Evaluating Youth Entrepreneurship: the Case of the Prince’s Trust

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Abstract

Using the case of the Prince’s Trust, the pre-eminent UK youth enterprise program, this paper investigates how different evaluation methodologies generate radically different evidence of program impact. The key result is that simpler forms of evaluation tend to provide positive support for this program, whereas more sophisticated evaluations are not so positive. The paper discusses the implications of this for the way stakeholders should view evaluations. It urges caution about the claims made for enterprise programs that receive only lighter forms of evaluation.

1. Introduction

In 2004, European youth unemployment was nearly three times the rate for older people (31.2% as opposed to 11.9%). In Japan and the US, youth unemployment rates were more than double that of older people (11.8% and 4.4% (US); 9.5% and 4.2% (Japan)) (Eurostat, 2005).

In contrast, self-employment rates amongst young people (16-24) in the US hover around 1% to 4% whereas for all age groups it is 10% (Williams, 2004). In the UK, Greene (2002) showed that rates of self-employment amongst young people are one-third those of older individuals. He also showed that self-employment rates for young males were lower in 2001 than they were in 1983.

Policy makers in many countries have linked these two issues. Young people, particularly those unemployed or disadvantaged in some respect, have been encouraged to start and grow an enterprise. Considerable sums of taxpayers’ money have been spent to increase awareness of the entrepreneurial option amongst
(unemployed) young people on the grounds that this will both reduce unemployment and provide greater social cohesion.

This paper takes, as a case study, the Prince’s Trust in the UK. The Trust was started by Prince Charles in 1976 and in the early 1980s it began to provide support for disadvantaged young people seeking to set up their own business. It saw enterprise creation as a route by which young people could exit from unemployment. Between 1983 and 1999, £81m was distributed by the Trust in loans and grants, with £28m coming, in recent years, from taxpayers.

Our purpose is to carefully evaluate the impact of the Prince’s Trust, but to do so in a way which means our findings are relevant not only to those interested in youth entrepreneurship but also to those concerned about the cost-effective use of taxpayers’ money in the area of enterprise. To achieve this, we begin by exploring market-failure based explanations for intervention in this area. Then, taking the example of the Prince’s Trust, we review five evaluations of its activities that are in the public domain. Our key finding is that unsophisticated evaluations seem to generate much more ‘positive’ outcomes than evaluations using more advanced approaches. We conclude by speculating upon possible implications of our findings, both for youth entrepreneurship and for public policy evaluation in the enterprise area.

2. What is the market failure – based rationale for supporting youth enterprise?

Market failure based explanations for government intervention in the support of enterprise and entrepreneurship normally revolve around the issue of imperfect
information (Storey, 2003). In the case of youth entrepreneurship, the imperfect information is that young people, as a group, have an imperfect – and presumably lower - estimate of the expected income they would derive from business ownership than older people. This makes them less likely to create their own venture. In this case, the role of policy is to provide a subsidy to encourage young people to begin in business, enabling them to more accurately assess their entrepreneurial talent.

There is some evidence of market failure in youth entrepreneurship. One proxy could be differences between the rates of latent and actual youth entrepreneurship. In terms of latent entrepreneurship, Blanchflower and Oswald (1998) found, in their study of 23 OECD countries in the early 1990s, that young people preferred to be entrepreneurs rather than employees. Greene (2005) confirms this finding: two-thirds of young Americans and more than half of young Europeans preferred entrepreneurship. Equally, Walstad and Kourilsky (1999) demonstrated that in the US young people are more interested in starting a business than older people. The fact that young people are very unlikely to be in self-employment suggests some form of imperfect information.

A second proxy for market failure is the presence of information asymmetries. Greene (2005), for example, finds that young people are more likely to be unaware of the entrepreneurial option in the US and Europe, more likely to find the administrative procedures in their relevant country irksome and, above all, face difficulties in accessing finance. This problem is particularly prevalent amongst young people from disadvantaged groups. Bates (1989) Fairlie (1999) and Fairlie and Meyer (2004) all
show that African-Americans find it more difficult than whites to access appropriate sources of finance.

The first market failure-based justification for supporting youth enterprise is that young people are much more likely than older people to have imperfect knowledge of their own entrepreneurial skills. This leads them to underestimate the expected income. The second basis is that young people, and particularly those from disadvantaged backgrounds, present problems to financial institutions which are unable to accurately assess risks. Frequently, they respond to this by excluding young people from accessing credit.

