and the unemployment rate for youth (those under the age of 25) was more than double that at 22.3 %: approximately five million unemployed youth. A striking feature of the recent crisis has been the diversity of labour market performances among EU countries (see Table 1). Remarkably, youth unemployment rates in Germany and Luxembourg declined slightly between 2008 and 2010. However, they increased in all other countries and quite dramatically in some. Countries that have been hit the hardest by the recession are among those with the highest youth unemployment rates – Greece, Spain, Italy, Latvia, Lithuania, Portugal and Slovakia all had youth unemployment rates exceeding 30 % in November 2011, while Ireland had a rate of just under 30 %. The problem has been felt more strongly in the EU than in the OECD area, where youth unemployment rate was one fifth lower in 2010.

There are some small gender differences to these patterns. The unemployment rate for young women, overall in the EU, was 1.6 percentage points lower than the rate for young men (Table 2). There are only seven countries in the EU where the unemployment rate for men was lower than for young women: Czech Republic, Greece, France, Italy, Cyprus, Poland, and Portugal. However, the rates for young people of both sexes are very high, and much higher than those for adults.

It might be expected that the economic crisis would impact young people much more than adults because of their higher propensity for temporary work and the drying up of opportunities to enter the labour market for their first job. In reality, the increase in youth unemployment was not much more than for adults. Table 2 shows that for the EU as a whole, the youth unemployment rate was slightly more than double the adult rate in 2010 and this ratio has been fairly constant over the past decade. However, what this hides is a dramatic drop in the participation rate of youth, which far exceeded the drop in participation for adults.

Table 1: Annual and monthly youth unemployment rates in EU and selected OECD countries, (aged less than 25)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Nov 2011*
Austria	5.8	6.7	8.1	9.7	10.3	9.1	8.7	8.0	10.0	8.8	8.3
Belgium	16.8	17.7	21.8	21.2	21.5	20.5	18.8	18.0	21.9	22.4	21.1
Bulgaria	38.8	37.0	28.2	25.8	22.3	19.5	15.1	12.7	16.2	23.2	25.6
Cyprus	8.2	8.0	8.8	10.2	13.9	10.0	10.2	9.0	13.8	16.7	.
Czech Republic	17.3	16.9	18.6	21.0	19.2	17.5	10.7	9.9	16.6	18.3	19.0
Denmark	8.3	7.4	9.2	8.2	8.6	7.7	7.9	7.6	11.2	13.8	14.9
Estonia	23.2	17.6	20.6	21.7	15.9	12.0	10.0	12.0	27.5	32.9	.
Finland	19.8	21.0	21.8	20.7	20.1	18.7	16.5	16.5	21.5	21.4	19.6
France	18.9	19.3	19.2	20.8	21.3	22.4	19.8	19.3	23.9	23.7	23.8
Germany	8.4	9.9	11.6	13.8	15.6	13.8	11.9	10.6	11.2	9.9	8.1
Greece	28.0	26.8	26.8	26.9	25.9	25.1	22.9	22.0	25.7	32.8	.
Hungary	11.3	12.7	13.4	15.5	19.4	19.1	18.0	19.9	26.5	26.6	25.9
Ireland	7.2	8.4	8.7	8.7	8.6	8.6	8.9	13.3	24.4	27.8	29.3
Italy	24.1	23.1	23.7	23.5	24.0	21.6	20.3	21.3	25.4	27.8	30.1
Latvia	22.9	22.0	18.0	18.1	13.6	12.2	10.7	13.1	33.6	34.5	.
Lithuania	30.9	22.4	25.1	22.7	15.7	9.8	8.2	13.4	29.2	35.1	.
Luxembourg	6.2	7.0	11.2	16.4	14.3	15.8	15.6	17.3	16.5	15.8	14.7
Malta	18.8	17.1	17.4	16.6	16.8	15.9	13.9	12.2	14.4	13.0	14.3
Netherlands	5.0	5.4	7.3	9.0	9.4	7.5	7.0	6.3	7.7	8.7	8.6
Poland	39.5	42.5	41.9	39.6	36.9	29.8	21.7	17.3	20.6	23.7	27.8
Portugal	11.5	14.3	17.8	18.9	19.8	20.1	20.4	20.2	24.8	27.7	30.7
Romania	17.6	21.0	19.5	21.0	19.7	21.0	20.1	18.6	20.8	22.1	.
Slovakia	39.2	37.7	33.4	33.1	30.1	26.6	20.3	19.0	27.3	33.6	35.1
Slovenia	17.8	16.5	17.3	16.1	15.9	13.9	10.1	10.4	13.6	14.7	.
Spain	23.2	24.2	24.6	23.9	19.7	17.9	18.2	24.6	37.8	41.6	49.6
Sweden	15.0	16.4	17.4	20.4	22.6	21.5	19.2	20.2	25.0	25.2	23.2
United Kingdom	11.7	12.0	12.2	12.1	12.8	14.0	14.3	15.0	19.1	19.6	.
Canada	12.9	13.7	13.7	13.4	12.4	11.7	11.2	11.6	15.2	14.8	14.1
United States	10.6	12.0	12.4	11.8	11.3	10.5	10.5	12.8	17.6	18.4	16.8
European Union (27 countries)	17.7	18.3	18.8	19.2	18.8	17.5	15.7	15.8	20.1	21.1	22.3
Men	17.0	18.0	18.6	18.8	18.7	17.2	15.4	15.8	21.2	21.8	22.8
Women	18.6	18.8	19.0	19.6	19.0	18.0	16.1	15.8	18.9	20.2	21.7
OECD Average	12.4	13.4	13.8	13.7	13.4	12.6	12.0	12.7	16.7	16.7	.
Men	12.5	13.7	14.1	13.8	13.8	12.6	12.2	13.1	17.9	17.6	.
Women	12.3	13.0	13.4	13.7	13.0	12.5	11.7	12.2	15.2	15.7	.

* Note that data for November 2011 are not directly comparable with the annual averages, which cannot be compared with a single point in time.
Source: Data for European Union Member States and European average from Eurostat, "Labour Force Survey"; Data for Canada, U.S. and OECD average from OECD Statistics, "Labour Force Statistics".

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Table 2: Annual unemployment rates in EU and selected OECD countries, 2010

	Youth (ages 15 to 24)		Adults (ages 15 to 64)		Ratio of youth unemployment rate to total unemployment rate
	Men	Women	Men	Women	
Austria	8.9	8.8	4.6	4.3	2.0
Belgium	22.4	22.4	8.2	8.6	2.7
Bulgaria	24.1	21.7	11.0	9.5	2.3
Cyprus	16.0	17.2	6.2	6.5	2.6
Czech Republic	18.2	18.5	6.5	8.5	2.5
Denmark	15.8	11.7	8.4	6.6	1.8
Estonia	35.2	30.0	19.9	14.7	1.9
Finland	23.8	19.0	9.3	7.7	2.5
France	22.2	23.7	9.1	9.7	2.4
Germany	10.9	8.8	7.6	6.6	1.4
Greece	26.7	40.6	10.1	16.4	2.6
Hungary	27.9	24.9	11.6	10.8	2.4
Ireland	33.7	21.1	17.1	9.6	2.0
Italy	26.8	29.4	7.7	9.7	3.3
Latvia	35.4	33.5	21.9	16.0	1.8
Lithuania	38.5	30.8	21.5	14.6	2.0
Luxembourg	17.6	.	3.8	5.1	3.2
Malta	13.7	12.2	6.9	7.2	1.9
Netherlands	8.8	8.6	4.5	4.5	1.9
Poland	22.4	25.4	9.4	10.1	2.4
Portugal	21.2	23.7	10.4	12.5	2.0
Romania	22.3	21.8	8.2	6.9	2.9
Slovakia	34.6	31.9	14.3	14.6	2.3
Slovenia	15.2	13.8	7.6	7.2	2.0
Spain	43.2	39.8	19.8	20.6	2.1
Sweden	26.6	23.7	8.7	8.4	2.9
United Kingdom	21.5	17.3	8.8	7.0	2.5
European Union (27 countries)	21.6	20.0	9.7	9.7	2.2
Canada	17.1	12.4	8.7	7.2	1.8
United States	20.8	15.8	10.5	8.6	1.9
OECD Average	17.6	15.7	8.5	8.1	2.0

Source: Data for European Union Member States and European Average from Eurostat, "Labour Force Survey"; Data for Canada, U.S. and OECD Average from OECD Statistics, "Labour Force Statistics".

