

► From school to business: Policy support to youth entrepreneurship and self-employment

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► Enable growth-oriented and opportunity-driven young entrepreneurs to transition into productive business, expand and create additional jobs that provide productive wage employment and decent work opportunities...

Fostering youth entrepreneurship is frequently associated with innovation, youth-led job creation and economic development. Yet, for the majority of young people, self-employment is not a dynamic or highly profitable venture. Self-employment is often associated with lower earnings as well as limited rights and social protection in the informal sector (Burchell et al. 2017). But it doesn't have to be that way. Policy responses that support productive entrepreneurship and self-employment can encourage voluntary and profitable self-employment. A distinction is made in the discussion here between young entrepreneurs driven by opportunity and young people who are driven by necessity and become self-employed as a last resort to cope in the world of work. Structural and cultural barriers to wage employment may also lead youth, including young women and young persons with disabilities, to consider self-employment.

Youth have emerged as active agents and drivers of economic growth in the approach to youth employment policies since the late 1990s, building on advances in the promotion of rights and education of young people in the twentieth century (Barcucci, Chacaltana and Morena 2018).

The international policy development agenda reinforces this perspective. The 2012 resolution of the International Labour Organization (ILO) on the youth employment crisis cited youth entrepreneurship and self-employment as a pathway to decent work and sustainable enterprise for young people (ILO 2012). The 2030 Agenda for Sustainable

Development reaffirmed this priority through the Sustainable Development Goals and relevant targets, focused on labour-demand and supply-side measures. Goal 8 on economic growth and decent work, for instance, includes the promotion of "development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services" (target 8.3). Goal 4 on education and lifelong learning aims to "substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship" (target 4.4) (DESA 2019).

The 2019 ILO Centenary Declaration for the Future of Work adopted a human-centred approach to re-emphasize the role of entrepreneurship in an era that requires policymakers to shape an active society and invest in lifelong learning and transitions.¹¹⁷

The world of work is undergoing fundamental changes driven by technology, demography, climate change and globalization, with critical repercussions for young people in the labour market and for employment relationships. These trends affect the pathways young people embark on and shape their personal and labour market trajectories and transitions (Chacaltana, Elder and Lee 2018). These trends are also opening up a range of opportunities, from digital start-ups to green entrepreneurship.

¹¹⁷ See www.ilo.org/ilc/ILCSessions/108/reports/texts-adopted/WCMS_711674/lang-en/index.htm.

Historically, the private sector drove the increases in the quantity and quality of jobs along the development trajectory of countries undergoing rising per capita incomes and levels of education (Gindling and Newhouse 2014). But the level of self-employment in a country can be a sharp lens through which to view the status of the labour market and overall economic development. Most of the world's 1.2 billion young people aged 15–24 live in developing economies (DESA 2017), where small and medium-sized enterprises account for a large share of total employment (ILO 2017). Yet, with large numbers of young people entering the labour market and limited opportunities for wage employment in many economies, (formal) entrepreneurship and self-employment have become critical options to manage the youth employment crisis, to contribute to sustainable development and to overcome social and environmental challenges, including through social entrepreneurship. For youth in fragile situations or affected by conflict or disaster, entrepreneurship and self-employment can provide otherwise-hard-to-find income. Entrepreneurship has the potential to help empower young women, but unfortunately, persistent gender biases stymie their likelihood of starting a business.

The premise of this policy development is that providing young women and men with an enabling business environment as well as access to skills, knowledge, finance, markets and networks can empower them to become drivers of economic opportunities that create jobs for themselves and their peers. Although small and medium-sized enterprises and young firms are often more dynamic than large firms in terms of relative employment growth (ILO 2017b), the closing rates are highest for young enterprises whose owners' stage in life coincides with a phase of high job mobility and less time for capital and skill accumulation. Remaining below the size threshold needed for profitable operations is a driver of enterprise demise. Yet, enterprise demise may not imply a permanent exit from self-employment, with re-opening rates increasing over time (McKenzie and Paffhausen 2017).

Policies promoting youth entrepreneurship and self-employment need to support youth throughout their transitions into the labour market and need to adapt to the changing nature of work. In particular, emerging non-standard forms of employment and employment relationships are affecting social security, earnings and working conditions for employed and self-employed young people (ILO 2016a). Non-

standard forms of employment, such as temporary employment as well as disguised employment and dependent self-employment in the gig or platform economy, have led to increased policy attention (ILO 2016c).

Policy responses need to adjust and evolve with the ongoing evolution of the world of work if they are to truly support youth in the transition from school to business. The discussion that unfolds here centres on what policymakers likely need to know.

- Who are the young people becoming self-employed, what are their working conditions and trajectories, and what distinguishes opportunity-driven from necessity-driven self-employment? Using evidence from the unique data set of school-to-work transition surveys, the analysis here covers the state of youth entrepreneurship and self-employment by region and country income groups to elaborate on the reasons for self-employment, hours of work, underemployment, job satisfaction, starting up and funding, income and education.
- If policymakers, social partners and other stakeholders decide to intervene, what are relevant policy options? Drawing on data from the ILO Youth Employment Policies and Legislation database, known as YouthPOL, the analysis looks at the evolution of policies that aim to remove restrictions to generate and initiate business and support the productivity of young entrepreneurs over time and by region.
- In countries where comprehensive policies and programmes have been initiated, what do we know about which programmes and interventions have worked? Using evidence from the Youth Employment Inventory and a global systematic review and meta-analysis of rigorously evaluated youth employment interventions and other research, the analysis explores the design and characteristics of youth entrepreneurship interventions to synthesize what works to support young women and men in starting and growing a business.

Self-employment is defined to include all individuals who are employers, own-account workers, members of producers' cooperatives and contributing family workers (ILO 2016b). Self-employment covers jobs for which "the remuneration is directly dependent upon the profits (or the potential for profits) derived from the goods and services produced (where own consumption is considered to be part of profits). The incumbents make the operational

decisions affecting the enterprise or delegate such decisions while retaining responsibility for the welfare of the enterprise. In this context, ‘enterprise’ includes one-person operations” (ILO 1993).

While policy responses need to tackle the barriers to entrepreneurship, programmes also need to become more inclusive for disadvantaged groups and tailored to the needs of youth to realize their full potential (Global Initiative on Decent Jobs for Youth 2017). Policies and interventions aimed at promoting youth entrepreneurship and self-employment are described throughout this discussion as “entrepreneurship policies” and “entrepreneurship programmes”, respectively, in the exploration of the role of youth entrepreneurship and self-employment as part of national strategies for youth employment.

Current state of youth entrepreneurship and self-employment – evidence from the school-to-work transition surveys

Global and regional distribution of employment of young people

Global employment trends point towards a steady decrease in the self-employment rate over the past 20 years, mainly due to a shift from contributing family workers into wage employment. Looking at the global composition of the workforce by status in employment (working-age, mostly from age 15) since 2000, an increasing majority of individuals work as employees, reaching almost 55 per cent in 2017. This represents an increase of more than 10 per cent in less than 20 years (ILOSTAT). The trend is likely to reflect the rise in global income levels: with growing national income, an increasing share of agricultural workers take up non-agricultural wage employment opportunities (Gindling and Newhouse 2014). The proportion of own-account workers and employers has remained remarkably stable, at approximately 31 per cent and 3 per cent, respectively, over the past 20 years (ILOSTAT). In contrast, the share of individuals classified as contributing family workers has decreased by almost 40 per cent, from 18 per cent in 2000 to 11 per cent in 2016–17 (ILOSTAT). Once more, this

reflects global shifts from agricultural to industrial wage employment as well as a larger proportion of women in dependent employment (Gindling and Newhouse 2014).¹¹⁸

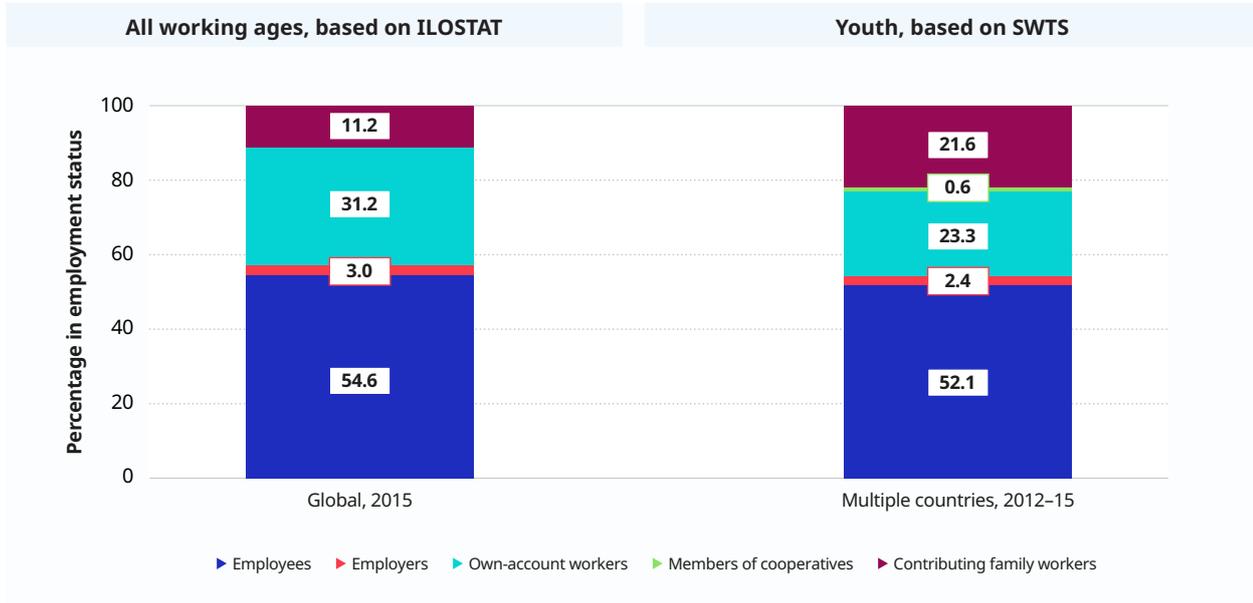
Are these global trends in the status of employment also representative for young people? The ILO school-to-work transition survey, a series of representative cross-sectional surveys with young people aged 15–29 conducted between 2012 and the end of 2015 in 34 countries, is a good resource for labour market trajectories and characteristics of self-employed young people. In this data set, the share of contributing family workers was significantly larger than in the overall workforce, at more than 21 per cent, while own-account workers made up a smaller proportion, at only 23 per cent (figure 1). The share of individuals working as employees or employers was remarkably similar to the global workforce, without any age restrictions. Our analysis of the school-to-work transition survey findings focused mainly on policy options that have been used to break down the barriers that young entrepreneurs and self-employed people experience. But policy interventions can and do also intervene at earlier stages of the entrepreneurship pipeline to tackle the constraints hindering young people from starting a business, from risk aversion to lack of an entrepreneurial culture.