3. The Response

To address these issues, a huge number of youth enterprise support programmes have been established world-wide. Dabson and Kauffman (1998) estimate, for the US, that there were twenty-five national programs and twenty-two with a state or local focus. In Australia, Eureka (2003) identified more than fifty youth enterprise programs whilst SMIE (2003) pointed to sixty-eight in Europe.¹

Some programs concentrate on raising entrepreneurial awareness (e.g. Mini-Society, YESS! (US), primary 1 to plc, Young Enterprise (UK), Project Junior (Germany),

¹This is likely to severely underestimate the actual number of programs that young people can access to support their venture creation. For instance, the European SMIE database contains more than 2,500 enterprise programs. For some of these, young people will be able to access such services. Such databases, moreover, do not necessarily include government sponsored initiatives or those from the non-profit sector.
Young Achievement Australia, and YES (Canada)), whilst others offer a range of ‘soft’ support (e.g. awareness, training, mentoring) such as Shell Livewire (international), Young Entrepreneurs ConneXion (Canada), Austrian Senior Expert Pool and ENYA (Australia). Others, still, focus upon providing ‘hard’ support (e.g. Business Incubators (Portugal), DtA-Micro-Loan, (Germany)) or, more usually, a mix of both hard and soft support (e.g. Law 44 (Italy), WIFI (Austria), CYBF Program (Canada), ADIE (France) or the Prince’s Trust (UK).

Public and private expenditure on such programs is considerable. Italy, for example, spent US$149 million in 1998 on youth enterprise programs (OECD, 2001) – most notably on Law 44. In the US, The Ewing Kauffman Foundation alone spent $57 million on grants and payments to partnering organizations in 2004 and the UK government announced in 2004 a commitment to spend £60 million on improving enterprise education for secondary level students.

4. Evaluating the Impact of Enterprise Programs

Funding organisations, program managers, taxpayers and stakeholders such as potential and actual program participants, may all wish to know if these programs are worthwhile. Evaluations often turn on the discussion of the likely costs and benefits of a particular program. We use Storey’s (2000) six steps evaluation typology which has been widely used in enterprise evaluations (see: e.g. the use of it by Lambrecht and Pirmay (2005) (consultancy assistance in Belgium); Lenihan (2004) (grants to Irish firms); and Chrisman and McMullan (2004) (counselling assistance in the US)).
It suggests there are six basic ways in which evaluations can be conducted from simple enumerations of participants (Step I) through to sophisticated analyses that try to control for sources of bias by using ‘matched’ samples of the ‘treated’ and ‘untreated’ and sample selection effects (Step VI).

Storey (2003) considers first the nature of the objectives (e.g. improve the entrepreneurial capacity of young people accessing a program) and then the likely ‘targets’ for such a program (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; there is an obvious tension between supporting evaluations and the operation of the actual program; and there may be divergent goals amongst the evaluators and those being evaluated.

Equally, temporal issues also intrude since there is evidence that the gestation period for venture creation can be as much as three years (Reynolds and Miller, 1992). Evaluations, themselves, are sensitive to time considerations. As Papaconstantinou and Polt (1997) suggest, there are issues about whether or not evaluations should be conducted \textit{ex ante, in vivo} or \textit{ex post}. This is a particular issue for youth enterprise programs since they may only be influential over a longer time period, making it difficult to isolate the specific contribution of such programs (e.g. Lundstrom and Stevenson, 2001).

Such contingencies often have a bearing on the type of evaluation conducted. Storey (2003) indicates that there are six basic types of evaluation (Table 1). He divides these, again, into two basic types. The first type is monitoring exercises (steps I-III),
which enumerate participation rates and recipient’s views. In contrast, evaluations (steps IV-VI) are increasingly sophisticated attempts to economically appraise the contribution of particular programs. This distinction is similar to that made by Barnow’s (1986) who delineated evaluations into process and impact evaluations.

*Table 1: The Six Steps*

<table>
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<tr>
<th>Monitoring</th>
<th>Evaluation</th>
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<tr>
<td>Step I</td>
<td>Take up of program</td>
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<tr>
<td>Step II</td>
<td>Recipients’ opinions</td>
</tr>
<tr>
<td>Step III</td>
<td>Recipients’ views of the differences made by the program</td>
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</table>

Step I evaluations simply monitor the features (e.g. participant numbers) of a program. Hence, a ‘successful’ program may see an increase in terms of its uptake of participants. Such a measure, however, is influenced by exogenous factors such as macro-economic conditions and the earnings and prior employment status of individuals prior to entry onto the particular program (Meager, 1996; Lechner, 2002).

Similar sorts of issues are evident with Step II evaluations which seek to collect information on recipients’ opinions of the program. The problem with these ‘happy sheets’ is that the contentment of recipients is not often a primary objective of the particular program: usually program objectives address some perceived market failure through, for example, the provision of “…management assistance to current and prospective small business owners” (SBDC, 2005) or by encouraging “state-of-the-market technology training, technology information exchange, and outreach on federal technology programs” (SBIR, 2005).
Similar problems are also apparent with Step III. These monitor recipients’ estimates of the likely contribution of the program. Entrepreneurs however are known to be optimistic (de Meza, and Southey, 1996; de Meza, 2002) and may, therefore, underestimate the likely contribution of the program or just simply guess at the contribution that a loan or advice made to the nascent or actual business.

