



Policy brief

Youth Entrepreneurial Readiness in Jordan: High Interest, Low Success Rates

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November 2021

Key Messages

- Young people in Jordan have positive attitudes towards entrepreneurship (48 per cent reported that they wanted to start their own business or project within five years).
- Young people often reported, however, that they did not know what entrepreneurship is. Those who did know focused on entrepreneurship in terms of small or home-based projects.
- Finance and credit were, by far, the biggest perceived barriers to entrepreneurship.
- Ten per cent of young people had an idea for a business and tried to start a business.
- Half of young people (51 per cent) who tried to start a business failed to get their enterprise up and running.
- Among young people who did start a business, 85 per cent had their business fail and 6 per cent closed their business. Only 9 per cent of young people who started businesses managed to continue them.
- Young people who engaged in skills trainings, courses, apprenticeships, and internships found that these programmes fostered their personal development but rarely helped them to start a business.
- Policies and programmes promoting youth entrepreneurship as the solution to youth unemployment should re-think their approach, given the substantial challenges and high failure rates for youth enterprises.
- Rather than focusing on turning unemployed young people into new entrepreneurs, policies and programmes should help those potential entrepreneurs whose businesses are most likely to succeed – who are likely to be older adults with experience. This would help to start more long-term businesses and thus create jobs for young people.

Objectives and overview

Jordan's population is relatively young, with nearly a third of the country's population aged between 16 and 30 years old. This policy brief relies on new data – both nationally representative quantitative (survey) data and qualitative (focus group discussion) data – to better understand the aspirations of young people and the challenges they face in terms of economic participation. The policy brief focuses

on the opportunities and risks of youth entrepreneurship in Jordan.

What do young people think entrepreneurship is?

Ideas of entrepreneurship typically focus on individuals creating or identifying opportunities in the economy, contributing to economic growth, and creating

employment for others.⁴ This view of entrepreneurship sees it as a positive contributor to the overall state of the economy. Entrepreneurship has often been advocated as a potential avenue for job creation for young people, in that they can start their own businesses and be self-employed.⁵ However, self-employment may also be a path that job seekers pursue out of necessity, due to a lack of other suitable opportunities. Those engaged in self-employment for the purposes of survival and income generation can also be considered entrepreneurs.⁶

“I know a woman who at first started something very simple. She used to make home-made desserts or cook a meal according to what people ask from her. She became popular, had her business card, and started having more people helping her. She [eventually] had a project where she found an external room in a big house just for deliveries.” – Young Syrian woman, aged between 25–30

A new study conducted for UNICEF demonstrates that young Jordanians and Syrians in Jordan have different understandings of what entrepreneurship means.⁷ In focus group discussions (FGDs) and a new survey (the Survey of Young People in Jordan [SYPJ]), a survey of young people aged 16–30), young people were asked what was their understanding of the term “entrepreneurship”. Their answers depended on the translation of this term in Arabic. Most FGD participants did not

understand the more direct translation, “ريادة الاعمال”. This is the term that was used in the survey as well (Figure 1), and 45 per cent of respondents did not know what this meant.

When FGD facilitators then used the more commonly understood term “مشروع”, which translates as a “project”, respondents were more likely to bring up ideas of home-based production projects. This concept was the most common response after “don’t know” in the survey as well, with 26 per cent of young people identifying entrepreneurship with starting or trying to start one’s own project. Young women were particularly likely to emphasize this interpretation, and in the FGDs often gave examples of home-based projects that they considered suitable for women to run. Young people also often identified entrepreneurship as “being your own boss” (17 per cent). They rarely considered entrepreneurship as creating new products or services (7 per cent) or as contributing to the country’s economy (4 per cent). Ideas of social entrepreneurship were unfamiliar to young people in both the survey and the FGDs. The ways in which young people understood the concept of entrepreneurship was therefore closer to the idea of “necessity” entrepreneurship, or engaging in self-employment (projects) as a survival or livelihood strategy,⁸ rather than “opportunity” entrepreneurship – creating, discovering, and exploiting opportunities in the market.⁹