The years between ages 15 and 29 represent an important period of school-to-work transitions for young people. The proportion of individuals in school drops sharply after age 18, which is mirrored by the proportion of individuals out of the labour force (left panel of figure 2). The proportion of young people with children, working as employees and in self-employment all increase with age, with only small increases in self-employment levels (from an initially high level of almost 20 per cent). The incidence of unemployment has an inverse-U shape, with a peak of almost 20 per cent around the age of 22, which then slowly decreases.

For young people who are in employment (right panel of figure 2), being a contributing family worker dominates until age 18, when employees take over as the most frequent type of employment. Overall, these two variables display opposite trends, with employees plateauing at 60 per cent from the age of 23 onwards. The proportions of young people working for their own account or as employers increase monotonically with age.

118 The ILOSTAT database does not display rates and changes for members of cooperatives. See <https://ilostat.ilo.org/>.

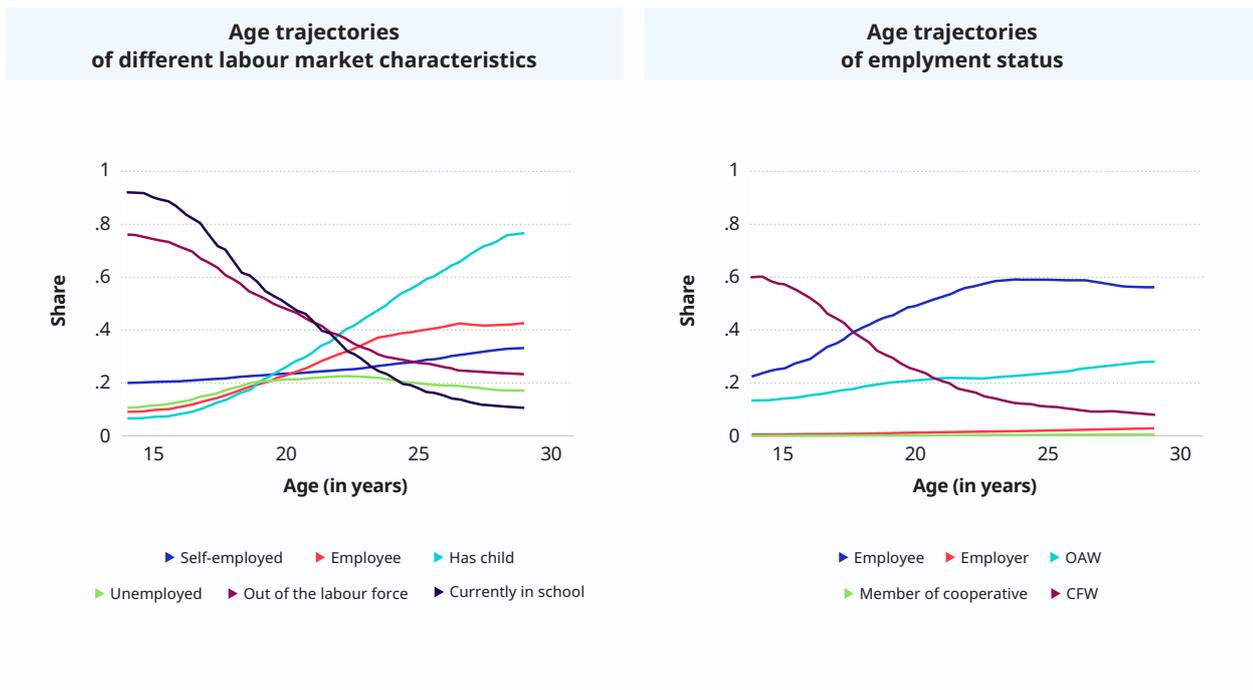
► **Figure 1. Employment status, all ages, based on ILOSTAT data, 2015 (%) and youth, based on school-to-work transition survey data, 2012–15 (%)**



Note: The school-to-work transition survey (SWTS) data cover the following countries and territory: Armenia, Bangladesh, Benin, Brazil, Cambodia, Colombia, Congo, Dominican Republic, Egypt, El Salvador, Jamaica, Jordan, Kyrgyzstan, Lebanon, Liberia, North Macedonia, Madagascar, Malawi, Republic of Moldova, Montenegro, Nepal, Occupied Palestinian Territory, Peru, Russian Federation, Samoa, Serbia, Sierra Leone, United Republic of Tanzania, Togo, Tunisia, Uganda, Ukraine, Viet Nam and Zambia.

Source: Authors' calculations based on the ILOSTAT database, <https://ilostat.ilo.org/> and the ILO school-to-work transition survey data.

► **Figure 2. Labour market transitions in the ILO school-to-work transition surveys, 2012–15, by age**



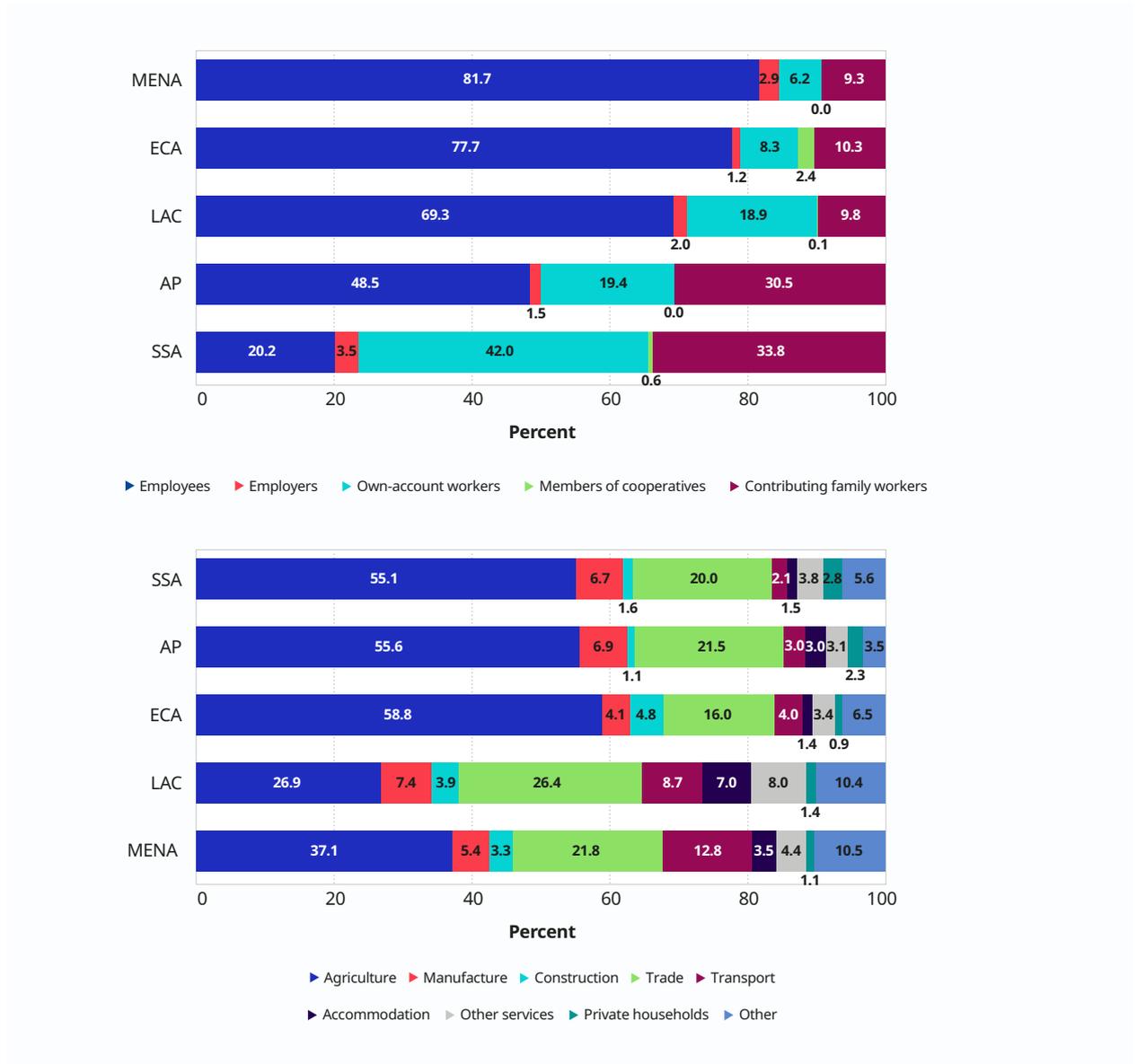
Note: OAW=own-account worker; CFW=contributing family worker.

Source: Authors' calculations based on the ILO school-to-work transition survey data.

Data on the global employment status of young people masks considerable regional heterogeneity (Figure 3). More than 40 per cent of young sub-Saharan Africans, for instance, were engaged

in own-account work (mostly as subsistence farmers) in the survey period, while it was less than 10 per cent of young workers in the Arab States and Northern Africa and Europe and Central Asia.

► **Figure 3. Employment status for youth, by region in the school-to-work transition survey findings, 2012–15**



Note: The school-to-work transition survey data cover the following countries and territory: Armenia, Bangladesh, Benin, Brazil, Cambodia, Colombia, Congo, Dominican Republic, Egypt, El Salvador, Jamaica, Jordan, Kyrgyzstan, Lebanon, Liberia, North Macedonia, Madagascar, Malawi, Republic of Moldova, Montenegro, Nepal, Occupied Palestinian Territory, Peru, Russian Federation, Samoa, Serbia, Sierra Leone, United Republic of Tanzania, Togo, Tunisia, Uganda, Ukraine, Viet Nam and Zambia.

MENA: Arab States and Northern Africa; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; AP: Asia and the Pacific; SSA: sub-Saharan Africa.

Bottom panel: Only self-employed individuals, excluding employees. The other category includes for example finance, education, health, real estate and more.

Source: Authors' calculations based on the ILO school-to-work transition survey data.