In contrast to the monitoring in Steps I to III, evaluations attempt to quantify program impact. Step IV compares the performance of assisted and typical ventures. The evaluations of SBDC’s (e.g. Chrisman and Katrishen, 1994) illustrate this approach. They assessed the impact of the SBDC counselling activities by comparing assisted ventures with that of ‘weighted average growth rates for US businesses on each measure’. The problem with this is that assisted and non-assisted ventures may differ in terms of observable factors (e.g. age, size, sector) thus rendering the comparison imprecise.

To take account of the divergent nature of ventures, Step V ‘matches’ ventures across a range of observable controls for these biases. What this requires, therefore, is a randomly selected group of program participants, matched with a group of identical non-participants (see: Lerner’s (1999) evaluation of the SBIR).

What Step V evaluations ignore is that program participants may self-select or be selected by a committee on the basis of some other, usually non-observable, features. The issue of selection effects is now well understood in the evaluation literature. For example, Heckman and Smith (1996) suggest that selection biases are likely to result because individuals differ in their motivations for entering programs and people select
participants (committee selection) based upon their own motivations. Step VI explicitly uses sample selection procedures to test for, and control, such factors.

Given this outline of the ‘six steps’ approach we now seek to apply it to the assessments of the Prince’s Trust that are in the public domain. However, we begin by providing a context for this by describing the operations and history of the Trust.

5. The Prince’s Trust

The Prince’s Trust is one of the oldest, most high profile and best-resourced youth venture creation and development programs in the UK. Although initially set up by Prince Charles in 1976 to provide charitable grants to improve the leisure activities available to young people (e.g. grants to youth clubs), it subsequently saw a role, following the urban riots of the early 1980s (Pilkington, 1994), for a dedicated youth enterprise support program. This was called the Prince’s Youth Business Trust (PYBT). Between 1983 and 1999, PYBT gave young entrepreneurs almost £25 million (US$39.6 million) in grants and £56 million (US$88.6 million) in loans (OECD, 2001). Since 1998, the UK government has agreed to provide matched funding for the program. Over the period 1999-2005, the program received £27.5 million from the UK taxpayer.

The program has remained remarkably consistent in its delivery, content and target grouping since its inception, making it valuable as an evaluation case study. Its original objective, as Dalgleish (1993) suggests, was “To help young people who
would not otherwise have the opportunity, to develop their self-confidence, achieve economic independence, fulfil their ambitions and contribute to the community through the medium of self-employment” (p. 662). It sought, therefore, to target young people aged 18 to 25 (up to 30 years if disabled) who were disadvantaged in some way (unemployed, from an ethnic minority, disabled or ex-offenders) by providing soft support and hard finance in terms of a low interest loan, a grant or a combination of both. Since that time, it has continued to support its target groups and has seen itself as a *de facto* lender of last resort: “We target those who are unemployed and have few qualifications – people who have been turned down for funding elsewhere. People who have been in prison, but want the chance of a new start, come to us for support” (Prince’s Trust, 2004). Eligible participants, therefore, have to be: “aged 18-30, are unemployed or work less than 16 hours per week, have not been able to get all the funding you need from other sources and have a good business idea and are ready to make it a reality” (Prince’s Trust, 2005).

The Prince’s Trust has consistently made use of a mix of soft (e.g. mentoring) and hard support (e.g. loans and grants). Interested applicants first apply to a regional office and are then judged to see if they meet the Trust’s criteria and have a potential business idea. They are then screened by Trust staff in the respective regional offices

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2 The Prince’s Trust has a Business Toolkit which defines the program and gives detailed instructions on its objectives, delivery and content. In terms of its objectives, these are remarkably similar to that witnessed by Dalgleish (1993). The toolkit states that: “The Business programme aims to combat youth unemployment by providing the opportunity for disadvantaged young people to set up their own businesses as an alternative option to the conventional route of employment. Self-employment in this respect is seen as the medium to give young people the opportunity to fulfil their ambitions, develop their self-confidence and contribute to the community. For many young people, self-employment is the only option to achieving financial independence. For self-employment to be a viable alternative, the young person’s business needs to be sustainable. Therefore the main objective of the programme is to help clients succeed with their businesses. However, since not all businesses survive, our aim is to also help clients to improve their employability and/or skills through their experience on the programme to enable them to achieve other forms of success.”
and then their subsequent business plan is evaluated by an independent committee to assess whether or not they should receive support. Prior to such a decision and if, subsequently successful, individual applicants are provided with mentoring support both by the Trust staff and an appointed mentor who offers guidance and support in launching and developing the venture (see Appendix 1 for a diagram showing the process). The Trust, though, has over the years sought to increase the amount of funds it offers and has extended the types of funding it offers from low interest loans, grants and test market grants to include free legal advice. There have also been some changes to the program over the years: PYBT was renamed the Business Programme in 1999 as the Prince’s Trust expanded its program to include, for example, out of school clubs (the x programme); it has raised its age range from 25 years to 30 years; and expanded into Scotland, Wales and Northern Ireland.

6. Evaluating the Prince’s Trust

This section sets out how, in principle, the Prince’s Trust might be evaluated, by drawing upon other examples of enterprise policy evaluations. Specifically, it proposes four ‘measures’ of performance.

