

PROMISING APPROACH # 9

Support Pilot Self-employment Programs

Self-employment is often the only available employment option for young people in areas with low labor demand. This is the case despite the inherent risks and difficulties involved in creating a successful business because of the major constraints that exist to finding employment in these areas, especially for at-risk youth.¹ In the best-case scenario, programs to support youth self-employment—or entrepreneurship—can help a young person start a successful business. However, if starting a business is not a realistic option, the experience and skills that young people gain during their entrepreneurship training may help to increase their employability and employment prospects, as well as their confidence and self-image. Self-employment training programs can also help at-risk youth by putting them in contact with potential employers and other entrepreneurs, who they would otherwise not have had the opportunity to meet.²

Self-employment assistance programs—also known as micro-enterprise development or entrepreneurship programs—may provide financial assistance (credits, allowances, or grants), and/or they may provide other technical services, such as training in business skills, counseling, other financial services, and help to develop a business plan.³

Entrepreneurship training can be delivered in a variety of settings, including through formal education (as part of the curriculum), job training institutions, business incubation centers, small and medium enterprises (SME) development agencies, industry organizations, and so forth. Training can be provided to all comers or be targeted to particular groups, such as the newly or long-term unemployed. In some cases, financial assistance can be provided to students to support their participation in the program in the form of an initial lump sum payment or of periodic allowances. Often, potential beneficiaries have to undergo an assessment before they can enter the program to determine the likelihood of success they would have in starting a business.⁴

How Do Self-employment Programs Reduce Risky Youth Behavior?

The primary way in which self-employment or entrepreneurship programs can reduce risky behavior among young people is by providing them with skills and work experience, which increases their employability and, as a result, their chances of acquiring future employment. Entrepreneurial skills may also contribute to making young people become more motivated, active citizens and, consequently, minimize their feelings of social exclusion, which often lead young people to engage in risky behavior. Acquiring entrepreneurial skills may also have the benefit of increasing self-esteem and improving self-image, which have both been proven to be protective factors against risky behavior related to sex and violence.

Research Findings: Providing the Evidence Base

Despite the widespread implementation of self-employment programs across the world, evidence on the impact of these programs—in particular on young people—remains scarce. However, what evidence does exist shows that self-employment programs can significantly increase the probability of young participants finding a job, at least in the short term, but the cost effectiveness and the longer-term effects of self-employment programs still need to be tested.⁵

Impact estimates carried out with experimental data four months after the end of Peru's *Young Micro Entrepreneurs' Qualification Program* showed an increase of 7.8 percent in the probability of participants having an operational business and an 8 percent increase in their average income (in comparison to not having

participated in the program). Estimates from quasi-experimental data also showed an increase of almost 40 percent in the probability of the business operating for more than one year and an increase in earnings by 40 percent (in comparison to not having participated in the program).⁶ In Bulgaria, the country's *Self-employment Program* increased the probability of being employed by at least 50 percent compared with nonparticipants, with even greater effects on young female participants. (Varying effects in terms of magnitude may result from several characteristics of the evaluation design, including timing of the survey, type of control group used, and so forth.) However, the costs of the program per placement, per participant, exceeded those of training and subsidized employment programs.⁷ Though the *Commonwealth Youth Credit Initiative* in India has not yet been rigorously evaluated, studies of this small enterprise scheme for unemployed young people involving micro-credit, training, and enterprise development showed that, after a three-year pilot program, 82 percent of participants were successfully operating micro-enterprises on a self-sustainable basis, and females accounted for over 75 percent of all beneficiaries of the program.⁸ Tracer studies of the *Non-Formal Education and Training for Youth (Self)* employment program in the Palestinian Territories, which prepared participants for both self-employment and private sector employment inside and outside the Palestinian Territories, showed that one-third of the graduates were employed one year after completing the program. However, there was no control group with whom to compare outcomes so there is no way to know if this is more or less employment than would have been achieved in the absence of the program.⁹ An impact evaluation of *Project Baobab* in Kenya, which targets low-income young females in rural areas and offers start-up loans and training in entrepreneurial and life skills, showed that, within a four-year period, approximately 50 percent of the grantees were running businesses with good-to-marginal success while about 20 percent of the businesses were no longer in operation, either because the business had failed or because the participant had dropped out of school.¹⁰

Moving Forward: Factors for Success

- ***Provide self-employment assistance in combination with other services***, such as frequent mentoring visits, business counseling, and appropriate financial aid.
- ***Include outreach activities*** (either through mass media or youth outreach workers) to encourage young people most at-risk to participate because, on average, this group of young people tends to suffer from feelings of social exclusion, lower education and skill levels, more fragile family and community networks, and low self-esteem and confidence, and so they are more likely to believe that self-employment is not an option for them.
- ***Create strong partnerships with the business community*** so that business leaders can serve as mentors as well as a support network.

