Youth Entrepreneurship: Latent Entrepreneurship, Market Failure and Enterprise Support

Francis. J. Greene

Working Paper No. 87 - June 2005

Address for correspondence:
Centre for Small and Medium-Sized Enterprises,
University of Warwick
Coventry
CV4 7AL
Tel: (024) 765 22074
Warwick Business School’s Small and Medium Sized Enterprise Centre Working Papers are produced in order to make available to a wider public, research results obtained by its research staff. The Director of the CSME, Professor David Storey, is the Editor of the Series. Any enquiries concerning the research undertaken within the Centre, should be addressed to: The Director, CSME, Warwick Business School, University of Warwick, Coventry CV4 7AL, Tel. 024 76 522074, e-mail david.storey@wbs.ac.uk

ISSN 0964-9328 – CSME WORKING PAPERS

Details of papers in this series may be requested from the Publications Secretary, CSME, Warwick Business School, University of Warwick, Coventry CV4 7AL e-mail sharon.west@wbs.ac.uk Tel. 024 76 523692
Youth Entrepreneurship: Latent Entrepreneurship, Market Failure and Enterprise Support

Introduction

For the last twenty-five years, public policy makers have sought to increase the entrepreneurial capacity of young people. Initially, this was a response to the endemic youth unemployment of the early 1980s (Greene, 2002), but more latterly there has been a concern to bridge the gap between the world of work and education (Straw and Blair, 1991). Hence, in the UK, there have been a variety of schemes (e.g. School ‘Compacts’, the Technical and Vocational Educational Initiative and Education Business Partnerships) that sought in the 1980s and 1990s to prepare students for work. There have also been schemes, run by voluntary providers such as Young Enterprise, or by the UK government (e.g. Mini Enterprise in Schools Project, Enterprise Awareness in Teacher Education, Education and Enterprise Initiative) that were designed to improve the entrepreneurial awareness of teenagers. The latest iteration of this process is the Davies report (2002) which advocated the compulsory introduction of five days of entrepreneurial learning for secondary level students at a cost of £60 million by 2005/06 (HM Treasury, 2002).

At the post secondary level, there has been a long term concern about the supply of young graduate entrepreneurs (Gibb et al, 1984; Scott and Twomey, 1988). Since the 1980s, then, there have been a number of university based schemes (e.g. Graduate Enterprise Programme, Enterprise in Higher Education and the Science Enterprise Challenge).

There is also a plethora of enterprise schemes designed to specifically help young people to start and run their own businesses. Perhaps the best known examples of such schemes are the Prince’s Trust, Shell Livewire, the New Deal for Young People (UK), Law 44 (Italy), Youth Business Initiative (Australia) and Atlantic Canada. In fact, it is estimated that there are at least 68 major initiatives specifically targeted at young people in Europe (European Commission, 2003).

What all of these schemes are designed to do is to increase the entrepreneurial capacity of young people and increase their take up of such options. This discussion paper considers the likely basis for such support. It considers young people to be aged 18-24 because much of the available information is about this age group rather than specific groups within it (e.g. graduates). The empirical international evidence suggests that young people find their entry into the labour market complex and protracted. It is also clear, again based on UK, EU and US data, that there are high levels of latent entrepreneurship amongst young people. Available evidence suggests that these high levels of latent entrepreneurship are not translated into concomitant levels of young people setting up and running their own business.

The second part of this briefing, therefore, provides empirical evidence to suggest that market failures prevent increased awareness of entrepreneurship and the take up of the entrepreneurial option by young people. Such evidence is often taken as a justification for interventions to promote entrepreneurship or support entrepreneurship
amongst younger people. What, however, is suggested in the third part of the briefing, is that care must be taken in evaluating any support (Storey, 2003). Existing general studies of self-employment take-up (e.g. Blanchflower and Meyer, 1994; Tackey, 1999; and Williams, 2004) already show that only certain groups of young people are likely to take up the entrepreneurial option (e.g. whites, males, older individuals). What is also clear from the third part of this discussion paper is that there is limited evidence for the utility of particular enterprise support schemes.

