Small Business Training and Loans for Aspiring Entrepreneurs in Disadvantaged Neighborhoods in France (ADIE)

Researchers:

Bruno Crépon

Esther Duflo

Elise Huillery

William Pariente

Juliette Seban

Sector(s): Firms, Labor Markets

Location: Six cities in France

Sample: 1,445 young people between the ages of 18-32

Target group: Entrepreneurs Youth

Outcome of interest: Employment Self-employment Profits/revenues Take-up of program/social service/healthy behavior

Intervention type: Business skills training Coaching and mentoring Credit Information

AEA RCT registration number: AEARCTR-0000023

Partner organization(s): Fonds d'expérimentation pour la jeunesse (FEJ)

Chronic unemployment is a considerable problem in France, particularly in disadvantaged neighborhoods. While self-employment could be an alternative, entrepreneurship is low. Researchers evaluated whether coaching, guidance, and financial support could help young people create and sustain independent businesses. The entrepreneurship training program did not increase entrepreneurship, and participating youth were more likely to be unemployed and earn lower revenues from their business 28 months after the start of the program.

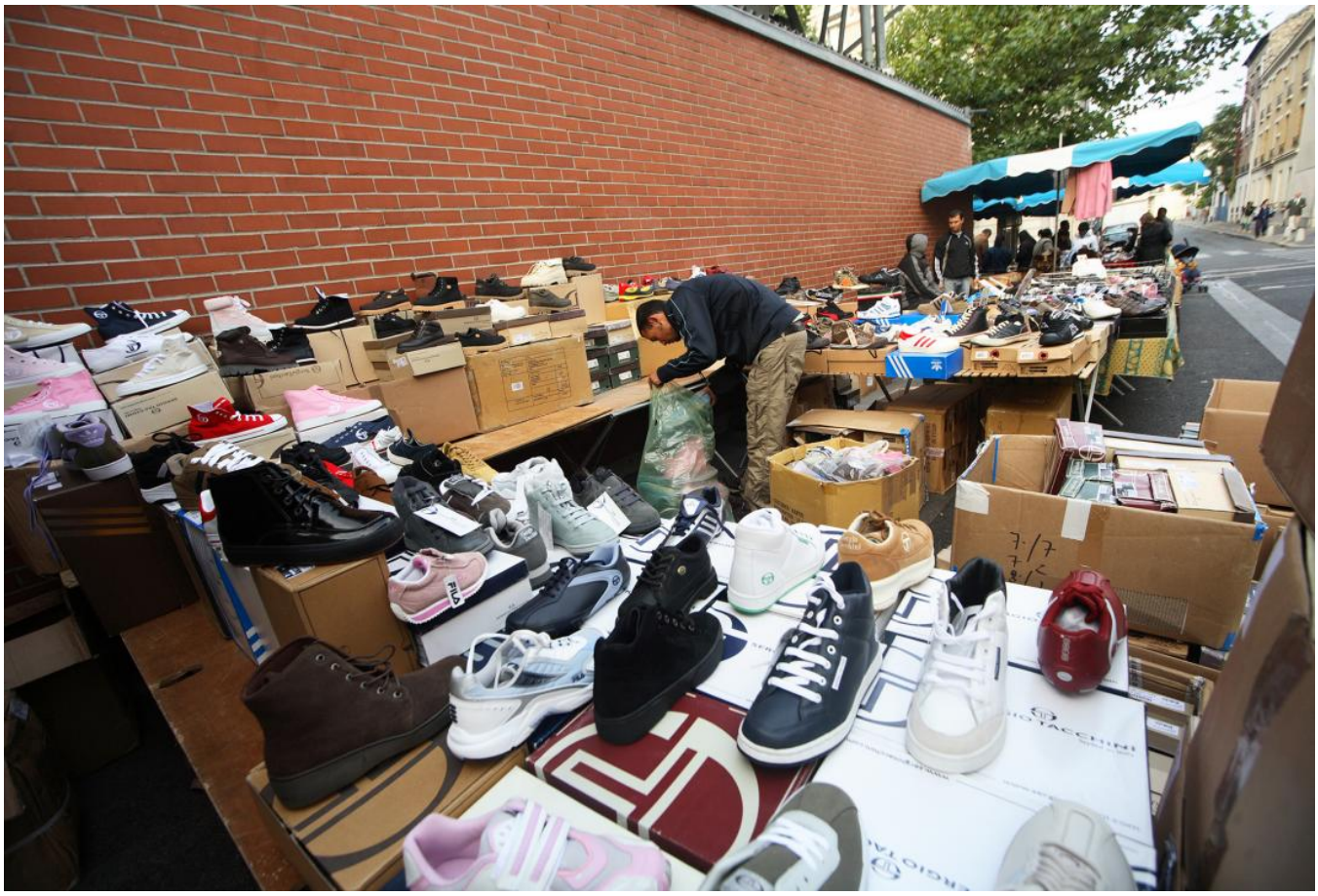
Policy issue

Youth living in disadvantaged neighborhoods may struggle to find jobs, perhaps because they have low levels of education or experience or because they lack the social networks that might provide them with useful information and connections. In this context, increasing entrepreneurship might be a promising alternative, helping youth employ themselves. However, entrepreneurs can face a number of barriers to launching and expanding their businesses, including lack of business and financial management knowledge, constrained access to credit, and low self-confidence. There is little evidence on the effectiveness of entrepreneurship training programs which aim to help youth overcome the obstacles to starting a business.

Context of the evaluation

Youth unemployment is a considerable problem in France, particularly in disadvantaged neighborhoods. In 2008, the year the study began, 22 percent of youth living in "Sensitive Urban Zones" (an administrative term used to designate deprived neighborhoods in France), were unemployed or inactive in the labor market, twice as much as youth living in other

neighborhoods.[1], While self-employment could be an alternative, youth entrepreneurship is low: in 2010, only 2 percent of youth aged 15-24 were self-employed, compared to a national average of almost 11 percent.[2]



Youth entrepreneur working at shoe business in France.

Photo Credit: Aude Guerrucci, J-PAL/IPA

Details of the intervention

In 2008 researchers partnered with the NGO Association pour le droit à l'initiative économique (ADIE) to test the impact of CréaJeunes, an entrepreneurship training program.

The study was implemented at 13 sites of ADIE throughout France and targeted youth aged 18-32 with a preliminary business idea and living near an ADIE center. From a sample of 1,445 youth, 970 candidates were randomly assigned to the treatment group and began the CréaJeunes program, and the remaining 475 were assigned to the comparison group. The program had three main components:

1. *Collective training sessions*: youth attended collective training sessions delivered by volunteers. These sessions were held three or four days per week for four to six weeks. They provided an overview of the fundamentals of small business startups and management.
2. *Individual coaching:* An advisor helped youth establish a working plan, guided them through the finalization and launching of their project, and helped them connect with other entrepreneurs. The advisor could provide additional support for approximately 18 months following business creation if the participant requested it.

3. *Financial support:* ADIE reimbursed up to 500 euros (US$696) of the fees linked to the preparation of the business project. It also helped youth identify and apply for funding and offered a bonus of 2,000 euros (US$2,780) maximum when projects were not eligible to other sources of financial support.

Researchers surveyed participants 16 and 28 months after the start of the program to gather information on business creation and performance, youth employment, consumption, quality of life, and psychological health

Results and policy lessons

The entrepreneurship training program did not increase youth entrepreneurship and delayed business creation. Youth assigned to the entrepreneurship training program were more likely to be unemployed and received lower revenues from their business 28 months after the start of the program.

Program Take-up: 69 percent of youth assigned to the treatment group participated in the collective training sessions and individual coaching offered by CréaJeunes. Only 29 percent of youth assigned to the comparison group participated in an entrepreneurship training program, with 10 percent entering CréaJeunes. Overall, youth in the treatment group received four more weeks of entrepreneurship training sessions than participants in the comparison group (who spent two weeks in training sessions on average). These results suggest that CréaJeunes responded to an unmet demand for entrepreneurship training programs among socially disadvantaged youth.

Impact on Business Creation: CréaJeunes had no impact on the number of new businesses and delayed their creation. Youth assigned to CréaJeunes were more likely to borrow from a microcredit institution, but they did not start more new businesses than youth in the comparison group (36 percent in total). Youth assigned to CréaJeunes who started a business took on average 3.5 additional months before launching their project compared to an average of 24 days in the comparison group. They also received lower monthly revenues from their entrepreneurial activity 28 months after the start of the program (36 percent lower from a monthly average of 935 euros or US$1,300 in the comparison group).

In addition, youth in CréaJeunes were unemployed or out of the labor force for an average of one month longer than youth in the comparison group, who spent an average of six months out of work.

These results suggest that providing information and business training was not sufficient to encourage business creation. Other barriers, such as low self-confidence or a lack of entrepreneurial spirit, may be at play. Further research is needed to test these barriers and possible solutions.

---

1. http://extranet.ville.gouv.fr/docville/01emploi.pdf, p. 29
2. OECD, European Commission, Policy Brief on Youth Entrepreneurship, Entrepreneurial Activities in Europe, 2012.