

# Start-up support for young people in the EU: From implementation to evaluation





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# Executive summary

## Introduction

Young people have been hit hardest by the Great Recession. In 2014, the unemployment rate for those aged 15–29 was more than seven percentage points higher than the total unemployment rate. Promoting entrepreneurship has become an increasingly accepted policy tool for reducing unemployment and creating sustainable jobs. However, entrepreneurship is not in itself a solution to youth unemployment and is not without its own risks. Although European data show that a higher proportion of young people generally express a preference for self-employment than older age groups, the self-employment rate for young people in the EU is particularly low. This may be down to specific barriers that they face when starting a business.

This report provides an overview of the current start-up support measures targeted at young people, as well as other more general measures that have relevance for them. It also reviews evaluations of the impact of selected measures and the methodologies used. The effectiveness of youth entrepreneurship policies is particularly difficult to assess, and this report aims to highlight key issues in relation to the implementation as well as the evaluation of start-up support measures.

## Policy context

At EU level, since 2008, there has been a shift from policy promoting small and medium-sized enterprises towards policy promoting entrepreneurship, partly driven by the steady decline in youth employment rates in many Member States. This signifies a shift of priorities from boosting competitiveness and sustainable economic growth, in the context of the Lisbon Strategy, towards tackling unemployment and promoting job creation, which are core objectives of the Europe 2020 strategy. Greater emphasis has been placed on young people, particularly those not in employment, education or training (NEETs).

The promotion of youth entrepreneurship is emphasised in the Youth Employment Package. This includes the Youth Guarantee, established in 2013, which aims, among other things, to ensure greater availability of start-up support services for young people. All Member States have presented their national Youth Guarantee Implementation Plans (YGIPs), many encompassing start-up support incentives for young entrepreneurs. However, these vary between Member States, and there are also differences in the type of entrepreneurship support measures offered to young people.

Understanding the variety of start-up support measures that exist across the EU and their impact, as well as the value of different impact evaluations, is important in order to better achieve the goals laid out by the Youth Guarantee.

## Key findings

### Mapping of start-up support measures

Nearly all Member States have entrepreneurship policy measures in place. A growing number are youth-specific, introduced mostly in response to the high youth unemployment rates.

Many start-up interventions for young people are discrete, small-scale, temporary measures with relatively limited financial resources, which may reduce their overall potential impact. Although their effectiveness may be enhanced when embedded in holistic and well-coordinated entrepreneurship policies, few start-up support measures are set within larger policy frameworks or broader youth employment strategies.

Youth entrepreneurship measures typically feature ‘soft’ support in the form of entrepreneurship training, advisory services, mentoring and coaching, or a combination of these with financial incentives. The approach adopted by

long-standing and successful programmes for young people – such as the often-cited Prince’s Trust Enterprise programme in the UK – feature a phased approach, providing all-round support throughout the different stages of the entrepreneurial process, from the conceptualisation of the business idea to the actual launch and development of the business.

Despite the increasing number of youth entrepreneurship initiatives, many of the available measures are directed at the unemployed as part of active labour market policies (ALMP); this, however, does not preclude their inclusion in countries’ YGIPs. Many of these general start-up support measures have limited applicability to young people as stringent selection criteria often apply. The most suitable schemes offer help in the pre-start-up phase, because young people lack prior work experience and basic entrepreneurial skills.

### Review of policy evaluations

The growing interest in youth entrepreneurship has not been matched by sound evaluations of the impact of specific initiatives. Only three of the impact evaluations analysed, which used advanced and robust statistical methods, assess measures directly or specifically targeting young people (CréaJeunes in France, the predecessor of the current Prince’s Trust Enterprise programme in the UK and the Junior Achievement Company Program in Sweden). Other evaluations carried out on youth-specific schemes are monitoring-type exercises providing information on take-up and participants’ opinions on the difference that the assistance made to them. Although these are useful and informative, they do not tell much about the effectiveness of the interventions.

A common finding is that the more sophisticated the evaluation approach, the lower the identified impact of the programme being evaluated. Among the studies reviewed, the evaluation that applied the most robust and scientific method used in policy evaluation (the experimental method) found the policy had no impact.

In many cases, the evaluation process was hampered by the measure’s initial lack of clearly defined objectives and quantifiable targets. To overcome this, many of the evaluations reviewed adopted a ‘post-rationalisation’ approach to the assessment of performance against objectives, whereby targets were input afterwards by researchers as part of the evaluation exercise.

In addition, very few evaluations have explored the magnitude of possible deadweight loss (where the outcomes are not additional to what would have happened in the absence of the support) and displacement effects (negative consequences for competitor enterprises) resulting from any type of entrepreneurship policy. When this is done, the estimates tend to be based on self-reported data and vary greatly between studies.

### Policy pointers

- Considering that expenditure on ‘soft’ forms of support for young people is likely to grow with the implementation of the Youth Guarantee, there is a pressing need to investigate the impact of these interventions on the labour market outcomes of young people.
- Assessing the long-term impact of policy interventions in terms of enhanced employability of young people is particularly important and should be taken into account in policy evaluations to a greater extent than has been done so far.
- Equally essential is the exploration of potential deadweight loss and displacement effects associated with entrepreneurship policies, to ensure public resources are used efficiently and effectively.

- There is a need to move towards experimental evaluations when assessing youth interventions. Quasi-experimental approaches, for example using propensity score matching, rely heavily on data on the employment history of individuals, and there is limited potential to do this for young people.
- A comprehensive assessment of the impact of business start-up support schemes should include both quantitative and qualitative elements. All start-up programmes should have clear objectives and indicators against which success can be measured.
- In principle, elements of all schemes could be replicated in other EU countries, but it is essential to question first the validity and effectiveness of the interventions. Properly implemented evaluations are therefore indispensable, ideally designed as an integrated part of the policy delivery and adequately resourced.



## Scope of the research

In recent years, youth entrepreneurship has attracted increasing policy attention for its potentially important role in easing the entry of young people into the labour market in the face of growing youth unemployment. Youth entrepreneurship can tackle youth unemployment directly by creating employment opportunities for young entrepreneurs and indirectly by generating jobs for other young people employed by start-ups.

In spite of the potential benefits of youth entrepreneurship, start-up support measures in the EU Member States vary considerably in their content, delivery mechanisms and overall ambitions. At EU level, the promotion of youth entrepreneurship has received a renewed impetus with the establishment of a European Youth Guarantee in 2013, whose primary objective has been to combat growing levels of youth unemployment. One specific aim of the initiative is to encourage youth entrepreneurship and ensure greater availability of start-up support services. A number of Member States have already introduced start-up support measures for young job-seekers as part of the implementation of the Youth Guarantee.

Policy measures helping young people to start their own business as a way to integrate them into the labour market are by no means new. Interventions of this kind are often embedded in existing active labour market policies (ALMP) and do not exclusively target young people. The experience gained in designing, implementing and delivering start-up support measures, whether targeting young people or not, may assist policymakers in designing effective instruments that could ultimately lead to a successful implementation of some Youth Guarantee initiatives.

With this aim in view, the first part of the report maps a number of start-up support measures for young people implemented in EU Member States, as well as general start-up support measures (open to people of all ages) that have relevance for young people. For the purpose of the research, a broader definition of young people is adopted to include those aged up to 29 or those who are categorised by national authorities as young people. Apart from age, the target group for the support measures reviewed in this report are primarily people who are currently not employed. This reflects the overall aim to examine schemes that may be used as part of the Youth Guarantee.

Outside the scope of this review are broad entrepreneurship policies supporting self-employment and business creation as well as educational entrepreneurship measures, to the extent that they are not aimed at creating actual business ventures. The report focuses therefore on publicly supported policy measures directed at individuals – either young people or, more generally, the unemployed (including young people) – who are considering or may consider starting a new business, or who have just done so. It should be noted that this research is not intended to comprehensively map all existing start-up support measures that are youth-specific or that have relevance for young people, but it illustrates the key design features of such initiatives and the breadth of the support offered. In this sense, the interventions examined should not be regarded as best practice.

Chapter 2 illustrates a broad range of entrepreneurship measures categorised as ‘hard’ (financial support) or ‘soft’ (entrepreneurship training, advice, mentoring and coaching) or a combination of the two. Also featured are selected public initiatives to improve entrepreneurial awareness, establish links with the education system and provide a supportive entrepreneurial infrastructure. Overall, the start-up support measures identified are very diverse but present in virtually all Member States. In many cases, youth entrepreneurship interventions are discrete, small-scale, standalone, temporary measures with limited financial resources, resulting in relatively few applicants being granted support. The Youth Guarantee has helped to place many of the existing measures under an overall youth employment strategy, but more effort should be made to enhance the complementarity between the available measures, improve coherence in the overall approach, and highlight the relevance for young people of pre-existing general start-up support measures.

Chapter 3 reviews evaluations of the impact of selected start-up support measures. In doing so, it highlights some of the key methodological issues and limitations of the evaluation exercise. A distinction is made between monitoring approaches focusing on implementation issues (for example, take-up rates) and more statistically sophisticated evaluations relying on multivariate analysis and the estimation of counterfactuals to assess the impact and value added of each measure under investigation. This distinction recognises that different evaluation methodologies generate different evidence of the impact of the interventions, without discarding at the outset the value of any form of evaluation. The use of a variety of data and methodologies is particularly beneficial, whereby results from monitoring-type exercises can be used as baseline results on which to build, using more robust and scientific methods. The review of the selected evaluations shows that the specific policy rationale of the interventions tends to be unclear or underspecified. The assessment of the impact of policy measures is often hindered by the initial lack of clear and quantifiable objectives and explicit targets. Also, there is scope for improvement in the evaluation techniques used, even when a counterfactual design is employed.

In spite of the many limitations, it is possible to draw key lessons from what has been done so far on policy evaluations, and this can contribute to a rethinking of policy design in the area of youth entrepreneurship. The conclusions in Chapter 4 based on this assessment are therefore intended to inform future policy developments, in particular the implementation of the Youth Guarantee programmes, by providing information on what works in start-up support measures, notably those targeting young people.

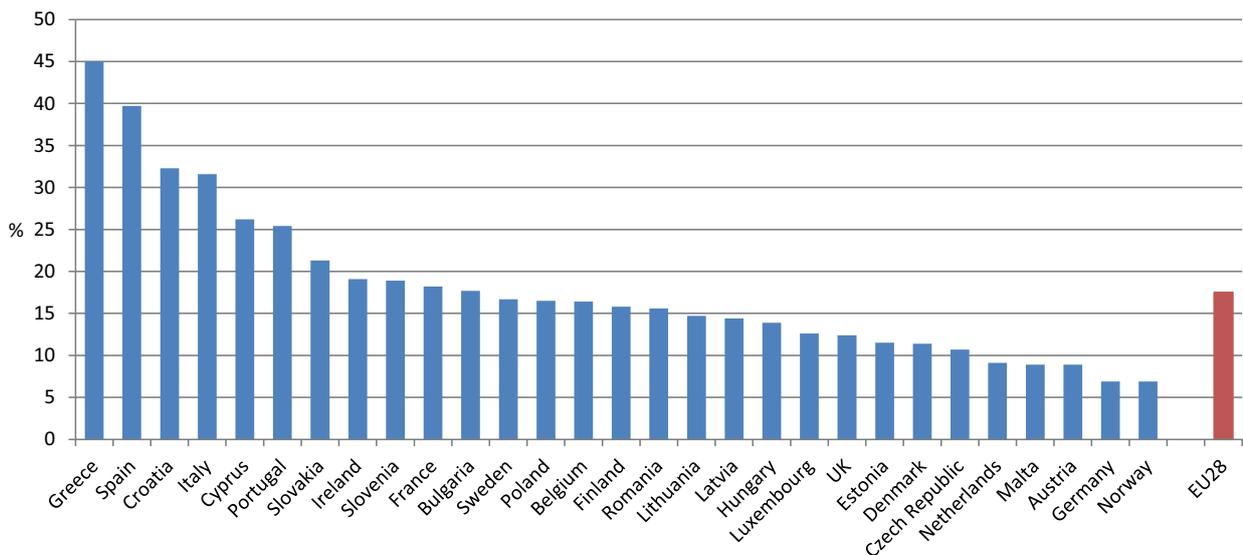
### Methodology

The mapping of currently operational start-up support measures is compiled on the basis of individual national reports from Eurofound's network of European correspondents, covering all 28 EU Member States plus Norway. The review of selected evaluations of start-up support measures draws from the evaluation literature in the area of entrepreneurship, as well as in-depth qualitative interviews with the evaluators who had been involved in the evaluations or relevant stakeholders in the commissioning bodies, or both. Although monitoring-type exercises are also reviewed, greater emphasis is placed on evaluations using more sophisticated approaches based on experimental and quasi-experimental designs, which enable a clearer identification of the net effect of the policy interventions. The growing interest in youth entrepreneurship has not been matched by sound evaluations of the impact of specific initiatives. Only three of the selected impact evaluations concern measures directly or specifically targeting young people. The other selected evaluations focus on general start-up support measures for the unemployed. Insight can be drawn, however, from evaluations on general start-up support measures to inform policymaking on youth entrepreneurship and potentially feed into the implementation of the Youth Guarantee. Due to the limited number of evaluations assessing individual measures, as well as the diversity of the selected evaluations in terms of both methods used and performance outcomes, it is difficult to compare the evaluations against each other.

## Youth entrepreneurship in Europe at a glance

In the European Union, the youth unemployment rate (those aged 15–29) stood at 17.5% in 2014, against a total unemployment rate of 10.2% in the same year. There are, however, large variations between Member States, with the highest youth unemployment rates in the southern and peripheral EU countries whose labour markets were most affected by the Great Recession (Figure 1).

**Figure 1: Youth unemployment rate (15–29-year-olds), EU and Norway, 2014**



Source: Eurostat, EU-LFS

The growing pool of jobless young people is a significant waste of human capital that could otherwise contribute to economic growth. The economic loss due to the disengagement of young people who are not in employment, education or training (NEETs) has been estimated to be approximately €162 billion, corresponding to roughly 1.25% of European gross domestic product (GDP) (Eurofound, 2014). Being unemployed at a young age can also have long-term scarring effects in terms of, for example, subsequent lower pay, reduced employment prospects and lower levels of well-being (see Bell and Blanchflower, 2011; Strandh et al, 2014).

Against this background, youth entrepreneurship has been increasingly regarded by policymakers as a viable means of tackling youth unemployment, promoting job creation and helping young people unlock their entrepreneurial potential and talents. Youth entrepreneurship is not only seen as a possible route out of unemployment, but also as an alternative to traditional forms of employment that are becoming rarer in the current economic climate. It is also a potential source of economic dynamism and of positive secondary employment effects if sustainable businesses are created.

Starting a new business is, however, not a free-risk choice for young entrepreneurs or in itself a solution to the youth unemployment problem. Previous research has shed light on the similarities and differences between entrepreneurship among young people and generally. According to research for the International Labour Organization (ILO), young people face unique constraints and greater challenges to entrepreneurship compared with older age groups, due to limited resources and experience. The report emphasises that ‘the range of barriers as well as the variety of potential methods and measures to counter them is more extensive than of older entrepreneurs’ (Schoof, 2006, p. xii). Among the most prominent impediments are lack of capital and insufficient start-up financing, lack of business experience and skills

related to business management, limited experience with administrative complexity and procedures, absence of business connections, and limited knowledge of available business-support services. Negative societal and cultural attitudes toward youth entrepreneurship, which vary between countries, may also act as strong disincentives by generating a fear of failure and potentially stop young people from making the leap and starting a new business.

### Perceptions of self-employment

A special report focusing on youth entrepreneurship, which draws on 2013 Global Entrepreneurship Monitor (GEM) data, shows that the EU (compared with other broad world regions) has the highest perception among both younger people (aged 18–34) and older people (aged 35–64) that fear of failure would prevent them from starting a business – 46.7% expressed this view (Kew et al, 2013). Joint research by the Organisation for Economic Co-operation and Development (OECD) and the European Commission has also highlighted the different barriers and facilitators likely to affect the rate of youth entrepreneurship, including role models and attitudes, entrepreneurial skills and experience, financial resources and market barriers (OECD and the European Commission, 2014b).

The most recent Flash Eurobarometer on entrepreneurship shows that young people (aged 15–24) are the most likely to point to a lack of relevant skills as the main reason for not viewing self-employment as feasible, while those in the 25–39 age group are the most likely to cite the lack of capital and financial resources for seeing self-employment as unfeasible (Table 1) (European Commission, 2012a).

**Table 1: Perceived barriers to self-employment by age group, 2012**

	15–24 years %	25–39 years %	40–54 years %	55+ years %
<b>Not enough capital</b>	26	35	27	10
<b>Current economic climate is not good for a start-up</b>	12	16	15	8
<b>Not enough skills to be self-employed</b>	18	9	7	5
<b>No business idea</b>	8	11	9	4
<b>Difficult to reconcile with family commitments</b>	4	9	7	6
<b>Risk of failure and legal and social consequences are too big</b>	3	8	7	3

Note: Responses to question ‘Why would it not be feasible for you to be self-employed within the next 5 years?’ (multiple responses possible).

Source: *European Commission, 2012a*

In spite of the many barriers to entrepreneurship, there is evidence that perceptions of entrepreneurship are particularly positive among young people. Eurobarometer data report a higher propensity to engage in entrepreneurial activities among young people (European Commission, 2012a). Younger respondents aged 15–24 (45%) in the EU are more inclined to express a preference for self-employment than older age groups (ranging from 37% to 35%). The younger age cohorts (15–24 and 25–39 years old) also express a higher level of belief that self-employment would be feasible for them (41% and 44% respectively) within the next five years. Figures were lower among older respondents aged 40–54 (33%) and over 55 (16%).

### Box 1: Methodological challenge in measuring entrepreneurship

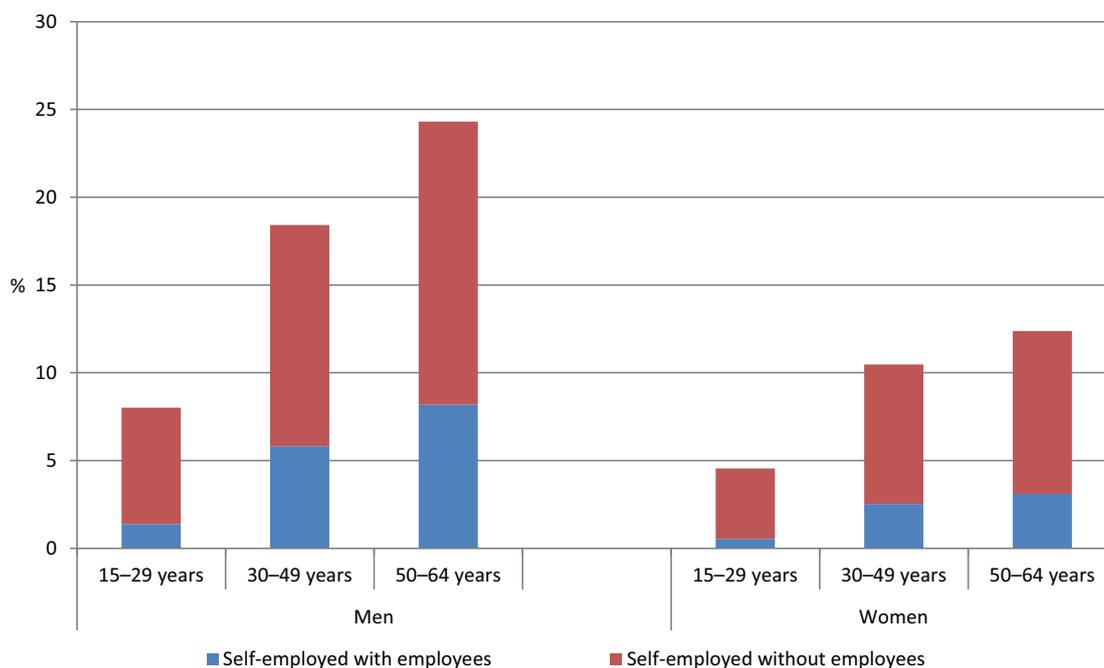
Although self-employment is often used as a proxy for entrepreneurship in empirical studies, the two concepts are not interchangeable. A potentially useful distinction is found in the European Union Labour Force Survey (EU-LFS), which distinguishes between the self-employed working for themselves and those employing other people. These two categories of self-employment are not necessarily on a continuum; not all those who start off as sole traders end up expanding their business and employing other people. In some cases, sole traders opt for this form of self-employment out of necessity or preference or because it is the norm in the sector or occupation in which they operate (as is the case with farmers or construction workers). Both categories are entrepreneurs, but one could make the case that those who are self-employed with employees are more entrepreneurial – they assume the additional risk of employing others – and therefore this category could be regarded as a more useful measure indicating the potential of entrepreneurial activity. According to the framework developed by the OECD and Eurostat in the context of the Entrepreneurship Indicators Programme, one of the measures of entrepreneurial activity is ‘the change in the number of entrepreneurs who are employers (in other words, self-employed persons who are not working alone and who are not family workers)’ (Eurostat, 2012, p. 10).

A different subcategory of entrepreneurial activity is used by the GEM – so-called ‘total early-stage entrepreneurial activity’ (TEA) – which includes individuals (of all ages) in the process of starting a venture and those running a new business for less than three years.

### Self-employment and age

Although young people indicate a higher propensity to engage in entrepreneurial activities, the reality is something else. As shown by EU-LFS data, young people are less likely to be self-employed than older cohorts. From a gender perspective, women are less likely to be self-employed than their male counterparts across all age groups (Figure 2). Recent research suggests that the lower percentages reflect entrenched labour market gender stereotypes (OECD and European Commission, 2015). Age remains, however, the main determinant of being self-employed. In 2014, only 1% of the total EU young population aged between 15 and 29 were self-employed with employees, while a higher percentage (5.5%) were sole traders – self-employed without employees. The percentages for both forms of self-employment in the 30–49 and 50+ age cohorts are higher (Figure 2).