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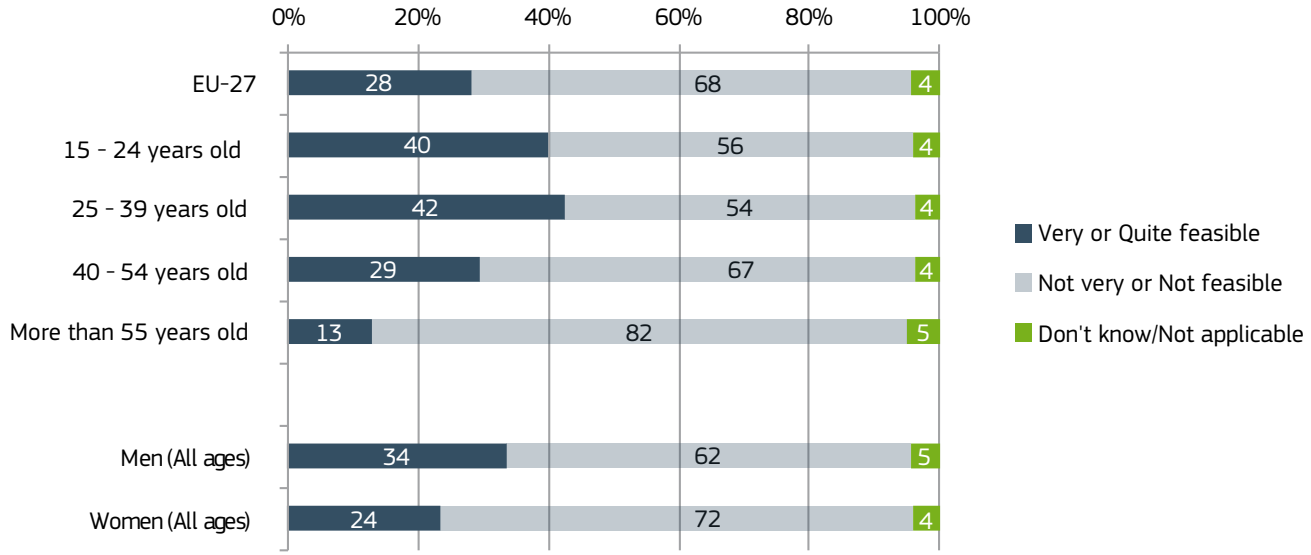
WHAT ROLE CAN ENTREPRENEURSHIP PLAY IN MEETING THIS CHALLENGE?

Although youth may not seem like a likely group for entrepreneurship because of their inexperience and lack of finances, they do have an interest in entrepreneurship and many of them believe that self-employment is feasible. The European Commission's Eurobarometer conducted a survey across Europe and other industrialised countries in 2009 to learn about individual's attitudes towards self-employment and business start-up (EC, 2009). Overall, in the EU, 28 % of people indicated that self-employment would either be 'very feasible' or 'quite feasible' within the next five years (Figure 1). This figure is nonetheless lower than in the United States of America (US) and China, where 36 % and 49 % of people saw self-employment as 'very' or 'quite feasible' in the next five years.

It is notable that attitudes to the feasibility of self-employment in the EU drop off with age. The two youngest age cohorts (15–24 and 25–39) appear to have the highest level of interest for self-employment with 40 % and 42 %, respectively, responding that self-employment in the next five years was either 'very feasible' or 'quite feasible', much higher than the figures for the 40–54 and more-than-55 cohorts (29 % and 13 %, respectively). This suggests that younger cohorts in the population may offer the most potential for entrepreneurship: this is consistent with another question asked in the Eurobarometer survey about whether entrepreneurs are job creators — the youngest cohort (aged 15–24) agreed most strongly.

Figure 1: Perception of the feasibility of self-employment, 2009



Source: European Commission, 2009, 'Entrepreneurship in the EU and beyond — A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China', Flash Eurobarometer 283

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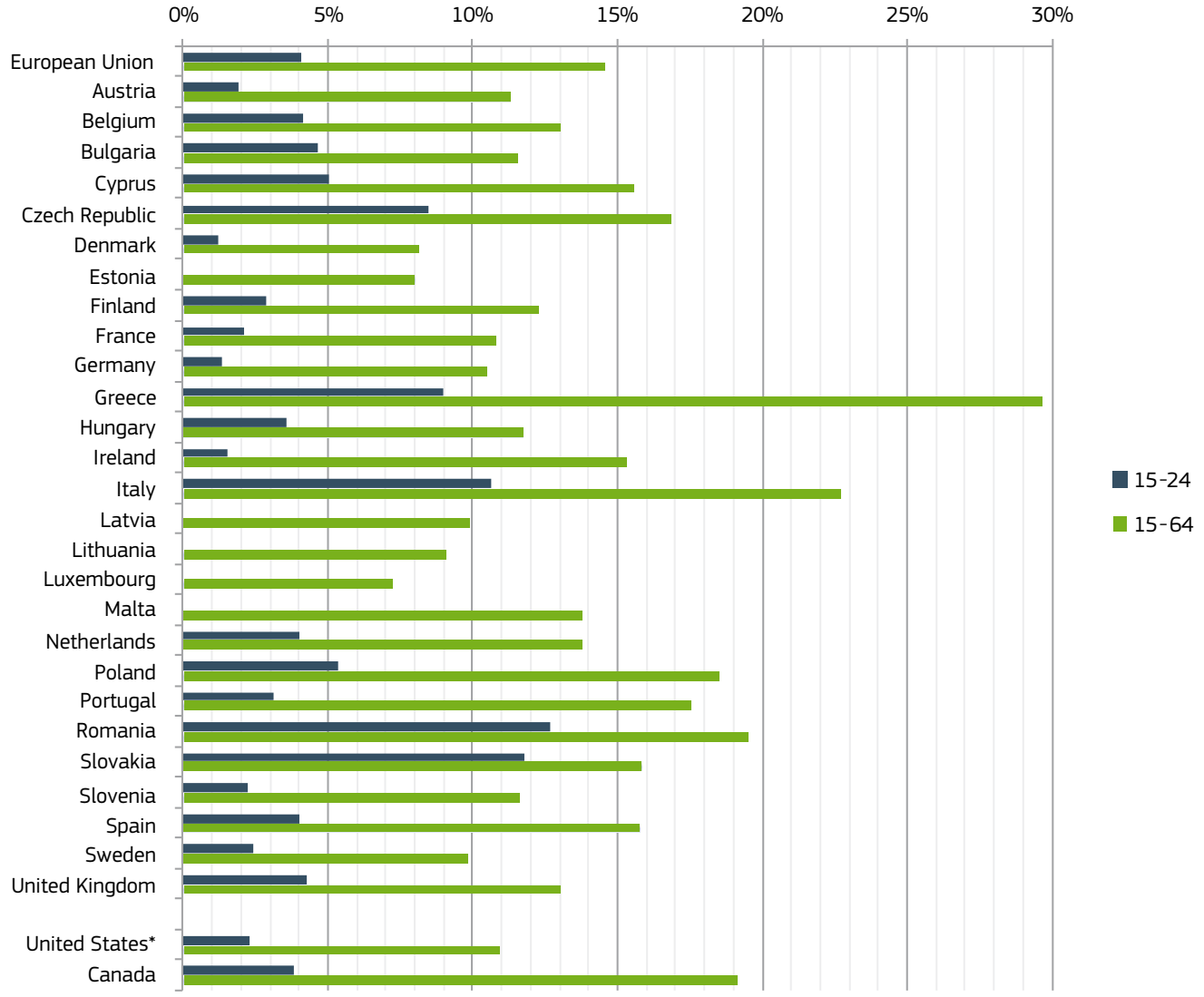
However, intention is one thing, action is another. Although nearly 15 % of adults are self-employed in the EU, only 4 % of those aged 15–24 are self-employed (Figure 2). It could be that while it is feasible to start a business, young people are participating in education and training, or that they face barriers that they are unaware of or do not take into account: such barriers are be discussed further in the next section.

The proportion of youth involved in self-employment varies across countries, which may indicate variations in barriers and opportunities and labour market conditions: labour markets with high levels of self-employment overall are also more likely to have high levels of youth self-employment, while labour markets with opportunities for paid employment may have less of a 'push' into self-employment and therefore lower levels of youth self-employment.

Figure 2: Self-employment rates by country and age, 2010



Note: Data for the US cover those aged 16–24 and are for 2009.
Source: Data for European Union Member States and European Average from Eurostat, "Labour Force Survey" (Data for 15-24 age group are not available for Estonia, Latvia, Luxembourg and Malta); Data for the United States from the Bureau of Labour Statistics, "Labour Force Statistics from the Current Population Survey"; and Data for Canada from Statistics Canada, "Labour Force Survey".

