

Chapter 3

Self-employment and entrepreneurship activities by youth^{1, 2}

This chapter presents evidence on the self-employment and entrepreneurship activities by youth. This evidence illustrates the proportion of youth that are active in business ownership and self-employment and presents evidence on the barriers to business creation and some of the key characteristics of those working in self-employment.

1. Note by Turkey:

The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

2. Note by all the European Union member states of the OECD and the European Union:

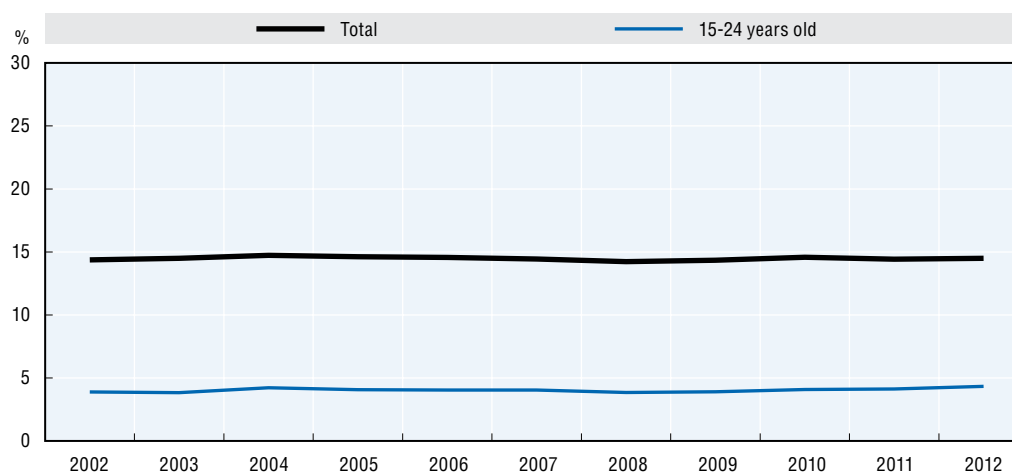
The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Self-employment activities by youth


- Few young people in the EU are self-employed. Of the 30.8 million self-employed people in 2012, less than 820 000 were youth between the ages of 15 and 24 (2.6%).
- The proportion of youth who were self-employed in 2012 ranged from 1.2% in Denmark to 12.2% in Italy.
- Self-employed youth most often work without employees. Only 11.3% of self-employed youth in 2012 had at least one employee, down from 18.9% in 2002.
- Self-employment activities for youth were concentrated in the following sectors: agriculture, forestry and fishing (12.6%); construction (16.9%); wholesale and retail trade (13.7%).

Youth (ages 15 to 24) are much less likely than the adult population to be self-employed (Figure 3.1). In 2012, 4.3% of youth that were in employment were self-employed, which was less than one-third of the rate of adults (14.5%). The self-employment rates for youth and adults were stable between 2002 and 2012.

Figure 3.1. **Youth self-employment rate in the EU28, 2002-12**
Percentage of 15-64 year olds