Figure 2: Percentage of self-employed in total employment, by age and gender, EU, 2014



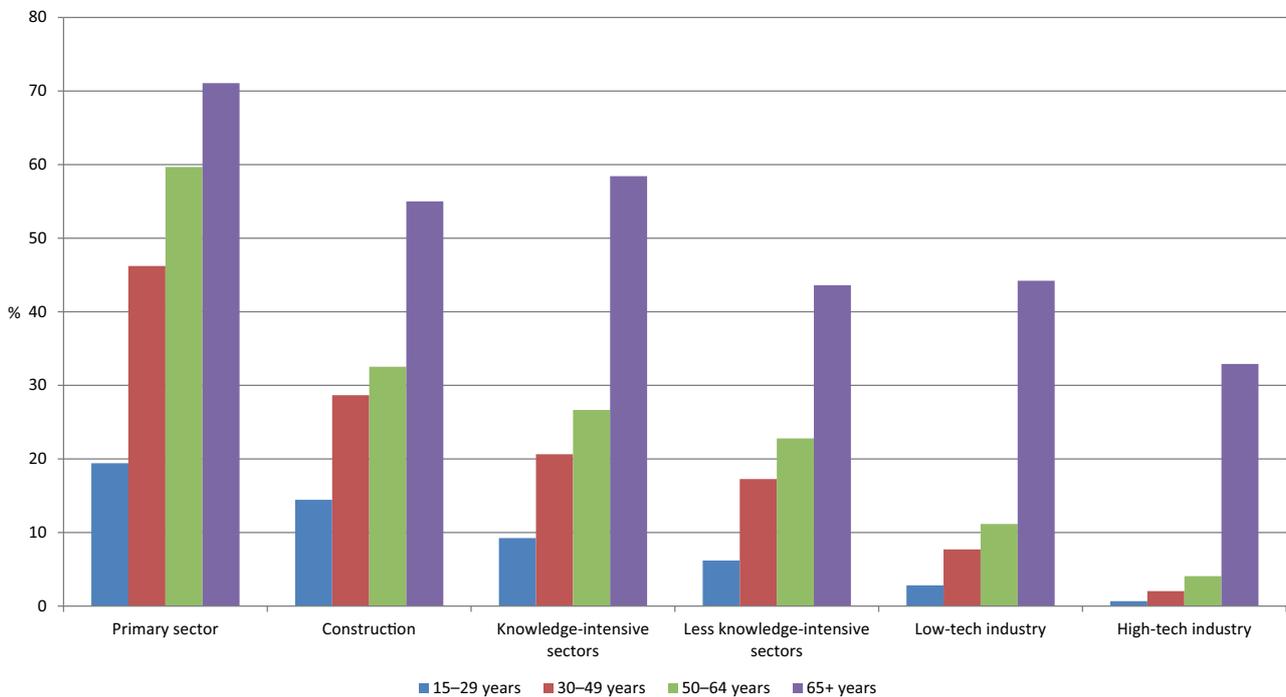
Source: Eurostat, EU-LFS

This pattern of employment is not surprising as it takes time, experience and resources to develop a business (and become an employer), and young people are less likely to be in that position than their older counterparts due to their recent entrance into the labour market and more limited financial and human resources. Apart from these considerations, and the fact that many of them study until their mid-20s, the low level of youth self-employment may also be indicative of key barriers young people face in setting up a business.

The fact that young people, compared with the older population, are more likely to report a preference for self-employment but less likely to be self-employed may stem from a combination of factors such as lack of opportunities or specific impediments to becoming self-employed. It may also reflect a mismatch between what young people think it is like to start and run a business, and what it actually involves.

Self-employment (mainly without employees) tends to be concentrated in the primary sector (including agriculture) and construction across all age groups (Figure 3). This form of employment is common in these sectors, and it is generally not associated with entrepreneurship. In contrast, the higher-than-average rate of youth self-employment in knowledge-intensive sectors might be more suggestive of entrepreneurial activities or indicate some entrepreneurial potential. But the principal observation is that, across all broad sector categories, the share of entrepreneurial employment rises sharply with age; younger workers are especially under-represented in the ranks of the self-employed.

Figure 3: Share of self-employment in total employment, by sector and age group, EU, 2014



Source: Eurostat, EU-LFS, Q2 data, 2014

Using a different measure of entrepreneurial activity, the 2014 GEM found that the EU has lower rates of TEA (7.8%), particularly compared with North America but also other developing countries. Across all world regions, TEA is more pronounced in the 25–35 age group, being approximately 11% in the EU and 17% in North America (the latter has the most balanced distribution of TEA across all age groups) (Singer et al, 2015).

### Education

In terms of human capital variables, Eurofound research shows that educational attainment is positively correlated with youth self-employment (Eurofound, 2015). However, there is evidence from the entrepreneurship literature that the relationship with education is not that straightforward and, in some cases, it may have the opposite effect, decreasing the probability of entering self-employment (Johansson, 1998).

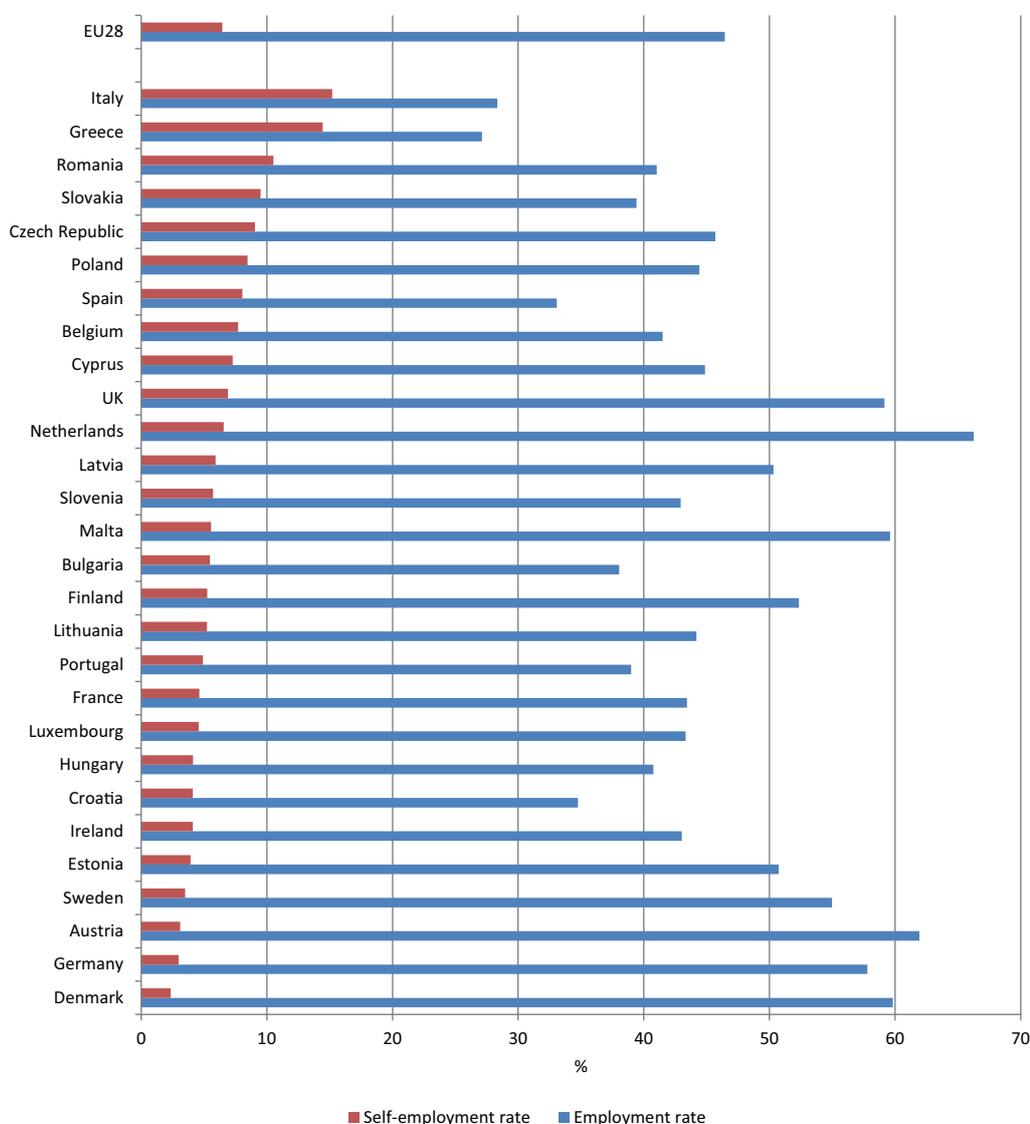
Previous research found that the strength of the relationship varies considerably across countries (Cowling, 2000), and the effects differ depending on the types of entrepreneurship (Ardagna and Lusardi, 2010). Research also shows that in the USA higher educational attainment is correlated with a higher probability of being self-employed (Blanchflower, 2004).

Other empirical studies have considered the influence of parental background in self-employment on the choice of self-employment (Dunn and Holtz-Eakin, 2000; Sørensen, 2007; Colombier and Masclet, 2008; Andersson and Hammarstedt, 2010, 2011; Lindquist et al, 2015) and the ability to create jobs for others, and this work found some positive correlations (Henley, 1999, 2005). This suggests relevant skills are not acquired only through education but also by example.

### Variations by country

Aggregate youth self-employment data from the EU-LFS hide large variations between EU countries (Figure 4). Due to the marginal share of young people in self-employment with employees, country-level data that distinguish between self-employment with and without employees are not particularly informative. Looking at the general youth self-employment rate by country, it becomes apparent that it tends to be higher in EU countries with lower youth employment rates. In 2014, Italy and Greece recorded the highest self-employment rates among 15–29-year-olds (15.2% and 14.5% respectively). These high percentages may be inflated by the number of people in ‘bogus’ or ‘false’ self-employment, a phenomenon particularly common among young people who, in the absence of better employment alternatives, are registered as if they were self-employed but actually work for a single employer or client and perform tasks as if they were employees. This practice, which can reduce labour costs for some employers, is often associated with low-quality employment, a high level of insecurity and poorer working conditions (Eurofound, 2009).

Figure 4: Employment and self-employment rates among 15–29-year-olds, EU, 2014



Notes: The employment rate is employment divided by population for a given age group; the self-employment rate is the number of self-employed workers as share of total employed persons for a given age group.

Source: Eurostat, EU-LFS

It may be the case that, in these countries, young people become self-employed because of limited paid employment opportunities; self-employment may be seen as an alternative to unemployment rather than a highly desirable and deliberate choice to pursue a career as an entrepreneur, thus potentially leading to unstable and precarious employment. On balance, the data suggest that the young self-employed population is not a homogeneous group. This is partly down to cultural differences across countries that can either encourage or discourage individuals to take the entrepreneurship route. For this reason, cultural differences as well as associated cultural factors should be taken into account when designing start-up schemes as a solution to unemployment.

### Youth entrepreneurship on the EU policy agenda

At EU level, promoting youth entrepreneurship is part of a strategy to reduce youth unemployment and social exclusion, and to stimulate job creation. The focus on youth entrepreneurship is, however, relatively recent and was prompted by the disproportionate impact of the post-2008 economic crisis on youth employment prospects.

Prior to the recession, EU policy initiatives on entrepreneurship were more driven by the need to boost competitiveness and achieve sustainable economic growth. This was one of the key priorities in the context of the Lisbon Strategy, launched in March 2000. In the same year, the European Commission approved the European Charter for Small Enterprises, which outlined actions to help small enterprises to grow and become drivers of innovation, employment and cohesion in Europe (European Commission, 2002). The importance of entrepreneurship for growth was also highlighted in the Green Paper on entrepreneurship in Europe published by the European Commission in 2003, while at the same time acknowledging the low level of entrepreneurship in Europe compared with countries outside the EU (European Commission, 2003). As a follow-up to the Green Paper, the Commission presented the Action Plan for Entrepreneurship (adopted in 2004), which established a framework revolving around five strategic priority areas:

- fuelling entrepreneurial mindsets;
- encouraging more people to become entrepreneurs;
- gearing entrepreneurs for growth and competitiveness;
- improving the flow of finance;
- creating a friendlier regulatory and administrative framework for small and medium-sized enterprises (SMEs).

In recognition of the many impediments to entrepreneurship, the Commission also adopted the Small Business Act in 2008, which outlined some key principles to guide the design and implementation of policies aimed at helping start-ups by both young entrepreneurs and entrepreneurs in general.

In recent years, there has been a shift from SME-driven policies towards entrepreneurship policies. The steady decline in youth employment rates in many Member States since 2008 was one of the drivers of a reshaping of EU policies on entrepreneurship, shifting the focus particularly to young people and with special emphasis on those furthest away from the labour market (NEETs). Following the European Commission's communication 'An EU strategy for youth – Investing and empowering' (European Commission, 2009), the Council of Youth Ministers adopted, in November 2009, a resolution on a renewed framework for European cooperation in the youth field (2010–2018), known as the EU Youth Strategy (Council of the European Union, 2009). 'Employment and entrepreneurship' feature as one field of action for supporting the integration of young people into the labour market, either as employees or entrepreneurs. Member States were called to take action to promote youth entrepreneurship through different means, including targeted education, access to funds, mentoring and support networks.

Launched in 2010, the Europe 2020 strategy also focuses strongly on young people and promotes youth entrepreneurship as one of its core objectives. Furthermore, its flagship initiative ‘Youth on the move’ proposes a package of education and employment measures specifically targeting young people. Links between the EU Youth Strategy and Europe 2020 are being developed and are expected to be further strengthened (European Commission, 2012b).

### National Reform Programmes

All Member State governments submit and update on a yearly basis their National Reform Programmes (NRPs), which illustrate how Europe 2020 targets are to be achieved and how obstacles to growth will be overcome. Business start-up grants and entrepreneurship incentives are newer measures that have been introduced as part of the NRPs, particularly in Member States with high youth unemployment, as well as those that joined the EU between 2004 and 2007 (Besamusca et al, 2013).

#### Box 2: Start-up support in the context of the NRPs

A number of Member States in their NRPs have committed themselves to improving the business environment through better and easier access to finance and simplification of administrative procedures and regulations for business start-ups. Some NRPs explicitly mention youth entrepreneurship programmes. For example, the promotion of youth entrepreneurship is a key priority of government policy in Cyprus, and the Youth Entrepreneurship Scheme and the Social Enterprises Programme are specially designed to encourage young people (aged 20–35) to develop their own businesses. However, measures specifically addressing the needs of young entrepreneurs are generally less emphasised in the NRPs.

The focus is on support for innovative entrepreneurship and start-ups. Typically, the overall aim of policy measures supporting innovative entrepreneurship is to increase the number of technology-oriented start-ups that are more likely to lead to higher value-added jobs and wealth creation. Such measures target primarily the pool of highly educated potential entrepreneurs (such as graduate students, researchers or technologists), thus possibly sidelining other segments of the population who may also benefit from entrepreneurial support.

The most recent Italian NRP extended the existing Smart & Start scheme – co-funded by the European Regional Development Fund (ERDF) – to support innovative start-ups across all Italian regions by providing zero-interest loans to cover investment and management costs for starting a business (Ministerial Decree of 24 September 2014).

As part of its NRP, the Belgian federal government has committed itself to support young SMEs and microcompanies, particularly those operating in innovative and potentially high-growth sectors, by reducing start-up costs and providing easier access to finance.

In the UK, the Technology Seed Fund was launched in 2014 to provide early-stage risk equity capital for technology start-ups and university spin-offs.

The approach taken by the Maltese government to support innovative start-ups is through the newly established MITA Innovation Hub, which is intended to nourish the innovation of young local entrepreneurs.

Support for innovative start-ups is provided in Germany through well-established schemes such as the EXIST programme targeting technology-intensive start-ups at universities and scientific centres. The programme is also part of the Youth Guarantee. In addition, the German Accelerator Programme continues to support German high-tech start-ups in spending three to six months abroad in order to validate their business model and, where necessary, adapt

it to local needs. Aside from the support to innovative start-ups, the advisory programme for entrepreneurs Start-up Coaching Germany (Gründercoaching Deutschland, GCD) continues to feature in the German NRP and provides assistance and coaching services to entrepreneurs, regardless of age.

All Member States' NRPs for 2015 are available at

[http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/2015/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/2015/index_en.htm).

In the context of Europe 2020, the Commission also launched, in 2010, the European Progress Microfinance Facility, which, with the support of the European Social Fund (ESF) and the European Investment Bank (EIB), enables microcredit providers in the EU to increase lending for the establishment or development of a business (European Commission, undated). In many Member States, the microfinance facility also provides guidance and coaching to young micro-entrepreneurs. A more recent financing instrument at EU level, promoting self-employment through access to microfinance and supporting the creation of microenterprises, is the third axis of the Employment and Social Innovation (EaSI) programme (European Parliament and Council of the European Union, 2013).

### Youth Guarantee

Further impetus for promoting and supporting youth entrepreneurship came in 2012 from the Youth Employment Package (as part of the wider Employment Package), which includes, among other initiatives, the Youth Guarantee. The latter was adopted by the EU's Council of Ministers in April 2013 and was endorsed by the European Council in June of that year. As stated in the official memo published by the European Commission:

*Under the Youth Guarantee Member States should ensure that, within four months of leaving school or losing a job, young people under 25 can either find a good-quality job suited to their education, skills and experience or acquire the education, skills and experience required to find a job in the future through an apprenticeship, a traineeship or continued education.*

(European Commission, 2014a)

European funding is also available from the ESF, with an additional €6 billion from the Youth Employment Initiative (YEI). One specific aim of the initiative is to ensure greater availability of start-up support services. In its Recommendation of April 2013 on establishing a Youth Guarantee, the Council of the European Union stated:

*... making start-up support services and microfinance more available, and establishing schemes for converting unemployment benefits into start-up grants would play an important role.*

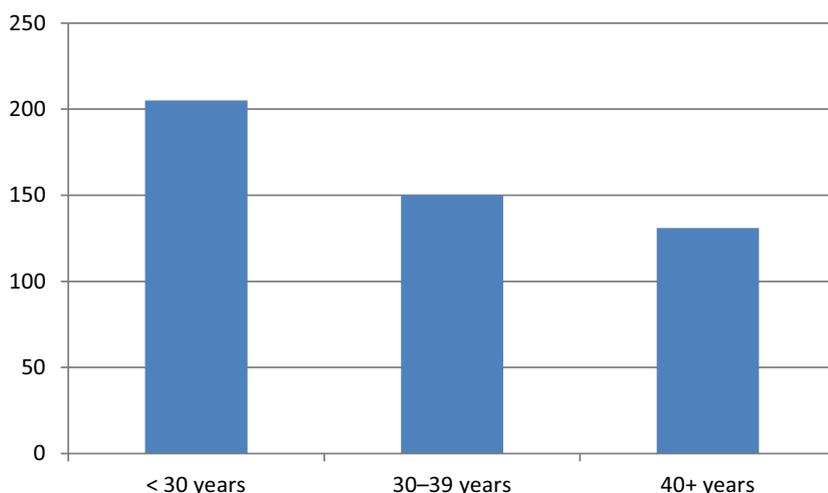
(Council of the European Union, 2013)

All Member States have taken into account the Council's Recommendation and presented their national Youth Guarantee Implementation Plans (YGIPs), which, in some instances, encompass start-up support measures and incentives for young entrepreneurs. There are, however, differences in the type of youth entrepreneurship support measures introduced in the different Member States as part of the national Youth Guarantee. These range from access to finance through loans and grants, capitalisation of unemployment benefits, and reductions in contributions for the self-employed to 'soft' support including advice, coaching and skill development, or a mix of support measures. In a number of Member States, start-up support measures introduced in the context of the national YGIPs are pre-existing measures that have been modified or extended to young job-seekers (particularly NEETs) in the context of the Youth Guarantee. However, some Member States (for example, Greece, Malta, Luxembourg and Slovakia) are in the process of designing specific entrepreneurship programmes for young people as part of the Youth Guarantee. It should be noted that the focus on start-up support in the

context of the Youth Guarantee varies between countries. Some 14 national YGIPs provide specific information about the nature of start-up support for young people or explicitly acknowledge youth entrepreneurship support (Austria, Belgium, Germany, Finland, France, Greece, Ireland, Italy, Luxembourg, Latvia, Poland, Romania, Slovenia and Spain).

The common point of departure of many start-up support measures placed under the banner of the Youth Guarantee is that entrepreneurship is a viable and effective way to tackle the pressing problem of youth unemployment. This policy rationale, however, has potential downsides that require reflection. To date, there is no clear evidence that self-employment among young people leads to better youth labour market performance, and the association between entrepreneurship and unemployment is not that straightforward (Jones et al, 2015). Entrepreneurship may be a viable route to employment and offer opportunities for some young people, but it is not suitable for all unemployed young people. Previous research, drawing on data collected by a UK bank, shows that the age of the business proprietor is ‘the primary single determinant of business survival’, with business ventures started by older entrepreneurs surviving for longer (Cressy, 1994, p. 30; Cressy, 1996). This finding is corroborated by further empirical evidence showing that business ventures started by younger people have lower survival probabilities than those founded by older individuals (van Praag, 2003) and that, overall, younger people (aged 15–34) are substantially more likely to exit self-employment than their older counterparts (Lin et al, 2000). On the other hand, analysis from Eurostat shows that businesses started by young people (aged under 30) in 2002 had higher average growth rates when surveyed again in 2004 (Figure 5).

**Figure 5: Enterprise growth (number of employees hired) between 2002 and 2004, by age group of founder**



Source: Eurostat, 2006

The picture that emerges so far is rather nuanced, and the available evidence is far from suggesting that entrepreneurship is the ‘best’ way of reducing youth unemployment. It may be the case that young people acquire relevant skills through entrepreneurship experience (‘entrepreneurial learning’) that may lead to better business performance in terms of survival. Yet, again, there is no or limited empirical evidence of entrepreneurial experience influencing subsequent start-up performance (Coad, 2014). Young people instead can be ‘scarred’ by business failure, especially in countries where the stigma attached to bankruptcy makes re-entering business difficult. There is evidence suggesting that entrepreneurs who fail have poorer subsequent business performance if they re-start (Metzger, 2006). Another risk of public start-up support measures is that they may distort occupational choice by pushing non-skilled individuals into self-employment, who are likely to return to unemployment when the incentives are exhausted or economic conditions change (Millán et al, 2012).

A recent analysis of the implementation of the Youth Guarantee at local level suggests that to be successful Youth Guarantee schemes should encompass a wide range of options including individual counselling, career advice, training and job subsidies, with the possibility of combining different measures (OECD and European Commission, 2014a). This ‘holistic’ approach, as opposed to standalone interventions, requires the coordination of many actors on the ground (such as training institutions, public employment services and employers) to ensure that services are aligned and young people are accompanied throughout the process and provided with follow-up support.

