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Self-employment programmes for young people: A review of the context, policies and evidence

Brendan Burchell
Adam Coutts
Edward Hall
Nick Pye

Employment
and Labour
Market Policies
Branch

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ACI2: Jobs and Skills for Youth

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Preface

The primary goal of the ILO is to work with member States towards achieving full and productive employment and decent work for all. This goal is elaborated in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,¹ which has been widely adopted by the international community. Comprehensive and integrated perspectives to achieve this goal are embedded in the Employment Policy Convention of 1964 (No. 122), the *Global Employment Agenda* (2003) and – in response to the 2008 global economic crisis – the *Global Jobs Pact* (2009) and the conclusions of the *Recurrent Discussion Reports on Employment* (2010 and 2014).

The Employment Policy Department (EMPLOYMENT) is engaged in global advocacy and in supporting member States in placing more and better jobs at the centre of economic and social policies and growth and development strategies. Policy research and knowledge generation and dissemination are essential components of the Employment Policy Department's activities. The resulting publications include books, country policy reviews, policy and research briefs, and working papers.²

The *Employment Policy Working Paper* series is designed to disseminate the main findings of research on a broad range of topics undertaken by the branches of the Department. These working papers are intended to encourage the exchange of ideas and to stimulate debate. The views expressed within them are the responsibility of the authors and do not necessarily represent those of the ILO.

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Director
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¹ See http://www.ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/genericdocument/wcms_371208.pdf

² See <http://www.ilo.org/employment>.

Foreword

Across the globe, young women and men are making an important contribution as productive workers, entrepreneurs, consumers, citizens, members of society and agents of change. All too often, the full potential of young people is not realized because they do not have access to productive and decent jobs. Although they are an asset, many young people face high levels of economic and social uncertainty. A difficult transition into the world of work has long-lasting consequences not only on youth but also on their families and communities.

The International Labour Office has long been active in youth employment, through its normative action and technical assistance to member States. One of the means of action of its Youth Employment Programme revolves around building and disseminating knowledge on emerging issues and innovative approaches.

In 2012, the International Labour Conference issued a resolution with a call for action to tackle the unprecedented youth employment crisis through a set of policy measures. The resolution provides guiding principles and a package of inter-related policies for countries wanting to take immediate and targeted action to address the crisis of youth labour markets. In follow-up action, the ILO's Youth Employment Programme (YEP) has been implementing knowledge building efforts under the ILO's Area of Critical Importance, Jobs and skills for youth.

The aim of this paper is to provide a comprehensive analysis of the key issues surrounding the use of self-employment interventions as labour market attachment mechanisms for young people. The review specifically explores self-employment and entrepreneurship interventions that have been adopted in various contexts (from low to high income countries) in order to help facilitate the integration of young people into the labour market and promote inclusive development.

In lower and middle-income countries a large proportion of the economically-active population are deemed to be self-employed, comprising as much as 75 per cent of workers in these countries. Self-employment often means work within the informal sector with low wages and limited access to social protection or social insurance coverage. Thus, self-employment is by no means necessarily a favourable employment status for young people. The analysis of the ILO's School to Work Transition Survey suggests that encouraging self-employment is not a particularly effective policy mechanism by which to promote upward social mobility or reduce poverty. In many contexts self-employment can be seen as the only feasible way young people in low employment or economically depressed areas can generate an income where no formal opportunities exist, such as in the already overloaded public sectors of many LMICs. Entry into self-employment can be seen as coping mechanism both by the individual and the family.

The paper suggests that, on the basis of the evidence and data reviewed, it is not clear that the self-employment and entrepreneurship schemes that have been tried actually created new jobs, nor is it clear whether these jobs are of sufficient merit to be worth creating. The available evidence also shows that policies targeted at promoting self-employment among young people are most beneficial when they bring together different actors and policy sectors such as the labour market, social protection, education, health care services (especially mental health), youth business organizations, financial institutions, individual companies and chambers of commerce. As the recent Eurofound report notes, government initiatives to support youth entrepreneurship should consider the three policy pillars: 1) fostering an entrepreneurial mind-set, attitudes and culture; 2) providing information, advice, coaching and mentoring; and 3) removing perceived practical barriers and easing access to credit. Interventions should provide 'a balanced,

comprehensive range of support modalities, such as training/skills development, mentoring and counselling, access to networking, dedicated funding or easier access to finance’.

The paper was prepared under the guidance of Niall O’Higgins (YEP) who is coordinating knowledge-building efforts in for the Area of Critical Importance, Jobs and skills for youth. Useful comments were also provided by Sara Elder and Susana Puerto of YEP, and Gianni Rosas, Director of the ILO office in Rome as well as by Seamus MacGuinness (ESRI, Dublin) and other participants at the technical workshop on jobs and skills for youth held in the ILO on November 16th, 2015.

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List of acronyms

Asian Pacific (APAC)

Central Asia (CA)

High Income Countries (HIC)

Latin America and Caribbean (LAC)

Low and middle-income countries (LMIC)

Middle East and North Africa (MENA)

Not in education, employment or training (NEET)

School-to-work transition survey (SWTS)

Self-employed (SE)

1. Introduction, background and aims

Globally young people are increasingly finding themselves outside the formal labour market with 75 million 15–24-year-olds estimated to be unemployed and looking for work.³ Youth unemployment has become one of the ‘big policy’ challenges facing countries across economic development contexts. Over the past two decades, high rates of youth unemployment have become endemic in the Middle East and North Africa (MENA), Latin America, the Caribbean and southern Europe.⁴ However, since the financial and economic crisis of 2008, around one in five young people in the European Union are estimated to be out of work with 7.5 million 15–24 year olds not in education, employment or training (NEETs).⁵ In countries such as Greece and Spain, youth unemployment levels are now comparable to regions in the MENA region with over 40 per cent of young people registered as out-of-work.^{6 7}

Youth unemployment and poverty not only affect the economic growth potential of a country but can also create the conditions for social unrest, and impact upon the socio-political stability of countries.^{8 9} In response, governments and international organizations have begun to search for more inclusive labour market interventions to address unemployment, particularly among young people.¹⁰ However, governments are also concerned that any new economic growth and development may not lead to an increase in employment opportunities.¹¹ In the move from passive to active welfare and labour market policies, numerous methods have been implemented in order to tackle youth unemployment, ranging from public works, subsidised employment, vocational and basic skills training to increasing benefits sanctions on those outside the formal labour market. Increasingly, self-employment (SE) and support for entrepreneurial activities are seen as possible policy mechanisms by which to reduce unemployment, welfare dependency and poverty.¹² However, the evidence base from a variety of economic contexts provides mixed results on the efficacy and effectiveness of these policies and interventions.

The aim of this paper is to provide relevant policy constituents with a comprehensive analysis of the key issues surrounding the use of self-employment (SE) interventions as labour market reattachment mechanisms for young people. The paper does not aim to analyse the causes of youth unemployment or broader policies that have been used, as they have been covered at length elsewhere.¹³ This review specifically explores self-employment and entrepreneurship interventions that have been adopted in various contexts (from low-to

³ International Labour Organization (ILO), 2014a, p. 12.

⁴ Ibid.

⁵ European Commission, 2014., and Green, 2013, p. 1.

⁶ Ibid.

⁷ There are significant variations in youth unemployment within Europe itself. The Member State with the lowest rate of youth unemployment is Germany at 7.7 per cent in 2013. The highest rate is in Greece (58.3 per cent in 2013), Spain (54.6 per cent), Croatia (49.8 per cent), Italy (41.7 per cent), Cyprus (40.3 per cent) and Portugal (34.4 per cent).

⁸ ILO, 2015, p. 30.

⁹ Malik and Awadallah, 2013, p. 298.

¹⁰ ILO, 2012.

¹¹ Ibid., p. 12

¹² Banerjee and Duflo et al., 2015; and ILO, 2012, p. 10.

¹³ ILO, 2012; and Angel-Urdinola, Kuddo and Semlali, 2013.

high-income countries) in order to help facilitate the integration of young people into the labour market and promote inclusive development.

1.1. Aims and objectives

The objectives of the paper are to:

- discuss and explore key issues surrounding self-employment among young people across world regions;
- review and analyse the impacts of SE programmes and interventions for young people – what works, why and for whom?
- analyse the ILO ‘School-to-Work Transition Survey’ (SWTS) Dataset (2012) in order to provide a recent analysis of global self-employment patterns among young people; and
- provide policy-makers with guidance as to the key features of interventions that may generate positive social and economic outcomes for young people who participate in SE interventions.

1.2. Outline

Chapter 2 examines the defining features of SE and its relationship to entrepreneurship and the broader policies of business start-up and micro-credit schemes. The global trends, barriers and attitudes toward SE as a viable career and economic choice for young people are examined.

Chapter 3 provides a review of the existing evidence and impact evaluations concerning the effectiveness of SE interventions. Using empirical studies and data from a variety of socio-economic contexts, the paper outlines what works, why and for whom in self-employment interventions. Subsequently, key features and ‘active’ elements of interventions are identified which may increase their efficacy as well as generate positive social and economic outcomes for individuals and labour markets more broadly. These were accessed via United Nations agencies, academic research organizations and regional government departments. Literature and evidence searches were conducted using the Social Science Research Network, World Bank database, 3ie International Initiative for Impact Evaluation, and Google Scholar. Keyword search terms used in relation to young people and youth were: self-employment, entrepreneurship, micro-credit, business start-up, employment interventions, and active labour market programmes (ALMPs).

Chapter 4 deals with the statistical analysis of the ILO SWTS database to examine trends and patterns of youth employment and self-employment across low and middle income countries.

Finally, Chapter 5 discusses the data analysis findings and considers them in light of the evidence base. A series of recommendations are developed for conducting future research on SE interventions as well as developing policy interventions by which to enhance the effectiveness of SE policies for young people across social and economic contexts.