4 Naudé, 2010; Shane, 2003.

5 Alam, 2019.

6 Naudé, 2008; Sumberg et al., 2021; Organisation for Economic Co-operation and Development – Development Centre, 2018.

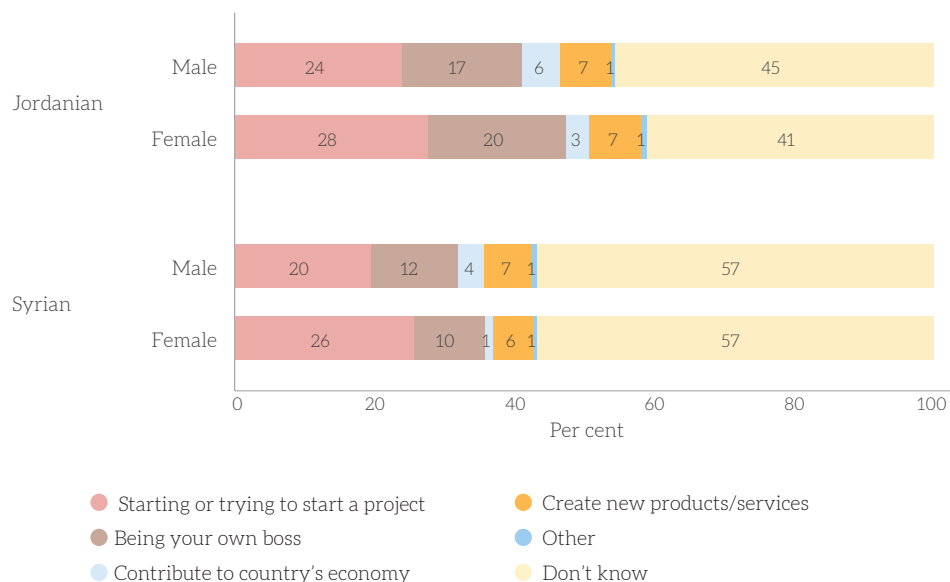
7 Assaad, Krafft, and Sieverding, 2021.

8 Naudé, 2008; Arabiyat, Sandri and Alkhatib, 2017.

9 Naudé, 2010; Shane, 2003.

Figure 1: Young people's understandings of entrepreneurship (percentages), by gender and nationality

Source: Authors' calculation based on SYPJ.



Interest in entrepreneurship is high

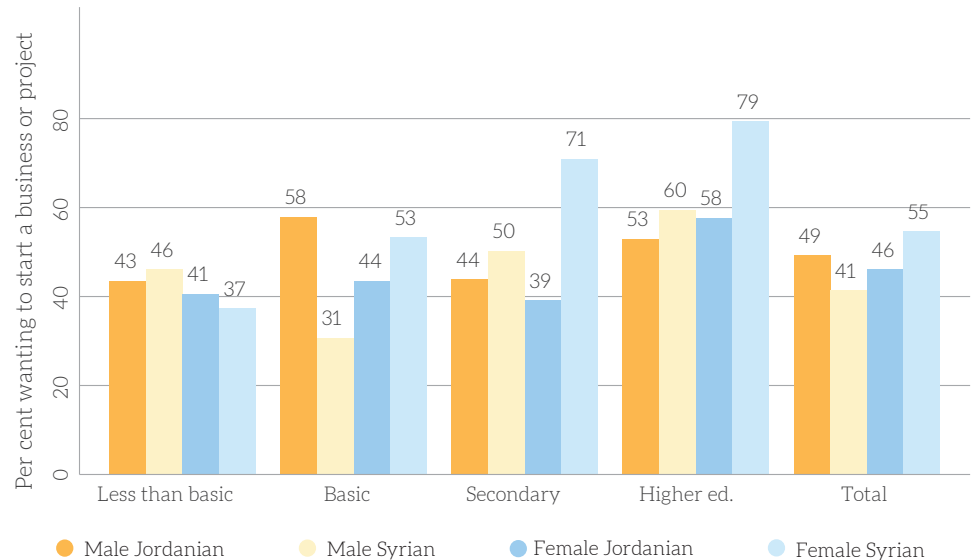
Young Jordanians and Syrians in Jordan have a high level of interest in entrepreneurship (48 per cent of young people want to start a business or project in the next five years). This interest was common across nationality groups as well as among both young men and women (Figure 2). Syrian women had the highest interest (55 per cent), which may be because home-based projects are one of the few feasible routes for economic participation for this group. Young people with higher education were the group most likely to want to start a business or project, ranging from 53 per cent of male Jordanians with higher education, to 79 per cent of female Syrians with higher education.

