



Entrepreneurship Education and Entry into Self-Employment Among University Graduates

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Summary. — Entrepreneurship education has the potential to enable youth to gain skills and create their own jobs. In Tunisia, a curricular reform created an entrepreneurship track providing business training and coaching to help university students prepare a business plan. We rely on randomized assignment of the entrepreneurship track to identify impacts on students' labor market outcomes one year after graduation. The entrepreneurship track led to a small increase in self-employment, but overall employment rates remained unchanged. Although business skills improved, effects on personality and entrepreneurial traits were mixed. The program nevertheless increased graduates' aspirations toward the future.

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Key words — entrepreneurship education, training, self-employment, skills, program evaluation, randomized control trial

1. INTRODUCTION

Entrepreneurship has long been considered a key element of the growth process (Baumol, 1968; Schumpeter, 1912). Some theories of entrepreneurship model individuals' decisions between entry into wage and self-employment. The theoretical literature highlights the role of wealth in shaping this decision in the presence of capital-market imperfections (Banerjee & Newman, 1993; Ghatak & Jiang, 2002). Heterogeneity in individual preferences (Kihlstrom & Laffont, 1979) as well as in ability or entrepreneurial skills (Jiang, Wang, & Wu, 2010) can also affect occupational choices. Since entrepreneurial ability is not necessarily innate, education and training programs that seek to shape these entrepreneurship skills are multiplying around the world. Still, the evidence that these programs can effectively facilitate entry into self-employment remains thin (Valerio, Parton, & Robb, 2014).

The role of entrepreneurship in the development process is eliciting increasing attention from policymakers and scholars (Naudé, 2014). In developing countries, only a small share of the labor-force is employed in wage jobs (Gindling & Newhouse, 2014). In economies with limited creation of private-sector wage jobs, entrepreneurship-support interventions are promising policy options for the creation of more attractive skilled jobs. In this context, many policymakers consider that entrepreneurship education has a strong potential to enable youth to gain skills and generate their own skilled jobs.

The Middle East and North Africa is one of the regions with the highest youth unemployment rates among university graduates (Gatti *et al.*, 2013; Groh, McKenzie, Shammout, & Vishwanath, 2015). In Tunisia, 46% of graduates of the 2004 class were still unemployed eighteen months after graduation (MFPE & World Bank, 2009). Unemployment among youths holding a university degree increased from 34% in 2005 to 62% in 2012. In this context, Tunisia has attempted various reforms aiming to promote employability or self-employment among university graduates. Among them, a new entrepreneurship track was introduced into the undergraduate (*licence appliquée*) curriculum in 2009. Students enrolled in the last year

of their undergraduate degree were invited to apply to the entrepreneurship track, which entailed business training as well as personalized coaching sessions. Students could then graduate by writing and defending a business plan instead of a traditional undergraduate thesis.

In this paper, we analyze the impact of the entrepreneurship track on labor market outcomes by relying on randomized assignment of the program among applicants. The paper makes several contributions to the empirical literature on entrepreneurship education and training. First, we provide unique experimental evidence on the effectiveness of entrepreneurship education delivered in university in shaping employment outcomes among graduates. Moreover, it is the

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first study providing such evidence outside OECD countries, and for the Middle East and North Africa in particular. Second, whereas most studies on entrepreneurship training have focused on its impacts on productivity of established entrepreneurs, our results complement the more limited literature analyzing the impacts on entry into self-employment. Third, the paper contributes to the broader literature on active labor market policies, which tends to focus on programs targeting low-skilled youths or unemployed individuals. In contrast, our work looks at the effectiveness of a training program for higher education students, before they enter the labor-market. Lastly, we analyze the impacts of entrepreneurship training on a range of skills such as business skills, personality dimensions, or entrepreneurial traits. As such, the paper provides a link between the economic literature on the effectiveness of training programs on labor outcomes, and the broader psychology and entrepreneurship literature studying the specific skills or traits associated with successful entry into self-employment.

Results show that entrepreneurship education significantly increased the rate of self-employment among university graduates approximately one year after graduation. However, the effects are small in absolute terms, ranging from 1 to 4 percentage points. Given the low prevalence of self-employment in the population, these small absolute effects imply that program participants were on average 46–87% more likely to be self-employed compared with graduates from the control group. However, the employment rate among applicants remained unchanged, suggesting a substitution from wage employment and into self-employment. Findings on intermediary outcomes are consistent with the limited employment results: the program improved business skills, but had mixed impacts on personality and little effects on entrepreneurial traits. Nevertheless, participation in the entrepreneurship track heightened graduates' aspirations toward the future shortly after the Tunisian revolution.

