Promotion and support of youth entrepreneurship is an important aspect of wider entrepreneurship policy and economic growth. It is particularly called for in times of economic crisis as a mechanism for offsetting the negative effects of youth unemployment. Engagement with youth entrepreneurship develops skills, confidence, and attributes such as self-reliance. Benefits to society potentially include job creation and increased innovation. Young people are enthusiastic about entrepreneurship as a career option but are far less likely to take action. Barriers to start-up include lack of awareness, role models, and skills; difficulty accessing finance; and lack of support infrastructure. Policy interventions include enterprise education; access to finance; and mentoring and business support schemes. Research specifically exploring the experience of young entrepreneurs is limited and there is a risk that policy recommendations and implementations may not match the specific needs of young people as a result. Research is particularly needed to explore gender and ethnicity differences, and the reasons behind business success and closure.

Background

Policy guides state that, when the formal labour market cannot absorb an additional labour force, special programmes are needed to encourage youth entrepreneurship (UNCTAD, 2012; OECD/EU, 2012). Young people are generally more likely to be unemployed than adults (GEM, 2015; Butkus and Seputiene, 2019) but are also more likely to lose their jobs in periods of economic crisis as they have less work experience, lower levels of company-specific skills, and are more likely to be hired on temporary contracts (Butkus and Seputiene, 2019).

Unemployment at a young age can have negative impacts on wellbeing and mental health, engagement in future employment schemes, and achievement of important life goals (Selenko and Pils, 2019). High levels of youth unemployment are also associated with social unrest (OECD, 2001; GEM, 2015). Engagement with youth entrepreneurship, however, can develop human capital attributes such as self-reliance and recognition of the need for skills development. There are also potential benefits to society such as job creation, increased innovation, and responsiveness to the changing economic environment although the scale of these may be low (OECD/EU, 2020 and 2013; GEM, 2015; RSA, 2013). New policy responses for encouraging
business start-up and survival amongst young people will be needed to address the challenges associated with Covid-19.

**Youth Unemployment and Youth Self-Employment in the UK**

There is no agreed definition of ‘youth’ in terms of age range. Eurostat (2020) defines ‘youth’ as 15-29 years of age for issues such as employment; youth employment and unemployment analysis in the UK uses the range 16-24 (e.g. House of Commons Library, 2020); and the Global Entrepreneurship Monitor uses 18-35 (GEM, 2015). For the purposes of this review, the age range of youth entrepreneurs will be considered 16-35.

UK data (ONS, 2020a) shows that the unemployment rate for 16-17 year olds increased from 25.0% in Oct-Dec 2007 to a peak of 40.0% in Jul-Sept 2011 as a result of the 2008 financial crisis. A similar rise was shown for 18-24 year olds (11.9% to 20.2%). Rates for both age groups returned to pre-financial crisis levels, but are at the time of writing showing another rise as a result of COVID-19.

Interestingly, although youth unemployment was negatively affected by the 2008 financial crisis, rates of youth self-employment in the UK remained relatively constant (ONS, 2020b). The current rates of self-employment in the UK are 5.4% for 16-24 year olds and 10.5% for those aged 24-34 (ONS 2020b). Around 7% of young people in the UK were self-employed in 2013 compared with 16% in Greece and less than 3% in Germany (Eurofound, 2015).

Self-employment is the most common form of youth entrepreneurship with around 75% of young business owners globally reporting that they only employ themselves (GEM, 2015). Rates of youth entrepreneurship show gender differences with males more likely than females to be actively planning to start a business in the UK (RSB, 2013) and twice as many young males than females reported to be self-employed in the EU (OCED, 2013; Eurofound, 2015). Young males are generally more likely to start-up having spotted an opportunity whereas young females are more likely to start-up out of necessity (GEM, 2015). There are differences in self-employment rates between ethnic groups in the UK with lowest levels in Black ethnic groups, for example, although data on differences by age are not available (ONS, 2020c).

**Youth Entrepreneurship Policy Reviews and Strategies for the UK**

The 2002 Davies Review noted that the number of people working in small firms or self-employment was increasing and that young people needed to be more flexible and entrepreneurial in their attitudes. Although young people might see their running their own business as an attractive career option, they lacked the skills and confidence to turn this into action (Davies, 2002).