Young entrepreneurs' businesses commonly fail

Although young people are interested in entrepreneurship, their businesses rarely succeed. Young people in the survey were asked if they had ever had an idea for a business and tried to start one. A substantial percentage of young people (10 per cent) had an idea for a business and tried to start one. Figure 3 shows what happened to those business ideas. Half (51 per cent) of young people who had an idea for a business and tried to start one never actually started the business. A further 42 per cent of young people who had an idea for a business and tried to start one started and had their business fail (85 per cent of youth who actually started a business had it fail). An additional 3 per cent of young people who had an idea for a business and tried to start one closed the business for another job or family reasons (6 per cent of youth who actually started

Figure 2: **Percentage of young people who want to start a business or project in the next five years, by gender, nationality, and education level**

Source: Authors' calculation based on SYPJ.



a business). Only 5 per cent of youth who had an idea for a business and tried to start one had the business still operating at the time of the survey (9 per cent of those who actually started their business and 0.4 per cent of young people overall). Youth entrepreneurship is thus a very risky proposition.

The risks inherent in entrepreneurship were reflected in how unemployed young people perceived entrepreneurship. Unemployed young people in the survey were asked what the minimum monthly income was that would motivate them to accept a position as an entrepreneur. The average response was 575 Jordanian Dinar (JD) per month, compared to 332 JD to accept a position in the private sector, and 299 JD to accept a position in the public sector. Unemployed young people may require a higher income to accept

a position as an entrepreneur due to the risks of entrepreneurship, as well as its capital requirements, compared to wage work.

Barriers to entrepreneurship

Entrepreneurship is both risky and challenging. Young people recognized this, and reported that they face several barriers to starting their own businesses. The survey asked young people what would be the biggest barrier if they were to start a business. Figure 4 shows their responses, by gender and nationality. A lack of access to credit or finance was seen as the greatest barrier to starting a business across all groups (58–80 per cent). Finance was particularly a barrier for Syrians (76–80 per cent). A lack of information, skills, or advice (7–15 per cent) and problems caused by COVID-19 (3–13 per cent) were

Figure 3: What happened to the businesses (percentages) of young people who tried to start a business

Source: Authors' calculation based on SYPJ.

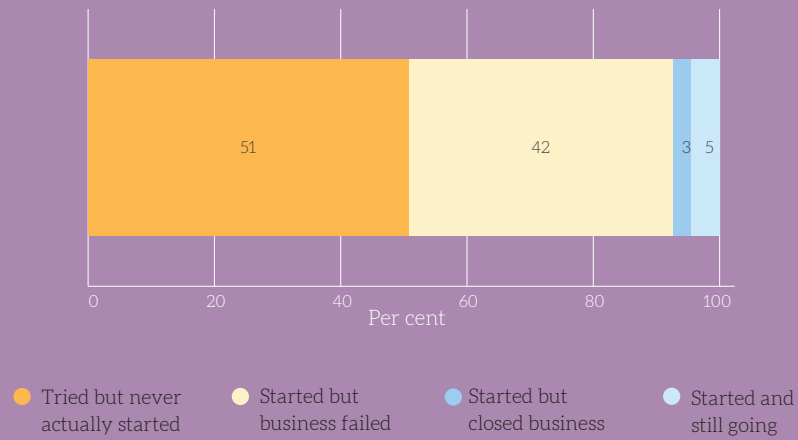
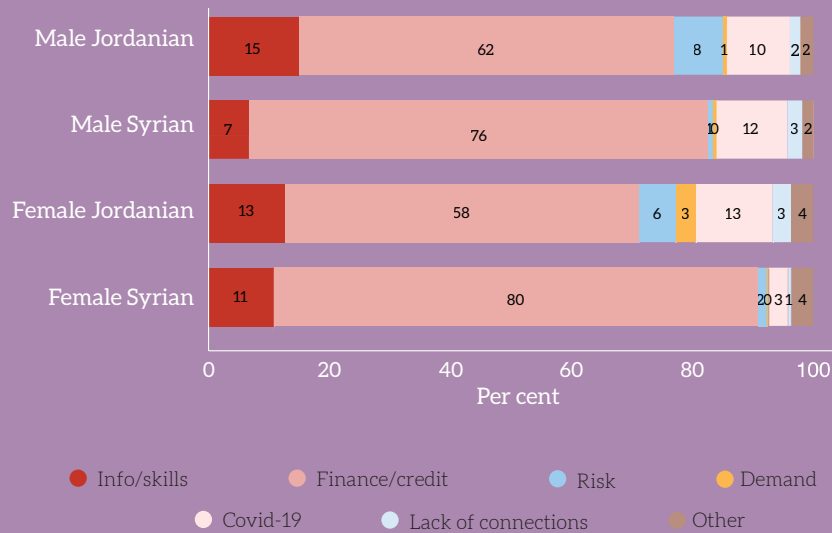


Figure 4: Barriers to entrepreneurship, by gender and nationality (percentages)

Source: Authors' calculation based on SYPJ.



also sometimes reported as barriers, as well as – among Jordanians – concerns about risk (8 per cent for men, and 6 per cent for women). Young people who participated in the FGDs similarly noted these factors, particularly the issues around finance, and expressed the view that support for youth businesses was minimal or unevenly distributed across the country. They viewed this as a barrier to young people starting businesses. Given the risks involved, as indicated by the very high failure rates, it is surprising that risk was not mentioned by more young people as a barrier. This suggests that young people likely underestimate the risk of starting a business.