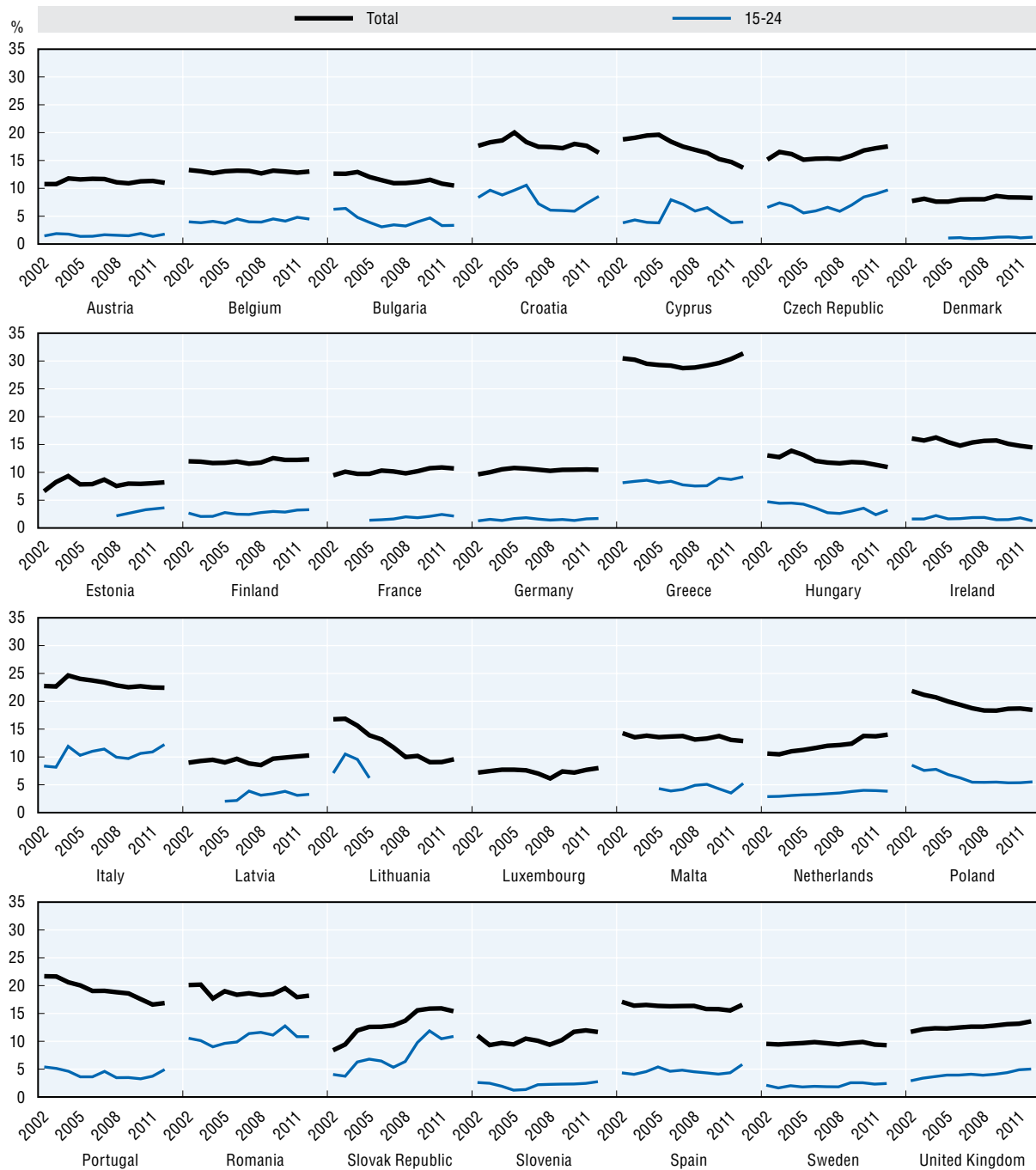


Source: Eurostat, Labour Force Survey 2002-12.


StatLink  <http://dx.doi.org/10.1787/888933154370>

Youth self-employment rates are presented for each member state in Figure 3.2. Between 2002 and 2012, the youth self-employment rates increased in 19 member states, including most notably the Slovak Republic (6.9 percentage points) and declined in 7 member states, including Poland (3.0 percentage points) and Bulgaria (2.9 percentage points). The self-employment rate for youth was unchanged in Denmark over the 2002 to 2012 period.

Figure 3.2. **Youth self-employment rate, 2002-12**
Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2002-12.

StatLink  <http://dx.doi.org/10.1787/888933154382>

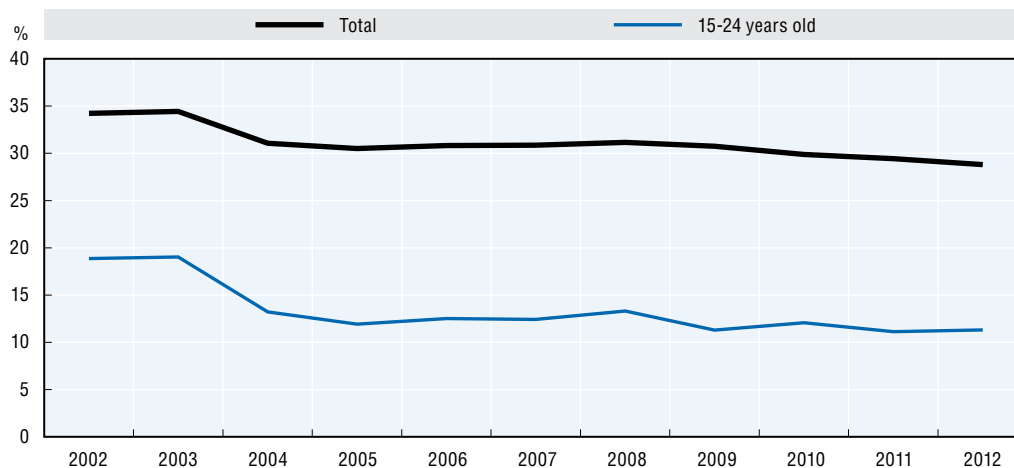
An important consideration for policy makers is the motivation for entering self-employment, especially for young people, because it can impact the chances of developing a start-up into a sustainable business. Some young people will start a business because they are pursuing an opportunity that they have identified and others will start a

business because they cannot find a job. These motivations change over time. Someone who starts a business because they cannot find a job may identify and pursue a high growth opportunity. However, policy makers also need to recognise that some people become self-employed because an employer may prefer to hire an individual as an independent contractor rather than an employee.


There was a substantial decline in the proportion of self-employed youth (ages 15 to 24) that employ other people between 2002 and 2012 (Figure 3.3). Approximately 19% of self-employed youth in the EU had employees in 2002 but this proportion declined to 11% in 2012. Of the 819 000 self-employed youth in the EU, only 92 400 had employees in 2012. This decline is consistent with the overall decline in the proportion of self-employed people with employees. This trend could be explained by several factors, including the macroeconomic environment and structural labour market issues. For example, one issue that is a concern for European policy makers is the extent to which employers contract self-employed people rather than hiring them as employees. The result is a less stable work arrangement for workers and employers reduce their contributions to social security systems. While it is impossible to draw conclusions about this simply by looking at self-employment data, the downward trend in the proportion of self-employed people with employees is consistent with an increased preference by employers to contract self-employed people instead of hiring employees.