**Section 1: The Basis for Public Support**

There are two reasons for supporting entrepreneurship by young people. One is that markets work inefficiently. Because there is insufficient competition, consumers are ill-informed, there is some divergence between social returns and private returns or there is an unwillingness for payment to reflect demand, market failures are likely to result. This manifests itself in terms of information asymmetries or finance gaps (Storey, 2003). The second reason for supporting youth enterprise is that public policy makers desire a social outcome that the market may have failed to supply. For example, business are interested increased profits for themselves (private returns) whilst policy-makers are more interested in increased employment (social returns). These two factors may be linked but an impetus behind public support is to encourage individuals and firms to meet social goals.

This urge to meet social goals is particularly important in relation to young people. Schemes such as the Prince’s Trust were, for example, specifically set up in response to the riots of the early 1980s. These riots were, themselves, blamed upon the fact that youth unemployment was high (Morton, 1988). This problem persists today. In the UK, for instance, the unemployment rate (October-December, 2004) for young people (18-24 year olds) stood at 10.9%. In contrast, the rate for older individuals (25-49 year olds) was 3.4% for the same period (Source: Labour Force Survey, 2005). Much the same pattern is also evident internationally. In the EU-15, for instance, youth unemployment runs at nearly three times the rate of older people (31.2% as opposed to 11.9%). The situation is much the same in Japan and the US where youth unemployment rates are more than double that of older people (11.8% and 4.4% (US); 9.5% and 4.2% (Japan)) (Source: European Commission, 2005).

It is also clear that young people’s transitions into the labour market are becoming more complex and protracted. Statistics Canada (1998) suggest that in 1988, the transition from secondary schooling to full-time work took six years. By 1998 this transition took eight years. White (1999), using Australian evidence, has also indicated that much of the work undertaken by young people is in terms of part-time employment which traditionally has been of poorer quality than full-time employment. Grant and Dupuy (1999) further argue that young people are ‘last hired, first fired’.

Perhaps unsurprisingly, young people have increasingly sought to delay their transition into work by undergoing longer spells of education. DfES (2004) statistics, for example, show that nearly three-quarters of young people now enter tertiary level education. The same data also shows that just over ½ million higher education qualifications were awarded in 2002/2003 with the bulk of these, some 273,000 being
first degrees\textsuperscript{1}. The issue, however, is that there is evidence to suggest that not all of these graduates will necessarily find employment in ‘graduate’ employment. For example, AGR estimate that there were 13,026 graduate vacancies for 2004 (Source: AGR, Winter, 2004). Final year graduates are also pessimistic: only 35% of finalists believed they would either start a graduate job or be looking for a graduate job after leaving university (Source: High Fliers Research, 2004).

Blanchflower and Oswald (1998), therefore, suggest that there are five impetuses behind supporting youth entrepreneurship: 1) it promotes innovation; 2) it creates jobs; 3) it increases competition in the market place; 4) young entrepreneurs are responsive to new opportunities and trends; 5) with entrepreneurship goes increased self-reliance and well-being.

Happily, such outcomes are in line with young people’s perceptions of the appeal of owning and running their own business. Figure 1 shows, for instance, that although young people (18-24) in the UK perceive slighter fewer opportunities for the starting up a business in the following six months, they are more likely to expect to set up a business in the next three years.

*Figure 1: UK GEM 2003: UK adults (18-64) Propensities towards Entrepreneurship*

![Figure 1: UK GEM 2003: UK adults (18-64) Propensities towards Entrepreneurship](source:image)

Source: GEM 2003/Author’s own calculations

Similarly, further GEM evidence (Figure 2) indicates that young people are more likely to believe that entrepreneurship represents a good career choice and that it brings status. Such evidence is also supported by a range of other studies (Cannon et al., 1988; Rosa and McAlpine, 1991; Rosa, 1994; Blanchflower and Oswald, 1998; the Davies Report, 2002). Interestingly, however, Figure 2 also shows that younger people are less likely to believe that there is enough media coverage of new businesses.

\[1\] The other sorts of qualifications were: 94,400 sub-degree qualifications, 11,800 PhD or equivalents and 131,900 Masters/other postgraduate level.
Finally, international survey evidence, this time from the Eurobarometer survey of EU and US adults also suggests that a majority of young people in the UK have a preference towards self-employment. Figure 3 shows also shows that the EU average is also above 50% of young people, although this varies from just over 30% in Finland to circa 80% in Portugal.