2. What is self-employment?

Throughout academic research, policy literature and the media, self-employment has become synonymous with entrepreneurship.¹⁴ These concepts have been conflated and appear alongside interventions and policies promoting training and leadership, coaching and mentoring, microcredit schemes and business start-up loans.¹⁵ For the purposes of the research presented within this paper, we focus on SE and associated interventions, which are referred to as ‘entrepreneurship programmes’ within particular evaluation studies. For clarity, it is proposed that SE and entrepreneurship possess different motivating and contextual factors. This differentiation may have significant effects in terms of job creation and sustainability.¹⁶

Within the paper we adopt the Organization for Economic Co-operation and Development (OECD) definition of SE as ‘anyone who works for himself or herself but not for anyone else, except under arm’s length contract’.¹⁷ In addition, the paper considers SE workers as:

“Those...who, working on their own account or with one or a few partners or in cooperative, hold the type of jobs defined as a “self-employment jobs.” i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced. Self-employed workers include four sub-categories of employers, own-account workers, members of producers’ cooperatives, and contributing family workers”.¹⁸

The level of self-employment in a country can also provide an indication of the overall ‘health’ of the labour market and economy. Increasing rates of self-employment may reflect ‘hidden’ unemployment where it acts as a ‘temporary option for individuals to work a limited number of hours as an alternative to unemployment but who would prefer jobs in companies’.¹⁹ SE may also indicate that people are underemployed in terms of individuals receiving some income from formal employment but would like to work additional hours to increase their salaries. This may be apparent among the recently self-employed and those

¹⁴ Economists have used self-employment as a measure of entrepreneurship as people in SE positions ‘fulfil the entrepreneurial function of risk-bearing’. See Parker, 2004; and Sheehan, and McNamara, 2014, pp. 11-13. Davidsson, 2004, has examined 20 definitions of entrepreneurship. The recent Eurofound report on youth entrepreneurship identifies definitional differences along academic lines. Within sociology, entrepreneurship may be seen as ‘the creation of a new organization and the analysis takes place at the individual level or firm level, focusing especially on the role of networks’. Within psychology entrepreneurship may be framed ‘in terms of cognitive processes, or psychological traits such as creativity, motivation or the mental process generating the intention of starting a business’. Economists are mostly interested in firms and the processes underlying job creation and growth; Eurofound, 2015, pp. 10-11.

¹⁵ Sheehan and McNamara, 2014, pp. 11-13.

¹⁶ Ibid.

¹⁷ OECD, 2001, p. 23.

¹⁸ International Labour Organization, Key Indicators of the Labour Market database. Further the ILO, 2014, define SE jobs as ‘those jobs where the remuneration is directly dependent upon the profits (or the potential for profits) derived from the goods or services produced (where own consumption is considered to be part of the profits). The incumbents make the operational decisions affecting the enterprises, or delegate such decision while retaining responsibility. See <http://www.ilo.org/public/english/bureau/stat/isco/docs/intro2.htm>

¹⁹ Bank of England, 2015, p. 58.

wishing to establish a customer base or individuals approaching retirement who wish to save more money.²⁰ Increases in SE may also reflect long-term demographic trends, technological developments or institutional regulations that influence individuals to set up independent freelance businesses.²¹

2.1. Who are the self-employed?

In considering SE as a potential policy mechanism to address youth unemployment, it is important to note that, for the large majority of young people, self-employment is not the dynamic and highly profitable venture that is widely reported in mainstream media, government, intergovernmental organizations and think tanks.²² Within high-income countries, start-ups, especially in sectors such as information technology, have tended to be viewed as policy solutions for returning young people to work and reducing unemployment.²³ Various political commentators have noted how SE has been utilised by policy makers, particularly in HICs, in order to move individuals off welfare and unemployment registers, creating the ‘statistical impression’ that unemployment has fallen.²⁴ Media outlets and politicians promote aspirational accounts of young people becoming self-employed and not only finding work for themselves but also for all of their employees, as their businesses expand.²⁵ However, as the available evidence from a variety of economic contexts demonstrates, self-employment, particularly for young people, is often a highly vulnerable²⁶ labour market status in terms of the levels of pay and job security that it offers.²⁷ There is also the problem of ‘bogus’ or false self-employment²⁸ practices consisting of ‘individuals who call themselves self-employed but who, in reality, only work for a single client’.²⁹

2.2. Self-employment in LMICs

In low and middle-income countries (LMIC) a large proportion of the economically-active population are deemed to be SE, concentrated in sectors such as construction, agriculture and street trades.³⁰ A recent analysis of SE across 74 countries in the developing world found that 75 per cent of workers are considered to occupy SE positions.³¹ Gindling and Newhouse comment that

“...In all regions men are more likely than women to be self-employed (employers or own account workers). The proportion of both men and women who are own account workers increases sharply with age until the late 30s, levels off, and then begins to fall from 40 on”.³²

²⁰ Ibid.

²¹ Ibid.

²² Royal Society of Arts, 2014; and DEMOS, 2014.

²³ Poschke, 2013.

²⁴ The Guardian Newspaper, 2014.

²⁵ Royal Society of Arts, 2015.

²⁶ Indeed, the ILO defines it as such: ‘Vulnerable employment – that is, either self-employment or work by contributing family workers – accounts for almost 48 percent of total employment. Persons in vulnerable employment are more likely than wage and salaried workers to have limited or no access to social security or secure income. The number of people in vulnerable employment expanded by around 1 percent in 2013, which is five times higher than during the years prior to the financial crisis’; ILO, 2014, p. 12.

See also: <http://mdgs.un.org/unsd/mdg/Metadata.aspx?IndicatorId=0&SeriesId=772>

²⁷ Fields, 2014.

²⁸ Sheehan and McNamara, 2014, p. 13.

²⁹ Eurofound, 2015, p.18, and OECD, 2014, p. 37.

³⁰ Banerjee and Duflo, 2011, p. 210, and Gindling and Newhouse, 2014, pp. 313–331.

³¹ Ibid.

³² Ibid.

Within LMICs, SE often means undertaking work within the informal sector with low wages and limited access to social protection or social insurance coverage.³³ The majority of self-employed jobs within LMICs are ‘not productive and generate low earnings, and as a result many of these workers and their families remain poor’.³⁴

2.3. Self-employment in HICs

SE workers in high-income countries similarly experience few rights to paid sick holidays and maternity or paternity leave, redundancy pay or protection against unfair dismissal.³⁵ Within the EU, the SE generally work longer hours and have lower earnings compared to full-time contract employees.³⁶

The precarious situation of SE workers is further compounded by recent policy proposals of a number of European governments, such as the United Kingdom, ‘to exempt most self-employed workers from basic health and safety protections’.³⁷ The potential for young people who take up SE to be ‘scarred’ by the transition is a major policy concern as it is likely to negatively affect their future career trajectories and job search motivation.³⁸

According to Eurostat (2013), there were 2.67 million self-employed 15- 29-year-olds in the EU28.³⁹ This equates to 6.5 per cent of the total European youth population.⁴⁰ SE is common among young people in Greece and Italy (16 and 15.3 per cent respectively), followed by the Czech Republic, Poland, Romanian and Slovakia (between 8.7 and 11 per cent).⁴¹ In the United States and Korea, SE rates are high. In European member states, such as Austria, Denmark, Germany and Luxembourg, SE young people comprise less than 3.5 per cent of all working young people.⁴² The available data shows that it is older rather than younger individuals who are more likely to be self-employed, and men are more likely to be in positions of self-employed than women.^{43 44}

The recent Eurofound report (2015) finds that ‘young people are interested and enthusiastic about becoming entrepreneurs, with almost half of them stating that self-employment would be a desirable career option. Unfortunately, the share of young people who find this option to be feasible is low’.⁴⁵ Overall, Europe tends to be perceived as a less favourable and friendly environment for the development of entrepreneurship and self-employment for young people.⁴⁶ The primary barriers cited pertained to access to finance and administrative procedures for developing small businesses.⁴⁷

³³ Fields, 2014; and Cho et al., 2012, pp. 8-9.

³⁴ See World Bank, 2012a, and 2012b.

³⁵ Trade Union Congress (TUC), 2014a. More than two in five new jobs created since mid-2010 have been self-employed.

³⁶ Eurofound, 2010, Resolution Foundation, 2014, and TUC, op. cit.

³⁷ TUC, 2014b.

³⁸ OECD 2014.

³⁹ Eurofound, 2015, p. 11.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid., pp. 11-12.

⁴³ Within the EU context this is supported by Greene, 2005, 2013, Storey and Greene, 2010, and OCED, 2013.

⁴⁴ Marcen, 2012.

⁴⁵ Eurofound, 2015.

⁴⁶ Ibid., p. 99.

⁴⁷ Ibid.

2.4. Determinants of self-employment

Existing evidence relating to the determinants of self-employment within the OECD demonstrates the importance of taxation regulations for self-employed ‘and the replacement rates offered by unemployment, as well as the female labour force participation rate’.⁴⁸ Research suggests that ‘there is a positive relationship between unemployment and self-employment rates’⁴⁹ SE increases in labour markets where unemployment is high.⁵⁰ This also relates to the levels of assistance the self-employed can access in terms of tax code regulations, credits/benefits or support from government agencies such as advice on business creation and financial management (see Box 1). Variations in SE reflect existing differences in terms of barriers/opportunities to establishing new businesses, as well cultural norms and macro labour market conditions.⁵¹

Box 1 Legislation affecting SE

In 1995 the United Kingdom’s Inland Revenue altered the taxation rules in the construction industry in an attempt to reduce tax avoidance. It is estimated that this may have led to 200,000 self-employed workers reclassifying themselves as employees lowering the self-employment rate by around 0.7 per cent by 1997. In April 2002 a change in corporation tax eliminated liability on the first £10,000 of company profits. This allowed directors of small companies to save income tax by taking their salaries as profits which may have increased the incentives to become self-employed.

Source: Bank of England, 2015.