Figure 3.3. Proportion of self-employed youth with employees in the EU28, 2002-12

Percentage of 15-64 year olds

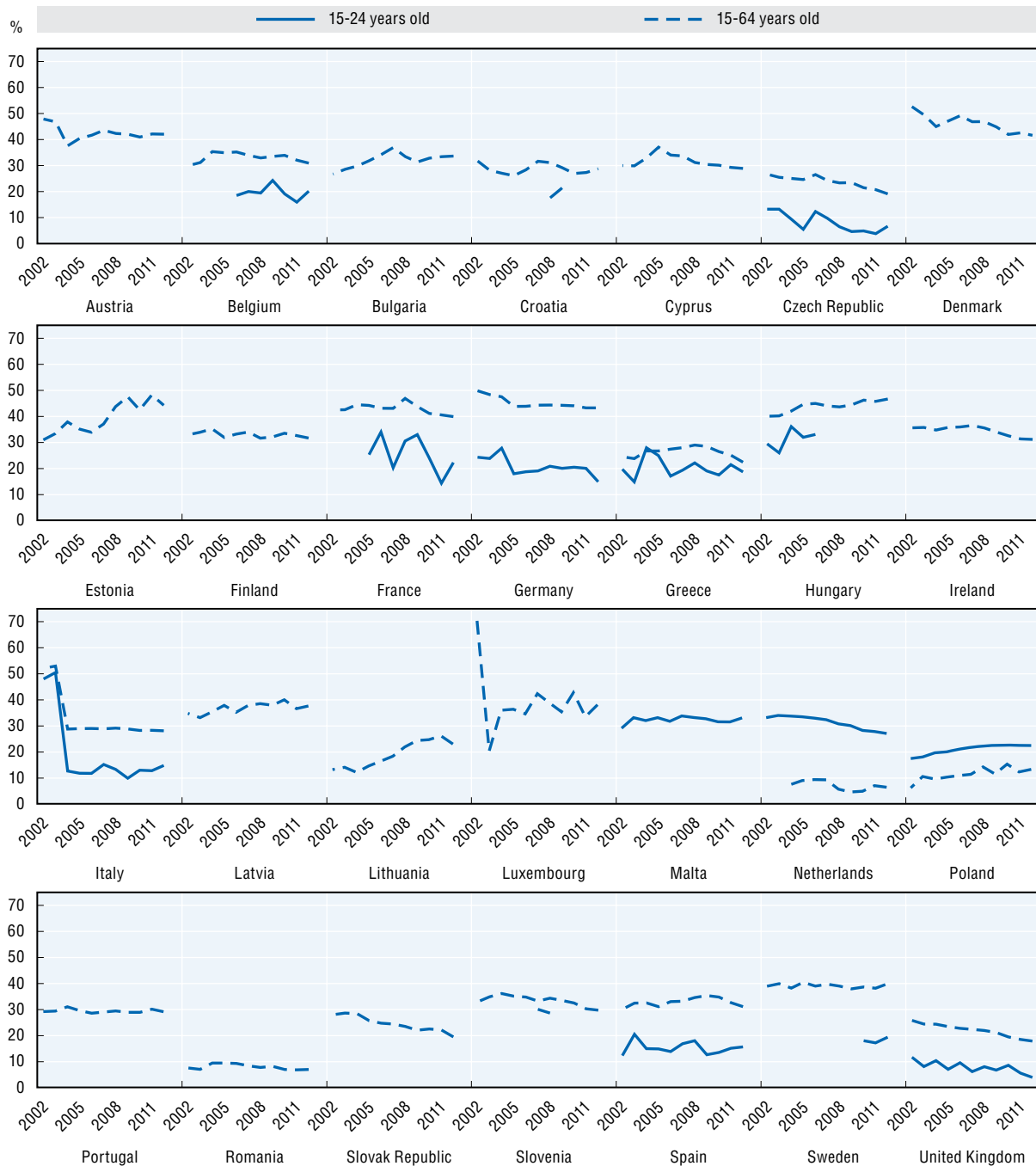


Source: Eurostat, Labour Force Survey 2002-12.


StatLink  <http://dx.doi.org/10.1787/888933154396>

The proportion of self-employed youth with employees within each member state is presented in Figure 3.4. Two key issues can be identified from this data. First, self-employed youth were less likely to have employees in all countries where data are available. Second, while the proportion of self-employed youth with employees declined dramatically at the EU level, there are a number of member states where this proportion increased. These member states include Poland and Spain.