The rest of the paper is organized as follows. Section 2 discusses the placement of the paper in the literature. Section 3 briefly sets the country context and describes the entrepreneurship track. Section 4 describes the randomized assignment and take-up of the entrepreneurship track. Section 5 presents the empirical strategy. Section 6 discusses the main effects of the program on labor market outcomes. Section 7 analyzes a range of skills as intermediary outcomes that can contribute to explain the observed employment impacts. Section 8 concludes.

2. RELATED LITERATURE

This paper relates with different strands of the literature. First, we relate directly to the empirical evidence on the effectiveness of entrepreneurship education programs in shaping individual skills and facilitating entry into self-employment. Several OECD countries provide entrepreneurship education in school. Despite the popularity of these programs, the evidence on their effectiveness remains thin (Valerio *et al.*, 2014). Peterman and Kennedy (2003) and Souitaris, Zerbinati, and Al-Laham (2007) find some impacts of entrepreneurship education on entrepreneurial intentions among secondary school and high-school students, respectively. In contrast, Oosterbeek, van Praag, and Ijsselstein (2010) show that an entrepreneurship education program had no effect on university students' entrepreneurial skills and had a negative effect on the intention of becoming an entrepreneur. A limitation of these studies, however, is that they measure impacts on students' intentions while in school,

not on actual project creation or employment outcomes after students have graduated and joined the labor-market.¹ Given this limited evidence-base, the effectiveness of entrepreneurship education remains a topic of active debate. We provide unique evidence on the impacts of an entrepreneurship track introduced in Tunisian universities on the labor-market outcomes of participants one year after their graduation.

Second, we relate to a growing literature analyzing the effectiveness of entrepreneurship-support interventions, including programs providing a mix of capital and skills (for a review, see Cho & Honorati, 2014). Most studies on business training analyze whether the skills of existing entrepreneurs can be strengthened to improve their productivity (for a review, see McKenzie & Woodruff, 2014). Recent contributions show that business training can affect enterprise owners' practices, although effects on employment or productivity are more limited (Bruhn & Zia, 2013; Drexler, Fischer, & Schoar, 2014; Karlan & Valdivia, 2011; Klinger & Schündeln, 2011). In contrast, fewer studies focus on whether business training can equip individuals with the skills required to enter into self-employment. De Mel, McKenzie, and Woodruff (2014) show that business training targeted to women in urban Sri Lanka affected business practices but not productivity among existing business owners, and that the same training accelerated entry into self-employment in the short-run. Fairlie, Karlan, and Zinman (2015) find limited overall treatment effects of entrepreneurship training in the United States, although they find short-term effects on business ownership among individuals previously unemployed. We complement this limited literature analyzing the effectiveness of entrepreneurship training in facilitating entry into self-employment.

Third, we also complement the broader literature on active labor market policies by documenting the effectiveness of a training program for a high-skilled group of university students before they enter the labor-force. Active labor market policies mostly aim to foster employability and productivity among low-skilled youths or unemployed individuals (for reviews, see Kluge, Rother, & Sánchez-Puerta, 2010, or Almeida, Behrman, & Robalino, 2012). Most of the existing evidence on training programs in developing countries comes from Latin American programs and tends to focus on the effect of providing technical and vocational training to low-skilled, at-risk youth on their probability to enter wage employment (e.g., Attanasio, Kugler, & Meghir, 2011; Card, Ibarraran, Regalia, Rosas-Shady, & Soares, 2011). The active labor market program literature in developing countries is comprehensive and casts doubts on the cost-effectiveness of training (Almeida *et al.*, 2012). The findings generally show that trainees of more comprehensive programs are more likely to find a job and tend to have better quality jobs than non-trainees, although differences in labor earnings are mixed. In contrast, this paper isolates the impact of a training program for high-skilled youths before they enter the labor-market, focusing on youths' transition from university to work and the decision to enter into self-employment. It is unclear a priori whether training programs should have larger or smaller impacts on the high-skilled relatively to the low-skilled. On the one hand, low-skilled youths have lower human capital than university students, and as such the marginal returns to additional training may be higher among them. On the other hand, high-skilled youths may face fewer constraints to enter self-employment in the first place, so that the impact of entrepreneurship training may be larger among them.

Finally and importantly, we relate also to the broader psychology and entrepreneurship literature studying the skills or personality traits needed for successful entry into self-

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