The share of people engaged in own-account work inversely relates to the share of young employees, who make up the majority of young workers in the Arab States and Northern Africa and in Europe and Central Asia as well as in Latin America and the Caribbean. Employees accounted for almost 50 per cent in Asia and the Pacific but only made up a fifth of the young workforce in sub-Saharan Africa. This suggests that the lack of formal or other dependent employment opportunities, both in the private and public sectors, is keeping young people in own-account work. This finding is in line with Gollin's (2008) argument that aggregate productivity differences trap people in small-scale self-employment with limited growth potential – self-employment is seen a market-efficient outcome in least developed countries with low productivity levels, whereas this form of own-account work almost entirely disappears in high-income economies.

The majority of young workers in sub-Saharan Africa live in extreme or moderate poverty and cannot afford to be unemployed (ILO 2017). From this

perspective, own-account work in developing countries is not opportunity-driven but necessity-driven and, together with contributing family work, can be regarded as an “employment of last resort”. In line with this argument, contributing family workers made up a third of the young workforce in sub-Saharan Africa and in Asia and the Pacific, and only a tenth in the other regions in the survey period. The proportion of young people working as employers did not vary as much and did not display such a clear relationship at the regional level: between 1.2 per cent (Europe and Central Asia) and 3.5 per cent (sub-Saharan Africa) of young persons engaged in this type of employment. These rather small proportions could indicate that employment in this sector is not driven as much by the availability of outside options but is more strongly influenced by the characteristics of and opportunities available to young employers.

The regional analysis of employment status by sector, focusing on self-employed individuals (employers, own-account workers, members of cooperatives and contributing family workers), led to a deeper glimpse

► **Table 1. Differences between young employees and self-employed young people in the ILO school-to-work survey findings, 2012–15**

	Difference	Employees	Self-employed
Age	1.41***	23.51	22.10
Female	-0.12***	0.36	0.48
Male	0.12***	0.64	0.52
Urban	0.30***	0.60	0.30
Rural	-0.30***	0.40	0.70
Has any children	-0.11***	0.35	0.46
Has any schooling	0.09***	0.97	0.88
Currently in school	-0.10***	0.15	0.25
Weekly working hours	11.20***	42.53	31.33
Wants to change job	-0.06***	0.44	0.50
No specific job training	-0.12***	0.78	0.90
Single	0.11***	0.66	0.55
Matching qualifications	0.20***	0.47	0.26
Undereducated	-0.20***	0.27	0.46
Overeducated	0.07***	0.13	0.06
Number of observations	79 825		

Source: Authors' calculations based on the ILO school-to-work transition survey data.

of what prompts young people into self-employment (bottom panel, figure 3). For instance, more than half of the self-employed young people in sub-Saharan Africa, Asia and the Pacific as well as in Europe and Central Asia worked in agriculture, with much smaller proportions in the remaining regions, in particular the Latin American and Caribbean countries. These figures support the notion that self-employment is driven by the absence of better opportunities for subsistence farmers in lower-middle-income countries. The largest share of agricultural work in the Europe and Central Asian region correlates with the small presence of self-employment in the region (both panels, figure 3). Among the meagre 22 per cent of young self-employed workers, the dominance of the former Soviet Union countries in the sample of the school-to-work transition survey drives the large share of agricultural employment (in particular, Kyrgyzstan, the Republic of Moldova and the Russian Federation). The share of young people engaged in trade, the second-largest sector, ranged from 16 per cent in the Europe and Central Asia region to 26 per cent in the Latin America and Caribbean region.

So, who are the self-employed young people?

Understanding the characteristics of self-employed young people is essential to improve the policies and programmes aiming to support them. Drawing on the ILO school-to-work transition survey findings once more, the analysis here compares the characteristics of self-employed young people with those of young employees.

Young people who were self-employed in the survey period differed from employees across a range of socio-demographic and economic characteristics. The particularly striking differences were in terms of location (with fewer self-employed youth living in urban areas), having children, weekly working hours (employees worked an average of 11 hours or more), relationship status (fewer self-employed youths were single) and the matching of qualifications to the job (more self-employed persons were undereducated and fewer had a good match of qualifications to the job).

Based on the data, a typical self-employed young person lived with their family in a rural location, working only a moderate number of hours on a job that required more skills than the person obtained in school, mostly without specific job training. This type of rural self-employment is markedly different

from what is often considered productive self-employment, entrepreneurship or business creation – both in developing countries, where it is often subsistence agriculture, and in developed economies (Faggio and Silva 2014).

Dynamics in transiting from school to business

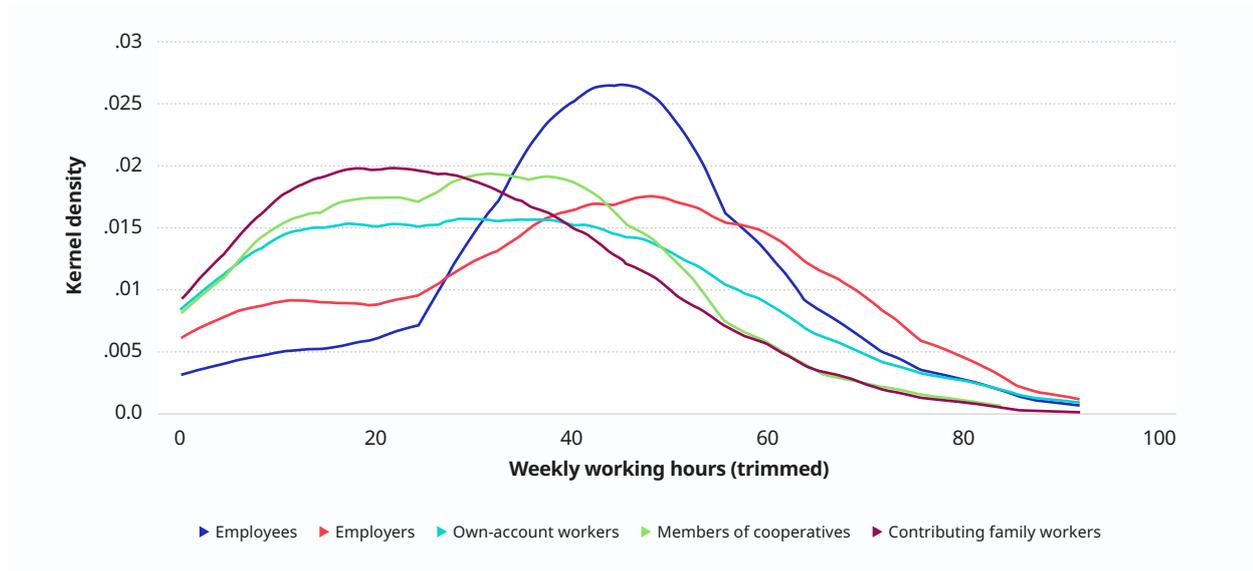
The ILO school-to-work transition surveys provide a rich data set for characterizing the important period between school and employment and for examining which individuals experience a smooth transition to self-employment. The following elaborates the differences between the various types of employment that young people chose at the beginning of their work life, with emphasis on working hours, income, job satisfaction, start-up funding and educational fit.

Working hours: The previous analysis pointed out how self-employed young people worked roughly 11 hours fewer per week than employees, suggesting that some self-employed young people were affected by underemployment. By looking deeper into the categories of self-employment, the analysis found that, as a benchmark, 73 per cent of young employees reported working more than 40 hours per week. This share was considerably lower for own-account workers (at 42 per cent), cooperative members (at 38 per cent) and contributing family workers (at 28 per cent). Young employers were found in the middle, with 60 per cent reporting they worked more than 40 hours per week.

There was much variation in weekly working hours. The variance was smallest for employees, peaking at around 43 hours per week (figure 4). All types of self-employment had larger variances in working hours. Cooperative workers, own-account workers and contributing family workers reflected similar distributions, with most respondents working fewer than 40 hours per week. Employers' working hours, in contrast, were distributed almost bimodally: there was a small spike at around 15 hours per week and then a more substantial peak at around 50 hours per week. The distribution for employers was the rightmost one, with a substantial share of respondents working more than 60 hours per week. Most employers worked long hours, but a non-negligible portion of them at the lower end of the distribution worked fewer than 20 hours a week.¹¹⁹

119 It is unclear whether this is indicative of employers choosing to work such few hours or whether the business situation did not allow for more work.

► **Figure 4. Distribution of working hours, by status in employment in the school-to-work transition survey findings, 2012-15**



Note: The figure uses a kernel density estimate of the probability density function of weekly working hours to illustrate the distribution of weekly working hours by status in employment. The data on working hours were trimmed at the top 99 per cent level but not at the bottom.

Source: Authors' calculations based on the ILO school-to-work transition survey data.

Underemployment often means that individuals work fewer hours than they could and would like to, with potential implications for their earnings. Indeed, the correlations between weekly working hours and salary or profits were small but positive in the school-to-work transition survey data, at around 0.08 and 0.1, respectively. This could be indicative of “hidden unemployment”, in which a smaller number of workers produce a similar amount of output. The literature emphasizes a strong gender dimension in underemployment (see Kjeldstad and Nymoer 2012; Fairlie and Robb 2009). In splitting the analysis of working hours by sex across all five categories, young women emerged as less likely to work more than 40 hours per week (the median number of hours in the full sample) than young men. The sex differences were particularly strong (at around 15 percentage points) for employers, own-account workers and cooperative members, while they were less pronounced for employees (at 4 percentage points) and contributing family workers (at 8 percentage points).

Fewer than a fifth of employers, a tenth of employees and own-account workers and some 5 per cent of cooperative members and contributing family workers worked more than 66 hours per week, which was, again, driven by the male workers.