The simple measure is to calculate the number of participants and the total cost of

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3 Prince’s Trust (2005) states these benefits are available to program participants: a low interest loan of up to £4,000 for a sole trader, or up to £5,000 for a partnership (the average loan is between £2,000 and £3,000 but varies regionally), a grant of up to £1,500 in special circumstances, a test marketing grant of up to £250, ongoing business support and specialist advice such as our free Legal Helpline, and ongoing advice from a volunteer business mentor.
assistance provided to each participant. We do not know the precise cost of the programme to date but our best estimate is £136 million\(^4\). We do, however, know that since 1983, the Prince’s Trust claims to have helped 60,000 young people set up their own venture. This implies an average cost of £2,667 per participant, but, of course, this tells us nothing about its effectiveness.

To address effectiveness, measures should reflect the Prince’s Trust’s objective of enabling disadvantaged young people. Hence ‘targets’ or success measures could be the extent to which it draws its clients from its target population (e.g. the unemployed, the disabled) and evidence that it acts as a lender of last resort.

*Measure 1: The Prince’s Trust is successful if it meets its objective of supporting individuals who would otherwise be less likely to establish a venture.*

A second measure of programme success is whether it deepens the human capital of individual participants. A ‘weak’ interpretation of this might be participants reporting whether they had a ‘happy’ experience with the Prince’s Trust. This is usually tested by asking recipients either to comment on their satisfaction with the program or how they felt it contributed to their career development.

A perhaps ‘stronger’ version of this is to assess objectively what impact the program had upon participants. Such an assessment can be tricky even with appropriate sample selection effects (Lechner, 2002; Frolich, 2004), but the standard approach here is to assess the participants subsequent ability to gain alternative employment.

\(^4\) This figure is arrived at on the basis that the Prince’s Trust gave £25 million (US$39.6 million) in grants and £56 million in loans to young people, 1983-1999. The UK government also gave £27.5 (1999-2005) which was then subsequently doubled since government funding is matched funding i.e. every £1 of taxpayer’s money is matched by £1 derived from charitable donations to the Prince’s Trust.
states and/or increases in their earnings (Barnow, 1988). This gives us a second measure:

**Measure 2:** The Prince’s Trust is successful if it deepens the human capital of participants.

An objection to measure 2 is that the Prince’s Trust seeks to promote venture creation and development. One measure of program success is the survival rates and subsequent performance of the ventures created by participants (see: Chrisman, 1989, 1999; Chrisman and Katrishen, 1994; and Chrisman and McMullan, 2000, 2004). This leads to a third measure:

**Measure 3:** The Prince’s Trust is successful if the performance (e.g. survival or growth) of participants’ ventures is better than would otherwise be anticipated for individuals with given levels of human capital.

A final measure of program effectiveness could be its role in reducing market failure in the provision of enterprise support to disadvantaged individuals. Here the aim is to separately quantify programme contributions whilst controlling for other factors (Heckman, 1979; Meager, 1996; Lechner, 2002; and Frolich, 2004) This leads to measure 4:

**Measure 4:** The Prince’s Trust is successful if there is a positive average treatment effect for the program.


Table 2 shows five evaluations of the Prince’s Trust between 1993 and 2003 that are in the public domain. The Table provides information (where available) on the
characteristics of the recipients, the type of venture created, their performance (survival, deadweight, growth), the use of other sources of support and the impact of the Prince’s Trust program. It also shows whether or not the analysis was conducted using multivariate techniques. Evidence from the Table is then used to assess the performance of the Trust according to the four measures identified in the previous section.

Measure 1: The Prince’s Trust is successful if it meets its objective of supporting individuals who would otherwise be less likely to establish a venture.

Table 2 shows that Prince’s Trust participants have a similar ethnic and disability mix when compared to the UK population of young people (e.g. ethnic minorities represent between 6% (Dalgleish, 1993) to 12% (BRMB, 1997) of Prince’s Trust participants compared to 7.9% nationally (Source: Census, 2001)). On balance, though, the studies tend to show that the average age of Trust’s participants are towards the older rather than younger age spectrum (mean average ranging from 22 to 27)\(^5\). There are also large numbers of individuals (13-38%) who do not come from an unemployed background (see: Table 2, univariate statistics on Characteristics of Recipients). This cannot alone be explained by individuals being from one of the other target groups (e.g. disabled or ex-offender) and may, given the objective of supporting unemployed people, be somewhat against the stated objectives of the Trust. Equally, Table 2 also shows that, contrary to the Prince’s Trust’s desired role of acting as a *de facto* lender of last resort, that individual recipients also make use of other sources of finance from the banks or other support programs (although it is not always clear from the evaluations whether or not these funding sources were accessed

\(^5\) 22 years of age may appear young but this relates to the Dalgleish (1993) study. At the time of this study the age range for Prince’s Trust recipients was 18-25 years.
prior to or after receiving support from the Trust). The evaluations also indicate significant levels of deadweight (i.e. ventures that would have started up regardless of program participation) ranging from 15% to 72% (see Table 2, univariate results on Performance). In summary, therefore, in very few dimensions does the Trust map closely with its specified target group.