Source: Eurobarometer 2002/Author’s own calculations
These high preferences may be anticipated in such countries as Italy, Spain and Portugal as these have traditionally had high rates of self-employment. It is also perhaps unsurprising that the US, with a rate above 70%, is higher than the UK given that its strength of its entrepreneurial culture. These countries aside, it would appear that young people in the UK and Ireland are the most positive in the rest of the EU about self-employment opportunities.

Such empirical findings suggest that latent entrepreneurship rates amongst young people, at least for the UK, are high. Similar empirical evidence, however, indicates that the actual up-take of self-employment by younger people is low. Greene (2002), for example, indicated that Labour Force Survey (LFS) rates of self-employment for males were lower in 2001 than they were in 1983. Similarly, female self-employment rates had flattened rather than increased markedly over the 1990s. GEM data also tells much the same story with older people (35-55 year olds) being three times more likely to own and run a business as younger people (18-24 year olds). Further evidence is also evident from Barclays Bank data. Figure 4 shows the percentage breakdown of start-ups, by age, between 1995 and 2003. It is evident from Figure 4 that youth entrepreneurship rates never break the 10% barrier. In other words, out of approximately 463,000 new starts in 2003, some 31,000 of these were by young people.

*Figure 4: Percentage of Start-Ups by Age Groups (16-24, 24-44 and 45+), 1995-2003*

![Figure 4: Percentage of Start-Ups by Age Groups (16-24, 24-44 and 45+), 1995-2003](image)

Source: Barclays Bank SME team, 2004

International evidence confirms that young people are less likely to be self-employed. EU LFS data (Figure 5) indicates that across the EU the actual take-up of self-employment is tiny when compared to older individuals. Further evidence, this time from GEM (Figure 6) suggests that the TEA rate for young people in the UK is about 2% whilst it is much higher amongst major competitors such as Germany and the US.
What this section has established is that there are potentially good reasons for supporting entrepreneurship by young people. Young people’s transactions into their subsequent careers have become more protracted and complex and the outcomes of this process are not necessarily in ways that they would see as advantageous. This promotes inadequate social outcomes. The section has also shown, however, that
young people have an appetite for entrepreneurship. The take-up of this employment route, as evident from the range of empirical evidence presented, is, however, extremely modest.

**Section Two: Empirical Evidence of Market Failures**

Theoretically, the difference between expectation and reality may be due to the presence of market failures. In terms of information asymmetries, Storey (2003) suggests that there are three reasons why market failures arise:

- Imperfection 1: the benefits to individuals of self-employment may be unknown to them;
- Imperfection 2: the benefits to small business owners of expert advice from outside the firm may be unknown to them; and
- Imperfection 3: financial institutions are unable to assess the risks and rewards of lending to small firms.

There are obvious difficulties in providing information on the existence or otherwise of such market failures. For instance, if you ask someone who is ignorant about their potential for entrepreneurship, then it is likely that one indirect product of the question is that the individual’s awareness of their entrepreneurial potential increases. There is, however, international evidence that suggests market failures do exist. One such proxy is apparent from Table 1. Table 1 shows for young people in the EU and US (it is not possible to disaggregate this into particular countries as the sample sizes are too small), that nearly two-thirds of young people are ignorant of the entrepreneurial option. Table 1 also indicates, in line with the earlier evidence, that about a quarter of them are thinking about such an option. This is higher than all other age groups but it is also true that this group are the least likely to be running a business (started/taken over a business).