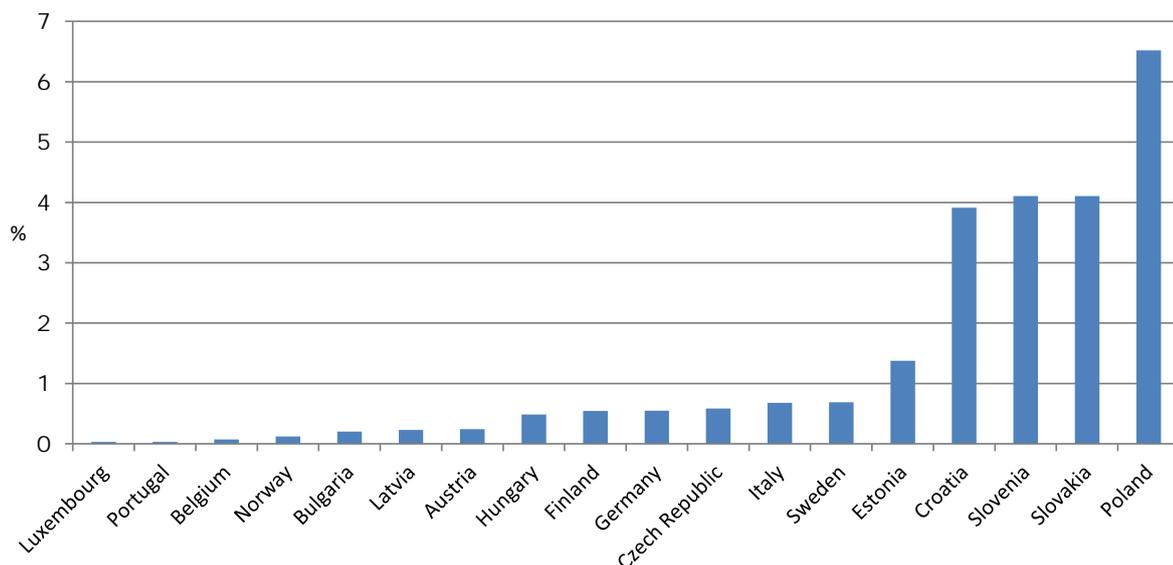
Other well-established EU mechanisms to support entrepreneurship are the structural funds, mainly the ESF and the ERDF through their operational programmes. In particular, the ESF promotes entrepreneurship through financial and business-support services. Targeted support is provided to under-represented and disadvantaged groups, including women entrepreneurs and people with disabilities. However, to date, there is no comprehensive mapping of structural fund interventions supporting youth entrepreneurship and its outcomes.

The importance of further supporting youth entrepreneurship and removing existing impediments to business engagement was recently emphasised by the European Commission’s Entrepreneurship 2020 Action Plan (European Commission, 2013a). Again, in 2014, the Council conclusion on promoting youth entrepreneurship to foster social inclusion of young people underlined the need to promote and support business start-ups and social enterprises in overcoming the many barriers that young entrepreneurs face, particularly access to finance, support services and mentoring opportunities (Council of the European Union, 2014).

Furthermore, the European Commission has launched ancillary initiatives and programmes aimed at increasing knowledge about entrepreneurship, raising awareness and facilitating the acquisition of entrepreneurial skills. A case in point is the new business exchange programme, Erasmus for Young Entrepreneurs, which was set up in 2009 as a pilot project. The programme targets entrepreneurs who intend to start a business or have started one and enables them to get practical coaching from an experienced entrepreneur from another EU Member State by working with them for up to six months. Between 2009 and 2014, over 6,500 entrepreneurs had participated in exchanges under the scheme. A preliminary assessment of the programme five years after its inception shows promising results (Eurochambres, 2015). Over a third of the aspiring entrepreneurs participating in the programme (36%) have created their own business (Erasmus for Young Entrepreneurs, 2015).

The growing number of initiatives on youth entrepreneurship at EU and national levels are indicative of the much greater emphasis given to youth entrepreneurship policies over recent years in an effort to reduce youth unemployment and social exclusion. In Member States, policy interventions on youth entrepreneurship vary considerably in their content, delivery mechanisms and aims. It should, however, be noted that start-up support measures are not particularly used as part of ALMP; recent Eurostat data show that public expenditure on start-up support incentives as a share of total ALMP expenditure is limited and marginal (less than 1%) in all but a handful of eastern European Member States.

**Figure 6: Start-up support incentives as share of total ALMP expenditure, selected EU Member States and Norway, 2013**



Note: No data available for Cyprus, Denmark, France, Greece, Ireland, Lithuania, Malta, Netherlands, Romania, Spain and United Kingdom.

Source: Eurostat, Labour Market Policy database, 2013

An assessment of the impact of the available policy interventions on entrepreneurship in general and on youth entrepreneurship in particular would, nevertheless, be timely and necessary with a view to designing better and more sustainable policies addressing the very specific needs of young people in order to implement the Youth Guarantee successfully. Existing evaluations could explain success factors and critical bottlenecks for future interventions supporting youth entrepreneurship and start-ups by young people. According to the OECD and European Commission (2012), there is a need to gather robust evidence on approaches that work. One of their key recommendations is:

*To maximise effectiveness and efficiency, policy should target resources on young people with the best chance of success, provide sufficient support to allow them to start businesses outside of low entry barrier but high competition sectors, and provide integrated packages of complementary support rather than one-shot instruments.*

(OECD and European Commission, 2012, p. 3)

They also emphasise that measures on youth entrepreneurship should be geared towards: developing entrepreneurship skills; providing information, advice, coaching and mentoring; providing financial support; and developing the necessary infrastructure for entrepreneurship.

# Mapping start-up support measures 2 for young people

Entrepreneurship policies in general and youth entrepreneurship policies in particular are relatively recent and continuously evolving. Before reviewing policy measures fostering youth entrepreneurship, it is important to draw a distinction between SME policies and entrepreneurship policies. The major difference is that SME policies focus primarily or exclusively on companies (including existing SMEs), while entrepreneurship policies target individuals (potential entrepreneurs) who are considering starting a business or who have just started one (Stevenson and Lundström, 2001; Storey, 2003). The focus of this chapter is on entrepreneurship policies, and it excludes SME policies, unless there is some overlap between the two.

Drawing from a general definition of entrepreneurship policy formulated by Stevenson and Lundström (2001), youth entrepreneurship policies can be defined as the set of policy measures helping young people throughout the different phases of the entrepreneurial process, with a view to encouraging more young people to start an entrepreneurial undertaking but also to improve their general employability. Youth entrepreneurship policies could be regarded as ‘niche’ policies as they address the specific needs of a particular segment of the population. In many countries, such policies tend to be reactive, and they emerge as part of a strategy to generate employment, particularly in periods of high unemployment. Stevenson and Lundström (2005) argue that their effectiveness is enhanced when they are embedded in ‘holistic’ entrepreneurship policies with the broader objective of strengthening the entrepreneurial culture and climate through a coordinated approach.

The point of departure of many entrepreneurship policies is that markets work imperfectly and that the level of entrepreneurship is suboptimal. These so-called market failures in the economy are believed to arise from information asymmetries or imperfections (Storey, 2003; Karlsson and Andersson, 2009) that may need to be ‘fixed’ by means of public policy interventions. One type of market failure that is central to youth entrepreneurship policies relates to the lack of or limited awareness among young individuals about their potential for entrepreneurship or that entrepreneurship could be a viable career option. This market failure can be addressed by entrepreneurship education policies and various other initiatives establishing links with the education systems and raising awareness about the benefits of entrepreneurship. The large array of policy interventions easing access to finance for would-be young entrepreneurs (particularly those from disadvantaged groups) address the market failure associated with credit rationing due to the limited credit history, assets and collateral of young people. Another potential market failure influencing entrepreneurship policies arises from the lack of awareness of the benefits of external support in the form of training, coaching and expert advice to develop entrepreneurial skills for starting and conducting a business. Less solid is the argument that there are market failures in relation to initiatives providing supportive infrastructure (for example, incubators) to nascent entrepreneurs, as there are many instances of private initiatives that work well and effectively without public subsidies.

This chapter reviews a number of policy measures supporting youth entrepreneurship implemented in a variety of national settings, which take different approaches and use different delivery mechanisms. The policy measures are categorised by the type of support offered to young people, according to the specific barriers to youth entrepreneurship being tackled and the market failures that they address. These include:

- measures providing financial support exclusively, in different forms (for example, grants, one-off subsidies, loans, conversion of unemployment benefits into monetary incentives, or tax and social insurance contribution exemptions and reductions);
- ‘soft’ support, including entrepreneurship training, advice or coaching, and expert mentoring;
- a combination of financial incentives with complementary assistance measures;

- awareness-raising initiatives and various entrepreneurship support measures linked with the education system, specifically targeting the younger age cohorts;
- a range of support services securing the necessary infrastructure for candidate entrepreneurs, particularly in innovative and high-tech sectors.

The most appropriate mix of policy interventions depends on the main barriers and constraints that exist in any given country, in the sense that there is no one-size-fits-all solution; rather, the need is for a tailor-made approach that takes into account different economic, social and cultural situations.

### Types of start-up support

#### Financial support

The lack of capital is one of the most cited impediments to entrepreneurship in general, and this is particularly so for young people from disadvantaged backgrounds, specifically because of their lack of proven experience and lack of capital or collateral upon which capital could be raised. There is a wide range of publicly funded financial instruments and programmes for those encountering financial difficulties in setting up a business. The types and extent of monetary incentives offered vary across Member States, and different approaches have been taken to provide access to financing to potential young entrepreneurs. A number of the available schemes are directed at the unemployed (including young people) as part of ALMP. In some cases, existing measures have been adjusted to increase their suitability for young people. New support measures have also been introduced over recent years in a number of Member States, often as part of the Youth Guarantee, specifically to encourage young entrepreneurship.

#### *Start-up grants and one-off subsidies*

One option to help young people financially in launching their business is by providing grants. Most of these schemes, whether specifically targeting young people or aimed at all potential entrepreneurs (regardless of age), generally have strict selection criteria, and applicants are granted support on the basis of the feasibility of the business plan and some prior entrepreneurship experience or relevant qualifications. This means that the most promising entrepreneurs, with the best ideas and relevant skills and competences, are more likely to be granted financial support, thus potentially reducing the suitability of such measures for young people, especially those from disadvantaged backgrounds or with a lower level of education.

One example of a grant scheme for young people is the Youth Entrepreneurship Support Scheme (Σχέδιο Ενίσχυσης της Νεανικής Επιχειρηματικότητας) in Cyprus, which offered non-repayable grants to young people (aged 20–39). This was a temporary programme with co-financing from the ERDF in the framework of the Sustainable Development and Competitiveness Operational Programme (2007–2013). Particular emphasis was on the use of technologies and innovation, and the primary target group was young university graduates, because of their high rate of unemployment (25%), which in Cyprus is higher than among the lowest skilled groups (22%) (European Commission, 2013). In terms of financial support, the grant had an average value of €50,000 and covered 50% of the eligible expenses. This may, however, have discouraged the younger cohort (those aged 20–25) from applying, as they would have needed to find alternative financing to cover the remaining 50% of their budget. In any case, considering that the total budget available for the fourth call for applications was €2 million, only about 40 projects could have been funded, which is far from solving the problem of youth unemployment in Cyprus. In practice, the number of projects that could have been funded under this call was higher because of the unspent budget from previous calls, totalling €8.3 million. In spite of these limitations, the scheme was relatively popular and attracted many young people. About 333 young graduates applied to the last call for proposals launched in November 2013. Of the total number of applications, 249 proposals were initially approved for funding but, by the end of the process, only 205 beneficiaries were still interested in taking up the financial

support. To date, no information is available on the number of employment positions that have been generated through this programme or their survival rate.

University graduates and students are also the target group of the German EXIST programme, which has a focus on technology-based, knowledge-based or scientific start-up projects. Under this umbrella programme, currently framed under the national YGIP and part of the German government's High-Tech Strategy, the EXIST Business Start-up Grant scheme (EXIST-Gründerstipendium) awards 12-month start-up grants to cover living expenses to university and research institute students (€800 per month), university graduates (€2,000 per month) and PhD students (€2,500 per month) to help them implement their business plan. If necessary, children's allowances are also paid (€100 per month per child). In addition, material and equipment expenses can be covered, with up to €10,000 for single entrepreneurs (€17,000 for team start-ups), and coaching measures are also supported up to €5,000. Although the support is mainly financial, each university or research institute provides access to premises and the physical infrastructure to develop the business, and cooperates with an entrepreneur network providing seminars and coaching services and a mentor who advises on the preparation of a business plan and financial aspects of starting a business.<sup>1</sup>

In Greece, a temporary start-up scheme for young people, which also puts strong emphasis on innovation, is the programme entitled Youth Entrepreneurship Focusing on Innovation (Επιχειρηματικότητα νέων με έμφαση στην καινοτομία). The programme has ESF co-financing within the framework of the Human Resources Development Operational Programme (2007–2013). The aim is to promote self-employment for 2,000 unemployed young people aged 18–35 who want to create a small business through financial support in the form of a grant of €10,000 to be paid over 12 months (in three instalments). Apart from the age threshold, other eligibility criteria include being registered unemployed and having attended an entrepreneurship seminar at a local Employment Promotion Centre.

Romania, in 2011, introduced a start-up grant scheme specifically for young people (up to the age of 35) without prior business experience (*stimularea înființării și dezvoltării microîntreprinderilor de către întreprinzătorii tineri*, SRL-D), and this is currently part of its YGIP. In 2014, however, the age criterion was abandoned to ensure access to all 'debutant' entrepreneurs. In addition to the grant (up to a maximum of €10,000), the scheme offers exemptions from social security contributions and registration fees for the Trade Register. The main condition imposed on recipients of this financial support is that the business activity must be maintained for three years and at least four people must be hired during that time.

There are also examples of youth-specific schemes implemented at regional level, such as I Giovani C'entrano (DGR No. 438 of the 02/04/2012), which was launched in the Marche region in Italy. This scheme offers non-repayable grants ranging from €5,000 to €7,500 to recently established start-ups set up exclusively or primarily by young people (aged 18–35). This is, however, a top-up incentive for those who have already received funding (in the form of a loan at 3.2% interest rate for six years) under the Regional Honour Loan scheme (Prestito d'Onore Regionale) (Regional Decree No. 75 (SIM of 10/06/2013)), which is directed particularly at people (aged between 18 and 60) experiencing employment difficulties in the region.

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<sup>1</sup> Other complementary measures under the EXIST programme are EXIST-Forschungstransfer (Research Transfer) and EXIST-Gründungskultur (Entrepreneurial Culture). The former aids advanced high-tech start-up projects in universities and research institutes, while the latter supports universities in positioning themselves as start-up incubators, with the best universities being awarded the Gründerhochschule (Start-Up Incubator) label.

In several countries, financial support is provided to the unemployed in the form of grants or a one-off subsidy as part of existing ALMP. In some, adjustments to the schemes have been made to enhance their inclusiveness and increase their suitability for young people. One example is the start-up grant scheme (*starttiraha*) in Finland, which provides job-seekers who intend to become full-time entrepreneurs with a secure income for six months initially. Longer periods (up to 18 months) may be granted to certain target groups including young people and under certain circumstances (for example, when more time is required to set up the start-up due to the nature of the business). As in most grant schemes, recipients should have some entrepreneurship experience and show adequate capabilities for the intended business as preconditions for receiving the grant. The grant consists of two parts: a basic grant of €32.66 per day (in 2014) and a supplementary grant, the amount of which is decided on a case-by-case basis at the discretion of the public employment service (Työ ja Elinkeino), which runs the scheme. Although the start-up grant is a purely financial support measure, the local public employment offices provide online services and guidance to beneficiaries in setting up their business and they monitor its progress. Introduced in 1984 as a pilot measure for the unemployed only, the scheme was extended nationwide in 2005 to other potential beneficiaries, including people in employment and students, as a way to increase the general levels of entrepreneurship.

In Poland, those who are registered unemployed (including young people) may apply for a one-off subsidy for undertaking business activities (*jednorazowe środki na podjęcie działalności gospodarczej*). The subsidy is up to 60% of an average salary, and its purpose is to cover the costs of legal advice and counselling in setting up a business. The grant is non-refundable, as long as the business is maintained for a period of at least 12 months. The scheme, which is financed through the Labour Fund, has been operational since 2004 and is administered by the local Labour Offices (Powiatowe Urzędy Pracy).

Very strict eligibility criteria also apply for other grant schemes that are part of ALMP for the unemployed. These include the proven ability to run a business and prior work experience, possibly combined with relevant qualifications, also acquired through participation in start-up training. This is the case of the Estonian business start-up subsidy for the unemployed (*ettevõtlike alustamise toetus*), which was introduced in 1995 as one of the measures of the current ALMP package. As such, it targets registered unemployed who are at least 18 years old. To qualify for the start-up subsidy, an individual must either have completed a business training course (lasting at least 56 hours), have a diploma or degree in economics, or have at least one year of experience in running a business. However, an unemployed person who does not meet these criteria can access the subsidy by participating in business training offered by the Töötukassa (Estonian Unemployment Insurance Fund, EUIF) in order to obtain knowledge about running a business and to receive counselling on preparing a business plan. In terms of financial support, the amount granted varies depending on the eligible costs in the business plan. The maximum amount of the grant is set in the state budget annually; since 2008, it has been €4,474 per project. Although the subsidy is regarded as a standalone measure mainly of a financial nature, recipients of the support are also able to benefit from a range of additional entrepreneurship support services offered by the EUIF within two years of receiving the subsidy. These follow-up services have been gradually introduced since 2009, when the EUIF took over the provision of ALMP from the National Labour Market Board. Such services include mentoring for start-ups (a ‘mentor club’), offering recipients an opportunity to meet other experienced entrepreneurs to exchange knowledge and experience and make new business contacts. It is also possible to apply for support to cover the costs of training or individual counselling received outside the EUIF in the field of activity of the newly established business.

Other grants are awarded through competitions, where applicants are judged on the basis of the viability of their business plan, as in the case of the annual Idea Cup competition (*konkurss Ideju kauss*) in Latvia, which is open to residents over the age of 18. The competition does not discriminate by employment or education status. Although the project does not directly target youth, it is particularly popular with young people. The scheme is co-financed by the Investment and Development Agency of Latvia and the ERDF. The competition is also supported by other strategic partners providing training or financial assistance. In 2014, 314 business ideas were submitted, and the top three projects were awarded between €3,000 and €7,000, with a special category – ‘innovative eco-innovation idea’ – winning €2,000.

### *Unemployment benefits as start-up incentives*

There are a number of national schemes that allow for the capitalisation of unemployment benefits or the continuance of unemployment benefits during the start-up phase. The support is intended to contribute to the individual being self-sufficient in the critical phase of starting a business and to help them to find a faster track back into employment. Such schemes are universal and long-standing start-up support programmes available for the unemployed or those at risk of unemployment or social exclusion.

For example, the Swedish business start-up support scheme (*stöd till start av näringsverksamhet*), which was launched in 1984, targets registered unemployed who are at least 25 years old. However, younger age cohorts are eligible for support if they meet certain criteria: if they are younger than 25 years old and have a disability; if they are at least 18 years old and marginalised in the labour market for other reasons; or if they are at least 20 years old and fulfil the requirements for participation in the Youth Guarantee employment programme. The financial support, which is granted for a maximum of six months, depends on the amount of unemployment benefits to which the individual participant is entitled. The actual amount varies slightly according to which unemployment fund the individual is registered with – between SEK 320 (€34 as at 26 February 2016) and SEK 680 (€72.50) per day. For those not entitled to unemployment benefits, the daily allowance is SEK 223 (€23.80). Although the support includes information meetings, advice and consultancy support, the main type of support provided is financial.

A similar measure introduced in Norway in 1989 is the payment of unemployment benefit during company start-up (*dagpenger under etablering*), which provides the registered unemployed with a secure income from unemployment benefits during the business planning for up to six months, and during the start-up phase for up to three months. Strict selection criteria apply, however, as successful applicants are required to demonstrate that their business idea is sustainable, and the business plan needs to be assessed positively by an industrial organisation approved by the Norwegian Labour and Welfare Administration (NAV).

In Germany, the Start-Up Subsidy (Gründungszuschuss) is paid to recipients of unemployment benefit (Arbeitslosengeld I) and combines the two elements of securing a livelihood and the payment of social security contributions during the start-up phase. The measure builds on previous start-up support measures in the context of ALMP, namely the Business Start-Up Subsidy (Existenzgründungszuschuss) and Bridging Money (Überbrückungsgeld). As of 2011, the support measure is a discretionary benefit (*Ermessensleistung*), and the entitlement to claim unemployment benefit has been extended from 90 to at least 150 days. In its current form, the financial support comprises a monthly payment equivalent to the level of the person's last unemployment benefit and €300 to cover social security costs for six months (Phase I), which can be extended to another nine months (Phase II) if the business is run on a full-time basis and is doing well. As payments are dependent on the amount of unemployment benefit previously paid, costs per beneficiary vary but typically remain between €11,000 and €13,000 (Caliendo et al, 2011). In terms of uptake of the measure, available data indicate that the number of beneficiaries has been declining steadily from more than 100,000 in 2011 to 69,025 in 2012 and 19,079 in 2013 (Bundesagentur für Arbeit, 2014). This decrease does not necessarily result from the recent reform, but it should be seen in the context of strongly improved labour market conditions in Germany in this period.

The approach taken in Portugal is that of the capitalisation of unemployment benefits into a single payment (*apoio à criação do próprio emprego por beneficiários de prestações de desemprego*) to support self-employment and entrepreneurial activities. This is a temporary measure that was introduced in 2009 as part of the wider Support Programme for Entrepreneurship and Self-employment for unemployment insurance beneficiaries (Programa de Apoio ao Empreendedorismo e à Criação do Próprio Emprego, PAECPE) (Order in Council No. 985/2009). Under this umbrella programme, beneficiaries can also access technical support for business consolidation and complementary financial incentives mainly through two credit lines (MicroInvest and Invest+) offering loans at a reduced interest rate.

Since 2014, the programme has featured in the national YGIP, specifically targeting unemployed young people (aged 18–29).

A similar measure is available in Spain, enabling recipients of unemployment benefits under the age of 30 to capitalise up to 100% of their benefits to make a contribution towards the capital of their newly established business (*capitalización de la prestación por desempleo*). Older unemployed people are entitled to receive only 60% of their total unemployment benefits. In 2013, the types of expenses covered by the single payment were extended to cover indirect costs such as taxes and various other costs related to consultancy and training necessary to start a business (Royal Decree-Act 4/2013). During the first nine months of 2014, 38,560 people benefited from the scheme, of whom 39% were aged 30–39, with only 15% younger than 30 (CCOO, 2014).

As an alternative to the system of capitalisation in Spain, the under-30s have the option to continue receiving unemployment benefits for a maximum of nine months while starting a business (*reanudación del cobro de la prestación por desempleo tras realizar una actividad por cuenta propia*). Both measures are placed under the overall Spanish Strategy for Entrepreneurship and Youth Employment 2013–2016 and are currently integrated within the national YGIP.

### *Low- or zero-interest loans and microfinance opportunities*

Another option to help with the financial difficulties linked with starting a business is to offer either state-guaranteed loans or loans at lower interest rates than would be otherwise available in the marketplace. Most of the available loan-guarantee programmes are typically established to address market failures related to lack of access to financing from private lenders, which potentially constrain entrepreneurial activities and preclude young entrepreneurs from entering the market. Young entrepreneurs are more likely to have fewer tangible assets that can be pledged for a bank loan and are therefore less likely to receive one, unless the state intervenes by subsidising the banks, which can then offer discounted loans, or by guaranteeing part of the repayments if the entrepreneur defaults on the loan. Member States have been urged to ease access to risk capital financing for entrepreneurs, and a number of them have introduced start-up loan programmes targeting young people or have set up special conditions to facilitate young people's access to credit. However, youth-specific entrepreneurship schemes providing microfinancing are not that widespread.