A decade later in 2012, Lord Young noted high levels of youth unemployment and highlighted the need to support young people into entrepreneurship (Lord Young, 2012). This was followed up with a further review focussing on the need to foster an enterprising attitude and desire to become an entrepreneur through both formal and informal education (Lord Young, 2014). A report by the All-Party Parliamentary Group for Microbusiness (APPG, 2014) made recommendations relating to enterprise and entrepreneurship teaching and support within all levels of formal education. Further recommendations relating to the National Curriculum for schools and colleges were also made by Deane (2016) in her wider Self-Employment Review.

The UK Government announced a major review of youth entrepreneurship in March 2019, led by the Prince’s Trust, as part of the Industrial Strategy for starting and growing a business. The review aims to investigate obstacles, and propose solutions, to support enterprising young people aged 18-30 from all backgrounds (BEIS, 2019).

Unlike England, the Welsh Government has a detailed Youth Entrepreneurship Strategy (YES) for those aged 5-25. YES was launched in 2004 and encompasses activity both within and outside formal education settings. The strategy may have contributed to a rise in early-stage entrepreneurial activity among young Welsh people (18-24) from 3.5 percent in 2002 to 10 percent in 2011 (RSA, 2013). Although rates had fallen back to 8% in 2018 for the 18-24 age group, the rates of entrepreneurship in the 25-34 group were substantially higher than the other home nations (Bonner et al., 2018).
<table>
<thead>
<tr>
<th>Contribution</th>
<th>Scope</th>
<th>Key Recommendations</th>
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<tbody>
<tr>
<td><strong>Davies (2002)</strong>&lt;br&gt;A Review of Enterprise and the Economy in Education</td>
<td>Review of the promotion and understanding of business, enterprise and the economy in schools and further education, Age range: 5-19</td>
<td>• Clear statement of Government policy needed with the establishment and monitoring of a benchmark for young people’s enterprise capability&lt;br&gt;• Provision of resources and funding for pupils to experience enterprise activity (5 days per pupil)&lt;br&gt;• Review of the National Curriculum and development of teaching materials to show clearly how and when enterprise learning can be introduced into the teaching of subjects and initiatives&lt;br&gt;Inclusion in the Ofsted inspection framework</td>
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<td><strong>YES (2004)</strong>&lt;br&gt;A Youth Enterprise and Entrepreneurship Strategy for Wales</td>
<td>National strategy for Wales to provide a common model of entrepreneurship learning and a delivery framework, Age range: 5-25</td>
<td>Presents detailed action plans for:&lt;br&gt;1. Raising awareness and developing culture&lt;br&gt;2. Equipping young people with skills, knowledge, and experience&lt;br&gt;3. Providing an effective infrastructure for business start-up and growth support</td>
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<td><strong>APPG (2014)</strong>&lt;br&gt;An Education System Fit for an Entrepreneur</td>
<td>Review of enterprise and entrepreneurship education within all levels of formal education and across a range of countries</td>
<td>• Government should have an overarching strategy crossing Government departments&lt;br&gt;• Ofsted should assess ‘business engagement’ separately from community engagement&lt;br&gt;• Incentives should be provided for businesses and Local Enterprise Partnerships (LEPs) to engage with enterprise and entrepreneurship education</td>
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<tr>
<td><strong>Lord Young (2014)</strong>&lt;br&gt;Enterprise for all: The relevance of enterprise in education</td>
<td>Review of enterprise and entrepreneurship education within all levels of formal education in the UK</td>
<td>• National volunteer network of ‘Enterprise Advisers’ to work closely with schools and coordinated by LEPs&lt;br&gt;• Embedding of enterprise in the curriculum for schools, exploration of working for yourself included in core components of Level 3 vocational course at colleges, and provision of elective enterprise modules at universities available to all students&lt;br&gt;• An active and supported enterprise society in every university</td>
</tr>
<tr>
<td><strong>Deane (2016)</strong>&lt;br&gt;Self-Employment Review An independent report</td>
<td>Self-employment in the UK All age ranges</td>
<td>Education needs to better prepare young people for the role which self-employment might play in their future, particularly in relation to finance, cash flow, bookkeeping and taxation which should be incorporated into the national curriculum</td>
</tr>
<tr>
<td><strong>Prince’s Trust (in press)</strong>&lt;br&gt;Youth Entrepreneurship Review</td>
<td>Young people looking to start or grow a business Age range: 18-30</td>
<td>Publication expected Autumn 2020</td>
</tr>
</tbody>
</table>
**Evidence**