### Table 1: Propensities towards Entrepreneurship

<table>
<thead>
<tr>
<th>Age Range</th>
<th>15-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never came to his/her mind</td>
<td>62.4</td>
<td>51.5</td>
<td>50.2</td>
<td>54.4</td>
<td>60.6</td>
<td>67.8</td>
<td>57.2</td>
</tr>
<tr>
<td>Is thinking about it</td>
<td>23.4</td>
<td>18.9</td>
<td>11.1</td>
<td>8.9</td>
<td>4.0</td>
<td>1.6</td>
<td>11.2</td>
</tr>
<tr>
<td>Gave up</td>
<td>4.8</td>
<td>11.3</td>
<td>11.2</td>
<td>9.5</td>
<td>8.0</td>
<td>5.0</td>
<td>8.6</td>
</tr>
<tr>
<td>Currently taking steps to start</td>
<td>3.0</td>
<td>3.9</td>
<td>3.5</td>
<td>1.6</td>
<td>0.6</td>
<td>0.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Started/taken over business</td>
<td>2.3</td>
<td>9.3</td>
<td>15.4</td>
<td>14.8</td>
<td>13.0</td>
<td>4.5</td>
<td>10.3</td>
</tr>
<tr>
<td>No longer an entrepreneur</td>
<td>0.8</td>
<td>3.2</td>
<td>6.2</td>
<td>7.7</td>
<td>10.9</td>
<td>15.2</td>
<td>7.3</td>
</tr>
<tr>
<td>(dk/n.a.)</td>
<td>3.3</td>
<td>1.9</td>
<td>2.3</td>
<td>3.1</td>
<td>3.0</td>
<td>5.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Eurobarometer 2002/Author’s own calculations

One obvious explanation for such levels of ignorance and the low rates of actual entrepreneurship amongst young people is that they lack the necessary human capital to be credible (Birley, 1985) in setting up and running a business. This lack of human capital is often correlated with the likelihood that they have limited managerial experience (Storey, 1994) and little access to fully developed networks (‘know how’
and ‘know who’ (Birley, 1985). Data from the European Social Survey suggests that young people find it onerous to start up their own business. Figure 7 shows that the mean average is 2.8 (where 1 is extremely difficult, 10 is extremely easy) although this ranges from Greece (just under 2), to the UK (2.5) through to Finland (just over 4).

**Figure 7: Young People's (14-24) Perceptions of the Difficulty in Starting a Business, (1 = extremely difficult, 10 extremely easy)**

![Figure 7: Young People's (14-24) Perceptions of the Difficulty in Starting a Business, (1 = extremely difficult, 10 extremely easy)](image)

Source: ESS 2004/Author’s own calculations

Further specific evidence of the types of difficulties faced by young people is evident from Figure 8. This suggests that whilst a majority of young people did not strongly/agree that fear of failure was a particularly prevalent (ranging from under 30% in Finland, the US, Ireland and the UK to over 50% in Austria and Italy), very many young people do seem to find the administrative procedures in their relevant country irksome. Indeed, in all of the countries, more than 50% of young people believe the administrative procedures to be problematic (mean average is 61%). Young people find such regulatory burdens particularly difficult in countries such as Italy, Spain and Portugal (all over 75%) but there are also tricky administrative burdens in the US (69%) and the UK and Germany (both 62%). Accessing finance, however, is the biggest of these three issues (mean average of 66%) for young people. Again, this is a particular problem for young people in Mediterranean countries (e.g. Portugal 91% and Greece 92%), but is also a significant issue for young people in the UK, Ireland, Germany and the US (all in the 70-80% range). Finally, specific evidence for some of the difficulties faced by younger people is provided in Figure 9.
Figure 8: Young Person's (15-24) Perceived Barriers to Entrepreneurship: Fear of Failure, Administrative Procedures and Available Financial Support (Answer Rate: Strongly Agree/Agree)

Source: Eurobarometer 2002/Author’s own calculations

Figure 9: UK GEM 2003: UK adults (18-64) Knowledge, Skills & Fears of Failure

Source: GEM 2003/Author’s own calculations

This, again, uses GEM data for the UK. What Figure 9 shows is that fear of failure is an issue that concerns all ranges of individuals. However, there are distinct differences in terms of human capital attributes. Figure 9 suggests that young people
recognise that they have less knowledge and fewer skills to set up a business than all the other age groups.

The evidence in this section, therefore, provides proxies to show that young people believe that they suffer disproportionately from information imperfections. They are perhaps a little more ignorant of the entrepreneurial option (imperfection 1), do not seem to have the requisite networks of support to access expert advice (imperfection 2); and seem to find it extremely difficult to access appropriate finance (imperfection 3).