Figure 3.4. **Proportion of self-employed youth with employees, 2002-12**
Percentage of 15-64 year olds

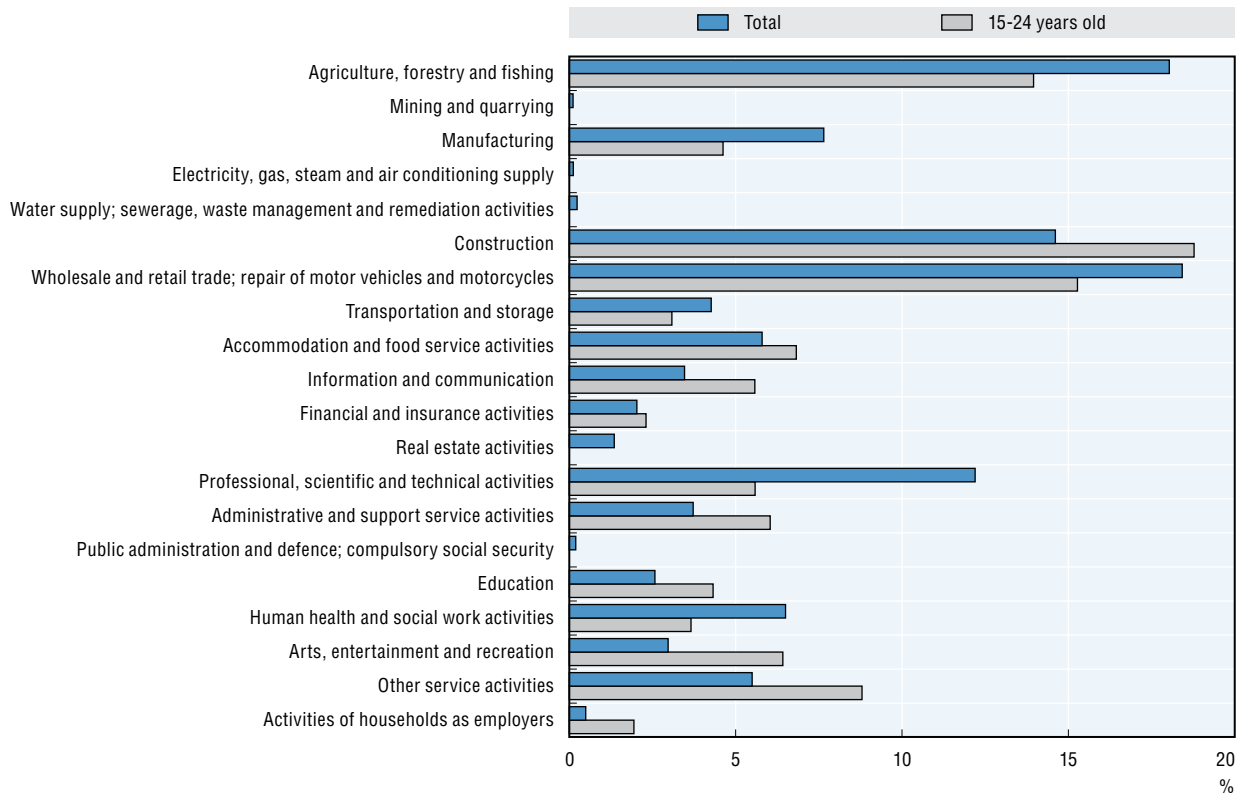


Source: Eurostat, Labour Force Survey 2002-12.


StatLink  <http://dx.doi.org/10.1787/888933154400>

The distribution of youth self-employment activities (ages 15 to 24) across industries are presented in Figure 3.5. The self-employment activities of youth were concentrated in 3 industries in 2012: agriculture, forestry and fishing (12.6%); construction (16.9%); wholesale and retail trade (13.7%). Together, these 3 industries accounted for 43.2% of self-employment activities of youth.

Figure 3.5. **Distribution of self-employed youth by industry in the EU28, 2012**
Percentage of 15-64 year olds



Source: Eurostat, Labour Force Survey 2012.

StatLink  <http://dx.doi.org/10.1787/888933154411>

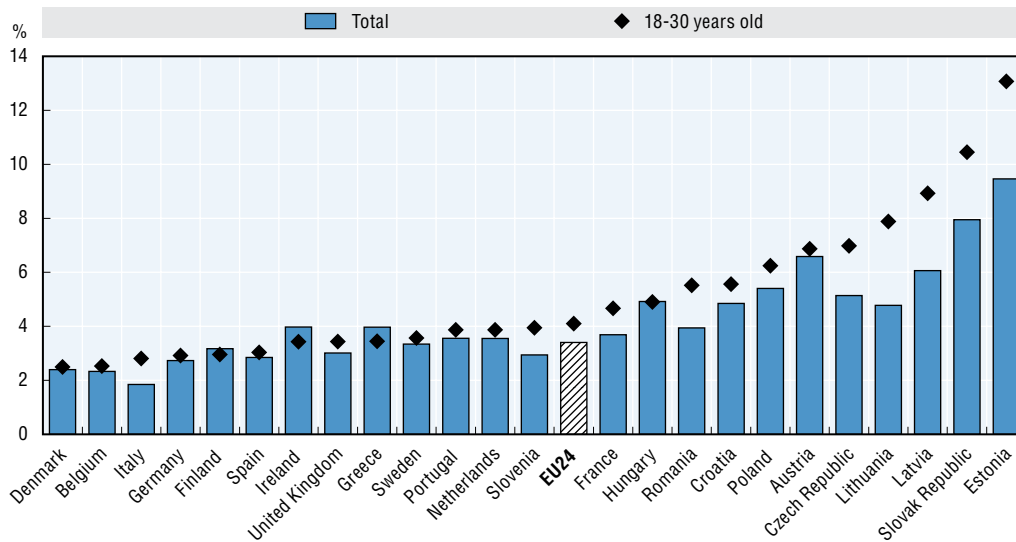
Activities by youth over the entrepreneurship life-cycle

- Young people (ages 18 to 30) in the EU were slightly more likely than adults to be involved in the process of setting up a business between 2008 and 2012 (4.1% vs. 3.4%).
- The proportion of youth setting up businesses varied greatly by member state, ranging from 2.5% in Denmark to 13.1% in Estonia.
- Between 2008 and 2012 young people in the EU were almost as likely to be new business owners as adults (2.6% vs. 2.9%).
- Very few young people were established business owners in the EU: less than 2% of those between the ages of 18 and 30 owned an established business.