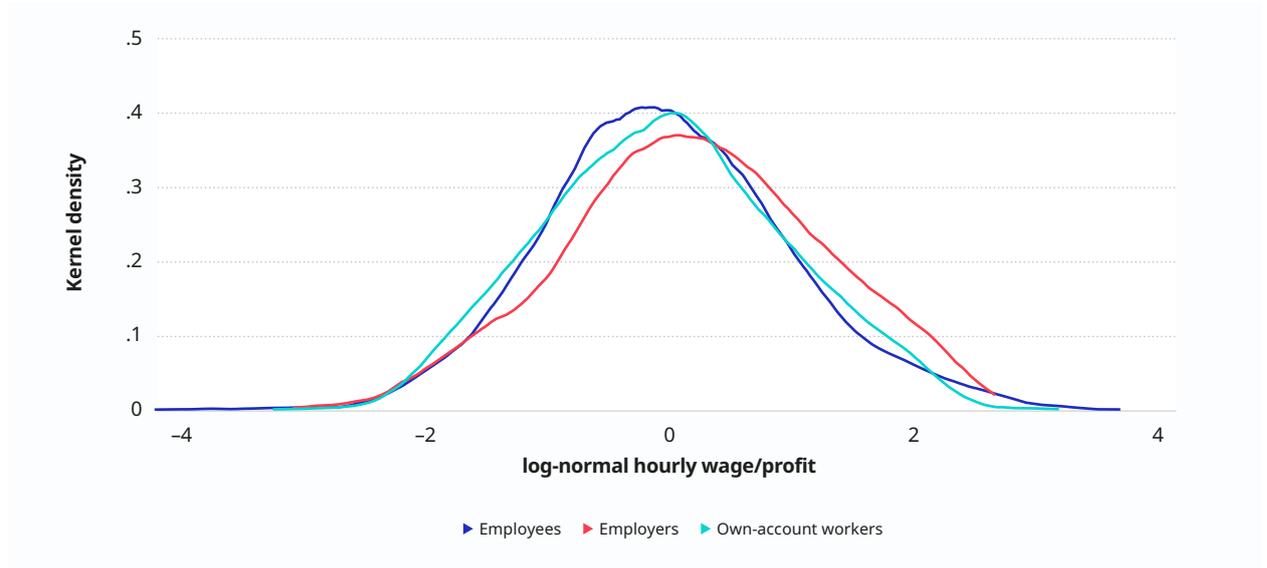
These sex differences are in line with microdata findings from American business owners (Fairlie and Robb 2009).

At least some respondents across all employment categories reported they would have liked to work more hours, varying between 24 per cent (employees and cooperative members) and 36 per cent (contributing family workers). Interestingly, there were no sex differences in terms of wanting to work longer hours, which is in contrast to the sex differences in terms of actual hours worked.

This analysis confirms that certain groups work less than a certain threshold, want to work more and are available, which means they are underemployed.

Income: One main indicator of a successful transition from school to employment, including self-employment, is the income of a young worker. Among the self-employed respondents in the survey data, only employers fared better than employees (figure 5): the log-normalized hourly income of employers was higher along the whole distribution than it was for employees or own-account workers, meaning that for every hour worked, employers earned more than employees. Own-account workers earned less than employees at the lower end of the distribution but more at the higher end, therefore

► **Figure 5. Distribution of log-normalized wages or profits in the school-to-work transition survey findings, 2012–15**



Note: Log-normal hourly wage for employees, log-normal hourly profits for employers and own-account workers.

Source: Authors' calculations based on ILO school-to-work transition survey data.

displaying a higher variance in their hourly earnings than employees, while the mean was similar.

Job satisfaction: The data on working hours shed light on actual and desired levels of employment. In a next step, the analysis looked at whether the self-employed young people were satisfied with their work, regardless of the amount of time spent doing it. Among the self-employed respondents, only employers (at 83 per cent) were satisfied with their current job to the same extent as employees (at 82 per cent). The proportions were smaller for own-account workers (at 73 per cent), contributing family workers (at 72 per cent) and particularly for cooperative members (at 64 per cent). There were no sex differences in job satisfaction. These findings strongly follow the trends previously described for underemployment. Perhaps unsurprising, the satisfaction levels also mirror the regional income levels. Across almost all categories, satisfaction levels were highest in Latin America and the Caribbean (at 87 per cent) and in Europe and Central Asia (at 86 per cent), followed closely by Asia and the Pacific (at 83 per cent) and then the Arab States and Northern Africa (at 77 per cent). The satisfaction levels were by far the lowest in sub-Saharan Africa, with average levels at only 67 per cent.

Start-up funding: Almost every transition from school into self-employment requires initial financial capital to set up the business, buy equipment or contribute to a cooperative fund. The availability of such start-up funding can be central to determining the success of young people in non-dependent employment. The school-to-work transition survey data indicate that only about a quarter of self-employed young people (excluding contributing family workers¹²⁰) required no start-up funding, while approximately a third of them tapped into their savings (at 34 per cent) or received money from their family (at 32 per cent). Only 4 per cent of young employers took loans from microfinance institutions, and 5 per cent from banks, while only 2 per cent of own-account workers relied on either of these financing sources. This indicates that support for young self-employed people from financial institutions is limited. The analysis also suggests that the availability of financial assistance allowing young people to transit into productive self-employment should be extended.

Undereducation and overeducation: A determinant of how smooth the transition can be between school and work is how well a worker's educational background fits their job. Both undereducation,

¹²⁰ Employees and contributing family workers did not respond to this section.

meaning that a respondent’s educational background was insufficient for their current job, and overeducation, where the respondent was overqualified, can be problematic. Interestingly, more than a third of the survey respondents felt underqualified (at 36 per cent). In particular, employers (at 45 per cent), own-account workers (at 53 per cent) and contributing family workers (at 39 per cent) said they felt underqualified. In contrast, only 10 per cent of all the workers reported feeling overqualified, with the larger shares among employees (at 13 per cent) and cooperative members (at 18 per cent).

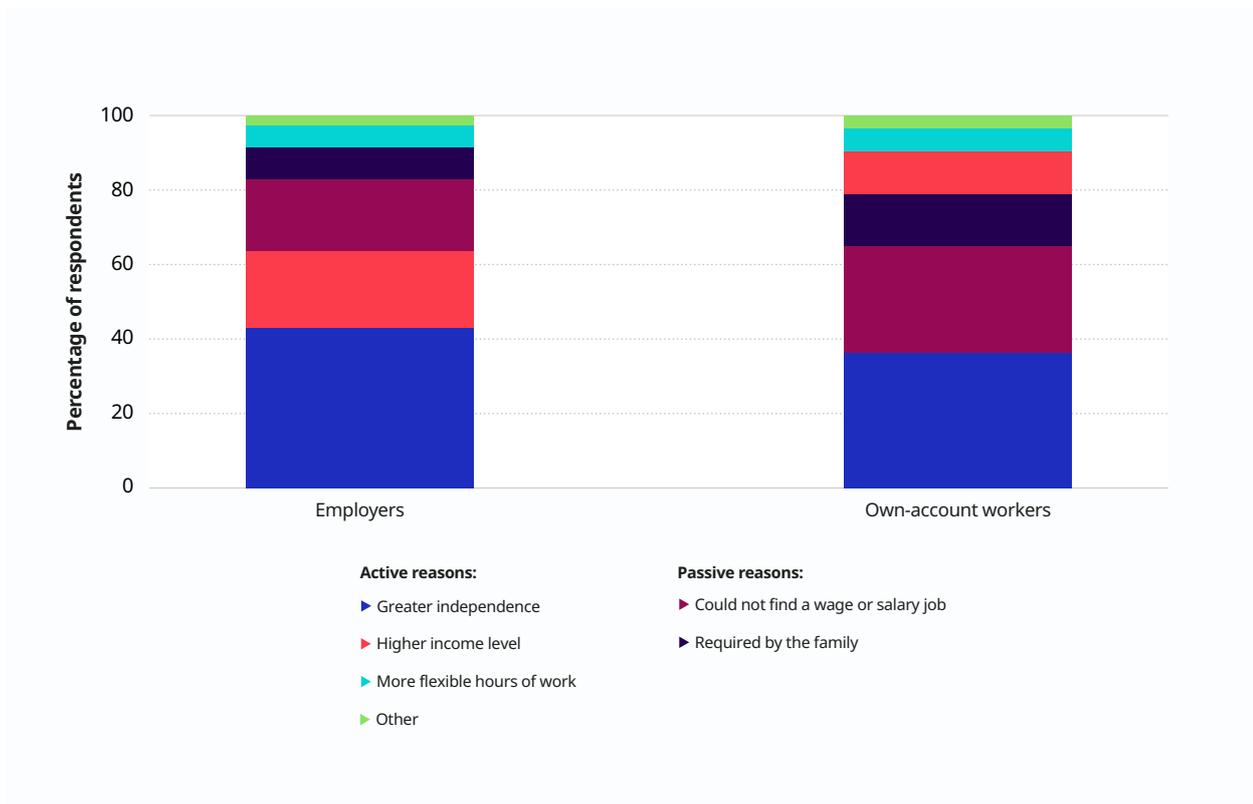
School to work: The analysis of the transition from school to work assumed that young individuals had finished school and then moved into employment, even though some young workers were still in school at the time of the survey (table 1). But the analysis also examined the differences in characteristics of young people who had graduated from school, were currently in school or had dropped. Individuals who had finished school were only half as likely to be in self-employment than those who were in school or had dropped out. Additionally,

school finishers were more likely to be satisfied with their job (and in turn least likely to want to change their job), work the most hours and have the best match between their education and job. School drop-outs were more likely to live in rural areas, to have children, to be undereducated for their job and to mention insufficient financial support or market competition as problems for their self-employment. Not surprising, workers who were in school were the youngest, had no children, worked the fewest hours and were almost exclusively single.

Opportunity-driven compared with necessity-driven self-employment

Reasons for self-employment: Making the transition from school to self-employment is a risky step. Too often, young people deplete their savings to set up in self-employment. As a consequence, self-employment is typically not the first-best choice for young workers. Even though survey responses

► Figure 6. Reasons for self-employment in the school-to-work transition survey, 2012–15 (%)



Source: Authors’ calculations based on the ILO school-to-work transition survey data.

might be influenced by ex-post rationalization, it can be useful to ask young people why they chose self-employment rather than working for someone else.¹²¹ Almost 30 per cent of respondents in the school-to-work transition survey data stated that they could not find a wage job and were self-employed by necessity, which was the most prominent reply among own-account workers. More than 35 per cent of respondents (mostly employers and own-account workers) claimed they sought it out for greater independence. Family requirements were cited by 13 per cent of respondents, again largely own-account workers. Higher income levels were cited by 12 per cent of respondents, but substantially more so by employers (at 21 per cent). These employers thus seem to have ended up in their current condition voluntarily. Only 6 per cent of self-employed respondents mentioned flexible hours as a reason for choosing self-employment.