Employment decisions, including the transition to self-employment, are influenced by micro and macro level factors in the labour market.⁵² The overall ‘health’ of the economy, and the social and individual attitudes, shape the perception and feasibility of entrepreneurship as a career option within particular contexts.⁵³ Recent research by Gindling and Newhouse suggests that as the income of a country increases (per capita), ‘the proportion of the self-employed who are either successful or have high potential for success increases rapidly’.⁵⁴ It is also the case that workers transition out of agricultural-based employment as incomes per capita increases into wage and salaried work.⁵⁵ The authors find that the proportion of the self-employed in LICs who have successful or have a high potential for success in the labour market is between 17 and 33 per cent. In HIC the proportion of successful SE increases to between 66 and 94 per cent. They conclude that ‘as per capita income increases those who remain self-employed are more likely to be self-employed by choice rather than necessity’.⁵⁶ The more economically buoyant a country is,

⁴⁸ Resolution Foundation, 2014, p. 12.

⁴⁹ Ibid., p.12

⁵⁰ See for example Carmona, et al., 2013.

⁵¹ Ibid., and Eurofound, 2015.

⁵² Dawson et al., 2009.

⁵³ Gilad and Levine, 1986.

⁵⁴ Gindling and Newhouse, 2014. Pp. 326.

⁵⁵ Ibid.

⁵⁶ Ibid.

the fewer the contextual ‘push’ factors there are into self-employment.⁵⁷ Similarly, labour markets with high levels of NEETs have also been found to have higher levels of young people in positions of self-employment.⁵⁸

At the individual level, SE young people in the European context possess a different set of values and personality traits in comparison with non-SE young people: ‘The entrepreneurial personality seems to be characterised by stronger creativity and innovative tendencies, relatively low risk aversion and more freedom and independence and autonomy’⁵⁹ although the small effect sizes in their study suggests that personality is relatively unimportant compared to other factors. Consequently, as suggested by Cho and colleagues among others, policies aimed at stimulating youth entrepreneurship might be best tailored to the target groups with the complementary skill-sets and values in a way that addresses their main constraints.⁶⁰ In an analysis of the Quarterly Labour Force Survey in the UK, Dawson et al. found a significant heterogeneity in the motivation to become SE.⁶¹ The authors concluded that the opportunities to start a business, the nature of an individual’s profession, the desire for a particular lifestyle, and the need to balance family commitments with working life, interact to increase/decrease the likelihood of becoming SE.⁶² Specifically, gender differences were found in SE with women more likely to report lifestyle and family reasons for choosing SE routes than men. Older individuals were also found to be more likely to occupy positions of SE. No evidence was found of individuals who selected self-employment ‘out of necessity because of loss of previous paid employment and a lack of other paid alternatives’.⁶³

Across high-income countries, ‘there is little evidence of the relationship between level of education and self-employment’.⁶⁴ Eurostat data for 2013 show that ‘60.0 per cent of the young European self-employed (defined in this case as those aged 15–24 years) have completed an upper secondary/post-secondary non-university education level (ISCED 3–4), whereas 16.3 per cent have completed a first/second stage of tertiary education level’.⁶⁵ A number of studies report both positive⁶⁶ and negative relationships.⁶⁷ The lack of association may be due to more highly educated young people being more able in terms of required skills and knowledge to establish and run a new business.⁶⁸ These individuals are, however, also likely to be more attractive to employers offering high-quality jobs and therefore to enter formal employment before embarking a SE route.⁶⁹

⁵⁷ Cho et al., 2012.

⁵⁸ Eurofound, 2015.

⁵⁹ Ibid. pp. 99. This is also explored in the work of Gilad and Levine. See: Gilad and Levine, 1986.

⁶⁰ Cho, Robalino and Watson, 2014; Peprah, Afoakwa and Koomson, 2015.

⁶¹ Dawson et al., 2009.

⁶² Ibid., p. 27.

⁶³ Ibid., p. 28.

⁶⁴ Green., 2013. p.5.

⁶⁵ Eurofound, 2015.. Refers to: (ISCED 5–6).

⁶⁶ Blackburn, 1997; Storey, and Greene, 2010.

⁶⁷ Astebro, and Bernhardt, 2005; Van der Sluis, van Praag, and Vijverberg, 2005.

⁶⁸ Green., 2013.

⁶⁹ OECD, 2012.

3. Self-employment programmes and interventions for young people: a review of the evidence

3.1. Low- to middle-income countries

Increasingly evidence surrounding the impacts and effects of SE programmes is being generated from LMICs. This has arisen as a result of the focus on the use of impact evaluations and randomised control trials by development practitioners in these contexts as well as in response to calls from donors for better evidence in order to assess aid effectiveness.⁷⁰ SE activities and associated entrepreneurship interventions such as cow rearing or petty trading have been promoted by development agencies and national governments under the guise of ‘livelihoods’ and poverty alleviation policies.⁷¹ A major issue with the existing evidence particularly in relation to entrepreneurship programmes is that it tends to be dominated by case studies from Latin America and interventions with short-term objectives. For instance, a large proportion of interventions is aimed at reducing poverty levels among those targeted and providing rapid access to cash, rather than aimed at generating long-term sustainable outcomes such as productivity or job creation which require more fundamental and strategic policy change.⁷² Kluve et al., in a forthcoming systematic review of SE interventions for young people, similarly highlight this gap in the evidence base.⁷³ Furthermore, given the limited intervention and evaluation time frame, very few studies are able to report the cost effectiveness of interventions or examine the causal mechanisms for why changes occurred.⁷⁴ This is considerably important information when policy makers are increasingly asking: What works, why, for who and how much will it cost?

Cho and Honorati (2014) conducted a meta-analysis of 37 impact evaluation studies of SE and entrepreneurship programmes.⁷⁵ They found large variations in the types of programmes and interventions used by governments and development agencies to support and promote SE among young people. The most frequently implemented ‘include technical (vocational), business (managerial), and financial skills training, financing support such as microcredit loans and grants, and counselling ranging from mentoring and advisory services to post-programme consulting’.⁷⁶ In terms of the impacts and outcomes, interventions focus on ‘hard’ economic outcomes such as job entry rates, business creation, hours of work, earnings, and profits and business performance. A number of more ‘soft’

⁷⁰ See Banerjee and Duflo et al., 2015, Blattman, Fiala and Martinez, 2011 and 2014, and Betcherman et al., 2007.

⁷¹ Ashley, Holden and Bazeley, 1999.

⁷² Grimm and Paffhausen, 2015.

⁷³ Kluve et al, 2015.

⁷⁴ Ibid., Grimm and Paffhausen. p. 79.

⁷⁵ The studies cover 25 countries across sub-Saharan Africa (nine studies), South Asia (10 studies), Latin America and the Caribbean (10 studies), East Asia and the Pacific (four studies), Eastern Europe (two studies) and North Africa (two studies). Two-thirds of the interventions evaluated came from low-income or lower-middle-income countries. Of the estimates, 80 percent were based on experimental interventions. The most commonly measured outcomes were labour-market income, profits and labour-market activities. (Cho and Honorati, 2014).

⁷⁶ Cho and Honorati, 2013, pp. 2-3.

outcomes such as job search behaviours, motivation, attitudes to work and financial behaviours (borrowing, saving) are increasingly included.

SE programmes may be categorised into three types: 1) interventions promoting an entrepreneurial mindset and culture among young people; 2) those providing information, advice, coaching and mentoring to young people who want to become SE entrepreneurs; and 3) intervention aimed at reducing the perceived logistical barriers to SE, such as facilitating access to credit and reducing bureaucracy.⁷⁷ Typically the most effective programmes and interventions combine all three elements.

The World Bank Employment Policy Primer⁷⁸ proposes five ‘categories of constraints’ that may limit the access of a young person to the labour market and the success of SE ventures:

1) ‘Job-relevant skills constraints, such as a lack of basic skills, technical and behavioural skills mismatch, or a lack of entrepreneurial skills; 2) Low labour market demand at the macro and micro levels through slow job growth and employer discrimination; 3) Job search barriers such as limited access to information about job vacancies or low levels of ‘soft skills’ and being able to effectively present themselves to potential employers; 4) Start-up constraints such as lack of access to local business networks and seed funders; 5) And social constraints such as local peer group and familial social norms that may act as psychological barriers or sanctions to taking up certain jobs or working in certain business sectors.’⁷⁹

Similarly as McKenzie and Woodruff⁸⁰, Cho and Honorati⁸¹, and Eichhorst and Rinne⁸² have recently reported, there is substantial heterogeneity in effectiveness of entrepreneurship and youth employment interventions. This is influenced by intervention typology as previously noted as well as the country context (local labour market and macro-economic conditions and structures) in which interventions are implemented.⁸³ Recent evaluations of skills training for business development and SE in Malawi, Sierra Leone, and Uganda have found mixed programme outcomes in terms of improvements in psychosocial well-being and work related attitudes, but weak labour market outcomes.⁸⁴ Cho and Honorati conclude that ‘entrepreneurship programs have a positive and large impact for youth and on business knowledge and practice, but no immediate translation into business set-up and expansion or increased income.’⁸⁵

This is similarly supported by the review of Grimm and Paffhausen,⁸⁶ who find that micro finance and training interventions have initially positive impacts on individuals, such as enhancing management practices and skills, but have a limited effect on the organisation’s productivity levels that may create employment opportunities.

Cho and Honorati argue that vocational and business training generates more positive outcomes for participants than those gained through interventions providing assistance

⁷⁷ Eurofound, 2015.

⁷⁸ World Bank, 2010.

⁷⁹ Adapted from World Bank, 2010. p.2.

⁸⁰ McKenzie, and Woodruff, 2014.

⁸¹ Cho and Honorati, 2014.

⁸² Eichhorst and Rinne, 2015.

⁸³ Karlan, Knight, and Udry, 2012.

⁸⁴ Cho and Honorati, 2012, p.4.. The authors show that the effects of financing through microcredit or grants varies widely across countries and economic contexts..

⁸⁵ Cho and Honorati, 2013, p. 6.