In Italy, the self-entrepreneurship scheme (*Autoimprenditorialità*) was introduced through the legislative framework for the development of entrepreneurship in 2000 (Legislative Decree 185/2000) and is now part of the national YGIP. The objective of the scheme is to boost employment and entrepreneurship among young people (aged 18–35) by providing financial support in the form of zero-interest loans (for investments of up to €1.5 million), granted for a maximum of eight years and covering up to 75% of the total expenses. A similar, government-funded scheme launched in 2013 in Italy is *Smart & Start Italia*, which focuses on business creation in innovative and high-tech sectors. The scheme offers zero-interest loans to innovative start-ups that have been trading for no longer than 48 months and to candidate entrepreneurs who intend to start an innovative business. The support is granted for a maximum of eight years to cover investment and management costs of start-up projects of a value between €100,000 and €1.5 million. The amount of the support is equal to 70% of the eligible expenses (investment and management costs). The percentage is increased to 80%, however, if the start-up is entirely owned by women or young people under 35 years old. From 4 September 2013 to 21 November 2014, the Italian National Agency for Entrepreneurial Attraction of Investment and Development of Enterprises (*Invitalia*), which administers the scheme, received over 1,252 applications, of which about 51% were from young people (aged 18–35); however, only 368 have been granted support, with total financing of €68 million.

Another loan scheme in Italy is the Fund for the Development of SMEs in the Campania region (*Fondo Rotativo per lo Sviluppo delle PMI campane – Misura Start-up*), which is directed at new and recently established microenterprises and SMEs composed mainly of young people (aged 18–35). This regional fund gives access to loans at favourable interest rates (0.50%) ranging from €25,000 to €250,000 to be repaid after seven years.

Designed within the Youth Guarantee framework, the start-up loan scheme recently introduced in Poland for the unemployed (including young people, school-leavers and university graduates) builds on the pilot programme First Business – Support for Start-up (Pierwszy biznes – Wsparcie w starcie) initially implemented in 2013 in three Polish regions (the Mazowieckie, Świętokrzyskie and Małopolskie voivodeships) and targeting the young unemployed, students and university graduates aged 18–29. In 2014, after the pilot, the start-up business loan programme (*pożyczka na podjęcie działalności gospodarczej*) was rolled out nationwide and extended to all those who were registered unemployed. In its current form, the programme provides financial support through low-interest loans at a quarter of the National Bank of Poland rediscount rate (the interest rate charged by a central bank to commercial banks). Such loans can cover up to 100% of the total costs of starting a business but cannot be more than 20 times the national average monthly remuneration, and must be repaid within seven years (with a grace period of a further 12 months). Although the programme is intended to provide mainly financial support for starting a business, other support activities are offered, including personalised and group advice and training on the legal aspects of setting up and running a business, business taxation, and accounting both prior to receiving the loan and during the start-up phase (after the loan is granted).

In Spain, ENISA Young Entrepreneurs is a credit line based on participative loans offered by ENISA (the Spanish National Innovation Enterprise attached to the Ministry of Industry, Energy and Tourism) to SMEs recently established by young people under the age of 40, so that they can make the investments required in the start-up phase. With participative loans (*préstamo participativo*), there is no requirement for the company to provide a guarantee (such as a bank endorsement) as confidence in the business project is enough to get a participative loan from ENISA;<sup>2</sup> however, the interest rate is linked to the profitability of the company, with a minimum rate calculated on the basis of the Euro Interbank Offered Rate (Euribor), a daily reference rate published by the European Money Market Institute, plus a differential and a maximum according to the business profitability. In 2013, the amounts granted varied between €25,000 and €75,000 (limits are revised yearly). The amount of the loan depends on the shareholders' equity level and the financial structure of the company, and loans are granted for a total duration of four years, with a maximum grace period of one year.

There are many other government-funded schemes that are not specifically directed at young people but are more generally aimed at encouraging self-employment and business start-ups. One example is the Start Up Loan scheme in the UK, providing low-cost, non-secured loans of a maximum value of GBP 25,000 (€32,400) for entrepreneurs over the age of 18 at a fixed rate of interest (nominally 6%), which must be repaid within five years. The start-up must be at an initial phase of development and, if the business has been started, it must not have been trading for longer than two years. The loans are delivered by various organisations and local authorities.

Some general loan schemes set special conditions for young people, to facilitate their access to the finance necessary to set up the business. In Belgium, as part of the Starter Loan scheme (Prêt Lancement, Startlening) available to those who are registered unemployed, young entrepreneurs (aged 18–30) can obtain the first part of the starter loan (up to the amount of €4,500) interest-free.

There are also schemes whereby the state guarantees part of a loan obtained from a financial institution and assumes the default risk in order to give private investors an incentive to provide additional funding to potential entrepreneurs, regardless of their creditworthiness. One example of such a scheme is the Get Started Loan/Growth Loan (Start op lån/Vækstlån) in Denmark, whereby the state guarantees a substantial proportion (up to 75%) of the total value of the loan. The scheme is mainly directed at start-ups showing a potential for growth and job creation, and although no age threshold is set, beneficiaries tend to be young entrepreneurs who have recently completed higher education.

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<sup>2</sup> In Spanish legislation, participative loans reinforce shareholders' equity since they can be included in the business assets as permanent funds.

### *Tax and social insurance contribution exemptions or reductions*

Other monetary start-up incentives take the form of fiscal incentives (tax and social security exemptions) not directly or exclusively targeting young people, but young people are eligible to apply for support. There is evidence that some of these schemes are, indeed, popular among the younger age cohorts. These include the Job-seeker Support for the Creation or Takeover of a Business (Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprise, ACCRE) tax exemption measure in France and the €50 flat rate in Spain.

ACCRE is a long-standing measure to support entrepreneurship among unemployed people that has existed (in different forms) since 1979. Young people eligible for the scheme include:

- those aged between 18 and 25;
- those aged between 26 and 30 who have not worked for long enough to qualify for unemployment benefit or who have a recognised disability;
- young people qualifying under other criteria (such as those creating a business in a recognised disadvantaged urban area (*zones urbaines sensibles*, ZUS) or those whose *emploi jeune* contract (part of a state job scheme for young people) has been terminated early.

Successful applicants to the scheme today are exempt from certain social security payments – including health, maternity, disability, accident-at-work and death insurance, pension contributions and family benefit contributions – for all wages up to a maximum of 120% of the national minimum wage. This exemption is for one year from the official start-up date of the business, but can be extended under certain conditions for a further 24 months in the case of microenterprises. Other payments related to wages must, however, continue to be paid by the entrepreneur, including contributions for complementary pensions, national housing support funds, vocational training, unemployment insurance and transport. Beneficiaries of ACCRE can continue to receive certain other state benefits during their initial business start-up phase.

Beneficiaries of ACCRE, including young people, can also apply for individualised business support under the New Support for the Creation or Takeover of a Business (Nouvel Accompagnement pour la Création et la Reprise d'Entreprise, NACRE) scheme, which is also targeted at unemployed people or those facing labour market difficulties. This complementary scheme, which has existed since 2009, gives access to state-funded support from registered providers for setting up the business (four months), securing finance for the business (four months) and developing the business (three years), as well as potential access to a zero-interest state loan.

Unlike ACCRE, the €50 flat rate or flat rate in self-employment fees for entrepreneurs (*tarifa plana en la cuota de autónomos para emprendedores*) in Spain is not an ALMP measure for the unemployed, but rather a scheme supporting entrepreneurship and promoting growth and employment creation via a reduction of social security payments over a two-year period (in the form of a fixed contribution or flat rate) for the newly self-employed (registering for the first time under the Special Regime for Self-Employed Workers, RETA). The discount on social security contributions starts at 80% of the minimum base amount for the first six months and is then lowered to 50% for the next six months. After the first year, self-employed people under the age of 30 can get a reduction of 30% for another 18 months, while those over 30 can receive the 30% reduction for just six months. The total saving for the self-employed under 30 is of €3,456 during the first 30 months, while the over-30s will save €2,513 over 18 months. The scheme was initially introduced in 2013 as part of the Spanish Strategy for Entrepreneurship and Youth Employment 2013–2016, targeting only young entrepreneurs under the age of 30 (Royal Decree-Act 4/2013). A few months after its inception, it was extended by law to all self-employed people, regardless of age (Act 14/2013). According to government sources in October 2014, it was estimated that more than 291,000 self-employed people had taken up the measure, of whom more than 113,000 were under the age of 30 (Ministerio de Empleo y Seguridad Social, 2014a).

### Entrepreneurship training, advice, coaching and mentoring

Entrepreneurship skills programmes tackle the barriers posed by a lack of entrepreneurial knowledge, skills and prior work experience. A number of these schemes are specifically dedicated to young people and are funded through national and EU structural fund resources. The purpose of these schemes is to equip young people with the necessary skills and competences to start and conduct a business.

In Finland, the Youth Guarantee Entrepreneur Workshop (Nuorisotakuun yrittäjäyyspaja) provides hands-on guidance and support for young people setting up a business. The scheme targets all young people under the age of 25 and those aged 25–29 who have graduated within the last few months. The participants are selected through written applications and interviews, and since 2013 two workshops have been run as pilots, each with 20 participants. The workshops provide awareness of entrepreneurship as a career and training in technical skills such as business plan development, networking skills and team-building. The initial phase is part of the selection process. Those not selected are provided with some guidance from the public employment service to develop their business idea further. The selected participants are each appointed an expert mentor, who provides advice and guidance for grant application and business development. The workshop consists of a 30-day training phase with a five-month follow-up phase. Started as a pilot in 2013 in the Uusimaa region, the programme is run by the employment offices in all Finnish regions and is part of the EU's Youth Guarantee scheme. In the pilot phase, it was funded entirely by Finland's Centre for Economic Development, Transport and the Environment.

A similar initiative in France is the Creators' groups (Groupements de créateurs), which was initially launched as a pilot in 2000 in Sénart (in the Seine-et-Marne department) and is currently available nationally and framed under the French YGIP. Supported by the French employment service for youth (*mission locales*), these groups provide support to people who want to design a business project (first phase) and training in business creation for four to six months (second phase). People who do not have a diploma can undertake certified training. According to available statistics, in 2011, three-fifths of the beneficiaries were under 26 years old and more than 30% lived in disadvantaged areas (Cabinet du Premier Ministre, 2013).

Another example of youth-specific entrepreneurship skills programmes is the First Year Business Baskets Scheme (Verslo pradžios krepšeliai), which was introduced in Lithuania in 2011 and, as of 2013, targets people aged under 29 exclusively as a way to address the problem of youth unemployment, which was particularly high during the recession (ranging from 25% and 30% between 2009 and 2012) (OECD and European Commission, 2014b). The scheme, which has been co-financed through ERDF resources, offers young people intending to start up a business a special package of free business development services. Anyone between the ages of 16 and 29 can be issued with the voucher package, and they must then register a business in their name within six months of issue. The 'basket' of services includes consultations on the legal form of the business and assistance with business registration before the business is created. Once the business is registered, the voucher holder has access, for a 12-month period, to training and consultations on legal aspects of doing business and the management of the company, as well as office services including internet access, a mailing address, printing and scanning.

In Norway, a local scheme called The Alchemist (Alkymisten), which is jointly funded by county bodies and state-owned company Innovation Norway, guides young entrepreneurs through the development phase of starting a company. The project targets all young people, regardless of labour market status, between the ages of 18 and 35. The programme involves 12 days of work across four gatherings of young entrepreneurs, where participants develop their business plans and network with other individuals. The participants are given access to knowledge, tools and methods during these gatherings, with follow-up by experienced mentors to assist participants in developing their business ideas. Two Norwegian counties currently run the programme: Nord-Trøndelag and Sogn og Fjordane. The former had 234 participants from 2003 to 2012; the latter had 150 participants from 2003 to 2011. However, according to a recent

evaluation, the scheme is not well known and limited information is available, and this may have influenced the take-up (Haugum et al, 2013).

Other general entrepreneurship skills programmes mainly directed at the unemployed and those excluded from the labour market, including young people, provide funding for training and coaching activities to support the start-up of a business. Some of these programmes are funded via ESF operational programmes. One example is the Human Resources and Employment Operational Programme (Operační program Lidské zdroje a zaměstnanost, OP LZZ) implemented in the Czech Republic during the 2007–2013 programming period. Under the programme, selected participants are offered financial support for accessing different training activities in different business-related domains including business administration, accountancy, taxation and marketing, as well as expert advice and guidance on the preparation of their business plan, expert mentoring, and networking opportunities with other entrepreneurs. The programme is set to continue in a similar format under the new programming period 2014–2020. From 2007 to 2013, 395 people aged 15–24 were supported through this scheme, out of a total of 6,181 participants.

Funding for coaching services is also provided under the Start-up Coaching scheme in Germany, which is available to anyone (regardless of age) wanting to start or take over a business. Beneficiaries are entitled to subsidised coaching services – ranging from a 50%–75% subsidy of consultancy services (up to a threshold of €800 per day and €4,000 overall) – for six months within two years of the establishment of the business. The programme is administered and funded by the government-owned development bank, Kreditanstalt für Wiederaufbau (KfW), with co-funding from the ESF. It should be noted that Start-up Coaching in its current form builds on a former scheme (Gründercoaching Deutschland – Gründungen aus der Arbeitslosigkeit, GCD-AL) which targeted the unemployed and which was recently abolished. As part of the redesign of the scheme, the duration of the support was brought down from 12 months to 6 months. The level of subsidy was also reduced from 90% to 50%–75%, and greater scrutiny of the coaches was put in place following anecdotal evidence of irregularities in its previous implementation (Caliendo et al, 2014).

### Combination of financial support and ‘soft’ support

Many start-up schemes for young people encompass a comprehensive package of support measures combining access to finance with ‘soft’ support in the form of training, coaching, mentoring and other assistance services. In doing so, they tackle the main and most cited barriers to youth entrepreneurship: a lack of entrepreneurial skills and knowledge; and difficulty in accessing capital and obtaining financing from private lenders. An advantage of combination support is that it places young people in a better position to develop viable business projects with a better chance of success.

An example of a recent youth initiative is Aws First, which was launched as a pilot in May 2014 under the management of Austrian Wirtschaftsservice GmbH (AWS), a state-owned development bank (*Förderbank*). The measure is specifically designed to support young people (aged 18–23) to realise their business ideas. The selection of beneficiaries is done through a national competition, with 10 teams being chosen and supported for a year in the pre-start-up phase (conceptualisation of the business idea and preparation of the business model) and start-up phase (actual set-up of the company). The support combines financial support in the form of a scholarship (€7,200 per person, paid in 12 instalments) and other subsidies to cover various expenditures, with a range of other support services including counselling on future plans, entrepreneurship training, mentoring, and access to events to network with other business founders and successful entrepreneurs.

Another recent scheme is Cap’Jeunes, which was introduced in France in 2013 and is now part of the YGIP. This measure provides young people (aged 18–25) seeking work or in precarious employment with tailored training and coaching to start their business and a lump-sum payment of €2,000, credit guarantees and assistance to obtain credit from local private lenders under favourable conditions. Conditions for granting support include the requirements that the financial plan does not exceed €50,000 and that the applicant’s personal financial contribution is not more than 25% of

the total investment. The scheme is run by a non-profit organisation, FranceActive, and funded by a network of so-called *patrons*, mainly large company sponsors.

### *Phased approaches*

A number of start-up support schemes for young people feature a phased approach whereby a comprehensive set of support measures is offered to beneficiaries through different phases from the conceptualisation of the business idea to the actual launch and development of the business. This approach is regarded as particularly useful as it offers a broad range of services helping disadvantaged groups facing multiple barriers to entrepreneurship and self-employment (EEPO, 2014a). Many of these schemes also use a staged selection where participants receive a greater level of support after demonstrating relevant capabilities and greater motivation and commitment.

A well-known and long-standing scheme for young people featuring phased support is the Enterprise programme run by the Prince's Trust, a national charity operating across the UK funded by both the public and private sectors. The programme has also received funding from EU structural funds resources.<sup>3</sup> Since its inception in 1983, the Enterprise programme has undergone a number of changes. Initially designed to help 18–30-year-olds to start their own business, the programme (formerly known as the Prince's Trust Business programme) focused on the young unemployed, under-skilled workers, those within or leaving the criminal justice system, and those leaving care. Launched and rebranded in 2010, the objectives of the current Enterprise programme are much broader: to support young people to achieve a positive outcome – be that self-employment, training, education, employment or full-time structured volunteering. In its current form, the programme provides start-up services and finance to help young people to start their business in four main stages. In a preparatory phase, a short group session (Inspire information session) introduces young people to the programme, its purpose and the support on offer. Young people can then decide whether the programme is for them and whether they have the required commitment and motivation to join the course. This is followed by a four-day training course (Explore Enterprise course) about planning and running a business, which is delivered by staff and volunteers to small groups of young people. One-to-one sessions (on average lasting eight hours) are offered to help young people to think through, choose and plan their next step and potential outcome. At this stage, Will it Work grants (of up to GBP 250 (€309) per young person) can be provided to participants who need financial support to test their ideas. Provision of business mentoring is then offered for two years, combined with a range of free and discounted business services support for three years and financial support in the form of low-interest start-up loans of up to GBP 7,500 (€10,488) and small start-up business grants. To get to this stage, the young entrepreneur has to have their business proposals approved by a Business Launch Group within the Prince's Trust.

The UK government-run Start Up Loan scheme, described in an earlier section, is similar and has been described as a competing programme to the Prince's Trust Enterprise programme. In addition to offering loans, it provides soft supports to prospective entrepreneurs, matching each loan recipient with a business professional who acts as a mentor to assist them in developing their business or business plan (Greene and Patel, 2013).

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<sup>3</sup> The West Midlands and East Midlands regions benefited from large additional funding through ESF legacy funds and ERDF. These regions recorded higher numbers of participants, loans and business start-ups through the Enterprise programme as a result, with the West Midlands region recording the highest number of participants overall. Yorkshire and the Humber also received some ERDF funding. The size of loans and grants awarded were substantially higher than average where ERDF was the source for all or part of the funds. Northern Ireland had the highest proportion of participants benefiting from ESF funding. In the West Midlands, the ESF funding could be used to support only the delivery of the information session and the Explore Enterprise course, but the West Midlands received high levels of ERDF business start-up funding and recorded high levels of participants becoming self-employed. The East Midlands was able to offer more grants under the conditions of its new ERDF grant (Williams et al, 2012).

Another example of a measure featuring a phased approach is CréaJeunes in France, which was designed in 2007 by the NGO Association for the Right to Economic Initiative (Association pour le droit à l'initiative économique, ADIE)<sup>4</sup> to support business creation by young people. It is now offered as part of the national YGIP. The programme was designed as a potential response to the particularly high youth unemployment rates observed in the ZUS (disadvantaged areas) in France. It was based on the observation that several constraints can affect the creation and development of entrepreneurial activities by young people, namely the lack of information on existing entrepreneurship support schemes, administrative barriers to creating a business, lack of training and experience to put the ideas into practice, as well as lack of capital to start a new business. In recognition of these barriers, CréaJeunes offers a training path that supports the reintegration of disadvantaged young people by accompanying them from the preparation of their business project (through group training and one-to-one mentoring) to the post-start-up phase, including follow-up mentoring, access to networking events and support in accessing microcredit both from ADIE and relevant financial partners.

In Belgium, the Young Entrepreneurs' Plan (Plan jonge zelfstandigen, Plan jeunes indépendants) offers support particularly in the pre-start-up and start-up phases. Under the scheme, counselling and guidance are provided to young unemployed people (aged 18–30) by a recognised support centre during a preparatory period of three to six months. Beneficiaries also receive a monthly allowance of €375, which can be topped up with an RVA (Rijksdienst voor Arbeidsvoorziening, Office Nationale de l'Emploi) premium.<sup>5</sup> After the pre-start-up support, beneficiaries can apply for a Starter Loan (Startlening, Prêt Lancement) from the Participation Fund, a federal government institution providing funding and support to SMEs.<sup>6</sup> The loan is granted on the basis of the viability of the business plan. Young business founders can obtain the first part of the loan (up to €4,500) interest-free and with repayment deferred until the sixth or seventh year. For larger business projects, the new entrepreneur can also apply for a Starteo Loan (Prêt Starteo), which can be up to €250,000. The support centre continues advising the young entrepreneur for 24 months after the business has started.

Other schemes featuring a phased approach are available to all unemployed, including young people. This is the case of the AMS business start-up programme (AMS Unternehmensgründungsprogramm), which has been run by the Austrian public employment service (AMS) since 1995 and is now part of the national YGIP. Participants are offered one-to-one advice and training for the duration of the programme. There are four key stages to the programme. In the clarification stage (*Klärungsphase*), the feasibility of the start-up project is examined, and assistance in the form of start-up counselling is offered to potential entrepreneurs for up to eight weeks. In the preparation stage (*Vorbereitungsphase*), coinciding with the official entry into the programme, participants are provided with individual start-up counselling and assistance in obtaining the necessary qualifications. At this stage, an income is provided to participants in the form of unemployment benefits or subsistence allowance. Additional start-up financial incentives apply to the next phase, implementation (*Realisierungsphase*). Subsidies to the amount of unemployment benefits or subsistence allowance are provided for two months as well as grants for social insurance contributions for the self-employed. A fourth phase entails follow-up support (*Nachbetreuungphase*), including additional counselling to help participants who have successfully started their business to identify and eliminate potential obstacles to growth.

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<sup>4</sup> ADIE is mainly financed by public funds (national funding and ESF). Additional income sources consist of private donations and financial income from loans.

<sup>5</sup> This is an allowance for young unemployed people under 30 years of age who intend to establish themselves as self-employed or want to start a business. The amount of the monthly premium depends on the household situation and varies between €234 and €962.

<sup>6</sup> See Participation Fund Activity Reports for 2005, 2007, 2008, 2011, 2012, 2006–2013.

### *Other schemes incorporated into the Youth Guarantee*

A growing number of entrepreneurship programmes for young people combining financial support with training, advice and mentoring are typically included in the YGIP. In Portugal, a comprehensive package of start-up measures was recently introduced in the national Youth Guarantee, which was formerly part of the Strategic Plan of Incentives Promoting Youth Employability and Support to SMEs (Plano Estratégico de Iniciativas à Empregabilidade Jovem e de Apoio às PME), also known as Youth Impulse (Impulso Jovem) (Governo de Portugal, 2012). Under this policy framework, the Support for Company Creation (Apoio a Criação de Empresas) and Youth Invest (Investe Jovem) schemes are directed at unemployed young people (aged 18–35 and 18–29 respectively) and offer financial support in the form of guaranteed and discounted loans, and follow-up technical support (including training, counselling and monitoring) for business creation and consolidation. The Support for Company Creation scheme is one of the start-up incentives under the wider PAECPE support programme for entrepreneurship and self-employment. A similar mix of support is provided through the National Microcredit Programme (Programa Nacional de Microcrédito), which targets people with an entrepreneurial profile who have particular difficulties in accessing the labour market, with priority given to the unemployed aged 16–34. At regional level, the Network for the Creation and Management of Businesses (Rede de Percepção e Gestão de Negócios, RPGN) offers a monthly grant ranging from a maximum of €692 to a minimum of €419 (for five months) as well as training and mentoring to young people aged 16–29 wanting to start a business in the Norte, Centro and Alentejo regions.