Overall, “active” reasons for choosing self-employment (independence, income, hours) dominated among employers (at 70 per cent), whereas “pas-

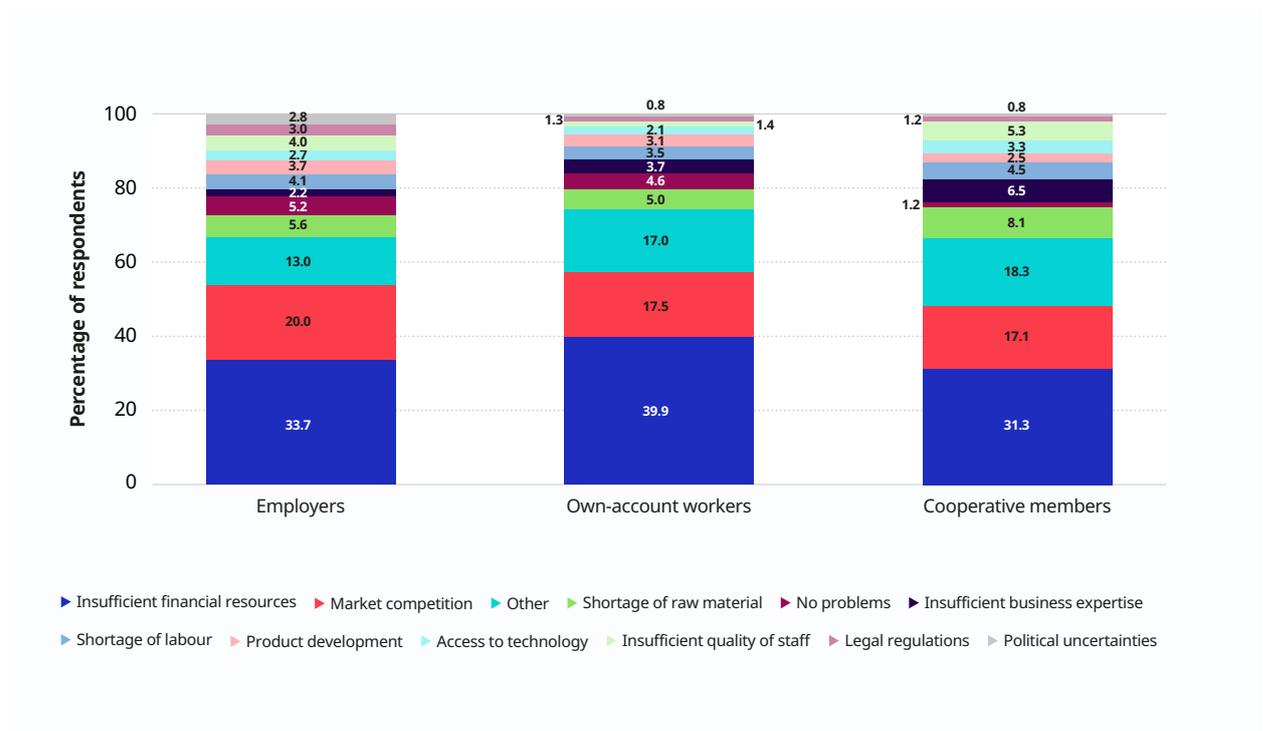
sive” reasons (family requirements, no luck in finding wage job) were more prevalent for own-account workers (at 43 per cent) and cooperative members, at 42 per cent.

Policy responses to youth entrepreneurship and self-employment

Common barriers to youth entrepreneurship and self-employment

As previously indicated, self-employment and entrepreneurship are not always decisions made from a position of opportunity. Nearly half of the respondents in the school-to-work transition survey cited a passive reason (family requirements, no luck in finding a wage job), which is an indicator of necessity-driven self-employment. But whether

► **Figure 7. Problems young self-employed people reported experiencing in the school-to-work transition survey findings, 2012–15 (%)**



Source: Authors’ calculations based on the ILO school-to-work transition survey data.

121 Again, employees and contributing family workers were not asked this question, for obvious reasons.

their self-employment was due to necessity or opportunity, young self-employed people in the data period often encountered problems that impeded the productive operation of their business. By far, the most important problem mentioned – by more than 30 per cent of the respondents across the categories – was insufficient financial resources, followed by market competition and then “other” problems (both characterized as most important by slightly less than a fifth of the respondents) (figure 7). That “other” was cited so frequently suggests that self-employed workers and entrepreneurs likely struggle with issues idiosyncratic to their business. The remaining barriers were only of highest importance to, at most, 5 per cent of respondents, including shortages of raw material and labour. Only around 4 per cent of respondents reported having no problems in their self-employed economic activity.

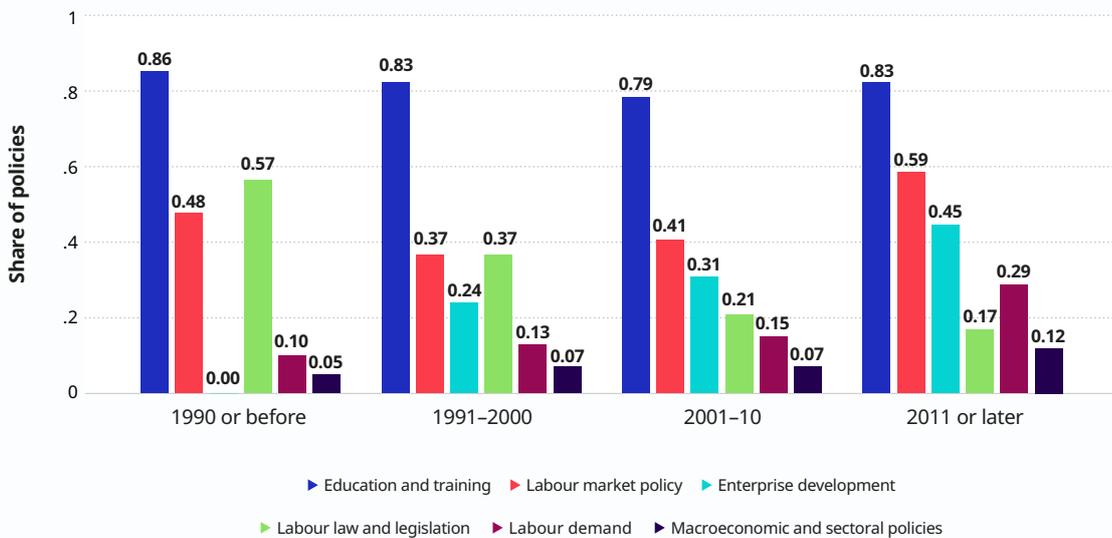
That insufficient financial resources dominated the list of most important problems suggests that start-up funding and financial capital more generally are lacking for self-employed young people. This is an area around which policy and financial sector conditions could potentially make a big difference, including through technology-based solutions, such as crowdfunding channels. Market competition is highest in business areas of low innovative capacity, such as self-employment in standard services or trades (like barber shops or beauty salons). Active

labour market policy instruments might not have strong leverage in this context, and the “problem” might be a characterization of a healthy competitive market environment. But rather than creating less market competition, policymakers (or market forces) should redirect young people aspiring to become self-employed away from businesses with high market saturation and low profitability (McKenzie and Puerto 2017).

Policy responses to entrepreneurship barriers

Have the problems reported by young self-employed individuals made their way into policy responses? Traditionally, policy responses speak to “classic” labour market and education issues. As a joint synthesis report of the ILO and the World Bank (2012) points out, vocational training programmes were the most commonly implemented policy type after the financial crisis of 2008–09. To assess policy responses over time, our analysis trawled through the ILO Youth Employment Policies and Legislation, or YouthPOL, database of 485 policy documents from 65 countries (dating between 1947 and 2015). The proportion of policies targeting enterprise development increased enormously after 2011, at 45 per cent (figure 8). This was the largest rise among all policy categories, making enterprise development the third-most frequent policy area

► Figure 8. Policy areas targeted in policy documents, 1947–2015 (share)



Note: A policy document can relate to more than one policy area, which is why the sum of percentages by time period exceeds 100%.

Source: Authors’ calculations based on the ILO Youth Employment Policies and Legislation database.

► **Table 2. Policy documents in the YouthPOL database focusing on enterprise development, by country income status**

	Country income status		
	High income	Lower and middle income	Total
Total number of policy documents in the YouthPOL database	193	292	485
Number of countries	22	43	65
Enterprise development [n=173 documents]	50	123	173
Share of overall policies (%)	26	42	36
Number of countries	17	39	56
Access to non-financial services (%)	52	60	58
Access to finance (%)	44	71	54
Measures for enterprise start-ups by young people (such as tax rebates, subsidies, registration) (%)	66	43	50
Measures to promote registration and compliance of existing enterprises in the informal economy (%)	4	6	5
Other self-employment and enterprise development measures for youth (%)	30	59	51

Source: Authors' calculations based on ILO Youth Employment Policies and Legislation database.

contained in the YouthPOL database, behind education and training as well as labour market policy.

There is substantial regional heterogeneity in the extent to which policies on enterprise development have been implemented: the Arab States and Northern Africa region only reached a share of 20 per cent for enterprise development for policies introduced in 2011 or later, while the Latin America and the Caribbean and sub-Saharan Africa regions have high rates, at around 40 per cent, since the 1990s, reaching around 70 per cent after 2011. The Asia and Pacific region emphasized enterprise development in approximately 50 per cent of their policies after 2011.

The analysis focused on those policy responses that specifically include enterprise development, starting with an overview (table 2) across high-income countries and low- and middle-income countries. Although the analysis looked at mostly young workers already in self-employment, policymakers can and do intervene much earlier, with interventions on entrepreneurship education and culture in the school curriculum. Often, enterprise development and educational policies are combined.

The analysis of the policies that address enterprise development found variation, with a larger propor-

tion of those policies in lower and middle income countries than high-income countries. The policy documents on enterprise development can be classified into those dealing with access to non-financial services, access to finance, other self-employment and enterprise development measures for youth, measures for enterprise start-ups by young people and measures to promote registration or compliance of existing enterprises in the informal economy (table 2). A single policy document can take on multiple categories.

Encouragingly, more than half of the documents, and particularly so in lower and middle income countries, target access to finance, which was the most pressing issue cited in the sample of self-employed young people in the school-to-work transition survey findings. In this context, increased access to finance for young entrepreneurs can also be fostered through technology-based solutions. Access to non-financial services is also more frequently addressed in lower and middle income countries, but the gap with the high-income countries is considerably smaller here. The only policy sub-area that appears more frequently in high-income country legislation are measures for enterprise start-ups by young people, presumably because they rely on a more formalized market environment for

Supporting the transition to formality of youth-led enterprises

At the age of 29, Yafa had three daughters and two sons when her district in Azerbaijan was selected as a pilot rural area for an innovative entrepreneurship programme under the Partnerships for Youth Employment in the Commonwealth of Independent States project. The project by the International Labour Organization (ILO) took an integrated approach to improve the effectiveness of policies and programmes for youth employment. To support her family, Yafa wanted to start teaching computer classes. But as an informal entrepreneur, she could not issue official certificates to the graduates. The project allowed Yafa to apply for a subsidy from the Public Employment Service of Azerbaijan under the Ministry of Labour and Social Protection of Population. The ILO Start and Improve Your Business programme proved useful for supporting participants in drafting their business plan as a first step in their transition to formality.