⁸⁶ Grimm and Paffhausen, 2015.

through financial training. Business training appears to be a relatively cost-effective way of promoting performance and growth.⁸⁷ However, a meta-analysis by McKenzie and Woodruff⁸⁸ of self-employment training programmes has found mixed and little evidence of the sustained impacts of training. For example, enhanced business knowledge and skills through training did not always lead to increased incomes for participants. In terms of financing, few variations in the effectiveness of cash, in-kind grants, and microcredit were observed.⁸⁹ The review indicates that accessing the support of the private sector in programme delivery may improve effectiveness although the methods by which this can occur are unclear.⁹⁰

In a recent analysis of the World Bank and ILO Youth Employment Inventory (YEI),⁹¹ Eichhorst and Rinne⁹² found that 44 per cent of interventions used to assist unemployed young people into the labour market possess an entrepreneurial component. The authors conclude that interventions for young people tend to be more effective in low income countries. Within this, general employment services tend to be the most effective form of labour market intervention. Very limited or no positive evidence is reported of entrepreneurial interventions.

Overall, Cho and Honorati propose that programmes and interventions should: 1) provide a combination of skills, capital, and counselling; and 2) support based on the target group's main constraints. Despite the heterogeneous effects of SE interventions reported by Cho and Honorati (among others), the existing studies find that labour market and business outcomes are significantly better for young participants.⁹³

A number of impact evaluation case studies of SE programmes demonstrates the differential effects of interventions. Blattman et al.⁹⁴ examined the effectiveness of a government programme in Uganda designed to assist the poor and unemployed youths to become self-employed artisans, craftsmen and craftswomen. The programme invited young people from Northern Uganda to submit grant proposals for vocational training and business start-ups. Funding was randomly assigned among eligible participants, allocating an unsupervised sum of \$382 per individual member of a treatment group. The study found that intervention increased business assets by 57 per cent, work hours by 17 per cent, and earnings by 38 per cent. The benefits of the intervention were found for both male and female participants.⁹⁵

Premand et al. provide important evidence with respect to the potential of entrepreneurship training to enhance the skills of youth and assist self-employment.⁹⁶ They implemented an experimental intervention evaluation to enhance business training to university students in Tunisia. The programme offered training in designing a business plan in addition to academic work. The research indicated that the entrepreneurship training

⁸⁷ Cho and Honorati., 2013. pp. 31.

⁸⁸ McKenzie and Woodruff, 2012.

⁸⁹ Ibid.; Cho and Honorati, pp. 31.

⁹⁰ Ibid., p. 6.

⁹¹ Youth Employment Inventory is a database of 730 projects across 110 countries aimed at stimulating youth employment. See:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTLM/0,,contentM DK:22763490~menuPK:390621~pagePK:148956~piPK:216618~theSitePK:390615,00.html>

⁹² Eichhorst and Rinne, 2015.

⁹³ Ibid., p. 32.

⁹⁴ Blattman, Fiala and Martinez, 2011.

⁹⁵ Blattman, Fiala and Martinez, 2014.

⁹⁶ Premand, et al., 2011.

successfully increased rates of self-employment although the effects of this development were found to be small in absolute terms.⁹⁷

Recently, Banerjee et al. (2015) conducted a six-country study (Ethiopia, Ghana, Honduras, India, Pakistan, and Peru) of interventions (The Graduation Program Consortium) to enhance self-employment via support, training, and coaching. They found significant cost-effective impacts on consumption (influenced by increased income from SE) and on the psychosocial health of participating households.⁹⁸ Positive effects of the interventions were found to last up to 12 months post-programme.

In their forthcoming systematic review of the global evidence on SE programmes for young people, Kluge et al.⁹⁹ find that the positive impacts (though modest in magnitude) arise from interventions' providing 'skills training, promot[ing] entrepreneurship, subsidis[ing] employment, or support[ing] jobseekers through employment services'. It is proposed that SE programmes are likely to have more positive impacts in terms of employment outcomes in LMICs than in HICs.

3.2. High-income countries

Existing studies show that policies and interventions that aim to promote a culture of entrepreneurship and entrepreneurial values are critical for supporting the entry of young people into sustainable self-employment.¹⁰⁰ However, a number of authors note that SE and entrepreneurship for young people should not be seen as a policy solution for reducing economic inactivity and unemployment.¹⁰¹ In a recent review of policies and programmes to tackle youth unemployment, Eurofound has proposed a series of general 'policy triggers' that may be used to enhance the efficacy of SE and entrepreneurship interventions for young people in Europe.¹⁰²

1. Providing entrepreneurial education and skills: this should be delivered in formal and informal environments. It helps people acquire the technical and soft skills, as well as the attitudes and knowledge necessary to set up and run a business; for example, creating a business plan, critical thinking, problem solving, self-awareness and creativity.¹⁰³ Evidence shows that entrepreneurial education is better acquired at an early age, and when embedded in the formal education system. Programmes should have the involvement of employers and schools.¹⁰⁴
2. Supporting awareness-raising campaigns: this can help increase the 'social legitimacy of entrepreneurship' within communities. Young people should be introduced to SE and entrepreneurship via youth business fairs, competitions and young businessperson awards.¹⁰⁵

⁹⁷ Ibid., p.1.

⁹⁸ Banerjee and Duflo et al., 2015.

⁹⁹ Kluge, et al., 2015.

¹⁰⁰ Green, 2013.

¹⁰¹ Eurofound, 2015.

¹⁰² Ibid.

¹⁰³ ILO, 2014b.

¹⁰⁴ Eurofound, 2015, p. 44.

¹⁰⁵ Ibid.

3. Improving the image of entrepreneurship and using social networks/learning via vicarious experience: successful role models can be used to encourage young people to consider entrepreneurship and self-employment as viable career paths.¹⁰⁶

Furthermore, within the available evidence, SE interventions for young people may be divided into three types of interventions and entrepreneurial assistance. Green¹⁰⁷ proposes: 1) enterprise education, 2) soft support (consulting, skill development, advice), 3) hard support (micro-loans, grants).¹⁰⁸

3.3. Enterprise education

The objectives of enterprise education programmes are to enhance awareness of the benefits of entrepreneurship among youth people. This may take the form of the delivery of skills such as business-plan writing and management. A number of evaluations of enterprise education interventions have demonstrated an increase in willingness to engage in entrepreneurial activities as a result of targeted educational interventions.¹⁰⁹

In Green's review of the existing evidence base from Europe, it is difficult to assess how effective programmes are in translating personal motivations for SE into actual labour market activities that are sustainable.¹¹⁰ Green notes that the effect of enterprise education is only likely to become apparent when individuals become SE which for most people occurs when they are over 30 years old.¹¹¹ Alternatively, one could argue that skills such as project planning are generic, and also of benefit to salaried employees.

3.4. Soft support

Soft support interventions aim to provide young people with assistance and advice via individuals' social networks or via mentors. Again, from the available evidence, it is difficult to assess the impact of soft support measures on SE rates. This is mainly due to the fact that soft support interventions are rarely rigorously evaluated.¹¹²

3.5. Hard support

A third type of intervention is the provision of 'hard support', which consists of micro-finance loans or grants, both pre- and post-start-up. These measures aim to assist the SE to overcome such barriers as access to financial capital in order to help with start-up costs.¹¹³

According to Eurofound, impact evaluations of hard support measures have been difficult due to varying funding levels and access to these funds across Member States. For example, in France, minimal funds may be provided for a young person living expenses and in Belgium preferential loans (up to €4,500)¹¹⁴ are accessible.¹¹⁵ Assessing the impacts of

¹⁰⁶ Ibid.

¹⁰⁷ Green, 2013, p. 13-17.

¹⁰⁸ Green, 2013, p. 13.

¹⁰⁹ Athayde, 2009; Souitaris, Zerbinati and Al-Laham, 2007.

¹¹⁰ Green, 2013, p. 13.

¹¹¹ Green, 2013, p. 14.

¹¹² Eurofound, 2015.

¹¹³ Ibid.

¹¹⁴ European Employment Observatory Review, 2010.

¹¹⁵ Green, 2013, p. 15

these is difficult as different programmes use a variety of procedures to screen potential participants. For instance particular groups of young people such as ‘the unemployed, ex-offenders, or the disabled may be targeted for specific support’.¹¹⁶

A frequently cited study of micro-finance being used to support SE is that of the Prince’s Trust in the United Kingdom. The Trust assists young, unemployed people such as ex-offenders and the disabled. It has been repeatedly evaluated using quasi-experimental techniques.¹¹⁷ For example, Meagre et al. found that micro-finance support increased the earnings of the self-employed and soft support (mentoring) was negatively associated with earnings from SR. Overall, the authors suggest that both soft and hard support provision had little impact on the earnings potential or employability of programme participants.¹¹⁸ However, as with ALMPs and welfare-to-work policy in general, tracking individuals after they have left training interventions is highly problematic due to the costs of long term research evaluations and the logistics of following individuals who have left programmes. The evaluations that do exist of post-programme work outcomes of UK government policies, such as the New Deal, have found that participants tend to be *churned back* into unemployment after three-to-four months, particularly in local labour markets where few jobs are available.¹¹⁹

¹¹⁶ Green, 2013, p. 16

¹¹⁷ Meager, Bates, and Cowling, 2003.

¹¹⁸ Ibid.

¹¹⁹ Martin, Nativel, and Sunley, 2003.

4. Analysis of the School-to-Work Transition Survey (SWTS)

The data used in this paper derives from the ‘School-to-Work Transition Survey’ (SWTS) collected as part of a partnership project ‘Work4Youth’ between the ILO and the Mastercard Foundation. The original project included 28 countries (mainly low and middle income). Individual country reports have been produced.¹²⁰

The core questionnaire was modified appropriately and translated for each country. The exact method of administration varied from country to country, but typically consisted of a multi-stage sampling of geographic regions and then households. All young people aged up to and including 29 years of age at their last birthday were eligible for interview. Data was collected at the household level and then face-to-face for all of the young people who consented to be interviewed. Fieldwork managers checked a proportion of interviews for accuracy and fraud.