In Slovenia, a successful youth entrepreneurship scheme (Podjetno v svet podjetništva, PVSP), now part of the national YGIP, was launched as a pilot in 2010 by the Slovenian Regional Development Centres and subsequently implemented nationally. The approach is regarded as innovative for offering tailored mentoring and entrepreneurship training to young unemployed people (under 35) during the process of creating and developing a start-up. Those who set up their business within six months of completing some initial training receive a non-refundable grant of €3,500. The provision of mentoring is extended to the post-start-up phase, after the creation of the business. However, due to budget limitations, only one-third of participants can effectively receive the financial support.

Other start-up measures have been recently refocused to target unemployed young people in the context of the Youth Guarantee. One example comes from Latvia, where the scheme supporting self-employment and business start-up (Atbalsts pašnodarbinātības un uzņēmējdarbības uzsākšanai) initially introduced in 2009 as a general entrepreneurship measure for the unemployed, has become, since 2014, a specific start-up support measure directed at the young unemployed (aged 18–29). Under the scheme, participants receive advice and assistance in developing a business plan (20 one-to-one mentoring sessions within a six-week period), bridging financial support in the form of a monthly grant (about €320 per month) for the first six months of operation, an additional start-up grant for the implementation of the business plan (up to €3,000, based on estimates of eligible expenditure), and any follow-up business consultancy necessary to run the business over one year.

### *ESF-backed programmes*

In some Member States, a set of complementary, albeit temporary, start-up support measures for young people has been funded through the ESF and national resources in the framework of its operational programmes in the programming period 2007–2013. Typically, the ESF contributes 85% of the total funding, while the remaining 15% is covered through national funds.

One example is Hungary's Social Renewal Programme Item 2.3.6 (TÁMOP 2.3.6) targeting the under-25s and initiated in 2013 by the Hungarian government in response to the high level of youth unemployment in the country as a consequence of the global recession. Under the programme, start-up support is provided in two phases or 'components' of which the first (Component A) deals with educational and entrepreneurship skills support, while the second (Component B) relates to financial support. Under Component A, participants are provided with a range of training

activities, expert advice, mentoring and guidance to help them to turn business ideas into a business plan. Those participants who have successfully completed the first phase of the programme and who have a viable business plan progress to the next stage (Component B), which involves the provision of a one-off non-repayable grant of €9,800 per enterprise. Ongoing counselling and guidance are also provided during the business creation process for a six-month period.

In Poland, the under-25s are among the key target groups of the Human Capital Operational Programme (Measure 6.2: Support and promotion of entrepreneurship and self-employment), also co-financed by the ESF. The objective is to promote an entrepreneurship culture by offering a comprehensive package of support services including counselling and training to develop entrepreneurial skills and competences for launching and operating a business. Financial support in the form of non-refundable subsidies and low-interest microloans is also provided for the business development for up to 12 months.

### *Early expert mentoring*

Other more general start-up schemes not specifically targeting young people use early expert mentoring to assess the viability of the business plan and the commitment of the applicant before granting financial support. Examples are the New Enterprise Allowance (NEA) in the UK, the Back to Work Enterprise Allowance (BTWEA) in Ireland and Self-Employment Assistance (Besluit bijstandsverlening zelfstandigen, Bbz) in the Netherlands.

As part of the NEA scheme, welfare recipients aged 18 and over can progress from receiving mentoring for the preparation of a business plan to receiving a non-repayable weekly allowance for up to 26 weeks (up to a total of GBP 1,274 or €1,807), at GBP 65 (€92) a week for the first 13 weeks and GBP 33 (€47) a week for a further 13 weeks. Financial support is, however, contingent on the business plan being approved and the applicant working at the business for 16 hours or more per week. Those who receive the NEA allowance are also eligible for support from the Start Up Loan scheme to help with the costs of setting up a business.

The equivalent scheme in Ireland is the BTWEA, which is targeted at people who are long-term dependent on social benefits, including the long-term unemployed, lone parents and people with disabilities. It offers a financial incentive to take up self-employment by providing a reduced proportion of their qualifying social welfare payment over two years (100% in year 1, and 75% in year 2). Under the scheme, public employment service case officers work closely with applicants to develop viable business plans prior to approval. Applications are judged on the viability and sustainability of the business and the effect on existing similar businesses, to counteract displacement. Started in 1999 as a general programme for the unemployed, BTWEA is now part of the package of measures offered to young people under the national YGIP. A 2012 review showed that almost 42% of recipients are aged under 35 (Department of Social Protection, 2012). In addition to the income support granted via the BTWEA, beneficiaries can also apply for financial support from the Enterprise Support Grant (ESG) scheme, which provides small grants of €2,500 over a 24-month period to cover the costs of setting up a business.

Under the Bbz scheme, continuing guidance and coaching can be offered to welfare recipients in the start-up phase in combination with financial support in the form of minimum income support (up to the level of the Dutch unemployment benefits), an interest-free loan, for example for the preparation of the business plan, and starter credit for business capital (up to €35,130).

There are similar schemes in other countries, which give higher priority to certain target groups such as the young unemployed, particularly those who are disadvantaged. One example is the Entrepreneurship Promotion Fund (Verslumo skatinimo fondas) in Lithuania, which combines loans granted on preferential terms for starting or developing a business with training and business-related consultancy and assistance in preparing and implementing business plans.

### Linkages with the education system

A number of entrepreneurial support measures for young people are explicitly linked with the educational system or institutions while still providing support for starting or running a real business. This type of measure ranges in scope from programmes limited to a single institution to mainstream national measures. These programmes target mainly students and young graduates and, in some cases, an age limit is explicitly set.

In Denmark, the Entrepreneurial University (Det Entreprenørielle Universitet, DEU) is an ESF-funded project under the management of the University of Aarhus and the Danish Business Authority (Erhvervsstyrelsen). The overall aim is to increase awareness about entrepreneurship among students across all faculties. As part of the project, a 'student growth house' has been created, where students are trained and supported in starting and growing their own business. There are currently 62 newly started companies in the student growth house, with 4 new companies starting per year, on average.

France has recently introduced the new legal status of student-entrepreneur (*auto-entrepreneur*) to facilitate the creation of innovative enterprises by students or young university graduates who are aged up to 28 and who have obtained, or are in the process of obtaining, an undergraduate degree or equivalent. Those who obtain this status can get a student-entrepreneur diploma and have the opportunity to arrange their student-entrepreneur study programme around their start-up and receive university credit points for their entrepreneurial activities. Other benefits include support from academic and business tutors, as well as access to workspace facilities. They also continue to benefit from social services for students, including health and public transport subsidies.

Direct links with the education system are also established under the Enterprise and Entrepreneurship (Podnik a podnikanie) programme in Slovakia, combining more traditional entrepreneurial education with mentoring and expert advice to support young entrepreneurs. Again, the programme is targeted at students who intend to create a real start-up. Those selected are provided with mentors who help sharpen their start-up idea and are invited to networking events with potential investors. The programme does not provide financial support, the stance being that support should depend on the evaluation of the start-up by potential investors. The programme was launched in 2012 as a pilot by the Technical University in Košice and is open to all Slovakian students. In 2014, 280 students participated in the programme.

The Company Program in Sweden, sponsored since 1980 by the non-profit organisation Junior Achievement Sweden (Ung Företagsamhet, UF), aims to support the future creation of businesses by young people attending secondary school. UF is part of Junior Achievement Worldwide, which offers hands-on experiential business education programmes in 122 countries. It provides a platform for upper secondary school students (aged 16–20) to experience setting up and running a business as well as winding down the business (if they wish to do so) in a safe environment over the course of a school year. Business ideas are supported and developed into a real company (in the simplest corporate form available in Sweden). The company is phased out or converted into a limited liability company or trading partnership after one year. Although the objective is to provide students with hands-on experience of running a business for a limited period of time, many students continue with their businesses.

A key feature of the Company Program is that it is administered through the 24 regional offices of UF, each of which is responsible for securing the finance to run the programme. Funding in general comes from donations and financial support from private companies as well as the municipalities in which the programme is run, as the municipalities in Sweden are responsible for upper secondary school education. Additionally, the Swedish government partly funds UF (to about €1 million). This decentralised responsibility for funding and programme implementation may lead to regional differences due to the regional offices' ability to secure funding and the engagement and commitment of teachers, as well as the availability of business mentors.

In Italy, Junior Achievement Italia delivers many initiatives promoting entrepreneurship. One is the Creativity Camps, which are start-up competitions financed by the ESF, targeting young Italian residents aged 14–35 (depending on the target group of the specific camp). Participants present an innovative start-up idea for evaluation by business, economic and finance experts. Those selected for the scheme are provided with access to training, working groups and the assistance of experts, business organisations and entrepreneurs, with the goal of developing their idea into a sustainable and innovative business plan. At the end of the training period, all participants are given the opportunity of presenting their start-up to firms, institutions, banks and possible investors. The three best projects receive a maximum prize of €5,000, with other prizes given by participating businesses (Creativity Camp, 2012).

### Improving entrepreneurial awareness and propensity

The lack of awareness about the opportunities that entrepreneurship can open up often results in negative societal and cultural attitudes that hamper youth entrepreneurship. An increasing number of youth entrepreneurship support schemes take the form of entrepreneurship competitions that aim at fostering an entrepreneur-friendly climate and raising awareness of entrepreneurship as a viable career choice among young people. The competitions vary widely in the number of participants, the amount of financial and technical assistance, and overall public awareness of the projects. The latter is an important success factor in such schemes, as a key aim of these measures is to foster a wider awareness of entrepreneurship among the general public, including young people. The schemes also vary by target group, as some are focused on students in second-level education, while others are focused on young people over 18.

One such scheme is the Youth Innovative (Jugend Innovativ) programme in Austria, open to students aged 15–20, which offers funding of €150–€500 to start a project within six categories, one of which is Young Entrepreneurs. The initial funding is allocated based on a proposal meeting certain feasibility and sustainability criteria, and the best projects from the six categories are awarded €1,000. The main aim of the programme is to foster an entrepreneurial spirit and innovation among young people and to support them in implementing their business ideas. Although the programme is not directly linked to start-up creation, the financial support at an early stage helps participants to get their business project started. The programme started as a pilot in 1987–1988 in Vienna and was extended nationwide in 1990 in the form of a school competition.

A similar scheme is available in Estonia, called the Youth Entrepreneurship Ideas Contest and Development Programme (Koolinoorte ettevõtlikkusideede konkurss ja arenguprogramm, ENTRUM) targeting students aged 13–19. The competition has been running in a different region of Estonia every year since 2010 and is based on the creation of a start-up that will benefit the region. Each team is assigned a mentor and is given the opportunity to participate in entrepreneurial training and work sessions involving professionals and entrepreneurs. The business ideas are judged on criteria such as the impact on the local environment and community, and the winner is awarded €3,000 to develop their idea. Although most of the projects remain at the simulation level, many do progress to real start-ups. Approximately 600 students participate each year.

In Malta, the JCI Best Business Plan Competition seeks to foster an entrepreneurial spirit among potential entrepreneurs aged 18–40, providing them with training sessions on business plan research and development, as well as sessions that provide personalised guidance and support from professionals. Access to financial support is through a competition organised by JCI Malta – a non-governmental organisation – with co-financing by private sector partners. The winner of the competition is awarded €2,500, and the first and second runners-up are awarded €500 and €100 respectively. Approximately 200 participants have taken part in the initiative since 2001. Yearly intake over the last few years has been 20–25 participants.

In Finland, the Young Entrepreneur of the Year competition – organised by the Federation of Finnish Enterprises (Suomen Yrittäjät) – is open to entrepreneurs aged under 35 who have successfully run a business for three years and who employ at least one other person. The aim is to highlight the work done by successful young entrepreneurs, to

inspire other young people to follow the same career path, and to foster positive attitudes around youth entrepreneurship, for example by challenging the idea that entrepreneurship is only for adult professionals with more work experience (see Eurofound, 2015, for a more comprehensive review of this initiative). In total, 21 young people take part annually, and the winner is awarded €1,500. Although the competition is held in high regard among the entrepreneurial community, some national experts believe that the competition is not sufficiently visible to the wider public.

In contrast, the Student Enterprise Awards (SEA), held annually in Ireland, is a high-profile competition for students in second-level education with a very high participation rate; some 15,000 students aged 12–17 take part each year (TMA, 2011). It is estimated that about 112,000 students have participated in the programme in the last six academic years. The SEA programme was introduced in 2002 to replace the Golden Vale Young Entrepreneurs Scheme. With an annual budget estimated at around €100,000, the programme is organised nationally by the Local Enterprise Offices (former City and County Enterprise Boards, CEBs), which contract development officers to assist teachers and students with the competition. ‘Innovation workshops’ are run in individual schools to help develop students’ ideas. One of the key features of the programme is that students get hands-on experience of all the stages of business development, from coming up with their business idea and writing a business plan to producing the product, carrying out market research, promoting the business and managing the accounts. Competitions are initially held at school and county level, where students’ business ideas are judged by local entrepreneurs and officials of the Local Enterprise Offices. Finally, the winners at county level are put forward to a national competition, where the top three competitors are presented with the Seán Lemass Award by the Taoiseach (prime minister).

Also initiated by the Local Enterprise Offices (and supported by the Department of Jobs, Enterprise and Innovation and the state agency Enterprise Ireland), Ireland’s Best Young Entrepreneur is a competition open to potential entrepreneurs under 30 years of age. It has an overall investment fund of €2 million, which is awarded to county and national winners. Winners at county level are eligible for an investment in their businesses of up to €25,000, while winners at national level can receive additional investments of up to €50,000 each. Mentoring, marketing and other supports are available to participating businesses at various stages of the competition. In 2015, 1,400 applications were received by the 31 Local Enterprise Offices from entrepreneurs aged between 18 and 30 with an outstanding idea or commercial venture for a start-up or established business.

### **Providing supportive infrastructure and complementary support services**

Other initiatives provide a supportive infrastructure to young entrepreneurs, particularly those operating in innovative and high-tech sectors. These include business incubators and young entrepreneur networks. These initiatives generally fall under broader innovation and business growth policies rather than youth entrepreneurship or employment policies specifically.

Innovativeness of the Young (Ungas Innovationskraft) is a programme run by the Swedish Governmental Agency for Innovation Systems (Vinnova) and the Swedish Agency for Economic and Regional Growth (Tillväxtverket), aimed at developing knowledge and competence among young people aged 18–30 in Sweden in order to enable them to operationalise innovative ideas. A number of regional and sectoral network events for young entrepreneurs have been organised in the framework of projects funded by UI, with a view to guiding entrepreneurs to the relevant support structure and giving them the opportunity to grow their networks and meet investors. Other projects focus on support activities (ranging from coaching to financing) to help young people to commercialise their business ideas. An example of a specific project is VINN NU, which guides research and development start-ups operating for less than a year from development to commercialisation. The support also includes a grant of up to SEK 300,000 (€32,000) to help the company to grow. As part of the project, a pre-incubator – hosted by the national university-based organisation Drivhuset – was started to facilitate young entrepreneurs at an early stage of creating a business by providing premises and access to start-up support, including coaching services for those who have not yet started a company and who wish to do so.

Since its inception in 2010, some 8,000 young people have participated in events organised in the framework of projects funded through UI. However, the programme as a whole had difficulties reaching as many young people as expected, due to a time-consuming and cumbersome decision-making process involving public agencies at national, regional and local level (Vinnova Tillväxtverket, 2013).

Another initiative securing a supportive infrastructure for start-ups run by young entrepreneurs is the YES!Delft incubator set up in the early 2000s on the initiative of the Delft University of Technology (TU Delft), the City of Delft and the Dutch Organisation for Applied Scientific Research (TNO). YES!Delft offers a comprehensive package of services helping university students and young entrepreneurs who are in the early stages of setting up an enterprise. This includes access to premises, provision of coaching, guidance and training activities, and networking opportunities (see Eurofound, 2015, for a more comprehensive review of this measure).

Other business incubators do not explicitly target young people, in the sense that no age limit is set as part of the eligibility criteria; however, as they are university-based, candidate entrepreneurs are more likely to be young graduates and students. This is the case with the technology incubator InQb at the University of Technology (STU) in Bratislava (Slovakia), which provides entrepreneurs starting out with work space and a range of business support services, including consulting services, entrepreneurship training, access to seminars and events and business contacts.<sup>7</sup> Since its establishment in 2005, the incubator has supported 42 companies in the start-up and development phases.

Similar business incubators are the Takeoff Business Incubator and the Kordin Business Incubation Centre (KBIC) in Malta, providing an array of business resources and services designed to accelerate the growth of technology-oriented and innovative start-ups. It is worth noting that the KBIC, which was initiated in 2003 under the management of Malta Enterprise, now also targets young graduates under 30 years of age as part of a memorandum signed in 2014 with the University of Malta (UoM) and the Malta College of Arts, Science and Technology (MCAST). The support provided by the KBIC combines workspace facilities and the necessary technology infrastructure with a range of complementary services including access to networking opportunities, tailored counselling services, entrepreneurship training and mentoring, and financial support in the form of a cash grant via the Innovative Start-ups Programme. While the maximum cash grant is capped at €15,000, the actual value granted to the beneficiaries will vary according to the level of innovation of the start-up.

### Standalone measures versus larger frameworks and policies

Many of the start-up measures for young people identified are isolated, relatively small-scale and discrete interventions that are not necessarily embedded in larger policy frameworks or broader youth employment strategies of which entrepreneurship would be a key element. The Youth Guarantee has indeed contributed greatly to placing existing youth entrepreneurship measures under a more comprehensive policy framework; however, not all YGIPs pay attention to youth entrepreneurship issues or explicitly mention entrepreneurship support.

There is also limited evidence of cooperation across relevant line ministries in the initiation and implementation of the policy interventions on youth entrepreneurship. Typically, start-up policy measures are under the overall responsibility of one ministry providing the funding and managed by the assigned implementing authority. Depending on the interventions, other key organisations cooperate with the relevant ministries to support youth entrepreneurship.

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<sup>7</sup> These activities were initially co-funded by the ESF (2006–2008) and subsequently by the ERDF (2009–2012).

There are, however, instances of a more coordinated approach that acknowledge the cross-cutting nature of youth entrepreneurship policies and reinforce the complementarity of start-up support measures. One example is the Youth Strategy (Jugendstrategie) developed by the Austrian government in 2013 in cooperation with a number of stakeholders, such as the Federal Youth Representation (Bundesjugendvertretung, BJV), the Open Youth-Work Network (Netzwerk Offene Jugendarbeit, BOJA) and Austrian Youth Info (Österreichische Jugendinfos).<sup>8</sup> The broad aim of the strategy is to secure the well-being and future prospects of Austria's young generation. The strategy includes short-term, medium-term and long-term measures until 2020 in the areas of employment, education, participation and commitment as well as quality of life. One important goal is to increase the number of business formations among the under-30s in the face of the low level of entrepreneurship among the younger age cohorts in Austria. According to the strategy, as of 2016, entrepreneurship should be integrated into national curricula and 'training companies' (*Übungsfirma*) introduced in schools. In the longer term, funding for younger business founders should be standardised throughout all federal states in Austria.

Under this umbrella strategy, inter-ministerial coordination ensures a more efficient implementation of youth employment measures. For example, the previously mentioned Youth Innovative programme is jointly financed and run by the Ministry of Science, Research and Economy, the Ministry for Transport, Innovation and Technology, and the Ministry of Education and Women's Affairs.

Another example of a broad policy framework for youth employment is the Spanish Strategy for Entrepreneurship and Youth Employment 2013–2016 (Estrategia de Emprendimiento y Empleo Joven 2013–2016), which explicitly acknowledges the need to increase the level of self-employment and entrepreneurial activity among young people, with a view to reducing the high rate of youth unemployment while, at the same time, tackling its main structural causes. It is also an example of cooperation with many public and private stakeholders and the result of intense dialogue with the social partners (see Eurofound, 2015, for a more comprehensive review of the strategy).

The strategy, which became part of Spain's YGIP in 2014, is specifically directed at young people between the ages of 16 and 30, especially the unemployed. It includes 100 measures to promote entrepreneurship and youth employment, of which 15 are early-impact measures and 85 are long-term measures. The 15 early-impact or emergency measures incorporate specific entrepreneurship incentives, including those outlined in a previous section – specifically, the flat rate in social security contributions for young self-employed people, capitalisation of unemployment benefits, and enabling the receipt of unemployment benefits while starting a business. Other measures include improved access to financing in the early stage of business activities, the provision of greater protection for the self-employed in case the business becomes unviable, the promotion of inclusion of the under-30s in social insertion enterprises and cooperatives, and the establishment of offices within the public employment service to provide advice and support to entrepreneurs starting out. According to official figures released by Minister of Employment Fatima Bañez, from the launch of the strategy in February 2013 up to March 2014, some 130,000 young people found a work opportunity, either as employees or self-employed by taking advantage of the measures (Ministerio de Empleo y Seguridad Social, 2014b).

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<sup>8</sup> The BJV is the statutory representation of Austrian children and young people up to the age of 30. In matters concerning the interests of young people, the BJV has a similar status to the social partners in Austria. BOJA is a networking centre for open youth work in Austria and is also responsible for quality assurance and development. Austrian Youth Info is a national affiliation of youth information centres in Austria who also coordinate projects and take care of quality assurance and networking with stakeholders.

Similarly, the Portuguese government's Impulso Jovem, discussed earlier, aims at strengthening internships, training and entrepreneurship for youth. Between August 2012 and the end of 2013, more than 100,000 young people were covered through the package of youth employment measures (including those supporting entrepreneurship) offered as part of the strategy (European Commission, 2015b). Also, in this case, the Portuguese strategy was the result of a process of dialogue with the social partners and other relevant stakeholders (Impulso Jovem, 2012).

Other countries such as Ireland are now moving towards a more integrated cross-governmental approach to entrepreneurship as evidenced by the National Policy Statement on Entrepreneurship in Ireland, published in October 2014 (Department of Jobs, Enterprise, and Innovation, 2014). Ensuring that a greater number of people from under-represented cohorts, including young people, start and run their own business is a strategic objective of the government's approach.

There are also examples of individual interventions – not necessarily set within a national youth employment or entrepreneurship strategy – adopting a broad multi-stakeholder approach. A case in point is the Prince's Trust Enterprise programme in the UK, which brings together a mix of private and public sector supporters, several thousand volunteers across the country and about 800 operational and strategic partners, including delivery partners such as further education colleges, the fire service, the police service, the armed forces, and schools. Resources come from local and national government, and other public sector sources, with strong corporate sponsorship agreements topping up the funding. This scheme is, therefore, a good example of youth entrepreneurship support led by the voluntary sector with commercial and public sector support. Albeit successful, this multi-stakeholder approach is rarely found in the implementation and delivery of youth entrepreneurship interventions. There are elements of this model – such as a large network of volunteers and strong partnerships with private and public sector organisations – that are worth considering when designing similar youth entrepreneurship measures.