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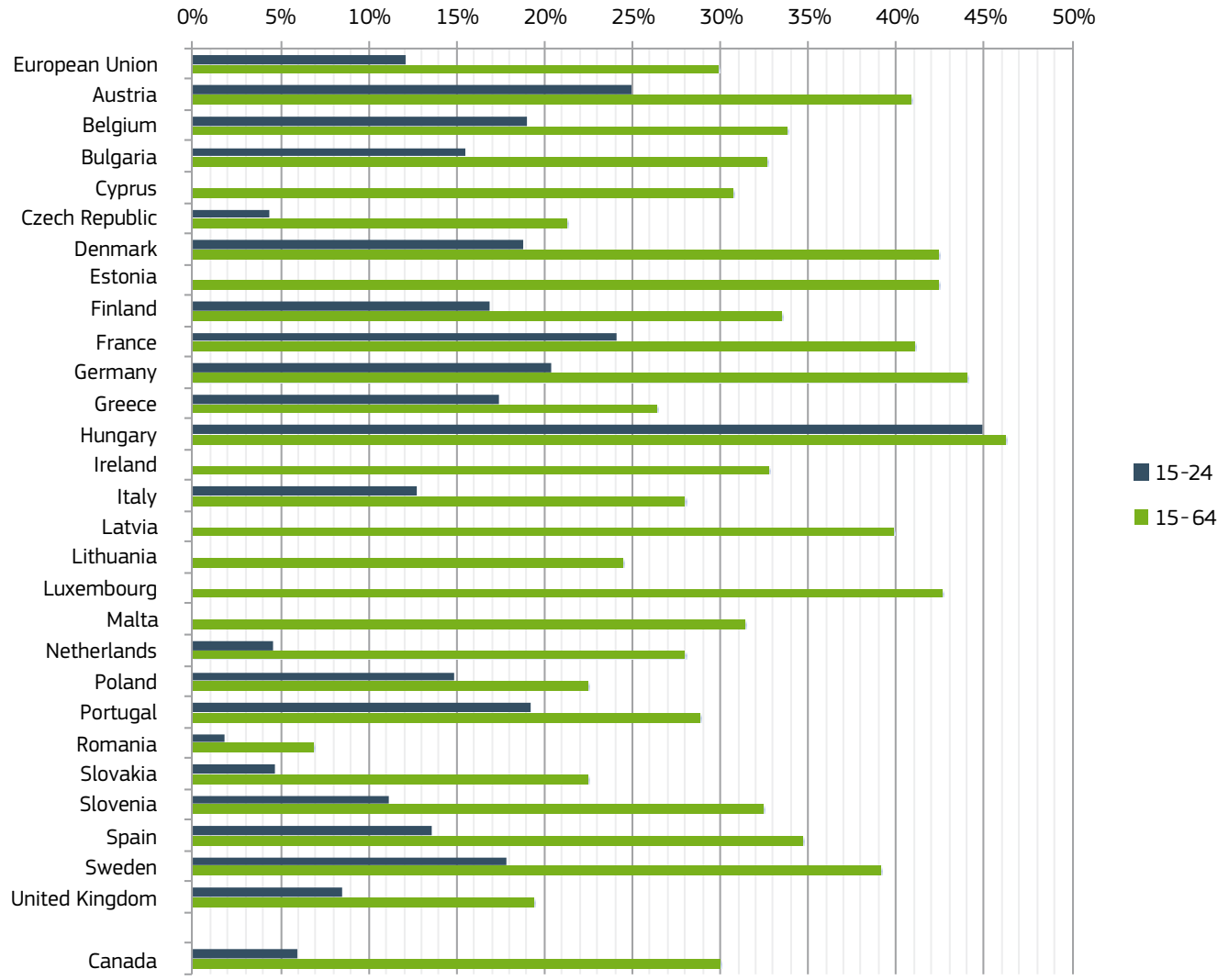
Although young and adult entrepreneurs tend to have similar motivations for entrepreneurial activities, they often have different approaches and run different types of businesses. As seen in Figure 3, young entrepreneurs generally operate smaller businesses than adults. Among EU countries, only 12 % of self-employed persons aged 15–24 had employees, which is less than half of the proportion of adults (30 %). Youth-operated businesses are also more likely to be concentrated in certain industries with low barriers to entry and low capital requirements such as construction (18.7 % of youth businesses compared with 13.8 % for adults), information and communication (4.9 % for youth compared with 2.7 % for adults) and other services firms (7.5 % compared with 4.9 %) and tend to focus on narrow product lines. Accordingly, many young entrepreneurs focus exclusively on local markets because of familiarity and because they lack the knowledge about opportunities in other markets and how to take advantage of them (Chigunta, 2002). However, at the same time, they are likely to be more open than adult entrepreneurs to international activity (Cassia *et al.*, 2011).

Figure 3: Proportion of self-employed persons with at least one paid employee, by age, 2010



Note: Since 1967, the US has considered incorporated self-employed individuals as employees of their own company; therefore, data for the US are not comparable to the EU or Canada.
Source: Data for European Union countries and European Average from Eurostat, "Labour Force Survey" (Data for 15-24 age group are not available for Cyprus, Estonia, Ireland, Latvia, Lithuania, Luxembourg and Malta); Data for Canada from Statistics Canada, "Labour Force Survey".

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What types of business models do youth use?

The most common model is own-account self-employment and approximately three million of these businesses start in Europe every year (Eurostat). This group of businesses is the key driver of employment creation. However, other business models, such as part-time entrepreneurship and cooperative entrepreneurship, can achieve other goals such as social inclusion.

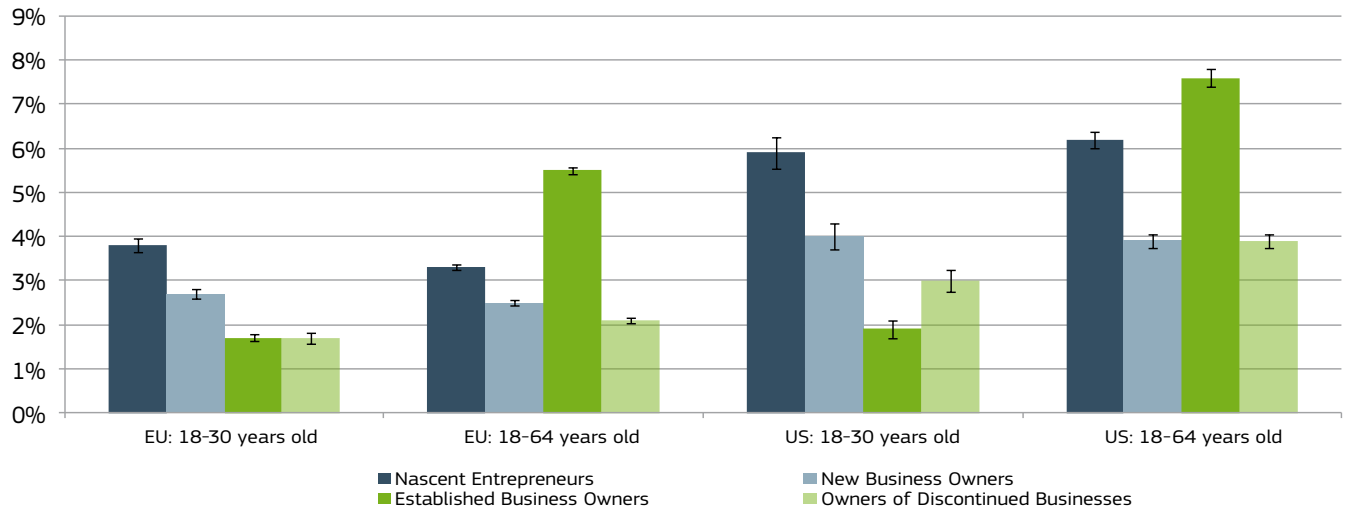
Part-time self-employment can be attractive for young entrepreneurs because it can provide a transition into self-employment while completing their education or working in paid employment. Although youth are less likely to run a part-time business when also working in paid employment, US data indicate that 5.5% of US young people in post-secondary education use self-employment to support their education (ACE, 2006).This can be an attractive way to enter self-employment because it requires less capital and the consequences of failure are lower. Part-time self-employment can also provide a good opportunity to gain valuable hands-on experience of running a business on a small scale.

Cooperatives are another particular form of enterprise that may be attractive to young people. In this business model, collective resources are pooled and entrepreneurial activities aim to serve a mutual benefit. They are defined as 'an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise' (ILO, 2006). Although they can be difficult to manage because of a more complex decision making process, cooperatives can be attractive because members can accomplish more than they could individually by increasing their financial and human capital and benefiting from economies of scale: this can be ideal for young people who need to overcome a lack of resources and knowledge. The UN estimates that the cooperative sector has more than 800 million members in more than 100 countries, but that very few young entrepreneurs participate (UN, 2011).