Evidence focussed on youth entrepreneurship is limited in formal academic literature. This may be due to the challenges of identifying and recruiting young entrepreneurs into research projects outside educational settings. There may also be an issue with language used when recruiting for research projects as young people may not see themselves as ‘entrepreneurs’ (OECD/EU, 2020). However, useful surveys have been carried out by other organisations.

**Entrepreneurial Intent and Action**

Young people are generally positive about entrepreneurship as a career option (OECD/EU, 2020; OECD, 2013; European Commission, 2012). There is an ‘intent gap’, however, between the number of young people who express enthusiasm for an entrepreneurial career, and the number who actually start up a business of their own (OECD/EU, 2020). A 2013 Prince's Trust survey of 16-30 year olds in the UK showed that 25% of respondents expected to be self-employed within 5 years (RBS/Prince’s Trust, 2013), but the numbers of those who actually started-up in this time period is likely to be substantially lower.

A recent ComRes poll (Octopus/TEN, 2019) of 14-25 year olds in the UK reported that 86% were actively considering, or open to the idea of entrepreneurship. The pattern was not consistent across age groups, however, with 33% of those aged 14-17 reporting that they had thought of starting a business compared with 60% for 22-25 year olds. There is an enthusiasm reported for social businesses (NYA, 2015; Lord Young, 2015). Intent rates are higher for 18-25 year olds who were at, or had graduated from university compared with those who had not (Octopus/TEN, 2019) suggesting that exposure to enterprise and entrepreneurship education at university has a positive impact. Although the large majority were open to starting up a business, only 8% of respondents had actually done so at the time of the ComRes Poll, with higher rates reported by males than females (Octopus/TEN, 2019).

Explanations for the intent gap include low levels of awareness of the potential of entrepreneurship, few entrepreneurship role models, lack of entrepreneurial skills (including soft skills such as decision making and resilience), difficulty accessing finance, and lack of support infrastructure such as networks for young entrepreneurs (e.g. OECD/EU, 2020; NYA, 2015). 84.1% of young people in the UK in 2012 reported lack of available financial support as a barrier to entrepreneurship, 65.2% were concerned about complex administrative barriers, and 48.5% stated that they had insufficient information on how to start (European Commission, 2012). Using a different set of options, a recent UK survey found that most respondents didn’t know where to start (70%), had a fear of failure (68%), or felt they didn’t know the right people (67%). Not being able to get a loan or credit was the fifth most reported barrier at 58% (Octopus/TEN, 2019). Businesses set up by young people tend to be in service sectors that are easy to enter, have low capital needs and low levels of required business skills, however, these types of business are more likely to close when markets are under stress (Eurofound, 2015; OECD, 2013). Young people, particularly males, are also prevalent in the gig economy (GEM, 2019).

**Enterprise and Entrepreneurship Education**

Policy reviews for youth entrepreneurship have repeatedly promoted enterprise education activity in the UK (see Table 1). Following recommendations in the Davies Review (Davies, 2002), enterprise education became part of the English National Curriculum for Key Stage 4 in 2004. Funds were made available for whole school activity in secondary schools for 2007-2010 (Ofsted, 2011). An evaluation concluded that although engagement by schools was mixed, those that successfully embedded enterprise within the curriculum saw a positive impact on pupils’ employability and enterprise skills, and their business and economic understanding (Ofsted, 2011). An Ofsted report in 2016 - after removal of funding and statutory regulations - found that only 4 of the 40 schools visited had taken a strategic decision to continue to offer an enterprise education that met the needs of their pupils and the local economy (Ofsted, 2016). Policy recommendations continue to promote the need for curriculum-based enterprise education (e.g.
Deane, 2016) but these do not appear to have been incorporated in England. In Wales, enterprise forms one of the four purposes of the new Welsh National Curriculum for students aged 3-18 where a school’s curriculum is expected to support learners to become ‘enterprising, creative contributors, ready to play a full part in life and work’. Enterprise and entrepreneurship-related skills such as creativity and innovation and problem solving are recognised as integral to the four purposes (Welsh Government, 2020).