In 2015, the ILO adopted the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). It provides guidance to facilitate the transition of workers and economic units from the informal to the formal economy; promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and the coherence of macroeconomic, employment, social protection and other social policies; and prevent the informalization of formal economy jobs.

Source: ILO, *Get Formal, Be Successful: Supporting the Transition to Formality of Youth-led Enterprises in Azerbaijan* (2015). See also www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_373481/lang--en/index.htm.

entrepreneurship. Other self-employment and enterprise development measures for youth, which predominantly include entrepreneurship education and business training, are almost twice as frequent in the lower and middle income countries than in the high-income countries. It is important to emphasize that these policies include a set of diverse measures with different objectives, from raising awareness about entrepreneurship to equipping young entrepreneurs with adequate business skills. The challenges encountered by young entrepreneurs are typically further aggravated in the context of the informal economy, which thus requires dedicated policy responses. The formalization of new businesses, for instance, could be supported through electronic and mobile payment methods.

What barriers are removed by policies addressing enterprise development?

While the scope of enterprise development policies in the YouthPOL database goes beyond youth entrepreneurship and self-employment, the barriers targeted are substantially out of line with the constraints reported by self-employed young people in the school-to-work transition survey data. Only a quarter of all the policies reviewed mention financial capital as the main challenge, which means that it only ranks seventh of ten potential challenges in the YouthPOL data.

The relevance and quality of technical training is the most frequent barrier singled out, followed by the match of labour demand and supply and then social inclusion. Working conditions and discrimination rarely are cited in the challenges that the policies intended to tackle.

Although the relevance and quality of technical training is the most frequently tackled problem across all regions, there are some regional specificities worth pointing out: labour demand and social inclusion are not frequently targeted in Asia and the Pacific (compared with the other regions) but working conditions are. The school-to-work transition is a relatively frequent issue targeted in Europe and Central Asia but, relative to the other regions, the relevance and quality of general education or technical training is little mentioned. This latter pattern also holds true for the Latin America and the Caribbean countries, where school-to-work transitions also have minor presence. Perhaps surprisingly, sub-Saharan Africa looks similar to Asia and the Pacific in the types of barriers that are tackled.

Among the 173 policy documents on enterprise development, only 8 per cent have a singular focus, with the remaining 92 per cent target multiple issues. Some 40 per cent of the documents cover more than three policy areas. Over time, the relative share of multipronged policies has varied, from 100 per cent in the 1990s to 87 per cent between 2001 and 2010 and then up to 94 per cent from

2011 onwards. Of the multipronged policies, 87 per cent also include education and 64 per cent include the labour market.

The dominance of multipronged policymaking is encouraging: research on how to enable innovative ecosystems for opportunity-driven self-employment has documented that integrated approaches are required, combining the geographical clustering of start-up scenes in urban centres with human capital development, infrastructure provision and the establishment of networks of entrepreneurs.

What works in promoting youth entrepreneurship and self-employment

The analysis here is based on available evidence for what works in promoting youth entrepreneurship and self-employment. It is necessary to assess the effectiveness of enterprise development policies and hence to evaluate their performance. Solid monitoring and evaluation systems are essential instruments to create a results-based cycle of learning, managing and improving youth employment programmes, but they are rarely well implemented. Over the past decades, there has been a good increase in evidence at the programme level, but there has been little progress in assessing the policies found in the YouthPOL database: the proportion of unevaluated policies has remained constant since the 1990s, at around 60 per cent.

Policy responses supporting the transition of young people from school to business are expected to have positive impacts on young people in the short, medium and long terms. Heightened awareness of youth entrepreneurship and knowledge of what influences young people's attitudes, behaviours and mindsets can shape their aspirations and pathways into the world of work. Tackling restrictions to initiate and grow a business has medium- and long-term implications for the ecosystem surrounding young entrepreneurs, ideally leading to opportunities that will shape their labour market trajectories and those of their peers. A systemic and integrated policy approach that also takes into account general equilibrium effects is needed to help the youth create productive self-employment. Stand-alone youth entrepreneurship interventions may have adverse effects that result in merely redistributing existing employment opportunities. For instance, supporting one group of young people may displace or disadvantage another group without increasing

overall employment. Creating additional jobs will also depend on the macroeconomic and labour market environment.

The effectiveness of policies promoting youth entrepreneurship and self-employment can be measured by the change in outcomes of young people. Because capturing the impact of policies can be challenging, given the multitude, interaction and complexity of policy interventions, understanding what works at the programme level, why and how is essential for policymakers to determine the best resource allocation.

Towards evidence-based programming on youth employment

The discussion here builds on country-level inventories of youth employment interventions and rigorous evidence synthesized in a quantitative systematic review of counterfactual impact evaluations of youth employment interventions (Kluve et al. 2019; 2017) as well as on recent literature to examine the impact of active labour market programmes as a common instrument to follow through on policies in support of youth entrepreneurship and self-employment.

Entrepreneurship programmes are “designed to address the individual and external constraints that young people encounter in starting or growing a business by providing entrepreneurial skills and facilitating access to capital for self-employment – including physical, financial and social capital” (Kluve et al. 2017). Kluve et al. (2019; 2017) have detailed a theory of change for doing so.

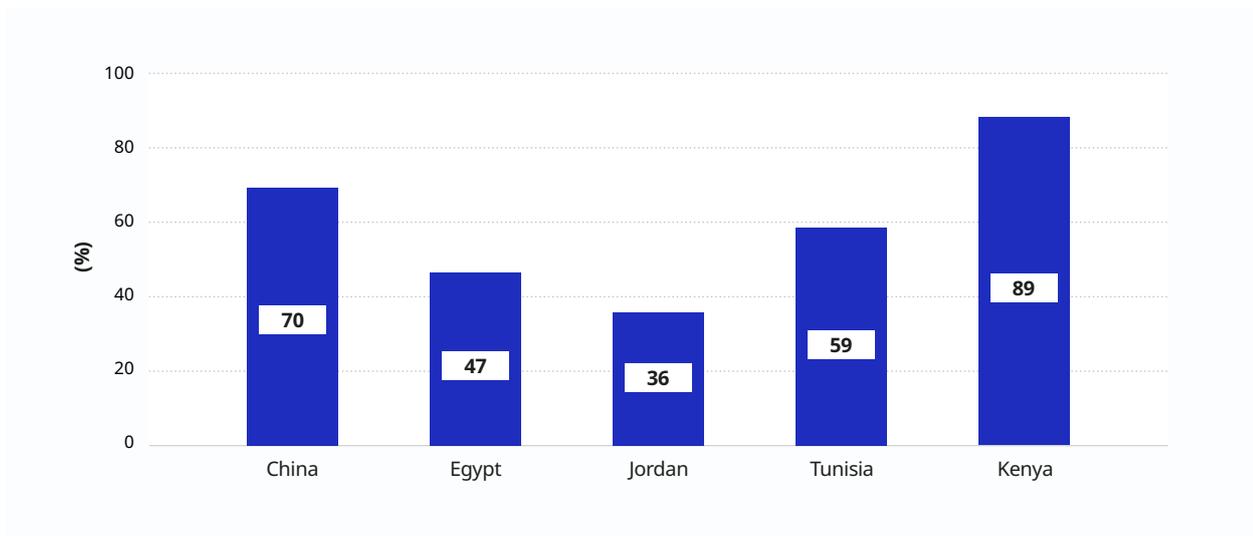
Interventions have been introduced independently and collectively by governments, civil society and youth organizations, private sector actors, financial and business-support service providers as well as international and regional institutions, but they generally fall into three categories:

- 1. Entrepreneurship training:** access to knowledge and skills, including business and management training programmes.
- 2. Advisory services,** mentoring and coaching as well as access to networks, markets and value chains.
- 3. Access to finance** through credit, monetary or in-kind grants and microfranchising.

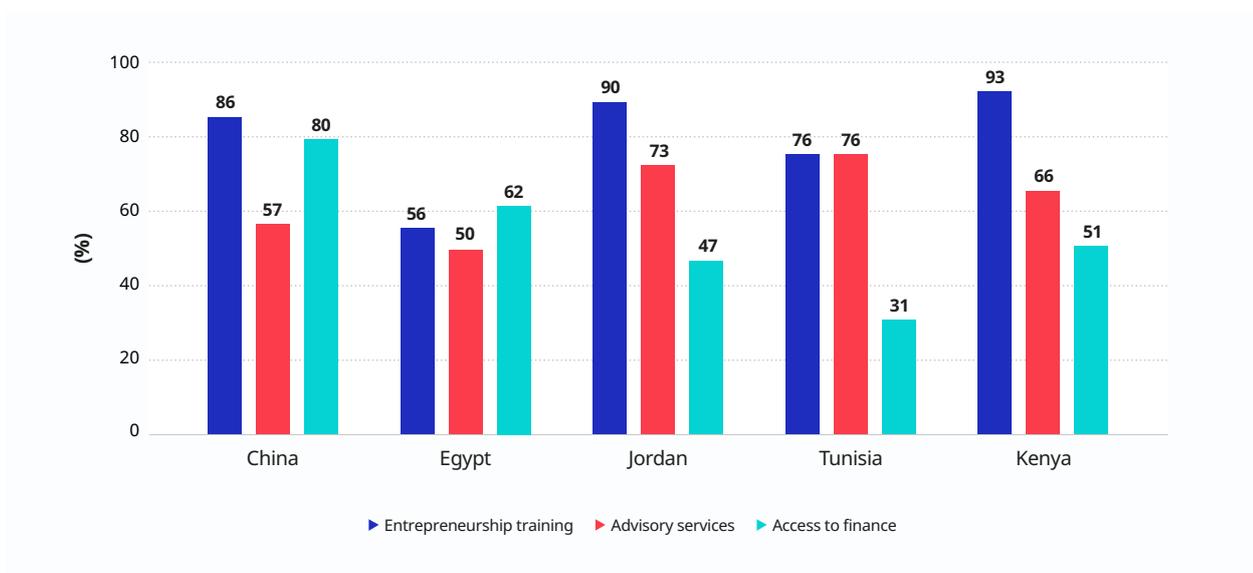
Technology-based solutions have the potential to support young people across entrepreneurship programmes to acquire digital literacy, financial and entrepreneurial skills (including through online courses, coaching and digital training materials) and to facilitate access to markets and market information.