Figure 3.6 presents nascent entrepreneurship rates for youth (ages 18 to 30) and for the overall adult population (ages 18 to 64) for EU countries. The nascent entrepreneurship rate measures the proportion of the adult population who report that they are actively involved in setting up a business that they will own or co-own. The business must not have paid salaries, wages or any other payments to the owners for more than three months. For more information on this concept and data source, please refer to the Reader's guide.


Youth had higher nascent entrepreneurship rates than adults in the vast majority of EU member states (Figure 3.6). The gap between youth and adults was the largest in Estonia

Figure 3.6. **Nascent entrepreneurship rate for youth, 2008-12 (combined)**
Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Nascent Entrepreneurship Rate is defined as the proportion of the adult population (age 18 to 64) that are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

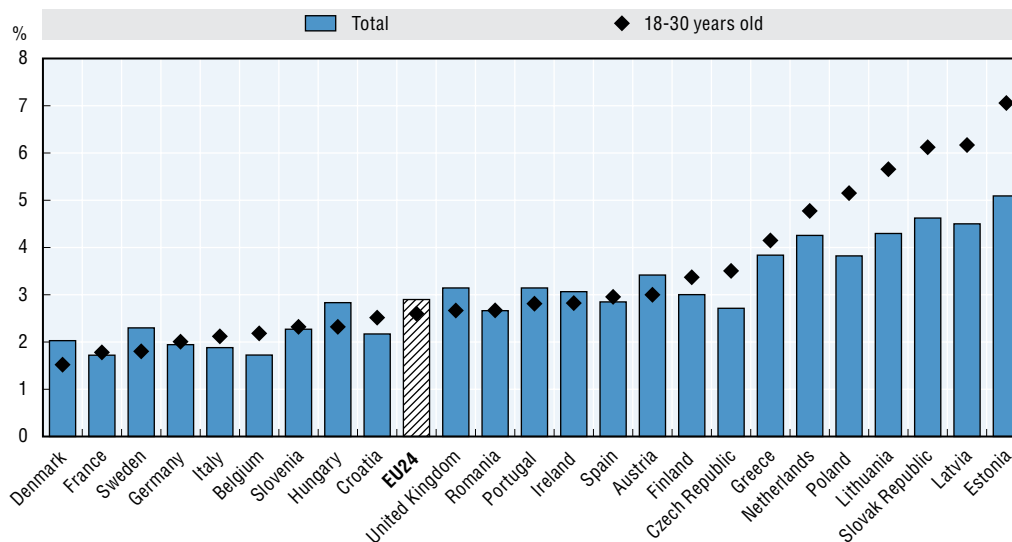
StatLink  <http://dx.doi.org/10.1787/888933154425>

at 3.6 percentage points and there was no difference in the rates in Hungary. Figure 3.6 also illustrates that there is substantial variation across EU member states. The nascent entrepreneurship rates for youth were the highest in Estonia (13.1%), the Slovak Republic (10.4%) and Latvia (8.9%) and were the lowest in Denmark (2.5%), Belgium (2.5%) and Italy (2.8%).

Similar patterns are observed in the new business ownership rate, which measures the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. The new business ownership rate was higher for youth than for adults in 16 member states (Figure 3.7). As with the nascent entrepreneurship rate, the new business ownership rate was highest in Estonia (7.1%), Latvia (6.2%) and the Slovak Republic (6.1%). It was the lowest in Denmark (1.5%), France (1.8%) and Sweden (1.8%). The gap between the new business ownership rate for youth and the rate for adults was largest in Estonia (2.0 percentage points) and smallest in Portugal (0.3 percentage points).