A substantial investment was made in 2014 to create the Careers and Enterprise Company (CEC) and facilitate the delivery of one of the key recommendations made by Lord Young (2014). A network of voluntary Enterprise Advisors was set up by the CEC in collaboration with LEPs in order to unlock relationships with local businesses. Over half of schools and colleges were part of the Enterprise Advisor Network in 2018, four years after launch of the scheme, with all schools expected to have access by 2020 (DfE, 2018). The CEC also provides schools and colleges with support to deliver the Gatsby Charitable Foundation’s benchmarks for good career guidance (Gatsby 2020). Gatsby’s Benchmark 5, ‘Encounters with Employers and Employees’, is most relevant to increasing awareness of youth entrepreneurship. Suggestions for delivery of this benchmark include use of enterprise schemes, and it is recommended that encounters should include those with self-employed people as important contributors to the economy (Gatsby, 2014). However, despite its Enterprise remit, the primary focus of the CEC would appear to be employment by others. There is no mention of enterprise skills, self-employment, or entrepreneurship in key documents (e.g. CEC and SQW, 2020; CEC, 2018).

The large majority of academic research into the impact of enterprise and entrepreneurship education explores opportunities offered at tertiary level and by universities in particular (see Smith, 2020). Research relating to the impact of primary and secondary school engagement with enterprise is very limited (Liguori et al., 2019; Aamir, Atsan and Erdem, 2019). One Swiss study at the upper secondary level showed a positive effect of entrepreneurship education on beliefs about the desirability, feasibility, and benefits of an entrepreneurial career, but did not find an effect on entrepreneurial intention (Volery et al., 2013).

**Access to Finance**

Young people are in a disadvantaged position when financing a business. They are more likely to have low personal savings and will find it more difficult than older adults to obtain external finance due to a lack of credit history, prior business experience, and assets that could be used as collateral (EU, 2014; OECD/EU, 2012; GEM 2015).

The UK’s ‘Start-Up Loans for Young Entrepreneurs’, was launched in 2012, based on support provided at that time by the Prince’s Trust (British Business Bank, 2019). The scheme was originally available to 18-24 year olds (raised to 30 soon after launch) and aimed to provide the finance, mentoring support, and training needed to start a business. The first Start-Up Loans offered up to £2,500 in funds with a repayment period of up to five years and 6,500 loans were awarded in the first year with a total value of £39.2 million (Lord Young, 2015). The focus on young people was removed within two years of launch, however, and the amount available increased substantially to £25,000 (British Business Bank, 2019).

Evaluations of Start-up Loans showed that levels of self-reported additionality (whether the business would have started up at all, or at the same time, scale or quality if the recipient had not been awarded a loan) were higher in individuals aged 18-30 than those aged above 30 (British Business Bank, 2017 and 2019). Analysis of economic factors showed that the net benefits of the programme exceeded its costs by a significant amount (British Business Bank, 2017).

Evidence suggests that large numbers of young people may choose to bootstrap their way through the initial stages of their business rather than take out a loan. Reasons behind this decision include concerns about being saddled with debt, but also an ambition to run their business based on a self-sustaining business model (RSA, 2013). The RSA recommended establishment of micro-loans to build prototypes and test the viability of business ideas based on their results (RSA, 2013). Proof-of-concept and start-up funding, via small grants and vouchers to encourage engagement with business support services, were reported as beneficial to young entrepreneurs in Yorkshire (Smith and Beasley, 2011).
Role Models and Mentoring

In a recent survey, almost all parents of children aged under 18 reported that they would be supportive if a child wished to start up a business of their own in the future (Octopus/TEN, 2019). Evidence relating to the role of the family in encouraging young people into entrepreneurship is mixed, however, and a negative effect can be associated with family business failure (Cardella, Hernández-Sánchez, and Sánchez García, 2020; Smith and Beasley, 2011). Key role models such as parents and teachers may not be aware of the requirements and opportunities of entrepreneurship and act as an obstacle rather than an enabler (OECD/EU, 2012). Entrepreneurship education may be able to fill the gap where entrepreneurial role models are absent, or have resulted in a negative response, particularly for females (Cardella et al., 2020).