Measure 2: The Prince’s Trust is successful if it deepens the human capital of participants.

Measure 3: The Prince’s Trust is successful if the performance (e.g. survival or growth) of participants’ ventures is better than would otherwise be anticipated for individuals with given levels of human capital.

Measure 4: The Prince’s Trust is successful if there is a positive average treatment effect for the program.

To address measures 2, 3 and 4 we draw upon all the studies in Table 2. According to the categorisation provided in Table 1, Shutt et al (2001) and Shutt and Sutherland (2003) are Step I evaluations whilst BRMB (1997) and Dalgleish (1993) are Step IV. Meager et al (2003) is a Step VI evaluation.

Shutt et al (2001) examined the characteristics of Prince’s Trust recipients over the period 1994-1999 using the Trust’s own database. It then complements this with an examination of 76 case studies selected with the help of the Trust. The characteristics of recipients, therefore, either refer to the national database of all recipients of Prince’s Trust (denoted by * in Table 2) or the sample of 76 national case studies (**). The second study (Shutt and Sutherland, 2003) makes use of data from the National Database to derive a survey for a sub-region of the UK (Yorkshire and Humberside). For ease of exposition, only the multivariate results of this study are presented in Table 2.
The Shutt et al (2001) study of 76 national cases implies the Prince’s Trust is highly successful. Mean average employment in these ventures is 9.7 and only 8% had never made any form of profit (see Table 2, univariate results on Performance). Equally, the impact of pre-start mentoring support is positive: for example, 43% of participants thought that mentoring and advice had made a substantial difference to achieving their objectives. Mentoring support in terms of venture development was also positive, although not at the same rate (20% of the 76 thought that mentoring support had made a substantial difference to improving profitability and turnover). This evidence, therefore, suggests that participants were content (measure 2), ran successful businesses (measure 3) and that the Trust provided effective mentoring support (measure 4).

Shutt and Sutherland (2003) examined 367 recipients of Prince’s Trust support over the period 1994-1999. Using probit analysis (where the dependent variable is survival), they obtain results that are in line with the work of others, implying overall reliability. For example, they show that female owned businesses are less likely to survive than those owned by males. This is in keeping with earlier results on new firms (Dolton and Makepeace, 1990; Blanchflower and Meyer, 1994; Williams, 2004). They also find that prior spells of self-employment decrease the likelihood of enterprise survival. (van Praag (2003) finds support for this in a sample of new young firms). Other characteristics of recipients are not statistically significant (e.g. being disabled or an ex-offender).

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6 The same percentage also thought mentoring and advice made a substantial difference to their attempts to gain confidence.
Shutt and Sutherland find that receiving support from the Prince’s Trust does have a statistically significant impact on survival. This, however, is not in terms of the size of any loan or grant (statistically insignificant, negative coefficient), but rather in terms of receipt of an expansion loan from the Prince’s Trust (see: Table 2, Impact of Prince’s Trust Program). From this 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). Their evaluation, therefore, also gives credence to the effectiveness of the program (measure 4).

Dalgleish’s (1993) is a Step IV evaluation because it compares 659 program participants with 80 non-participants. The two groups, however, are not ‘matched’ in any systematic manner. Multivariate analysis is not used to control for differences in each sample or between samples. Dalgleish broadly finds positive outcomes for the Trust. For instance, the survival rates of program participants are high, ranging from 90% in $t+1$ to 66% in $t+3$ (Measure 3). Also, although Dalgleish finds no real impact in terms of grant or loan finance, participants ‘highly praised’ the mentoring support and the program itself (Measure 2). Non-recipients also believed the program was helpful in terms of its support and advice (34% found the regional office staff to be very helpful) (Measure 2).

The BRMB (1997) study looked at surviving and non-surviving program participants. These are not matched in any form and so it may (just about) be considered as a Step IV evaluation. Its results are similar to both Shutt and Sutherland (2003) and Dalgleish (1993): survival rates look reasonable (83% in $t+1$) (Measure 3) and the Prince’s Trust does have a positive impact on outcomes both in terms of its mentoring
services (90% thought it very/quite useful), financial support (66% said it helped increase their turnover), and recipients’ views of the service (52% could not think of anything else the Trust could have done) (Measures 2 and 4). Encouragingly, non-survivors also believed that the experience had given them self-confidence (79%) and had made it easier to get a job (44%) (Measure 2). Overall, these two Step IV evaluations imply the program is enjoyed by participants (Measure 2), that it promotes stronger ventures (Measure 3), and has a beneficial impact (Measure 4).