“For someone to have their own project is definitely not easy, it depends on the person’s will; and [these projects] require support, financial support.” – Young Syrian woman, aged between 23–30

“[I].. think that there should

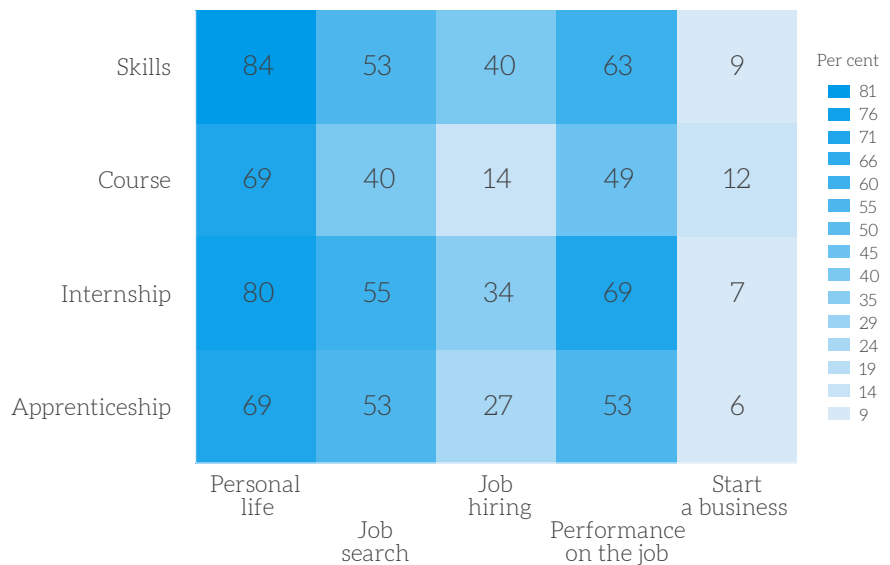
be business incubators in all governorates. In Amman there are a lot...however, entrepreneurship in the other governorates is almost non-existent...” –Young woman, Jordanian, aged between 25-28

Trainings rarely support entrepreneurship

Although young people in Jordan often engage in training (a quarter of the young people in the survey had attended skills training, courses, apprenticeships, or internships), they rarely find these training experiences helpful to start a business. Figure 5 shows, by training type, whether young people reported that the training was helpful for their personal life, job search, getting hired, on-the-job performance, or starting a business. Young people often found training experiences helpful for their personal life (69–84 per cent across training types). Importantly, however, it was rare (6–12 per cent) for trainings of any type to be reported as

Figure 5: Perceptions of the helpfulness of training, by type of training (percentages of trainings)

Source: Authors’ calculations based on SYPJ.



helpful for young people in actually starting a business. This may be because the various types of training do not address the key barriers of finance and risk, instead providing skills or work experience.

Rethinking policies and programmes for youth entrepreneurship

Youth entrepreneurship is often promoted as a solution to the high rates of youth unemployment in Jordan. A recent study of 84 youth employment interventions in Jordan found that entrepreneurship training was the sole focus of 18 per cent of interventions, and was a component of additional interventions.¹⁰ Entrepreneurship and business programmes aim to generate jobs for young people, especially aiming to directly turn unemployed young people into entrepreneurs.¹¹ Yet the global and Middle East and North Africa (MENA) literature suggests that youth entrepreneurship programmes are rarely effective in increasing employment.¹² The evidence from this policy brief suggests some reasons why policies and programmes aiming to address youth unemployment through youth entrepreneurship may be ineffective.

Youth-initiated businesses often fail

Young people are interested in entrepreneurship, so a lack of interest in entrepreneurship does not appear to be the problem. An appreciable percentage of young people, 10 per cent, also tried to start a business. However, only a very small percentage of young people who tried to start a business had their business succeed (5 per cent). This suggests that policies and programmes need to address the inherent risks involved, which includes

the enabling environment – especially the market – for youth-initiated businesses and young people’s own capacities, in order for entrepreneurship to potentially help address the youth unemployment problem.