The Global Entrepreneurship Monitor (GEM) provides data on the stages that young people in entrepreneurship go through including figures on survives rates from nascent entrepreneurship to successful start-up and then established businesses. This snapshot can be useful when trying to understand the barriers that entrepreneurs face because we can see how many people drop out at each stage of entrepreneurial activity and business ownership[1]: nascent entrepreneurship (actively involved in setting up a business); new business ownership (ownership of a business 3–42 months in operation); established business ownership (ownership of a business more than 42 months in operation); and, discontinuation of business (ownership of a business that discontinued in the last 12 months). Figure 4 presents this progression for the EU and the US for two age groups.

The GEM data confirm that young people have an interest in entrepreneurship; in the EU, there are similar proportions of young people and adults involved in nascent entrepreneurship and new business ownership. However, the GEM data show that there are nearly three times fewer young people that own established businesses, suggesting that something hinders businesses run by young people from becoming established businesses. The same pattern is also clear in the US.

Figure 4: Proportion of youth and adults by stage of entrepreneurial activity and business ownership, EU and US



Note: Error bars show standard error.
Source: Global Entrepreneurship Monitor 2007–11, Adult Population Survey

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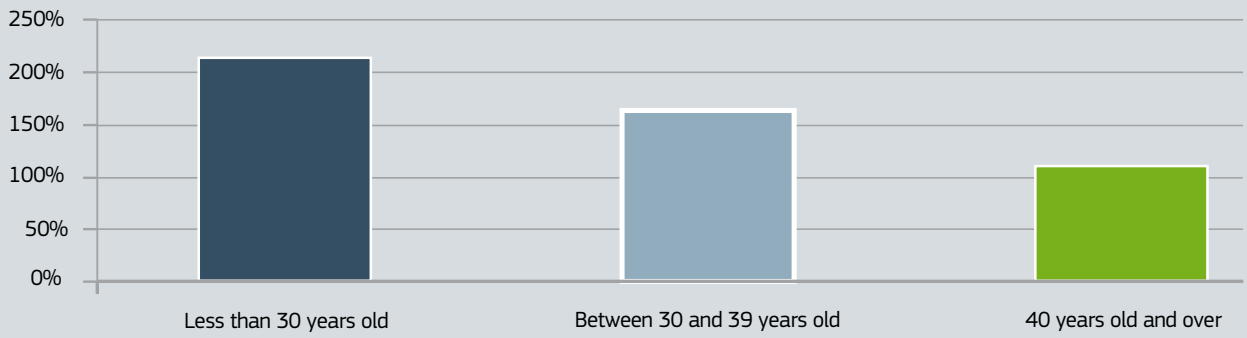
How successful are businesses run by young people?

Given that many young people run businesses that operate in highly competitive industries with low barriers to entry, it is perhaps unsurprising that many businesses run by young people do not necessarily grow, survive or provide sustainable incomes. This reflects the wider difficulties that most small-scale businesses have in growing and surviving. Businesses run by young entrepreneurs have lower survival rates than those of older entrepreneurs (van Praag, 2003); however, young people's businesses that do survive have more growth potential than those of older entrepreneurs on average. Among businesses that survived three years, those run by people under 30 years old had an average growth rate of 206% — nearly double the growth rate of businesses run by those over 40 (114%). This suggests that young entrepreneurs are a high risk but high reward group of entrepreneurs. Policymakers need to keep this in mind because programmes that target those most likely to succeed will have a greater impact.

Figure 5: Average employment growth rates (%) for enterprises surviving three years (EU)



Note: To be covered in the survey, businesses had to be a start-up in 2002 and survived to 2005; the age of owner was in 2002.
Source: Eurostat, 2006, 'The profile of the successful entrepreneur — Results of the survey "Factors for Success"', Statistics in Focus 29/2006

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1 The GEM defines entrepreneurship activities according to four stages for adults 18 to 64 years old. The *Nascent Entrepreneurship Rate* is the proportion that are currently actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months. The *New Business Ownership Rate* is the proportion that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. The *Established Business Ownership Rate* measures the proportion that are currently owner-managers of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. The *Business Discontinuation Rate* measures the proportion that have, in the past 12 months, discontinued a business, either by selling, shutting down or otherwise discontinuing an owner-management relationship with the business (note that this is not a measure of business failure rates). More information is available online (http://www.gemconsortium.org).

WHAT BARRIERS DO YOUNG PEOPLE FACE WHEN STARTING A BUSINESS?

So, youth appear to be facing barriers preventing some from turning ideas into projects. What are these barriers? They arise in the areas of social attitudes, lack of skills, inadequate entrepreneurship education, lack of work experience, under capitalisation, lack of networks, and market barriers. These will be discussed in turn, but it is important to note that they are inter-related, which implies the need for a package of policy tools, rather than a single one-shot solution.

1. Young people are affected by their families, teachers and society as a whole. Important role models, such as parents and teachers, are often not very aware of the requirements and opportunities of entrepreneurship. This lack of awareness results in a lack of encouragement for entrepreneurial activities, or even *negative social attitudes* that act as an obstacle to youth entrepreneurship.

2. It is generally argued that *education and training programmes* do not do enough to nurture entrepreneurial attitudes and skills, but rather prepare students for paid employment, despite some recent improvements in this area (Potter, 2008).

3. *Prior work and entrepreneurship experience* is a major determinant of business start-up and entrepreneurship performance. Young people typically lack human, financial and social capital necessary both to set up and successfully run a new business. Relative to older individuals, younger people are less likely to have sectoral, managerial or prior business experience and are more likely to be unemployed. They may, therefore, lack the skills needed to set up or run their business.

4. Entrepreneurs with greater initial *financial resources* are more likely to succeed. Young people are in a disadvantaged position because not only will they have low personal savings, but they will also find it more difficult than adults to obtain external finance, including debt finance. Banks apply a set of parameters in the assessment of loan proposals, which include credit history, past business performance and collateral, which are all likely to be lower in youth-owned firms.

5. Young people likely have limited business *networks* and business-related social capital. This may have consequences for setting up and running their businesses and building 'legitimacy' amongst key stakeholders (e.g. financiers, customers, suppliers).

6. *Market barriers* also affect youth entrepreneurship. Financial markets may be biased away from supporting youth businesses. Youth-owned businesses may also face "discrimination" in product markets, with customers who can be sceptics about the reliability of their products or services. Similarly, due to limited resources, youth-owned firms are more likely to enter industries with low entry barriers where competition is fierce.

Financing young entrepreneurs in Canada

The SME Financing Data Initiative (SME FDI) in Canada gathers information on both the demand and supply side of the small business financing market in Canada to inform policy debate and help the market grow. During start-up, young entrepreneurs (aged 25–34) were most likely to use personal finances, commercial loans, lines of credit and personal credit cards, as were older entrepreneurs. However, young entrepreneurs were more likely to request debt financing (37% relative to 20% for older entrepreneurs) and lease financing (14% v 8%), and were slightly less likely to be approved for both types of financing (78% v 82% for debt financing, and 97% v 99% for lease financing). The most popular forms of debt financing used by young entrepreneurs were lines of credit and term loans, and they received substantially less than adults with these two products. Young people, on average, received lines of credit for CAD 28 000 (v CAD 112 000 for adults) and terms loans of CAD 82 000 (v CAD 129 000 for adults).

In response, the Canadian government has developed a number of financing programmes to help young entrepreneurs to access capital. One example is the Seed Capital ConneXion Program for Young Entrepreneurs, which has the goals of providing access to capital; access to business expertise, advice and training; and acting as a single access point for business information for young entrepreneurs. Between 1999 and 2003, the average loan amount was CAD 9 707 and associated training and administrative costs were CAD 2 098. Evaluation results show that each loan generated 1.9 jobs and helped every participant to access training. Keys in the success of the programme include: regular client follow-up; a mentoring system; flexibility in the lending terms; celebration of achievement of young entrepreneurs' goals; strategic partnerships with the business community and other agencies; and a strong, targeted training programme (Gardner, 2004).

More information on the SME Financing Data Initiative available online (http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/h_01987.html).

HOW DO THE CHALLENGES VARY ACROSS DIFFERENT GROUPS OF YOUNG PEOPLE?

The youth population is a heterogeneous one and there are some significant differences across groups in their potential for entrepreneurship and the barriers they face. Some groups that face particularly strong labour market challenges include: ethnic minorities, those living in deprived areas, those from low income families, and those with low education levels. Table 3 shows that the likelihood of someone starting, or seeking to start, a business increases by education level. For, example, 6.3% of those who had completed secondary school and worked part-time were active in entrepreneurship compared to 9.1% of those working part-time with graduate degrees.