Entrepreneurship programmes are common instruments to operationalize policies aimed at improving the labour market situation of young people. From 2013 to 2016, the ILO carried out comprehensive country-level inventories of youth employment interventions in China (2016), Egypt (2013), Jordan (2016), Kenya (2013) and Tunisia (2014) in search

► Figure 9. Youth-focused active labour market programmes with entrepreneurship components (%)



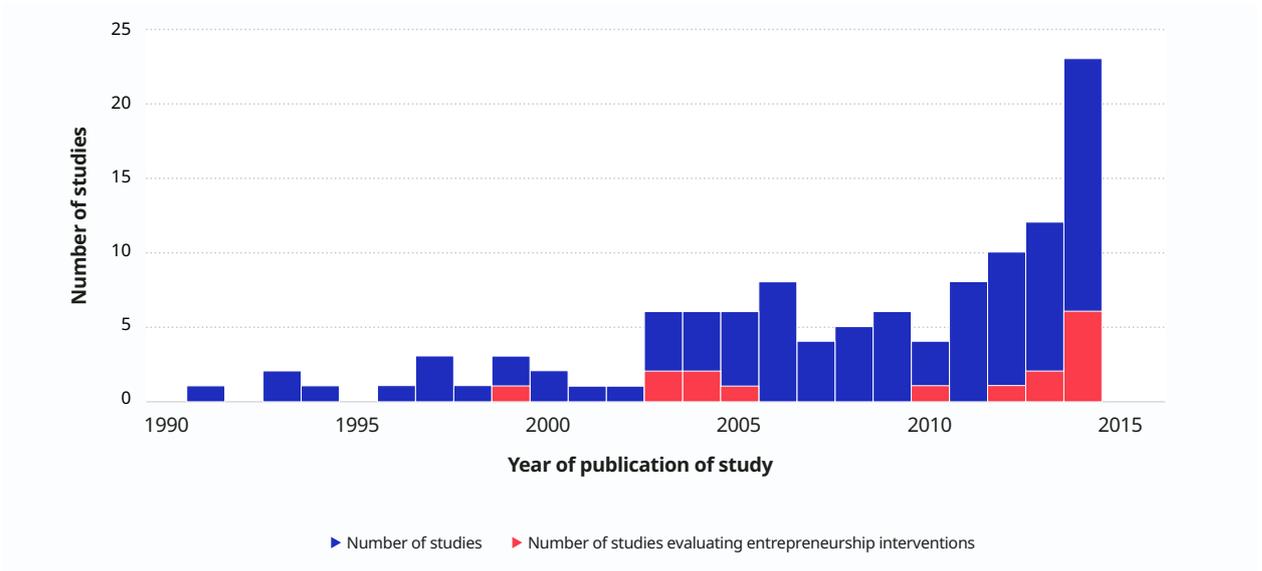
► Figure 10. Entrepreneurship components across entrepreneurship interventions (%)



Note: An intervention may include more than one entrepreneurship component and therefore percentages in this chart do not add up to 100% by country.

Source: Authors' compilation based on Youth Employment Inventory data for China (2016, n=70 youth-focused active labour market programmes), Egypt (2013, n=182), Jordan (2016, n=84), Kenya (2013, n=115) and Tunisia (2014, n=83).

► **Figure 11. Number of impact evaluations of youth employment interventions, including entrepreneurship interventions, by year of publication, 1990–2015**



Source: Authors, based on Kluve et al. 2017.

of intervention trends. The data from the Youth Employment Inventory¹²² show that youth-centred active labour market programmes with at least one entrepreneurship component, such as entrepreneurship training, advisory services or access to finance, accounted for 36 per cent of all programmes in Jordan and up to 89 per cent in Kenya in the period analysed (figure 9).

The presence of entrepreneurship components within the youth employment programme landscape supports the argument that efforts in lower and middle income countries tend to concentrate to a substantial yet varying extent on youth entrepreneurship and self-employment, given the limited capacity of the labour market to absorb young people in wage employment.

Entrepreneurship training is an essential component in most programmes, according to the Youth Employment Inventory data for China, Egypt, Jordan, Kenya and Tunisia (figure 10). Yet, entrepreneurship programmes frequently adopt a multiple-component approach when targeting the multiple constraints that young people experience. This may include combining access to finance with business skills training and business advisory

services, as demonstrated by such rigorously evaluated programmes as CréaJeunes in France (Crépon et al. 2014), Calificación de Jóvenes Creadores de Microempresas in Peru (Jaramillo and Parodi 2003), Formación Empresarial De La Juventud (Project JUMP) in Peru (Jaramillo and Parodi 2005) and Women’s Income Generation Support in Uganda (Blattman et al. 2014; 2013).

Until recently, systematic evidence on the effectiveness of labour market programmes targeting youth was scarce. There are studies on the effectiveness of active labour market programmes for the general population (see Card, Kluve and Weber 2015; 2010), but few reviews have focused on youth (Betcherman et al. 2007). There is now, however, increasing research on the effectiveness of youth employment interventions using experimental and quasi-experimental methods. A quantitative systematic review by Kluve et al. (2019; 2017) found 113 impact evaluations published between 1990 and 2014 that assessed the effectiveness of 107 youth employment interventions worldwide towards improving labour market outcomes of young women and men (figure 11). In the area of youth entrepreneurship and self-employment, the

122 The Youth Employment Inventory is a comprehensive database of active labour market programmes targeted at young people. The interventions include skills training, entrepreneurship promotion, employment services and subsidized employment – either as a stand-alone or combined intervention. Information about the geographic coverage, scale and targeting characteristics of each intervention is complemented by information about their design, costs, implementation and financing mechanisms as well as monitoring and evaluation information.

evidence is notably recent and shows an increase in rigorous impact evaluations, such as randomized controlled trials.

What works in youth employment?

The recent rigorous evidence on youth employment interventions also provides insights for youth entrepreneurship and self-employment interventions. Evidence from the Kluve et al. (2019; 2017)'s quantitative systematic review and meta-analysis of youth employment interventions and other research (Fox and Kaul 2018; McKenzie 2017; Grimm and Paffhausen 2015; Cho and Honorati 2013) highlight useful lessons.

First of all, investing in youth pays off. The evidence demonstrates that interventions that support youth in the labour market lead to positive employment and earning outcomes (Kluve et al. 2017). The research also underscores that this is an investment that needs time to grow. The effects of youth-focused programmes, especially those dealing with human capital development, more likely will increase over time and substantiate in the medium and long terms (Kluve et al. 2017; Card, Kluve and Weber 2015). Contrary to a silver-bullet approach, youth employment programmes should be treated as medium- to long-term strategic investments, taking into account that their ultimate impact depends on other measures, including a well-functioning labour market and an enabling environment for business.

Youth employment programmes tend to have greater impact in lower-middle-income countries where marginal investments in human capital can lead to significant changes in the labour market outcomes of young people. Comprehensive employment programmes that integrate multiple services tend to have more impact in lower and middle income countries because they are better positioned to take on the multiple challenges encountered by young people (Kluve et al. 2017). Because youth employment programmes lead to better outcomes when they target low-income and disadvantaged youth, the country context really matters when it comes to tailoring the design and implementation of programmes.

The evidence also demonstrates that the design and delivery of youth employment interventions – the “how” – drive results much more than the type of intervention – the “what”. The evidence points to

design features that allow implementers to better respond to the needs of young people, enhance programme participation and ensure quality in the delivery of services, including:

- Profiling participants to provide services that meet individual constraints.
- Engaging participants and individualized follow-up systems, such as mechanisms that improve their engagement by providing incentives or by emphasizing supervision and monitoring. The Women’s Income Generation Support in Uganda, for example, required staff to maintain close supervision of participants’ business activities for the first few business cycles and provide advice on meeting market challenges.
- Providing incentives to service providers, such as payments (or bonuses) that are conditional on participant performance.

The impacts of youth employment programmes will remain modest if they only target the supply side. Fox and Kaul (2018) argued that most programmes helping youth find employment in developing countries simply redistribute the limited number of wage employment opportunities and may displace others. To confront the labour market constraints in a comprehensive manner, demand-side issues need to be considered in a way that increases the wage employment opportunities in existing enterprises, encourages enterprise creation and supports young people’s entrance into productive self-employment.

McKenzie (2017a) argued that active labour market programmes may have limited impact partly because labour markets in developing countries tend to work better than anticipated. While McKenzie emphasized the continued relevance and role of these programmes, he proposed an increased focus on structural demand-side measures beyond them that support enterprises in overcoming the challenges they encounter when innovating, growing and creating more jobs (see also Hardy and McCasland 2018).

Although Fox and Kaul (2018) and McKenzie (2017) made compelling arguments for renewed attention to demand-side measures that boost youth employment, active labour market programmes should be considered as complementing rather than substituting measures. This is particularly relevant in the context of the needs of disadvantaged young people and the drive to leave no one behind. The role of adapting a systemic, integrated approach of employment and economic policies, labour market policies, measures to enhance employability, youth

entrepreneurship and the protection of rights at work for young people was recognized in 2012 when the ILO adopted the resolution on the youth employment crisis and call for action.

Findings on youth entrepreneurship and self-employment

Kluve et al. (2017)¹²³ summarized the evidence from 12 studies on the impact of 15 entrepreneurship programmes targeting youth that offered a combination of business skills training, business advisory services and/or access to credit or grants. Most of the interventions were carried out in low-income countries (Liberia and Uganda) and middle-income countries (Bosnia and Herzegovina, Colombia, Peru and Tunisia). Only two interventions were conducted in high-income countries, which implies they had to be dropped from the Kluve et al. analysis due to insufficient sample size. Most of the interventions were carried out in factor-driven and efficiency-driven economies. There is less evidence presented to understand the impact of youth entrepreneurship interventions in innovation-driven economies.¹²⁴

The findings indicate that, on average, entrepreneurship programmes lead to significant positive effects on employment, earnings and business performance outcomes. When compared with other youth employment interventions (Kluve et al. 2017), they also seem to have the largest magnitude of impact on labour market outcomes for youth. The effectiveness of entrepreneurship programmes also demonstrates substantial heterogeneity, with great variation of effects, depending on the services provided, the entrepreneurship programme and the context (Kluve et al. 2017; Cho and Honorati 2014). The programmes that Kluve et al. (2017) reviewed tended to be small in scale and target poor and disadvantaged populations in low-income countries. This may be an important aspect when considering the validity of findings in other contexts. However, entrepreneurship programmes can have considerable impact when combined with other active labour market measures, such as wage subsidies (ILO 2017a).