### Summary

Entrepreneurship policy measures are present in nearly all Member States. They generally imply the presence of market failures, mainly related to lack of awareness of the viability of self-employment and lack of access to finance, and they assume that entrepreneurial activity is below the optimal level. The overall objective is, therefore, to increase the supply of entrepreneurs. However, a growing number of entrepreneurship policy measures directed at young people have been introduced in recent years in the context of high youth unemployment in many Member States. Youth-specific measures generally include a soft form of support (including entrepreneurship training, mentoring, coaching and advisory services) or a mix of soft support and financial incentives. Expenditure on such policy measures is likely to grow over the coming years in the context of the implementation of the Youth Guarantee.

The mapping exercise has identified a total of 66 publicly funded start-up support measures. Many are activation measures for the unemployed (regardless of their age) and do not target young people exclusively; this, however, does not preclude their inclusion in the YGIP in the respective countries. Overall, 34 policy measures specifically target young people and 22 are part of the Youth Guarantee.

Of the measures, 27 can be categorised as 'hard' in the sense that they provide mainly financial support, while only 6 provide exclusively soft support in the form of entrepreneurship training, advice, coaching and mentoring, and 18 combine hard and soft support. The remainder are initiatives improving entrepreneurial awareness or establishing links with the education systems, and various other initiatives providing supporting infrastructure for entrepreneurial activities.

Policy strategies on youth employment (including youth entrepreneurship) such as those introduced recently in Austria, Portugal and Spain are comprehensive as they include a wide range of complementary initiatives in interrelated fields of action. Not only are the budgets allocated substantial, but these strategies also require the passing of new legislation to gradually approve all actions planned. Another precondition for success is coordination and collaboration with many different entities, relevant ministries and the social partners.

A number of start-up interventions for young people are discrete, small-scale, temporary measures with limited financial resources. By their nature, many such schemes are very selective, and only a small number of participants can effectively access their support, hence limiting the overall impact of the measures.

Some measures providing basic business skills to young people and focused on the development of competencies necessary for business creation are based on a relatively simple support model, especially in countries where business regulation or the business environment is rather complicated or burdensome.

Start-up support measures that establish links with the education system are particularly beneficial in societies and cultures where the general level of entrepreneurship education is low and where the stigma of business failure is higher. Such initiatives can be successfully combined with awareness-raising initiatives. Cooperation with relevant stakeholders, particularly those providing the supporting local infrastructure (for example, universities), ensures that joint resources are used optimally.

Long-standing and successful programmes for young people take a phased approach, with particular emphasis on support in the pre-start-up phase to encourage entrepreneurial motivation and building essential capacities among young applicants to start and develop a business. However, adequate and substantial financial resources are required for more comprehensive programmes providing a mix of financial support and soft support including counselling and training for an extended period of time (beyond the start-up phase).

Many of the general start-up schemes (also available to young people) embedded in legislation for active labour market instruments are based on stringent selection criteria, for example:

- the viability of the business plan or feasibility of the business idea;
- the quality of the individual applicants including their level of education and work experience.

These criteria reduce the applicability of such schemes to young people, who are more likely to lack work experience and entrepreneurial knowledge, and particularly to young people from disadvantaged backgrounds with lower levels of education (NEETs).

Complementary, albeit temporary, start-up support measures are funded by EU structural funds (particularly the ESF) in the context of broad operational programmes. However, there is evidence that some degree of overlap between support measures may limit their actual effectiveness. Also, high administrative costs in delivering these measures may also reduce the overall impact of the measures.



# Evaluation of start-up support measures 3

This chapter brings together the findings of a review of evaluations of start-up measures implemented in a range of Member States. It draws specific conclusions on the methodologies employed and the impact analysis carried out, as well as lessons for policy development in the area of entrepreneurship. Although findings from monitoring-type evaluations are also reported, the emphasis is mainly on evaluations using more robust statistical methods to assess nine start-up support measures in six Member States. These were identified through the mapping exercise of start-up support measures for young people or of relevance for young people (see Chapter 2). The majority of the measures are activation measures focused on the unemployed:

- a business start-up subsidy in Estonia;
- ACCRE in France;
- Start-up Coaching and the Start-up Subsidy in Germany;
- Bbz in the Netherlands;
- business start-up support in Sweden.

Only three measures have a specific focus on young people:

- CréaJeunes in France;
- the Junior Achievement Company Program in Sweden;
- the Prince's Trust Business programme in the UK (which later became the Enterprise programme).

The review of the selected evaluations draws on the preliminary assessment of the original evaluation reports and in-depth interviews with the researchers involved in the evaluation exercise or stakeholders in the relevant commissioning bodies, or both.

## Theoretical approach to the review of evaluations

The framework used for the review of evaluations on start-up support is one originally developed by Storey (1998), which distinguishes between simple monitoring exercises and more sophisticated evaluations using the methods of causal inference. The Storey framework proposes six steps to categorise the robustness of evaluations; although all six steps are often referred to as 'evaluations' in the literature, Steps 1 to 3 can be considered as merely monitoring, with only Steps 4 to 6 being evaluations, using counterfactual comparison, a matching strategy or other methods to eliminate or control for possible selection bias. More recently, Storey added a further step (6+), which refers more explicitly to evaluations using the experimental design with random assignment, whereby eligible applicants are placed in a lottery and randomly assigned to either a group of beneficiaries who are granted the support or to a group of beneficiaries who are not given the support. The six (plus one) steps are summarised in Table 2.

**Table 2: The six (plus one) steps of Storey’s framework**

<b>Monitoring</b>	
<b>Step 1</b>	Take-up of programme
<b>Step 2</b>	Recipients' opinions
<b>Step 3</b>	Recipients' views of the difference made by the programme
<b>Evaluation</b>	
<b>Step 4</b>	Comparison of the performance of 'Assisted' with 'Typical' firms
<b>Step 5</b>	Comparison with 'Match' firms
<b>Step 6</b>	Taking account of selection bias
<b>Step 6+</b>	Randomised control trial

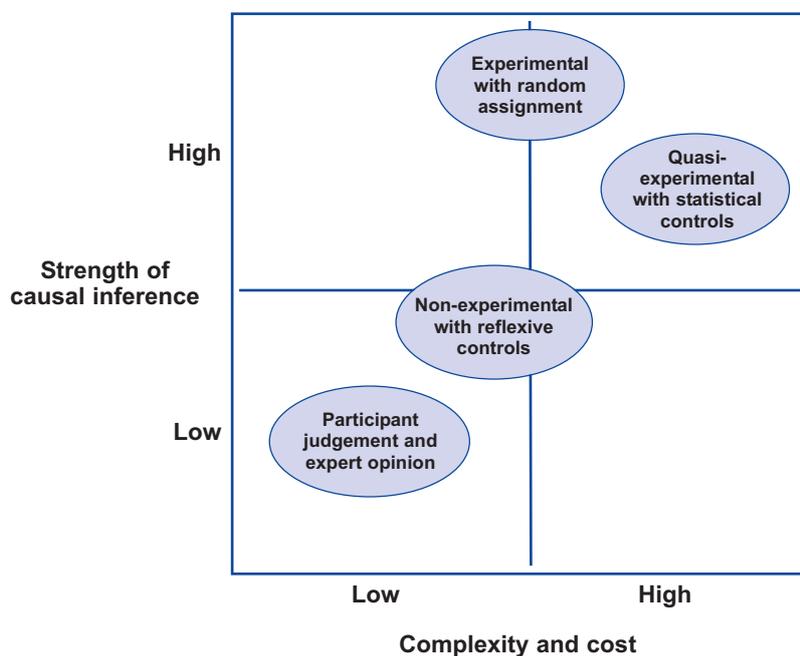
Source: *Storey, 1998 (updated)*

The key difference between monitoring and evaluation is that the latter uses analytically rigorous methods to determine the impact of the policy interventions. According to Storey’s framework, monitoring approaches merely either document activity under the programme mainly for accounting purposes or report participants’ perceptions of the value of a scheme. More robust evaluations are those that include an assessment of the ‘counterfactual’, which takes into account the impact of the measure on the participants (the treated group) after comparison with a group of non-participants (the control group). The difference between actual changes and the counterfactual is viewed as the net effect of the policy or its ‘additionality’. As such, Storey’s categorisation provides a useful means of assessing the robustness of the evaluations.

However, in order for such studies to have value in the wider development of policy, the assessment of impacts also needs to be linked to an analysis of the process factors that support or hinder successful measures. Process factors that might be explored in a process evaluation would relate to the efficiency of the specific delivery approaches adopted and include, for example, the efficiency of the eligibility criteria and selection criteria, how far the support addresses the specific needs of start-up businesses, and the quality of advice provided. Notwithstanding the value of undertaking robust policy evaluations, the evaluation exercise should not ignore issues with programme delivery that may surface by engaging actively with those delivering the programme. This may lead to a more comprehensive assessment of the policy intervention and ensure that the evaluation is not detached from practical concerns in relation to the programme delivery.

Using the Storey framework, a common finding that emerges is that the more sophisticated the evaluation approach, the lower the identified impact of the programme being evaluated (OECD, 2004). Also, the costs associated with carrying out a counterfactual evaluation are not negligible, especially in a context where public financial resources are being increasingly rationed. This implies that accurate detection of policy impact increases with the budget allocation for the evaluation exercise (see Figure 7), thus highlighting an important trade-off. The risk is that programmes that are evaluated with less robust methods may show greater impact and, on the surface, justify an increase in budget – potentially diverting funds from more effective policy interventions.

Figure 7: Trade-offs in evaluation design



Source: OECD, 2004

Entrepreneurship policies are generally expensive to implement while, by comparison, the costs required to conduct an evaluation are generally modest (OECD, 2007). Nonetheless, examples of labour market evaluations using the experimental approach show that their preparation and implementation make heavy demands on time, as well as on human and financial resources (for example, Crépon et al, 2013b, 2014). In a context of budgetary restrictions, however, the application of the experimental model should be ensured for those interventions that are expected to be particularly costly or strategically relevant.

## Design features of start-up support measures affecting impact

### Identifying objectives

Most of the start-up support measures reviewed do not have specific and measurable objectives or targets that could be used to guide the evaluative research. Such targets are often inserted afterwards by the researchers as part of the evaluation exercise. The majority of measures specify higher-level aims, focused, for example, on enterprise development and increasing employability. This is also true for the measures evaluated using the counterfactual design (see Table 3). Setting quantifiable targets would also depend on how the programme is delivered – for example, the Dutch start-up incentive scheme for the unemployed (Bbz) is implemented at municipal level, and setting specific targets is at the discretion of individual municipalities. In general, measures that are part of wider programmes do not set specific objectives at the measure level but only at the general programme level, which does not help when assessing the impact of individual measures. Specific targets and indicators are set, however, in the context of start-up support measures co-funded via ESF operational programmes – one example is the Start-up Coaching scheme in Germany. The evaluation of this measure was unique among those reviewed, as the focus of the evaluation, using a control group methodology, was to assess progress against specific targets.

**Table 3: Objectives and targets of evaluated measures (using counterfactual design)**

	Name of measure	Principal objectives	Quantifiable targets
<b>Estonia</b>	Business start-up subsidy	To promote and support entrepreneurship among unemployed people; to create sustainable businesses that help to generate employment over the long term	No specific targets identified
<b>France</b>	ACCRE	To support the creation or takeover of enterprises by unemployed people, especially those facing particular difficulties in the labour market	No specific targets identified
<b>France</b>	CréaJeunes	To support disadvantaged young people to develop entrepreneurial skills	No specific targets identified
<b>Germany</b>	Start-up Subsidy	To support unemployed people to start a business	No specific targets identified
<b>Germany</b>	Start-up Coaching	To support unemployed people to start a business	<ul style="list-style-type: none"> <li>• 75% of beneficiaries to be self-employed 24 months after starting up the business</li> <li>• 5 percentage points difference between the self-employment rate of supported companies compared with unsupported companies 24 months after creation</li> <li>• 36% of supported start-ups to have more employees 24 months after the date of business creation than at the time of creation</li> </ul>
<b>Netherlands</b>	Bbz	To support unemployed people to start a business	No specific targets identified
<b>Sweden</b>	Business start-up support	To increase employment and the number of Swedish enterprises, thus contributing to national economic growth	No specific targets identified
<b>Sweden</b>	Junior Achievement Company Program	To stimulate creativity and entrepreneurship, to give students insight into the realities of business and to raise awareness of the importance of entrepreneurship	No specific targets identified
<b>UK</b>	Prince's Trust Business programme	To support young people to start a business	No specific targets identified

Source: *Eurofound national reports and expert interviews*

### Potential unintended effects

Start-up support measures, whether targeting the young or the general population, may result in some potential unintended consequences such as deadweight loss and displacement of regular jobs (Meager, 1996). Very few evaluations have, however, explored the full magnitude of possible deadweight and displacement effects resulting from entrepreneurship policies, whether for young people or all beneficiaries. To date, this remains a research gap.

Other unintended effects may be positive; certain programmes may have general objectives to increase start-ups but may benefit young people in other ways by increasing their knowledge and skills and, through this, help them to access wider employment opportunities.

### Deadweight effects

Deadweight refers to outcomes that are not additional to what would have happened in the absence of the support; for example, the recipient may have accessed alternative support or their business may have started and grown anyway independently of public supports. Drawing from the existing evaluation literature, Meager and colleagues (2003b, p. 59) reported that 'estimates of 60–70 percent deadweight are common'. Most of the available estimates are, however, based

on self-reported data from surveys (self-reported deadweight). Other more recent evaluations point to lower deadweight effects, but there is a broad range of such estimates.

For example, the evaluation of the German Start-up Subsidy provides indirect evidence of deadweight effects from a survey among the beneficiaries (N = 2,306). It found that while 22.8% of beneficiaries had intentionally registered as unemployed to receive the subsidy, only 14.2% agreed that the receipt of the subsidy was also highly relevant to their business survival in the first six months (Caliendo et al, 2015). The evaluation of the Swedish business start-up support scheme found a self-reported deadweight loss of around 40% (Riksrevisionen, 2008), while Behrenz and colleagues (2012) reported a lower estimate, in the range of 20%. The evaluation of the Prince's Trust Business programme also found a low estimate of self-reported deadweight loss – 11% of the programme participants stated that funding and support made no difference to whether or when they started the business, but only 25% reported that they definitely would not have started the business without the support (Meager et al, 2003a, 2003b).<sup>9</sup>

### *Displacement effects*

Displacement refers to a situation whereby support provided to a business start-up may have negative consequences for competitor businesses. Displacement effects tend to be high in entrepreneurship policies, particularly those targeting disadvantaged groups, who are more likely to establish their business in sectors with low barriers to entry (for example, the service sector) (Meager et al, 2003b). By their nature, displacement effects are difficult to assess fully, and as a result, very few evaluations of start-up support interventions take them into account as part of the overall impact assessment.

One example of where (indirect) displacement effects have been taken into account is the evaluation performed on the business start-up support scheme in Sweden, whereby a self-reported survey (N = 301) was carried out among 2006–2007 beneficiaries (Riksrevisionen, 2008). This found that approximately 25% of the respondents believed they had been given an advantage compared with their competitors, suggesting some distortion of competition. Among those who felt that they had experienced a market advantage compared with their competitors because they had received start-up support, the main advantage stated was that they had received a 'safe', fixed income (the activity support) rather than elements such as lower prices, better marketing or better customer service. Behrenz and colleagues (2012), however, did not find any statistically significant displacement effect for the Swedish start-up support programme.

### **Specifying design factors**

Design factors that can affect the scale and nature of impacts include, for example, the criteria used in selecting beneficiaries and the nature of the instrument used to support the start-ups. The provision of financial support across many schemes is conditional upon the quality of the business idea or the viability of the business plan. Also, a higher level of qualifications (to degree level) or applicants having some professional experience is often a prerequisite for participation. These selection criteria introduce selection biases that are likely to affect the overall impact of the interventions, with the applicants who are the most committed, entrepreneurial and qualified being granted the support. This is, for example, the case with the German Start-Up Subsidy, which is open to applicants with a viable business plan.

Measures with more stringent selection criteria – such as those focusing on people with a higher level of education and prior experience who are more likely to engage in entrepreneurship – may result in higher deadweight effects but also in higher survival rates. The opposite pattern may be expected (lower deadweight effects and lower survival rates) if the screening of applicants is not conditional on the 'quality' of individual applicants or the business plan. The approach followed by a number of youth-specific schemes (reviewed in the previous chapter) is to provide expert mentoring,

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<sup>9</sup> Note that Meager et al (2003a) is the full report of the evaluation, while Meager et al (2003b) is an article summarising the findings.

training and assistance services for helping candidate entrepreneurs to prepare a business plan and to equip them with basic entrepreneurial skills or even qualifications prior to the final screening of the candidate entrepreneurs who will be granted the support for the start-up and development phase. Examples of schemes assisting young people's entrepreneurial preparedness are the Prince's Trust Enterprise programme in the UK and the Young Entrepreneurs' Plan in Belgium. This type of support in the pre-start-up phase is essential for young people who lack experience and entrepreneurial skills.

## Monitoring implementation

### General start-up schemes

Not many monitoring-type evaluations of general start-up schemes provide specific information about the nature and characteristics of take-up among the younger age cohorts. Such information is, nonetheless, very useful to assess the extent to which a general scheme has some relevance and appeal for young people and addresses some of their specific needs.

A general scheme that, over the years, has supported many young people is ACCRE in France. In 2013, 185,432 people who were unemployed or on social minima payments benefited from ACCRE, of which 14.9% (27,630) were aged below 25, with 21.2% (39,312) aged between 25 and 29 (Table 4).

**Table 4: ACCRE beneficiaries by age group, 2013**

Age groups	ACCRE	
	No. of entrants	%
<b>Total (all ages)</b>	185,432	100.0
<b>15–19 years</b>	2,040	1.1
<b>20–24 years</b>	25,590	13.8
<b>25–29 years</b>	39,312	21.2
<b>30–34 years</b>	31,338	16.9
<b>35–39 years</b>	25,590	13.8
<b>40–44 years</b>	22,994	12.4
<b>45–49 years</b>	17,987	9.7
<b>50–54 years</b>	11,868	6.4
<b>55–59 years</b>	7,046	3.8
<b>60–64 years</b>	1,483	0.8
<b>65+ years</b>	185	0.1

Source: *Ministry of Labour (DARES)*

Monitoring data from other general schemes show a much lower level of take-up among the younger age cohorts. For example, monitoring information of the UK NEA scheme, which is routinely collected and made available by the Department for Work and Pensions (2014), indicates that 3,920 young people (aged 18–24) received the NEA allowance (out of a total of 53,350) and 9,420 received mentoring (out of a total of 105,240) between April 2011 and June 2014. An independent evaluation found that young people were slightly less likely than other age groups to receive the allowance after the mentoring stage (Jones et al, 2015). Lower take-up by young people is also recorded for the start-up grant scheme in Finland. According to administrative data provided by the Ministry of Employment and the Economy, a total of 7,557 people were granted support in 2013, of which only 9.6% were under 25 years old.

Overall take-up rates of the Estonian business start-up subsidy are low. According to EUIF data, this measure is used to a limited extent and accounts for approximately 5% of the total expenditure on ALMP. On average, only 0.9% of all registered unemployed (4,252) applied for the subsidy between 1 May 2009 and 31 December 2012 (Villsaar et al, 2014). Particularly low is the level of take-up among the younger age cohort (aged 18–24), which reached a peak in 2012, with only 43 young people participating under the scheme. According to official statistics, the number of participants in follow-up services (including start-up training, individual mentoring and counselling) has been modest but increasing over the years (Table 5). This upward trend in the take-up of the measure may partly result from increased unemployment among more highly educated workers during the recent economic crisis (EEPO, 2014b).

**Table 5: Participation in the Estonian business start-up subsidy and follow-up services**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business start-up subsidy</b>	368	290	342	288	140	162	495	678	498	608	506
<b>Mentoring</b>									72	241	105
<b>Training</b>						5	18	9	60	80	166
<b>Counselling</b>									9	11	9
<b>Total participation</b>	368	290	342	288	140	167	513	687	639	940	786
<b>% of total ALMP participants</b>	1.07	1.01	1.16	1.23	0.67	0.78	1.04	1.00	0.74	0.92	0.86

Source: EEPO, 2014b, based on EUIF data

In other cases, information about take-up of schemes by young people does not come from administrative data but from recipient surveys. For example, the Polish Ministry of Labour and Social Policy commissioned a survey in 2011 among 1,150 recipients of the one-off subsidy for undertaking business activities and found that 52.6% of those who received the subsidy were aged 25–34 and only 8.5% were younger (aged 18–24) (EU-Consult, 2011). It should be noted that the results show limited effectiveness of the scheme in terms of the survival of supported businesses, as 92.9% of all supported businesses surveyed finished their activities before the end of the third year.

### Youth-specific start-up schemes

A number of monitoring-type evaluations were conducted on youth-specific schemes. In some cases, only basic information about the level of take-up and funding was provided. This information is useful, however, because it highlights issues in relation to the effectiveness of the interventions. For example, monitoring data for the Belgian Young Entrepreneurs’ Plan show a very low take-up level (see Table 6), which raises cost–benefit questions, given that the level of expenditure was around €1.1 million in 2012.

Other monitoring-type evaluations go beyond providing information about scheme take-up and also give information on recipients’ opinions about the value or usefulness of the support and whether it made a difference for them (Steps 2 and 3 of Storey’s framework). This information is often used to identify problems and bottlenecks in the delivery of the interventions and possibly some displacement effects. However, none of the statistics for the youth-specific measures listed in Table 6 provides sufficient information to make assumptions about deadweight and displacement effects.

The results of a survey-based evaluation of the Youth Innovative programme in Austria suggest that it has played an important role in promoting entrepreneurship, in line with the initial objective of fostering an entrepreneurial spirit among young people. It has also contributed to enhancing the employability of former participants and influenced educational and job decisions; two out of three said that taking part in the programme had an impact on their choices of studies and careers (Scheck and Büsel, 2013). The evaluation also highlighted some areas for improvement – for example, a focus on matching the finalist projects with appropriate companies to increase opportunities for later cooperation and exploitation of results.

Questions about the usefulness of the different components of the support scheme were addressed in the monitoring evaluation of the EXIST Start-up Grant in Germany. The majority of the survey respondents found the financial support most useful, particularly the help with living costs. Also, the financial support to cover administrative costs (91%), access to a workspace (68%) and infrastructure (67%) were rated as highly or moderately useful. Coaching and mentoring services were, however, perceived to be comparatively less useful (58% rated coaching as highly or moderately useful, and 52% rated mentor supervision as highly or moderately useful). The importance of adopting a 'lean entrepreneurship' approach (minimising the financial risk for the individuals) was emphasised in combination with training support in the preparatory phase, which should be considered in other programmes for business start-ups (Kulicke, 2013). The evaluation also looked at the survival of supported business; without, however, comparing it with that of either typical or matched businesses, and found that 84% of 585 recipients who started a company were still in business after the first year.