We now turn to the study by Meager et al (2003a)\textsuperscript{7}. This had two elements. The first, largely absent from the previous cross-sectional evaluations, was longitudinal: Meager et al examined 2,000 Prince’s Trust program participants over three survey waves (March 2000 to December 2001). They then matched these participants with 1,600 non-participants, based upon gender, region and employment status. Finally, they weighted the two samples by age, education attainment, sex and ethnicity, controlling for sample selection effects through the use of Heckman (1979) statistical techniques. It may, therefore, be considered a step VI evaluation.

In some respects, Meager et al provide positive outcomes. Their enterprise survival rates are similar to earlier studies (88% in $t+1$ to 65% in $t+3$), indicating that the program has been quite effective in promoting Measure 3 (venture performance). Moreover, when they ask program participants what they think of the Prince’s Trust, the results suggest that participants believe that the package of support offered is beneficial (e.g. 56% of non-survivors thought the Prince’s Trust experience very/quite helpful) (Measure 2). Other simple statistics suggest, though, that the types of
businesses set up by program participants tend to be in services, serving local markets. Very few (13%) have employees (see also Dalgleish, 1993 (16%) and BRMB, 1997 (19%)) and 45% of them earn less than £150 per week. This is just about half of Dalgleish’s finding - although it must be recalled that there are 10 years between these two studies.

Meager et al (2003a) undertake a multivariate analysis of program participants. In terms of survival (Measure 3), they find that participants are more likely to survive if they are older, white, have parents previously self-employed, had a degree (NVQ 4 qualification) and were previously employed. They also find that ventures were less likely to survive in service sectors and if they served local markets. However, their analysis finds that no statistical significance can be attributed to the Prince’s Trust support (Measure 4).

Meager et al are also interested in the labour market outcomes of participants whose venture did not survive. This is because the Trust seeks to deepen the human capital

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7 Meager et al (2003a, b) are one and the same: the only difference is that Meager et al (2003a) is the full report and 2003b is the abbreviated article. For the purposes of this paper, we rely on the 2003a report.
8 Meager et al repeat this analysis using Cox regression techniques. The results are much the same. They also conducted a separate multivariate analysis of earnings of participants and earnings of participants who went into employment. They found that older individuals in both samples were more likely to earn more and that start-up funds from other sources were statistically significant but that Prince’s Trust support had no statistically significant impact.
Table 2: Five Evaluations of the Prince’s Trust: 1993-2003

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<td>England</td>
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<td><strong>Methodology</strong></td>
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<td>Surveys of recipients</td>
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<td>Step IV</td>
<td>Step I</td>
<td>Step I</td>
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Table 2: Five Evaluations of the Prince’s Trust: 1993-2003 (continued)

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<thead>
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<tbody>
<tr>
<td>Dependent Variable</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Survival</td>
<td>N/A</td>
<td>Survival</td>
<td>Non-survivor outcomes</td>
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**Characteristics of Recipients**

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<tbody>
<tr>
<td>Age</td>
<td>x=22</td>
<td>over 25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>42%</td>
<td>30%</td>
<td>41%**</td>
<td></td>
<td>39%</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>Non-whites</td>
<td>6%</td>
<td>12%</td>
<td>10%*</td>
<td></td>
<td>9%</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Disability</td>
<td>8%</td>
<td>9%</td>
<td>7%*</td>
<td></td>
<td>12%</td>
<td>o</td>
<td>o</td>
</tr>
<tr>
<td>No Qualifications</td>
<td>11%</td>
<td>7%</td>
<td>8%**</td>
<td></td>
<td>12%</td>
<td>o</td>
<td>-</td>
</tr>
<tr>
<td>Degree</td>
<td>13%</td>
<td>16%</td>
<td>47%**</td>
<td></td>
<td>35%</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Employed/Training</td>
<td>38%</td>
<td>19%</td>
<td>13%</td>
<td></td>
<td>37%</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Ex-offenders</td>
<td>7%*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parents self-employed</td>
<td></td>
<td>56%</td>
<td>+</td>
<td>+</td>
<td>56%</td>
<td>o</td>
<td></td>
</tr>
<tr>
<td>Prior self-employment experience</td>
<td></td>
<td>-</td>
<td>16%</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

**Business Characteristics**

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</tr>
</thead>
<tbody>
<tr>
<td>Service Sector</td>
<td>72%</td>
<td>69%</td>
<td>51%**</td>
<td></td>
<td>46%</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Employees</td>
<td>16%</td>
<td>19%</td>
<td>x=9.7**</td>
<td></td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>51%</td>
<td>-</td>
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Table 2: Five Evaluations of the Prince’s Trust: 1993-2003 (continued)

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</thead>
<tbody>
<tr>
<td>Dependent Variable</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Survival</td>
<td>N/A</td>
<td>Survival</td>
<td>Non-survivor outcomes</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Survival</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>t+1</td>
<td>90%</td>
<td>83%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>t+2</td>
<td>75%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>t+3</td>
<td>66%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deadweight</strong></td>
<td>15-37%</td>
<td>19-43%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘Growth’</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Earnings/Profits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than £150</td>
<td>86%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never made a profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Forms of Support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lent money by bank/other agency</td>
<td>35%</td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family help</td>
<td>19%</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other agency support</td>
<td></td>
<td></td>
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Table 2: Four Evaluations of the Prince’s Trust: 1993-2003 (continued)