Figure 3.7. **New business ownership rate for youth, 2008-12 (combined)**

Percentage of 18-64 year olds



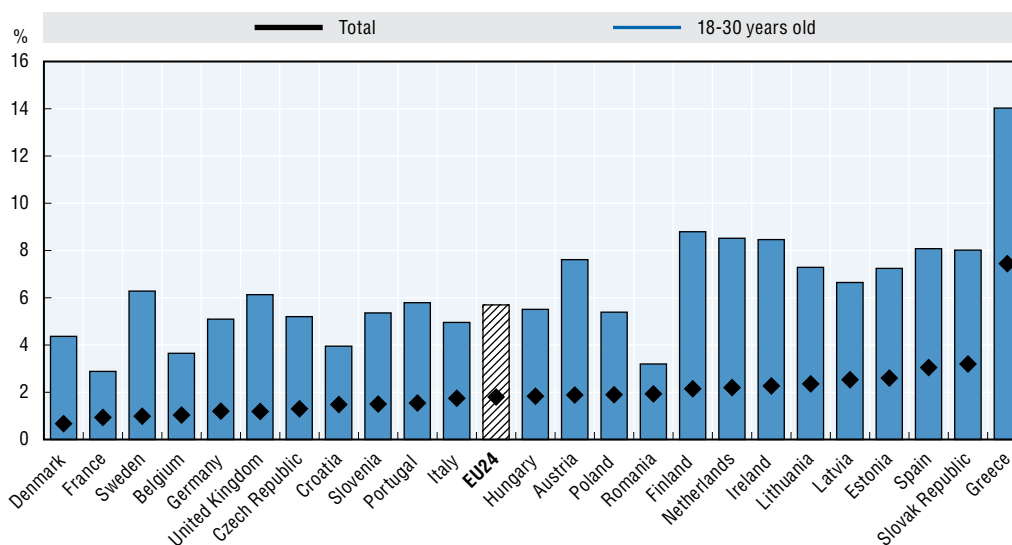
Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The New Business Ownership Rate is the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.


StatLink  <http://dx.doi.org/10.1787/888933154432>

In contrast to the nascent entrepreneurship rate and the new business ownership rate, the established business ownership rate for youth was much lower than the rate for adults in all EU member states (Figure 3.8). The established business ownership rate measures the proportion of the adult population that are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. Overall for the EU, youth were only one-third as likely as adults to be established business owners than adults. There was substantial variation in both the level of the established business ownership rate for youth and the relative gap between the rates for youth and adults. The established business ownership rate for youth was highest in Greece at 7.4%, which was slightly more than half of the rate for adults (14.0%). The member state where the gap in the established business ownership rates between youth and adults was the smallest was Romania, where youth had a rate of 1.9%, which was approximately 60% of the adult rate (3.2%).

Figure 3.8. **Established business ownership rate for youth, 2008-12 (combined)**
Percentage of 18-64 year olds



Notes: 1. The EU countries that participated in the Global Entrepreneurship Monitor survey over this period are: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom. 2. Data presented in this figure are pooled data, combining the annual survey results over the 2008-12 period. A number of countries did not participate in the GEM surveys in every year but were included in the tables: Austria (2012), Czech Republic (2011), Estonia (2012), Ireland (2008, 2010, 2011, 2012), Italy (2008, 2009, 2010, 2012), Lithuania (2011 and 2012), Poland (2011, 2012), Portugal (2010, 2011, 2012), Slovak Republic (2011 and 2012) and Sweden (2010, 2011, 2012). 3. The Established Business Rate measures the proportion of the adult population that are currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. This measure provides information on the stock of business in an economy. Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink  <http://dx.doi.org/10.1787/888933154448>

Barriers to business creation for youth

- Youth between the ages of 15 and 24 were more likely to view self-employment as a preferable to working as an employee than the adult population (45% vs. 37%). Youth also viewed self-employment as more feasible (41% vs. 30%).
- Youth were more likely than adults to cite access to finance (26% vs. 21%) and a lack of skills (18% vs. 8%) as barriers to self-employment.

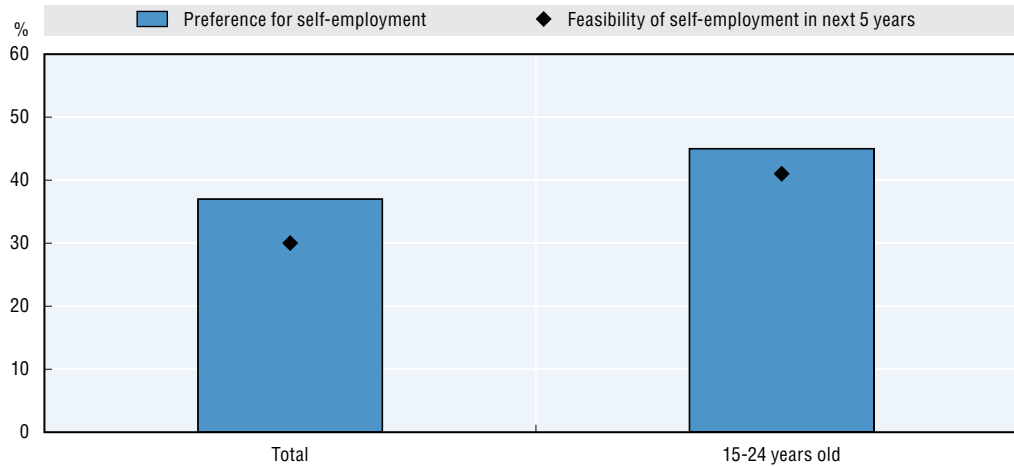
Youth (ages 15 to 24) were more likely than adults (ages 15 to 64) to indicate that they prefer self-employment to working as an employee (Figure 3.9). In 2012, 45% of youth in the EU indicated a preference for self-employment relative to 37% of adults.

Youth were also more likely to view self-employment as feasible (Figure 3.9). In 2012, 41% of youth in the EU reported that self-employment would be a feasible activity within the next 5 years. Only 30% of adults indicated that it would be feasible.