Other evaluations based on self-reported data show relatively high levels of satisfaction, suggesting that training, counselling and advisory services are effective and appreciated. This is, for example, the case of the evaluations conducted for the Austrian business start-up programme for the unemployed (Bergmann et al, 2013) and for the Prince's Trust Enterprise programme (Williams et al, 2012). The latter is particularly comprehensive as it was designed to explore participants' perceptions and experiences of the programme, their outcomes, and their views on how far the Enterprise programme had helped them progress. Again, satisfaction among participants with the different components of the programme was high. Particularly positive were participants' experiences of having a business mentor. Some 73% of participants were highly satisfied with their mentor, and 76% strongly agreed that their mentor was knowledgeable about their business sector, suggesting good matches between mentors and participants. Progression mentors also seemed to have been well matched to participants in terms of understanding their career path. Over three-quarters (76%) strongly agreed that their mentor was knowledgeable about the type of work in which they were interested, and the majority (87%) of survey participants felt they spent about the right amount of time with their business mentor.

The use of self-reported data to assess the impact of training programmes is, however, highly contested. According to Cardon and colleagues (2005), self-reported data tend to capture the 'emotional' or loyalty attachment to the providers of guidance, advice and training, which biases the recipients' responses and partly explains the positive impact of training found from self-reported survey-based evaluations. For example, empirical research using robust statistical methods found no impact of a bank entrepreneurship training seminar on subsequent business performance; however, the enterprises that had participated in the training were significantly less likely to switch to a rival bank, suggesting that the training may have induced some feeling of loyalty towards the training provider (Coad et al, 2015). These results suggest that the assessment of interventions should not rely exclusively on self-reported data.

More generally, drawing from a review of previous evaluations of the Prince's Trust programme (Dalglish, 1993; BMRB, 1997; Shutt, 2001; Meager et al, 2003a, 2003b; Shutt and Sutherland, 2003), Greene (2005) found that simpler evaluation techniques yielded more positive findings, which warns against making definitive claims about the effectiveness of the evaluated interventions. Greene's study also demonstrated the influence of the evaluation methodology on assessing the effectiveness of any programme and highlighted the difficulty of comparing the effectiveness of different programmes when the results are based on diverse evaluation techniques (Greene, 2009).

Table 6: Examples of monitoring-type evaluations of youth-specific start-up measures

	Name of measure	Target group	Methodology	Take-up	Cost/budget	Recipients' opinions	Recipients' views of the impact of the programme
<b>Austria</b>	Youth Innovative (Scheck and Büsel, 2013)	Young people aged 15–20	Administrative data (2011–2014) Online survey of recipients (N = 82) and six follow-up interviews	26,235 (1987–2012) 1,662 projects submitted, of which 1,100 funded (2011–2014)	n/a		11% said that taking part has made them decide to become self-employed 20% were offered a job through taking part 3% have created a business
<b>Austria</b>	AMS business start-up programme	Unemployed (including young people)	Administrative data (2006–2012) and telephone survey (N = 906 across all age groups, only 72 under 25) (February–April 2013)	< 20 years: 112 20–24 years: 2,241 25–29 years: 5,117 30–64 years: 33,438	€17 million (2013)	79% of the under-25s were satisfied or very satisfied with the start-up counselling; 21% in this age group were relatively unsatisfied or not at all satisfied 63% of the under-25s found the advice for starting up a business very or moderately helpful; 37% found the advisory service not very helpful or not at all helpful	
<b>Belgium</b>	Young Entrepreneurs' Plan	Young people aged 18–30	Administrative data (Participation Fund)	58 (2012) 66 (2011) 128 (2010) 92 (2009) 103 (2008) 107 (2007)	€1.1 million (2012)		
<b>Finland</b>	Youth Guarantee Entrepreneur Workshop (Härkin, 2014)	Young people under 25 and recent graduates aged 25–29	Follow-up survey of 2013 recipients	20 annual recipients, 86 applications in 2013 and 131 in 2014 55% set up a company, 20% were in the process of doing so, 10% were in education, and 15% were unemployed	n/a		

## Start-up support for young people in the EU: From implementation to evaluation

	Name of measure	Target group	Methodology	Take-up	Cost/ budget	Recipients' opinions	Recipients' views of the impact of the programme
<b>Ireland</b>	BTWEA (Department of Social Protection, 2012)	Long-term social benefit recipients	Administrative data	10,098 participants, of whom 266 were under 25 and 1,566 aged 25–29 (2013)	€119.5 million (2013) €112.6 million (2014)		
<b>Germany</b>	EXIST Start-up Grant (Kulicke, 2013)	General academia (researchers, alumni, advanced students)	Administrative data (2007–2012) and online recipient survey (N = 273) (2013)	752 granted support, of which 585 started a business within or after a year from support (2007–2012)	n/a	Financial support rated as highly or moderately useful for most respondents Also high rating for access to workspace and infrastructure Coaching and mentoring services perceived to be comparatively less useful	
<b>Lithuania</b>	First Year Business Baskets Scheme (Enterprise Lithuania)	Young people aged 16–29	Administrative data	483 vouchers distributed, 148 businesses created in 2013 and another 171 in the first 6 months of 2014	€435,000 (2013–2015)		
<b>Norway</b>	The Alchemist (Haugum et al, 2013)	Young people aged 18–35	Recipient survey (2003–2012) (N = 234) and interviews with project managers and business experts	96.8% participated in events organised under the scheme, 94.6% had their business plan approved, and 84.9% received a course certificate	n/a	High level of satisfaction with the orientation of the course, less satisfaction for follow-up after support Low take-up rate due to low level of awareness about the scheme among target group and limited information available	
<b>Slovenia</b>	PVSP (Ministrstvo za delo, družino, socialne zadeve in enake možnosti, 2014)	Unemployed graduates under 35	Administrative data and recipient interviews	250 recipients in 2013, 360 in 2014 148 recipients in 2013 and 94 in 2014 became self-employed or found alternative employment	€3.9 million (2013) €4.8 million (2014)	Lack of financial incentives seen as a weakness*	
<b>Spain</b>	ENISA Young Entrepreneurs (ENISA, 2012, 2013)	People under 40	Administrative data	361 loans approved (2012) 331 loans approved (2013)	€19 million (2012) €17.2 million (2013)		

	Name of measure	Target group	Methodology	Take-up	Cost/ budget	Recipients' opinions	Recipients' views of the impact of the programme
<b>Sweden</b>	Innovativeness of the Young (Cederberg et al, 2013)	Young entrepreneurs aged 18–30	Administrative data and qualitative interviews with project managers and recipients (N = 50)	8,000 recipients (since 2010)	€5.6 million (SEK 53 million) from state budget (2010–2013) Actual expenditure of approx. €5.1 million (SEK 48 million)	Difficult to target young innovators, application should be made simpler	Funding enhanced legitimacy of business, enabled patent application and prototype creation Pre-incubator services enabled participants to start a business and move on to regular incubators (75% of recipients in pre-incubator started a business)
<b>UK</b>	Prince's Trust Enterprise programme (Williams et al, 2012)	Unemployed young people aged 18–30	Administrative data and telephone survey of recipients (2010–2012) (N = 442)	5,700 (2010–2011) 5,900 (2011–2012) 29% of participants established a Trust-supported business in 2010–2011, compared with 23% in 2011–2012	€18 million (GBP 13 million) in 2014 Programme cost 20.6% of the Prince's Trust total budget (GBP 63.5 million)	Referral mostly via friends or family 65% 'very satisfied' with information sessions Over 50% found course 'very useful' 76% thought mentors were knowledgeable about the sector After the mentoring, 14% did not want to apply for further support	79% thought one-to-one sessions after the Explore Enterprise course to decide what to do next were helpful After the first phases, 21% said the programme had already given them enough help, 16% said they did not need financial support

\* In 2014, the programme provided for one-third of participants who completed the mentoring programme and set up a company within six months to receive a grant.

Notes: The listing also includes monitoring data that refer to general measures that have been recently placed under the YGIPs of their respective countries; n/a = not available.

Source: Eurofound national reports, 2015

## Impact evaluations

### Methodological approaches

Gathering data about the number of young people who started a business as a result of their participation in a youth entrepreneurship programme, albeit informative, does not tell much about the effectiveness of the intervention. For instance, it could be that the participants were especially entrepreneurial or proactive and would have started a business anyway.

In principle, impact evaluations that attempt to identify the added value of a policy measure would require information on what the outcome of the intervention for the same participants would have been if they had not participated in the policy measure (for example, in terms of survival in business or in employment, business creation and subsequent earning levels). This hypothetical outcome is termed the counterfactual, and it refers to something that did not happen and that does not exist, because the same people cannot both participate and not participate. There are, however, well-established statistical approaches to approximate or estimate the counterfactual.

The ideal situation for evaluating a programme is when participation depends on some type of random selection process, and there is information both on participants, who are eligible and have received the support, and non-participants who are equally eligible but who have not received the support. A comparison of outcomes (such as employment rates, company survival rates or earnings) for those who participated (treated group) and those who did not (control group) is then sufficient to identify the impact of the policy measure, together with a measurement of the sampling error, which can determine whether observed differences are statistically significant. Such an evaluation allows one to estimate the counterfactual and hence provides a statistically robust evaluation of the effectiveness of the policy in question as regards specified quantitative outcomes.

A randomised controlled trial is the best statistical methodology for identifying causal mechanisms based on any intervention (clinical trial or policy measure), but it is not always possible or even desirable in the context of employment policies. Sometimes participation in a programme simply depends on the interest of the people concerned; sometimes the authorities would rather select those who are more in need of help or who are more likely to benefit from the intervention instead of making a random choice. Also, in some countries, such as Germany, there are concerns within the public authorities administering the schemes that experimental evaluations may give rise to court cases, where individuals contest the decision to (randomly) deny access to a particular programme. There is also the broader concern that limiting access to a potentially life-changing, improving policy on a random basis may be unethical.

If the participants are not randomly selected and assigned to treated and control groups, then it is not appropriate to use a random sample as a basis for the counterfactual. For these cases, there are some statistical methods that allow a partial reproduction of the conditions of an experiment, which are sometimes characterised as quasi-experimental techniques (for a more detailed review, see Heckman et al, 1999). The strategy is to find a group of individuals who are identical to the group of participants in terms of factors ('variables') that influence the outcome that the policy measure is aimed at influencing. If this can be done, in principle such a method is as reliable as the one based on random selection. There are various multivariate statistical methods that can account, or control, for measurable differences between the two groups, such as regression analysis and propensity score-matching. The issue, of course, is the extent to which one knows what factors determine the policy outcome, whether such factors are measurable and whether such data are available to the evaluator. Many important variables are typically available for such an exercise, for example, age, education and prior experience. Others, such as ability and motivation, are often less readily available. This problem of 'unobserved heterogeneity' is the key issue in most impact evaluations not based on random sampling of participants. It is precisely because participation is typically not random that it may lead to important differences (in terms of them having an impact on outcome) between the participants and a control group that the evaluator may not be able to identify and control for.

A consistent finding of this report is that the more sophisticated methods (those that succeed in controlling for differences between the treated and control groups) find little or no effect of the policy measure. This, in turn, suggests that the selection for participation is strongly positive in the sense that the selected participants were, anyway, more likely to succeed with their start-up than the control group.

### Variety of counterfactual impact evaluations

Although there has been a growing interest in youth entrepreneurship policies, there are very few impact evaluations of measures with a specific focus on young people. Examples of evaluations of youth-specific measures are those conducted in the context of CréaJeunes in France, the Junior Achievement Company Program in Sweden and the Prince's Trust Business programme in the UK. Other selected impact evaluations refer to general support measures for business start-ups targeting the unemployed (see Table 7). Some of these measures such as the French ACCRE scheme have supported a significant proportion of young people, while others with a broader focus are also available to young people if they are able to meet certain conditions, such as being within specific age bands or being registered as disabled (for example, the business start-up support scheme in Sweden). Since the majority of these general measures are available to young people, they have the potential to support the implementation of the Youth Guarantee. However, with the exception of CréaJeunes, none of them currently features specifically in their countries' YGIP.

Most of the selected measures that have been evaluated are ongoing, including several that have been running for very long periods of time; these include the Junior Achievement Company Program (Sweden), which began in 1980, ACCRE (France), which was first introduced in 1979, and the Prince's Trust Business programme (UK), which started in 1983 and was relaunched as the Enterprise programme in 2010 with a more educational approach to entrepreneurship and broader objectives. The CréaJeunes scheme in France is an example of a more recent scheme, which started as a pilot in 2007 and is still running, while Start-up Coaching in Germany has been recently discontinued but relaunched in a different format (see the previous chapter for details).

An important aspect to take into account when assessing the relevance of the evaluation approach is the level of expenditure for the implementation of the policy interventions. The greater the investment (and the number of beneficiaries), the more justified is the use of a robust approach to the evaluation. Table 7 gives some information about the costs and take-up of the selected interventions, which have been evaluated using different methods.

In terms of total expenditure, the Estonian business start-up subsidy is a comparatively small-scale incentive; hence, it is likely that deadweight costs and displacement effects are not significant. The expenditure for the French ACCRE measure and German Start-up Subsidy scheme is higher.

In the case of the ACCRE measure, the expenditure in 2011 was €245 million (up from €150 million in 2006), benefiting 179,301 unemployed people, with, therefore, an average exemption from social security contributions of €1,370 per entrepreneur (OECD and European Commission, 2014b). However, Cabannes and Fougère (2013) estimate that, in 1996, the loss to the state (in terms of social security contributions) was approximately €1 billion, equating to an average cost of €3,750 per beneficiary.

In relation to the German Start-up Subsidy, the uptake has decreased strongly in recent years. While the number of beneficiaries was well above 100,000 per year prior to the introduction of the reform at the end of 2011, it has decreased since then, with only 69,025 beneficiaries in 2012 and 19,079 in 2013 (Bundesagentur für Arbeit, 2014).<sup>10</sup> In line with the large variation in take-up, the budget for the measure varies strongly but has significantly decreased over recent

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<sup>10</sup> 123,482 (2008), 126,239 (2009), 143,531 (2010), 128,001 (2011)

years. As payments are dependent on the amount of unemployment benefit previously paid, costs per beneficiary vary but typically remain between €11,000 and €13,000 (Caliendo et al, 2011, p. 9).

The principal characteristics of the evaluated measures are summarised in Table 7.

**Table 7: Principal characteristics of evaluated measures**

	Name of measure	Type of support	Operational period	Target group	Total budget	Number of beneficiaries	% under 25 years
<b>Estonia</b>	Business start-up subsidy	Financial support (average of €5,000) to start businesses	2009–ongoing	Unemployed (but with some training in entrepreneurship)	€1.6 million (2013)	506 (2013)	No data available
<b>France</b>	ACCRE	Financial support (through exoneration from certain social security costs) for the creation or takeover of a business	1979–ongoing	Unemployed	€245 million (2011)	179,301 (2011) 185,432 (2013)	36.1% (15–29 years)
<b>France</b>	CréaJeunes	Entrepreneurial training programme for young people	2007–ongoing	Young people	€2.8 million (2009–2011)	5,239 (2013)	100%
<b>Germany</b>	Start-up Subsidy	Financial support to recipients of unemployment benefit to start a business	2006–ongoing	Unemployed	€227 million (2013) €427 million (2014)	19,079 (2013)	3.1%
<b>Germany</b>	Start-up Coaching	Coaching services for start-ups	2008–2013	Unemployed	€650 million (2008–2013)	14,609 (2009) 18,273 (2010)	4.5%
<b>Netherlands</b>	Bbz	Support for unemployed people to reintegrate into the labour market by starting up their own business	1986–ongoing	Unemployed	€28.5 million annually €1 million from state budget and €1.8 million from private partners	1,500–2,000 (annual average)	Less than 1%
<b>Sweden</b>	Business start-up support	Start-up support – universal start-up support programme aimed at the unemployed	1987–ongoing	Unemployed	€45.5 million (2013)	2,990 (2013)	No data available
<b>Sweden</b>	Junior Achievement Company Program	Business education programme for upper-secondary students	1980–ongoing	Young people (school age)	€8.7 million annually	24,415 (2014–2015)	Secondary school age*
<b>UK</b>	Prince's Trust Business programme	Start-up support including training and mentoring	1983–2010	Young people	€18 million (financial year ending March 2014)	5,700 (2010/2011) 5,900 (2011/2012) 8,682 (2014/2015)	100% 18–30

\* Specific age category not specified in evaluation report.

Source: Eurofound national reports, 2015

It should be noted that it is difficult to evaluate the effectiveness of the different measures in a comparative sense due to the use of different evaluation techniques and performance indicators to measure impacts. This chapter should be considered a review of evaluations rather than a meta-evaluation in the strict sense.<sup>11</sup>

### Categorisation of selected evaluations

Table 8 shows that most of the evaluations reviewed for this study could be regarded as Step 6 evaluations, generally employing a quasi-experimental method. Only one, CréaJeunes, used an experimental approach with a randomised control trial and therefore fits in Step 6+ of the Storey categorisation.

Overall, the use of this categorisation approach suggests that evaluations carried out by academic researchers were more robust than those commissioned or carried out directly by the public bodies partly responsible for implementing the scheme. A distinction can be made between evaluations that were driven by programme and policy requirements (for example, the evaluations of the Estonian and Swedish start-up support schemes) and those that were the result of academic interest (for example, the evaluations of ACCRE or the German Start-up Subsidy). Broadly speaking, evaluations that were driven by policy and programme requirements tended to be less rigorous in their use of techniques to assess the counterfactual, while those that were driven by academic interest tended to use advanced quantitative approaches.

**Table 8: Categorisation of counterfactual evaluations by typology**

	Name of measure	Type of support	Methodology		Evaluation categorisation
			Number of participants and non-participants	Statistical technique	
<b>Estonia</b>	Business start-up subsidy (Villsaar et al, 2014)	2008–2011	1,075 (participants) 10,427 (non-participants)	PSM	Step 6
<b>France</b>	ACCRE (Cabannes and Fougère, 2012)	1998–2003	6,522 (participants) 10,597 (non-participants)	Regression using instrumental variables (IV) method	Step 6
<b>France</b>	CréaJeunes (Crépon et al, 2014)	2009–2013	970 (participants) 475 (non-participants)	Randomised control trial	Step 6+
<b>Germany</b>	Start-up Subsidy (Caliendo et al, 2011)	2009	2,306 (participants) 2,303 (non-participants)	PSM	Step 6
<b>Germany</b>	Start-up Coaching (Caliendo et al, 2014)	2009	6,135 (participants) 38,000 (non-participants)	PSM	Step 6
<b>Netherlands</b>	Bbz (van der Ende et al, 2004)	2004–2008	56,468 (participants) 97,334 (non-participants)	Regression analysis	Step 4
<b>Sweden</b>	Business start-up support (Riksrevisionen, 2008)	2003–2007	15,461 (participants) 181,097 (non-participants)	PSM	Step 6
<b>Sweden</b>	Junior Achievement Company Program (Wennberg, 2011; Wennberg and Elert, 2013; Elert et al, 2015)	1994–1996*	9,731 (participants) 202,023 (non-participants)	PSM	Step 6
<b>UK</b>	Prince's Trust Business programme (Meager et al, 2003a, 2003b)	1998–2000	2,002 (participants) 1,600 (non-participants)	Multivariate regression	Step 6

\* In order to assess the long-term effects of programme participation, the cohorts of programme participants from 1994 to 1996 were chosen, when they were aged between 17 and 19. This allowed tracking of them for 11–16 years after participation when they would be in their early to mid-30s.

Note: PSM = propensity score matching

Source: *Original evaluation reports and expert interviews carried out in 2015*

<sup>11</sup> Meta-evaluation is generally understood as the synthesis of data to provide an overall assessment of a series of related policies or interventions (although this may also involve assessing the quality of the evaluation or data that are to be used or both).

The summary of the statistical techniques used in the selected evaluations (noted in Table 8) broadly points to a continuum of approaches with varying degrees of robustness. The randomised control trial methodology used in the CréaJeunes evaluation could be described as the purest form of experimental methodology, as any selection bias (observed and unobserved) is eliminated through the random selection to the treated and control groups.

Most of the selected evaluations used the propensity score matching (PSM) technique, which basically reproduces the experiment situation by constructing a (hypothetical) control group of non-participants with similar (observable) characteristics to those who did participate. This is the most common technique used in evaluations of ALMP measures, where there is a clearly defined group eligible for the specific measure being evaluated and sufficient administrative data or some other database for that population, which can be used to inform the construction of a control group.

One of the main advantages of the PSM over random assignment is that it avoids the ethical worries arising from denying some individuals the ‘treatment’ (those in the control group). Although a large amount of data is required to perform a PSM evaluation, the costs are generally lower than those necessary for conducting an evaluation with random selection (Bryson et al, 2002).

A key challenge in evaluating these types of measures is devising a method that explores impact without potential selection bias. Selection (and self-selection) to a programme tends to depend partly on observable elements, but also partially on unobservable elements. Most of the evaluations reviewed relied on the use of PSM approaches to account for observable elements in the selection of control groups and matching with the treated group. However, even within the group of evaluations using matching methods, there is wide variation in the extent to which even observed variables were taken into account in the matching process.

The PSM evaluations of start-up support measures for the unemployed used a comparable unemployed cohort as control group. These included the evaluations of the Start-up Coaching (Germany), business start-up support (Sweden) and business start-up subsidy (Estonia) measures. One evaluation, however, used a matched group of start-up businesses (Start-up Subsidy, Germany). Using control groups made up of similar start-up businesses may eliminate, at least partially, the bias associated with motivation, since both groups are likely to have similar motivation levels for starting a business.

Comparing a group of unemployed people who are supported to start a business with a group of unemployed people who are not may suggest that greater caution should be exercised in the interpretation of impact results. In these cases, it is likely that unobservable characteristics of these groups, for example personality traits and motivation, may be very different and lead to biased estimates of the effect of the programme. The evaluation of the German Start-up Coaching measure included a number of variables – for example, risk aversion and personality traits (as measured by the Big Five personality traits model)<sup>12</sup> – that could account for some unobservable factors that may influence participation and outcomes. Also, as commonly done in labour market evaluations, data on unemployment and earning histories were used for the matching strategy, as they are important predictors of programme entry and subsequent employment outcomes, while at the same time capturing some unobservable characteristics such as motivation.

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<sup>12</sup> The Big Five personality traits model, also known as the five factor model, measures five key personality dimensions, namely openness, conscientiousness, extraversion/introversion, agreeableness and neuroticism. It is widely and commonly used by psychologists to describe personality.