**Section 3: The Value of Enterprise Support**

The previous section identified strong *prima facie* evidence to suggest that the reason why latent entrepreneurship amongst young people does not translate into actual entrepreneurship is because of the presence of market failures. It would seem, therefore, that there are also strong grounds for believing that the interventions identified in the introduction where appropriate. The purpose of this section is to review some of the major academic studies of issues related to youth enterprise. Some of the studies focus on the factors that promote the self-employment choice, some others look at perceptions of perceptions of entrepreneurship and small businesses, whilst three, in particular, look at support schemes designed to support youth enterprise.

Before this evidence is reviewed, it is appropriate to examine the context in which evaluations of such programmes occur. This is important because enterprise support programmes represent the mainstay of approaches to improve the entrepreneurial capacity of young people. If they are shown not to work, then this sends a clear policy signal that there is a need for fresh thinking in this area.

*A Framework for Evaluation*

The basic framework for evaluations in entrepreneurship and small business research is provided by Storey (2003). He identifies that it is appropriate to consider first the nature of the objectives (e.g. improve the entrepreneurial capacity of young people accessing a programme) and then the likely ‘targets’ for such a programme (e.g. support 1,000 new business start-ups by young people in a given year). Such a process is not always easy (Greene and Storey, 2004) because resources are often constrained in the support programme; there is an obvious tension between supporting evaluations and the operation of the actual programme; and there may be divergent goals amongst the evaluators and those being evaluated.

Such contingencies often have a bearing on the type of evaluation conducted. Storey (2003) indicates that there are six basic types of evaluation. Step 1 evaluations simply enumerate the features (e.g. participant numbers) of a programme. Hence, a ‘successful’ programme may see an increase in terms of its uptake of participants. Such a measure is influenced by, *inter alia*, macro-economic conditions. Similar sorts of issues are evident with Step 2 evaluations which seek to collect information on recipients’ opinions of the programme. The problem with these ‘happy sheets’ is that the contentment of recipients is not the same as the economic rationale for the programme (e.g. increased numbers of start ups). Similar problems are also apparent
with Step 3 evaluations which ask recipients to estimate the likely contribution of the programme. Entrepreneurs tend to be optimistic (de Meza, and Southey, 1996; de Meza, 2002) and may, therefore, underestimate the likely contribution of the programme or just simply guess at the contribution that a loan or advice made to the nascent or actual business.

Three further steps, however, attempt to take account of the ‘additionality’ provided by the programme. Step 4 compares the performance with assisted and typical firms. The problem with this approach is what is ‘typical’. To take account of the divergent nature of firms, Step 5 suggests ‘matching’ firms across a range of indicators (e.g. age, sector, size) to control for evident biases. This brings the difficulty of sample selection. Here it is apparent that some nascent and actual firms select into particular programmes despite appearing to be matched on a range of objective factors. Step 6, therefore, suggests using sample selection procedures to control for the reasons why recipients my elect to participate in a particular programme.

Providing full economic appraisals of any schemes is costly and requires a range of particular skills. Temporal issues also intrude. There are a variety of factors, besides support, that influence venture creation such as age (Johansson, 2000), gender (Dolton and Makepeace, 1990; Blanchflower and Meyer, 1994) and prior employment status (Evans and Leighton, 1989). Enterprise support programmes targeted at young people face a further barrier in that the gestation period for starting a business can be as much as three years (Reynolds and Miller, 1992). Equally, entrepreneurial awareness programmes (e.g. Davies Report, 2002) may only be influential over a longer time period. This makes it difficult to isolate the specific contribution of such programmes.

**Studies of Youth Entrepreneurship**

The first issue to realise is that there are very few studies of youth entrepreneurship. In this section, two distinct tables are presented. In the first of these tables, Table 2, seven studies are presented which look at various aspects of youth entrepreneurship. These studies tend to show that there are a number of stable factors that promote self-employment amongst younger people. For instance, in studies that provide analyses of self-employment entry by young people (Blanchflower and Meyer, 1994; Williams, 2004) or graduates (Dolton and Makepeace, 1990) or survival (van Praag, 2003), it is fairly clear that age, gender, prior experience, motivation and sector (e.g. construction, agriculture, professional services) all tend to be positively related, almost regardless of the techniques employed, to the self-employment entry and success.