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</thead>
<tbody>
<tr>
<td>Dependent Variable</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Survival</td>
<td>N/A</td>
<td>Survival</td>
<td>Non-survivor outcomes</td>
</tr>
<tr>
<td><strong>Impact of Prince’s Trust Program</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mentoring</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>o</td>
<td>o</td>
<td>+</td>
</tr>
<tr>
<td>Grant</td>
<td>o</td>
<td>+</td>
<td></td>
<td></td>
<td>0</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Loan</td>
<td>o</td>
<td>+</td>
<td></td>
<td></td>
<td>0</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Post PT support</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recipients’ Views</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
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</tr>
</tbody>
</table>

Notes: .+. indicates variable has a positive effect; .-. indicates that variable has a negative effect; .o. indicates that variable has no or a mixed effect; .x. indicates mean average; .* national database of Prince’s Trust recipients; and .**. indicates case studies.
experience of participants and so making them more attractive to employers or enabling them to create a new venture (Measure 2). Meager et al’s multinomial models predictably find that non-whites are more likely to be unemployed and that those with degrees are the least likely to re-enter self-employed. Non-survivors who had no qualifications were also found to be more likely to become unemployed than enter waged employment whilst non-survivors with self-employed parents were more likely to re-enter self-employment. However, they find that recipients of finance from the Prince’s Trust are relatively more likely to be unemployed than employed after their Prince’s Trust experience.\(^9\)

Meager et al also investigate if there are any discernable differences between the matched comparison group and Prince’s Trust participants. They find that non-white employees are more likely to earn less but that males and degree qualified individuals are likely to earn more as employees (Measure 2). They also find that prior self-employment experience and receiving funding from the Prince’s Trust boosts earnings. This, though, they treat with some caution: “respondents from the participant sample had lower levels of self-employment weekly earnings than their comparison sample counterparts” (2003a: 192). In other words, individuals in Prince’s Trust supported businesses were more likely to earn less than those in the comparison sample. For example, Meager et al note that 26% of the business survivors took home less than £50 per week and that 25% worked 51 hours or more.

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\(^9\)“There is some evidence to suggest that funding from The Prince’s Trust is being distributed towards those who had the highest risk of entering unemployment. Relative to non-survivors who received under £1,500 from The Prince’s Trust, those who received between £1,500 to £2,500 or over £3,500 were significantly more likely to enter unemployment over dependent employment” (Meager et al, 2003a: 170).
Indeed, of those working 51 or more hours per week, a fifth were taking home less than £1 per hour and two-thirds were taking home less than £4 per hour\(^\text{10}\).

They also find a statistically negative relationship between mentoring support and self-employment income which they suggest is because those in the greatest need (i.e. low earners) are likely to require greater levels of support. Overall, Meager et al find little support, other than happiness ( Measure 2), that Prince’s Trust ventures are stronger ( Measure 3), that their support is effective (measure 4) or that the experience is particularly economically beneficial to participants ( Measure 2).

8. Discussion and Implications of these Evaluations

The above findings have implications for two groups. The first are those financing, managing and delivering youth enterprise programs. The second group are researchers who are concerned to advise public and private organizations that fund enterprise programs.

The key finding for those financing, managing and delivering youth enterprise programs is that the Prince’s Trust participants were almost uniformly ‘happy’ with the package afforded them ( Measure 2). However, Step I monitoring exercises (Shutt et al, 2001; Shutt and Sutherland, 2003) or rudimentary attempts to evaluate (Dalgleish, 1993; BRMB, 1997) produced significantly more positive findings than Step VI evaluations (Meager et al, 2003a). Indeed, the Step VI finding is that:

\(^{10}\) The UK has minimum wage rates. These are currently £4.85 for those aged 22 or over, £4.10 those between 18 and 21 and £3.00 for 16 and 17 year olds.
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) (Meager et al, 2003b, p. 83).

So, are Step I evaluations helpful? Our view is that they can be. For instance, the evaluations show that young unemployed people, potentially with alternative funding, and almost regardless of the Prince’s Trust’s stated aims, have been able to become participants on the program. Simple monitoring exercises or process evaluations (Barnow, 1986) can, therefore, establish if the well-known phenomenon of programs ‘creaming’ applicants with higher levels of human capital occurs. Other stakeholders may also benefit from Step I evaluations. For example, the Trust and its corporate and governmental funding providers may use the findings to examine the objectives of the program. For example, according to its own figures for the period 1994-1999 (see: Shutt et al, 2001, Table 1.2), the Prince’s Trust supported 1,439 individuals in the South East of England and 1,400 in the North East of England. These two areas of England have markedly differing youth unemployment levels.\(^\text{11}\) The Prince’s Trust, however, does not have an office in the counties of Tees Valley and Durham but does have offices in each of the three Southern counties.