The total achieved sample was 102,587. After screening to omit respondent aged 30 or over, the sample consisted of 102,215 respondents. The total gender breakdown was 49 per cent male, 51 per cent female, but this varied considerably between countries, with only 41 per cent males in El Salvador and 60 per cent males in Egypt. There was also a considerable disparity in sample size by country, varying from 9,197 in Bangladesh to 1,158 in Moldova. The proportion of missing data varies by country.

The main aim of the fieldwork was to achieve the target sample size; achieving a representative sample with a low non-response rate was a secondary priority. In addition to all of the usual problems of international survey research, such as different nuances in the translated questions, different norms and country-specific institutional arrangements, the methodological rigour has been further challenged by the very different levels of development in the 28 countries. Furthermore, given the somewhat arbitrary list of countries included, this dataset cannot be used to give accurate estimates of prevalence in any meaningful population. However, as a way of exploring the correlates of self-employment with demographic and job quality information, the dataset offers many valuable insights into the nature of employment and self-employment among young people in a variety of countries.

The main variable that we use to analyse the data is the respondent’s employment status. All workers were asked whether they were employees (working for someone else for pay in cash or kind), own-account workers (not employing any employee), employers (employing one or more employee), helping without pay in a business or farm of another household/family member, member of a producer’s cooperative or ‘other’; this relied on their self-definition, which may or may not accord with official definitions. There were too few members of producer cooperatives to analyse meaningfully (approximately 170, or 0.2 per cent of the sample). Priority was given to analysing the employers and self-employed respondents, comparing them to the employees and unpaid family workers. The majority of

¹²⁰ <http://www.ilo.org/employment/areas/youth-employment/work-for-youth/publications/national-reports/lang-en/index.htm>

cases in the dataset were not in paid or family work because they were either unemployed or in full-time education or they were otherwise economically inactive, as shown in Table 1; these cases are excluded from most of the analyses, except for the analysis of the work history part of the questionnaire.

Table 1: Employment status by sex and age

% within sex			Sex		Total
Age groups, 5 year bands			Male	Female	
14-19	Employment status	Employees	44.3%	32.1%	39.3%
		Employer	0.9%	0.9%	0.9%
		Self-employed	16.9%	19.0%	17.8%
		Family workers	35.7%	44.6%	39.4%
		Other workers	2.2%	3.3%	2.7%
		Total		100.0%	100.0%
20-24	Employment status	Employees	61.6%	50.1%	56.9%
		Employer	2.3%	1.4%	1.9%
		Self-employed	20.4%	24.9%	22.2%
		Family workers	14.0%	21.3%	16.9%
		Other workers	1.8%	2.3%	2.0%
		Total		100.0%	100.0%
25-29	Employment status	Employees	62.7%	51.0%	57.9%
		Employer	3.7%	2.4%	3.2%
		Self-employed	25.4%	29.9%	27.3%
		Family workers	7.0%	15.3%	10.4%
		Other workers	1.2%	1.3%	1.2%
		Total		100.0%	100.0%
Total	Employment status	Employees	57.8%	46.1%	53.0%
		Employer	2.5%	1.7%	2.2%
		Self-employed	21.5%	25.5%	23.2%
		Family workers	16.5%	24.6%	19.8%
		Other workers	1.6%	2.1%	1.8%
		Total		100.0%	100.0%

The proportion not working and not seeking work was 40 per cent of the total population, but much higher for women (49 per cent) than for men (32 per cent). Eight per cent of the sample was looking for work, and 8 per cent were looking to start a business. Of that latter group, women were slightly over-represented (9 per cent) compared to men (7 per cent).¹²¹ Note that the figures in this table are heavily influenced by the much higher proportion of women who are economically inactive. If we concentrate on the numbers and

¹²¹ There were inconsistencies between countries in the separation of categories 'looking for work' and 'looking to start a business'.

proportions of men and women in work, as in Table 2, then we see that a higher proportion of women are self-employed or family workers, and a higher proportion of men are employees or employers. Note also the age effects: there is a marked reduction in the proportion of family workers throughout this section of the life cycle. The proportion of employees increases after the age of 20, and the proportion of self-employed workers increases after the age of 25. The proportion who is an employer increases monotonically throughout this period from about 1 to 3 per cent. At all ages, women are more likely to be family workers or self-employed, while men are more likely to be employees or employers.

The dataset contains data from 28 countries, divided into five regions: Sub-Saharan Africa (SSA), Middle East and North Africa (MENA), Latin America and Caribbean (LAC), Central Asia (CA)¹²² and Asian Pacific (APAC). These countries can also be classified by the World Bank's Gross National Income (GNI) per capita into the following four categories: Low (L), Low/Middle (LM), High/Middle (HM) and High (H). Note that Russia is the only one of these countries in the 'High' category, so for the purpose of the analyses in this paper the 'High' and 'High Middle' categories have been combined.

Countries included in the dataset, by region and GNI:

SSA	MENA	CA	LAC	APCA
Benin L	Egypt LM	Russia H	Brazil MH	Bangladesh L
Madagascar L	Jordan HM	Armania LM	Colombia MH	Cambodia L
Malawi L	Palestine LM	Kyrgyztan LM	El Salvador LM	Nepal L
Tanzania L	Tunisia LM	Macedonia MH	Jamaica MH	Samoa LM
Togo L		Moldova LM	Peru MH	Vietnam LM
Liberia L		Ukraine MH		
Uganda L				
Zambia L				

Although these countries are neither a random nor a representative selection from within each region, breakdowns by these two classification schemes give important insights into the data.

4.1. Comparing employees, employers and the self-employed

4.1.1. Hours of work and underemployment

Long working hours are an accepted feature of self-employment in the EU, in part because working time regulations do not apply to the self-employed. However, the analysis presented in this paper shows the exact opposite is the case for developing countries.

Only 60 per cent of the self-employed reported working 30+ hours last week. Family workers were even less likely to be working 30+ hours per week (51 per cent). Employees were the most likely to work 30+ hours per week (84 per cent), followed closely by employers (78 per cent).

There was a predictable gender gap, with 76 per cent of men working 30+ hours per week compared to only 68 per cent of women, a gap of 8 percentage points. This gap was

¹²² <http://data.worldbank.org/region/ECA>

only 5.6 percentage points for employees, but over 17 percentage points for employers and self-employed, so slightly less than half of self-employed women were working 30+ hours. Eighteen per cent of men who were employers worked 66 or more hours per week – the figure was less than 10 per cent for all other groups. All workers were also asked whether they would have liked to work more paid hours in the last week. Twenty-five per cent of all workers replied that they would have liked to work more hours, but this was higher, at 30 per cent, for the self-employed. Overall, this suggests that some women are drawn to self-employment as a way to work short hours that are compatible with their domestic work, but involuntary underemployment is also a more serious problem for the self-employed than for employees.

4.1.2. Satisfaction with work

About three-quarters of all workers said that they were very satisfied or somewhat satisfied with their job. The differences between groups and genders were relatively small, but employers were the most satisfied (82 per cent) followed by employees (79 per cent) and self-employed (70 per cent), and the family workers were least satisfied (67 per cent).

This was reflected in their responses when asked whether they would like to change their current employment situation. Overall, 42 per cent replied positively, and again this was highest for family workers (47 per cent), followed by the self-employed (42 per cent) and employees (41 per cent). Only 29 per cent of employers wanted to change.

When asked why they wanted to change, higher pay was given as a reason by 16 per cent of workers, followed by the temporary nature of their job (10 per cent), ‘to improve conditions’ (7 per cent) and ‘to make better use of their skills’ (5 per cent). Responses were broadly similar for all of the groups, except that ‘improved conditions’ was more important for the self-employed (10 per cent) than for employees (6 per cent).

4.1.3. Job search

There were clear differences between the groups in their entry into their current jobs. The most common method for all three groups was through asking friends, relatives or acquaintances (56 per cent for employees, 34 per cent for self-employed, and 30 per cent for employers). Enquiring directly at workplaces was common for employees (18 per cent) but less so for other groups. Seeking financial assistance was the second most important for employers (18 per cent) followed by looking for land, equipment, a building or machinery (14 per cent). Informal entry routes into employment were more common for those with lower levels of education. For those with the highest levels of education becoming employers, seeking finance was more important compared to the informal and family routes used by those with lower education.

Respondents were also asked how long they had actively been looking for work before finding their current position. The majority of all groups reported a search period of less than 3 months; 64 per cent for employees and employers, and 59 per cent for self-employed. There was more difference at the other end of the distribution; only 15 per cent of employees had been looking for more than one year, compared to 19 per cent of employers and 21 per cent of the self-employed. This suggests that a higher proportion of self-employed individuals may have been forced into self-employment by lack of alternatives compared to employees.

4.1.4. Job security

We have already seen above that one of the reasons that workers give for wanting to change jobs is that their current job is insecure, but only for 9 per cent of employees, 7 per cent of self-employed, and 5 per cent of employees. They were also asked how likely it was

that they would be able to keep their current job if they wanted to (but there was no code for 'don't want to keep current job'). Seventy-four per cent of employers considered it very likely, 65 per cent of self-employed, and the most subjectively insecure group were employees; only 54 per cent of them felt it 'very likely' that they would be able to keep their job. In a follow-up question, of those who reported that it was 'likely but not certain' and 'not likely' to keep their job, all groups were split fairly evenly between those who were bothered by it and those who were not.

These findings are at odds with the norms we expect to see in developed countries where self-employed individuals are the most insecure; for young people in developing countries, it is the employees who express the higher perceptions of insecurity and threat to employment.

Employees are much more likely to benefit from another source of job security, that is, Trade Unions, but the proportion of SE and employers who are members of trade unions is much lower.