Table 2 also shows that Belfield (1999) finds that SMEs do not seem to be perceived favourably by recent graduates or undergraduates. His univariate analysis suggests that these two groups believe that SMEs offer poorer wages, fringe benefits and training when compared to larger sized firms. Young undergraduates and graduates, however, believe that SMEs offer greater advantages in terms of a more flexible and dynamic work environment.
Table 2: Studies of Youth Enterprise

<table>
<thead>
<tr>
<th>Location</th>
<th>Focus</th>
<th>Technique</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dolton &amp; Makepeace, 1990</td>
<td>UK Graduates/Self-employment decision</td>
<td>Probit analysis</td>
<td>Older (+), Children (+), Social Class (+), Male (+)</td>
</tr>
<tr>
<td>Blanchflower &amp; Meyer, 1994</td>
<td>Australia &amp; USA Young people/Self-employment decision</td>
<td>Probit analysis</td>
<td>Australia: Male (+), Older (+), Apprenticeship (+), location (+) sector (+), Parental Influence (+); US: Male (+), Older (+), Skilled manual workers (+), years of Schooling (+), Sector (+)</td>
</tr>
<tr>
<td>Tackey, 1999</td>
<td>UK Graduates/Self-employment decision</td>
<td>Interviews and survey</td>
<td>Unemployment (-), independence (+), financial rewards (+), family background (+), work experience (+)</td>
</tr>
<tr>
<td>Belfield, 1999</td>
<td>UK Graduates’ views of SMEs</td>
<td>Survey</td>
<td>Wages (-), fringe benefits (-), training (-), work environment (+)</td>
</tr>
<tr>
<td>van Praag, 2003</td>
<td>US Young people/business survival</td>
<td>Regression analysis</td>
<td>Age (+), experience (+), motivation (+)</td>
</tr>
<tr>
<td>Williams, 2004</td>
<td>US Young people/self-employment decision &amp; outcomes</td>
<td>Probit analysis</td>
<td>Self-employed characteristics: white (+), older (+), sector (+). Outcomes: earnings (-), educational attainment (-)</td>
</tr>
</tbody>
</table>
Stable factors to explain the self-employment decision are also apparent in Table 3. Where, however, Table 3 differs from Table 2, is that it looks at studies that have been involved in the evaluation of enterprise support in this way. It classifies these evaluations in terms of Storey’s steps. Hence, Step 1 studies (Greene and Storey, 2004; Shutt and Sutherland, 2003; and Rosa, 2003) look to account for the ‘impact’ of particular programmes. Blackburn (1997) has been considered a Step 3 evaluation - although it relies on a small unrepresentative sample of interviews - because it seeks to assess the additionality of support. Meager et al (2003) is a Step 6 study because it attempts to control for statistical bias by using a matched sample and sophisticated sample selection techniques to isolate particular parameters.

The results of these studies are interesting. Some support is given for the efficacy of support either in general (Blackburn, 1997) or for the Prince’s Trust (Shutt and Sutherland, 2003). Hence, Shutt and Sutherland assert that “Receiving an expansion loan from the Trust increases the probability that an individual continues to trade at the time of the survey by 26%.” (p. 100). Such findings are not common. In the Rosa study the suggestion is that in longitudinally tracing participants in the Graduate Enterprise Programme of the 1980s, the self-employment survivors do not perform terribly well: “…most [businesses] remained small, and a minority reverted back to employment. The types of businesses started, moreover, were not imaginative ‘cutting edge’ businesses either.” (p. 452). Businesses in this study were also found to be largely similar to the type of degree programme that the individual followed.

Greene and Storey (2004) also set out, albeit without a control group, to assess the efficacy of Shell Livewire in the UK. Their results suggest that mentoring has a positive impact on the self-employment decision. However, by using ordered probit analysis they are able to identify that satisfaction rates with Shell Livewire fall if the recipients of such support are already in self-employed. Such pessimistic conclusions are also evident in Williams (2004) (Table 2) who found future earnings were no greater amongst self-employed young people. This may be somewhat surprising since one rationale for being self-employed is that it boosts an individual’s labour market experience which, ceteris paribus, should lead to higher future earnings.