The group that is often identified as facing the greatest barriers are those who are not in employment, education or training (NEET). The NEET population has grown between 2008 and 2010 (OECD, 2010a) and accounted for 12.8% of the youth population (aged 15–24) in the EU in 2010. It is a key target group for policymakers because of the danger of this group withdrawing from the labour force. While the barriers faced may be similar for NEETs as for other young people, their scale and consequences may be much greater. Certainly, Table 3 shows that total entrepreneurial activity (TEA) rates are lower for NEETs than for full-time and part-time workers, except for those with graduate degrees. NEETs are more likely to be disabled, have a migrant background, have a low level of education, live in remote areas, have low household income, and have parents who experienced unemployment (Eurofound, 2011). This points to a number of specific barriers that impact on NEETs to a greater extent than other youth, particularly concerning low levels of skill and capital. In turn, it raises the issue of whether policy should focus on those with the greatest chances of success or those with the greatest needs, and whether different benchmarks of success (e.g. cost per job created or positive employment outcome) should be adopted for these different groups. Certainly, not tackling the barriers affecting NEETs will have significant costs — Eurofound estimates that the NEET population in the EU-21 (excluding Denmark, Greece, France, Malta, Finland and Sweden) costs the European economy over EUR 100 billion each year in terms of foregone earnings and direct social transfers (Eurofound, 2011).

One might think that youth in ethnic minorities also face more barriers to entrepreneurship but the evidence is mixed as to whether this is actually true. Some ethnic groups (e.g., Chinese, Pakistani) are more likely to have higher self-employment rates than the 'native' population, but the rates of self-employment amongst second-generation immigrants are lower than those of first-generation immigrants (Clark and Drinkwater, 2007). In contrast, Dutch data indicates a reverse pattern (CBS, 2005).

All this suggests that care needs to be taken in assessing the particular barriers affecting different groups of young people. While there are some barriers and policy measures that are broadly the same for all groups, there can also be a need to vary the scales and natures of support for different youth target groups. In particular, a distinction can be made between disadvantaged youth – those who may be unemployed or inactive, live in a difficult environment or have major gaps in financial, human and network capital – and other young people who face less substantial obstacles but at the same time also represent an opportunity to increase entrepreneurship participation with appropriate policy intervention.

Table 3: Total entrepreneurial activity rates by employment status and education level (%), ages 18 to 30, EU-27 (*)

Employment Status	Education Level							
	Less than secondary school		Secondary school		Post secondary degree		Graduate degree	
	Mean	Standard Error of Mean	Mean	Standard Error of Mean	Mean	Standard Error of Mean	Mean	Standard Error of Mean
Working full or part time	4.2	0.32	5.9	0.24	6.3	0.27	7.9	0.62
Student	1.0	0.20	1.4	0.14	2.9	0.26	2.8	1.13
Not working, not in education and other**	2.1	0.29	3.8	0.33	4.9	0.46	13.2	1.99

Source: Global Entrepreneurship Monitor, special tabulations of the adult population survey 2009-2011
* EU-27 excludes Bulgaria, Estonia, Cyprus, Luxembourg and Malta because they are not covered by the GEM survey.
** Other includes temporary sick leave, maternity leave, career interruption, internships, freelance, wealth (no need to work), seasonal worker and temporary worker.

>> GIF >> Excel

WHAT SHOULD POLICY DO?

Entrepreneurship can play a role in supporting employment creation and attachment to the labour market and has done so over recent decades with various types of programmes. However, we know from years of experience that there are no quick fixes to ensure that all youth are integrated into the labour market. While some countries do a better job than others, all countries face pressures and challenges in helping their youth. Economic growth and job creation at the macroeconomic level are an essential part of the answer, but will not ensure the labour market attachment of youth.

Recognising that entrepreneurs face barriers, the European Commission developed and adopted the *Small Business Act* to help small businesses prosper and grow. The Act outlines 10 principles that guide the design and implementation of policies both at EU and national levels which can go a long way to helping start-ups for both young and adult entrepreneurs. Many local and national governments in EU Member States have already taken measures to improve the business environment for start-ups by simplifying administrative procedures and regulations, particularly regarding business start-up and registration. Measures such as these are a positive step forward and governments should continue efforts to reduce the administrative burden for all start-ups; however, more could be done. The priority areas for policy measures specifically directed at youth are now discussed.

Develop entrepreneurship skills

Goal

Entrepreneurship skills programmes aim to tackle the barrier of lack of entrepreneurial knowledge, skills and attitudes and lack of prior work and entrepreneurship experience. They equip young people with skills and competences such as opportunity recognition, business planning and running pilot businesses, including soft skills such as sense of initiative, creativity, autonomy and teamwork. These skills and competences will be beneficial for their own (future) business or for working as an employee, while also helping young people become more aware of self-employment as a career option.

Approach

Entrepreneurship skills programmes are often placed within the education system; with their aims varying across the different ages of students. In primary education, the goal is about increasing awareness of entrepreneurship as a career option and developing a set of knowledge, skills, and attitudes that are conducive to entrepreneurial behaviour. Often, this is done by inviting local entrepreneurs to visit the classroom to speak to students about running a business but other programmes take students to local businesses to spend the day watching and learning about the day-to-day operation of a small business (Policy Example 1).

In secondary school, entrepreneurship education should include more focus on the delivery of specific technical skills using mini-companies and activities entailing active learning and real-life situations (EC, 2005). For example, school students should learn about business planning and accessing start-up financing through the setting up of simulation or real business enterprises. This is even more so at university level where it is important for students to gain the basic skills for starting and operating a business, as well as learning about the value of networks. Traditional approaches at this level have been to create entrepreneurship schools at universities or to integrate entrepreneurship within traditional subject teaching. However, there has an increasing trend to adopt multidisciplinary approaches such as the University of Sheffield's 'Making It Happen' programme. This is a multidisciplinary module that teaches about enterprise, entrepreneurship and innovation through online classes, networking events and group-run start-up enterprises (http://enterprise.shef.ac.uk/opportunities/improve-your-skills/making-ideas-happen).

It is also important that policymakers re-examine the role of entrepreneurship training within vocational training, including examining the way that vocational schools interact with industry. Current entrepreneurship education in vocational training emphasises formal business plans and while this is important, the focus should be on business development and ensuring that students get real-world knowledge. Building the capacity to stimulate entrepreneurial behaviour in vocational programmes will require significant changes to how vocational programmes are delivered and two approaches could be piloted within the current system. The first requires a new, more radical approach that creates a separate school for owner-managers and entrepreneurship development that is affiliated with, but sits outside of, vocational schools. This would provide focused development of entrepreneurial skills that can be applied in tandem with the vocational skills that students have learned, or are learning simultaneously. Secondly, a more evolutionary approach could be taken that provides more opportunities for entrepreneurship in the curricula, creates new guides and training for teachers, develops new forms of assessment and accreditation and includes more effective engagement with entrepreneurs.

Entrepreneurship skills can also be developed outside of the education system. Governments can partner with community and business organisations to bring students out of schools and into business. These programmes typically provide students with a first-hand look at the day-to-day operation of small firms. Alternatively, entrepreneurship mentorship programmes such as the 'Erasmus for Young Entrepreneurs' programme help new entrepreneurs acquire the skills for running a small business through interaction with other entrepreneurs (the next section includes more information on mentoring).

Impact

Although there is not a large body of evidence that demonstrates that entrepreneurship education leads to business start-ups, a number of studies in Belgium, Denmark, Germany and the US show that students' interest in entrepreneurship increased after they were introduced to entrepreneurship in school (ILO, 2006; Lepoutre *et al.*, 2010) and young students in Denmark were also more likely to seek further training in entrepreneurship (Danish Foundation for Entrepreneurship, 2010). Furthermore, surveys conducted on one of the most popular entrepreneurship education programmes taking place in secondary schools, the mini-company programme promoted by Junior Achievement-Young Enterprise, show that 15–20 % of the participants of that programme will, at one point, start their own company. This figure is much higher for entrepreneurship education alumni than for the general population. Even the most conservative estimates show that participants in entrepreneurship education are at least 20 % more likely than other groups to engage in entrepreneurship in the early part of their career. However, there are also some contrasting results: students who participated in the Dutch Association Jong Ondernemen (part of the Junior Achievement programme) were more likely to form negative intentions towards entrepreneurship and have lower self-assessed enterprise skills (Oosterbeek *et al.*, 2010), which may simply highlight that entrepreneurship is not for everybody and that some students realised this during the programme.

At university level, there is evidence that some programmes are effective and could usefully be adopted more broadly. For example, French and UK engineering and science university students who had taken part in enterprise education had increased entrepreneurial intentions (Souitaris *et al.*, 2007) while for one programme in the US, entrepreneurship students were three times more likely to start a business than business students and their start-ups had more sales and employees (Charney *et al.*, 2000). Key elements of that programme included its adaptability and incorporation into mainstream education, new venture classes, links with the local business community, and consulting projects for undergraduate and graduate students (Charney *et al.*, 2000).