4.2. Nature of self-employment

Next we consider the reasons that the self-employed and employers gave for being self-employment rather than a waged or salaried employee. For both groups, the most common answer was for greater independence; 41 per cent of employers gave this reason, as did 39 per cent of the self-employed. Not being able to find a waged or salaried job was given as the main reason for 25 per cent of self-employed and 20 per cent of employers. In other responses, the two groups were quite different: higher income was much more likely for employers (23 per cent) than for the self-employed (12 per cent). Being required by the family to work in that way was given as the main reason stated by 13 per cent of self-employed, but only 7 per cent of employers.

When asked whether anyone helped them with their economic activity, this was the case for 78 per cent of employers, but surprisingly 39 per cent of self-employed also said they had help, presumably mainly from their families.

The responses to a question about their main source of funding to start up their current activity showed predictable differences between the self-employed and employees, but for both groups informal sources were far more common than more formal sources of financial capital. Twenty-seven per cent of the self-employed said that they did not need any money, as did 13 per cent of employers. For the rest, money from friends and family was the most common response for employers (40 per cent) and the self-employed (33 per cent).

Thirty-three per cent of both groups relied on their own savings. A small minority of employers used loans from microfinance institutions (4 per cent) or banks (5 per cent), but this was less common for the self-employed (1.4 per cent and 2 per cent respectively). Loans from informal financial operators or from government and remittances from abroad were only used as the main start-up funding for 2 per cent or less of each group. Unfortunately, the question only permitted each respondent to give the one main source of funding, so these figures will underestimate the prevalence of some sources as presumably many start-ups are funded from more than one source. Those with the highest levels of education were about three times as likely to use banks for finance compared to those with the lowest levels of education, but even for this group the proportion using banks was small compared to informal and family funding. The proportion using microfinance institutions was unrelated to education.

Respondents were also asked about sources of funding required for 'working capita'. Thirty-six per cent of the self-employed and 21 per cent of employers said that this was not needed. As with start-up capital, money from friends and family was the most common

source (27 per cent for both groups), followed by own savings (24 per cent for employers, 19 per cent for the self-employed). Loans from banks, informal sources and microfinance were given as the main source for between 2 per cent and 4 per cent of each group. Again, these are almost certainly under-estimates as the question permitted only one source to be given. There was also a puzzling 18 per cent of employers and 9 per cent of the self-employed that gave ‘other’ answers; perhaps some respondents were not familiar with the concept of ‘working capital’?

When asked about the most important problem they faced in their economic activity, 7 per cent of both groups said they did not have any problems. A lack of financial resources was the most common response given by 31 per cent of employers and 35 per cent of the self-employed (but the question does not differentiate between insufficient financial capital to invest in the business and their ongoing income being too low). ‘Competition in the market’ was seen as the most important problem by 21 per cent of employers and 14 per cent of the self-employed. Again, there was a puzzling number of ‘other’ responses – 12 per cent of employers and 21 per cent of the self-employed. All of the other response categories were used by 4 per cent or fewer of the respondents; in descending order of importance they were: Insufficient (personal) business expertise; Shortages of raw materials (breakdowns in the supply chain); Labour shortage; Product development; Access to technology; Insufficient quality of staff; Legal regulations; and finally political uncertainties.

4.1.1. *Income*

The self-employed and employees were asked about their income from sales or turnover and their expenses (for example: rent, electricity, water, raw materials, salaries, etc.), and thus to calculate the profit for the past month. 1.4 per cent of both groups claimed to have made a loss in the last month, and 7 per cent of employers and 16 per cent of the self-employed gave their net profit as exactly zero (perhaps showing that a sizeable proportion of these businesses were inactive; many others may have only received income a few times a year, for instance, when selling their harvest).

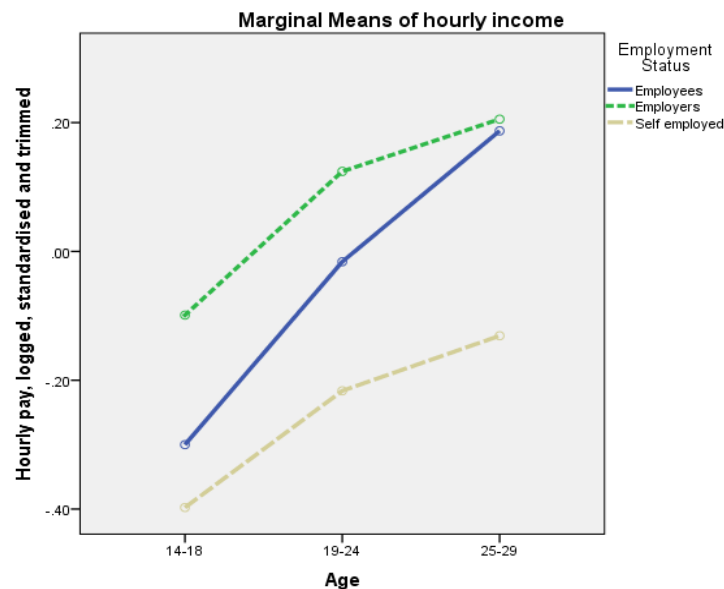
Employees were asked about their most recent wages, and thus an hourly rate of pay could be calculated for employers, employees and the self-employed, although the compatibility of the data across the three groups is questionable. As the amounts were recorded in their local currency, the data had to be manipulated to make it comparable across countries. After negative and zero values were eliminated, the data was logged to reduce the skew. The data was then standardised separately for each country to give a mean of zero and a standard deviation of one. Finally, extreme values were trimmed ($z > +3$). This eliminates the differences between richer and poorer countries, but permits some interesting insights into the patterns of pay broken down by employment status and age (controlling for the predictable and large gender pay gap).

Employers’ incomes, thus measured, were higher than employees’ wages, and self-employed workers without employees received the lowest incomes, but this varied markedly between regions. Lower pay for the self-employed was particularly marked in the Latin American countries¹²³; it was small in MENA countries, but there was little difference in the other regions.

¹²³ In fact, this gap in pay for the self-employed in Latin America was so marked, at approximately 1 SD, as to suggest an error in the data, but it was similar in all five countries.

While comparisons between these three groups are questionable, breakdowns by other variables across these three groups do not have the same methodological shortcomings. The gender pay gap is even across groups, but disaggregation by age is particularly revealing; Figure 1 shows the way in which income increases with age. Employees have the steepest upward trajectory, so that by the age of 29 they have almost caught up with the employers. Self-employed workers without employees, however, show less increase over time. This could be because of the limited nature of their businesses, or because there is less opportunity for learning new skills and increasing human capital in self-employed jobs.

Figure 1: The relationship between employment status, income and age



Employees were also asked about other benefits they received. A large number of common benefits were sick leave (60 per cent), annual leave (59 per cent), social security payments (48 per cent), medical insurance (44 per cent), pension (44 per cent), occupation (42 per cent), and meals (40 per cent). These questions were not asked of the SE, but presumably the levels would be very low, thus further exacerbating the pay gap.

4.1.2. Education

The dataset contains information on the highest level of education attained by the respondents themselves as well as by the respondent's mother and father. The relationship between education and employment status is particularly strong. For instance, examining the respondent's own status (but patterns are similar when using parent's education), 84 per cent of those with a high (post-secondary) level of education are employees, compared to 59 per cent of those with a medium level of education and only 39 per cent of those with low (none or primary) levels of education. The situation is reversed for self-employment with high rates for those with 'low' education (34 per cent), falling through 'medium' education (21 per cent) to just 9 per cent of those with 'high' education. The gradient for family workers is even more extreme, going from 23 per cent of 'low' educated to only 4 per cent of those with 'high' education. Interestingly, the proportion becoming employers was almost identical for the three educational groups.

4.1.3. Region

Table 2 shows the proportion of self-employment and family workers varies greatly between regions. Of all workers in Sub-Saharan Africa, the single largest category is self-employed (43 per cent), followed by family workers (29 per cent); only 20 per cent are employees. In all other regions, employees are the single largest group. The numbers of

self-employed workers is low in MENA countries (6 per cent) and Central Asia (10 per cent). The gender effects noted above add to these. For instance, only 15 per cent of women in SSA countries are employees. In the majority regions, women were much more likely to be unpaid family workers, but this was not the case in Central Asia nor Latin America.

Table 2: Employment status by region

		Employment status					Total
		Employees	Employer	Self-employed	Family workers	Other workers	
Sub-Saharan Africa	Count	2,617	427	5,618	3,816	512	12,990
	Row %	20.1%	3.3%	43.2%	29.4%	3.9%	100%
MENA	Count	4,950	143	337	700	5	6,135
	Row %	80.7%	2.3%	5.5%	11.4%	0.1%	100%
Latin America	Count	5,987	168	1,761	708	75	8,699
	Row %	68.8%	1.9%	20.2%	8.1%	0.9%	100%
Central Asia	Count	5,446	70	719	1,202	139	7,576
	Row %	71.9%	0.9%	9.5%	15.9%	1.8%	100%
Asia and the Pacific	Count	4,924	179	2,014	2,503	100	9,720
	Row %	50.7%	1.8%	20.7%	25.8%	1.0%	100%
Total	Count	23,924	987	10,449	8,929	831	45,120
	Row %	53.0%	2.2%	23.2%	19.8%	1.8%	100%

Due to the significant confounding of GNI and region in this dataset (with all low-GNI countries in this dataset being in SSA or APAC), the same gradient in employment, self-employment and family workers can be seen by GNI per capita, with the proportion of employees correlating positively with GNI while all other forms of economic statuses decrease. For brevity, the breakdown of countries in this paper is given by level of GNI, but, where regional differences exist, they are discussed separately (Table 3).

With a few important exceptions, strong regional or level-of-development effects on the quality of self-employment are the exception rather than the rule. Where there are clear regional effects, they tend to reflect the nature rather than quality of self-employment, and they are usually closely related to the higher prevalence of poverty in the low-GNI countries. For instance, when asked about the problems with being self-employed, the lack of resources is given as the most important problem by 44 per cent of those in the low GNI countries, 34 per cent in low-middle, and only 22 per cent the middle/high GNI countries. The corollary of this is that competition in the market is reported to be the number one problem by only 9 per cent of self-employed individuals in the poorest countries, rising to 26 per cent and 27 per cent in the middle and higher GNI countries.