Two thirds of the evaluated entrepreneurship interventions in the Kluve et al. review combined business skills training, business advisory services (including mentoring) and/or access to finance in an effort to reduce the multiple constraints that young people experience. The Women's Income Generation Support programme in Uganda, for example, adopted such a multipronged approach, combining business skills training, cash grants and follow-up support to young women. Of all the interventions in the review, this Uganda programme had the largest effect size for employment outcomes.

Cho and Honorati (2014) also found that entrepreneurship programmes impact business knowledge and practice, but the changes do not immediately translate into business creation, expansion or increased income. Similarly, meta-analysis by Grimm and Paffhausen (2015) revealed that finance (including microfinance) and training interventions positively affect management practices, skills and investments but without further impact on business performance and employment. A review of business training programmes by McKenzie and Woodruff (2013), though not limited to youth-focused programmes, found that training had relatively modest effect on business survival even though it helped prospective owners launch their businesses more quickly. Evidence from the Partner Microcredit Foundation Experiment in Bosnia and Herzegovina also demonstrates that while a business and financial literacy programme resulted in improvements in business practices and entrepreneurial impetus, it did not directly translate into improved chances of business survival (Bruhn and Zia 2013).

Going beyond business skills training, creating an entrepreneurial mindset, attitude and culture can be stimulated early in the education system by encouraging critical thinking, communication, problem-solving, creativity and risk-taking (ILO 2014). The results of a study commissioned by the Youth Employment Funders Group (2017) on soft skills development for youth employment emphasize that soft skills can be learned and the findings make a compelling argument for continued investment in positive developmental experiences for youth. Incorporating a soft skills component into youth programmes is useful because it can positively

123 The search for evidence for the systematic review by Kluve et al. (2017) was concluded in January 2015. Since then, more evidence has emerged in the area of youth entrepreneurship. Our analysis does not aim to provide an exhaustive synthesis of evidence published since then but complements the evidence base with selected research findings.

124 The Global Entrepreneurship Monitor adopts the classification of the level of economic development into factor-driven, efficiency-driven and innovation-driven economies, as detailed in the World Economic Forum's *Global Competitiveness Report*.

Empowerment and Livelihood for Adolescents programme in Uganda

In Uganda, the Empowerment and Livelihood for Adolescents programme targeted teenage girls with vocational and life skills training in a series of courses on income-generating activities (preferably for self-employment) and financial literacy. Four years later, an impact evaluation of the programme found that the adolescent girls who had received vocational training and information on sex, reproduction and marriage were more likely to engage in income-generating activities. The evaluation also discovered that the teen pregnancy rate had declined by a third and that early entry into marriage or cohabitation had reduced substantially. The results highlight the importance of comprehensive interventions that focus on economic and social empowerment to overcome the constraints that young people encounter.

Source: Bandiera et al. 2018.

influence broader development outcomes, such as conflict and violence prevention, responsible citizenship and reproductive health.

Supporting young people to develop productive business models is critical for their own business survival and that of their peers. But Burchell et al. (2017) cautioned that entrepreneurship programmes may lead to unintended negative consequences for non-participants due to market competition. They called for a careful approach to encourage self-employment in market segments with growth potential and unmet demand. However, an impact evaluation of a business training programme for women in Kenya (McKenzie and Puerto 2017) found that the positive impacts on the profits of businesses did not have any negative spillover on competing businesses. On the contrary, it appeared that the markets as a whole grew in terms of number of customers and sales volumes due to enhanced customer service and new product introduction. While the findings of this evaluation are not specific to youth, they provide critical insights into the importance of tailored support for productive business models in competitive business environments.

Entrepreneurship interventions, including access to finance, appear to be most effective if they tackle specific constraints of young people (Kluve et al. 2017). In the school-to-work transition survey findings, young people in business cited limited access to finance as their most pressing constraint. Yet, the evidence on grants appears not conclusive with regard to growing and expanding the businesses of young entrepreneurs (Kluve et al. 2017). A randomized experiment with the ILO Start and Improve Your Business programme in Uganda found that

a combination of business training and loans had differential impacts across the sexes, with better outcomes for the subsample of young men who had expressed an interest in growing their business. Evidence also suggests that family pressure on women can lead to diverting grants or credit for non-business purposes (Fiala 2014).

Targeted policy measures to support opportunity-driven young women and men with potential for high-growth entrepreneurship are instrumental to spur the job-rich expansion of enterprises. A study of a large-scale national business plan competition for young entrepreneurs, the Youth Enterprise with Innovation in Nigeria (YouWiN!), examined the impact of the four-day business plan training course combined with a conditional yet substantial grant of US\$50,000 for each winner of the competition. Over five years, the programme led to greater enterprise creation, higher profits and sales, more business survival and greater employment, including increases in the likelihood of having ten or more workers (McKenzie 2017b). The intervention appears to have been an effective tool to support entrepreneurs with potential to create jobs that offer an alternative pathway for wage employment instead of pushing necessity-driven young people into self-employment as a last resort. Interestingly, McKenzie and Sansone (2017) compared the relative performance of the business plan picked by the judges with machine learning predictions of outcomes for participants in that business plan competition. Notably, the business plan scores from the judges did not correlate with employment, sales, business survival or profits of the competitors three years later. But the modern machine learning methods did not appear any more effective in predicting outcomes either. The overall predictive power was

Youth Opportunities Programme in Uganda

The Youth Opportunities Programme in Uganda was a government grant programme aimed at helping beneficiaries become self-employed artisans through one-time unsupervised cash grants (US\$400 per person) for non-agricultural vocational training and enterprise start-up. Four years after the intervention, a long-term impact evaluation found that grants for non-agricultural vocational training and business start-up resulted in substantial economic impacts on earnings in a capital-constrained environment of a conflict-affected region. However, after nine years, the grants appeared to have only served as a kick-start, with the control group converging to have reached the same level of investment, employment and earnings as the grantees.

Source: Blattman, Fiala and Martinez 2018; 2013.

low, which underlines the fundamental challenge in spotting high-growth entrepreneurs.

To reach the level of scale needed to resolve the youth employment challenge, the ownership and involvement of national and local actors are essential. Most of the entrepreneurship interventions in lower-middle-income countries that were rigorously assessed by impact evaluations were small scale, with various implementation arrangements between public and private actors (Kluve et al. 2017). The policymaking required nowadays would benefit from more insights into the effectiveness of large-scale interventions at a national level, such as YouWIN! in Nigeria, but of which there are few studies.

Entrepreneurship programmes can stimulate change in gender relations, yet they need to be considered as part of an overall ecosystem surrounding young women in their efforts to start or expand a business. An impact evaluation of a business, vocational and life skills training and empowerment intervention for young women in rural Egypt (Elsayed and Roushdy 2017) showed that labour market outcomes, economic aspirations and business knowledge improved. But the social empowerment measures, such as decision-making capacity, were not affected because intra-household decision-making and attitudes towards the role of women in society are not easily influenced by stand-alone empowerment interventions. In contrast, an impact evaluation of an edutainment TV programme in Egypt designed to promote entrepreneurship among young adult viewers found that it had a positive impact on gender-related beliefs associated with self-employed women (Barsoum et al. 2017).

The evidence on youth entrepreneurship and self-employment suggests that interventions overall

are an effective approach to support business creation by young people and have a positive impact on business. Still, the evidence remains inconclusive on mechanisms to support young entrepreneurs to grow and expand their business and to explore the link between entrepreneurship intervention and additional job creation (Kluve et al. 2017).

Encourage entrepreneurship where it is wanted and productive

Insufficient financial resources and market competition are the most constraining issues reported by self-employed youth. But these are issues against which policy and financial sector responses could make a difference. The limited take up of loans from microfinance institutions or banks by self-employed young people suggests scope for improvements in ensuring youth-friendly access to financial resources. The challenge of market competition points to a need to promote youth entrepreneurship and productive self-employment only in market segments with growth potential and unmet demand.

The objective of youth policies has evolved since 1990 and now are characterized by multipronged policies increasingly supporting enterprise development. But there remains a stark misalignment of entrepreneurship policies and the demands of self-employed youth, with most policies promoting technical training and labour market matching rather than access to finance. This might be because only a few policies aiming to support self-employed young people have been evaluated. Around six in ten of the policy documents in the

YouthPOL database have not been evaluated, a trend that has remained constant since the 1990s. Policies aimed at supporting youth entrepreneurship and self-employment need more and better evaluations, but global trends shift slowly towards more transparency and accountability. Going beyond lessons learned from previous policies, it might also be an indication that public sector policies need to pursue an integrated approach with other public and private sector actors to tackle the most pressing issues, including access to finance. The role of innovative financing in sharing the risk of supporting youth entrepreneurship and self-employment among public and private sector actors should be further explored.

Entrepreneurship programmes are common instruments to operationalize policies aimed at the transition of youth into productive business. While impact evaluations are still too few (but increasing), the available evidence argues that investing in youth entrepreneurship and self-employment interventions pays off. Youth entrepreneurship programmes lead, on average, to significant positive effects on employment, earnings and business performance outcomes. While those interventions demonstrate the largest impacts on labour market outcomes for youth when compared with other youth employment interventions, they also reveal substantial heterogeneity, with the greatest variation of effects depending on the services provided within the entrepreneurship programme and the context.

Entrepreneurship interventions, including access to finance, appear to be most effective if they tackle specific constraints of young people, and programmatic attention needs to be dedicated to the design of interventions. Dedicated mechanisms to support disadvantaged youth, including young persons with disabilities and youth in fragile situations affected by conflict or disaster, are effective design features of entrepreneurship programmes. In addition, green and social entrepreneurship initiatives can help take on social and environmental challenges, digital entrepreneurship and internet-enabled businesses. They can open new business opportunities and access to markets for youth.

The analysis of policies on enterprise development and active labour market programmes promoting youth entrepreneurship and self-employment underscores that a comprehensive and holistic approach towards productive self-employment and demand-side measures is required. While stand-alone entrepreneurship programmes can have tremendous impact in the short term, those impacts will remain modest or fade over time if policy measures do not impact market systems. Integrated approaches towards policy measures and market systems can enable growth-oriented and opportunity-driven young entrepreneurs to transition into productive business, expand and create additional jobs that would provide productive wage employment and decent work opportunities to other young women and men.

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