There is also some evidence of the effectiveness of entrepreneurship skills development programmes outside of the education system. For example, the 'Young Enterprise Company' and 'Young Achievement' programmes in Australia have increased the interest and skill level of students (Athayde, 2009; Peterman and Kennedy, 2003). In addition, mentoring programmes such as the 'Erasmus for Young Entrepreneurs' programme have developed entrepreneurship skills in young people and increased the chances of success of their start-ups (CSES, 2011).

Provide information, advice, coaching and mentoring

Goal

Young people looking to start businesses are in need of 'soft' support such as information, advice, coaching and mentoring to help them overcome their gaps in knowledge. This is particularly true for young entrepreneurs who not only lack self-employment experience, but also lack experience in the labour market. Supporting business during and after start-up with 'soft' support is important because it complements what students have learned about entrepreneurship in school and helps fill the gaps that have been left unaddressed by the school system.

Approach

A first approach to 'soft' support is to disseminate information. This may be delivered through the Internet, government service centres, and social networks of young people or by older mentors. Although important, governments should see the provision of information as only a first step that can be complemented with basic online training or advice. For example, the UK government launched the Growth and Improvement Service web portal in November 2011 (http://www.improve.businesslink.gov.uk). This website provides a wealth of information and advice on starting a small business, including information on available financial support and other support programmes. It also includes advice on various elements of running a business and a business tool finder to help entrepreneurs find tools that are tailored to their specific needs.

Advice and counselling is another method of encouraging entrepreneurship among young people (Policy examples 2 and 3). For example, the Chamber of Industry and Commerce Potsdam operates a specific service office for business takeovers. The office provides consulting and brokering services to ensure successful business takeovers and secure jobs. The programme *Nachfolge-Navigator* (Takeover Navigator) also supports those transferring their businesses, and the young entrepreneurs taking them over, to make use of consulting and training measures with funding for up to 70% of the related costs. Such programmes typically offer some basic training that provide general business skills, but some also provide specialised training and can be combined with financial support. Coaching and mentoring can also be valuable tools which can deliver skills to young people, helping them overcome their lack of experience. An example is the European Commission's 'Erasmus for Young Entrepreneurs' programme, which provides on-the-job training and mentorship to young entrepreneurs through an exchange programme where young entrepreneurs who are starting or running new businesses can travel abroad for up to six months to learn from a more experienced entrepreneur. The programme not only provides a hands-on learning experience, but also improves the young entrepreneurs' business network.

Impact

It is difficult to quantify the impact of 'soft' support programmes for young entrepreneurs because there are very few rigorous programme evaluations that provide evidence on whether they work or not. Moreover, many 'soft' support programmes only accept the most qualified applicants leading to selection bias issues for evaluation or deliver a suite of measures so it can be difficult to isolate the impact of the individual measures. However, there is evidence from the Shell 'liveWIRE' programme that shows that mentoring increases the likelihood that young people enter self-employment, but the services did not have a major impact on those already in self-employment (Greene and Storey, 2004).

Policy example 1: Think Big

Programme name: Think Big

Country: United Kingdom (but also Germany, Ireland and Slovakia, and will start in the Czech Republic and Spain in 2012)

Target group: Youth aged 13–25, with a target of at least 50% of participants having low education levels, disabilities or belonging to a minority ethnic group

Policy instrument: Training and grants — participants in Level I projects (Think Big) receive online training and a grant of GBP 300; participants in Level II projects (Think Bigger) attend a three-day training seminar and receive a grant of GBP 2 500

Entry/selection requirements: Applications can be made by either individuals or groups: all applications must be supported by two people over 18 (non-family members) who act as personal references and are in a position to help with the project, if needed.

Projects must:

- not be part of paid employment;
- not aim to convert people to a political or religious organisation;
- not be an application for funds alone;
- not be to fund someone's training or purchase equipment if there isn't some tangible benefit to others.

In addition, Level I projects must:

- be realistic for GBP 300, or be a small, clearly defined project within a bigger idea;
- be underway within three months and completed within six;
- have a beginning, middle and end.

And Level II projects must:

- be realistic for GBP 2 500, or be a clearly defined project within a bigger and longer-term idea;
- be underway within three months and completed within one year;
- have a much greater impact upon, and interaction with, the community beyond the Level 1 project completed;
- be more multidimensional, introducing new or different elements to the Level 1 project.

Participants must complete a successful Level I project before applying for a Level II project.

Programme duration: Level I projects, up to six months; Level II projects, up to one year

Programme description: Think Big was established in 2009 by Telefónica to engage and inspire young people to launch community projects that make a positive impact on themselves and their communities. The programme sets out to engage with adults, through campaigns, to think differently about the positive role young people can and do play in their communities. Youth benefit by gaining experience and acquiring new skills such as leadership skills.

The UK programme currently has two levels.

- Level I grants are awarded to young people with good ideas about how to make a contribution to their community; they receive GBP 300 and other incentives to carry out their project together with information, training and support.
- Level II projects are awarded GBP 2 500 and are larger in terms of scope, reach and ambition. Young people receive support from Telefónica employees and in-depth training.
- There are plans to develop a third level for larger project and to develop social enterprises.
- There are also plans to develop opportunities for business incubation for those young people with strong enterprise ideas, particularly in the digital field, based on existing programmes operated by Telefónica in South America.

To date, the UK programme has had 29 890 participants.

Who delivers the programme: The programme is delivered and supported by four groups of people.

- *Think Big partner organisations* — there are 52 national and regional partner organisations which help to recruit and support young people doing projects.
- *Big Thinkers* are employee volunteers who provide support for Think Big.
- *Community stakeholders* — individuals (family, friends, community champions) and organisations (such as non-partner youth organisations, faith groups, schools and colleges) who encourage young people to apply and give support to the projects.
- *Think Big alumni* are successful participants in the programme who give their time to support others who join it and promote its successes more widely.

Who funds the programme: In the United Kingdom, formal and informal support is provided in the programme by a range of individuals and organisations including contributions from Telefónica and three charities — the National Youth Agency, Conservation Foundation and UK Youth.

Impact/evaluation results: Since the programme is new, no robust evaluations have been conducted. However, surveys of participants suggest that participants improved many skills, including leadership, communication and decision-making.

Policy example 2: Project GATE (Growing America Through Entrepreneurship) (United States)

Location: Pennsylvania, Maine and Minnesota

Target group: First-time young entrepreneurs aged over 18

Intervention type: Training and counselling for individuals interested in self-employment

Entry requirements: Entry into the programme was granted to anyone who was over 18, a resident in the state offering the programme and legally allowed to work in the US

Description: The US Department of Labor and the Small Business Administration sponsored Project GATE which offered free training and counseling services to individuals interested in self-employment. The programme ran 2003–05 and intake for Project GATE had three steps: applicants had to register at a career centre, online, by mail or by telephone; attend an orientation session; and submit an application package.

Project GATE offered three basic services.

- *Assessment*: Participants were invited to meet with a counsellor to determine the participant's service needs and the provider that would best meet those needs.
- *Training*: Project GATE offered a wide variety of training courses, including general business courses; specific courses on such topics as how to deal with legal and personnel issues; and specialised training courses.
- *Business counselling*: Participants were given the opportunity to meet with business counselors for one-on-one assistance with their business, business idea, and/or applications for a business loan.

In order to receive training or business counseling, participants were required to have an initial needs assessment. However, Project GATE emphasised customer choice: individual participants were not required to use all of these services.

Partners: Project GATE was sponsored by the US Department of Labor and the Small Business Administration and was run by IMPAQ International, in conjunction with the Departments of Labor of Pennsylvania, Maine and Minnesota.

Results achieved: The results suggested that unemployed participants were more likely to exit unemployment through becoming self-employed, although the success rate was lower for young people (under 25) than adults (Benus and Michaelides, 2011).

Policy example 3: Prince's Scottish Youth Business Trust

Programme name: Prince's Scottish Youth Business Trust (PSYBT)

Country: Scotland, United Kingdom

Target Group: The PSYBT's target market is young people who are unemployed and facing significant other disadvantages.

The PSYBT aims to take a balanced financial risk in supporting aspiring young business owners, reaching underserved young entrepreneurs. Most of the entrepreneurs need intensive support, and the coaching, training and mentoring provided is designed to complement each award of funding approved.