Similar conclusions are also evident in Meager et al (2003). In terms of the likelihood of survival, they identify the usual suspects (e.g. male, white, older individuals, sector) but also suggest that individuals who are risk averse rather than risk loving are more likely to survive. They also suggest that entrepreneurs serving local markets are less likely to survive. Crucially, however, and in contradiction to Shutt and Sutherland (2003), they find that Prince’s Trust support has either no impact on survival and, indeed, businesses set up without such support were less likely to fail. Meager et al (2003), though, do find that Prince’s Trust funding does have some positive impact on earnings. However, in comparison to the control group, they suggest that “it is striking that respondents from the participant sample had lower levels of self-employment weekly earnings than their comparison sample counterparts (p.81, emphasis in original). They also find that mentoring is negatively associated with self-employment earnings which they suggest may be because poorer performing businesses are in the greatest need of such support. Their impression, however, of the additionality of the Prince’s Trust programme is stark:
<table>
<thead>
<tr>
<th>Location</th>
<th>Focus</th>
<th>Technique</th>
<th>Evaluation ‘Step’</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackburn, 1997</td>
<td>UK Young Business Owners</td>
<td>Interviews</td>
<td>Step 3</td>
<td>Male (+), employed (+), education (+), support (+)</td>
</tr>
<tr>
<td>Shutt and Sutherland, 2003</td>
<td>UK Prince’s Trust/self-employment survival</td>
<td>Probit analysis</td>
<td>Step 1</td>
<td>Male (+), prior industry experience (+), unemployment (+), previously self-employed (-), family help (+), Prince’s Trust loan (+)</td>
</tr>
<tr>
<td>Meager et al, 2003</td>
<td>UK Prince’s Trust/self-employment outcomes</td>
<td>Probit (sample selection) analysis</td>
<td>Step 6</td>
<td>Survival characteristics: male (+), white (+), age (+), family background (+) intermediate qualifications (+), risk averse attitudes (+), sector (+), local markets (-), Prince’s Trust support (-); earnings: Princes Trust funding (+), mentoring (-)</td>
</tr>
<tr>
<td>Rosa, 2003</td>
<td>UK Graduates/Graduate Enterprise Surveys</td>
<td>Longitudinal Surveys</td>
<td>Step 1</td>
<td>Degree course (+), earnings (-)</td>
</tr>
<tr>
<td>Greene &amp; Storey, 2004</td>
<td>UK Shell Livewire/Self-employment decision</td>
<td>Ordered Probit analysis</td>
<td>Step 1</td>
<td>Self-employed characteristics: older (+), male (+). Outcomes: mentoring (+), self-employment (-)</td>
</tr>
</tbody>
</table>
The evaluation does not, therefore, support those who would argue that self-employment schemes for disadvantaged/unemployed beneficiaries have positive impacts on participants’ subsequent ‘employability’, and that this can justify such programmes (irrespective of their business survival rates, and indirect job-creation impacts) (p. 83).

Conclusions

This discussion paper has achieved three things. First, it has pointed to international evidence which suggests that there is a deep pool of latent entrepreneurial demand amongst young people. It has also exposed that there are significant evidence which suggests that market failures persist and, thereby, inhibit the awareness and take up of entrepreneurship amongst this population. The third finding of this briefing is that it has shown, firstly, that there are a number of relatively stable factors such as age, gender, sector and ethnicity that explain the self-employment choice by young people. Such results are interesting because it is not uniformly clear that greater levels of education are correlated with the self-employment decision or with subsequent growth (Rosa, 2003). These results also present a challenge to policy makers interested in promoting entrepreneurship within a social inclusivity framework since there would appear much more work to be done within specific target groups (women, younger people, ethnic minorities) of an already ‘disadvantaged’ group.

A second implication of this briefing is that there are only a limited number of studies, particularly within a quantitative framework, that look at youth enterprise decisions. This obviously suggests further research in this area. However, what is clear from the final part of this briefing is that there are a variety of ways by which such studies can be conducted. Studies that rely on fairly low levels of evaluation tend to find positive outcomes for programmes. However, if the intention is to economically appraise the additionality of particular programmes the evidence, sparse though it is, suggests that existing forms of support do not effectively support young entrepreneurs. This raises obvious questions in terms of the likely direction of support to young people interested in converting their obvious enthusiasm into setting up and developing their own business.
References


Labour Force Survey, 2005  
http://www.statistics.gov.uk/downloads/theme_labour/LMS_FR_HS/WebTable09.xls