This gap between youth and adults in the preference and feasibility of self-employment is likely explained by several factors. First, young people are less likely to have experience in the labour market and in self-employment than adults. Consequently, they may not have a good understanding of self-employment or may underestimate the level of dedication and work that it involves. Second, young people may have a different attitude towards labour market activities as the nature of employer-employee relationships change.

Figure 3.9. **Preference and feasibility of self-employment for youth in the EU28, 2012**

“If you could choose between different kinds of jobs, would you prefer to be self-employed?”
 “Regardless of whether or not you want to become self-employed, would it be feasible for you to be self-employed within the next 5 years?”



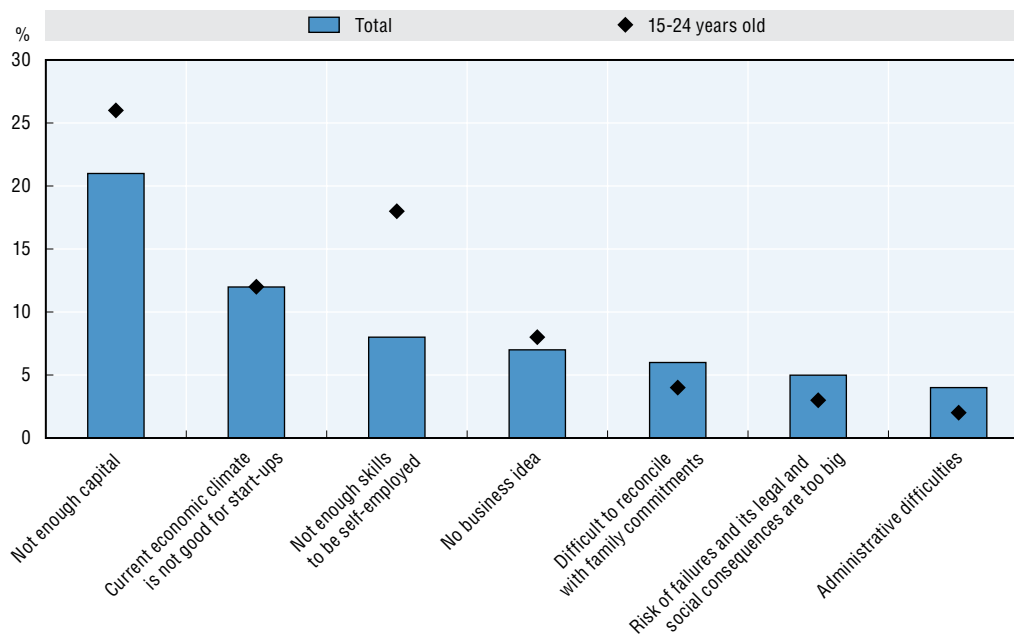
Source: European Commission, 2012, “Entrepreneurship in the EU and beyond”, Flash Eurobarometer 354.

StatLink <http://dx.doi.org/10.1787/888933154459>

Figure 3.10 shows some differences between youth and adults as to why self-employment would not be feasible within the next 5 years. Youth were more likely to report that they lacked capital (26% vs. 21%) and skills for entrepreneurship (18% vs. 8%). There was little difference between youth and adults for other perceived barriers. Administrative

Figure 3.10. **Barriers to self-employment for youth in the EU28, 2012**

“Why would it not be feasible for you to be self-employed within the next 5 years?”



Source: European Commission, 2012, “Entrepreneurship in the EU and beyond”, Flash Eurobarometer 354.

StatLink <http://dx.doi.org/10.1787/888933154466>

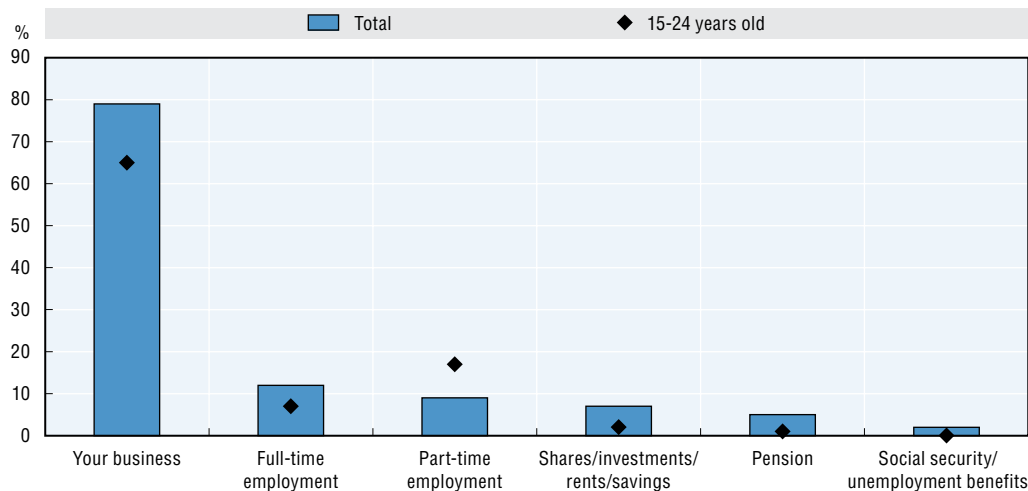
difficulties do not appear to be a significant barrier for youth, suggesting that efforts to reduce regulatory burden are likely to have a small impact.