Policy Instrument: The PSYBT provides:

- access to seed finance and early stage growth finance for young people starting and growing their own business;
- a transitional path for early stage micro-businesses, with a combination of financial products and wrap-around support designed to enable them to evolve to a stage where they are more able to access mainstream/other business finance;
- a pillar in a bridge for the excluded and long-term unemployed to help them back into the economy through viable self-employment;
- investment in local communities by facilitating the significant in-kind contribution of local business people and supporting the development of local socially motivated businesses.

Entry/selection requirements: Young people aged 18–25 years in Scotland who can demonstrate that they have the drive and determination to start and continue in business. The PSYBT is a lender of last resort and will only provide access to finance when other potential sources have been explored.

Programme length: The PSYBT model of support stretches from pre-start advice and training through to post-start mentoring which can last for up to two years.

Programme description: The PSYBT model, combining micro-credit with a range of focused business development services, is a unique public-private sector partnership backed by the significant contribution of over 750 volunteers from local business communities. The support combines appropriate micro-loans with a range of business support services including training, coaching and ongoing mentoring. The PSYBT is a member of the Prince's Youth Business International (YBI), a global network of independent non-profit initiatives helping young people to start and grow their own business and create employment, currently active in 34 countries in all regions. The YBI develops and shares global good practice, systems and evidence.

Who delivers the programme: The PSYBT has a network of 18 regional managers covering the full geographic area of Scotland. Each regional manager ensures that every young person who approaches the PSYBT can access the support they need to plan and test the viability of their business idea. The PSYBT regional manager also coordinates their own pool of volunteers who sit on application assessment committees and provide ongoing mentoring to supported clients.

Who funds the programme: The PSYBT brings together a mixture of public and private sector supporters, individual volunteers and partnerships with local economic development bodies. Thirty per cent of the funding comes from Scottish Government, 14% from European Structural Funds, 45% from private sector donations and 11% from earned income.

Results achieved: Despite the high risk of the unemployed youth market that the PSYBT serves, a 2007 evaluation study by DTZ commissioned by Scottish Enterprise identified a net economic benefit of over GBP 22 million in additional turnover and some 500 jobs. In 2010, a second evaluation financed by the EU and undertaken by micro-finance rating specialists Planet Rating assessed the programme over a range of domains including governance, information, risk management, activities, financial inclusion, funding and liquidity, efficiency and profitability and social change. The rating committee assigned the PSYBT an overall assessment grade of 'Good'.

Provide financial support

Goal

The lack of initial capital and difficulty in obtaining finance from private lenders is often identified as the most significant barrier to business start-up for entrepreneurs, and one that is especially severe for youth (EC, 2009b). Approximately half of start-up businesses require access to external capital, over and above that which can be obtained by following the paths of least resistance — the entrepreneur's own savings if any, and then the oft-quoted triad of 'family, friends and fools.' In some types of business, this capital is required for investment in plant and equipment, such as vehicles and computers, or to renovate premises. In other cases, it is needed to buy stock and cover cash flow. Attracting equity capital is next to impossible for a small start-up. As regards loans, young entrepreneurs from disadvantaged backgrounds often find it difficult to borrow from banks, as they can offer neither collateral nor a track record of successful repayments. In response, governments have developed various finance programmes designed to support young entrepreneurs.

Approach

One commonly used policy tool is to support young entrepreneurs by covering their living expenses for a period of time. The details of these approaches vary. Some countries, such as France, have programmes that provide monthly allowances of up to EUR 450 to help young people start their business, while other countries provide more support. Greece had a more generous approach that paid up to EUR 29 000 per year to support innovative businesses. Another example, the 'Thurigian Elevator Pitch' project in Germany took place for the eighth time in June 2011. The objective of this event is to bring together young entrepreneurs and business angels: each event has resulted in a number of new cooperative relationships and deals. Twenty business start-ups and young companies present their business ideas each within three minutes, with 'pitchers' given the chance to take part in presentation training before the event.

Alternatively, some government programmes provide investment and working capital financing to young entrepreneurs to help them launch their start-ups. One option is to provide grants. These typically have very strong selection criteria to determine who is eligible for support. Many grants are awarded through a competition, where applicants are judged on their business plans. An example is the 'DEFi jeunes' programme in France (Policy example 4). A second example is the EXIST Business Start-up Grant in Germany, which supports university graduates and students to develop their business ideas into business plans and advance into products and services. To cover their living expenses, the entrepreneurs receive a grant of EUR 800–2 500 per month for a maximum of 12 months. In addition, they may receive materials and equipment grants (worth EUR 10 000 for solo starts and EUR 17 000 for team starts), funding for coaching (EUR 5 000) and, if necessary, child benefit of EUR 100 per month and child. Their university can also offer them access to infrastructure.

A further option is to provide micro-financing, which requires the young entrepreneurs to repay the loan at a lower than market value interest rate. There are relatively few micro-finance schemes that target youth specifically, but one example is 'The plan for self-employment' in Belgium that provides low interest loans for young people under the age of 30. A third option is to deliver micro-financing through financial institutions by providing loan guarantees. In these schemes, the government assumes some risk on behalf of the financial institution by covering a significant portion of defaulted loans.

More recently, governments have begun to explore other non-traditional start-up financing programmes and have conducted research on business angels and various forms of risk capital that expand the range of financial options available to young entrepreneurs and tap more strongly into private sources of finance.

Impact

Broadly speaking, there is a limited body of evidence on the impact of these programmes and results are often mixed. There is evidence from Estonia that grants (not targeted specifically at youth) have helped increase the survival rates of start-ups (EC, 2010b). In addition, the Prince's Trust and the Enterprise Allowance Scheme in the United Kingdom have both been evaluated several times and both have improved survival rates and sales growth but had only a modest impact on job creation (Meager and Bates, 2003). There are also a small but growing number of studies that illustrate positive results for entrepreneurship programmes targeted at unemployed people in general, including significant numbers of unemployed young people. In Germany, evaluations of the 'Bridging Allowance' and 'Start-Up Subsidy' programmes found that participants are better integrated into the labour market and have higher earnings (Policy example 5), while an evaluation of the 'Enterprise Allowance' programme in New

Zealand found that participants who were funded were less likely to return to unemployment (Perry, 2006). Another success story is from Sweden where it was found that self-employment grants were more likely than wage subsidies to move people out of unemployment in the long-term (EC, 2010b).

There are two further lessons from the evaluation evidence. Firstly, using selection criteria and targeting participants who are most likely to succeed will increase success in terms of business start-up, growth and survival rates, although addressing the barriers of the most disadvantaged youth is a harder challenge that may call for different benchmarks. Secondly, financing programmes work better when they are complemented by other start-up support, including advice, coaching and mentoring.

Policy example 4: DEFi jeunes (France)

Target group: 18–30 year-olds

Country: Delivered regionally in France

Intervention type: Micro-finance, training and counselling

Objectives: To support youth initiatives with the following four complementary objectives:

- develop young people's autonomy, individual and collective responsibilities, and involvement in society;
- encourage young people to use their talents and their capacity for action and creation;
- contribute to young people's social and professional development, and integration into the labour market through experience;
- promote a positive image of youth in society.

Entry requirements: Applications are judged by regional juries, based on business plans and the viability of the project. The programme is delivered regionally through the Regional Directorate for Youth, Sports and Social Cohesion, so selection criteria and implementation requirements vary by region.

Programme length: Two years

Description: Applications are made to a regional jury and must include a description of the project and approach, a business plan, a budget and financial plan, and an expert verification of the viability of the project. Financial plans must include an estimate of the break-even point and cash flow for the first year. Applicants present their project in person to the jury who select the projects to be supported; projects can be supported with up to EUR 6000. On receiving an award, participants can also access a range of support services, including advice, counselling and training. Participants must report on their projects within two years.

Partners: The project relies on a partnership between the national and regional governments, with the administration of the programme organised by regional governments. There is also a national competition to select the best projects coming up from the regions, providing high profile publicity for the national winners. The programme is funded through a combination of national funding and private sector sponsors.

Results achieved: In 2010, over 6000 young people undertaking more than 3500 projects were supported. Previous evaluations found that the programme reached people at all education levels and that approximately one third of participants were unemployed. The programme's training and counselling activities had lasting effects; although many clients did not form their own businesses immediately, approximately 35% did in later years.

More information available online (http://www.enviedagir.jeunes.gouv.fr/accueil.html).

Policy example 5: 'Bridging allowance' (Überbrückungsgeld) and 'Start-up subsidy' programmes (Ich-AG) (Germany)

Bridging allowance

Target group: Unemployed individuals aged less than 65

Intervention type: Financial support

Entry requirements: Must be unemployed for at least four weeks and submit a business plan for approval, typically by the regional chamber of commerce.

Programme length: Six months

Description: The goal of the programme was to cover the living costs of participants. Following approval of a business plan, participants receive unemployment benefits for six months, plus an additional lump sum of 68.5% of their benefits to cover social security contributions.