Table 3: Gross national income of country and employment status

		Active employment variable					Total
		Employees	Employer	Self-employed	Family workers	Other workers	
Low	Count	5,504	491	6,903	5,499	553	18,950
	% within GNI	29.0%	2.6%	36.4%	29.0%	2.9%	100%
Low-Middle	Count	8,638	293	1,753	2,650	182	13,516
	% within GNI	63.9%	2.2%	13.0%	19.6%	1.3%	100%
High/High-Middle	Count	9,782	203	1,793	780	96	12,654
	% within GNI	77.3%	1.6%	14.2%	6.2%	0.8%	100%
Total	Count	23,924	987	10,449	8,929	831	45,120
	Percent	53.0%	2.2%	23.2%	19.8%	1.8%	100%

The proportion of self-employed that reported making a loss in the past month was very small in all groups, but the proportion whose net income was calculated to be zero was much higher in the poorest countries (21 per cent) than in the middle (9 per cent) or high (2 per cent) GNI countries. This suggests perhaps that many of those describing themselves as self-employed in the poorest countries are living a subsistence or cashless lifestyle.

The embeddedness or exposure to self-employment within the family or other networks also seems to vary significantly with levels of economic development and geographic region. For instance, when asked whether they have assistance from others in their main economic activity, only 9 per cent of the self-employed (i.e., without employees) in MENA and Latin American countries responded positively, compared to SSA (40 per cent), APAC (50 per cent) and Central Asia (64 per cent); without further detailed knowledge of who these people are and the nature of the assistance, it is difficult to understand this finding. The main reasons given for being self-employed also give confusing results. There was virtually no difference between groups saying that they became self-employed for a higher income or because of a lack of waged jobs, but the self-employed in the poorest countries were more likely to say that they chose self-employment for greater independence.

Levels of job satisfaction were not found to vary greatly between regions, but an interesting pattern was apparent. In regions where self-employment was more common (i.e., SSA and APAC) the average level of satisfaction was marginally higher among the self-employed than among employees, but where self-employment was less common, the self-employed were less satisfied than employees.

4.3. Work histories

An attempt was made to record a full work history for each respondent, starting from the point at which they left full time education, or for those who never started education, from the first economic status that they first experienced. They were then asked to list, sequentially, each employment experience that lasted at least three months up until their current situation. They were asked a number of questions about each of these activities, for instance, their economic status, dates of starting and ending that activity, type of contract, job satisfaction, and reason for leaving each job.

The number of activities recorded for each respondent varied from a large number who were still in full-time education and therefore had no activities in their work history, to one individual with 30 activities recorded. The data was somewhat chaotic, perhaps suggesting a combination of problems with recall, the complex nature of many respondents' working lives with periods when they were combining several different jobs and other activities. Furthermore, different data collection or data entry conventions seem to have been adopted in different countries. For these reasons, it is prudent to treat this part of the dataset as being less reliable than the main body of the survey dealing with their current situation. Nevertheless, there are some aspects of this data which can give us insights into the nature of flows in the labour market which are simply not possible to understand through data on current employment situations; the duration of completed spells will be considered first, then the nature of transitions between and into and out of jobs.

4.1.1. Durations

The durations of completed activities varied between 7 per cent of activities that are two months or less (despite the instructions) up to a few that lasted more than 20 years (because the start date was before the respondent was 10 years old and they had been in that same activity ever since). The median duration was 13 months, and the 90th per centile was 58 months or just under 5 years (as the duration data was highly skewed with a long upward straggle, medians will be used instead of means).

Table 4 shows this duration data broken down by type of activity. The most stable form of work, by a large margin, is unpaid work as a family member, with a median duration of 33 months. Being engaged in home duties (e.g., housewife, stay-at-home father) or other forms of economic inactivity are also relatively enduring, both at 20 months. Interestingly, being self-employed¹²⁴ is a slightly more stable state (median=17 months) than being an employee (median=13 months).

Table 4: Duration of economic activity

Economic activity spell	Number of spells	Median
Work for wage/salary with an employer	20,875	13
Self-employed	3,288	17
Work as unpaid family member (work for family gain)	3,893	33
Engaged in an apprenticeship/internship	13,56	12
Available and actively looking for work	8,180	8
Engaged in training	1,983	12
Engaged in home duties	3,823	20
Did not work or seek work for other reasons than home duties	2,672	20
All activities (Months)	46,070	13

Gender effects were small, although the majority of those working as an unpaid family member and 'engaged in home duties' were women. They also tended to stay slightly longer than men in these duties. Predictably, having a limited-duration contract shortened average tenure, but only for the job contracts that were for less than 12 months. However,

¹²⁴ In the work histories, there was not a separate category for employers.

the level of GNI of the countries had a marked effect on median durations, such that the poorest countries had a median duration of 24 months, compared to only 12 months for the high- and middle-high income countries. This effect was spread evenly across all economic statuses.

The interpretation of this duration data is ambiguous. Discussion surrounding precarious employment emphasises the cost of short-term employment, so by that definition self-employment is not more precarious than employment, and working as an unpaid family member is the least precarious. However, another interpretation of this duration data is that turnover provides an indication of individual progress, so those longer durations typical of the poorest countries, family work, and self-employment may represent a lack of opportunities for advancement.

4.1.2. Transitions

Another strength of the work histories data is that we can examine trajectories as a way of understanding which types of economic status are likely to lead to advancement and which are likely to lead to stagnation or even deterioration in young people's working lives. For this set of analyses, adjacent spells in an individual's work histories are combined so that the relationship between a source job and a destination job can be determined. After cleaning the data, there were a total of over 50,000 such transitions.

First, who is at risk of becoming an employee in their next transition? Forty-seven per cent of destination spells were as employees, making it the most common destination. Those most likely to become employees were the unemployed job-seekers (79 per cent), followed by people doing home duties (i.e., childcare in most cases) (53 per cent). The group least likely to become employed were the unpaid family workers (33 per cent), followed by the self-employed and apprentices/interns (both 34 per cent).

And who is at risk of becoming self-employed? Fourteen per cent of transition destinations were to self-employment, but this was much higher for unpaid family workers, 29 per cent of whom became self-employed in their next spell. Those doing home duties were also much more likely to become self-employed (20 per cent). The people least likely to become self-employed were the employees (10 per cent) and the unemployed (9 per cent).

More generally, the transitions data suggests that there are two 'clusters' of individuals' trajectories. Some individuals move from one job to another, and if they are not in employment, then they are most likely to be unemployed. Other individuals transition between being a family worker, being self-employed, and being out of paid work and not looking for paid work. Although self-employment spells are much more common in the lowest income countries, this same pattern holds in all categories of countries by income group.

5. Conclusion

A significant finding of the research presented within this paper is that self-employment is not necessarily a favourable employment status for young people in terms of the economic and social impacts it generates. The analysis of the SWTS survey shows that encouraging self-employment is probably not a particularly effective policy mechanism by which to promote upward social mobility or reduce poverty. In many contexts self-employment can be seen as the only feasible way young people in low employment or economically depressed areas can generate an income where no formal opportunities exist, such as in the already overloaded public sectors of many LMICs. Entry into self-employment can be seen as a coping mechanism both by the individual and the family.

The data support other findings that demonstrate that young people's self-employment is often embedded in a family where parents or other family members are self-employed. Encouraging individuals into self-employment without a support network to provide expertise and complementary business support is therefore a risky venture.

Patterns of self-employment for young people in developing countries are often different to patterns for older self-employment and self-employment in developed countries. For instance, in developing countries the self-employed are often underemployed rather than working long hours as is typical of self-employed workers in the EU. There are also large differences in the prevalence of self-employment between global regions, even for less developed countries, and probably strong regional differences (for instance, rural vs. urban) within these countries. For this reason alone, it is entirely predictable that programmes to encourage self-employment would have very different effects on the number of new self-employment jobs and the quality of those jobs.

Improving macro conditions and economic growth appears to reduce levels of self-employment and the need to enter informal labour markets. It is, therefore, somewhat contradictory to encourage economic growth through increased self-employment.

Whilst being sceptical about programmes designed to encourage self-employment, the evidence from survey respondents who were currently self-employed does not support the suggestion that self-employment is necessarily negative. Job satisfaction scores and sense of job security were not greatly different between the self-employed and employees. Although the weekly working time of self-employed individuals is often well below that of full-time employees, only a minority state that they want to work longer hours. It may be that the rest of their week is taken up with other economic, domestic and leisure activities rather than being wasted time that can be a characteristic of the unemployed. The tenure data from the work histories suggest that self-employment is, if anything, a more stable status than being an employee. There is evidence for both *push* and *pull* in entry into SE; for women the balance seems to be more push than pull, compared with men, but many respondents provided positive reasons for wanting to be self-employed. It is easy to dismiss these positive aspects of self-employment as either adaptive preferences, or ignorance of the longer-term benefits of being an employee, but it would be premature to dismiss all self-employment as inferior to regular employment.

This comparison of the relative *quality* of employment for employees and the self-employed might, in many cases be further complicated by the same individual being

simultaneously employed and self-employed. This may be because those in the formal labour market (as teachers, civil servants) in middle- and low-income countries take second or even third jobs in the informal labour market such as self-employed newsagents or taxi drivers, complementing the longer term prospects of employment with additional income from self-employment.¹²⁵

Taking a long term or lifecycle view, self-employment compares less favourably with regular employment. Rather than breaking into employment in the formal sector, many career trajectories seem to be stuck in a cycle between self-employment and unpaid family work, which is itself seen as a far more negative state by those currently in that position. And there is a clearer upward trajectory in income for employees and employers; those who stay self-employed are likely also to remain on a low income. Although the work histories did not record being an employer as a category, it is important to emphasise that the data suggests that only a small proportion of self-employed ever progress to growing a business through employing others. Even the small proportion of employers in the SWTS dataset is probably an overestimate, as many of those individuals who claim to be an employer probably achieved that status by joining the family business rather than growing their own business. If employing others is the key characteristic of entrepreneurship, the vast majority of self-employed individuals are not entrepreneurs, and much of the rhetoric linking self-employment and entrepreneurship is therefore misleading.