Self-employment earnings for youth


- Youth (ages 15 to 24) were less than likely than adults to rely on their business as their principal source of income in 2012 (65% vs. 79%). Accordingly, nearly 20% of youth cited part-time jobs as their main source of income.

The sources of income for young business owners (ages 15 to 24) are presented in Figure 3.11. Youth generated less income from their businesses than adults (ages 15 to 64), earning 65% of their income from their business versus 79% for adults. Youth were less likely to have a full-time job than adults (7% vs. 12%) but were more likely to have a part-time job (17% vs. 9%). Very few young business owners drew income from investments and savings, pensions and social security or unemployment benefits.

Figure 3.11. Main sources of income for youth in the EU28, 2012
“What is/are your today your main source(s) of income?” (for those who are a business owner)



Source: European Commission, 2012, “Entrepreneurship in the EU and beyond”, Flash Eurobarometer 354.

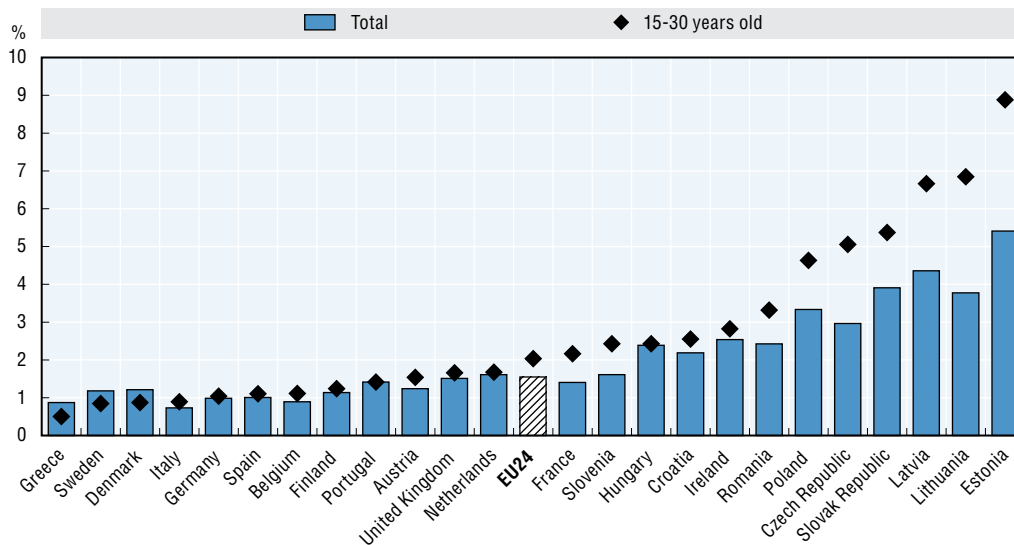
StatLink  <http://dx.doi.org/10.1787/888933154473>

Growth expectations for young entrepreneurs

- Young people (ages 18-30) who are involved in early stage entrepreneurial activities were more likely than adults to expect to create more than 6 jobs in the next five years.
- In 5 member states (Estonia, Lithuania, Latvia, the Slovak Republic and the Czech Republic), the proportion of youth involved in early stage entrepreneurial activities that expected to create more than 6 jobs in 5 years was more than three times the adult average for the EU.


The proportions of young people (ages 18-30) in the EU who were involved in early stage activities and expect to create more than 6 jobs in the next 5 years are presented in Figure 3.12. This covers those who were actively involved in setting up a business that they will own or co-own and those who have started new business within the last 42 months.

Figure 3.12. Growth expectations for young entrepreneurs, 2008-12 (combined)
 Proportion of 15-64 year olds involved in total early stage entrepreneurial activities that expect to create more than 6 jobs in the next 5 years



Note: Total early stage entrepreneurship activities which are defined as the proportion of the population that is actively involved in setting up a business they will own or co-own and those who have started new business within the last 42 months.

Source: Special tabulations of the 2008-12 adult population surveys from Global Entrepreneurship Monitor.

StatLink  <http://dx.doi.org/10.1787/888933154489>

Overall, approximately 2% of young people in the EU involved in early stage activities expected to create at least 6 jobs in the next 5 years. This is higher than the overall average for adults and this finding is true in the vast majority of member states. However, this proportion varied from 0.9% in Greece to 8.9% in Estonia.

References

European Commission (2012), "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354, available at: ec.europa.eu/public_opinion/flash/fl_354_en.pdf.

Eurostat (2013), Labour Force Survey, available at: http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database.

Global Entrepreneurship Monitor (2013), Special tabulations of the 2008-12 Global Entrepreneurship Monitor adult population surveys.



From:
The Missing Entrepreneurs 2014
Policies for Inclusive Entrepreneurship in Europe

Access the complete publication at:
<https://doi.org/10.1787/9789264213593-en>

Please cite this chapter as:

OECD/European Union (2014), “Self-employment and entrepreneurship activities by youth,” in *The Missing Entrepreneurs 2014: Policies for Inclusive Entrepreneurship in Europe*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264213593-6-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.