Evaluation, however, needs to be contextualized in its political, social and economic context. Evaluations regardless of their efficacy are often at the whim of stakeholders who may have alternative agendas:

“Decision makers in all kinds of venues might speak favourably about evaluation and other kinds of social science. They might even commission

\(^{11}\) In particular counties of the North East of England such as Tees Valley and Durham, youth unemployment runs at 16.6% in 2003 which is nearly twice that (8.6%) of more prosperous counties like Berkshire, Buckinghamshire and Oxfordshire (Source: Eurostat, 2004).
evaluation and pay substantial sums of money for it. But when the results come in, they haul out the reports and brandish findings only when evaluation justifies the course of action that they already want to pursue” (Weiss, 1999: 470).

Turning now to the research community, it is clear that researchers have to be very careful about what they can and cannot claim of their evaluation. Shutt et al (2001) and Shutt and Sutherland (2003) for example, emphasise the limitations of their monitoring exercises. Nevertheless, the current paper makes it clear that “results” are strongly determined by the sophistication of the methodology used. It shows that in this case the less sophisticated approaches seem to yield more “positive” findings than the more sophisticated approaches. Such a finding is perhaps unsurprising since the sophisticated approaches will exclude programme effects that are associated with, but do not cause, improvement. With the less sophisticated approaches these effects are attributed to the programme.

If correct and generalisable, this finding has important implications because the less sophisticated studies are usually much cheaper to undertake than the more sophisticated. If the less sophisticated are both likely to be cheaper and yield ‘good news’ there is likely to be pressure to favour them over the more sophisticated approaches. Where public funds are involved this raises the issue of government accountability on which organizations are most appropriate to undertake evaluations. Should it, for example, be the department responsible for delivering the programs or a wholly independent audit department? The advantage of the external audit is that it is seen to be clearly independent of any pressures to undertake less sophisticated studies that will generate good news. On the other hand, the purpose of evaluation is to lead to improvements and this seems more likely to occur when the department delivering
the program has ‘bought in’ to the evaluation, rather than having it imposed upon it by outsiders.

This, of course, is not to say that this present study does not have its own limitations. The chosen case study, the Prince’s Trust, is only one of many youth enterprise programs available to young people world-wide. The paper’s findings may not apply to other programs although an interesting area of further research would be to see how other programs, using the comparison approach adopted in this paper, fared. For instance, the SBIR program has been subject to a series of evaluations (e.g. Eveland, 1986; Lerner, 1999; and Wallsten, 2000). It would be interesting, therefore, to see how differing evaluation methodologies impacted upon program outcomes in this context.

Equally, implicit in this paper is the normative assumption that Meager et al’s (2003) study is ‘better’ in some way. This is, of course, not necessarily the case since it depends upon the objectives of the evaluation and the program. Nor is the Meager et al study perfect. For example, central to the Prince’s Trust program is the role of committee selection both by the Prince’s Trust and the independent panel who select participants. This is an evident source of selection bias not accounted for in their study. Equally, doubts may be raised that their comparison sample of unemployed young people was not matched appropriately with the Prince’s Trust sample. Any biased estimators as a result of this, though, stem from the Prince’s Trust’s not sticking to its primary objective of supporting disadvantaged young people into entrepreneurship.
Nevertheless, despite its imperfections, it is clear that the Step VI Meager et al’s study is less positive in its findings than the less sophisticated studies of the same youth enterprise program. This emphasises the difficulties of comparing the effectiveness of such programs when different approaches to evaluation are used. Ideally, only a common approach to enterprise evaluation would lead to comparability both within and between programs, enabling taxpayers to be clear about the value for money from such activities.

9. Conclusions

This paper began by reviewing international evidence to show that young people have high levels of latent entrepreneurship but that this does not translate into actual entrepreneurship. It also provided international evidence to show that market failures may explain these phenomena.

The central contribution, however, of the paper is to demonstrate how evaluation methodologies impact upon program outcomes. Using Storey’s (2000) typology, it identified that simple monitoring approaches produced more positive results for the Prince’s Trust than more sophisticated evaluations.

This finding, however, raises many important questions about the evaluation of public policies to promote enterprise more widely. If, as this paper argues, the less sophisticated studies are both cheaper and more likely to generate ‘good news’ for the program, there will be pressure in some quarters to favour such an approach. This
raises the question of who is responsible for ensuring the interests of the taxpayers, potential entrepreneurs and society, more widely, are represented. The paper makes it clear that all three are important, but is less clear about where the balance of power should lie.
References


SMIE (2003) *The Support Measures and Initiatives for Enterprises*
http://europa.eu.int/comm/enterprise/smie/


Appendix 1: The Application Process

1. Initial advice and support
2. Assistance with production of business plan & start-up preparation
3. Application reviewed by a Panel of volunteers, FT final decision
4. Successful applicants receive start-up loan/grant
5. Start-up support for 3 years including volunteer Business Mentor support for 2 years

Branches:
- Test marketing grant awarded
- Internal business training or referral to an external agency