Start-up subsidy

Target group: Unemployed individuals aged less than 65

Intervention type: Financial support

Entry requirements: A business plan was submitted for approval: support was only granted if income did not exceed EUR 25 000

Programme length: Annual, but claims could be renewed for up to three years.

Description: Following approval of a business plan, programme participants received a monthly allowance of EUR 600 in the first year. In the second and third years respectively, participants received EUR 360 and EUR 240 per month. Payments were stopped once the individual had earned EUR 25 000 in one year. Participants were required to pay into the legal pension insurance fund and could claim a reduced rate for national health insurance.

Results achieved: Robust evaluations point to positive results (Baumgartner and Caliendo, 2008; Caliendo and Kunn, 2011): participants were less likely to be subsequently registered as unemployed; more likely to be integrated into the labour market (self-employed or employed); and more likely to earn more compared to non-participants in the programmes. Caliendo and Kunn (2011) also showed that the less well educated benefited from the programmes whilst younger people (aged less than 30) derived greater benefits from the bridging allowance than the start-up subsidy.

New subsidy programme: From August 2006, both of these subsidies were replaced by a single new subsidy programme called *Gründungszuschuss*. This start-up subsidy consists of unemployment benefits and a lump sum payment of EUR 300 per month for social contributions, paid for nine months. Afterwards, the lump sum payment of EUR 300 may be extended for an additional six months if the business is the full-time activity of the applicant (Caliendo and Kritikos, 2009).

Develop infrastructure for entrepreneurship

Goal

Governments can also support young entrepreneurs by securing a supportive infrastructure that can help overcome barriers associated with lack of networks, skills, finance for premises and access to associated start-up support. Important measures in this category include supporting young entrepreneur networks and business incubators.

Approach

Youth business networks and associations are important for young entrepreneurs because they provide mutual learning opportunities, business contacts and collective opportunities to represent youth interests to government and industry (Chigunta, 2002). For example, the Estonian business competition *Ajujaht*, co-financed by the European Social Fund, has launched business clubs for young people to help them develop business ideas and to give them opportunities to grow their networks and meet investors. On an international scale, the Junior Chamber International has a membership of more than 200 000 young people between the ages of 18 and 40 in more than 100 countries. Every year, it hosts local, regional, national and international conferences to bring young people together to network and share experiences. It also provides training and recognises the achievements of members with an awards ceremony.

Another policy tool that has frequently shown success is the business incubator. In addition to start-up financing, business incubators provide a physical work location where start-up entrepreneurs group together and, in most cases, also supply complementary support including coaching, mentoring, advice and access to an experienced network of experts. Often programmes focus on ensuring that young people have good access to an incubator serving entrepreneurs in general, although many universities have youth-specific incubators for their students and graduates. An example of linking students into existing facilities is the Technological Gruenderzentrum

(TGZ; Technology Centre and Business Incubator) in the city of Brandenburg, currently housing 45 companies and organisations, where business start-ups can make use of a 'start-up package' that includes services such as tax consulting, advertising and banking services and office equipment. Students of the nearby Brandenburg University of Applied Sciences are assisted with access through the *Studentenim TGZ* (Students in TGZ) programme, which exempts them from paying rent in the incubator for 6–12 months. The students are selected for this support through a business plan competition.

Impact

Policy example 6 illustrates the success that policymakers can have in improving start-up outcomes by improving the entrepreneurship support infrastructure. It is, nonetheless, important to bear in mind that results of business incubation programmes are commonly affected by a selection process through which the projects with the best chances of growth and survival are selected for support and, therefore, require matched sample approaches to highlight the additional impact of the programmes. There are relatively few examples of this type of evaluation of incubator programmes for young people. Impact evaluation of the youth networking initiatives is also relatively rare, although their costs tend to be lower than other programmes approaches, suggesting that they may be quite efficient tools if they achieve impacts.

Policy example 6: .garage Hamburg (Germany)

Target group: Unemployed youth

Intervention type: Start-up development centre, business incubator and micro-finance

Entry requirements: Applicants must be aged less than 35 and be unemployed

Programme length: Up to six months

Description: The programme provides work space for up to 45 young entrepreneurs at a time. Entrepreneurs apply with a business plan and are eligible to receive up to EUR 5 000 in start-up capital. Projects are supported in creative and professional programmes such as music, literature, art, film, design, broadcasting company/television, showing arts, architecture, press, advertisement and software/games.

Applicants first visit a start-up assessment centre where they discuss their business plan. Start-up capital of EUR 500–3 000 is available at a low interest rate and loans are awarded based on the business plan and the individual's dependability and potential. A key component of the garage is that young entrepreneurs are supported by professional experts. They provide advice, deliver weekly seminars on finance, distribution and time management; training sessions on special topics; and help build networks. A coaching service is also available at a cost of EUR 10/hour for up to 12 weeks of on-the-job coaching in areas such as:

- advertisement and distribution
- growth financing
- accounting
- organisation and time management.

Partners: The business incubator is well connected with the business community through its network of professionals that deliver training, seminars and coaching. .garage hamburg is also able to take advantage of its network of other 'garage' incubators in Kiel, Cottbus, Hoyerswerda, Berlin, Dortmund and Essen to share expertise and best practices.

Results achieved: Between January 2000 and March 2002, 625 out of 2 393 applicants were provided a full assessment and 378 were accepted and provided the opportunity to implement their business idea in the incubator. Nearly 90 % of participants completed their projects and 83 % of these continued in self-employment, while 8 % were in employment, 2 % were in apprenticeships and only 7 % were unemployed (Gemeinschaftsinitive, 2004).

More information available online (http://wasistgarage.de/hamburg_home).

CONCLUSIONS

There is evidence that young people are enthusiastic about starting businesses. However, it is also clear that few young people actually start businesses relative to those who express an interest and that their failure rates exceed those in older population groups. This reflects a number of barriers affecting youth entrepreneurship in areas including skills, networks and financing; barriers that are often particular to youth or more severe for youth than for adults. In a period when Europe faces an economic crisis that has increased levels of youth unemployment and reduced youth participation in the labour market beyond the already harsh long run trends, public policies and programmes for entrepreneurship can play a role in addressing the challenges. Youth entrepreneurship is not a panacea for solving the youth unemployment problem but it does have a role to play in facilitating a route into the labour market for a limited group of young people with the ambition and wherewithal to become entrepreneurs. The evidence suggests that when designed appropriately, government programmes can have significant impacts on increasing the exit rate of young people from unemployment with reasonable results on value for public money. The youth entrepreneurship policy landscape in Europe and other countries still needs to evolve in its coverage and comprehensiveness and the quality of the approaches used. This policy brief highlights the importance of supporting entrepreneurship skills by embedding entrepreneurship teaching throughout the education system, providing information, advice, coaching and mentoring, facilitating access to financing and offering support infrastructure for business start-up.

In developing programmes in these areas, a smart scaling up process is needed, which places a premium on learning from past experience. The evidence to date suggests that when designing and delivering youth entrepreneurship programmes, policymakers should pay particular attention to three considerations. Firstly, there is some evidence to suggest that the best approach to youth entrepreneurship policy is to be selective. Several of the most successful programmes measured in terms of business growth and survival have operated strong selection criteria that ensure that support goes to those young people with the best projects and initial human capital resources. If not, there is a danger that young people will be led into business failure, although it should be recognised that one of the benefits of youth entrepreneurship initiatives is an increase in employability rather than business start-up per se, and achieving this outcome may be worth a higher investment for more difficult groups. Secondly, if policy is seeking business success, it should also favour more intense support per entrepreneur over approaches that spread support thinly. In particular, financing should be sufficient to allow young people to start businesses outside the low entry barrier but high competition sectors towards which youth entrepreneurship is currently skewed, and this finance should be associated with more intensive business development support for these enterprises. Thirdly, it is important to provide integrated packages of support rather than relying on a single narrowly defined support instrument. For example, entrepreneurship teaching supports the development of more entrepreneurial intentions and competences, but may need to be followed up with start-up support to turn these intentions and competences into business ventures, while the effectiveness of supplying finance will be enhanced when it is complemented by advice, coaching and networking.

Finally, effort is needed to improve the evidence base on the impact of policy on youth labour market insertion, involving more robust evaluations based on clear targets and objectives for the programmes.

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The OECD and European Commission have produced a new policy brief on youth entrepreneurship. It covers the scale of self-employment and entrepreneurship activities undertaken by young people, including by gender, education level, industry sector, country and sub-national geographic areas, as well as the drivers for and barriers to youth entrepreneurship and self-employment. The policy brief also presents policy lessons from evidence on entrepreneurship activities and policy experience.

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