Endnotes

1. World Bank. 2007. "The Promise of Youth: Youth Policy for Youth at Risk in Latin America and the Caribbean." Chief Economist Office, Latin America and Caribbean Region. World Bank, Washington, D.C.
2. Dorenbos, R., D. Tanzer, and A. Vossen. 2002. "Active Labour Market Policies for Youth Employment in Asia and the Pacific: Traditional Approaches and Innovative Programmes." Prepared for ILO/Japan Tripartite Regional Meeting on Youth Employment in Asia and the Pacific. Department of Labour and Education, Netherlands Enterprise Institute (NEI).
3. Betcherman, G., K. Olivas, and A. Dar. 2004. "Impact of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries." Social Protection Discussion Paper Series 0402. World Bank, Washington, D.C.
4. Betcherman, Olivas, and Dar 2004.
5. Puerto, O. 2007. "Learning from International Experiences: The Youth Employment Inventory." Background paper for Sierra Leone Economic and Sector Work. World Bank, Washington, D.C.
6. Jaramillo, M., 2006. "Youth at Risk in Latin America and the Caribbean: Supporting Youth Facing Labor Market Risks." Policy Note. Group for the Analysis of Development (GRADE), Lima, Peru.
7. Puerto 2007.
8. Betcherman, G., M. Godfrey, S. Puerto, F. Rother, and A. Stavreska. 2007. "Global Inventory of Interventions to Support Young Workers, Synthesis Report." World Bank, Washington D.C.; www.thecommonwealth.org and www.icecd.org.
9. Johanssen, A., F. Tibitanzl, and I. Kaush, eds. 2006. "Cornerstones of Youth Employment Promotion in Development Cooperation." Discourse 007. Division of Development Education, and Information, Federal Ministry for Economic Cooperation and Development, Bonn, Germany.
10. Puerto 2007.

| Key Implementation Considerations | |
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| Anticipated Outcomes | <ul style="list-style-type: none"> • Greater employment • Higher wages/earnings • Increased employability |
| Secondary Effects | Increased self-confidence and self-esteem, leading to less risky nonemployment related behavior |
| Responsible Agency/Actor | Ministry of Labor, local governments, community-based organizations |
| Targeted Risk Group | Types II or III |
| Target Age Group | 15–24 |
| Examples of Costs per Beneficiary | <ul style="list-style-type: none"> • Bulgaria: <i>Self-employment Program</i>—US\$465 (see source) • Peru: <i>Young Micro Entrepreneurs' Qualification Program (Calificación de Jóvenes Creadores de Microempresas)</i>—US\$536 ^a |
| Necessary Initial Conditions | <ul style="list-style-type: none"> • Market demand for the goods and services that small firms produce • Financial markets with accessible lending opportunities • An entrepreneurial spirit among young people • Partnerships between programs and the business community for mentoring and networking purposes |
| Specific Examples & Levels of Effectiveness (Strong Evidence and Emerging Evidence) | <ul style="list-style-type: none"> • Peru: <i>Young Micro-Entrepreneurs' Qualification Program</i>—Emerging evidence • India: <i>The Commonwealth Youth Credit Initiative</i>—Emerging evidence (http://www.icecd.org) • Bulgaria: <i>Self-employment Program</i>—Emerging evidence • Palestinian Territories: <i>Non-formal Education and Training for Youth</i> (self-) employment program—Emerging evidence • Kenya: <i>Project Baobab</i>—Emerging evidence |
| Issues to Consider for Replication and Sustainability | <ul style="list-style-type: none"> • Enterprises begun by young people <i>generally</i> tend to be less successful and have higher failure rates than those begun by older people. Therefore, government policies to encourage young people to enter self-employment are likely to attract a lot of interest but may require a comparatively high investment of resources for uncertain returns. • Special outreach and information campaigns may be required to reach at-risk youth, who may be less willing than others to become self-employed due to feelings of social exclusion, a lack of education and training, and fragile family and community support systems. • Programs can have high dropout rates and businesses can have high failure rates if beneficiaries are not carefully selected from the beginning. • To improve self-employment interventions and to be able to scale them up, labor market information systems must be created to enable young entrepreneurs to communicate with each other and see how many new businesses they have created. |

Source: a. Puerto 2007.