In order to attempt to take both the observable and unobservable elements into account, evaluators of the ACCRE measure (France) used an instrumental variable (IV) approach. This is a statistical technique that may facilitate an exploration of the causal relationship (in this case, the impact of the exemption from social security payments on business survival) where controlled experiments are not possible and where a factor within the system (in this case, the selection process) has been shown to have an impact, or likely impact, on the outcome being examined (in this case, business survival rate).<sup>13</sup> In the case of the ACCRE evaluation, a suitable comparison group could not be identified since, during the period considered for the evaluation, beneficiaries were not randomly assigned to ACCRE (there was always a selection process), nor was there any regional variation in the way in which ACCRE was implemented (which may otherwise have allowed for regional comparisons). The ACCRE evaluation can be classified as Step 6 in the Storey categorisation given that the chosen methodological approach is particularly robust, in the sense that it aims, through regression techniques, to account for unobserved factors and isolate the contribution of the measures to specific outcomes.

In the case of the evaluation of the Prince's Trust Business programme, neither an experimental approach based on random assignment nor a PSM approach was feasible. The chosen approach was one based on multidimensional matching (as opposed to a unidimensional matching criterion or 'propensity score'). Due to 'a constrained matching process', the authors accepted that the participant and comparison groups were likely to differ significantly, giving rise to issues of selection biases (Meager et al, 2003b, p. 61).

To the extent that evaluation approaches tend to be more thorough and systematic in the area of SME policies than in entrepreneurship policies, previous evaluations of such policies could potentially provide some useful insight into key issues to consider and ways to improve evaluation approaches for youth entrepreneurship policies. For example, Wren and Storey (2002) investigated the impact of publicly subsidised soft business support on business performance and, in doing so, they provided an example of how selection bias issues can be dealt with while using econometric techniques. The research drew the control group sample not from all eligible companies but those entering the second stage of selection, which, therefore, had been successful in the screening for support. Unlike the treated group, the control group did not go on to receive assistance and hence did not enter the third and final stage (implementation). This approach helps to reduce any unobserved heterogeneity between the treated and control group samples. The research highlights that failure to take into account the selection effect alters significantly the measurement effect, thus bringing into question the overall evaluation approach.

### **Evaluation results: Impact of evaluated measures**

Table 9 presents the results of the selected counterfactual impact evaluations using information (where available) on the age characteristics of the recipients and results in terms of impacts. Most of the evaluations investigated the survival in employment of programme participants or the survival of supported businesses compared with the control group. Survival in employment is particularly relevant for young people in the sense that most youth entrepreneurship policies aim at increasing the employability of young people in either paid or self-employment. Some evaluations have also looked at other outcome variables, for example employment status, income and job creation.

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<sup>13</sup> In more technical terms, IV estimation is a method used to estimate causal effects of programme participation when there is endogeneity in the model. It hinges on finding a reliable and valid instrument; in other words, a variable that is uncorrelated with the error term and any other control variables (for validity) and correlated with programme participation (for relevance).

Table 9: Key results of selected impact evaluations

	Name of measure	Impact	Key results in terms of programme impacts	Result of CBA (if included)
<b>Estonia</b>	Business start-up subsidy (Villsaar et al, 2014)	X	The effect of the subsidy on total employment of the treated group was about 50 percentage points higher than the control group and then started to decrease, stabilising after two years at 30–35 percentage points. Negative impact of participation on earnings. Yearly average income (including taxes): <i>Year 1</i> • €2,375 (treated) • €3,114 (control) <i>Year 2</i> • €3,795 (treated) • €5,414 (control) <i>Year 3</i> • €4,770 (treated) • €6,535 (control)	+
<b>France</b>	ACCRES (Cabannes and Fougère, 2012)	O	No impact of programme participation on business survival	No CBA
<b>France</b>	CréaJeunes (Crépon et al, 2014)	O	No impact of programme participation on business creation, survival, income or employment outcomes	No CBA
<b>Germany</b>	Start-up Subsidy (Caliendo et al, 2011)	X	Business survival rate 19 months post support: • 80.7% (treated) • 74.4% (control) Monthly income 19 months post support: • €2,389 (treated)* • €3,073 (control) Employment effects (average number of employees in full-time equivalents) • 3.1 (treated) • 6.2 (control) No significant difference on business innovation.	No CBA
<b>Germany</b>	Start-up Coaching (Caliendo et al, 2014)	+	Effects on the treated group: • self-employed after 26 months: +5.75 percentage points • self-employed after 46 months: +3.66 percentage points • monthly income after 26 months: – €207.74 effect on monthly income not significant after 46 months	No CBA
<b>Netherlands</b>	Bbz (van der Ende et al, 2004)	+	Not dependent on benefits after 12 months: • 51% (treated) • 51% (control) Not dependent of benefits after 48 months: • 74% (treated) • 56% (control)	

	Name of measure	Impact	Key results in terms of programme impacts	Result of CBA (if included)
Sweden	Business start-up support (Riksrevisionen, 2008)	+	Share no longer registered unemployed with PES at two points of time. Status at the end of 2005: <ul style="list-style-type: none"> <li>• 79% (treated)</li> <li>• 54% (control)</li> </ul> Status at the end of 2007: <ul style="list-style-type: none"> <li>• 85% (treated)</li> <li>• 71% (control)</li> </ul> Share in permanent employment four years after support: <ul style="list-style-type: none"> <li>• 85% (treated)</li> <li>• 63% (control)</li> </ul> Aggregate period of time registered with the PES (2003–2007): <ul style="list-style-type: none"> <li>• 378 days (treated)</li> <li>• 496 days (control)</li> </ul>	No CBA
Sweden	Junior Achievement Company Program (Wennberg, 2011; Wennberg and Elert, 2013; Elert et al, 2015)	+	Programme participants 30% more likely than control group to start a business 12 years after participation.  Programme participants who started a business more likely to earn 10% more from business venture 11–12 years after participation than control group/general population.	No CBA
UK	Prince's Trust Business programme (Meager et al, 2003a, 2003b)	X	Being in the participant sample increased the chances of being in employment at wave 3 (two years after receiving the support) compared with the control group but only for supported business that were still trading.  No impact on subsequent employment chances for participants whose business ceased trading ('non-survivors') by the second year (2001) after receiving the start-up support in early 1998.  Lower self-employment weekly earnings in the participant group than the comparison group.  Participant non-survivors were more likely to be in self-employment at the end of wave 3 but overall employment probabilities were not greater than in the comparison group.	No CBA

\* The monthly earning of beneficiaries was higher than the average monthly salary of a comparable full-time employee in Germany (ca. €1,900).

Notes: + indicates that outcome variables had an overall positive effect; O indicates that outcome variables had no effect; X indicates that outcome variables had a mixed effect. CBA = cost-benefit analysis

Source: *Original evaluation reports and in-depth interviews with evaluators/ stakeholders carried out in 2015*

Table 9 shows that the majority of evaluations found that the measure had positive or mixed impacts. It is interesting to note, however, that the two evaluations that both accounted for unobservable as well as observable factors (the two French measures) concluded that the measures examined had no (or very limited) impact. The evaluation of CréaJeunes found that, while enterprise training meets a real demand from young people, the programme could not be considered successful in addressing the barriers faced by young people in starting a business. The impact analysis showed that 28 months after the beginning of the programme, there was no significant difference between the treated and control groups in the proportion of people starting a business or in their income levels. The fact that the type and characteristics of training provided do not seem to make a difference could suggest that other variables (such as individual creativity, other personal characteristics, market knowledge) may be relevant – and possibly that being an entrepreneur requires specific qualities and attitudes.

The ACCRE evaluation showed a higher survival rate for businesses that had been supported by ACCRE. For businesses set up by entrepreneurs who had been unemployed for less than one year, those created by ACCRE beneficiaries had a 19 percentage point greater chance of survival after five years. For entrepreneurs who had been unemployed for more than one year, the difference was also significant: those created by ACCRE beneficiaries had a 14 percentage point higher rate of survival at five years. However, according to the evaluators, the pattern of results stems from the selection (and to some degree self-selection) process for the ACCRE scheme – the ‘best’ entrepreneurs or business opportunities are selected for this scheme, and hence their businesses have the best chance of survival. For example, the skills needed to complete the ACCRE application forms will have excluded certain weaker entrepreneurs. A logit model estimation of the relationship between observable variables (such as age, sex, nationality and highest level of qualification) and obtaining ACCRE support confirmed the selection bias, showing a clear positive selection based on certain variables. For example, ACCRE beneficiaries are more likely to be women, people who have been unemployed for less than one year, people with higher levels of qualifications, and people who have business entrepreneurs in their family circle, but are less likely to be younger than 25 or more than 45, or to have a non-EU nationality.

Mixed evidence comes from the evaluation of the Prince’s Trust Business programme, which adopted a multidimensional matching approach. Looking at those participants whose business had ceased trading, the evaluation found no impact of programme participation on their subsequent employment chances. In relation to earning levels, the evaluation found that those in the participant sample had lower weekly earnings from self-employment than their comparison sample counterparts. As such, the results do not provide support for the claim that self-employment programmes targeting disadvantaged and unemployed youth necessarily help to increase their subsequent employability, justifying the high costs associated with the implementation of these interventions. The evaluators, however, concede that it may be possible that there are longer-term effects not accounted for in the evaluation.

The long-term impact of the programme participation was investigated in the evaluation of the Junior Achievement Company Program (Sweden). Using matched samples of participant and non-participant cohorts, the evaluation compared whether programme participants had a higher propensity to start a business in later life than those in the matched control groups, as well as in the general non-participant population. The results showed that, compared with their matched counterparts, programme participants were 30% more likely to start a business up to 12 years after participating in the programme. Programme participants who had started a business were also more likely to earn as much as 10% more income from their business venture 11–12 years after participation than non-participants from the general population, as well as the matched comparison group.

Comparing the impact results of the CréaJeunes and the Junior Achievement Company Program measures suggests that the relative impacts may have been influenced by the specific design elements of the programme. The strength of the Company Program may lie in the opportunity it provides to young people to experiment with business ideas and its value in terms of raising awareness of entrepreneurship as a career choice. In contrast, the CréaJeunes measure was designed to support those who had already developed a business idea and who had aspirations to start a real business. These results suggest that the training approach offered by the Swedish programme is more likely to yield positive impacts in the longer term.

The evaluation of Start-up Coaching (Germany) indicated that the focus on a clearly defined target group of unemployed (and therefore disadvantaged) business entrepreneurs in the first year of business creation appeared to be a success factor of the programme. The programme enabled start-up businesses in the consolidation phase to be matched with professional coaches, allowing support to be tailored effectively to the needs of the start-up business. This appears to contrast with other programmes that provided more general start-up support or provided a lump sum grant.

As Table 8 shows, only two of the evaluations included a cost–benefit analysis (CBA) of the measure. CBAs were not included for a variety of different reasons. For example, the Start-up Subsidy (Germany) evaluation was led by academics for whom the CBA was not the core objective of their research. The evaluation of the precursor programmes included a CBA and found that the Bridging Money programme had a net positive effect – the cost savings were higher than the programme costs – while the Business Start-up Subsidy programme showed small negative financial effects (Caliendo et al, 2007).

The CBA of the Estonian business start-up subsidy used the findings of the impact analysis to show that additional income generated from the supported businesses outweighed the costs of the measure. The costs were only those directly related to the payment of the subsidy (that is, the amount paid to recipients of the subsidy), while the benefits included only direct financial revenues, namely the average yearly income from recipients' wages and remuneration from acting as a member of the management or supervisory body, gross wages paid for new jobs created and the operating profit generated by the supported businesses. The evaluation showed that, after three years, the return on each euro invested in paying the subsidy was €1.8 (benefit to cost ratio of 1.80:1).

The CBA of the Bbz measure (Netherlands), which also showed a positive result, included calculations of unemployment benefits that would otherwise have been paid to the recipient of the subsidy as well as other ALMP-related expenses. The CBA was estimated over a long time frame (24 years), and estimated a net gain of €18,909 per starter, or a benefit to cost ratio of 1.18:1. The overall benefits of the scheme appear to be higher when an individual has a good coach before or during the start (possibly 10% of the total benefits of €104,000). This outweighs the costs of coaching of €3,000 for a pre-starter and €5,000 for a starter. Coaching after the start is even more beneficial, since these costs are relatively low at €1,200.

It should be noted, however, that the quality of any CBA is, at least in part, dependent on the robustness of the methods employed in the impact assessments.



# Conclusions and policy pointers 4

## Evaluation design

The review has highlighted the difficulties of making comparisons across evaluations of different start-up measures since they used different methodologies, examined different outcomes and made assessments over different time periods.

In some studies, the evaluation process was hampered by a lack of clearly defined objectives and targets at the level of the measure. To overcome this, many of the studies adopted a ‘post-rationalisation’ approach to the assessment of performance against objectives – in some cases, it was assumed that business creation was the main objective and therefore survival rates should be adopted as the key measure of success. However, participation in certain enterprise initiatives may provide participants with skills and knowledge that increase their employability more generally. For example, the Prince’s Trust Enterprise programme now has a wider objective to ‘support young people to achieve a positive outcome – be that self-employment, training, education, employment or full-time structured volunteering’ in recognition of the wider employability value of enterprise support.

It is important to evaluate entrepreneurship programmes in terms of clearly identified performance measures. Most of the evaluations investigated survival in employment or in business; however, some have also looked at other employment outcomes (such as income levels, employment status and job creation). Apart from the evaluation of the Swedish Junior Achievement Company Program, the evaluations examined the short-to-medium-term effects of the policy interventions. Assessing the long-term impact of policy interventions – particularly those providing soft support – in terms of enhanced employability of young people is also important and should be taken into account in policy evaluations to a greater extent than it has been so far.

Specific objectives and quantifiable targets are set for measures funded via ESF operational programmes, in line with the obligation to evaluate the supported interventions. However, the ESF should also set stronger quality standards for these evaluations. Currently, the decision on appropriate research designs is primarily in the hands of individual Member States, which leads to strong variation in the type and quality of evaluations applied.

The review has emphasised that constructing a control group that is based only on observable variables is not sufficient to avoid estimation biases. Other factors influence the decision to apply for enterprise support, such as motivation to run a business and a readiness to take risks. Generally, it is not possible to observe such factors using the variables commonly recorded and available in the datasets used for evaluation.

The review has shown that the need to go beyond quasi-experimental propensity-matched approaches and towards experimental evaluations may be particularly important in the context of evaluations focused on young people. This is because quasi-experimental approaches using PSM rely heavily on data on the employment history of individuals, while there is limited potential to match on this basis with young people. Where data on education history are (centrally) available, these may be used as a proxy, but these are not perfectly correlated with employment history. Hence, experimental designs are even more important when it comes to youth interventions and should be supported to a greater extent. Also, carrying out such evaluations is a way to build a common knowledge base, which can support public debate and policymaking, for instance, to orientate public investments towards cost-effective measures.

The categorisation of the evaluations according to the Storey framework is a useful way of assessing their robustness in quantitative terms. The main focus of many of the evaluations has been on the quantitative impacts of the measures. However, their value also needs to be considered in the context of current recommended approaches to and good practice in evaluation. This would take into account methods and approaches that attempt to measure such factors as deadweight, displacement and multiplier effects. Such factors should be taken into account in assessing whether an intervention is cost-effective or provides a good return on investment.

Furthermore, policy evaluations should use a variety of data and methodologies. Findings based on non-experimental methods could be used as baseline results but should be validated through other quasi-experimental approaches or small-scale (local) experiments. The experimental setting has a clear advantage with regard to the identification of treatment effects but is limited with regard to external validity – the extent to which effects or outcomes are likely to be generalisable or are restricted to the specific policy intervention being evaluated. Therefore, the combination of different methods will definitely increase the reliability of the evaluation results.

A comprehensive assessment of the impact of business start-up support schemes should also include qualitative elements. All start-up programmes should have clear objectives and indicators against which success can be measured – but this should also include soft outcomes (measured by qualitative indicators) to understand how such programmes make a difference and enable young people to progress. These aspects were, for example, looked at in a recent evaluation of the Prince's Trust Enterprise programme (see Williams et al, 2012).

Overall, the evaluations were also limited in terms of linking the impact results to the process of delivering the measure. There was limited analysis of why an intervention produces intended (and unintended) effects, answering the 'why and how it works?' question, using theory-based approaches (see, for example, European Commission, 2014b, 2015). For example, where impact evaluations showed that there were no benefits, there was limited commentary on whether the measure should be modified to improve targeting and processes, or whether it should be halted altogether.

Also important is ensuring that the evaluation is carried out by researchers who are free to choose the most appropriate and relevant method and variables or dimensions for the purpose of the evaluation. An interesting case is that of the CréaJeunes evaluation, which was financially supported by the Fonds d'Expérimentation pour la Jeunesse (Experimental Fund for Youth, FEJ), a public policy laboratory created in 2009 that finances innovative interventions (that have an experimental or quasi-experimental design) for young people, implemented at a small scale and rigorously evaluated. No prior terms of references or orientations were set for the evaluation, apart from the need to run rigorous and possibly randomised evaluation, so the researchers were free to adopt the most suitable methodological approach.

### Policy lessons

Although evaluations of general start-up support incentives using robust statistical methods show some positive results, there is limited evidence of policy impact of start-up support measures specifically addressing young people. It is particularly important to assess the impact of soft support (for example, training, advisory services, mentoring and coaching) on the subsequent labour market outcomes of young people, regardless of whether they remain self-employed or move to paid employment. Most of the available evidence is based on self-reported data, which, although informative, do not give a full picture of the effectiveness of the policy interventions. Also, considering that expenditure on soft support for young people is likely to grow over the coming years in the context of the implementation of the Youth Guarantee, failure to design evidence-based youth entrepreneurship policies carries the risk of delivering ineffective interventions.

The evaluations reviewed were limited in terms of their assessment of the targeting and eligibility criteria of measures and, in particular, how this affected the overall impact of the measures. It is difficult to be conclusive on whether impacts could have been increased by more stringent eligibility or selection criteria, as this was generally not the focus of the studies. Even though key policy lessons can be drawn from the experience of running and evaluating general start-up support schemes, the distinctiveness of start-up support measures for young people should be taken into account by the implementing authorities involved. In the first place, the design features of youth-specific schemes ought to be different from those targeting a more general population. A more effective approach is to accompany young people throughout the whole process, with particular attention paid to the initial phase (pre-start-up) to equip young applicants with the

necessary skills and qualifications to start and conduct a business. This more targeted support, aimed at enhancing entrepreneurship preparedness, is likely to boost the chances of young beneficiaries securing access to general start-up support measures in the context of an integrated package of services.

Overall, the evidence suggests that there is a need to link general start-up support measures more effectively with complementary measures that engage young people in entrepreneurship. There were indications in the evaluations that providing support to the unemployed for start-up businesses was more effective as part of an integrated package of services. An example was the Estonian business start-up subsidy measure, in which the opportunity to participate in business training to improve basic knowledge about entrepreneurship and other entrepreneurship support services was offered alongside the subsidy. At the time of the evaluation, implementation of these additional services had just started, and participation may have been modest due to the limited awareness among the recipients. During the first year after the receipt of the subsidy, only 18% of the beneficiaries had used this opportunity, and by the end of the second year 23% of the beneficiaries had participated (Villsaar et al, 2014). Future research could investigate whether beneficiaries of such integrated assistance fare better in terms of employment outcomes compared with those in receipt of direct start-up assistance only.

In a number of cases, there appears to be potential for the measures to be made available more widely to young people. The strength of the Start-up Coaching measure (Germany), which was available for all age groups, was that it worked relatively well for the beneficiaries with regard to their employment situation, but also with regard to job creation through business growth. The measure helped to break down barriers for those with limited experience of self-employment. In order to make such a programme more widely accessible to young people, the selection criteria may need to be adjusted to allow more young people to receive support.

Policymakers should, however, be mindful of the implications of making general start-up support measures available to young people. This is not straightforward, and adjustments may be required, for example reviewing the design features of the scheme or devising different eligibility or selection criteria for the young population. Several policy measures that were initially designed to promote entrepreneurship among a more general adult population or particularly the unemployed and other disadvantaged groups are now being offered to young people as part of the Youth Guarantee. The risk is of subsuming the young into a much broader target group without addressing their specific needs.

A related policy challenge for many countries is that of translating standalone measures into the mainstream national frameworks and policies of support for entrepreneurship. Many start-up support measures available to young people remain isolated, relatively small-scale and discrete interventions that are not necessarily embedded in larger policy frameworks or broader youth employment strategies. One difficulty in achieving a greater complementarity across different types of start-up support measures lies in the lack of inter-ministerial coordination and the involvement of different ministries in the initiation and implementation of policy interventions on youth entrepreneurship. In some countries, policy interventions on behalf of unemployed or disadvantaged youth are implemented by a social protection ministry that may have very limited involvement with the integrated package of services associated with more general policy frameworks supporting entrepreneurship in general. These institutional barriers ultimately undermine policy coherence and effectiveness. Both the ESF and the Youth Guarantee might successfully address the objective of ensuring that start-up support measures for young people are linked more effectively with a national framework of integrated measures rather than left in a special category of their own.

In principle, elements of all schemes could be replicated in other EU countries, but in order to achieve the best effects on the labour market performance of individuals and minimise any possible deadweight loss, it is crucial to take local labour market contexts and culture into account. Differences may have to do with societal perceptions about the viability of entrepreneurship, youth unemployment rates and the degree of diversity in this demographic (for example, by education level), as well as differential possibilities of access to the public welfare or unemployment benefits system.

Taking the example of the Prince's Trust Enterprise programme in the UK, the target group is primarily unemployed young people with low-level qualifications and limited work experience. In other EU countries such as Cyprus, Greece and Spain, with much higher levels of youth unemployment, a similar programme might more effectively be pitched at participants with higher levels of qualifications. The success of the programme is also highly dependent upon the quality of the mentoring and personalised support provided through an extensive network of volunteer business mentors, before and after loans being granted. Generally, mentoring revolves around working with individuals and their businesses in a tailored one-to-one manner, rather than offering 'off-the-shelf' products or services.

Some programmes have already been implemented in other countries. For example, Junior Achievement Worldwide, which has a long-standing history in Sweden with over 30 years of programme implementation, runs similar entrepreneurship education and training programmes in 130 countries. However, cultural differences and attitudes towards entrepreneurship might have a significant impact on the success and scope of the same programme, which would be interesting to explore in further research. The key strength of this Swedish programme lies in the hands-on opportunity to try out running a business at a fairly young age, without the young entrepreneurs having any fear of facing negative implications for their future careers in case of business failure. This experiential learning is possibly more powerful for young people and helps them to determine whether this type of career path suits their personalities and skills.

Before considering the potential transferability of any programme to other contexts, it is, however, important to question first the validity and effectiveness of the interventions prior to any replication. To that end, properly implemented evaluations are indispensable, ideally designed as an integrated part of the policy delivery and adequately resourced.

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*Against a background of high youth unemployment, policymakers are paying more attention to encouraging young people to start their own businesses as a means of easing their entry into the labour market. As part of the Youth Guarantee, launched in 2013, several Member States have introduced start-up support measures for young job-seekers. However, these measures vary considerably in terms of their content, delivery and aims. This report provides an overview of the current start-up support measures targeted at young people, as well as other more general measures that have relevance for them. It also reviews evaluations of the impact of selected start-up support measures. In doing so, it highlights some of the key methodological issues and limitations of the evaluation exercise.*

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