Training programmes are common but may not be effective for creating jobs

Programmes such as INJAZ that provide entrepreneurship training have reached more than a million young people.¹³ This represents a substantial investment in entrepreneurship training by development partners. Yet young people themselves said that while training programmes were helpful for personal development, they were rarely helpful in the process of actually starting a business. Rigorous experimental research confirms that youth entrepreneurship trainings do not create employment for young people. For example:

- In Morocco, a 100-hour training programme providing entrepreneurial, financial, and life skills to young people aged 15 to 25 was designed to help “youth to create their own employment solutions through entrepreneurship.”¹⁴ It led to no change in unemployment and to a *decrease* in employment.
- In Tunisia, young people randomly assigned to the entrepreneurship track in higher education were slightly more likely to engage in self-employment and less likely to engage in wage employment, but there was no change in employment or unemployment.¹⁵

Apprenticeships¹⁶ and internships¹⁷ may be better models than entrepreneurship for helping young people transition into the labour market. Participants in the focus group discussions underscored the challenge of finding a first job without past work experience, and apprenticeships and

10 International Labour Organization and International Fund for Agricultural Development, 2013.

11 United States Agency for International Development, 2015.

12 Bausch et al., 2017; Premand et al., 2016; Barsoum et al., 2015; Cho and Honorati, 2014; Grimm and Paffhausen, 2014.

13 Abu Jaber, Kwauk and Robinson, 2016.

14 Bausch et al., 2017.

15 Premand et al., 2016.

16 Krafft, 2018; Monk, Sandefur and Teal, 2008.

17 McKenzie, Assaf and Cusolito, 2016.

internships can overcome this important barrier to work.

Finance is a key barrier to youth entrepreneurship

Young people also primarily identified finance – not skills – as one of the main barriers to entrepreneurship. Unemployed young people, in particular, may lack the financial capital, market and product knowledge, or work experience needed to start a business. There is evidence from an experiment in Uganda that an asset-transfer strategy to cover initial start-up costs, mostly in the form of tools and materials, succeeded in increasing business assets, working hours, and income, results that are consistent with a credit constraint.¹⁸ Likewise a cash-grant programme for potential entrepreneurs in Nigeria led to substantial increases in firm entry, survival, profits, and job creation.¹⁹

Rethinking entrepreneurship within the life course

Research with young people in the MENA region has shown that young people consider entrepreneurship as an option only after they have gained substantial work experience.²⁰ Other research on MENA, including Jordan, demonstrated that unemployed young people had characteristics that were almost the opposite of those of existing entrepreneurs; entrepreneurs were most often older adults, with substantial work experience.²¹ These findings suggest that initiatives to support entrepreneurship should rethink at what life stage individuals may be best positioned to start businesses.

Although policies and programmes need not necessarily discourage young people with business ideas from engaging in survival or opportunity entrepreneurship, they should make sure that young people have accurate information and realistic expectations about entrepreneurship. Home-based production projects, such as making soap for sale, have different costs, risks, and potential returns than larger entrepreneurial projects such as establishing a supermarket. Young people's reservation wages for entrepreneurship suggest that they recognize some of the risks associated with entrepreneurship, but given the high rates of business failure, may still be overly optimistic in their expectations. Indeed, research in Egypt demonstrated that, while young people had accurate perceptions of wage earnings, they overestimated earnings in self-employment.²²

Programmes and policies that promote youth entrepreneurship as a solution to youth unemployment should be rethought. Rather than focusing on turning young unemployed people into new entrepreneurs, policies and programmes should help those whose businesses are most likely to succeed – who are likely to be older adults with experience.²³ This would help to start more long-lasting businesses and thus create jobs for young people. Predicting the success of a potential business in advance is very difficult,²⁴ making it hard to target specific entrepreneurs in terms of their job creation potential. This underscores the importance of fostering an inclusive and supportive entrepreneurship ecosystem that is broadly conducive to business start-ups. Programmes should also help existing micro, small, and medium enterprises grow and succeed so that they can contribute to job creation.

¹⁸ Blattman, Fiala and Martinez, 2014.

¹⁹ McKenzie, 2017.

²⁰ Sieverding, 2012.

²¹ Krafft and Rizk, 2021.

²² Osman, 2014.

²³ Grimm and Paffhausen, 2014; Krafft and Rizk, 2021.

²⁴ McKenzie and Sansone, 2019.

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