Mentoring is an important aspect of business support, particularly outside formal education (OECD/EU, 2020). The effectiveness of mentoring support for young people in the UK can be seen in the evaluation of the Start-Up Loans where engagement with mentoring was related to positive business and personal outcomes such as confidence (British Business Bank, 2019).

When considering role models and mentors, surveys suggest that that young people prefer to receive advice from other young entrepreneurs (RSA, 2013, NYA, 2015). They do not need mentors and advisors to be hugely successful, but do need them to be able to relate to their needs and experiences (NYA, 2015). Although young entrepreneurs feel they would be better supported by informal networks and personal contacts (RSA 2013), they have limited business networks and business-related social capital and may struggle to find a business mentor for themselves as a result (OECD/EU, 2012).

Business Support Infrastructure

Research into the impact of student-led university enterprise societies showed benefits including networking skills development, and increased awareness of enterprise support. Entrepreneurial communities were developed that provided emotional support between members as well as practical start-up guidance (Preedy and Jones, 2017). Youth business networks and associations can provide mutual learning opportunities, business contacts, and collective opportunities to represent interests to key stakeholders (OECD/EU, 2012). Collaborations with local councils and LEPs can create new opportunities for young entrepreneurs to meet potential customers, lead to new procurement practices encouraging them into supply chains, or help with understanding of local markets (RSA, 2015).

Organisations such as the National Youth Agency (NYA) and the RSA caution that the language used by business support services can be a barrier to engagement, particularly for those who do not relate to the label ‘entrepreneur’, or where the motivation to start-up is social or emotional in nature, rather than monetary (NYA, 2015; RSA, 2013). Their research also suggests that the design of business support specifically aimed at young people should recognise the benefits of lean start-up, encouraging and enabling them to build and test prototypes in the market, rather than preparing business plans for external finance (RSA, 2013).

Overview and evidence gaps

Youth entrepreneurship is considered to have an important role to play in entrepreneurship policy and economic growth. Encouragement and support of youth entrepreneurship and self-employment is particularly important in times of financial crisis. In the absence of focused consideration of the experience and needs of young entrepreneurs, there is a risk that policy recommendations will be designed based on general entrepreneurship research and research into the wider self-employed population. Support initiatives may not match the specific needs of young people as a result.
Research focusing on youth entrepreneurship is limited, but where it is present, there is evidence of a different set of motivations, barriers, and business support needs for young people compared with older age groups. Research has shown, for example, that language is important to engage young people and encourage uptake of business support, that enterprise and entrepreneurship education is associated with increased entrepreneurial intent, and a package of financial and mentoring support can result in positive business and personal outcomes. More research is needed in all areas to confirm and extend the current knowledge base, and it would be useful to evaluate all policy interventions to the level of rigour shown in the evaluation of Start-Up Loans (BIS, 2016 and 2019). Particular evidence gaps relate to the experience of females who are less likely to engage in entrepreneurship than their male peers, and whether or not there are differences between ethnic groups. Research is also needed to explore issues relating to business success and closure for young entrepreneurs.

The financial crisis of 2008 had a major impact on youth unemployment and youth entrepreneurship policy. The evidence presented here, although limited, will hopefully aid the rapid development of policy-driven initiatives to encourage young people into entrepreneurship and self-employment in the context of the Covid-19 crisis and contribute to recovery.

Sources


About the Authors

Kelly Smith is a Senior Lecturer in Entrepreneurship in the Department of Management at Birmingham Business School, University of Birmingham. She also holds a PhD from the University of Birmingham. She has lead undergraduate-level Venture Creation Programmes at Coventry University and the University of Huddersfield, and student and graduate entrepreneurship initiatives across the West Midlands and Yorkshire. Her research interests include drivers and barriers to engagement with student and graduate business start-up, and the impact of enterprise and entrepreneurship education. Kelly is the current Co-Chair of ISBE’s Enterprise Education conference track, and a founding Co-Chair of the joint ISBE/EEUK Research in Enterprise Education Community of Interest. She is a Fellow and an Honorary Life Fellow of Enterprise Educators UK, the national network of enterprise and entrepreneurship educators in Higher Education. Kelly can be contacted at: k.j.smith@bham.ac.uk.