It is difficult in the SWTS data to separate out successful and unsuccessful self-employment, but, according to the meta-analysis review of Gindling and Newhouse,¹²⁶ the successful self-employed (defined by household affluence and having employees) in developing countries tend to be older, have a high level of education, are more likely to work in retail and services, and are much less likely to work in agriculture. Men and women who are self-employed are equally likely to be successful, while the self-employed who identify themselves as head of household are less likely to be successful than are spouses and other family members. Rather than ask the question as to whether self-employment is better or worse than being an employee, a useful theme for further research might emphasise the greater heterogeneity of self-employment: when it is good it is very good, and when it is bad, it is awful.

Given these misgivings about the quality of self-employment, and the possibility that programmes to increase self-employment might produce more low quality jobs, perhaps a focus on the quality rather than the quantity of self-employment would make more of a contribution to development goals. Such programmes might up-skill individuals who are already self-employed, minimise fiscal disincentives to business growth, and provide sound business advice to improve resilience and future prospects. At a macro level, countries could review their welfare systems to ensure that self-employed individuals have the same levels of social and economic protection and access to healthcare and pensions as employees.

¹²⁵ Ezrow and Frantz, 2012, pp. 112-113.

¹²⁶ Gindling and Newhouse, 2014.

5.1. Programmes to promote self-employment –what works, why and for whom?

Throughout the literature concerning self-employment and youth entrepreneurship, it is noted that promoting these concepts as effective labour market policies should be viewed in the medium-to long-term. Authors tend to agree that interventions to create ‘quick entrepreneurs’ and increase rates of self-employment are unlikely to have positive long-term impacts.¹²⁷

Any business requires time to develop, and changing attitudes of young people towards self-employment and entrepreneurship require prolonged timescales.¹²⁸ Within the context of the ‘active’ welfare, reduced fiscal space for welfare and social protection interventions, it appears unlikely that the development and policy support for funding lengthy self-employment interventions to support business development and facilitate behaviour change are a realistic option. Even if they produced successful outcomes, the cost is likely to be prohibitive.

The available evidence also shows that policies targeted at promoting self-employment among young people are most beneficial when they bring together different actors and policy sectors such as the labour market, social protection, education, healthcare services (especially mental health), youth business organizations, financial institutions, individual companies, and chambers of commerce. As the recent Eurofound report notes, government initiatives to support youth entrepreneurship should consider the three policy pillars: 1) fostering an entrepreneurial mind-set, attitudes and culture; 2) providing information, advice, coaching and mentoring; and 3) removing perceived practical barriers and easing access to credit. Interventions should provide ‘a balanced, comprehensive range of support modalities, such as training/skills development, mentoring and counselling, access to networking, dedicated funding or easier access to finance’.¹²⁹

The participation of diverse stakeholders allows the multiple needs of young people to be addressed; wellbeing and psychological health issues may be acting as barriers to entering the labour market, education services are required to rectify basic skills gaps, and access to finance may be needed to support a start-up and purchase initial goods and materials.¹³⁰ Because the problems experienced by the unemployed and disadvantaged in general are often multi-dimensional (such as issues with mental health, low levels of educational qualifications, living in deprived housing located in areas suffering from high unemployment and isolated from employment opportunities), they invariably require a multi-sector policy response and interventions that reflect these multiple needs. However, it is difficult to see how this sort of comprehensive support could be provided on restricted government budgets particularly within the European Union.

Evidence on the effectiveness of youth employment policies in low- and middle-income countries is a rapidly developing research area. The evidence in relation to the efficacy of self-employment interventions is mixed.¹³¹ As discussed in Chapter 3, most of these programmes target the low-skilled unemployed and are delivered by social funds,

¹²⁷ Eurofound, 2015, p. 100; Cho, and Honorati, 2015.

¹²⁸ Eurofound, 2015, p. 100.

¹²⁹ Ibid.

¹³⁰ Ibid.

¹³¹ Banerjee, et al., 2015; and Angel-Urdinola, Kuddo and Senglali, 2013.

microcredit institutions or donors. National employment agencies offer training programmes for those registered unemployed who want to establish their own business.¹³² However, self-employment programmes in regions such as MENA, whether delivered by social funds or by national employment agencies, have typically been found to be of benefit to relatively few people and do not address some of the other key constraints facing potential self-employment, such as access to credit and the need for personalised coaching and incubator services.¹³³ Further, the evidence that entrepreneurship training is more effective for better-educated entrepreneurs is suggestive. Cho and Honorati's meta-analyses find that training tends to be more effective in terms of labour market outcomes for younger than older entrepreneurs, suggesting that high-potential entrepreneurs do not necessarily benefit more from all types of interventions.

Interestingly, Grim and Paffhausen, in their review of entrepreneurship interventions, find an issue with the nature of existing evidence. In evaluations conducted using RCTs, findings and outcomes tends to be less positive when using other evaluation methods. They suggest that

‘in many of the studies which are based on a weaker identification strategy, selection bias is still an issue. However, it can also not be ignored that many RCTs have low statistical power due to small sample sizes and that they are applied particularly to small programs, very poor areas and very specific target groups. Hence, RCTs seem to paint an overly pessimistic picture with respect to the potential of such policies and interventions to create jobs’.¹³⁴

Of existing self-employment in the ILO dataset, only a very small minority had start-up funding from formal channels such as banks of microfinance/micro-credit. Thus, increasing the availability of these sources will probably have only a very limited effect. The evidence on the impact of microcredit schemes on poverty reduction in low- and middle-income countries generally shows that they do not work.¹³⁵ Conditional cash transfer schemes have been running for a number of years now in a variety of LMICs and may be better interventions to support self-employment development.¹³⁶ Such schemes may be particularly important in LICs, where the self-employed are most likely to report problems of underinvestment.

Even where programmes do produce sustainable and prosperous self-employment for participants, this may lead to unintended negative consequences for others. Self-employed individuals, particularly in middle-income countries, cite market competition as a common problem. Encouraging more businesses into the same limited niches is likely to further depress the incomes of existing self-employed people, or even force them out of business and back to being unpaid family workers. Therefore, consideration needs to be given to encouraging self-employment start-ups only in market segments where there is unmet demand and potential for growth.

¹³² Ibid.

¹³³ Angel-Urdinola, Senglali, and Brodmann, 2010.

¹³⁴ Grimm and Paffhausen, 2015, p. 79.

¹³⁵ Blattman, 2015.

¹³⁶ Banerjee and Duflo et al., 2015.

5.2. Limitations of the research data

The evidence base on self-employment is improving steadily, but there remain some aspects of the major life-course events (start-up/failure) of the self-employed and small businesses that remain largely unexplored. For instance, what are the consequences of business failure? The social, economic, health and wellbeing costs can be significant for the individual, and also for families and creditors who can be left with unpaid debts. There is little information to determine how often the end of a period of self-employment is followed by a seamless transition into another activity, or how often it can lead to extreme deprivation or even peonage. These issues need to be factored into the cost-benefit analysis of programmes if more start-ups mean more failures.

The School to Work Transition Survey (SWTS) is an ambitious project that has done much to clarify the nature of self-employment in developing countries, and to replace myths with facts. It is hoped that it will be repeated, with an enhanced set of questions to determine more exactly the nature of the businesses of respondents who are not employees.

Perhaps one reason that our understanding of self-employment (and how to promote the routes into self-employment in developing countries) is lacking is due to a mismatch between the phenomenon of self-employment and survey research methods. Employment is typically conceived as a relationship between an individual and an employer, supplemented by some other less relevant actors (such as trade unions and factory inspectors). Therefore, surveys of individual employees, asking about them and their relationship to their employers, are largely adequate (and occasionally we interview employers to complete the picture).

Yet, self-employment is often a completely different type of labour-market status. Instead of 'own-account workers' interacting autonomously with the market, the situation (in both developed and developing countries) is often better described as a complex network involving many co-dependent actors, and many of those links are with members of the same nuclear and extended families. We need to be far more aware of the way in which the self-employed (and potential self-employed individuals) are embedded in networks, and the abilities of those networks to provide skills, capital and other resources before we start to intervene with that system through active labour market policies (ALMPs) for the self-employed. This will require both qualitative and quantitative research dedicated to the understanding of the nature of self-employment and the context in which it is being carried out, rather than adding in a section on self-employment to surveys of employees.

5.3. A solution for young people?

There is now good evidence that many labour market measures such as ALMPs are beneficial in helping to return people to the labour market and promote wellbeing.¹³⁷ However, the evidence from schemes to promote self-employment lags well behind this. It is not clear, on the basis of the evidence and data reviewed, that the schemes that have been tried actually created new self-employed jobs, nor is it clear whether these jobs are of sufficient merit to be worth creating. Additionally, the focus on the short term and the

¹³⁷ Card, Kluge and Weber, 2015; and Coutts, 2009.

largely economic outcomes (such as rates of job entry) of many studies means that lagged effects of interventions on psychological health and social capital and networks are not measured. In terms of creating sustainable employment transitions into decent work, these are important influences and outcomes.

We find it plausible that, at some point in the future, schemes will be identified that work well to create ‘good’ or decent self-employed jobs in terms of income and sustainability, but, as of 2015, such schemes have not yet been identified. We suggest that, if such interventions are developed in the future, they will work only for very specific types of individuals, depending upon, for instance, their existing levels of education, their skills, and the extent to which self-employment is common and well-understood in their families. Until then, labour market programmes for self-employment are likely to fail in their attempt to create jobs, and, if they do succeed, it may be in the creation of low-paid jobs with limited sustainability. This, of course, will not help to promote social mobility, inclusive social development, or poverty reduction.

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